DTEK 2014 INTEGRATED REPORT

Financial and non-financial performance

Contents

Introduction

Oleg Popov
Chairman of Supervisory Board,
General Director of JSC “SCM”

Dear colleagues and partners,

The year 2014 was a very serious challenge in terms of endurance and responsibility for the entire SCM Group and for each of our businesses.

This was the year of a system-wide crisis throughout the entire Ukrainian economy: industrial production declined by 11% in terms of the heavily weakened national currency, capital investments decreased by 24% in terms of volume, losses to Ukrainian businesses exceeded USD 33 billion, and the state budget deficit amounted to USD 6.5 billion.

A major portion of SCM Group’s assets turned out to be in the immediate area of the active conflict in Donetsk and Luhansk regions. This led not only to losses from the continual destruction and forced shutdown of businesses, but also to heavy expenditures on repairs and the restoration of destroyed infrastructure and broken business ties between companies.

SCM Group has largely passed this extremely difficult test. Our tax payments to government budgets at all levels totalled USD 2.7 billion. We timely and fully paid salaries to our workers, and the level of our salaries exceeded the national average by 70%. Our businesses continued to implement key investment projects and meet their social commitmments.

Last year’s hardships also affected DTEK and forced the company to operate literally at its maximum capacity in almost all areas. First and foremost, DTEK brilliantly succeeded in its central task: it provided Ukrainians with light and heating, minimised capacity shortages on Ukraine’s Unified Energy System, kept thermal power plants running under extremely high loads, and practically saved the heating season in the country.

In 2014, DTEK continued to implement strategic investment projects aimed at expanding the service life of its facilities, at developing its businesses, and at fulfilling its commitments toward employees and local communities. These investments totalled USD 524 million. The most ambitious projects included the completion of the retrofits at Dobrotvirska TPP Unit 8, Luhanska TPP Unit 13, Zaporizka TPP Unit 3, and Section 2 of the Pavlogradska CPP. It is important to note that all of these units were modernized in strict compliance with European environmental requirements and regulations.

Furthermore, DTEK brought the Botievo Wind Farm to its design capacity of 200 MW, which produced over 600 million kWh of green energy. The company also increased natural gas production by 50% to 752 million cubic meters, making Private JSC Naftogazvydobuvannya, which is part of the holding company, #1 in Ukraine in terms of the number of ultra-deep wells drilled.

Despite the extremely difficult situation, last year DTEK continued to meet its social commitments in full and invested USD 0.23 billion into environmental protection, operational safety and health, employee development, and social partnerships.

Another key area of focus for DTEK in 2014 was the restoration of power lines and substations destroyed as a result of the armed conflict in Donbas. To handle this task, DTEK set up an Anti-Crisis Centre that worked 24/7. Special teams of employees worked almost every day in the immediate conflict zone and ensured supplies of heat and light to tens and hundreds of thousands of Donbas residents.

Aside from its core activities, DTEK, together with other SCM Group businesses, took the most active role in the operation of the Rinat Akhmetov Humanitarian Centre, which was established to help the most vulnerable Donbas residents affected by the conflict. The Humanitarian Centre dealt with the evacuation and accommodation of displaced people, supply of food and medicine to children, women, and retirees, and provision of financial aid to families of those who were killed or wounded. Many DTEK employees cooperated with the Humanitarian Centre on a regular basis as volunteers.

I would like to thank everybody on DTEK’s team and the employees of all the companies and businesses of the holding for their selfless labour, civic courage, and true heroism. It is thanks to you that DTEK managed to pass through all the trials with honour and become even more robust, strong, and united on the eve of its tenth anniversary as an energy holding company. In my mind, this was last year’s key result and our main asset for the future.

Maxim Timchenko
Chief Executive Officer of DTEK

Dear colleagues and partners,

Presenting our report for 2014, I would like to thank all of our partners and investors for their support and confidence in us, and our employees for their team spirit and total dedication.

Last year was one of the most tragic years for our country and our company. Many of us were witnesses to the horrors of war and the destruction it brings. We faced many challenges that the business had never encountered before. DTEK's companies stretched their capacities to the limit to make sure that Ukrainian homes had light and were warm during the 2014-2015 heating season.

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DTEK Pavlogradugol became the flagship of the national coal industry. The company's efforts helped increase gaseous coal production, ensuring that gaseous coal-fired power plants received all necessary supplies and were able to operate at 150% of their usual load. DTEK supported the energy system even though this increased workload meant increased wear on equipment and additional overhauls. The Company imported 1.7 mln tons of anthracite to supply to the country's thermal power plants that had been cut off from Ukrainian anthracite-producing mines by the armed conflict.

Our employees worked extremely hard and did not let the company or the country down. Even during the intense exchanges during the armed conflict, DTEK miners were still producing coal and DTEK's electricity workers were restoring destroyed transmission lines and substations. The dedication of our people literally ensured the survival of many Ukrainians who found themselves in the conflict zone. Almost every day, repair and maintenance teams were in the field working to return electricity to communities affected by armed conflict. Some of our employees paid the highest price possible —their lives—for that. The armed conflict in Donbas region took the lives of 49 of our employees.

Ukraine suffered heavy losses: all key national macroeconomic indicators went down and the financial position of companies in all regions deteriorated. Industrial production declined twice as fast as in 2013. In terms of the components of industrial production, The "investment goods" group dropped to become the lowest component, which creates the conditions for further a slowdown in output. The 97% devaluation of the national currency was one of the factors that caused inflation to grow; it reached almost 25% by the end of the year. It was the most serious decline in the Ukrainian economy since the global financial crisis and recession of 2008-2009.

In 2014, we had to not only immediately respond to the new circumstances, but also to demonstrate responsibility and unity. We persevered thanks to our knowledge, courage, and morale.

This year DTEK celebrates its 10 year anniversary. We have grown from a regional company to the leader of the Ukrainian energy sector. Business publications and international audit company Ernst & Young have both rated our company as one of the best employers in Ukraine. Our executives have been regularly been named among the best top managers in Ukraine.

DTEK has initiated lots of positive changes in the national energy sector: a large-scale production upgrade programme is in progress, wind energy and gas production capacity is increasing, and the company is actively contributing to all aspects of sector reform.

In 10 years, DTEK has invested USD 5 bln to develop its enterprises. Since 2007, the company has upgraded 17 thermal power units, increasing their capacity by a total of 324 MW and expending their service life by 15 years. DTEK's miners have been demonstrating the highest performance in the industry and the company has been regularly purchasing state-of-the-art equipment and introducing modern technologies. We are renewing the tunnelling and breakage equipment fleet and introducing monorail transport for people and materials: all of this has significantly improved the working conditions for our miners. DTEK has also constructed two fresh air shafts, which has helped to extend the service life of those mines for decades.

We commissioned the largest wind farm in Ukraine — the Botievo wind farm — which is one of the five largest wind farms in Central and Eastern Europe. Our annual gas production is the highest among all private gas production companies in Ukraine at over 750 mln cubic metres of gas.

Implementing such large projects would have been impossible without the trust and support of our partners, investors, and of course the work teams at our companies. In 10 years, we have formed a strong team of people who share DTEK's values: professionalism, responsibility, pursuit of excellence, unity, and openness. Our people are DTEK's main source of pride.

DTEK's task for the future is to maintain the rate of its enterprises' operations to make it possible for the national budget to receive a stable inflow of taxes, and for people to be able to work to the utmost and be paid on time. The Company has acquired experience with overcoming crisis situations, learnt to readjust and maintain its manageability. It is important to learn lessons from that and — equipped with this new knowledge — to move forward, working every day to support the economy and the energy security of Ukraine.

About DTEK Group

About DTEK Group.

Structure of DTEK Group

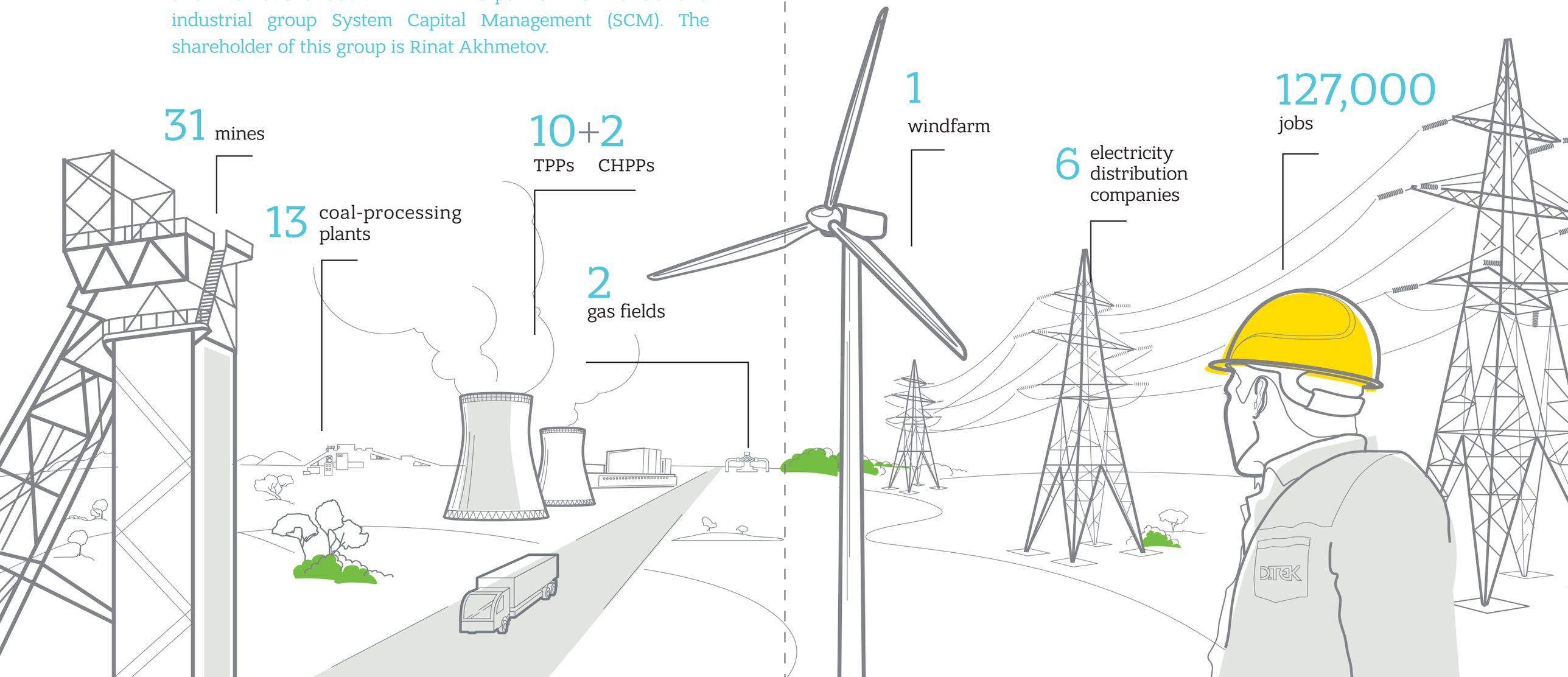
DTEK is a strategic holding company that manages three operating companies with assets in coal mining, thermal power generation and distribution, renewable power generation and gas production. 127,000 people are working at DTEK's enterprises in 10 regions of Ukraine. DTEK is one of the best employers in Ukraine according to business publications and international audit firm EY. It is part of the financial and industrial group System Capital Management (SCM). The shareholder of this group is Rinat Akhmetov.

DTEK has been developing long-term social projects in 32 areas where it operates.

DTEK upholds the principles of sustainable social development and is a party to the United Nations Global Compact. Building a relationship of trust with society is at the foundation of the Company's activities. One of DTEK's main principles is a to form consistent social partnerships with local government bodies and residents. This is our choice.

In 2012, the Company, together with local officials and communities, prepared and signed three-year (2013-2015) social partnership strategies with cities and towns where we operate. As a result, DTEK has been developing long-term social projects in 32 locations and areas where it operates. DTEK makes social investments in five key areas: energy efficiency in the municipal sector, healthcare, maintenance of social infrastructure, development of the business environment, and encouraging initiatives of local communities.

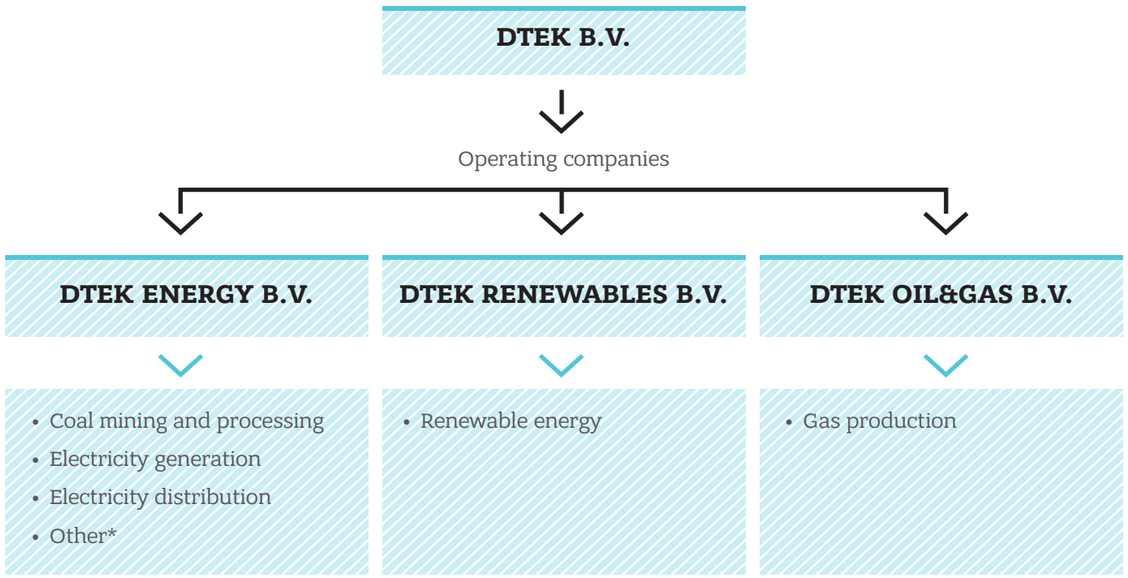
The Company conducts its business in an open and transparent manner, introducing international best practices in terms of governance and efficiency. DTEK has representative offices in five European countries apart from Ukraine, including trading arms in Geneva and Budapest. DTEK actively participates in the activities of European business associations including Eurelectric, EURACOAL. The Company is a Strategic Partner of the Yalta European Strategy (YES) – a reputable public discussion platform and international annual forum.



Structure of DTEK Group

DTEK has completed the establishment of its governance system, a process that began in 2011. As part of our long-term strategy, we have created stand-alone operating companies for coal mining, thermal power generation and distribution renewable power generation and gas production. DTEK's strategic holding company manages all of its businesses. DTEK started operating in the new format in September 2014.

Structure of DTEK Group



Key tasks of the strategic holding company:

- long-term planning;
- search for and development of new businesses;
- management of the investment portfolio and long-term fund raising;
- development of the management talent pool;
- reputation management;
- interaction with central government bodies.

Key tasks of operating companies:

- improvement of operating efficiency;
- development of sector expertise;
- implementation of investment projects;
- professional growth of employees;
- independent resolution of operational and management issues.

*Companies performing servicing and trading functions

DTEK started reorganising its governance structure in 2011. The project was designed to be implemented over three years and was intended to enhance governance efficiency. At the first stage, the Company dissolved local headquarters and made the Corporate centre as close as possible to the operating companies, which enabled faster decision-making, implementation of common standards for operational processes, and streamlined and unified key business processes. In 2013, DTEK proceeded with the second reorganisation stage to separate the functions of strategic planning and operational management. This was done to enable the efficient development of the new gas production and wind power generation businesses along with the management of coal production and electricity generation and distribution businesses.

The strategic holding company is a 100% owner of the three operating companies. This structure enables the strategic holding company to fully manage all businesses and conduct long-term planning while each of three operating companies serves as centers for sector expertise and focus on operations. The reorganisation was not an anti-crisis measure, yet in today's economic situation, this has become an important step for maintaining efficiency and sustainability. The spinning off of operating companies will help to increase investment appeal and engage different partners in this businesses.

"DTEK's expansion of its businesses required a comprehensive review of our governance model. Our businesses are at different stages of maturity and have different organisational structures. The implemented changes will help efficiently allocate managers' efforts both in terms of the modernisation of operations, implementation of operational improvements and strategic planning."

Maxim Timchenko
Chief Executive Officer of DTEK

Where DTEK Group companies operate

Kyiv:
Electricity and heat generation and distribution
Kyivenergo

Vinnytsia Region:
Electricity generation
DTEK Zakhidenergo: Ladyzhyn TPP

Dnipropetrovsk Region:
Electricity generation
DTEK Dniproenergo: Kryvorizka TPP, Prydniprovska TPP

Electricity distribution
DTEK Dniprooblenergo

Coal mining and processing
DTEK Pavlogradugol: Pershotravenske mine group, Pavlogradske mine group, Dniprovske mine group, Ternivske mine group, Geroiv Kosmosu mine group, Pavlogradska coal processing plant (CPP)

Donetsk Region:
Electricity generation
DTEK Skhidenergo: Kurakhovska TPP, Zuivska TPP;
DTEK Donetskoblenergo: Myronivska TPP

Electricity distribution
DTEK Energougol ENE;
DTEK Donetskoblenergo
DTEK Power Grid

Coal mining and processing
DTEK Dobropolyeugol and Bilozerska Mine ALC: Bilozerske mine group, Dobropilske mine group,
DTEK Dobropilska CPP;
DTEK Mine Komsomolets Donbassa: Komsomolets Donbassa mine group, Komsomolets Donbassa CPP;
Mospino coal processing company;
Kurakhivska CPP;
DTEK Oktiabrska CPP

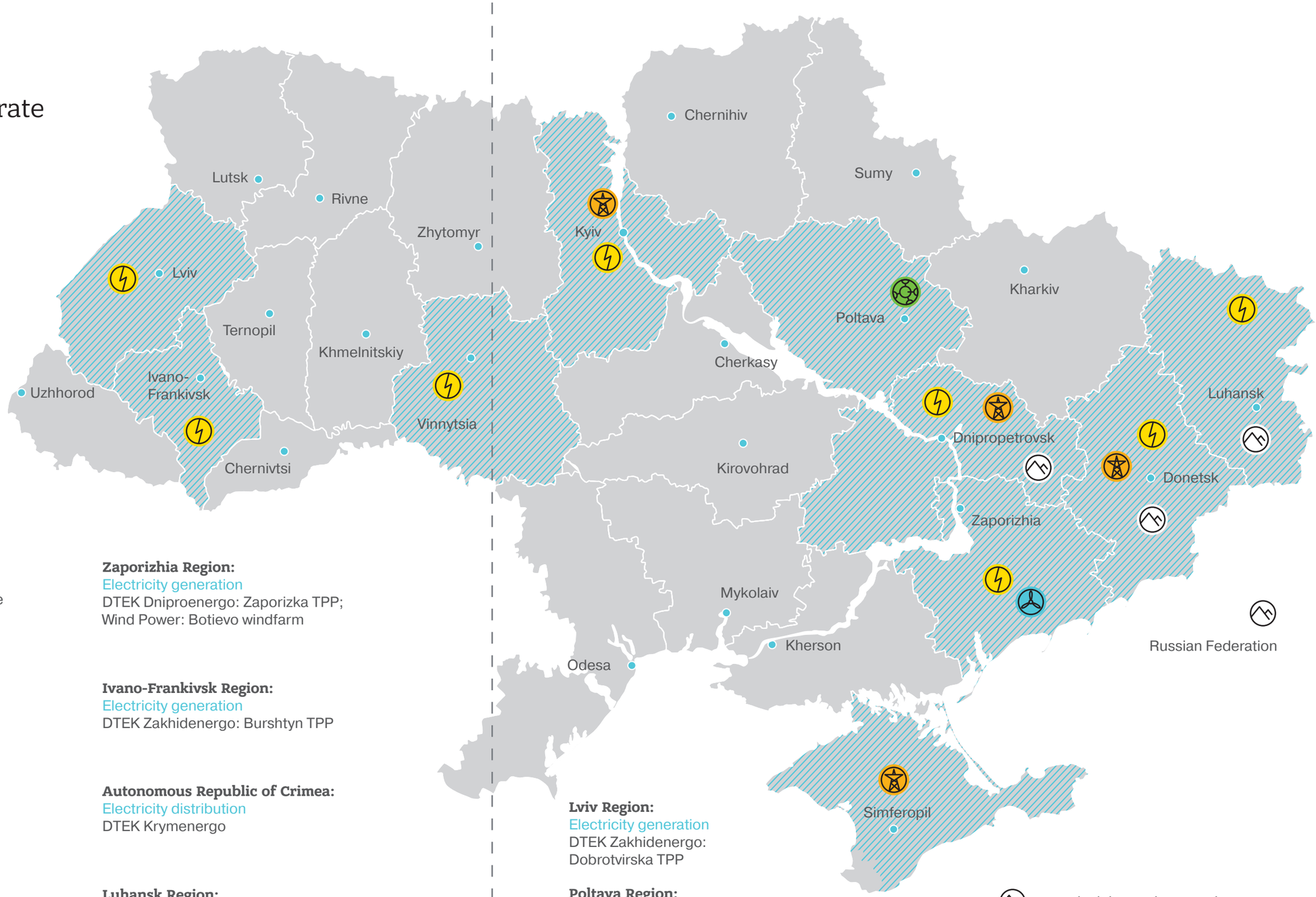
Zaporizhia Region:
Electricity generation
DTEK Dniproenergo: Zaporizka TPP;
Wind Power: Botievo windfarm

Ivano-Frankivsk Region:
Electricity generation
DTEK Zakhidenergo: Burshtyn TPP

Autonomous Republic of Crimea:
Electricity distribution
DTEK Krymenergo

Luhansk Region:
Electricity generation
DTEK Skhidenergo: Luhanska TPP

Coal mining and processing
DTEK Rovenkyanthracite: Rovenkivske mine group, Yasenivske mine group, Komendantska CPP, Rovenkivska washery, Vakhrushevska washery;
DTEK Sverdlovanthracite: Chervonopartyzanske mine group, Sverdlovske mine group, Sverdlovske CPP, Tsentrspilka washery, Chervonyi Partyzan washer



Lviv Region:
Electricity generation
DTEK Zakhidenergo: Dobrotvirska TPP

Poltava Region:
Gas production
Naftogazvydobuvannya

Russian Federation:
Coal mining and processing
Obukhovskaya mine group, Donskoy Anthracite, Sulinanthracite: Obukhovskaya washery and mine group

– coal mining and processing
– electricity generation
– electricity distribution
– gas production
– renewable power generation

Areas of Business of DTEK Group Companies

DTEK ENERGY — Coal mining, thermal power generation and distribution

The main product of DTEK is electricity. The Company has set up a full production cycle: from coal mining and processing to electricity and heat generation and distribution. The Company's thermal power enterprises are managed by DTEK ENERGY.

Coal mining and processing

DTEK mines steam and coking coal of G, DG, T, A grades, which is then processed by in-house plants. The total commercial coal reserves of DTEK's deposits are over 1,710.0 mln tons, out of which gaseous coal accounts for 1,054.0 mln tons, and anthracite and lean coal for 656 mln tons. DTEK is one of the largest European players in the anthracite markets.

DTEK produces coal at six companies in Ukraine and three in the Russian Federation. Gaseous coal (G, DG grades) is produced by DTEK Pavlogradugol, DTEK Dobropolyeugol and the Bilozerska mine; anthracite (A grade) is extracted by DTEK Rovenkyanthracite, DTEK Sverdlovanthracite and the Obukhovskaya mine group in Russia; lean coal (T grade) is produced by DTEK Mine Komsomolets Donbassa.

Furthermore, the Company controls 13 coal processing plants.

The total commercial coal reserves of DTEK's deposits are over 1,7 bln tons. DTEK is one of the largest European players in the anthracite markets.

DTEK's mines have high productivity as the Company has been consistently introducing modern equipment and advanced methods, improving working conditions for miners and enhancing the efficiency of underground operations. DTEK's companies have replenished their fleets of roadheaders and shearers by 70% (in total, DTEK purchased 195 roadheaders and 110 shearers after entry of the enterprises to the Group), the fleet of scraper conveyors and stage loaders by 35% (199 units were purchased), and replenished and upgraded the stock of electric locomotives by 63% (57 electric locomotives were purchased and 220 were overhauled).

DTEK's coal is consumed by its thermal power plants, and other coke and metallurgical plants in Ukraine and power plants and industrial companies in Europe, Asia, North and South Americas, and Africa.

Electricity generation

The Company's production facilities in the thermal generation segment are represented by DTEK Skhidenergo, DTEK Dniproenergo, DTEK Zakhidenergo, Kyivenergo, and the Myronivska TPP, which belongs to DTEK Donetskoblenergo. Total installed capacity exceeds 18.6 GW.

Since 2007, DTEK has retrofitted 15 power-generating units, which provided an additional 310 MW in capacity

The entire volume of electricity generated by DTEK is supplied to the United Energy System of Ukraine (UES), which is under control of the dispatcher, National Power Company Ukrenergo.The entire volume of electricity is sold on the wholesale electricity market, the operator of which is the state enterprise Energorynok. The electricity produced by the Burshtynska TPP and Dobrotvirska TPP (DTEK Zakhidenergo) can be supplied to European consumers. DTEK Zakhidenergo has been operating in ENTSO-E, the united European energy system, satisfying consumption demand in Lviv, Ivano-Frankivsk and Transcarpathian regions and exporting of electricity.

The main fuel for DTEK's TTPs is coal. Coal's share in the fuel mix of the generation companies is 98.4%. Gaseous coal is used for electricity generation by six thermal power plants: Zuivska TPP, Kurakhovska TPP (DTEK Skhidenergo), Zaporizka TPP (DTEK Dniproenergo), Burshtynska TPP, Dobrotvirska TPP and Ladyzhinska TPP (DTEK Zakhidenergo). Kryvorizka TPP (DTEK Dniproenergo) consumes lean coal; the Luhanska TPP (DTEK Skhidenergo) and Prydniprovska TPP (DTEK Dniproenergo) run on anthracite and lean coal; Myronivska TPP (DTEK Donetskoblenergo) uses lean and gaseous coal. In 2014, the actual consumption of coal by the TPPs amounted to 23.4 mln tons. The implementation of a comprehensive retrofit and modernisation programme resulted in savings on coal of 589.3 ths. tons in 2014. Since 2007, DTEK has retrofitted 17 power-generating units, which has provided an additional 324 MW of capacity for the Ukrainian energy system.

The specific share of gas and fuel oil in electricity generation is 1.6%. DTEK's TPPs use gas and fuel oil for coal ignition, and Kyivenergo's combined heat and power plants (CHPPs) use them for electricity and heat production. In 2014, Kyivenergo consumed 2 bln cubic metres of natural gas to provide electricity and heating to the capitol.

Electricity distribution and heating

DTEK's distribution companies' networks is 157,100 km

DTEK has five distribution companies: DTEK Donetskoblenergo, DTEK Power Grid, DTEK Dniprooblenergo, DTEK Krymenergo*, and Kyivenergo. The distribution companies buy electricity from the wholesale market of Ukraine and supply it to end consumers.

DTEK's companies provide services to 5.2 million consumers: iron and steel companies, collieries, engineering plants, organisations and households in Donetsk and Dnipropetrovsk regions and the Autonomous Republic of Crimea. Kyivenergo provides a full cycle of services: electricity and heating to the capitol of Ukraine.

The total length of DTEK's distribution companies' networks is 157,100 km, and the total transformer capacity is above 40.6 thousand MVA. The Company ensures uninterrupted power supply to consumers and creates additional capacity to connect new users by implementing projects to modernize and construct new networks and substations.

DTEK's TPPs sell heat to public utilities, legal entities and households in the towns where they are located, and perform heat distribution and transmission to consumers through heating networks, which are mainly in communal property.

*On January 21, 2015, the Crimea State Council voted to expropriate the Crimean assets of DTEK Krymenergo

DTEK RENEWABLES — Renewable energy

Along with thermal generation, DTEK has been actively developing renewable energy projects.

The Botievo Wind Farm reached its designed power capacity of 200 MW

In 2011, the construction of the Botievo Wind Farm (Pryazovskyi district, Zaporizhia region) started. In 1H 2014, the plant reached its designed capacity of 200 MW. Today, the Botievo Wind Farm is the largest wind farm in Ukraine and one of the top five largest wind farms in Central and Eastern Europe.

In 2014, we supplied 651.5 GWh of “green” electricity. This is comparable to the electricity consumption of the Melitopol, Prymorsk and Pryazovsk districts of Zaporizhia region.

The Botievo Wind Farm is the first wind farm of the DTEK Pryazovskiy Wind Park (Zaporizhia region), which also includes the Berdiansk Wind Farm (150 MW) and Prymorsk Wind Farm (200 MW). Currently, we are constructing infrastructure facilities at those wind farms.

Wind Power LLC is the subsidiary responsible for the development of the wind power generation segment.

DTEK OIL&GAS — Gas production

The development of the oil and gas production business is a key strategic area for DTEK. Its priority is to satisfy the demand of the SCM Group companies for natural gas. DTEK Oil & Gas is the managing company in this business segment, which studies and implements promising projects.

Proven reserves at the Semyrenkivske and Machukhske fields amount to 20 billion cubic meters of natural gas and 2 million tons of gas condensate.

In December 2013, DTEK completed the acquisition of a 50% stake in Private JSC Naftogazvydobuvannya, Ukraine’s largest private gas-producing company. Naftogazvydobuvannya develops licensed sites at the Machukhske and Semyrenkivske fields in Poltava region with 20 billion cubic meters of proven natural gas reserves and 2 million tons of proven gas condensate reserves.

As of January 2015, Naftogazvydobuvannya was operating 11 wells and drilling nine extra-deep wells. In 2014, Naftogazvydobuvannya became the leader in extra-deep well drilling in Ukraine.

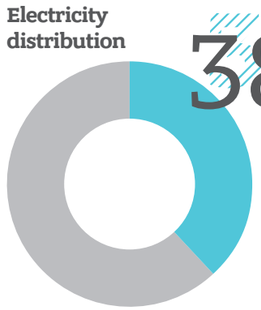
The extracted gas is processed and brought to market standards at three gas preparation facilities: Machukhi, Semyrenki and Olefirivka. The last facility was commissioned in 2014 and is one of the most advanced and efficient facilities in Ukraine.

Key indicators

production and financial

DTEK's proportional share in overall Ukrainian energy sector performance, %

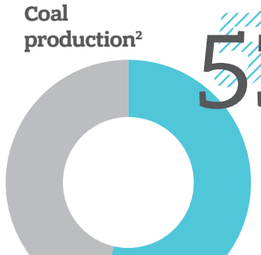
Electricity distribution



38.3%

Electricity transmission: 53,770 mln kWh[1]

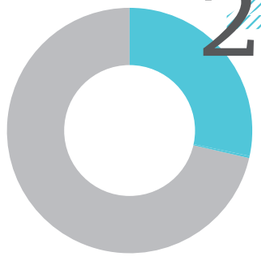
Coal production[2]



53.8%

Coal production: 37,122 ths tones[3]

Electricity generation (supply)

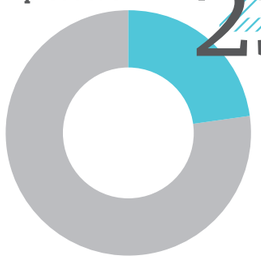


28.8%

Thermal electricity generation: 47,138 mln kWh

Electricity generation by wind farm: 652 mln kWh

Gas production[4]



23.0%

Gas production: 752 mln cubic meters

Key financial indicators

Revenue – USD 7,823 mln
EBITDA – USD 1,591 mln
Net loss – USD 1,649 mln
Assets – USD 7,025 mln
Capital investments – USD 542 mln
Taxes paid – USD 1,073 mln

[1]In accordance with law of Ukraine 'About natural monopolies' the distribution of electricity is the market of natural monopolies.
[2]83% of saleable output is consumed by SCM Group
[3]Coal production includes performance of Russian mines
[4]Production share of private companies in Ukraine

UAH parameters are converted into USD for the purposes of this report: 2013 – 7.99; 2014 – 11.92 (NBU average Jan to Dec, for income statement and annual average data) and – 15.77 (for balance sheet data).

Key achievements
and events for the reporting period

February

DTEK was awarded the Grand Prize for its Local Development Agencies programme
DTEK's Local Development Agencies assist in finding sources of financing for projects aimed at improving the living standards of people, facilitating entrepreneurship, tackling current issues of municipal infrastructure, and encouraging initiatives of local communities in general. The Grand Prize was awarded by international experts at the Fifth National Contest of Corporate Social Responsibility (CSR) Business Cases held by the Corporate Social Responsibility Development Centre supported by EY, an international consulting company, and Alekseev, Boyarchukov and Partners Law Offices.

A gas well was commissioned
Naftogazvydobuvannya commissioned well #8 at the Semyrenkivske gas condensate field. The well produces 170 thousand cubic metres of natural gas and 5 tons of gas condensate daily. DTEK invested over USD 8.4 million in the drilling and infrastructure.

April

DTEK Botievo Wind Farm reached its design capacity
Botievo Wind Farm reached its design capacity of 200 MW due to completion of installation of 35 wind turbines of second turn of the project. Botievo Wind farm is one of the biggest investment projects of DTEK, capital investments for wind farm construction made about EUR 340 million. The financing for the amount of about EUR 245 million was arranged by DTEK with Landesbank Berlin.

A website for the DTEK social partnership programme was created
We launched the website spp-dtek.com.ua, where any user can track the implementation of social partnership programmes by the Company and the scope of their financing in the cities and towns where it operates. Users can also generate detailed reports on the implementation of projects.

May

The retrofit of power unit #8 at DTEK Dobrotvirska TPP was completed
DTEK completed the modernization of power unit #8 at DTEK Dobrotvirska TPP: the designed capacity of the unit increased by 10 MW to 160 MW. A new pollution abatement system was installed at the unit - electrostatic precipitator, induced-draft fan, dry ash selection system – this reduced dust concentration to 25-35 mg per m^3. This index is lower than EU requirements. The retrofit cost USD 42 million.

The technical re-equipment of power units extends their service life by at least 15 years, increases their capacity, and expands their flexibility range. Modernization reduces the specific fuel consumption for electricity generation, which decreases operating costs. Starting in 2012, electrostatic precipitators at all power units of DTEK TPPs have been retrofitted as part of scope of retrofits scope to comply with the dust emission level set forth by Directive 2001/80/EC.

June

The retrofit of power unit #13 of DTEK Luhanska TPP was completed
Power unit #13 of DTEK Luhanska TPP was reconnected to the Unified Energy System of Ukraine after a retrofit. The modernization and application of new technologies increased the unit's capacity by 35 MW to 210 MW and coal combustion efficiency improved by 16%. A new electrostatic precipitator was installed at the unit, which reduced dust emissions. At present, dust emissions do not exceed 50 mg per m^3, which meets the requirements of Directive 2001/80/EC Directive. The retrofit cost reached USD 33.6 million.

Commercial transactions were geographically diversified
We started pilot electricity supplies to Hungary's domestic wholesale market and direct coal supplies to ArcelorMittal Las Truchas (Mexico), part of the largest global metallurgical holding company.

DTEK's Commercial Strategy was approved. It envisages the development of a diversified energy company active on external markets. This means trading energy products both at power exchanges and under direct contracts.

DTEK set up an intellectual platform to encourage a dialogue between mayors from Eastern and Western Ukraine
A meeting of DTEK's Social Partnership Steering Committee took place in Kyiv on June, 24 where representatives of the communities where the Company operates and central government officials participated. DTEK set up an intellectual platform to encourage a dialogue between mayors from Eastern and Western Ukraine on quality changes to the governance system in Ukraine.

August

Naftogazvydobuvannya commissioned a gas processing terminal
The Olefirivka preliminary gas processing terminal (PGPT) started operating at the Semyrenkivske field. At present, the PGPT, with a capacity of over 2 billion cubic metres of gas per year, is one of the most advanced and efficient facilities of its kind in Ukraine. Investments in construction amounted to USD 11.2 mln.

September

DTEK completed its governance reform
DTEK completed the process of setting up its business governance system, which had started in 2011. We established a strategic holding and three operating companies in the coal mining, thermal power generation and distribution, renewable energy and gas production sectors. The strategic holding company is the 100% owner of the three operating companies and manages DTEK's entire business.

The first stage of the Pavlogradska CPP upgrade was completed
We completed the first stage of a large-scale upgrade of the Pavlogradska coal processing plant. The new production line manufactured by American CETCO will increase the processing of run-of-mine coal from 4.5 to 5.8 million tons per year. A filter-press unit was created at the processing plant, and a closed water supply system. This means that there will be no discharge of liquid waste and water contamination, which will reduce the environmental impact. DTEK invested USD 10.5 million in the project.

November

The capacity of power unit #3 of DTEK Zaporizka TPP was increased
DTEK Zaporizka TPP completed the modernization of power unit #3: capacity of electricity generation capacity increased by 25 MW to 325 MW; the flexibility range expanded to 160 MW; specific fuel consumption dropped by 5%, and the emissions of solid particles into the atmosphere decreased to European standards of 50 mg/m^3. DTEK invested over USD 42 million in the project.

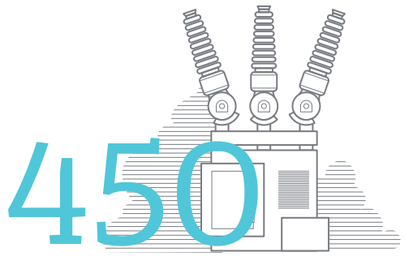
December

Launch of the third wave of the Energy Efficient School Project
DTEK launched the third stage of the Energy Efficient School project at 50 educational establishments of Ukraine. As part of the project, students will develop sustainable energy consumption skills and design projects to improve the energy efficiency of their schools. DTEK will finance the implementation of the best proposals.

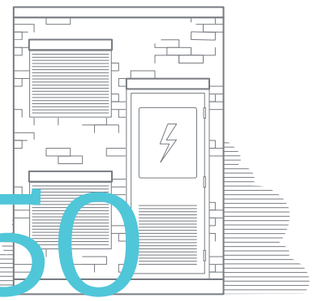
Humanitarian contribution of the Company

In 2014, since the start of the armed conflict in Easter Ukraine, every day DTEK's electricians restored damaged transmission networks to resume electricity supply to the homes of Ukrainians and enterprises in Donbas region. The Company has also been implementing humanitarian initiatives to support internally displaced people.

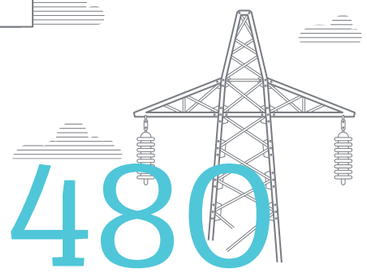
As active combat ceased, we restored



450
110-35 kV substations



450
6-10 kV transformer substations



480
high-voltage lines

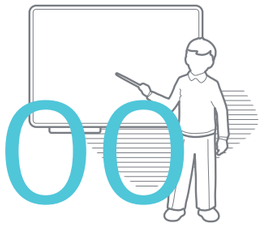
Over the period of hostilities DTEK's employees restored power supply to

1 mln
residents

340
residential areas

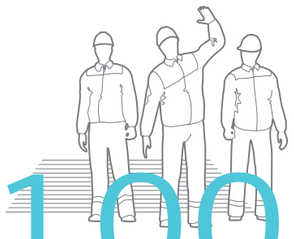
medical supplies worth
USD 300 ths
were supplied to hospitals

1,938
internally displaced people were accommodated at DTEK's social facilities

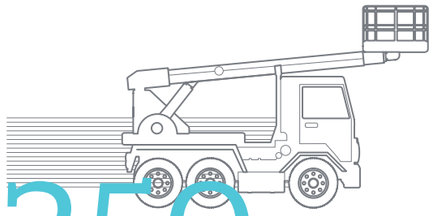


1,700
children from families of internally displaced people were helped to get ready for school

Every day



1,000
DTEK employees take part in restoration work



250
in addition to this number of DTEK's specialized vehicles

Power sector employees work

14
up to 14 hours per day

200
days without a day off

Mission,
vision, values

Mission

We are working in the name of progress and social prosperity.
Our energy brings light and warmth to people.

Vision

We are a dynamically developing Ukrainian company,
which pursues leadership in European energy markets.
Our success is based on people, efficiency, and advanced
technologies.

Values

Professionalism
Our employees possess extensive professional knowledge, carry out their duties responsibly and diligently, and accomplish their tasks in a timely and high-quality manner.
We strive to achieve the best results while making the best possible use of human, natural and financial resources.

Responsibility
We are building our business on the understanding that all of our efforts should serve the interests of society. We bear responsibility for the quality of our work and the observance of corporate standards, for meeting our obligations, for using resources prudently, and for protecting the environment. We are also responsible for the people who make the success of our Company possible — our employees.

Pursuit of excellence
We create the right conditions to develop the talents and abilities of our employees: we introduce the latest technology and improve production and management processes. As we expand our business, we strive to instil confidence in our employees and contribute to the successful development of Ukraine.

Unity
We value team spirit, unity and solidarity. We can only achieve strong results as a team. We enjoy both working and socialising together. Our potential comes from the diverse experience and knowledge of each employee. Our unity comes from the common pursuit of the same ideas and goals while understanding and supporting each other.

Openness
We are open and keep our employees, partners, shareholders and other external parties informed about important issues regarding our development, creating a foundation for working together in a spirit of trust. We conduct our business on the basis of principles that are clearly set out for employees and partners.

Development Strategy to 2030

DTEK's strategy is based on common goals for all Ukraine and contributes to the solution of key tasks for the country: energy independence, energy efficiency, and energy balance.

Development concept

DTEK will develop in Ukraine and enter the markets of neighbouring countries as a diversified energy company with secured fuel resources.

DTEK will focus on the sale of electricity to all categories of consumers while maintaining high standards of service and building a strong retail brand.

DTEK will rely on these key success factors: the talents and potential of its employees and efficiency of production, investments, and management.

DTEK will participate in the reform and modernization of Ukraine's economy, social development of regions where it operates, and promotion of best standards in industrial and environmental safety.

Stages and priorities of DTEK's Corporate Strategy to 2030

In 2013, DTEK started implementing its long-term development strategy to 2030, which sets key directions for business development, management project and technologies. DTEK's Corporate Strategy envisages three stages.

Stage 1

Foundation. 2013-2015

The key task of the first stage is to establish a robust foundation for the Company, to streamline business processes, and to develop common interaction standards for all DTEK's enterprises.

Strategic tasks:

- Implementation of a new management model.
- Successful integration of new assets, efficiency improvement at privatized enterprises.
- Retrofit of power units.
- Establishing long-term partnerships with manufacturers of main equipment.
- Creating required infrastructure (coal processing plants, transport).
- Implementation of pilot lean projects (LEAN).
- Establishment of trading infrastructure and long-term partnerships with coal consumers.
- Participation in reforming the energy market and tariff setting system in distribution.
- Full certification of the safety management systems (OHSAS 18001:2007).

Stage 2

Growth. 2015-2020

This will be a period of rolling-out successful efficiency programmes, mainly by expanding lean production projects. Development of traditional business is possible by investing abroad. New business undergo the stage of forming the target portfolio of projects.

Strategic tasks:

- Creating a retail brand, developing electricity trading and sales functions in Ukraine.
- Rolling out continuous improvement and LEAN projects.
- Maximizing load for mines and thermal power plants.
- Expanding the range of services offered to consumers.
- Enhancing network efficiency by using smart technologies.
- Developing competences for operating in the new energy market.
- Creating a system of continuous personal development of employees.
- Implementing the portfolio of wind power projects.
- Developing large scale projects in the oil and gas business.
- Ensuring comfortable working conditions for employees.
- Changing the personnel's culture in terms of occupational safety.

Stage 3

Innovations. 2020-2030

The final stage of the long-term strategy aims at using new technologies in all areas of the Company's activities. Focus for application of new technologies: safety of processes and automation, sales of electricity and adjacent services

DTEK will continue expansion both in development of new businesses and towards geographical diversification of business.

Strategic tasks:

- Implementation of innovative equipment and methods to minimize human involvement in coal production processes.
- Construction of new generation in line with the selected most suitable technology (including non-thermal generation) and most attractive market for sales.
- Scaling up the implementation of SMART networks technologies.
- Rolling out the continuous improvement culture.

* LEAN means lean production: it is a concept of managing and operating a company while continuously striving to eliminate all types of waste.

Six strategic vectors of development

Energy

The basis for DTEK's energy business is thermal generation with in-house fuel supply. DTEK diversifies the portfolio of its assets by developing projects in renewable energy and hydrocarbon production.

DTEK will continue the gradual upgrade of its thermal power plants to ensure reliable and uninterrupted electricity generation. The Ukrainian thermal generation sector requires complete renovation as facilities are already 70-80% passed their operating service lives. By 2015, DTEK has already retrofitted 17 power units to provide the UES of Ukraine with 324 MW of additional capacity. These upgrades will allow for expanding the equipment's service lives by 10-15 years, increasing the capacity and flexibility of the TPPs, and improving environmental performance.

In coal production and processing industry, DTEK will allocate its main investments to significantly improve miners' safety, production efficiency, and coal product quality. We plan to more than double labour productivity (from 67.5 to 150 ths tons per miner per month) and improve safety (lost time accident frequency rate from 1.24 to less than 0.5).

DTEK's distribution companies will focus on increasing network capacity and eliminating power deficit areas, which will improve the quality and reliability of power supply to consumers and reduce losses. In 2015-2020, DTEK will start implementation of basic components of Smart Grids, and in 2020-2030 proceed to full-scale application of this technology and complex implementation of automated control systems.

In renewable energy, DTEK completed the construction of the Botievo Wind Farm with 200 MW of installed capacity. This is the first wind farm of DTEK Pryazovskyi wind park (Zaporizhia region), which includes the Berdiansk Wind Farm (150 MW) and the Prymorsk Wind Farm (200 MW). Furthermore, we plan to consider the development of solar and hydro power generation businesses.

In the oil and gas business, DTEK plans to produce over 6 billion cubic metres of gas per year by 2020.

The basis for DTEK's energy business is thermal generation with in-house fuel supply. The Company will strive to diversify the portfolio of its assets by implementing projects in the rebewable energy and gas production sectors

Society

DTEK will contribute to the comprehensive development of Ukraine, especially in the regions where its companies operate. One of our primary goals is to establish partnership with society, to promote joint initiatives with local residents on town development and to facilitate an understanding by local communities of the challenges the business faces. DTEK will proceed with the implementation of large-scale social programmes to raise living standards in small and mid-sized towns in Ukraine, including those targetting environmental protection. The deveopment of the business is not possible if employees are not confident in their future, thus DTEK has committed to improve the living standards in the regions.

DTEK will continue implementing large-scale social projects to improve the standards of living in small and medium-sized towns of Ukraine

Together with local authorities, experts and communities, DTEK has outlined five main areas for cooperation: energy efficiency in the public utilities sector, healthcare, support of socially important infrastructure, development of the business environment, and encouraging initiatives of local communities. In 2013-2015, DTEK will focus on the implementation of three-year social development strategies with the towns and districts where its assets are located.

Then, DTEK will focus on implementing several social projects: Industrial Parks — development of the business environment and creation of work places; Telemedicine — the possibility for towns and cities where DTEK operates to remotely hold medical consultations with doctors of hospitals in the region, capitol and abroad and Energy Efficiency — thermal modernisation of towns and cities.

By 2030, the towns and regions where DTEK operates shall have proper social infrastructure, develop rapidly and independently, and have several strong income sources for local budgets.

Consumers

Liberalisation of the energy market refers to the right of consumers to choose their suppliers. To effectively operate in a free market, DTEK needs to make the shift from an electricity supply company to a client-oriented business. This envisages better reliability of electricity supplies and improved quality of services. DTEK will continue to actively invest in the establishment of reliable infrastructure to ensure uninterrupted electricity supplies. Our goal is to reduce actual losses in grids from 7.6% currently to 5.8% by 2030 (the average global level is about 6%).

We are setting common standards for working with clients for all our distribution enterprises, changing the obsolete service system for western standard service.

Our network of Customer Service Centres (CSC) is expanding; online services are replacing consumers' billing books, thus establishing a foundation for the large-scale deployment of Smart Grid and Smart Metering technologies. The Company is expanding its range of services by adding energy efficiency services, which should result in growth of customer satisfaction to 90% in 2030.

We will be actively developing DTEK's brand to be one of making reliability and innovations available to everyone.

People

People are the backbone of the Company and the source of our biggest competitive advantages. Occupational safety and training of our employees are our first priorities for the next 17 years.

The company's goal is to use human capital ideology according to which employees act as business partners.

We strive to reduce the industrial injuries rate by half by establishing modern production facilities and processes where complex sections are automated and automatic control of mining safety indicators is introduced. The production companies will expand their safety training programmes and implement the principle of collective responsibility, thus encouraging employees to be more attentive at production sites. Our primary task is to establish a culture of valuing your own life.

We will proceed with investments in the development of our personnel and promotion of an innovative culture in production and management. Our goal is to use human capital ideology, according to which employees act as business partners.

Efficiency

DTEK strives not only to reduce costs but also to explore new possibilities to get a maximum payoff from used resources. Our competitive ability and leadership will be based on the three pillars: efficiency of management, efficiency of production and efficiency of investments.

For production efficiency, we are implementing the 'Novator' continuous improvement system and developing a culture of lean production. 'Novator' will become the basic model for employees' behaviour: each employee will have the right to make a reasonable suggestion on improving efficiency at his/her workplace.

Efficiency of production is not possible without the timely modernisation of our production companies, which requires investments efficiency. Our enterprises were established in the 1950s-1960s. Today they require total renovation. The Company determines investment priorities and chooses the best engineering solutions to minimise human involvement in the coal production process, construct new power units and create modern networks.

This approach stimulates business development, but more importantly it has advantages for consumers and the economy in general. From the point of view of consumers, DTEK's efficiency means lower electricity consumption, for partners this means a lower energy component in the cost of production and the possibility to develop supplementary services, while for Ukraine this means increased energy security, the implementation of innovations, a favourable investment climate, and the increased effectiveness of the entire economy.

Business efficiency is a prerequisite of sustainable long-term development.

Ukraine plus

Ukraine is the key priority for DTEK's development. The company's largest investments are channelled in the development of Ukraine's power sector and economy. We build new capacities, introduce new technologies, and set up new businesses. It is impossible to effectively work on external markets when there is no strong production base at home. At the same time, we try to develop commercial relations with external markets. One of our main tasks is to expand technical and business possibilities to export electricity, implement modern and innovative commercial mechanisms, and reach end consumers on in European markets.

DTEK progressed from a regional company to a national market participant, sharing responsibility for the sustainable operation of the Ukrainian energy system.

In general, DTEK strives to represent the Ukrainian business sector to international partners as a transparent, responsible and effective Company, oriented toward long-term sustainable development. By 2030, Ukraine should become an important player on the international energy market.

Top management

DTEK group

Maxim Timchenko

Chief Executive Officer of DTEK

Mr. Timchenko has been the CEO of DTEK since July 2005.

Under his leadership, DTEK has become the largest Ukrainian company, providing employment for 127,000 employees with operations in 10 regions of Ukraine.

Since 2005, DTEK's portfolio has grown to consist of 31 mines,13 coal preparation plants, ten TPPs and two CHPPs, and five distribution enterprises. In 2013, DTEK became a major shareholder of the largest privately-owned gas producing company in Ukraine, Naftogazvydobuvannya. In 2014, DTEK completed the construction of the Botievo Wind Farm with a capacity of 200 MW, which put it on the list of the top 5 largest wind power farms in Central and Eastern Europe.

Along with 20 other leaders of the largest energy companies of the world, Maxim Timchenko became a co-founder and signatory of the Energy for Society, a global initiative of the World Economic Forum.

For years, Maxim Timchenko has maintained a leading position among top managers of Ukrainian companies according to ratings by leading Ukrainian business organizations and publications. In 2014, he ranked number one in the "Top-100 Best Executives of Ukraine" Rating. In 2012 and 2013, Forbes and Companion magazines positively assessed Maxim Timchenko's work: he made it into their lists of the top ten business executives of Ukraine.

From 2002 to 2005, Mr. Timchenko worked as a senior manager at System Capital Management, where he was responsible for SCM's energy business until it was spun off into DTEK. Mr. Timchenko began his career as a consultant at PricewaterhouseCoopers (1998–2002), where he advanced to a senior auditor position. Mr. Timchenko is a member of the Association of Certified Chartered Accountants (ACCA).

He obtained a diploma in Production Management with honours from the Donetsk State Academy of Management in 1997. He continued his education at Manchester University and received a BA degree in Economics and Social Sciences with honours.

Vsevolod Starukhin

CEO of DTEK ENERGY

Mr. Starukhin was appointed to his current position in September 2014.

He joined DTEK in December 2009 as deputy finance director. In March 2010, he became Chief Financial Officer at DTEK.

For several years now, Mr. Starukhin has maintained a leading position in the list of best financial directors of Ukraine. In 2013, Mr. Starukhin was the winner in the Fundraising Category of best CFOs in Ukraine by Investgazeta. The nominees were assessed by leading international consulting and investment companies: Concorde Capital, Horizon Capital, Ernst&Young and KPMG. In 2011 to 2013, Mr. Starukhin topped the 10 Best Chief Financial Officers in Ukraine rating (held annually by & Financier magazine) three times in a row. In 2014, he joined the rating's jury.

Mr. Starukhin started his career in 1995-1996 at Kraft Jacobs Suchard as a financial operations and credit control manager. He headed the financial departments of Mars in Russia, Hungary, the Netherlands and Brazil from November 1996 to May 2006. He worked at Schlumberger in 2006-2008 as the financial manager in the Company's headquarters in France and later on as the Chief Financial Officer in Russia. In April 2008, Mr. Starukhin became Chief Financial Officer of the alumina division of RUSAL (Moscow, Russian Federation).

In 1995, he graduated from the Warsaw School of Economics and received a degree in International Economics. In 2003, he received a PhD in Economics at the Academy of Labour and Social Relations in Moscow. While working at DTEK, he completed a joint programme by the London Business School (Great Britain) and Energy of a Leader by DTEK Academy.

Igor Shchurov

General Director of Naftogazvydobuvannya

In 2011, Mr. Shchurov was put in charge of DTEK Oil & Gas. He joined DTEK Group after Novatek, Russia's largest independent natural gas producer, where he was the head of its daughter company Novatek-Tarkosaleneftegaz (annual production - 14 billion cubic meters of gas).

From 2007 to 2009 Mr. Shchurov held senior positions in a number of private oil and gas companies. From 1998 to 2007, he worked at Samaraneftegaz (Yukos Oil Company), where he made his way from oil and gas production operator to deputy general director.

In 1998, he graduated from the Samara State Technical University where he obtained a degree in Oil and Gas Fields Development. In 2002, he received a second university degree in Finance and Credit at the Samara State University of Economics. In 2002, he obtained a PhD in Technical Sciences at the Ufa State Petroleum Technological University.

German Aynbinder

Director of Wind Power

Mr. Aynbinder has been the head of Wind Power since December 2011.

He started his work at DTEK in 2005 as a Strategy and Corporate Development Director, and in 2008 he became Head of the Business Development Division at DTEK, which was in charge of setting up and developing new business areas, including alternative energy resources.

In June 1999, Mr. Aynbinder joined the Strategy and Organization Design team at KPMG. Before that, in 1997 he worked in the Russian subdivision of Merk Sharp & Dohme Idea where he was in charge of business development. In 1995, he joined the Management Consulting Team at Delloitte and Touch CIS.

In 1991, he graduated from the Moscow Machine-Instrument Institute. In 1995, Mr. Aynbinder graduated from the School of Business and Economics at the Government of the Russian Federation's Academy of National Economy. The same year he received an MBA degree in Applied Economics and Finance from California State University (Hayward).

Macroeconomic indicators 2014

Review of Ukraine's macroeconomic indicators in 2014

Review of Ukraine's macroeconomic indicators

in 2014

In 2014, the Ukrainian economy suffered a deep recession.

The country's economic situation was shaped by the following:

- Political crisis: a wave of protests, which started in November 2013, resulted in early presidential (May, 25 2014) and parliamentary elections (October, 26 2014).
- Annexation of Crimea by the Russian Federation in March 2014:
The Crimean population is 2.5 million people (5.4% of Ukraine's residents pre-annexation),
Crimea's share of Ukrainian GDP in 2013 was about 3%.
- Signing of the EU-Ukraine Association Agreement in two stages:
the political section on March, 21 and economic section on June, 27.
- Armed conflict in Donetsk and Luhansk regions, which started on April, 7 2014. The population of Donetsk and Luhansk regions is over 6.5 million people (14.4% of Ukraine's population); their share of Ukrainian GDP in 2013 was about 16%.

The nominal income of the consolidated budget in 2014 amounted to UAH 455.9 billion, which was 3% above the similar indicator in UAH terms of the previous year (on a comparable basis) while USD-equivalent budget income dropped by 31% to USD 38.2 billion. The government's budget deficit grew by 20.7 % to UAH 78.1 billion (USD 6.6 billion).

GDP

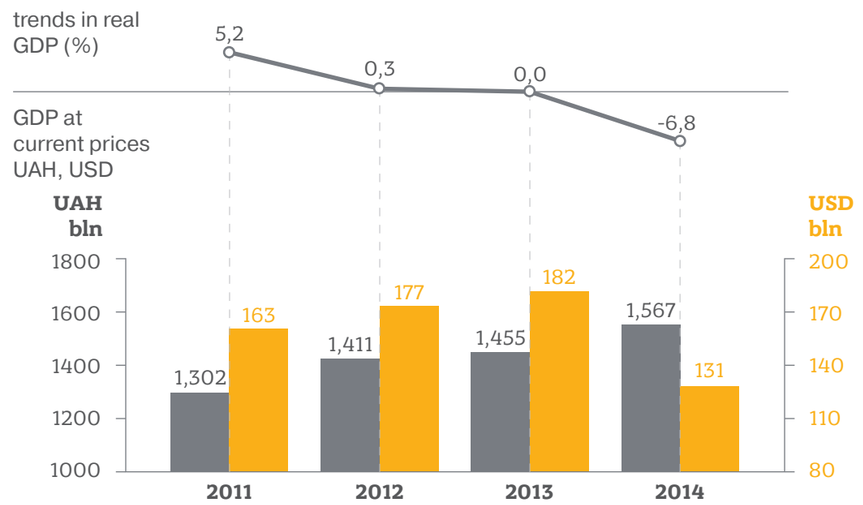
Ukraine's nominal GDP in 2014 amounted to UAH 1,566.7 billion.
Yet due to the growth of average annual USD/UAH exchange rate from UAH/USD 7.99 to 11.97, the USD-equivalent GDP dropped by 28.5% to USD 130.9 bln.

Real GDP in 2014 dropped by 6.8% in UAH

According to the State Statistics Service, real GDP in 2014 decreased by 6.8% while the government forecasted 3% growth in December 2013. (See the Ukrainian GDP diagram on the next page).

Cabinet of Ministers Resolution #76 dated February, 14 2015 envisaged three scenarios for the decrease in GDP in 2015 by 5.5%, 8.6% and 11.9% with inflation (year-on-year) of 26.7%, 38.1% and 42.8%, respectively.

Ukrainian GDP*



* Data from the State Statistics Service of Ukraine

Real sector

The real sector of economy saw declines in key indicators of economic activity.

The decline in industrial production accelerated by more than twofold year-over-year. In 2014, industrial production plummeted by 10.7% after a 4.3% decrease in 2013, according to the State Statistics Committee. The production decline in the iron and steel industry amounted to 14.5%, in the chemical sector — 14.2%, and engineering sector — 20.6%. The largest production drop was in the Donetsk and Luhansk regions: by 31.5% and 42.0%, respectively. The most significant deterioration in industrial production of key product groups was in the «producer goods» category — by 20.3%, which indicates a further decrease in industrial production in 2015.

The aggregate loss of large and mid-sized companies in 2014 amounted to USD 34 billion

The main cause for the reduced production was the armed conflict in Donetsk and Luhansk regions where the most important iron and steel, chemical and mining companies are located.

The financial standing of companies in all regions of Ukraine deteriorated in 2014. According to the State Statistics Committee, the aggregate loss of large and mid-sized companies amounted to USD 34.2 billion, compared with profit of USD 4.8 billion a year earlier. Only 59.9% of companies obtained earnings before taxes. In 2013, the level was 65.4%.

Consequently, the decline in capital expenditures accelerated; capital investments amounted to UAH 204.1 billion (USD 17.1 billion) in 2014, down 11.8% in UAH terms year-on-year. Equity accounted for 71.5% of capital investments while national and local budgets contributed only 3.3%, versus 66.1% and 5.4%, respectively, a year earlier. This is evidence of the reduced role of the government in supporting the real sector of economy. In the reporting period, capital investments in industry decreased by 25.7% to UAH 82.7 billion (USD 6.9 billion).

Retail sales turnover was down by 8.6% in comparable prices in 2014, while in 2013 it grew by 9.5%. The decrease was due to the weaker purchasing power of the population: real wages decreased by 6.5% over 2014 (in Donetsk and Luhansk regions by 10.6% and 13.6%, respectively). The most significant decline in retail sales turnover in 2014 was recorded in the Donetsk and Luhansk regions, by 37% and 49%, respectively.

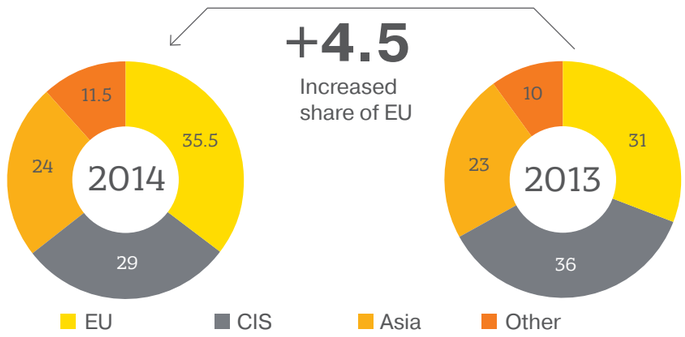
Transportation companies reduced cargo traffic by 10.1% to 671.2 million tons, which reflected lower economic activity in the real sector.

Export and import

The National Bank of Ukraine's (NBU) gold and foreign currency reserves as of January, 1 2015 were USD 7.53 billion, after a decline of 63% during 2014.

The gold and foreign currency reserves of the NBU dropped by 63% to USD 7.53 billion

Exports of goods from Ukraine fell by 13.5% year-on-year in 2014 to USD 53.9 billion. Exports of goods the iron and steel making sector reduced by 13.1%, and by the chemical industry by 23.8%. These two sectors accounted for up to 34% of Ukrainian exports. The main reason for the downtrend in exports was non-tariff regulations in Customs Union countries, mainly, by Russia. This, and the signing of the Association Agreement with the European Union (EU), resulted in changes in the structure of export markets by country.



According to the State Customs Service

For the first time in Ukraine's history, exports to EU countries exceeded exports to CIS countries. The EU, with a share of 35.5% of Ukrainian exports, became the main trading partner of Ukraine both in terms of the export and import of goods and services, according to the State Customs Service.

Imports of goods to Ukraine over the reporting period fell by 28.3% to USD 54.4 billion. The export/import balance of goods was achieved mainly by the decrease in imports of natural gas by 50.6%.

Positive trends in the export and import segment were supported by the devaluation of the national currency by 97% in 2014, which made Ukrainian goods more competitive in global markets.

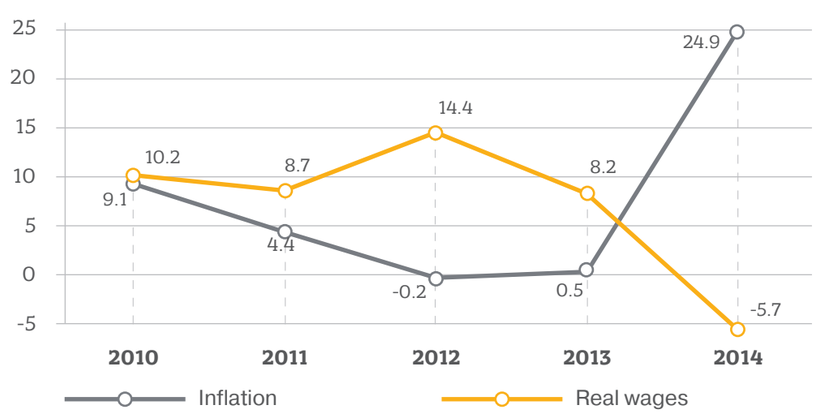
Foreign currency exchange rate, prices, real wages

In February 2014, the NBU decided to not fix the UAH exchange rate any more. During the year, the official exchange rate of the Ukrainian currency plummeted by 97%: from UAH/USD 7.99 as of 31 December 2013 to UAH/USD 15.77 as of 31 December 2014, according to the NBU.

The official exchange rate for the Ukrainian hryvnia plummeted by 97%: from UAH/USD 7.99 to UAH/USD 15.77

Devaluation of the national currency was one of the causes of inflation, which reached 24.9% in 2014.

Inflation and real wage trends, %*



* Data from the State Statistics Service of Ukraine

Growth of industrial goods prices was 31.8% in 2014 with the forecast of 12.3%.

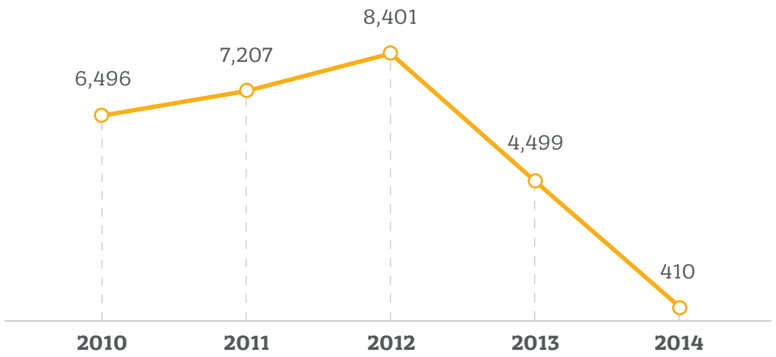
National debt

In 2014, Ukraine's government and government-guaranteed debt amounted to USD 69.8 billion, which was 4.5% less than in 2013. UAH-denominated debt grew by 88.3% to UAH 1.1 trillion. The national debt to GDP ratio was 70.2% (compared to 40% in 2013), with the critical level being 60%.

Government and government-secured debt reached 70.2% of GDP

State borrowings to finance the national budget in 2014 amounted to USD 15.2 billion versus USD 18.3 billion in 2013. USD 7.2 billion was borrowed from the domestic market and USD 7.95 billion from abroad. Privatization proceeds in 2014 were down to USD 39.1 million compared with USD 92.3 million in 2013. Direct foreign investments in the Ukrainian economy were almost 10 times lower in 2014 than in 2013.

Direct foreign investments, USD mln*



*http://index.minfin.com.ua/index/fdi/

In 2015, Ukraine expects to obtain significant macrofinancial assistance from international partners. Preliminary agreements with the International Monetary Fund are reported to envisage moving from a stand-by cooperation program to an Extended Fund Facility, which provides for the allocation of USD 17.5 billion to Ukraine in 2015-2018, subject to economic reforms.

INDUSTRY SURVEY

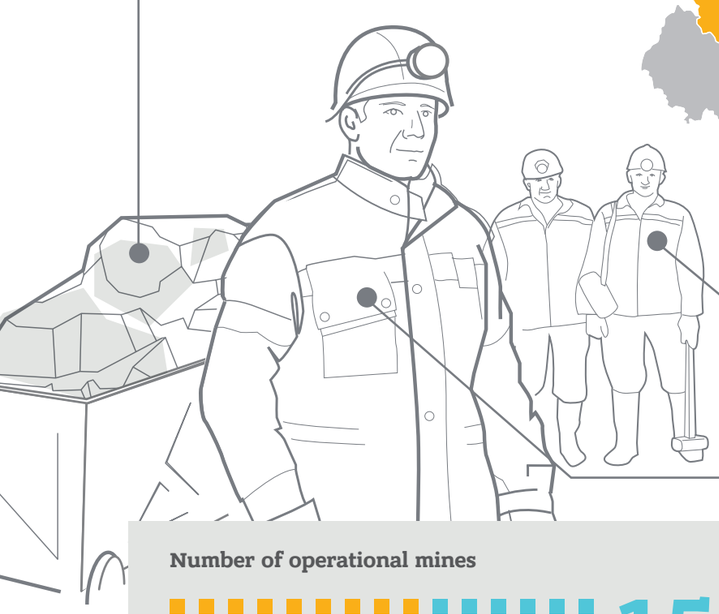
Coal market

37.5%

of electricity is produced by coal-fired thermal power plants

3.2 USD bln — volume of sales of coal and lignite

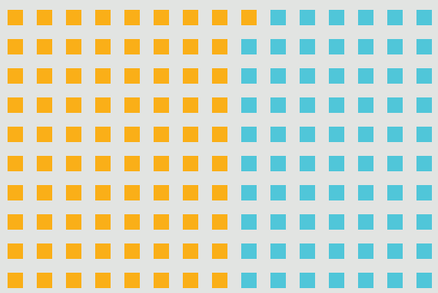
3.2 % — coal's share of total sales of industrial products



121.1 thousand people — work in the coal industry

496 USD — average monthly salary for miners

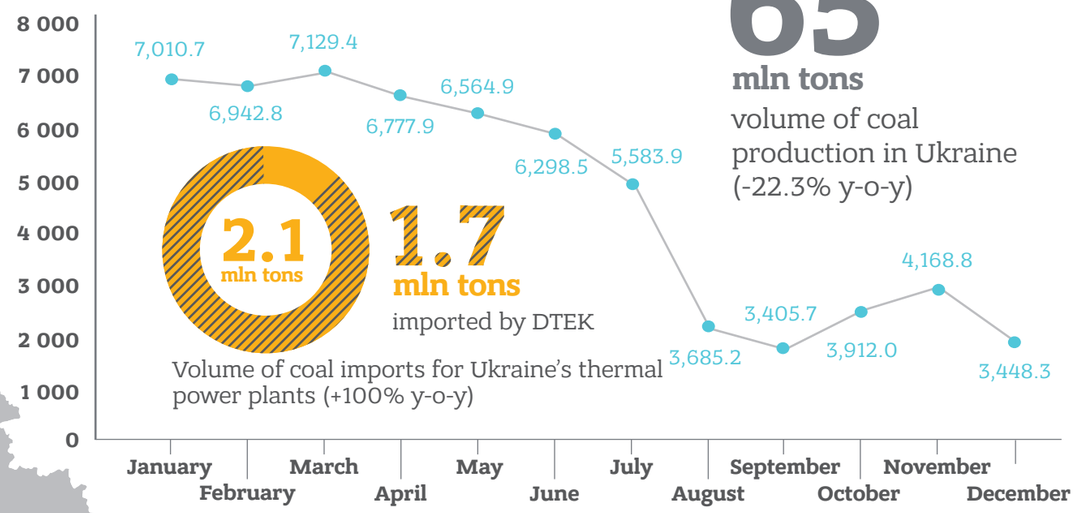
Number of operational mines



150 mines — as of January, 1 2014

81 mines — as of January, 1 2015

Coal production trends in 2014, ths tons

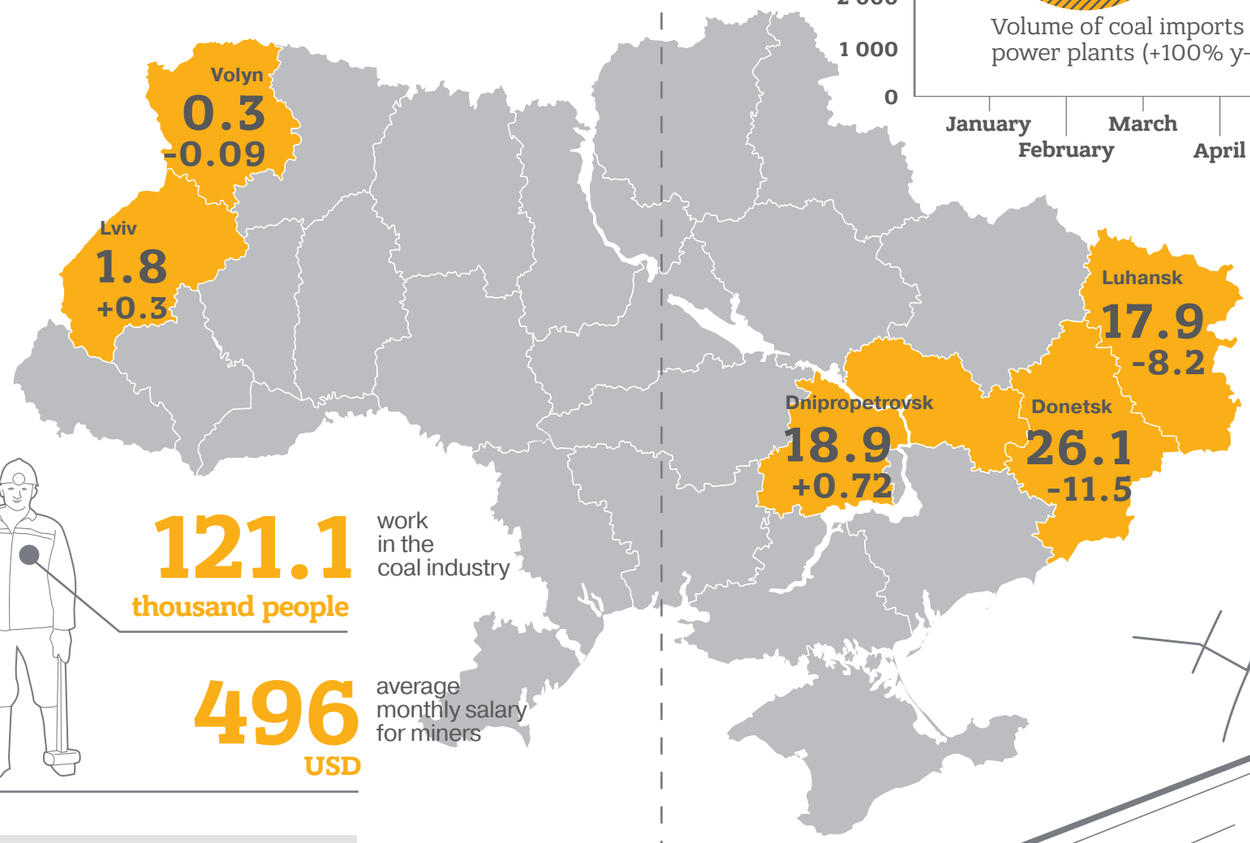


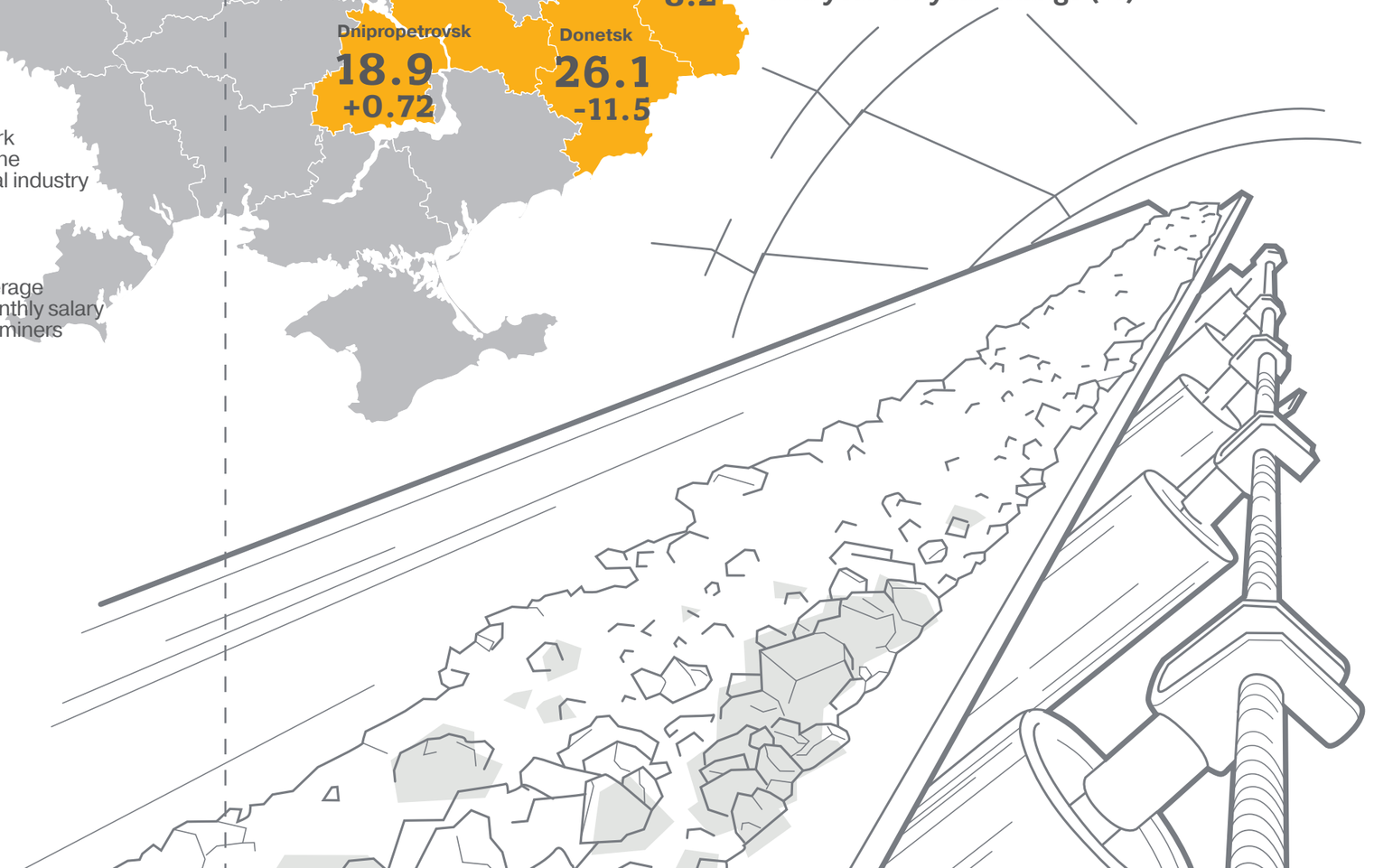
65 mln tons — volume of coal production in Ukraine (-22.3% y-o-y)

2.1 mln tons — **1.7** mln tons imported by DTEK

Volume of coal imports for Ukraine's thermal power plants (+100% y-o-y)

Coal production in Ukraine by regions in 2014, absolute figure (mln tons) and year-on-year change (%)





Coal industry overview

The coal's share in Ukraine's total amount of fuel and energy mineral resources is significant. Ukraine has a total of 56 bln tons of coal reserves, 70% of which is thermal coal and 30% coking coal. The substantial quantity of coal reserves and their availability has allowed Ukrainian thermal power plants (TPPs) to not use imported natural gas and heating oil as fuel. The share of coal in TPPs' total fuel sources increased from 30-50% in 1991 to 98% in 2014.

Ukraine's main coal deposits are located in the Donetsk, Lviv-Volyn and Dnipro coal basins, and in the Dnipro-Donetsk and Zakarpattya coal depressions. These deposits are characterized by large occurrence depths and thin seams (0.8–1.0 m). Work can be carried out at depths of 500 meters to over 1,000 meters.

As of January, 1 2014, there were 150 operating mines with various forms of ownership in Ukraine, including 90 state-owned mines subordinated to the Ministry of Energy and Coal Industry of Ukraine.

The industry employed over 250 thousand people, including 155 thousand people at the state-owned mines.

As of January, 1 2015, there were 81 operating mines. Due to the armed conflict in Donetsk and Luhansk regions, 49 coal enterprises were stopped. Twelve group III mines and eight mines located outside the area of the armed conflict also stopped working. The number of employees in the industry dropped to 120 thousand people total.

Eighty-five mines or 57% of Ukraine's total number of mines are located in the Anti-Terrorist Operation zone. Sixty of those mines produced thermal coal. In 2013, they produced 31.8 mln tons, which was 38.0% of the total production in Ukraine.

Ukraine has significant proven reserves of coal and is among the top five countries in the world, after China, the United States, India and the Russian Federation.

Coal reserves in Ukraine, bln tons

Deposit	resources
Donetsk basin	101.9
Dnipro basin	4.1
Lviv-Volyn basin	2.3
Dnipro-Donetsk coal depression	8.7
Zakarpattya coal depression	0.2

Coal balance

In 2014, coal production in Ukraine decreased by 22.3% year-on-year to 65 mln tons. Production of thermal coal declined by 18.5% to 48.9 mln tons and coking coal by 32% to 16.1 mln tons. Coal production in Ukraine started to drop significantly in June due to the armed conflict in the Donetsk and Luhansk regions; nearly all of Ukraine's anthracite mines are now located in the armed conflict area. In fact, the decline in coal production in Ukraine from the planned target in June-December 2014 was 6.2 mln tons, including 4.0 mln tons of thermal coal, grades A and T.

2.1 mln tons of coal were imported to Ukraine for TPPs in 2014, of which 1.7 mln tons were imported by DTEK

Since the second half of 2014, anthracite grade coal on the domestic market required for electricity generation at TPPs (see Electricity Market) has become scarce. In order to avoid an energy crisis and shutting down the TPPs, DTEK sent anthracite coal scheduled for deliveries under export contracts to Ukrainian thermal power plants. In addition, to cover the shortage and ensure electricity generation, 1.7 mln tons of A and T grade coal was imported by the company from the Russian Federation, Australia and South Africa. In total in 2014, Ukraine imported 2.12 mln tons of coal for TPPs.

At the same time the mines, including DTEK mines that produce gaseous coal are outside the area of armed conflict.

In 2014, Ukrainian enterprises reduced sales of coal and lignite by 21.6% in UAH terms or to 44.9% in USD terms year-on-year to USD 3.2 bln. In terms of the volume of industrial product sales, coal accounted for 3.2%, compared to 4.3% in 2013.

Coal production in Ukraine by state-owned and private companies by grades, mln tons

	A/T		G+DG	
Form of ownership	2014	2013	2014	2013
State-owned enterprises	4.0/2.5	6.7/3.1	8.2	9.1
Private companies	10.3/3.8	14.4/6.1	22.5	22.7
Total	14.3/6.3	21.1/9.2	30.7	31.8

A — anthracite coal, T — lean coal, G — gaseous coal, DG — long flame gaseous coal

Coal production volumes by leading Ukrainian producers, mln tons

ROM (run-of-mine) coal production	Coal grade	2014	2013	Change (%)
DTEK Pavlogradugol	G/DG	18.9	18.2	4.0
Krasnoarmiiska–Zakhidna No. 1 (Pokrovske mine group)	C	5.2	8.6	-39.4
DTEK Sverdlovanthracite	A	4.9	7.0	-30.5
DTEK Rovenkyanthracite	A	5.2	6.7	-23.1
Krasnodonugol	Zh, C	3.2	5.4	-42.2
DTEK Komsomolets Donbassa Mine	T	2.5	4.0	-36.9
DTEK Dobropolyeugol	Г	2.7	2.8	-6.3
Makeevugol	G/T/C	1.6	2.2	-28.5

C - coking coal, DG - long flame coal, Zh - fat coal

In December 2014, coal production in Ukraine decreased by 2 times compared to the same period in 2013 to 3.4 mln tons (state-owned mines accounted for 582 thousand tons). If monthly coal production remains at this level, total production in Ukraine will decline to 40.8 mln tons per year.

Pricing

Coal in Ukraine is sold either via direct contracts between coal producers and consumers or through the wholesale market operator - state enterprise Ugol Ukrainy. About 65% of all coal supplies from state enterprises are sold under contracts with Ugol Ukrainy. The wholesale market operator distributes coal products at fixed prices. This results in the cross-subsidization of loss-making state-owned mines at the expense of profitable ones. Private companies set prices for their products based on supply and demand in Ukraine, taking into account general trends on international markets.

USD 64.5/ton - coal production cost of state-owned mines

The wholesale price of a ton of marketable coal product from state-owned enterprises grew by 27.6% to UAH 627.8 (USD 52.7)in 2014. The production cost increased by 30.8% to UAH 1,766.3 (USD 148.2). To partially cover this gap, the state allocated USD 768.5 million from the national budget, compared to USD 1.7 billionin 2013.

API2 index* - reflects the price of thermal coal with a calorific value of 6,000 kcal/kg on terms of delivery CIF ports

Year	2014	2013	2012
$/t	75.24	81.68	92.55
Δ, % compared to previous year	-7.88%	-11.7%	

* According to McCloskey

Price of thermal coal with a calorific value of 6,000 kcal/kg for export on terms of Yuzhnyi port FOB shipment*

	2014	2013	2012
USD/t	66.97	73.72	82.01
Δ, % compared to previous year	-9.16	-10.11	

* According to the MetallExpert, DTEK calculations

Industry regulation

The Ministry of Energy and Coal Industry is the main governmental body that makes policy in the coal mining sector. When setting and implementing mid-term targets, the ministry is governed by the Program of Activities of the Cabinet of Ministers of Ukraine, the European Ukraine Parliamentary Coalition Agreement, and the Ukraine-2020 Sustainable Development Strategy.

The industry's main areas for development and restructuring are the following:

- liberalization of the coal market, marketing and pricing mechanisms;
- privatization of coal mining companies, providing for various measures to make them more attractive for investors and the closure of unprofitable coal and peat mining enterprises;
- improvement in governmental support mechanisms for mines;
- establishment of an effective social support system for employees in the coal industry at coal-mining and coal-processing enterprises that are facing closure or mothballing;
- modernization of coal enterprises.

Key events of 2014

In 2014, the coal industry of Ukraine operated under extremely difficult conditions. Coal companies significantly reduced production volumes and some companies terminated operations completely due to the armed conflict in Donbas. Taking into account the tense socio-political and economic situation, preparations for privatization and the transferring of coal mining facilities for privatization were temporarily suspended. At the same time, the Ministry of Energy and Coal Industry continued its work toward improving the regulatory framework under which privatization will take place. On October, 7 2014, the State Property Fund of Ukraine and the ministry signed joint order No. 2399/701 "On the transfer of documents regarding the privatization of coal industry objects during the privatization process," which regulates the transfer of documents on entities to be privatized from the ministry to the State Property Fund so that it can take further measures to sell them.

Meanwhile, Ukrainian President Petro Poroshenko signed amendments to the Law "On the 2014 State Budget," according to which direct subsidies for coal companies were reduced by USD 15 mln. These funds were redirected to financing the construction of new mines: one of the priorities is to fund maintenance at the new Novovolynska No. 10 mine.

In order to create conditions for the reliable and efficient functioning and development of the coal industry, to ensure the economic and energy security of the country, and to attract investments to the industry, in accordance with Ministry of Energy and Coal Industry Order #619 of September, 4 2014, the state enterprise State Coal Company was established.

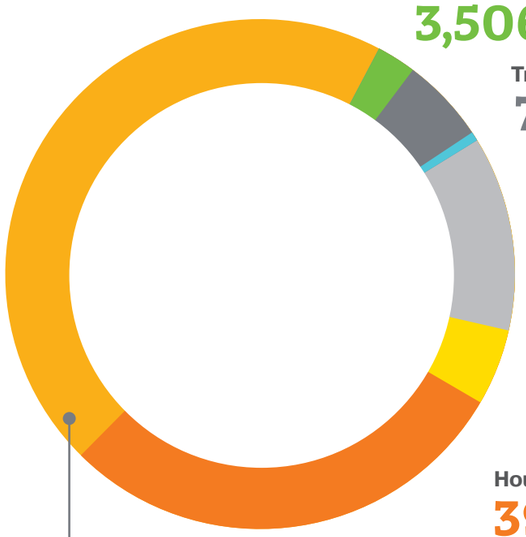
Tasks and challenges of the coal mining industry in 2015

In order to implement the provisions of the coalition agreement regarding coal industry reform, the following is planned:

- privatization of all coal mines during 2015-2016 and closure or mothballing of mines that could not be privatized in 2015-2019 in accordance with the Law of Ukraine "On the Specifics of Coal Mining Companies' Privatization";
- creation of an effective social support system for employees of coal enterprises that are closed or mothballed;
- optimization of governmental support in order to effectively restructure the industry and ensure self-sufficient production of coal by 2020 through the development of a law providing for:
  - prohibition of government support for mines and building new ones;
  - fixing the total annual amount of government support for the coal industry for five years at a rate that does not exceed the current level of government support for mines located on territory controlled by Ukraine, annually reducing (by at least 20%) the cost for coal production and simultaneously increasing (by at least 20%) expenditures on health and safety, environmental protection and social support for laid off employees;
  - since 2021, banning all kinds of government support for the coal industry, excluding support for water drainage and environmental protection.
- introduction of a coal exchange trading (electronic trading), switching to market and direct sale contracts and eliminating Ugol Ukrainy.

Electricity
market

Structure of electricity consumption in Ukraine in 2014, bln kWh



Agricultural consumers
3,506.4

Transport
7,322

Construction
842,8

Utilities
16 502

Other non-industrial consumers
6,434.6

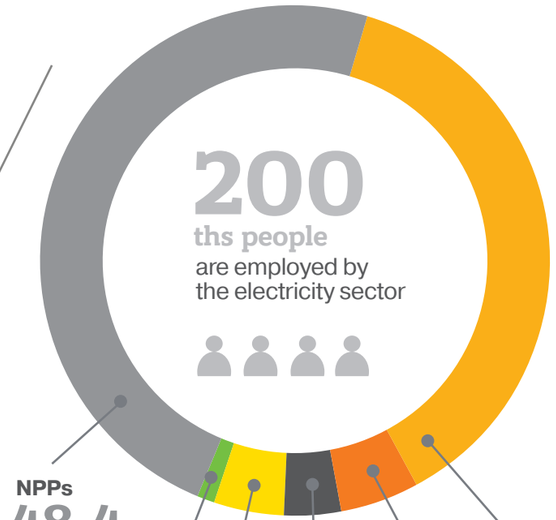
Households
39,152.2

Industry
61,094

- Iron and steel — 34,102.6
- Fuel — 7,391.3
- Machine building — 4,361.3
- Chemical and oil & gas — 3,802
- Food and processing — 4,504.4
- Construction materials — 2,223.8
- Other — 4,708.8

6,525 MW
maximum limit for electricity consumption in 2014

Share in overall production, 2014, %



200
ths people
are employed by the electricity sector

NPPs **48.4**

RES **1**

Utility CHPP plants and isolated generation plants **4.3**

CHPPs **3.8**

HPPs and PSPPs **5**

TPPs **37.5**

Electricity generation in Ukraine

181.9
bln kWh

14.2 USD bln — electricity sales

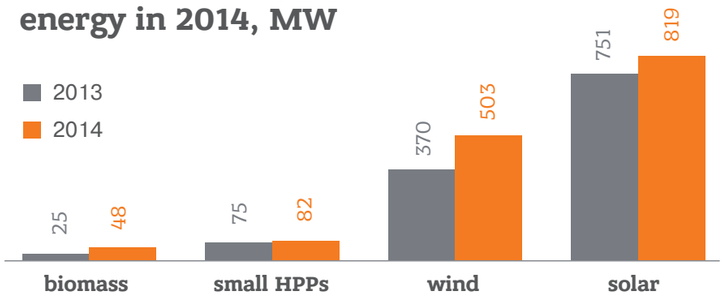
14.2 % — share of total electricity sales of all industrial products

5 — top companies in the thermal generation market

1.7 bln kWh — production of green electricity in Ukraine

652 mln kWh — provided by DTEK's Wind Power

Installed capacity of renewable energy in 2014, MW



Ukraine's electricity grid is Europe's sixth largest, after Germany, France, Italy, Spain, and the United Kingdom. By capacity of TPPs, Ukraine ranks fifth.

The energy system of Ukraine is united and was built on a regional basis. It consists of eight power grids operating in parallel: West, South-West, Central, South, North, Dniprovska, Krymska and Donbasska. The centralized operational and technological management of the Unified Energy System (UES) of Ukraine is carried out by national energy company Ukrenergo. Its main task is to ensure the integrity of the UES and parallel operation of Ukraine's thermal, nuclear and hydroelectric power plants, to balance generation capacity utilization and the consumption of electricity in the country.

The UES's major power suppliers are: national nuclear energy generation company Energoatom, which operates 4 NPPs, 5 thermal power generation enterprises with 14 TPPs, and Ukrhydroenergo, which operates 9 HPPs and PSPPs.

The UES is synchronized with the power grids of the Russian Federation, Belarus and Moldova. The Burshtyn electricity island, synchronized with ENTSO-E (European Network of Transmission System Operators for Electricity), transmits electricity to Hungary, Slovakia and Romania and also operates under the UES.

The installed capacity of Ukrainian power plants in 2014 was 55.1 GW, which was 610 MW more than in 2013. Of that amount, 75 MW was facilitated the completion of upgrades at three of the Company's thermal power plants' power units: DTEK Luhanska TPP No. 13, DTEK Dobrotvirska TPP No. 8, and DTEK Zaporizhska TPP No. 3. Overall, since 2007, DTEK has upgraded 17 units, which have provided 324 MW in additional electricity to the Ukrainian energy system.

Market model

Only the thermal generation market works on price bids

Generated electricity is sold to the wholesale electricity market (WEM), which is organized on the principle of a "single buyer" – state enterprise Energorynok. By July 2017, Ukraine intends to move from the current model to a bilateral contract and balancing market, which is in place in most developed countries. The Law "On the basis for the functioning of the electricity market in Ukraine", which entered into force on January, 1 2014 provides for the implementation of a fully competitive electricity market in the summer of 2017.

The only competitive segment of the electricity market today is the thermal generation segment, which operates on price bids based on a "day-ahead" principle. Energorynok prepares a merit order from the lowest to the highest costs based on bids submitted from each TPP power unit and the consumption forecast for the following day. The power units with the lowest prices in their bids are loaded first. The last satisfied bid determines the reference price for electricity for each TPP power unit included in the merit order. Thus, the generation companies with the lowest production cost get more loaded and the largest margins.

Tariffs for other electricity generation companies are set by the National Energy and Utilities Regulatory Commission (NEURC).

Installed capacity of power plants and operating ratio of installed capacity

	Installed capacity		ICUF, %	
	2014	2013	2014	2013
NPPs	13,835	13,835	73	69
TPPs	27,700	27,616	28	33
CHPPs	6,599	6,646	29	29
HPPs	4,668	4,611	33	34
PSPPs	1,186	862	6	9
RES (SPPs, WFs, biomass)	1,126	935	24	25

ICUF – installed capacity utilization factor,
NPP – nuclear power plant,
TPP – thermal power plant,
CHPP – combined heat and power plant,
HPP – hydro power plant,
PSPP – pump storage power plant,
RES – renewable energy source,
SPP – solar power plant,
WF – wind farm

Electricity balance

In 2014, electricity generation in Ukraine amounted to 182 bln kWh, which was 6% less than in 2013. In monetary terms, the electricity market is estimated by the Statistics State Committee to be USD 14.2 bln, which equaled 14.2% of total sales of industrial products in Ukraine.

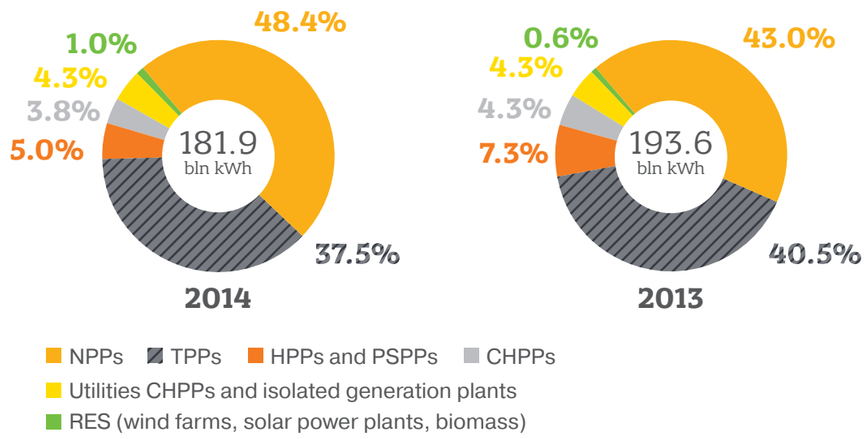
HPPs and PSPPs decreased generation by 36% to 9 bln kWh, which was caused by lower water inflow into the Dnipro and Dnister rivers, their main sources of electricity generation.

Ukrainian thermal power plants, due to the shortage of anthracite coal and economic recession, reduced generation by 12.6% to 68.5 bln kWh. Ukraine's TPPs use two main coal grades: gaseous coal and anthracite coal. There are seven TPPs in Ukraine that use gaseous coal: Zuivska, Kurakhivska, Zaporizhska, Burshtynska, Dobrotvirska, Ladyzhynska and Uhlehirska. Anthracite coal is used by the remaining seven power plants: Luhanska, Prydniprovska, Kryvorizhska, Zmievska, Trypilska, Starobeshivska and Slovyanska.

The armed conflict in Donbas led to a deficit of anthracite coal in the domestic market

The armed conflict in Donbas led to a deficit of anthracite coal in the domestic market, since a number of mines suspended operations and critical rail infrastructure was damaged. This did not allow A and T grade coal mined from Eastern Donbas to be transported. This resulted in a significant reduction in electricity generation by TPPs running on these grades of coal (by 17% to 31.7 bln kWh). At the same time, G grade coal is mined mainly in areas not in the conflict zone, so the volume of these products throughout the year remained stable, which provided for an increase in utilization and the steady operation of TPPs running on this grade of coal.

Structure of electricity generation in the Ukrainian UES, bln kWh/%



Data: Ministry of Energy and Coal Industry of Ukraine

Structure of electricity consumption in Ukraine

Consumer category	Consumption, mln kWh				Share in total consumption, %	
	2014	2013	Change (+/-)	Change (%)	2014	2013
Electricity consumption (gross)	171,507.0	183,732.0	-12,225.0	-6.7		
Electricity consumption (net),	134,854.3	141,507.4	-6,653.2	-4.7	100.0	100.0
including:						
1. Industry	61,094.2	65,484.7	-4,390.5	-6.7	45.3	46.3
Iron and steel	34,102.6	35,035.0	-932.4	-2.7	25.3	24.8
Fuel	7,391.3	8,517.6	-1,126.3	-13.2	5.5	6.0
Machine building	4,361.3	5,175.8	-814.5	-15.7	3.2	3.7
Chemical and oil & gas	3,802.0	4,517.2	-715.2	-15.8	2.8	3.2
Food and processing	4,504.4	4,558.8	-54.4	-1.2	3.3	3.2
Construction materials	2,223.8	2,420.7	-197.0	-8.1	1.7	1.7
Other	4,708.8	5,259.6	-550.9	-10.5	3.5	3.7
2. Agricultural consumers	3,506.4	3,635.8	-129.5	-3.6	2.6	2.6
3. Transport	7,322.0	8,451.7	-1,129.7	-13.4	5.4	6.0
4. Construction	842.8	941.5	-98.6	-10.5	0.6	0.7
5. Utilities	16,502.0	17,701.9	-1,199.9	-6.8	12.2	12.5
6. Other non-industrial consumers	6,434.6	6,556.5	-121.8	-1.9	4.8	4.6
7. Households	39,152.2	38,735.4	416.8	1.1	29.0	27.4

Data: Ministry of Energy and Coal Industry of Ukraine

The total reduction in electricity generation by CHPPs, utility CHPPs and isolated generation plants was 11.5% to 14.7 bln kWh. The decrease was mainly caused by the introduction of governmental limits on natural gas consumption, which is their main raw material for electricity generation.

In 2014, to cover the shortage of capacity, the base load of NPPs was raised. Nuclear power plants increased electricity generation by 6.2% to 88.4 bln kWh. In 2014, by commissioning the new capacity, generation of alternative energy also increased, by 42.1% to 1.7 bln kWh.

The average electricity sales tariff for the wholesale market of Ukraine increased in 2014 by 45.1% y-o-y for HPPs and PSPPs, while the tariff for NPPs grew by 27.5%, for RESs by 11.7%, for TPPs by 11.8% (taking into account the investment component), and for CHPPs by 7.1%. At the same time, in June 2014, the average tariff of DTEK TPPs was set at a level below the average tariff of TPPs of Ukraine and its growth was 9.4%.

However, with electricity consumption during the heating season growing, there was a shortage in electricity generation, which led to emergency spikes in the schedule and the bottling of generation by Ukrenergo. The imbalance between electricity consumption and generation was 3-6.5 GW a day, which was estimated as 11-23% of daily consumption in the country.

In Ukraine as a whole, electricity consumption in 2014 declined by 6.7% y-o-y to 171.5 bln kWh. This was due to the economic recession and armed conflict in Donbas. In 2014, overall industrial production decreased by 10.7% (-4.3% in 2013).

Electricity exports also declined. Starting from the second half of the year, exports declined due to administrative restrictions. In particular, the transmission of electricity to Belarus and Poland stopped completely in October. In 2014, electricity supplies to foreign markets decreased by 18.4% to 8.1 bln kWh. The share of exports in the total volume of electricity generation in Ukraine amounted to 4.7%.

In monetary terms, the volume of exports from Ukraine decreased by 16% to USD 487.2 mln. According to the State Fiscal Service, Ukraine supplied USD 229.7 mln in electricity to Hungary , USD 161.2 mln to Belarus, USD 54.3 mln to Moldova, and USD 42.0 mln to other countries (Poland, Slovakia and Romania).

Structure of electricity exports from Ukraine, mln kWh

Countries	2014	2013	Change, mln kWh	Change, %
Hungary	4,145.1	4,310.8	-165.7	-3.8
Slovakia	90.3	45.2	45.1	99.8
Romania	0.0	19.5	-19.5	-100.0
Poland	685.8	1,029.2	-343.4	-33.4
Belarus	2,400.9	3,003.7	-602.8	-20.1
Moldova	730.7	1,455.7	-725.0	-49.8
Russian Federation	0.0	6.4	-6.4	-100.0

Data: Ministry of Energy and Coal Industry of Ukraine

Electricity transmission

Electricity transmission to all categories of consumers is provided by regional electricity distribution companies (oblenergos). Independent suppliers that do not own any networks and are able to distribute electricity at an unregulated tariff are also present on the market. Energorynok calculates the uniform hourly wholesale electricity price for electricity distribution companies, taking into account all administrative costs and subsidies. Electricity for end consumers is supplied at fixed prices set by the NEURC depending on the voltage class. All consumers are divided into two classes: connected to grids with voltage of 27.5 kV or more (first class) and up to 27.5 kV (second class).

RAB-regulation increases the attractiveness of energy investments

Despite normative legislation (passed in 2013) to introduce regulatory-asset based (RAB) regulations as of January, 1 2014, there was no transition to this more progressive economic model, as the NEURC set a zero rate of profitability. Meanwhile, RAB-regulation would increase the attractiveness of investments into the industry and reduce the level of arrears in the energy sector, as one of the conditions for transition to RAB-tariff setting is full payment of debts to Energorynok. RAB-tariff setting would also allow companies to determine costs and attract foreign investments to upgrade their electricity networks and introduce smart grids and smart metering.

Electricity tariffs for consumers

In 2014, uniform tariffs for first voltage class consumers were increased by 27.2% y-o-y to 103.21 kopiykas (8.6 cents) per 1 kWh and tariffs for second class voltage consumers were raised by 21.9% y-o-y to 125.82 kopiykas (10.6 cents) per 1 kWh.

USD 3.4 bln - level of subsidies for discounted rate consumers

In 2013, uniform tariffs for first voltage class consumers rose by 9.1% y-o-y to 81.1 kopiykas (10.2 cents) per 1 kWh and tariffs for second class voltage consumers increased by 9.0% y-o-y to 103.2 kopiykas (12.9 cents) per 1 kWh.

Discounted rates were applied to the following categories:

- households;
- companies that supplied electricity for street lighting;
- public electric transportation units;
- coal production and ferroalloy enterprises;
- legal entities that implemented innovative projects.

The level of subsidies for these categories was UAH 40.8 bln (USD 3.4 bn) in 2014, an increase of UAH 3.3 bln from 2013.

Since 2011, differentiated tariffs for households, depending on consumption volume and residence, have been in effect. Depending on consumption volume, the tariffs are set as follows: up to 150 kWh per month, more than 150 kWh to 800 kWh, and more than 800 kWh (for consumers with electric cooking appliances - to 250 kWh per month, more than 250 kWh to 800 kWh, and more than 800 kWh). Tariffs for households in 2014 increased by 10-30% depending on the category of consumer.

On April, 1 2015, the NEURC introduced new tariffs for households, which were set up for following consumption volumes: up to 100 kWh per month, more than 100 kWh to 600 kWh, and more than 600 kWh (for consumers with electric cooking appliances up to 150 kWh per month, more than 150 kWh to 600 kWh, and more than 600 kWh).

Average retail tariffs for households, US cents/kWh (without tax)

Slovakia	16.9	**Moldova**	11.7
Czech Republic	15.3	**Hungary**	10.8
Turkey	15.0	**Romania**	10.5
Portugal	14.8	**Bulgaria**	9.8
Slovenia	14.4	**Russian Federation**	7.7
Greece	14.3	**Serbia**	5.9
Latvia	14.0	**Belarus**	5.5
Croatia	13.4	**Ukraine (as of 1 January 2014)**	3.5
Poland	12.7	**Ukraine (as of 3 January 2015)**	1.2*
Estonia	12.2		

* At the USD/UAH rate of 25.0

Industry regulation

State regulation in the energy industry of Ukraine is carried out by the National Energy and Utilities Regulatory Commission (NEURC). The NEURC was created by president decree in August 2014 on the basis of previous commissions: National Electricity Regulatory Commission (NERC) and the National Commission Carrying Out State Regulation in the Utilities Sphere (NKRKU).

The NEURC is a collective body that is subordinated to the President of Ukraine and accountable to the Verkhovna Rada of Ukraine.

Key events of 2014

Throughout the year, some measures were taken to reform the electricity sector in accordance with the Law "On the basis for the functioning of the electricity market of Ukraine".

In September, the Cabinet of Ministers of Ukraine established a Coordination Center to ensure the implementation of the new electricity market model. The purpose of this center is to coordinate the activities of government executive bodies, institutions, organizations and legal entities regarding the implementation of full-scale electricity market. The main tasks of the center: 1) prepare proposals and recommendations, 2) monitor implementation of scheduled measures; and 3) prepare proposals and recommendations on improving the legal framework for the functioning of the electricity market, including during the transition period.

A number of draft regulations needed for implementation of the aforementioned law were developed and published:

- the Ministry of Energy and Coal Industry of Ukraine developed and approved "The procedure for preparation of the United Energy System of Ukraine's development plan for the next ten years by the System Operator and the procedure for its publication". Ukrenergo began preparatory work on the development plan;
- "The procedure on determining available bandwidth capabilities of the interstate electricity networks of the United Energy System of Ukraine" was developed and approved by an order of the ministry;
- The following chapters of the "Code of Electricity Networks" were developed and published on the ministry's website for discussion within the framework of its preparation: "Rules for connecting electrical installations to power grids", "Basic operational rules for the United Energy System of Ukraine and electrical installations connected to it", and "Terms for the perspective development of the United Energy System of Ukraine";
- a draft law "On the legal and organizational separation of electricity distribution companies in order to separate the activities of the distribution of electricity from other activities (unbundling)" was developed and published for discussion on the ministry's website;
- a draft regulatory act titled "Procedure for electronic auctions to distribute the bandwidth of interstate electricity networks" was developed and published on the NEURC website;
- a draft regulatory act – an agreement regarding access to the bandwidth of interstate electricity networks was developed and published on the NEURC website;
- a draft regulatory act titled "The procedure for purchasing ancillary services", which should be in force during the transition period until the date of the introduction of the bilateral contracts market and balancing electricity market, was developed and published on the NEURC website;
- a number of regulatory documents required for enterprises to operate, for the dispatching function of the United Energy System of Ukraine, and for electricity transmission by the main electricity networks (system operator) during the transition period were developed;
- the draft law of Ukraine "On state regulation in the energy sector" was published for discussion.

The Law "On ratification of the Association Agreement between Ukraine, on one side, and the European Union, European Atomic Energy Community and its Member States, on the other side" was adopted.

According to the Association Agreement between Ukraine and the EU, the parties agreed to continue and intensify cooperation in the energy sector. Mutual cooperation includes, inter alia:

- implementation of energy strategies and policies, as well as improving statistical accounting in the energy sector;
- the development of competitive, transparent and non-discriminatory energy markets based on the rules and standards of the EU by means of regulatory reforms;
- enhancement and strengthening of the long-term stability and security of energy trade, transit, exploration, extraction, purification, production, storage, transportation, transmission, distribution and marketing or sale of energy materials and products on a reciprocal and non-discriminatory basis in accordance with international rules;
- increasing the investment attractiveness and stability in the investment climate;
- promotion of energy efficiency and conservation, including the development of energy efficiency policies and an appropriate legal and regulatory framework.

Privatization of energy facilities

In 2014, Ukraine continued the process of privatizing energy facilities. A 25% stake in PJSC Vinnytsyaoblenergo was sold at a price of USD 9.5 mln, 25% of PJSC Chernivtsioblenergo for USD 3.1 mln and 25% of PJSC Zakarpattiaoblenergo for USD 21.4 mln.

Main electricity sector task and challenge in 2015 – to implement measures to liberalize the electricity sector

In order to implement provisions of the Law of Ukraine "On the basis for functioning of the electricity market of Ukraine" and to ensure the commencement of the liberalized electricity market in 2016, it is necessary to implement the following institutional, legislative and regulatory changes:

- develop and adopt regulations in order to adapt the third energy package;
- develop and submit to the Verkhovna Rada of Ukraine a draft law on the legal and organizational separation of electricity distribution companies to separate the activities on electricity distribution from other types of activity (unbundling);
- adopt the Code of Electricity Networks and 10-year development plan for the UES of Ukraine;
- approve retail, ancillary services and "day-ahead" market rules and a code for business accounting;
- finalize and implement incentive regulations on tariffs for distribution companies;
- approve the "Procedure for electronic auctions to distribute the bandwidth of interstate electricity networks" and the "Agreement on access to the bandwidth of interstate electricity networks".
- reorganize the company carrying out activities on the wholesale supply of electricity by separating structural departments as the basis for the creation of new companies that will serve as the market operator and the guaranteed buyer in organizational and legal forms in accordance with this law;
- create a state-owned specialized non-profit institution - a foundation on cost imbalance regulation.
- reorganize the company engaged in dispatching control of the United Energy System of Ukraine and electricity transmission through the main electricity grids by creating a system operator and an electricity transmission enterprise;
- identify the authorized bank for the electricity market.

Renewable energy
Wind power generation

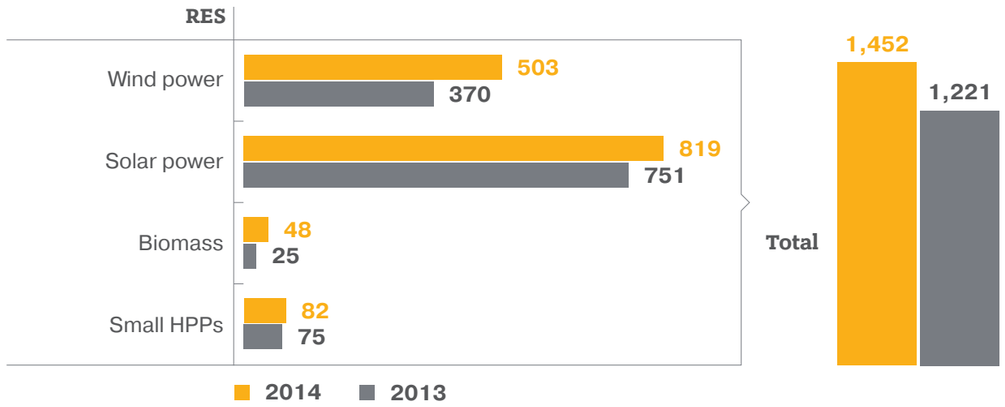
The annual technically achievable potential of renewable energy in Ukraine, according to estimations of the Institute of Renewable Energy of the National Academy of Sciences, currently stands at about 100 bln kWh.

"Green" tariffs were designed to encourage the construction of plants producing electricity from renewable sources such as solar, wind, water, earth and biomass.

In 2014, the installed capacity of renewable energy increased by 231 MW to 1,452 MW, which is about 2.6% of the total electricity generation capacity of Ukraine. Since 2011, wind and solar power have grown the most. For instance, in 2014, these industries commissioned new electricity generation facilities totaling 133 MW and 68 MW, respectively.

The alternative energy sector today consists of 114 legal entities that have qualified for "green" tariffs. There are 54 companies in the solar power sector, 39 companies in the hydroelectricity sector, 11 companies that operate wind farms and 10 companies with biomass and biogas electricity generation facilities. At the same time, 75% of the renewable energy market is occupied by four major players in wind and solar power.

Growth in installed capacity of renewable energy in 2014*, MW



* Data based on 494 MW from facilities in Crimea, including 87.1 MW for wind power and 407.0 MW for solar power. In 2014, no new electricity generation facilities were commissioned in Crimea. Source: NEURC

Largest renewable energy players in Ukraine

	Type of renewable energy	Electricity generation capacity as of January 1, 2015, MW
Wind Power	wind	200
Wind Parks of Ukraine	wind	170*
Wind Kraft Ukraine	wind	30.75
Active Solar	solar	708,2**
Total		**1,108.9**

* 25 MW of which is located in Crimea
** 407.1 MW of which is located in Crimea.
Data: Company websites

Industry overview

Industry regulation

In Ukraine, like in other countries, measures are being taken to stimulate the development of alternative energy sources.

A "green" tariff system differentiated by type of alternative electricity source, capacity and operating time is in effect facilities commissioned until 2030. For its part, the government is obliged to buy electricity at these tariff rates.

"Green" tariffs came into effect in 2009

Basic regulations on the alternative energy sector consist of the following:

- Law of Ukraine "On Alternative Energy Sources" No. 555 of February, 20 2003 (as amended and supplemented);
- Law of Ukraine "On the Electricity Industry" No. 575 of October, 16 1997 (as amended and supplemented);
- Law of Ukraine "On Amendments to Some Laws of Ukraine on the Establishment of the "Green" Tariff" No. 601 of September, 22 2008;
- The Law of Ukraine "On Amendments to the Law of Ukraine "On the Electricity Industry" on stimulating the use of alternative energy sources" No. 1220-VI of April, 1 2009;
- NERC Decree "On the Approval of the Procedure for the Establishment, Revision and Termination of the "Green" tariff for Business Entities" No. 32 of January, 22 2009 (as amended and supplemented). Since September 2008, when the definition of the "green" tariff was adopted at the legislative level, efforts to promote alternative energy in Ukraine have intensified. Another thing contributing to this intensification is the fact that the "green" tariff at the legislative level was set until January, 1 2030 and its value is calculated separately for each type of alternative energy and each generation facility. The "green" tariff value is calculated on the basis of the retail tariff for consumers and is reviewed every month. The minimum fixed value for the "green" tariff is at a level no lower than the corresponding rate in Euros at the rate applicable on January, 1 2009 was set to cover inflation risks. Monthly revisions of the "green" tariff value means that it is transferred into national currency at the official rate of the National Bank of Ukraine on the review date, but it should no be lower than the UAH equivalent at the rate set at January, 1 2009 (EUR/UAH = 10.855460).

Fundamental changes in the field of alternative energy in Ukraine occurred in the autumn of 2012, when the amendments to the Law "On the Electricity Industry" were adopted:

- the approach to the calculation of the reduction coefficient for the "green" tariff was changed by replacing a percent decrease with an absolute decline over the years;
- the coefficient of the "green" tariff for solar power was reduced: by 37% for ground-based solar power plants, by 27% for home-based solar power plants with capacity from 100 kW and by 19% for home-based solar power plants with capacity up to 100 kW; for micro and minihydroelectricity, it was increased;
- the approach to the calculation of the local content value was changed and the cost variables were replaced with an element based quality for fixed shares (it was based on the experience of Ontario, Canada);
- the timing for the entry into force for requirements on local content were changed.

Key events of 2014

- **Cancellation of exemptions on income tax with the Law of Ukraine No. 1621-VII of 31 July 2014 "On amendments to the Tax Code of Ukraine and other legislative acts of Ukraine."**
  This exemption was one of the incentives for development of renewable energy, which allowed for reinvesting nontaxable value (in 2014, the tax rate was reduced to 18%) into construction or to upgrade facilities. The aforementioned cancellation reduced the attractiveness of renewable energy projects in the debt market and reduced the internal resources of companies to invest in their development.
- **Termination of "green" tariffs indexation by the NEURC from August 2014.**
  The monthly revision of the "green" tariff value, including to the Euro rate was guaranteed by the Law of Ukraine "On the Electricity Industry." Because the tariff has not been revised, producers of electricity from renewable sources have incurred about USD 15.9 mln in losses. The actions of the regulator have been challenged by Wind Power in courts, and the court recognized the commission's actions as illegal. Similar claims have also been filed by other market players.
- **A disclaimer on revisions to the "green" tariff value was set by Cabinet of Ministers of Ukraine Decree No. 372 of 13 August 2014 "On approval of the procedure for the application of temporary emergency measures to overcome the consequences of long-term violations in the normal operation of the electricity market."**
  This document sets "caps on prices in the electricity market". Another document, Cabinet of Ministers Regulation No. 764-p of August, 13 2014 "On the application of temporary emergency measures in the electricity market" provided the NEURC with the power to adjust the value of electricity tariffs. From September 2014 to February 2015, the commission did not include into its agenda an issue on revising "green" tariffs.

- **Adoption of the National Action Plan on renewable energy until 2020 via Cabinet of Ministers of Ukraine Decree No. 902-p of October, 1 2014.**
  The National Action Plan provided for the achievement of the following indicative targets:
- the share of renewable energy in gross final energy consumption in 2020 will reach 11%;
- the expected overall adjusted volume of energy consumption in 2020 is 78,080 ths tons in oil equivalent;
- the expected amount of generated energy from renewable sources is 8,590 ths tons in oil equivalent.

The document envisages that until 2020 renewable energy capacity in Ukraine will increase to 5,680 MW and generate 12,880 GWh of electricity. Fulfillment of the National Action Plan will allow to:

- increase the energy independence of Ukraine;
- optimize the structure of the fuel and energy balance of Ukraine, in particular to provide by 2020 a reduction of traditional energy by 35 million tons in oil equivalent;
- improve state control and regulation mechanisms in the renewable energy field;
- ensure greater involvement of intellectual property to develop renewable energy sources;
- improve the competitiveness of the national economy;
- improve the environmental situation by reducing emissions of harmful substances generated during the combustion of fossil fuels;
- increase the level of development of the renewable energy production sector to comply with EU requirements and the provisions of the Energy Charter;
- ensure the upgrading of fixed assets in the energy sector of Ukraine;
- create workplaces in the energy and other industries.

Tasks and challenges for the renewable energy sector in 2015

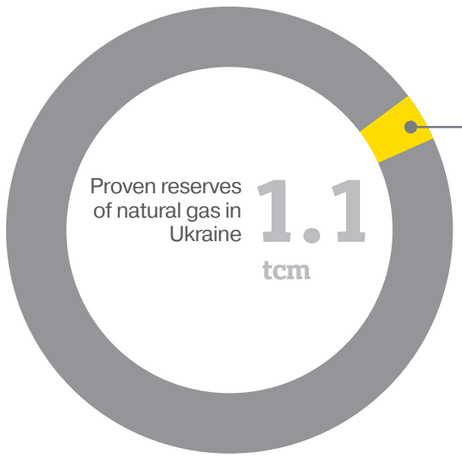
- Bring back the confidence of foreign investors in the renewable energy sector of Ukraine.
- Retain responsibility with the NEURC in issues regarding the establishment of the monthly "green" tariff value in the framework of the Law of Ukraine "On the Electricity Industry".
- Develop and approve a chapter of the 10-year development plan for the UES of Ukraine concerning the development of renewable energy.

The first steps have been already taken: the Verkhovna Rada passed draft law 2010-d "On introducing changes to some laws of Ukraine with regard to ensuring competitive conditions for electricity production from renewable sources" on June, 4 2015.

Natural gas market

290 gas fields in Ukraine

49.9 tcm — forecasted reserves of natural gas in Ukraine



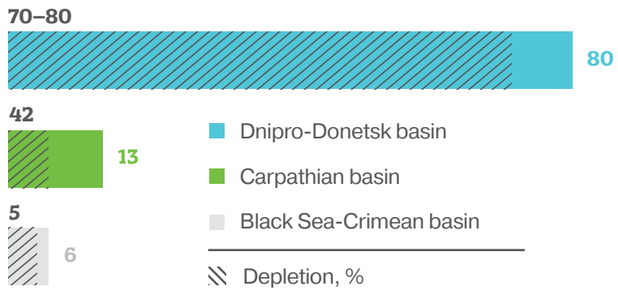
Gas production in Ukraine

20.5 bcm

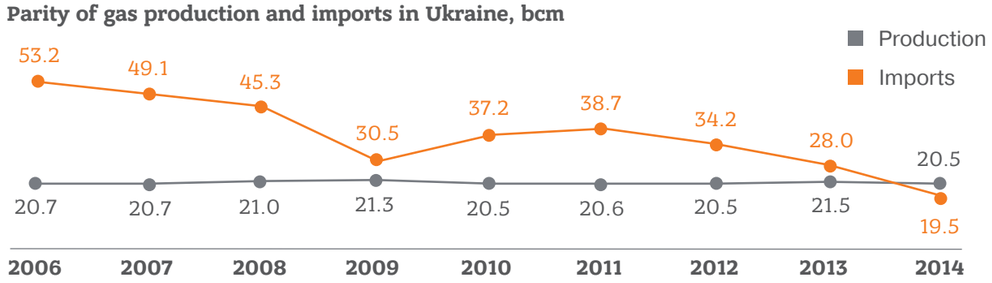
(-4,7% to 2013)

3.3 bcm were extracted by private companies (+17.9% to 2013)

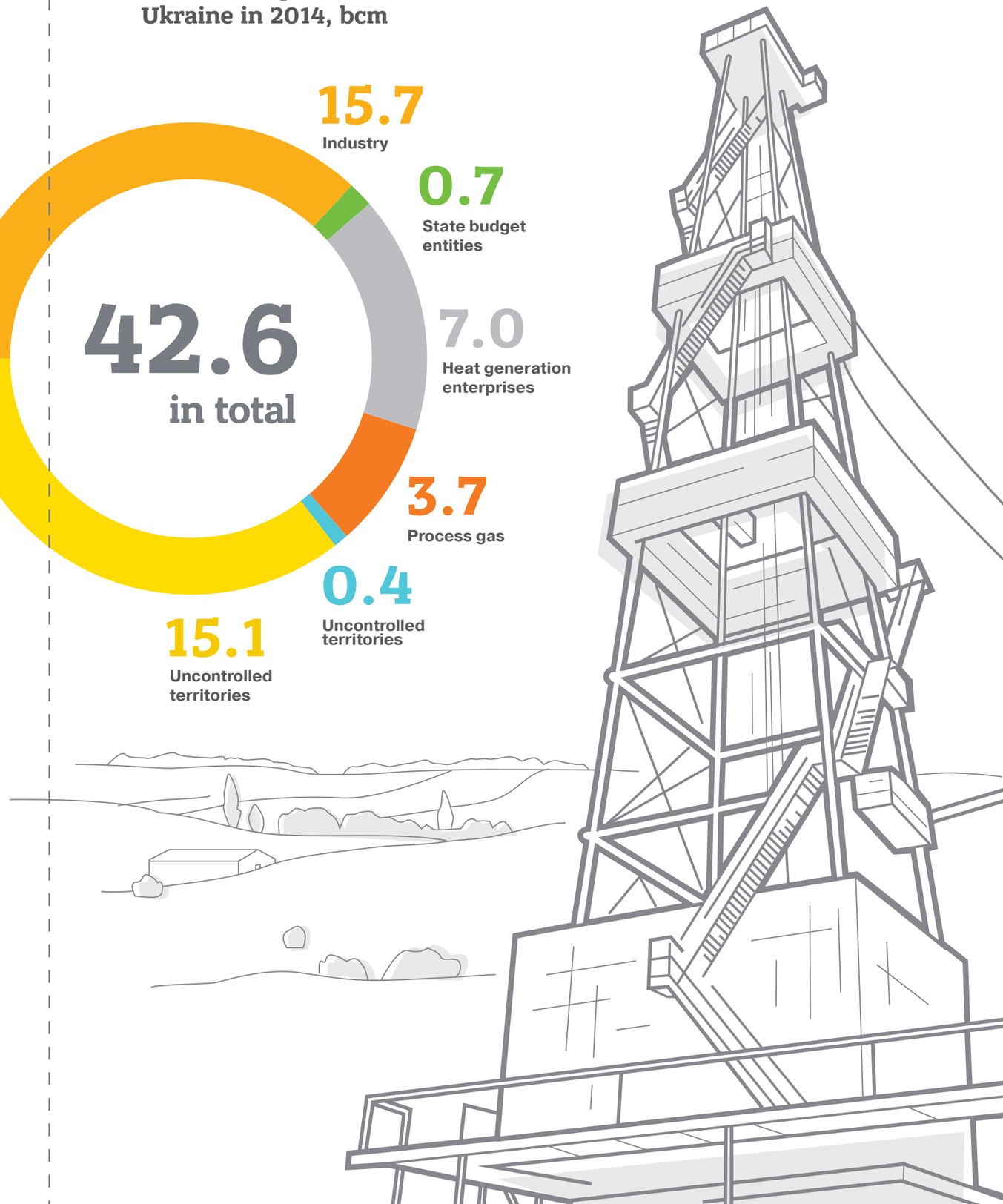
Proven reserves, % of total volume



Parity of gas production and imports in Ukraine, bcm



Gas consumption in Ukraine in 2014, bcm



Natural gas consumption

Natural gas consumption in Ukraine has fallen for several years. The decline also occurred in 2014: gas consumption for all categories of consumers decreased 15.7% compared to 2013 to 42.6 bcm.

Three key factors that influenced consumption:

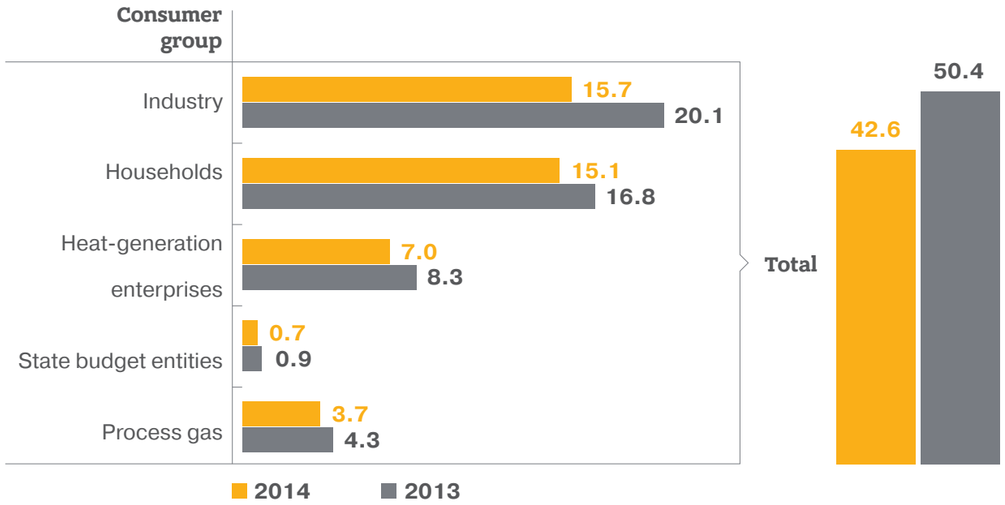
- the decline in industrial production by 10.7% in 2014 (-4.3% to 2013), due to the armed conflict in Donetsk and Luhansk regions and economic recession in Ukraine;
- introduction by the government of limits on the use of gas for all categories of consumers with the objective of savings, due to the unresolved issue of gas prices and termination of supplies from the Russian Federation from mid-June to early December, and interim limitations on technical capabilities for gas imports from EU countries;
- the gradual transition of consumers to alternative energy sources and more efficient use of gas due to the significant increase in its cost.

51% - share of Ukrainian gas in total domestic gas consumption.

The largest decline in consumption occurred in industry - 22% y-o-y to 15.7 bcm. Households, which is the second largest group of customers and buy gas on preferential tariffs, reduced consumption by 10% to 15.1 bcm. Heat-generation enterprises, which provide heat and hot water to households, reduced volumes by 16% to 7 bcm. Technological losses and gas flow through pipelines for internal needs also remained at a high level, 3.7 bcm, which accounted for 8.7% of total consumption.

Consumption decreased mainly due to administrative restrictions, while improvement in energy efficiency in the municipal sector is extremely slow, despite the fact that it has the greatest potential for energy savings. The prospects for further reductions in gas consumption by households and heat supply enterprises will depend on two main factors: attracting donor funds to implement energy efficiency programs in the housing and communal services sector and step-by-step adjustments in gas and heating tariffs for households to an economically justified level.

Structure of gas consumption in Ukraine, bcm



Data from the Ministry of Energy and Coal Industry of Ukraine, "Naftogaz Ukraine".

Natural gas production

In 2014, gas production in Ukraine amounted to 20.5 bcm, which was 1 bcm or 5% less than the figure from the previous year.

The main factor behind the decrease in extraction was the shortfall of natural gas from the Chernomorneftegaz, which has not been accounted for in overall statistics since March 2014 due to the annexation of Crimea by the Russian Federation. That company's contribution to the overall extraction volume was only 0.3 bcm, whereas in the previous year it was 1.7 bcm. At the same time, significant investments in increasing the number of offshore drilling rigs and the development of new gas fields on the shelf created the prospect for Chernomorneftegaz to increase natural gas extraction.

Other state-owned companies, as in previous years, worked to maintain extraction volumes at the current level, rather than increasing. PJSC Ukrgasdobycha retained its output at the 2013 level of 15.1 bcm of natural gas.

PJSC Ukrnafta, whose majority stake belong to the state, continued to decrease extraction to 1.7 bcm of natural gas, which was 10.5% less than in 2013 (vs. -6.9% y-o-y in 2013).

Private companies developed production: in 2014 they increased total gas extraction to 3.3 bcm or by 17.9% compared to 2013.This increased the share of private companies in the total domestic extraction volume to 16% (vs. 12.6% in 2013).

Condition of natural gas reserves in Ukraine

Oil and gas region	Proven reserves, % of total volume	Depletion, %
Dnipro-Donetsk basin	80	70-80
Carpathian basin	13	42
Black Sea-Crimean basin	6	5

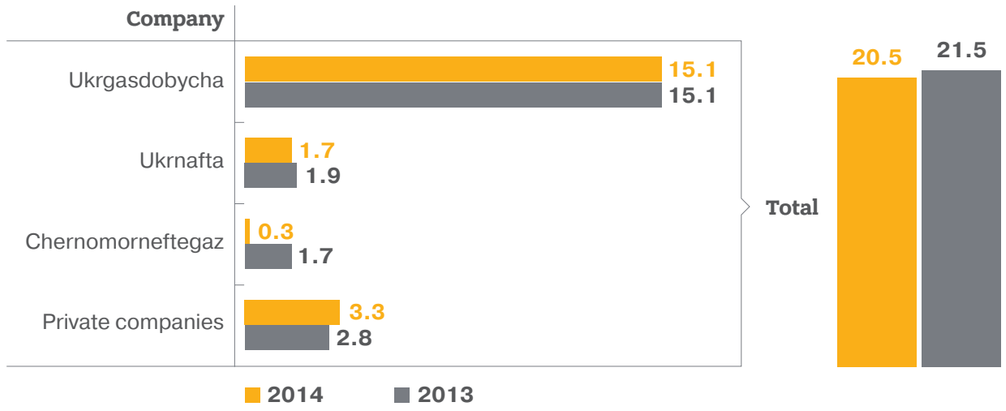
Data: Energy Strategy of Ukraine until 2030, State Service on geology and Mineral Resources

16% - share of private companies in the total volume of gas extraction in Ukraine in 2014. In 2006, it was 6.7%

The active growth in private companies' output was stimulated by significant investments in the sector in 2013-2014, which involved modern technology and equipment and new approaches to developing mineral resources for Ukraine. The increase in production by private companies could have been more significant: in the first half of the year growth exceeded 30%. However, in the second half of the year, Cabinet of Ministers of Ukraine Decree No. 596 (replaced by No. 647) obliged the largest industrial enterprises to buy gas exclusively from the Naftogaz of Ukraine. In addition, amendments were made to the Tax Code of Ukraine (Law №1621-VII) to increase rates for the use of mineral resources in natural gas production (see details in the "Regulatory Environment" section). Administrative limitations on the sales market for private companies, while fiscal pressure increased led to lower growth rates for natural gas production in the second half of the year.

In case the unfavorable conditions for private companies continue to be in place in 2015, there can be a move from increases in production volumes to decreases. According to preliminary estimates, total output might decline to 3.2 bcm. In case of return to rental payment rates applicable at the beginning of 2014, growth in production by private companies could continue to reach 4.3 bcm in 2015.

Structure of gas production in Ukraine, bmc



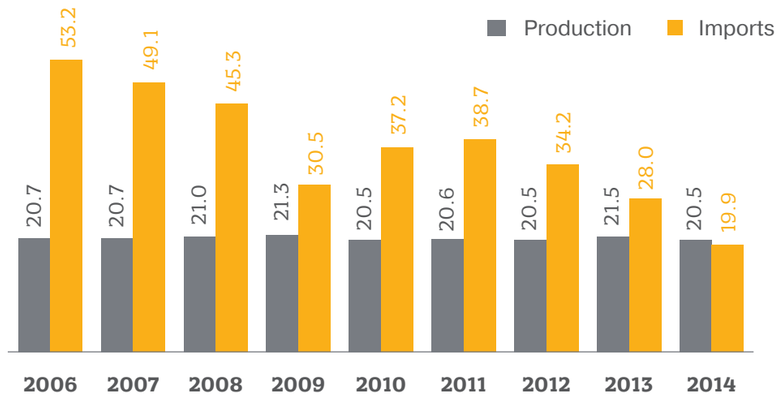
Natural gas imports

In 2014, gas imports to Ukraine dropped by 30% y-o-y to 19.9 bcm. The share of imports in total consumption reduced to 46.8% (vs. 55.5% in 2013).

In 2014, Naftogaz of Ukraine was the main gas importer. The Private companies' technical capacity for importing gas was restricted for most of the year, despite international demands for equal access to gas transportation facilities for all market participants. Gas supplies from Europe increased to 5 bcm, which was more than 100% growth y-o-y. Supplies were made from Poland, Hungary, and Slovakia. At the same time, the volume of natural gas imports from Russia decreased by 44% to 14.5 bcm. As a result of these changes, the share of Russian gas in total consumption dropped from 52% the previous year to 34% in 2014. According to Naftogaz of Ukraine, purchases from the Russian Federation will continue to decline and, according to the company's forecast, amount to 40% of total gas imports in 2015.

In particular, it is planned to extend the infrastructural capacity for reverse pumping from Hungary and Slovakia to Ukraine. To further minimize fuel supplies from the Russian Federation, the Ukrainian government supports the construction of the main gas interconnector-pipeline "Drozdovychi - Bilche-Volitsa" with a capacity of 8 bcm per year. In December, gas-transport operators from the two countries, Ukrtransgaz (Ukraine) and Gaz-System S.A. (Poland), signed a cooperation agreement on the preparation of a feasibility study on the project to connect the Polish and Ukrainian gas systems. It is expected that through this pipeline Ukraine will import gas, including gas delivered to LNG terminals located in Svinousts (Poland) and Klaipeda (Lithuania). However, imports from Lithuania will be possible no earlier than in 2019, after the commissioning of a transit pipeline from the Lithuanian port to Poland.

Parity of gas production and imports in Ukraine, bcm



Data: Ministry of Energy and Coal Industry of Ukraine, Naftogaz of Ukraine

Pricing

Throughout 2014, the NEURC revised boundary gas tariffs for industrial and state budget entities upward five times. It did this due to the devaluation of UAH by more than two times, and because of the cancellation by the Russian Federation at the beginning of the current year of the gas price of USD 268.5/tcm. In January 2014, the boundary tariff for these categories of consumers was USD 261/tcm, whereas from January 2015 the regulator approved tariff was USD 495/tcm. At the same time, this price did not include a number of additional payments to be made by the buyer. Among them is a target bonus of 2% of the cost of gas, tariff on transportation through the backbone and distribution networks and VAT. In this way, the actual price of gas for industrial consumers and the "budget sector" in January 2015 exceeded USD 629/tcm.

USD 629/tcm - actual price of gas for industrial consumers and the "budget sector"

At the same time, heat-generation companies purchased gas at a reduced price, which has not been revised since August 2010 of USD 110/tcm. The state compensates Naftogaz of Ukraine for the difference between the preferential rate and the objective cost. Nevertheless, heat-generation companies are not able to pay to Naftogaz of Ukraine for consumed gas even at the preferential rates. The problem is that local officials set tariffs for thermal energy below cost and do not always cover the difference in tariffs from local state budgets as stipulated by legislation. The situation is also complicated by the low payment discipline (less than 100%) of households for supplied heat. In this way, as of January 2015, the debt of heat-generation companies for gas to Naftogaz of Ukraine exceeded USD 0.86 bln.

Supplies of natural gas to households are provided mainly from gas extracted in Ukraine. According to legislation, all companies in which the state owns more than 50% should sell all extracted gas for households at a fixed price established by the NEURC. Gas tariffs for households are also set by the NEURC based on the extraction cost and necessary associated costs. Thus, the profit of the gas extraction companies is set at a minimal or zero level.

Gas tariffs for households were not revised from August 2010 to April 2014 and amounted to USD 60.9-247.8/tcm, depending on the volume of consumption and presence of a gas meter. Since May, 1 2014, the regulator approved new tariffs of USD 99-336/tcm.

However, this increase did not solve the problem of the low profitability of state-owned gas companies. At the beginning of 2015, Naftogaz of Ukraine published calculations of the economically justified cost of gas extracted by its subsidiary Ukrgasdobycha: USD 455.5/tcm (the sum included the cost of capital of USD 239/tcm). At the same time, the NEURC established a gas sales price in 2014 for the company of USD 29/tcm (Decree No. 1851). Chronic underfunding leads state-owned companies to not be able to sufficient funded exploration work and drilling. This leads to decrease or, at best, maintaining their production figures at the same level.

Prices herewith are covered in USD basing on 11.92 UAH/USD FX rate

Boundary natural gas prices for different customer groups, USD/thousand cubic meters*

	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015
Industry/Budget entities	439	439	433	433	351; 276	344; 404	376; 387	338; 354; 409	279; 269; 420
Heat-generation enterprises	117								
Households**	78 - 318*							67 - 225*	

Converted in USD at following UAH/USD FX rates: for 2013 – 7.99; 1Q2014 – 8.86; 2Q2014 – 11.69; 3Q2014 - 12.58; 4Q2014 - 14.42; 1Q2015 - 21.18, 1Q2013-2Q2014 – 9.3; 4Q2014-1Q2015 – 17.8, 1Q2013-1Q2015 - 11.19.
* Depending on the volume of consumption and use of meters. Data: NEURC

Regulatory environment

There was a dramatic deterioration in the regulatory environment in the natural gas market in 2014. The Cabinet of Ministers of Ukraine and Naftogaz of Ukraine proposed seven initiatives that significantly changed the rules for the oil and gas industry, and two of them were introduced.

- In July 2014, the Verkhovna Rada of Ukraine adopted law No. 4309a, which was initiated by the Cabinet of Ministers. In accordance with this law, the tax rate for using natural resources to extract gas at depths of up to 5,000 was is raised from 28% to 55%, and for wells over 5,000 m - from 15% to 28% of the cost of commercial products. The rate increase was originally positioned by the government as a temporary crisis measure, so the draft law provided for a return to the rates applicable prior to the adoption of the draft law as of January, 1 2015. Nevertheless, in the draft state budget for 2015, the government proposed extending the elevated rates until June, 30 2015, which was supported by parliament.
- Cabinet of Ministers of Ukraine Decrees No. 596 of November, 7 2014, No. 599 of November, 12 2014 and No. 647 of November, 26 2014 obliged the 152 largest industrial enterprises of Ukraine to buy natural gas exclusively from Naftogaz of Ukraine until March 2015.

The government and Naftogaz of Ukraine explained these changes by the need to increase government revenue and improve the financial status of the state-owned company by redistributing the gas market in its favor. However, these initiatives were criticized by other market participants and international organizations because they can lead to a reduction in gas extraction by private companies, which in the long run will increase Ukraine's energy dependence on external suppliers. At the same time, the process for bringing Ukrainian legislation into compliance with the requirements of the EU Third Energy Package, which provides for a reduction in regulation of the industry and the inability to manage it in a "manual mode," is extremely slow.

Last year, the issue of finalizing legislative mechanisms for cooperation between state-owned and private gas production companies in cooperation agreements and production sharing agreements was once again raised at the level of Naftogaz of Ukraine. These forms of cooperation would enable the attraction of additional investments to the industry and increase the overall volume of hydrocarbon production. Nevertheless, the actual steps toward improving relevant legislation have not been implemented.

In 2014, there was no obvious progress in improving legislation in the sphere of mineral resources to update terms for allocating special permits for using mineral resources and for mineral resources users with the relevant state authorities. In October 2013, the Cabinet of Ministers of Ukraine approved a new draft of the Mineral Resources Code, which provides for a number of positive reforms, but the document has not been submitted for approval by the Verkhovna Rada of Ukraine.

PERFORMANCE RESULTS

Operations

In 2014, DTEK's enterprises mined 37.1 million tons of coal, supplied 47.8 billion kWh of electricity, transmitted 53.8 billion kWh of electricity on DTEK's networks and extracted 752 million cubic meters of natural gas.

Key production indicators

Indicators	Unit	2014	2013	Change (+/-)	Change (%)
Coal production	thousand tons	37,122	41,408	-4,286	-10.4
Coal processing:					
ROM coal processing	thousand tons	26,401	32,970	-6,569	-19.9
Concentrate output	thousand tons	17,092	21,908	-4,816	-22
Electricity generation (supply),	million kWh	47,790	53,054	-5,264	-9.9
Including DTEK RENEWABLE Energy Sources (RES)	million kWh	652	268	384	143.3
Electricity transmission	million kWh	53,770	56,896	-3,126	-5.5
Electricity exports	million kWh	7,988	9,829	-1,841	-18.7
Coal exports	thousand tons	4,057	4,732	-675	-14.3
Coal imports	thousand tons	1,687	-	1,687	-
Natural gas extraction	million cubic meters	752	92[1]	-	-
Gas-condensate production	thousand tons	29	41[1]	-	-

[*] Data is presented since the date Private JSC Naftogazvydobuvannya was consolidated into DTEK Group (November 2013)

DTEK ENERGY | Coal production and processing

DTEK decreased coal production by 10.4% year-on-year to 37.1 million tons in 2014. The company's share in overall coal production in Ukraine was 53.8% in 2014, while 83% of saleable coal was consumed by SCM enterprises. Processing plants' output also decreased: ROM coal processing was down 19.9% year-on-year to 26.4 million tons and concentrate output fell by 22% to 17.1 million tons.

In 2014 people working at DTEK's mines and power plants did everything they could to increase the production of gaseous coal and electricity.

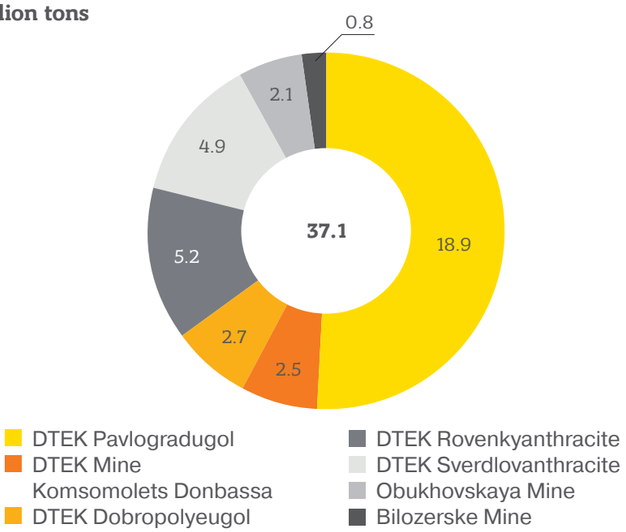
Main factors affecting the production indicators:

- increase in coal production at DTEK Pavlogradugol by 4% or 719.6 thousand tons and at the Obukhovskaya Mine by 54% or 747.8 thousand tons;
- decrease in coal production at DTEK Rovenkyanthracite, DTEK Sverdlovanthracite, and DTEK Mine Komsomolets Donbassa by a total of 29% or 5.2 million tons for the following reasons:
  - DTEK Mine Komsomolets Donbassa's mining tunnels switched to "maintenance" mode due to artillery shelling at the surface of the mine and adjacent areas. Coal production was partially renewed from December 2014;
  - DTEK Sverdlovanthracite and DTEK Rovenkyanthracite resumed coal production at their mines in September 2014; work at these mines had been suspended due to the armed conflict. These mines are operating part-time because of the conflict and the destruction of infrastructure, which have prevented them from supplying stockpiled coal to thermal power plants at a full scale. 2.45 million tons of coal is blocked in the storage facilities of the aforementioned mines..

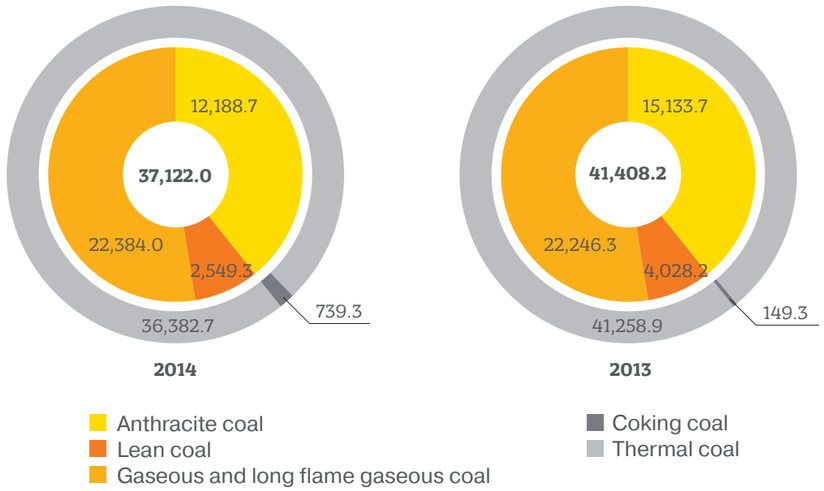
Commercial coal reserves of DTEK mines, as of January 1, 2015

Coal grade	Commercial reserves, million tons	Production capacity, million tons	Service life, years
D/DG/G	1,054.0	24.2	43.6
A	504.1	17.1	29.4
T	151.9	4.5	33.0
Total	1,710.0	45.8	37.3

Share of enterprises in DTEK's overall coal production in 2014, million tons



Structure of coal mined in 2013-2014, thousand tons



The labor productivity of miners at DTEK's mines in 2014 was 67.1 tons per month; in 2013, this figure was 71.1 tons per month. The decline was associated with a reduction in coal production volume at mines in Donetsk and Luhansk regions due to the armed conflict. Despite the decline, the company retained its leading position in the industry, taking into account that the labor productivity of miners in state-owned mines in 2014 was10.9 tons per month.

Coal production of CPPs, million tons

	2014		2013		Change (+/-)		Change (%)	
	C	Th	C	Th	C	Th	C	Th
Gaseous coal	0.35	7.89	0.02	9.04	0.33	-1.14	20x	-12.64
Lean coal	-	1.83	-	2.87	-	-1.05	-	-36.42
Anthracite coal	-	7.02	-	9.98	-	-2.96	-	-29.63

C - coking coal, Th - thermal coal

Electricity generation

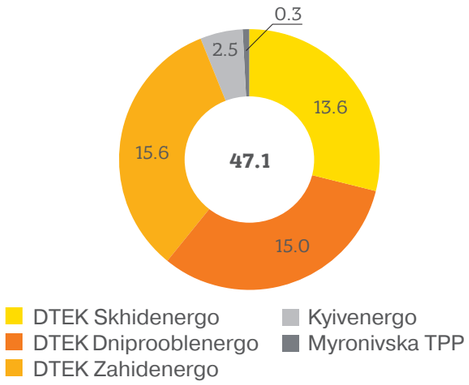
DTEK's generation companies decreased electricity supply by 10.7% year-on-year to 47.1 billion kWh in 2014.

Main factors affecting the production indicators:

- reduction in electricity consumption in Ukraine by 6.7% or 12.2 billion kWh caused by the economic recession and armed conflict in Donbass region;
- decrease in electricity supply by the TPPs of DTEK Skhidenergo and Myronivska TPP of DTEK Donetskoblenergo by 20.9% or 3.7 billion kWh in total due to the armed conflict in Donetsk and Luhansk regions;

- reduction in electricity supply by the CHPPs of Kyivenergo by 12.9% or 361.6 million kWh due to an adjustment in the forecast balance for the United Energy System (UES) of Ukraine by the Ministry of Energy and Coal Industry in order to reduce the consumption of natural gas.

Share of enterprises in DTEK's overall electricity generation in 2014, billion kWh



Installed capacity utilization factor (ICUF) and specific fuel consumption of thermal generation plants in 2014

Enterprises	ICUF, %		Specific fuel consumption, g/kWh		Change (+/-)		Change (%)	
	2014	2013	2014	2013	ICUF, %	Specific fuel consumption, g/kWh	ICUF, %	Specific fuel consumption, g/kWh
Centrenergo	18.6	20.7	400	400	-	0	-2.1	0
Donbassenergo	28.4	40.6	415	417	-	-2	-12.2	-0.5
TPPs of DTEK*	32.5	36.4	391	388	-	3	-3.9	0.8

* Kyivenergo CHPPs and Myronivska TPP not included

Fuel supply of DTEK's TPPs

DTEK's power plants are coal-fired. Coal accounts for 98.4% of the fuel of the company's nine thermal power plants: Zuivska, Kurakhivska, Zaporizka, Burshtynska, Dobrotvirska, Ladyzhynska, Luhanska, Prydniprovska and Kryvorizka. The remaining share is accounted for by gas and oil fuel. Actual consumption of coal by the nine TPPs was 23.4 million tons in 2014 (vs. 25.6 million tons in 2013). Thanks to retrofits completed in 2014, coal consumption by the company TPPs decreased by 589.3 thousand tons.

The TPPs' major coal suppliers (91%) in 2014 were DTEK Group mine. The remaining 9% of coal was purchased from other suppliers.

Key operational indicators of DTEK TPPs, million kWh

Company	Indicators	2014	2013	Change (+/-)
DTEK Kurakhivska TPP	Electricity output	5,966.4	7,122.1	-1155.7
	Auxiliary energy consumption, %	10.4	10.2	0.2
	Electricity supply	5,347.6	6,388.5	-1,040.9
	ICUF, %	44.9	53.9	-9
DTEK Zuivska TPP	Electricity output	4,338.0	6,573.7	-2,235.7
	Auxiliary energy consumption, %	7.7	7.2	0.5
	Electricity supply	4,004.3	6,100.3	-2,096
	ICUF, %	38.9	59.6	-20.7
DTEK Luhanska TPP	Electricity output	4,825.5	5,353.8	-528.3
	Auxiliary energy consumption, %	11.0	10.9	0.1
	Electricity supply	4,293.0	4,767.4	-474.4
	ICUF, %	37.7	41.9	-4.2
DTEK Prydniprovska TPP	Electricity output	3,986.4	3,993.6	-7.2
	Auxiliary energy consumption, %	11.6	10.6	1
	Electricity supply	3,525.8	3,544.6	-18.8
	ICUF, %	25.7	25.8	-0.1
DTEK Zaporizka TPP	Electricity output	5,552.9	5,997.4	-444.5
	Auxiliary energy consumption, %	7.4	7.5	-0.1
	Electricity supply	5,142.3	5,548.1	-405.8
	ICUF, %	17.5	19	-1.5
DTEK Kryvorizka TPP	Electricity output	6,944.6	7,516.0	-571.4
	Auxiliary energy consumption, %	8.1	7.7	0.4
	Electricity supply	6,380.7	6,934.5	-553.8
	ICUF, %	27.8	30.3	-2.5
DTEK Burshtynska TPP	Electricity output	10,039.0	9,954.7	84.3
	Auxiliary energy consumption, %	9.6	9.8	-0.2
	Electricity supply	9,073.0	8,974.7	98.3
	ICUF, %	49.2	49	0.2
DTEK Dobrotvirska TPP	Electricity output	1,844.2	2,004.2	-160
	Auxiliary energy consumption, %	10.3	9.5	0.8
	Electricity supply	1,654.9	1,759.0	-104.1
	ICUF, %	41.9	45.8	-3.9
DTEK Ladyzhynska TPP	Electricity output	5,345.6	5,904.6	-559
	Auxiliary energy consumption, %	8.0	7.6	0.4
	Electricity supply	4,918.5	5,452.6	-534.1
	ICUF, %	33.9	37.5	-3.6
DTEK Donetskoblenergo Myronivska TPP	Electricity output	415	500	-85
	Auxiliary energy consumption, %	18.2	17.3	0.9
	Electricity supply	340	413	-73
	ICUF, %	17.24	20.74	-3.5

Production capacities of DTEK power plants, as of January 1, 2015

Power Unit No.	Installed capacity, MW	Date of commissioning/last major overhaul or retrofit	Hours in service	Major overhaul/retrofit
DTEK Zuivska TPP				
1	325	1982/2009	191,950	Retrofit completed in 2009. Increased the installed capacity by 25 MW
2	320	1982/2008	186,992	Retrofit completed in 2008. Increased the installed capacity by 20 MW
3	300	1986/2006	165,821	Retrofit in 2014-2015. Expected to increase the installed capacity by 20 MW
4	325	1988/2012	157,487	Retrofit completed in 2012. Increased the installed capacity by 25 MW
Total	**1,270**			
DTEK Kurakhivska TPP				
3	200	1972/2007	275,358	Retrofit plans are under consideration
4	210	1973/2008	250,819	Retrofit plans are under consideration
5	222	1973/2009	235,955	Retrofit completed in 2009. Increased the installed capacity by 12 MW
6	225	1973/2013	229,543	Retrofit completed in 2013. Increased the installed capacity by 15 MW
7	225	1974/2010	243,260	Retrofit completed in 2010. Increased the installed capacity by 15 MW
8	225	1974/2012	239,966	Retrofit completed in 2012. Increased the installed capacity by 15 MW
9	210	1975/2015	237,374	A retrofit is planned to be completed in 2015. Expected to increase the installed capacity by 10 MW
Total	**1,517**			
DTEK Luhanska TPP				
9	200	1962/2007	319,950	Retrofit plans are under consideration
10	210	1962/2012	305,973	Retrofit completed in 2012. Increased the installed capacity by 35 MW
11	200	1963/2004	317,425	Retrofit plans are under consideration

Power Unit No.	Installed capacity, MW	Date of commissioning/last major overhaul or retrofit	Hours in service	Major overhaul/retrofit
12	-		-	Mothballed
13	210	1967/2014	281,320	Retrofit completed in 2014. Increased the installed capacity by 35 MW
14	200	1968/2006	279,050	Retrofit plans are under consideration
15	200	1968/2005	289,220	Retrofit plans are under consideration
Total	**1,220**			
DTEK Zaporizka TPP				
1	325	1972/2012	270,081	Retrofit completed in 2012. Increased the installed capacity by 25 MW
2	300	1972/2006	263,437	Retrofit plans are under consideration
3	300	1972/2014	264,482	Retrofit completed in 2014. Expected to increase the installed capacity by 30 MW
4	300	1973/2002	250,882	Retrofit plans are under consideration
5	800	1975/1995	148,998	Oil and gas power unit. Reserve
6	-	-	-	Mothballed
7	800	1977/1992	133,190	Oil and gas power unit. Reserve
Total	**2,825**			
DTEK Kryvorizka TPP				
1	282	1963/1993	297,497	A retrofit is planned to be completed in 2016. Expected to increase the installed capacity by 33 MW
2	300	1964/1998	304,425	Retrofit plans are under consideration
3	300	1965/2012	264,620	Retrofit completed in 2012. Increased the installed capacity by 18 MW
4	300	1966/2005	243,272	Retrofit plans are under consideration
5	282	1967/1994	289,467	Retrofit plans are under consideration
6	282	1968/1995	245,532	Retrofit plans are under consideration
7	-	-		Mothballed

Power Unit No.	Installed capacity, MW	Date of commissioning/last major overhaul or retrofit	Hours in service	Major overhaul/retrofit
8	282	1969/1996	255,755	Planned to be decommissioned
9	-	-	-	Mothballed
10	300	1972/1992	198,930	Planned to be decommissioned
Total	**2,328**			
DTEK Prydniprovska TPP				
7	150	1958/2013	328,097	Planned to be decommissioned
8	150	1958/2014	348,564	Planned to be decommissioned
9	150	1959/2012	317,889	Retrofit completed in 2012. No changes in installed capacity
10	150	1960/2006	327,526	Retrofit plans are under consideration
11	310	1962/2001	262,429	Retrofit plans are under consideration
12	-	-	-	Mothballed
13	285	1964/1997	296,791	Retrofit plans are under consideration
14	-	-	-	Mothballed
Total	**1,195**			
DTEK Burshtynska TPP				
1	195	1968/2010	286,192	Planned to be decommissioned
2	185	1965/2014	267,490	Planned to be decommissioned
3	185	1966/2013	281,986	Planned to be decommissioned
4	195	1966/2014	301,370	Planned to be decommissioned
5	208	1967/2013	292,704	Retrofit completed in 2013. Increased the installed capacity by 13 MW
6	185	1967/2010	297,985	Planned to be decommissioned
7	206	1968/2012	279,414	Retrofit completed in 2012. Increased the installed capacity by 21 MW
8	195	1968/2009	299,246	Retrofit plans are under consideration
9	195	1968/2006	282,378	Retrofit plans are under consideration

Power Unit No.	Installed capacity, MW	Date of commissioning/last major overhaul or retrofit	Hours in service	Major overhaul/retrofit
10	195	1969/2004	294,309	Retrofit plans are under consideration
11	195	1969/2011	258,798	Retrofit plans are under consideration
12	195	1969/2012	251,906	Retrofit plans are under consideration
Total	**2,334**			
DTEK Dobrotvirska TPP				
5	100	1960/2010	330,017	Planned to be decommissioned
6	100	1961/2009	327,981	Planned to be decommissioned
7	150	1963/2011	335,065	Retrofit plans are under consideration
8	160	1964/2014	306,321	Retrofit completed in 2014. Expected to increase the installed capacity by 10 MW
Total	**510**			
DTEK Ladyzhynska TPP				
1	300	1970/2007	242,354	Retrofit plans are under consideration
2	300	1971/2009	234,916	Retrofit plans are under consideration
3	300	1971/2011	223,206	Retrofit plans are under consideration
4	300	1971/2001	231,255	Retrofit plans are under consideration
5	300	1971/2003	216,355	Retrofit plans are under consideration
6	300	1971/2004	228,213	Retrofit plans are under consideration
Total	**1,800**			
DTEK Donetskoblenergo Myronivska TPP				
1	100	1953/2004	285,814	Retrofit plans are under consideration
2	60	1954/1998	335,195	Reserve
3	115	2004/2013	60,209	Major overhaul completed in 2013
Total	**275**			

Electricity distribution

DTEK's electricity distribution companies decreased their amount of transmitted electricity on networks by 5.5% year-on-year to 53.8 billion kWh in 2014.

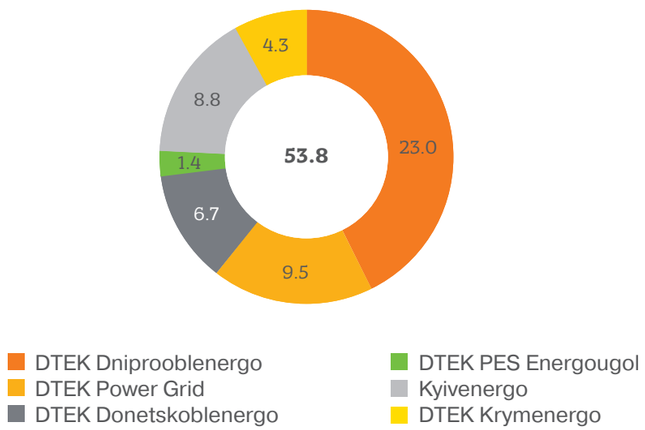
The total length of DTEK's electricity transmission lines is 157,099 km

Main factors affecting the production indicators:

- reduction in electricity supply by DTEK Power Grid LLC and DTEK Donetskoblenergo by 3.3 billion kWh in total due to the armed conflict in Donetsk region, which caused decreased production of industrial and municipal enterprises, termination of small and medium-sized businesses activities, falling consumption by the population;
- reduction in electricity supply by DTEK Krymenergo by 194 million kWh due to the lack of consumption growth during the holiday season and decrease in consumption in rural areas;
- increase in electricity supply by DTEK Dniprooblenergo by 2% or 460.7 million kWh.

In 2014, Ukrainians consumed 134.7 billion kWh of electricity

Share of enterprises in DTEK's overall electricity distribution in 2014, billion kWh



Transmission losses: DTEK enterprises, %

	2014	2013	Change (+/-)	Change (%)
DTEK Donetskoblenergo	17.6	14.0	3.6	25.7
DTEK Krymenergo	12.62	15.55	-2.93	-18.84
Kyivenergo	7.99	7.92	0.07	0.88
DTEK PES Energougol	4.70	6.39	-1.69	-26.44
DTEK Dniprooblenergo	4.46	4.41	0.05	1.13
DTEK Power Grid	1.32	1.13	0.19	16.81
Average for DTEK	**7.09**	**7.04**	**0.05**	**0.71**
Average for Ukraine	**12.47**	**11.41**	**1.06**	**9.29**

Characteristics of DTEK electricity distribution companies, as of January 1, 2015

	Total length of transmission lines, km	Total number of transformer sub-stations, units	Total capacity of substations, MVA
DTEK Donetskoblenergo	62,311	13,084	12,420
DTEK Dniprooblenergo	47,476	12,589	11,340
DTEK Krymenergo	30,581	9,053	6,178
Kyivenergo	12,786	3,880	7,630
DTEK Power Grid	2,710	91	2,554
DTEK PES Energougol	1,234	425	478
DTEK	**157,099**	**39,122**	**40,584**

Kyivenergo

DTEK's heat production and supply segment is represented primarily by Kyivenergo, which provides a full range of heat supply services to Ukraine's capital: generation, transportation and sales of thermal and electrical energy. The company provides centralized heating and hot water supply services to legal entities and households. The distribution and transportation of heat to consumers is carried out on heat networks that are mostly owned by municipal entities.

Electricity supply amounted to 8.8 billion kWh in 2014, the same level as in 2013

Kyivenergo's total installed capacity for electricity generation is 1.2 GW and for thermal energy production is 8.8 thousand Gcal/h.

The company decreased electricity generation by 12.9% to 2.5 billion kWh in 2014. The amount of electricity supply to customers remained at the same level as in 2013 – 8.8 billion kWh. The amount of heating generation declined by 16.7% to 10.1 Gcal/h.

Main factors affecting the production indicators:

- adjustment in the forecast balance for the United Energy System of Ukraine by the Ministry of Energy and Coal Industry in order to reduce the consumption of natural gas;
- reduction in consumption by industrial enterprises due to the economic recession.

Kyivenergo consumed more than 2 billion cubic meters of natural gas to produce electricity and heat in 2014. National JSC Naftogaz of Ukraine supplied 88% of that and the rest came from DTEK Trading LLC.

Key operating indicators of Kyivenergo's combined heat and power plants (CHPP-5 and CHPP-6), million kWh

Company	Indicators	2014	2013	Change (+/-)
CHPP-5	Electricity output	1,701.7	1,975.7	-274.0
	Electricity supply	1,396.4	1,653.7	-257.3
	Auxiliary energy consumption (for electricity generation), %	7.4	6.5	-0.9
	Auxiliary energy consumption (for heat generation), kWh/Gcal	50.7	46.0	-4.7
	ICUF, %	27.8	32.2	-4.4
CHPP-6	Electricity output	1,221.0	1,349.0	-128.0
	Electricity supply	1,055.0	1,159.2	-104.2
	Auxiliary energy consumption (for electricity generation), %	5.0	5.2	-0.2
	Auxiliary energy consumption (for heat generation), kWh/Gcal	52.0	52.8	-0.8
	ICUF, %	27.9	30.8	-2.9
Total for Kyivenergo	Electricity output	**2,922.7**	**3,324.7**	**-402.0**
	Electricity supply	**2,451.4**	**2,812.9**	**-361.5**
	Auxiliary energy consumption, %	**497.4**	**569.6**	**-72.2**
	ICUF, %	**27.8**	**31.6**	**-3.8**

Production capacities of Kyivenergo (CHPP-5 and CHPP-6), as of January 1, 2015

Power Unit No.	Capacity, MW	Date of commissioning/last major overhaul or retrofit	Hours in service	Major overhaul/retrofit
Electricity output				
CHPP-5				
Unit 1	100	1971/2014	301,920	2014/2014
Unit 2	100	1972/2012	297,232	2012/-
Unit 3	250	1974/2013	264,898	2013/-
Unit 4	250	1976/2014	216,639	2014/-
Total	**700**		**11,080,689**	
CHPP-6				
Unit 1	250	1982/2013	208,808	2013/-
Unit 2	250	1984/2012	198,399	2012/-
Total	**500**		**407,207**	
Heating generation				
CHPP-5 - 1,874 Gcal/h				
Unit 1	160	1971/2014	301,920	2014/-
Unit 2	160	1972/2012	297,232	2012/-
Unit 3	324	1974/2013	264,898	2013/-
Unit 4	330	1976/2014	216,639	2014/-
180 PTVM Boiler No. 1	180	1972/2008	32,866	2008/-
180 PTVM Boiler No. 2	180	1972/1994	24,532	1994/-
180 PTVM Boiler No. 3	180	1977/1997	41,089	1997/-
180 PTVM Boiler No. 4	180	1992/-	50,387	-/-
180 PTVM Boiler No. 5	180	1998/-	36,593	-/-
CHPP-6 Kyivenergo - 1,740 Gcal/h				
Unit 1	330	1982/2013	208,808	2013/-
Unit 2	330	1984/2012	198,399	2012/-
180 KVGM Boiler No. 1	180	1981/2010	55,828	2010/-
180 KVGM Boiler No. 2	180	1982/2011	49,978	2011/-
180 KVGM Boiler No. 3	180	1983/2011	51,116	2011/-
180 KVGM Boiler No. 4	180	1986/2010	46,021	2010/-
180 KVGM Boiler No. 5	180	1998/2013	10,859	2013/-
NAS-209-150 Boiler No. 6	180	2004/-	10,334	-/-

Commercial activities and gas imports

The differences in domestic market conditions between the first and second half of 2014 affected the company's export-import activities.

Coal sales on external and domestic markets

In 2014, DTEK exported 4 million tons of coal to external markets, which was 14.3% lower than in 2013.

DTEK sent coal, which had been planned to be exported, to Ukrainian power plants to cover the shortfall in anthracite because of the armed conflict in the Donbass region

In 2013 and the first half of 2014, there was a surplus on the coal market. Ukraine's coal mining enterprises worked steadily, completely covering domestic consumption, which allowed for exporting surplus products. DTEK exported 2.7 million tons of coal from January to June 2014, which was 28.8% more than in the same period in 2013.

Main factors affecting the indicators:

- expansion of cooperation with India, Russia, Turkey, the USA and Morocco;
- entry into new coal markets: Brazil and the United Kingdom;
- improvements in export operations and growth in the share of direct sales to end-users (up to 66% of export shipments).

In the second half of 2014, there was a domestic shortage of anthracite coal because of the armed conflict in the Donbass region and destruction of railway infrastructure. DTEK sent Ukrainian power plants coal that had been planned to be delivered under foreign contracts. To cover the shortage and ensure electricity generation, the company also imported 1.7 million tons of A and T grade coal, including from internal asset, the Obukhovskaya Mine.

Main factors affecting the indicators:

- decrease in coal production at DTEK Rovenkyanthracite and DTEK Sverdlovanthracite by a total of 26.9% or 3.7 million tons due to the armed conflict and destruction of railway infrastructure, which led to limitations on shipments and loss of the ability to export.
- shortage of coal for Ukrainian thermal power plants during the heating season: continuation of imports and reduction in exports in the 4th quarter by 71% or 1.1 million tons.

Domestic coal sales declined by 28.2% to 1.2 million tons due to the 10.7% drop in industrial production in Ukraine, redirection of supplies to TPPs and the armed conflict.

Electricity sales on external and domestic markets

In 2014, DTEK reduced exports of electricity to 8 billion kWh, which was 18.7% lower than in 2013. The company continued to implement its strategy regarding direct access to European energy markets and cooperation with end-users. In June, DTEK Hungary Power Trade LLC started test deliveries of electricity on the Hungarian wholesale market.

In the first half of the year, DTEK exported 4.6 billion kWh, which was 6.2% less than in the same period a year earlier.

In the second half of the year, due to the introduction of the emergency state in the energy system and power shortages in the United Energy System of Ukraine, electricity exports were restricted.

Main factors affecting the indicators:

- In August, the Ministry of Energy and Coal Industry of Ukraine decided to restrict electricity exports to Moldova and Belarus. Electricity supplies from Ukraine to these destinations was down 29.7% or 1.3 billion kWh year-on-year in total in 2014;
- electricity supplies to Poland were terminated starting from October and decreased 33.4% or 343.4 million kWh in 2014.

Electricity for export is generated by DTEK Zakhidenergo's TPPs. These units work on gaseous coal, which was mined in sufficient quantities in Ukraine last year. DTEK Burshtynska TPP, being the so-called "Burstyn energy island", synchronously operates on the European ENTSO-E grid and provids electricity to residents in Zakarpattya region and parts of Lviv and Ivano-Frankivsk regions. For technological reasons, only two of DTEK Burshtynska TPP's 12 units can supply electricity to the United Energy System of Ukraine. Since August 2014, these units have been working in the mentioned mode.

Gas imports

In 2014, DTEK was not engaged in the import of natural gas from Europe to Ukraine. Despite international requirements on equal access for all parties to gas transportation facilities, private companies were artificially restricted in their ability to supply gas for most of the year.

DTEK imported 628.3 million cubic meters of natural gas to Ukraine in 2013, making it one of the largest natural gas importers from Europe. The creation of this new business line was dictated by the need to provide natural gas to the company's electricity generation facilities and SCM group companies.

DTEK RENEWABLES | Renewable energy

The Botievo Wind Farm produced 651.5 million kWh of “green” electricity, exceeding the annual plan by 11.2%.

The second stage of the Botievo Wind Farm was completed in April 2014 with the commissioning of 35 wind turbines. This brought the installed capacity of the wind farm to its designed capacity of 200 MW. The wind farm’s installed capacity utilization was 37.7%, availability factor – 95.5%, and mid-annual wind speed – 7.62 m/s.

The achievement of planned production indicators was assisted by effective planning to maintain the wind farm’s equipment and infrastructure. For example, annual servicing intervals were rescheduled to the season where the air is maximally calm to minimize electricity losses. In addition, in order to achieve the aforementioned results, it was necessary to make quick adjustments to equipment maintenance and high-voltage testing schedules. Repairs were carried out when the wind farm was operating in low generation mode.

DTEK OIL&GAS | Natural gas extraction

In 2014, Private JSC Naftogazvydobuvannya, a member of DTEK Group, extracted 752 million cubic meters of natural gas and 29 thousand tons of gas condensate, which exceeded the indicators in 2013 by 49% and 47%, respectively.

34 thousand meters - volume of natural gas Naftogazvydobuvannya’s drilled in 2014. This is eight times more than in 2013.

Main factors affecting production indicators:

- commissioning of well No. 8 at the Semirenki gas condensate field;
- completion of major overhauls of wells No. 7 and No. 2 at the Semirenki gas condensate field;
- carrying out action to intensify natural gas extraction from wells at the Semirenki and Machukhi gas condensate fields.

Investment projects

In 2014, DTEK invested USD 542 million to develop strategic projects to upgrade existing and build new facilities. Retrofitting increases production performance improves work conditions for employees and extends the service life of equipment. The creation of new facilities in the wind energy and oil & gas sectors continues to develop the company's new businesses and the overall Ukrainian energy sector.

Volume of investments, USD million (IFRS, excluding VAT)

Enterprise	2014	2013	Change +/-	Change %
Coal production and processing	252	527	-275	-52.1
Electricity generation	87	311	-224	-72
Electricity distribution, including Kyivenergo	109	226	-117	-52
DTEK RENEWABLES	13	195	-183	-93.4
DTEK OIL&GAS	79	15	64	429.5
Others	2	16	-13	-86.1
Total	**542**	**1,290**	**-748**	**-58%**

Since 2013, DTEK has been implementing a project Novator - continuous improvement system at its industrial enterprises. The goal of this system is to raise efficiency by continuously developing processes, decreasing losses and improving product quality. The project has already covered 17 enterprises in each sector where the company operates: coal production and processing, electricity generation and distribution. Employees offer their own ideas for improvements, the best of which are later implemented. In 2014, the financial impact of completed projects amounted to USD 18.6 million.

DTEK ENERGY | Coal production and processing

In 2014, the company invested USD 252 million into the development of its coal mining enterprises. In particular, USD 138 million was invested in permanent mine openings and equipment for mining faces and USD 31.7 million was invested in enrichment plants.

DTEK consistently introduces advanced equipment and technology that improves working conditions for miners and increases the efficiency of underground mining. Due to the purchase of new equipment, DTEK's companies have replenished their fleets of roadheaders and shearers by 70% (in total, DTEK purchased 195 roadheaders and 110 shearers after entry of the enterprises to the Group), the fleet of scraper conveyors and stage loaders by 35% (199 units were purchased), and replenished and upgraded the stock of electric locomotives by 63% (57 electric locomotives were purchased and 220 were overhauled).

Coal processing capacity of the Pavlogradskaya processing plant grew by 1.3 million tons per year

Milestone projects completed in 2014:

- Modernization of the second section of the Pavlogradskaya processing plant was completed (total budget: USD 10.5 million), allowing for growth in ROM coal processing by 1.3 million tons per year to 5.8 million tons. Technical re-equipment of the facility will increase the production of high-calorific export-quality concentrate and decrease expenditures for processing at third-party processing plants. The plant's environmental impact was also decreased due to the installation of a filter press section and the establishment of a closed water supply system, allowing for operations without emptying waste liquids.
- A ventilation drill was built and brought on stream at the Dobropolskaya mine (project budget: USD 5.5 million). The drill provides mining works with the necessary amount of air to increase the safety of excavation, while deepening excavations and increasing the volume of gas. This allows for consistent coal production. The project to construct the drill construction was developed and approved back in 2004 when the mine was under the jurisdiction of the Ministry of Energy and Coal Industry of Ukraine. Four years later, basic preparatory work was completed, but the project was frozen because state financing ceased. In 2012, following takeover by DTEK, construction work resumed.
- The first stage of Oktyabrskaya processing plant was completed (project budget: USD 2.2 million). Modern technology for coal dust (1-13 mm) processing in heavy medium cyclones was introduced, reducing energy consumption and boosting coal processing efficiency. Due to the construction of a filter press section that allowed for closing the plant's water-slurry circuit, the emptying of waste liquids into a sludge pond during coal processing was stopped.
- Construction works to replace the main ventilation fan of the Komsomolets Donbassa mine was carried out in full (total project budget: USD 5.4 million). However, due to the armed conflict and shelling of the mine, Komsomolets Donbassa suspended coal production in July. The commissioning of this equipment has been delayed.

The company continues to implement the following projects:

- increase the carrying capacity of the elevation complex at the Heroiv Kosmosa mine (project budget: USD 14.5 million) that will allow for increasing efficiency to 3 million tons a year by 2016. In 2014, a new coal hoist engine was installed, which was a major part of the comprehensive reconstruction of the complex.
- construction of a ventilation drill at the Yubileynaya mine (project budget: USD 17.4 million). Project implementation will provide the mine with the necessary amount of air.

Electricity generation

DTEK is implementing a comprehensive program to modernize its electricity generation facilities. The need for modernization and reconstruction is quite urgent, since the majority of thermoelectric power stations were built between 1960 and 1980 and their equipment is worn out. In addition, the power balance in Ukraine is marked by the lack of maneuverable capacity that can regulate volumes during peak hours.

Since 2007, DTEK has modernized 17 power units, providing the Ukrainian energy system with an additional 324 MW of capacity.

In 2014, DTEK completed the modernization of three power units: DTEK Luhanska TPP No.13, DTEK Dobrotvirska TPP No. 8 and DTEK Zaporizka TPP No.3 (total project budget: USD 119.5 million)

Due to reconstruction, coal consumption at DTEK TPPs decreased by 589.3 thousand tons In 2014

As part of modernization, practically all power unit equipment - boilers, turbines, generators, transformers and additional electrical equipment - is either updated or replaced and automatic systems for managing technological processes are implemented. This allows for extending the lifetime of power units by at least 15 years, and, in addition, for increasing installed capacity and expanding the maneuverability range. Moreover, fuel consumption per kWh production decreases, which also has a positive influence on the environmental impact of the TPPs.

Since 2012, all power units modernized at DTEK TPPs have had their electro filters reconstructed in order to reach levels of dust emission stipulated by Directive 2001/80/EC. The company replaced and modernized 13 flue gas cleaning systems, decreasing the concentration of dust emissions from these units by 22 times on average.

In 2014, the National Commission for State Energy and Public Utilities Regulation adopted a number of resolutions to stop the accrual of the investment component of projects to reconstruct TPP power units, justifying its decision in Decree No. 372 of August 13, 2014, which established a procedure for adopting temporary emergency measures to overcome the effects of prolonged disruptions in the electricity market , while the Ministry of Economic Development and Trade of Ukraine passed Order No. 11.03.2014 on the optimization of the investment component of TPPs tariffs.

Electricity distribution

Last year, DTEK Donetskoblenergo, DTEK Power Grid LLC and DTEK Dniprooblenergo's repair crews were focused on restoring electricity in settlements following disruptions as a result of the armed conflict. 480 high-voltage lines, 450 110-35 kV substations, and 7,800 transformer substations were fully repaired, restoring electricity supply to 340 settlements.

Distribution companies outside of the area of the armed conflict implemented a number of projects to modernize substations and transmission lines in order to improve the reliability and quality of electricity supply and also to establish standby capacity to connect new subscribers. The implementation of projects to improve customer service quality continued as well. Opportunities for online electricity bill payment services and the network of terminals accepting payments and modern Customer Service Centers (CSCs), working on a "single window" principle are expanding. Over 2014, eight customer service centers for clients of DTEK distribution companies were opened in Kyiv. This brought the total to 12 CSCs in the capital, which serve about 1 million individual customers and 28,000 legal entities.

In 2014, DTEK invested more than USD 100 million into capital projects at distribution enterprises, including Kyivenergo.

Power line upgrades carried out by DTEK distribution enterprises in 2014, km*

	Unit of measurement	0,4 kV	6-10 kV	35-150 kV
HV lines reconstructed	km	91.52	15.43	36.35
HV lines repaired	km	3,490.9	2,029.9	1,702.5
Wires of HV lines changed	km	1,785.6	405.1	125.6
New CLs built	km	2.11	0	2.38
CLs reconstructed	km	3.07	65.65	0
Damaged CLs restored, 0,4-20 kV	units	11,972		

Substation upgrades by DTEK distribution enterprises in 2014, km*

	35-150 kV	6-10 kV
Substations reconstructed	25	-
Supply transformers repaired	74	-
Circuit breakers repaired	590	-
Transformer substations and power distribution stations reconstructed	-	136
Transformer substations and power distribution stations repaired	-	5,123
Supply transformers at transformer substations and power distribution stations repaired	-	1,904
Circuit breakers at transformer substations and power distribution stations repaired	-	3,504

* Information is presented with regard to facilities (put into operation) of DTEK Dniprooblenergo, DTEK Donetskoblenergo, DTEK Power Grid LLC, and Kyivenergo.
HV line - high-voltage line, CL - cable line (power).

More than 230 thousand household customers were covered by the Automatic Electricity Metering System (AEMS) as of January 1, 2015

Biggest investment projects to construct and modernize power grids in 2014:

• completion of the modernization of the largest substations in Dnipropetrovsk region that power mining and smelting enterprises, – 150/35/10-6 kV Uzlovaya, 150/35/6 kV Gvardeyskaya and 150/6 kV YuGOK-150 (DTEK Dniprooblenergo). The new equipment will reduce electricity losses and timely and efficiently redistribute network load , thus improving the quality of electricity supplies;

• implementation of a project to introduce a customer relationship management system and establish a joint contact center (DTEK Dniprooblenergo) to improve service quality is currently in progress. In 2014, there were around 1.5 million clients in service area of one of the first fully automated contact centers in Ukraine;

21% of legal entities use the "My Account" service, and 10% individuals pay for electricity online.

• completion of repairs of 13 high-voltage 110/35 kV substations in Donetsk and Dnipropetrovsk regions (DTEK Power Grid LLC). As a result, electricity supply to ten metallurgical and mining enterprises, municipal buildings and households in Ugledar, Dokuchayevsk, Mariupol, Konstantinovka, and Druzhkovka in Donetsk region, mines in Pavlogradsky and Pervomaisky districts and households in Ternovka, Dnipropetrovsk region, has become more reliable.

Kyivenergo

The company continued to implement infrastructure projects in order to improve heat and energy supply to the capital.

In 2014, as part of its maintenance and investment campaign, Kyivenergo replaced the most worn and distressed areas of heating networks laid between 1950 and 1970. In particular, relining was performed on 188 sections of the heating network in the capital, completely replacoffing the pipes. 70.9 km of pipelines of the central heating and hot water supply network were replaced with modern energy-saving metal or plastic pre-insulated pipes.

The company carried out a considerable amount of work to improve the reliability of electricity supply and capacity of electricity equipment. Seven substations were reconstructed – Elenovskaya (Podilsky district), Vulkan (Darnytsky district), Vygurovschina (Desnyansky district), Dniprovska (Holosiyivsky district), Vokzalna (Shevchenkivsky district), Stankozavodska (Svyatoshinsky district), and Obolon (Obolonsky district). In addition, major repairs were carried out on seven other electrical 35-110 kV substations. This will produce natural growth in electricity consumption and create standby capacity for connecting new subscribers.

A project to replace an outdoor switchgear at CHPP-5 with a modern completely gas-insulated device (330 kV switchgear), which began in 2012, was also completed. In 2014, the installation of switchgear equipment, which will reduce the deficit of electricity consumption in the central districts of the capital and increase reliability during periods of high temperatures, was completed.

The company also continues to improve services for customers - over the year, eight customer service centers (CSC) were opened in Kyiv. Now 12 CSCs operate in the capital, serving about 1 million individual customers and 28 thousand legal entities.

DTEK RENEWABLES | Renewable energy

Along with traditional energy generation, DTEK is actively developing in the renewable energy sector. "Green" energy is a real step toward reducing Ukraine's dependence on imported energy and enhancing national energy security. Increasing the share of renewable energy in total energy production is also provided by commitments Ukraine has undertaken by joining the European Energy Community. The Ukraine-EU Association Agreement provides for bringing the share of renewable energy in Ukraine to 11% by 2020. The development of wind power in Ukraine means development of a truly European industry, significant foreign investments and new jobs in the area of innovation.

DTEK invested EUR 340 million in construction of the Botievo Wind Farm

In 2014, after the installation of 35 wind turbines for the the second stage of the Botievo Wind Farm, the facility reached its design capacity of 200 MW and became the most powerful wind farm in Ukraine. It ranks among the top-5 of largest wind farms in Central and Eastern Europe.

The station produced 652 million kWh of "green" electricity in 2014.

Investments in the Botievo Wind Farm amounted to about EUR 340 million. Two loans were raised from Germany's Landesbank Berlin to implement the project, totaling to EUR 245 million. The transaction to raise EUR 107 million to construct the first stage of the plant was recognized as one of the largest in the Ukrainian energy sector and was named "Deal of the Year – 2012" by London-based Euromoney's Trade Finance Magazine and the Global Trade Review Magazine. The loan transaction was facilitated by LandesBank Berlin and state export credit agency (ECA) EKF (Denmark).

The Botievo Wind Farm is the first wind farm of the DTEK Priazovskiy park (Zaporizhya region), which also includes the Berdyansk Wind Farm (150 MW) and Primorsk Wind Farm (200 MW). The wind farms are planned to reach full capacity in 2018.

DTEK OIL&GAS | Natural gas extraction

Private JSC Naftogazvydobuvannya's capital investments into condensate deposits in the Semirenki and Machukhi fields amounted to USD 79 million in 2014, which was four times more than in 2013.

In the first half of the year, the company started drilling six new wells for gas in the Semirenki field. Each of the new wells has a planned depth of more than 5,000 meters, while the average depth of the existing wells in Ukraine is 3,000-4,000 meters. Most of the equipment and materials for this project have been developed or imported under customized orders. For example, Naftogazvydobuvannya uses advanced drilling machines, imported heavy-duty chisels and drilling solutions that are resistant to high temperatures.

Naftogazvydobuvannya is the #1 private driller of drilling deep wells in Ukraine

The company resumed drilling at three wells were started in previous years. This made Naftogazvydobuvannya the #1 private driller of deep wells in Ukraine.

The Company conducts comprehensive studies of subsoil and applies exploration techniques that are unique in Ukraine. Last year Naftogazvydobuvannya allocated USD 34.6 million to study and prepare licensed areas for development.

In order to bring extracted gas to standards, the Olefirovka preliminary gas processing terminal, with a capacity of more than 2 billion cubic meters per year, was constructed. Technologies and equipment that provide for the highly effective preparation of natural gas and condensate, and an online quality control mode were used during construction. A modern automation system provides for enhanced stability and safety at the terminal. Thanks to technological solutions, the facility's impact on the environment and internal energy consumption was minimized. Investments into the construction of the new Olefirovka terminal amounted to USD 11.2 million.

Analysis of
Financial Results

DTEK's consolidated revenue for 2014 remained almost at the same level as 2013 in UAH terms and decreased in USD terms amounting to USD 7,823 million. The cost of goods sold decreased by 35.4% to USD 6,709 million, mainly due to devaluation effect and lower production volumes. In 2014, the company recognized a net loss of USD 1,649 million, compared to net income of USD 373 million in 2013. Net operating cash flow reached USD 945 million. Capital expenditures decreased by 58% to USD 542 million.

Dynamics of DTEK consolidated financial indicators, USD million*

	2014	2013[1]
Revenue	7,823	11,617
Cost of goods sold	(6,709)	(10,382)
Operating income	113	364
Operating expenses	(233)	(223)
EBITDA	1,591	1,840
EBITDA margin	20.3%	15.8%
Net profit/loss	(1,649)	373
Assets	7,025	11,782
Capital investments	542	1,290

[1] Compared to 2013 indicators, changes in 2014 include the acquisition of Private JSC Naftogazvydobuvannya in 2013 and the related to revaluation of fixed assets and inventories.
* All data in the Analysis of Financial Results section is provided based on DTEK B.V.'s audited consolidated financial statements. UAH parameters are converted into USD for the purposes of this report: 2013 – 7.99; 2014 – 11.92 (NBU average Jan to Dec, for income and cash flow statements) and – 15.77 (for balance sheet data).

Revenue

DTEK's revenues are generated by wholesaling electricity to State Enterprise Energorynok; coal, gas and gas condensate sales; and the transmission and sale of electricity and heat to end consumers.

Revenues from the sale of electricity to end consumers in Ukraine and export of electricity in 2014 accounted for 46.8% of consolidated revenues, while 37.9% was from wholesale of electricity to State Enterprise Energorynok, 5.7% from coal sales, 5.1% from heat sales to end consumers, and 4.2% from gas and gas condensate sales.

DTEK's consolidated revenue for 2014 amounted to USD 7,823 million

The company generated most of its revenues - 90.5% (including compensation for the difference in heating tariffs) in the domestic market. DTEK increased revenues from export sales in UAH terms and decreased in USD from USD 980 million in 2013 to USD 747 million in 2014. The share of export revenues in DTEK's consolidated revenues was 9.5% in 2014.

The following changes in revenues occurred in key segments of the business in 2014:

- Revenues from coal sales decreased by 42.4% to USD 444.6 million, compared to USD 771.8 million in previous year. The decline was mainly due to the reduction in the coal production volume and devaluation of the national currency. Revenues from exports of coal amounted to USD 321 million compared to USD 414 million in 2013.
- Revenues from electricity generation remained at the same level in UAH terms as in 2013 and decreased in USD terms, amounting to USD 2,963 million (including USD 90 million in revenue from wind power).
- In 2014, revenues from the transmission and supply of electricity on the domestic market remained in UAH terms at the same level as 2013 and decreased in USD terms to USD 3,237 million.
- Revenues from heat energy production decreased to USD 400 million, taking into account compensation for differences in heating tariffs. The decrease was due to the decline in sales volume of heat.
- Revenues from natural gas and gas condensate sales increased in UAH terms and decreased in USD by USD 40 million in 2014 to USD 329 million, compared to USD 369 million in 2013.

Costs of goods sold

DTEK's cost of goods sold decreased by USD 3,674 million to USD 6,709 million in 2014.

The decrease was due to the decline in the production volume, including the drop in coal production by 4.3 million tons and in electricity generation by thermal power plants by 5.3 billion kWh.

DTEK's gross profit was USD 1,114 million in 2014

Gross profit in 2014 was USD 1,114 million, which was higher that in 2013 in UAH terms and decreased by 9.7% in USD terms year-on-year. The company's gross margin increased from 10.6% in 2013 to 14.2% in 2014. The main reasons for the increase in the gross margin were changes in the hryvnia exchange rate, which caused an increase in the gross margin on export operations by USD 164 million, and the full loading of the Botievo Wind Farm due to the launch of the second stage, which boosted the gross margin by USD 54 million.

Operating revenues and expenses

Total administrative expenses decreased by 37.6 % to USD 197 million in 2014. The main items of general and administrative expenses were personnel costs, including payroll taxes, which accounted for 68.2% of all general and administrative expenses in 2014.

Other operating expenses increased by 4.6% to USD 233 million, including an increase in the cost for the establishment of the receivables impairment reserve.

Other operating revenues decreased by 68.9% to USD 113 million. The decrease in operating income was largely due to the lack of recovery of receivables provisions.

Assets

DTEK's assets decreased in USD terms by 40.4% year-on-year to USD 7,025 million in 2014. The book value of non-current assets decreased by 42% to USD 5,085 million due to devaluation effect. Non-current assets increased in UAH terms mainly due to the revaluation of fixed assets at some of the company's enterprises. The revaluation was carried out in accordance with the requirements of accounting policies, providing for the reflection of fixed assets on the balance sheet at fair value as of the balance sheet's date.

DTEK's assets amounted to USD 7,025 million in 2014

Current assets decreased in USD terms year-on-year to USD 1,940 million in 2014. In UAH terms positive change was due to an increase in the book value of inventories, growth in the amount of financial investments and a higher amount of monetary assets.

Liabilities and Equity Capital

Changes in DTEK's liabilities in UAH terms were mainly related to an increase in the debt burden. In USD terms the volume of loans and credits decreased by USD 339 million since the end of 2013 to USD 3,042 million at the end of 2014. The company did not raise significant funds in 2014. The rising cost of borrowing was related with significant devaluation of the hryvnia - by 97% compared to the beginning of 2014.

Long-term financial liabilities decreased by 32.9% in 2014 due to devaluation effect. In UAH terms there was an increase mainly due to increase in the value of liabilities for future payments associated with the lease and concession of DTEK enterprises. Current financial liabilities increased from USD 36 million in 2013 to USD 453 million in 2014 due to the increase in the fair value of financial instruments (swaps) by USD 311 million, with subsequent reclassification from long-term to current liabilities.

DTEK's accounts payable increased in UAH terms and decreased in USD terms by 37.6% from USD 1,176 million in 2013 to USD 733 million in 2014. Received prepayments as of December 31, 2014 decreased by 58.5% to USD 209 million, mainly due devaluation effect and lower prepayments received by the Group's enterprises against future supplies of electricity and coal.

DTEK's capital decreased by 69.5% to USD 1,302 million in 2014. The decrease was primarily due to the recognition of a loss of USD 1,649 million.

Cash flow

In 2014, net cash flow from operating activities rose in UAH terms and decreased in USD terms by 25.1% or USD 317 million to USD 945 million. A key reason for the growth in UAH terms was the increase in operating profit due to the total change in gross profit, sales costs and other operating revenues and expenses.

In 2014, investment payments amounted to USD 850 million, which demonstrated decrease in UAH terms. Due to the economic situation in the country, one of the company's key objectives in 2014 was to optimize capital expenditures, wherefore plans for the modernization and reconstruction of industrial enterprises were revised, and capital expenditures in assets located within the area of the armed conflict were reduced.

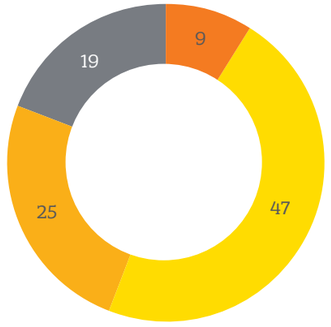
Payments for financing activities amounted to USD 58 million in 2014.

Credit portfolio

Most of DTEK's loan portfolio is denominated in US dollars, Russian rubles and Euros.

Borrowings in US dollars and in UAH were made both at a floating rate tied to LIBOR, and at a fixed rate; in Euro mainly at a floating rate tied to EURIBOR; and in Russian rubles at a floating rate tied to Mosprime.

Structure of DTEK's debt as of December 31, 2014, %



Key ratios between DTEK's own and borrowed funds as of December 31, 2014

	2014	2013	Change (+/-)	Change (%)
Total Debt/EBITDA	2.9	1.9	1.0	52.6
Net Debt/EBITDA	2.4	1.5	0.9	60.0

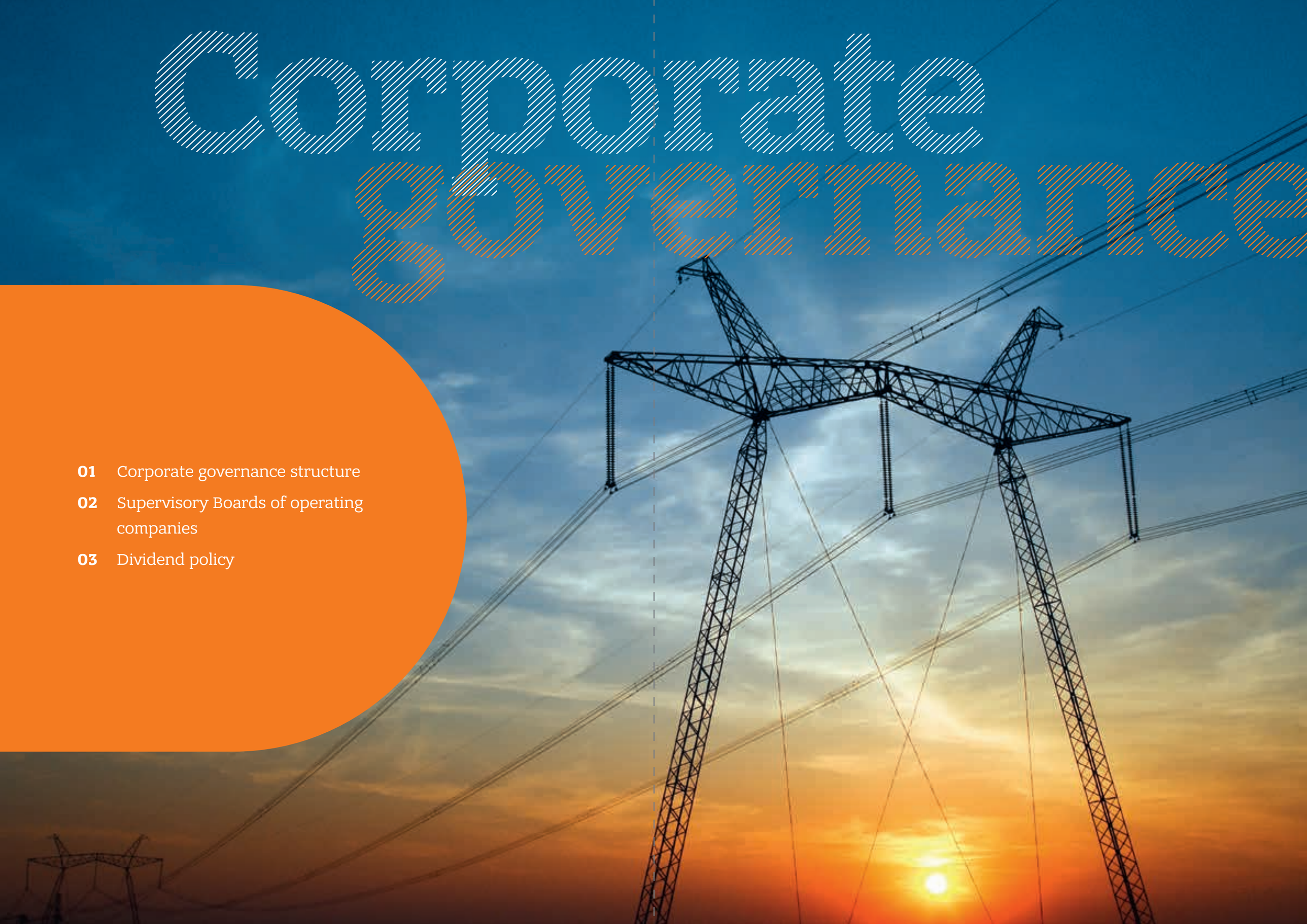
The ratio of net debt to EBITDA increased from 1.5x to 2.4x as of the end of 2014. The main reason was growth in the loan portfolio in UAH terms. Due to the fact that the method of calculation of this indicator for a number of loan agreements was based on a different approach, the threshold value of 3.0x was violated. The company timely appealed to all of its creditors in order to receive confirmation of the absence of a default in connection with this violation.

Credit rating

Rating agencies limit the ratings of Ukrainian corporate borrowers by the so-called "sovereign ceiling." Accordingly, due to several revisions of Ukraine's credit rating, as well as following the restructuring of credit portfolio, DTEK's ratings were revised as well. The latest update was carried out in April and May 2015. As a result, Fitch Ratings agency assigned a long-term credit rating of C to DTEK HOLDINGS LIMITED; Moody's Investors Service has assigned a long-term credit rating of Ca to DTEK ENERGY B.V.

Credit agency	Rating	Date
	Fitch	
LT FC IDR	C	April 2015
LT LC IDR	C	April 2015
	Moody's	
LT CFR	Ca	May 2015

Corporate governance



Corporate
governance structure

DTEK is developing a corporate governance system in accordance with international best practices for international public corporations.

Proper corporate governance facilitates successful development and raises the investment attractiveness of the Company, while giving additional guarantees to shareholders, partners, and clients, and helping strengthen internal control systems. In their day-to-day activities, DTEK Group companies are guided by the corporate values of professionalism, responsibility, pursuit of excellence, unity, openness, and principles of corporate ethics. DTEK Group's restructuring is aimed at optimizing and enhancing the operational efficiency of the business and making it more transparent for investors and society.

In 2014, strategic holding company DTEK B.V. and three operating companies were established: DTEK ENERGY B.V., which manages coal mining, thermal power generation and distribution assets; DTEK RENEWABLES B.V., which manages alternative energy assets; and DTEK OIL&GAS B.V., which manages gas assets.

Structure of DTEK Group
(implemented 19.09.2014)

DTEK B.V.

- General Meeting of Shareholders
- Management Board

DTEK ENERGY B.V.	DTEK OIL&GAS B.V.	DTEK RENEWABLES B.V.
• General Meeting of Shareholders • Supervisory Board • Management Board	• General Meeting of Shareholders • Supervisory Board • Management Board	• General Meeting of Shareholders • Supervisory Board • Management Board

Key advantages of DTEK Group reorganisation

Higher efficiency of managerial decisions

The concentration of responsibility at the strategic holding level will enable operating companies to concentrate on their operations.

Operating companies will become centers of industry expertise.

The new model will help avoid duplicating and overlapping functions.

Division of businesses

The division of the businesses will help finance projects in operating companies without negative implications with regard to the loan burden of DTEK ENERGY.

The splitting of the operating companies will help engage different partners in different types of business.

Transparent structure

Reorganisation and improvement of corporate governance structure will make DTEK Group more transparent and open for investors and partners

Membership of the Supervisory Boards of operating companies

DTEK ENERGY B.V.

- Oleg Popov
- Damir Akhmetov
- Iryna Mykh
- Sergey Korovin
- Johan Bastin
- Catherine Stalker
- Robert Sheppard

DTEK OIL&GAS B.V.

- Oleg Popov
- Damir Akhmetov
- Iryna Mykh
- Sergey Korovin
- Robert Sheppard

DTEK RENEWABLES B.V.

- Oleg Popov
- Damir Akhmetov
- Iryna Mykh
- Sergey Korovin
- Johan Bastin

Supervisory Boards
of operating companies

Oleg Popov

Chairman of the Supervisory Boards, Chief Executive Officer of SCM JSC

Oleg Popov graduated from the Donetsk Polytechnic Institute in 1991 and from the Donetsk State University in 1996. From 1991 to 2000, Oleg Popov worked in various state institutions. He was invited to join SCM in 2000 as deputy chief executive officer and in 2001-2006 served as executive director.

Oleg Popov has been holding the office of SCM's chief executive officer since January 2006. He chairs the Supervisory Boards of DTEK ENERGY B.V., DTEK RENEWABLES B.V., DTEK OIL&GAS B.V., and the Shakhtar football club. He approves key financial, investment and personnel decisions related to the management company and SCM Group's assets and assesses the performance of their chief executives.

Damir Akhmetov

Member of the Supervisory Boards of DTEK ENERGY B.V., DTEK RENEWABLES B.V., and DTEK OIL&GAS B.V.

From 1998 to 2006, Damir Akhmetov attended Le Rosey (Switzerland) under its International Baccalaureate Diploma Programme. In 2010, Damir Akhmetov graduated from Sir John Cass Business School (City University London) with a Master of Science in Finance. On February, 1 2013, he joined SCM Advisors (UK) Limited as a Senior Manager.

Sergey Korovin

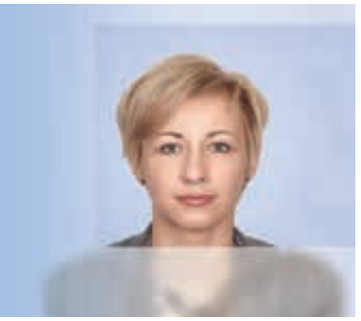
Member of the Supervisory Boards of DTEK ENERGY B.V., DTEK RENEWABLES B.V., and DTEK OIL&GAS B.V., and Director of Energy Business Development of SCM JSC

In 1993, Sergey Korovin graduated with honours from the Faculty of Applied Mathematics and Cybernetics of the Lomonosov Moscow State University. In 2002-2008, he worked at the Danish and Russian offices of leading international consultancy McKinsey & Company. Starting in 2008, Sergey Korovin was responsible for working with telecommunications organizations and served as member of the Board of the Microsoft office in Russia. Sergey Korovin has served as Director of Energy Business Development at SCM JSC since 2010.

Johan Bastin

Member of the Supervisory Boards of DTEK ENERGY B.V. and DTEK RENEWABLES B.V., Independent Director and CEO of CapAsia

Dr Bastin holds a Ph.D. in Regional Planning with a speciality in public finance from the Universite de Montreal in Canada and an M.Sc. in Urban Planning from the Eindhoven University of Technology in the Netherlands. From 1985 to 1992, he served at Harvard University's Institute for International Development (HIID) (Indonesia). From 1993 to 2002, Dr Bastin held several senior management positions with the European Bank for Reconstruction and Development in London (Great Britain), lastly as Business Group Director responsible for debt instruments and equity investments in infrastructure, transport and energy utilities, municipal and environmental services and energy efficiency. He then worked as the managing director at Darby Private Equity, a 100% subsidiary of Franklin Templeton Investments. Currently Johan Bastin is the CEO of CapAsia, an international company in Singapore focusing on private equity investing in the infrastructure sectors of Emerging Asia.



Iryna Mykh

Member of the Supervisory Boards of DTEK ENERGY B.V., DTEK RENEWABLES B.V. and DTEK OIL&GAS B.V., and Senior Lawyer at Voropayev & Partners Ltd.

Iryna Mykh graduated from the law school of the Ivan Franko State University in Lviv in 1994. She later studied at Osgoode Hall School of Law, York University, Toronto, Canada. From 1996 to 2006, she was a senior lawyer at Silecky and Partners, an affiliate of Squire Sanders & Dempsey LLP, where Iryna Mykh became a partner in 2006. From June to October 2008, she was a legal adviser to Ukrainian Agrarian Investments Group owned by Renaissance Capital. She then worked as Head of the Legal Department of Klub Syra Ltd. until June 2009. Currently she is a Senior Lawyer at the law firm Voropayev & Partners Ltd.

Catherine Stalker

Member of the Supervisory Board of DTEK ENERGY B.V. and an Independent Director

Catherine Stalker graduated from Heriot Watt University in Edinburg (Scotland) with a bachelor's degree and then obtained a master's degree from the London School of Economics (Great Britain). Catherine Stalker began her career in 1991 with the Bank of England as a research analyst and banking supervisor. From 1995 to 2007, she worked at PricewaterhouseCoopers in Moscow and Berlin, and was the Partner in charge of HR Management and Remuneration services in the CEE-CIS region. She has worked with a large number of companies on issues of executive compensation, organisational restructuring, and increasing the effectiveness of human resource policies and processes.

Robert Sheppard

Member of the Supervisory Boards of DTEK ENERGY B.V. and DTEK OIL&GAS B.V., Independent Director, and Chairman of IPM Advisors

Robert Sheppard graduated from the University of Wyoming in 1972 and has a bachelor's degree in Physics and Mathematics. He graduated from the Columbia University Business School in 1991 with an Executive MBA degree. Robert Sheppard began his career in the oil industry at Amoco in 1972. In the middle of the 1980s, he worked at Amoco Exploration as a vice president. He was an Executive Director at GUPCO (Gulf of Suez Petroleum Company) from 1992 to 1995. He was the President and CEO of Amoco representative offices in Argentina and Egypt from 1995 to 1998. He worked as Chief Operating Officer, and then as President of Sidanco from 1998 until it merged with BP. From 2002 to 2004, he was a Senior Vice President at BP responsible for overseeing assets in Russia. He is currently the Chairman of consulting company IPM Advisors and CEO of Soma Oil and Gas.

Supervisory Boards' committees

The committees, as advisory bodies to the Supervisory Boards, consider and prepare recommendations on specific issues for further approval by the Supervisory Boards. The committees meet regularly in accordance with the annual work plan.

Chairperson: S. Korovin

Committee member: I. Mykh

Audit Committees of the Supervisory Boards of DTEK ENERGY B.V., DTEK RENEWABLES B.V. and DTEK OIL&GAS B.V.

Main tasks:

- To supervise the internal controls and risk management system, as well as external and internal audit activities;
- To analyse and make decisions regarding the reliability and accuracy of DTEK's financial statements and other financial records;
- To consider issues regarding the operation of risk management, internal controls and legislation compliance systems;
- To prepare recommendations for the Supervisory Board regarding the selection of auditors for DTEK's financial statements;
- To assess the scope and quality of audit procedures as well as the independence and credibility of the auditor.

Chairperson: R. Sheppard

Committee member: I. Mykh

Health, Safety and Environment Committees of the Supervisory Boards of DTEK ENERGY B.V. and DTEK OIL&GAS B.V.

Main tasks:

- To identify risks in occupational safety and environmental protection and develop measures to mitigate them;
- To develop approaches to promote safe behaviour;
- To hold emergency drills at DTEK enterprises.

Chairman of the Committee: C. Stalker

Committee member: O. Popov

Nomination, Remuneration and Corporate Governance Committee of the Supervisory Board of DTEK ENERGY B.V.

Main tasks:

- To support senior executives in improving the efficiency of DTEK's HR system;
- To monitor the company's performance and advise management on the company's non-market strategy (social initiatives, reputation management, social partnership, and GR);
- To monitor the company's performance and advise management on the implementation of best practices in terms of motivation, appraisal, remuneration and development of DTEK's senior executives;
- To prepare recommendations for the Supervisory Board on the appointment of DTEK's senior executives;
- To prepare recommendations on the selection of members of the Supervisory Board and its committees.

Dividend policy

DTEK's dividend policy is based on maintaining a balance between the need to invest in the development of its production facilities and the observation of the rights of shareholders to receive a portion of the Company's profit. This approach is a defining factor in the long-term growth of DTEK's shareholder value.

Sustainability

Sustainability

Cost of social facilities maintenance

69.0/30.2

USD million

Investments in social partnership projects

16.4/6.5

USD million

Cost of environmental protection (including environmental tax)

275.1/160.4

USD million

Telemedicine Project

12
hospitals
in towns of DTEK's presence were connected to the national network during the project implementation (2013-2014).

89 in Ukrainian and foreign clinics
specialized medical consultations

46
trainings, workshops and conferences

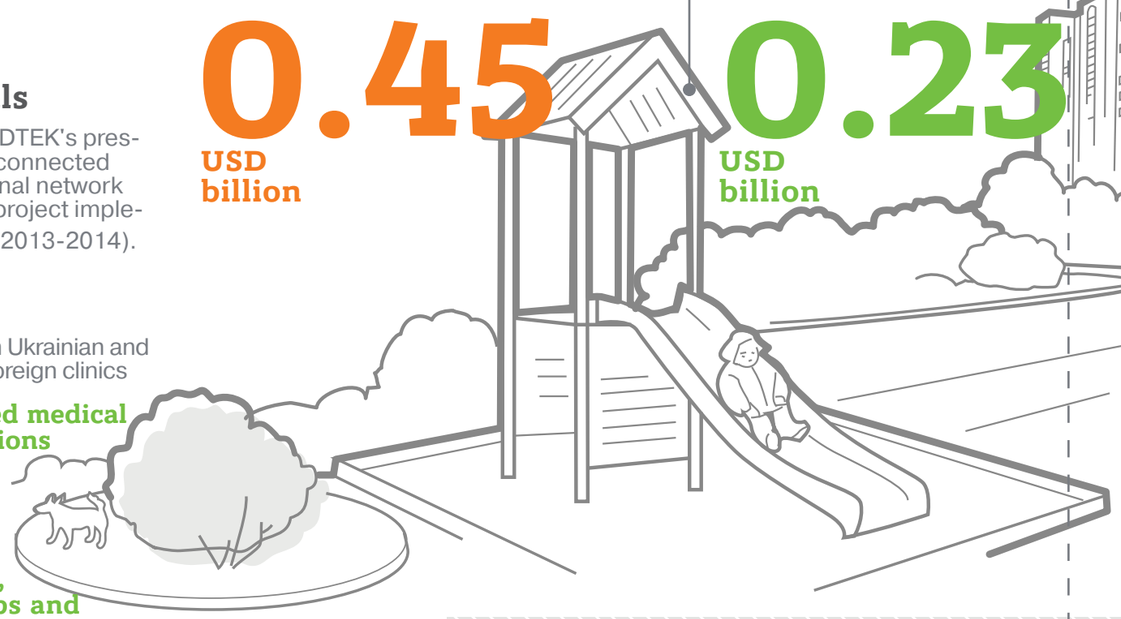
6
scientific conferences

418 were examined
children

DTEK spent on sustainable development projects

0.45 USD billion

0.23 USD billion



Your Hometown Begins with You:

assistance in social activities for improvement of social infrastructure

105/167
mini-grants
given

5,600/6,536
citizens
participated in the project

86.5/36.6
USD million
Investments in occupational health and safety

6.3/3.3
USD million
Investments in employees' training

DTEK's stakeholders are the same from 2012

2013
2014

The company's stakeholders from 2005 to 2011

1 Level	• Local authorities • International organizations • Experts
2 Level	• Academic circles and scientific community • Non-governmental organizations
3 Level	• Employees, their families • Citizens in areas of presence
4 Level	• Media • Population of Ukraine as a whole

The company's stakeholders from 2012 to 2015

1 Level	• Employees, their families • Citizens in areas of presence • Non-governmental organizations • Local authorities
2 Level	• Experts and analytical centers • Academic circles and scientific community • International organizations
3 Level	• Media • Population of Ukraine as a whole

Sustainability Objectives

According to the Company's policy, all its efforts should always meet the interests of the society. Therefore, DTEK bears responsibility for the observance of workplace safety and corporate ethics standards, resources conservation and environmental protection, fulfillment of obligations to employees and the society. The Company informs all stakeholders about crucial development issues.

DTEK implements projects aimed at creating conditions for social and economic development of the territories where the Company operates.

DTEK shares SCM Group's long-term sustainability objectives. In 2014, the Company continued to:

- develop a system that protects employees' life and health and prolongs their working longevity;
- create conditions for social and economic development of areas where it operates;
- comply with the best practices in its areas of expertise on the efficient use of fuel and energy resources.

Corporate Social Responsibility Policy

The Corporate Social Responsibility Policy (CSR) DTEK was adopted in 2009, and is based on:

- The Constitution and the current legislation of Ukraine;
- The UN Universal Declaration of Human Rights of 1948;
- The Declaration on Fundamental Principles and Rights at Work adopted by the International Labor Organization in 1998;
- The Rio Declaration on Environment and Development;
- The UN Global Compact;
- The European Business Association Code of Ethics

The Sustainability Policy was adopted by SCM Group in 2014. This document marked the move of the Group's companies from the corporate social responsibility to sustainability principles. Consequently, business management turned to the system that assists in comprehensive development of the society and satisfaction of its current and future environmental, social and economic needs. DTEK's Sustainability Policy is being developed on the basis of this Policy. The Policy is to be adopted in 2015. The document implementation will help the Company make a significant contribution to the sustainable development of the society and improve the quality of life in regions of its presence, strengthen competitive ability, increase employees working efficiency and consumers loyalty, and improve the Company's reputation as a whole.

Compliance

Ethical business conduct is one of the key elements of preventing corruption and complying with the regulatory requirements. In 2013, the Company adopted a new Code of Ethics and Business Conduct. The document contains principles that deal with the conflict of interest, corruption, relations with governmental authorities, business entertainment and gifts, interaction with contractors, as well as principles regarding political and religious activities, environmental protection, prevention of money-laundering and terrorism financing.

Ethical business conduct is one of the key elements of preventing corruption and complying with the regulatory requirements.

The implementation of the Code's requirements is guided by the Compliance Management Department. Contractors' due diligence is regularly checked for corruption risks and compliance with the international sanctions regime. The Department holds meetings with representatives of state authorities and business community to keep them informed about the Company's anti-corruption standards.

Regular training sessions for executives and employees to inform the staff about the Company's ethical standards are held by the Department. Furthermore, willing to minimize conflict of interest risks, the Company held the fourth annual declaration of conflict of interest in 2014 where executives and employees filled out more than 1,650 declarations.

Sustainability Management

In 2012, the Sustainability Committee (managed by the Executive Board) and the Social Development Department were established by the Company to manage sustainable development.

The Sustainability Committee is headed by the CEO. The Committee's objectives are as follows:

- to identify problems;
- to approve social development strategies in areas of presence;
- to approve plans for restructuring social facilities included in DTEK's asset list;
- to develop the system of occupational medicine;
- to implement the environmental protection strategy;
- to consider non-production issues important for the fulfillment of business targets.

The Regional Policy Direction deals with planning, implementation, monitoring and evaluating the efficiency of social projects in regions of DTEK's presence, as well as interacting with stakeholders, developing corporate social responsibility in Ukraine, participating in Ukrainian and international CSR initiatives.

Membership in Associations, International and National Organizations

In 2014, DTEK joined the international partnership within UN Business for Peace (B4P) Platform. This Platform assists companies in implementing peaceful business initiatives in conflict-affected and high-risk areas. B4P also unites companies to enable the businesses operating in the active combat zone to share their experiences. Over 120 companies from different countries have already joined the initiative.

DTEK is a participant of the UN Global Compact network and a member of the Global Compact Alliance in Ukraine, and it chairs the Environmental Protection Committee within the UN Global Compact. The Company is also a member of the CSR Europe international organization and one of the founders of Energy for Society, a global social initiative of the world's largest energy companies.

DTEK is a member of the European Business Association and the US Chamber of Commerce.

Public Recognition:

- In 2014, DTEK Academy became a winner of the Crystal Pyramid Award in 2 categories of human capital management: Corporate University of the Year and HR-Project of the Year;
- DTEK joined the list of the 25 best employers in Ukraine according to the Capital business newspaper. Rating was compiled based on the interviews of more than 500 largest companies in the country, students of the leading Ukrainian universities, experts and users of capital.ua;
- In 2014, DTEK took the 2nd place in the Global Transparency Index rating of companies' websites according to the Beyond Business international methodology.

Key Events of 2014

January

There was a conference where the Company announced the results of Your Hometown Begins with You, 2013. The contest took place in 16 towns; 105 initiative groups of citizens and civil society organizations became winners; DTEK provided USD 168 thousand (as mini-grants) for the implementation of the best projects.

February–March

Meetings of the Social Partnership Strategy Implementation Management Committees were held within 21 territories of DTEK's presence: participants discussed the results of 2013 and enacted plans for 2014. Around 400 people (representatives of DTEK, local authorities, the public and business) participated in the Committees' work.

April

The social partnership web-site of DTEK and its areas of operation was launched. Every user coming to www.spp-dtek.com.ua can get information on the progress of the Company's social partnership programs, learn about their financing in each town. DTEK representatives, as well as local authorities, also answer questions and get suggestions from citizens.

May

Naftogazvydobuvannya PrJSC developed and approved the Social Partnership Strategies for 2014-2016 with 3 districts of Poltava Region: Mirgorodsky, Poltavsky and Shyshatsky. According to the signed documents, 35 social projects focusing on the most relevant problems of the districts will be implemented.

In 2014, more than USD 252 thousand were allocated by the Company for these purposes.

June

A meeting of DTEK's Social Partnership Steering Committee took place in Kiev, where representatives of communities of the Company's operations and central authorities participated. DTEK created an intellectual place for the dialogue between Mayors of Eastern and Western Ukrainian cities regarding quality improvements in the management system of Ukraine.

July

The Underground Mine Worker, a professional standard developed by DTEK was approved by the Ukrainian Ministry of Education as the state standard of vocational education.

August

DTEK became a member of a working group ensuring income support and economic recovery under the auspices of the United Nations Development Program. The working group addresses the issues of the government's work improvement on national and local levels, recovery of crucial infrastructure and work of public places, ensuring employment of the most vulnerable social groups, development and implementation of a complex strategy for the Donbass early recovery.

September

DTEK Academy, a corporate university, was opened in Kiev. The Academy created more than 100 training programs aimed at development of skills and knowledge of both employees and companies' executives. Over 277 trainers work for DTEK Academy.

DTEK was the first Ukrainian company to join the United Nations Business for Peace (B4P) Platform. This Platform assists companies in implementing peaceful business initiatives in conflict-affected and high-risk areas. B4P also unites companies to enable the businesses operating in the active combat zone to share their experiences. Over 120 companies from different countries have already joined the initiative.

October

A pilot part of New Generation, DTEK's social project that took place in 12 schools in Pavlograd, Pershotravensk and Ternivka of Dnipropetrovsk Region, was finished. The project is intended to increase youth activity and leadership, engage young people in team activities to improve living conditions in their houses, community, town and country by explaining the basics of housing and utilities management to them. An interactive cognitive-motivational course 'ABC of Housing and Utilities Management' was added to the 10th formers' curriculum. It is based on Smart House simulation exercise. With the help of town authorities, the winners found solutions to the most painful communal problems. Together with adults they did many things for their living territory improvement, energy saving, repairs in multi-storied buildings. As an encouragement, 96 best pupils got tablet PCs.

November

A training workshop was arranged in Pavlograd by DTEK and the Ukrainian Center for Assistance in Development of Public-Private Partnership for heads of local executive authorities and local authorities to consider application of public-private partnership mechanisms.

December

As part of Yuri Bochkarev's Scholarship Fund, an interregional project, the Remembrance Day for this outstanding personality in power engineering was held in the Zaporizhzhya National Technical University. Four students and two teachers of the Zaporizhzhya National Technical University got DTEK's rewards for scientific achievements.

Society

Public Recognition

The Company strives to improve the living standards in areas of its presence, support socially important infrastructure, increase local communities activity for raising self-government efficiency and use of resources. DTEK acts in partnership with local authorities and residents. At the same time, the implementation of social partnership strategies in areas of anti-terrorist operation has been put on hold. The Company will go on providing humanitarian aid (via Rinat Akhmetov's Humanitarian Center) to people living in areas of military conflict.

In 2015, the Company plans to develop partnership strategies with the regions of DTEK's presence for 2016-2018.

For solving the most crucial issues, in 2012, the Company initiated the development of sustainability strategies for 2013–2015 working in close cooperation with local communities. (For more details see 2010-2011 and 2012-2013 Annual Reports and check the website http://spp-dtek.com.ua/). A joint development and further implementation of three-year development strategies helped finding complex solutions to problems instead of working with their consequences. Such an approach allowed to stop providing random help and turn things around.

All selected areas and planned social projects are still up-to-date in 2014, some of which have even become of vital importance. In 2015, the Company is planning to develop new partnership strategies for 2016-2018.

Social Investments by Core Activities, 2014, USD million

Area of activity	
Socially important infrastructure	3.0
Energy efficiency	2.0
Health care	0.9
Increasing local communities activity	0.2
Development of business environment	0.2

Social partnership projects

Considering social partnership strategies, the Company has defined five key areas of activity in the field of sustainable development for 2013-2015:

1. Energy Efficiency in Utilities Sector

(improve energy efficiency of utilities sector, enhance energy and heat supply quality);

USD 0.3 million – financing the Energy Efficient Schools project that teaches children the basic principles of energy efficiency.

Energy efficiency is the crucial factor for raising the country's competitive abilities and energy independence. Events that happened in the East of Ukraine showed that energy efficiency is also one of the fundamental aspects crucially important for the country independence. Lack of coal and energy became one of the biggest challenges for the country. In these conditions, energy and heat saving became a priority task for all enterprises, institutions and households in Ukraine. Understanding the importance of this area of activity, DTEK continues implementing programs that increase energy efficiency in utilities sector. In 2014, the Company allocated USD 2 million for projects that inform youth about energy efficiency, help consumers change their behavior to energy saving one, and finance energy audits and thermomodernization of buildings.

The Energy Efficient Schools project helps children to understand what exactly energy is, how its production influences the environment, how energy rates are formed and why energy should be saved. Pupils participating in the project, their parents and teachers will learn how to save heat and energy, and what energy saving ways and technologies exist. The project results showed that its participants started understanding that energy and heat economy is, first of all, useful for themselves. They change their attitude trying to save and use heat and energy more efficiently which helps them cut down expenses on heat and energy supply. In 2014, pupils of 55 schools from 20 areas of DTEK's presence in Central, Western and Eastern Ukraine participated in the project. DTEK totally spent on this project USD 0.3 million.

Such projects of DTEK as:

- repair of the boiling house in Pershotravensk, Dnipropetrovsk Region (USD 0.38 million invested);
- renewal of the night lighting network based on energy-efficient technologies (USD 17 thousand invested) in Zugres and surrounding small towns, Donetsk Region, as well as the street lighting network in Kalashnikovsky rural council, Poltava Region;
- installation of natural gas commercial metering stations in Velikosorochinskaya and Savintsevskaya schools, as well as in schools of Shyshatsky District, Poltava Region;
- installation of individual heat supply stations in 11 houses of Samarsky District, Dnipropetrovsk Region (USD 0.17 million invested);
- upgrading heating systems of community centers of Kovalevsky and Savintsevsky rural councils, Poltava Region, make it possible to improve people's lives, decrease electric and heat energy consumption, ensure equipment safety and efficiency.

2. Health Care

(improve access to high-quality medical services and increase people's motivation to keep a healthy lifestyle).

During the conflict in the eastern part of the country in 2014, the significance of the Company's work in this field increased, since medical care in these areas had become one of the conditions for the survival of injured civilians (more detailed information about activities in this field see in Humanitarian Initiatives).

In general, health care is particularly important for the sustainability of both the Company's areas of presence and the Company itself.

In 2014, DTEK purchased critical care transport for Burshtyn City Hospital (USD 58.7 thousand) and Ivano-Frankovsk Regional Center for Emergency Assistance and Disaster Medicine (USD 84 thousand), as well as an ambulance car for the village of Velikiye Sorochintsy, Poltava Region (USD 20.6 thousand).

DTEK allocated about USD 38.6 thousand for refurbishment and equipment of the central sterilization department of Pavlograd City Hospital No.4. Money was spent on reconstruction of the department's facilities (where no repair had been done for 30 years), the electricity system, the heating and water supply systems, as well as replacement of windows and doors by energy saving ones.

For the purposes of more efficient department's work, the Company purchased two steam sterilizers with an option of dry heating used for sterilization of medical products (made of metal, glass, rubber and fabric) by high pressure saturated steam. A supersonic 10 liter washer for presterilizing clearing of instruments was also bought. DTEK spent more than USD 84 thousand in Zelenodolsk to set up a telemedicine office and purchase modern X-ray equipment for PUC Zelenodolsk Primary Health Care Center.

Furthermore, in 2014, DTEK and the Health Care Department of Lviv City Council and City Clinical Emergency Hospital upgraded the intensive care unit of the cardiology department for patients with myocardial infarction. Over 1,000 patients, 75% of which need an intensive care, are treated in the department of infarction during the year. The total cost of the project was USD 120.6 thousand, of which USD 84 thousand was allocated by DTEK.

The upgrade of the intensive care unit allowed to provide patients who had suffered from an infarction (700-800 patients annually) with up-to-date and really intensive treatment. In particular, it allows to quickly do a coronary angiography and stenting, thrombolysis and continuously monitor the patient's state.

Thanks to the upgrade of the intensive care unit, 1,000 patients of the department of infarction can get a quality medical assistance.

Besides, the Telemedicine project is implemented as part of this area of activity. 3 more medical institutions were additionally connected to the national telemedicine network in 2014: PUC Zelenodolsk Primary Health Care Center, PUC Pershotravensk Central City Hospital and PUC Ternivka Central City Hospital of the Dnipropetrovsk Regional Council. PUC Zaporozhye Regional Clinical Hospital and Sverdlovsk Central City Hospital No.1 are at the final stage of connecting to the national telemedicine network. Zaporozhye Hospital is planned to be connected at the beginning of 2015, and Sverdlovsk hospitals will be connected once the surrounding situation turns around.

Implementation of the project in health care facilities allows doctors to conduct telemedicine consultations with specialists of the leading medical institutions being at a place of patient's visit. It allows doctors to make a more accurate diagnosis of a patient, transfer the necessary medical data and train doctors through participation in workshops, trainings and conferences. 86 specialized medical consultations in Ukrainian clinics, 3 specialized consultations in foreign clinics, 6 scientific conferences, 40 trainings and workshops were conducted with the help of telemedicine equipment. Besides, 51 patients were examined and received a telemedicine consultation.

A total of more than USD 0.9 million were allocated for Health Care in 2014.

3. Socially Important Infrastructure

(improve quality and accessibility of social services, address major problems of vital infrastructure elements, improve opportunities for pre-school and primary school education as well as cultural and outdoor activities).

Absence of reforms and worsening of economic situation in the country led to the destruction of urban social infrastructure and fall of living standards. The involvement of business communities in solving urban problems became one of the ways to maintain infrastructure and provide basic social services. DTEK has always actively invested funds in maintaining urban infrastructure: repairs of schools, kindergartens, heating lines, boilers, roofs, water lines, irrigation lines, parks, public gardens and sports grounds.

In 2014, DTEK renovated classrooms for first-graders in the village of Novodonetskoye, refurbished an assembly and sports hall in the West Donbass Professional Lyceum, assisted in reconstruction of a stadium at School No.12 in Pavlograd, and Naftogazvydobuvannya funded windows renewal in a district specialized school in the town of Shyshaki.

Apart from this, with the financial support of DTEK, one of the main arteries of the city of Ladyzhyn, Enthusiastov Street, received a modern lighting system. A social partnership program between the Company and the city helped in installation of safe and energy efficient street lighting equipment. The installation of 24 city LED lamps cost around USD 14.3 thousand. Modern lighting will help to forget about the need to change street lamps for a long time as LED-lamps serve 100 times longer than traditional ones, and they consume 60% less energy. Saved money will be transfered to further upgrade of the city street lighting. In addition, 4 more sports grounds will appear in the city, and a book exchange booth will be set up in the central square.

Since many important infrastructure facilities were destroyed during the anti-terrorist operations, DTEK provided urgent financing to repair them (for more details see Humanitarian Initiatives).

A total of USD 3 million were allocated for socially important infrastructure in 2014.

4. Development of Business Environment

(creation of favorable conditions for development of small and medium businesses, creation of new job opportunities, increase of budget revenues, expansion of the services range and development of social entrepreneurship).

The Company is interested in the economic development of regions, high occupational level and efficient work of small and medium businesses. To solve the issue of unemployment and job placement, and consequently to increase local budget revenues and expand the range of offered goods and services, the Company increases volumes of purchases from local suppliers provided that they create new workplaces in their organizations. DTEK supported the idea of creating revolving funds for development of entrepreneurship aimed at giving small and medium-sized businesses an access to financial resources for setting up and developing their businesses.

In April 2014, the Development of the Business Environment in the City of Burshtyn project started on the initiative and with the financial support of DTEK. The creation of new jobs and revitalization of the business environment are the goals of the project. A similar project has been implemented in the city of Dobropolye, Donetsk Region since 2013.

Websites www.dobropole-cmr.dn.ua and http://burshtyn.org/ containing information about the project including open vacancies were created to maintain direct contact between the project participants. In addition, anyone interested can take an online test to determine the abilities and aptitude for starting a private business and determine managerial skills. Today 438 project participants from two areas have already registered in the information system (employers, job seekers and entrepreneurs), 290 of which have taken the test. Besides, the Development of the Business Environment project has been implemented in the city of Rovenki since December 2013. In 2014, the Company conducted a research to find opportunities for the entrepreneurship development and creation of new workplaces in the city. As a result of the research, packaged solutions for the development of small and medium business in the city of Rovenki were formulated but all activities on this project were suspended because of the anti-terrorist operation.

A utility enterprise was established in the village of Machukhi with the assistance of Naftogazvydobuvannya. It is aimed to provide services to residents of the rural council of Machukhi and surrounding areas. A specialized refuse collector and a sewage cleaning machine were purchased for this utility enterprise.

DTEK allocated a total of USD 0.23 million for this area.

5. Increasing Local Communities' Activity

(formation of a new mentality among population, development of leadership, proactivity, responsibility of the residents by encouraging self-organization, increasing the ability of active citizens to solve problems in their area).

The goal of the Company's social investments in increasing local communities activity is to get rid of a welfare mentality and encourage initiatives focused on the cooperation between citizens and authorities in an attempt to jointly solve problems. Projects are aimed to develop citizens' responsibility, independence and proactivity in achieving socially important goals.

Your City Begins with You is intended to encourage social activity. Through open competition for mini-grants, the Company helps to implement projects aimed at improving social infrastructure. 19 communities participated in the competition, 491 applications were filed and 167 projects were chosen in 2014. A total of 6,535 citizens living in Donetsk, Dnipropetrovsk, Zaporozhye, Luhansk, Ivano-Frankivsk, Lviv and Vinnytsia Regions were involved in implementing the projects.

The winning projects included many innovative initiatives in 2014: running children's sports contests (Kurakhovo), setting up an art playground (Zelenodolsk), revival of the model aircraft club (Burshtyn), creation of the Chess Park in Pobeda Park (Energodar), running the Sport Against Drugs promotional campaign against drug addiction (Ternivka), promotion of reading by setting up a book exchange booth in the central square (Ladyzhin), organizing the Kayaking Center (Pavlograd), decoration of the Residential Treatment Center and delivering the drug habit and HIV awareness programs (Dobropolye). The projects received financing of more than USD 0.22 million in 2014.

12 schools in Dnipropetrovsk Region participated in New Generation project.

The New Generation project is intended to develop leadership, independence, responsibility and careful attitude to place of residence among the younger generation. The project is designed for grade 10 students and includes an interactive cognitive motivational course “The ABCs of Housing and Utilities Management” based on the Smart House business game at schools. DTEK’s investments in the project amounted to USD 0.13 million. A pilot project that took place in 12 schools in Pavlograd, Pershotravenvsk and Ternivka of Dnipropetrovsk Region ended in October 2014. With the help of local authorities, the winners found solutions to the most painful communal problems. Participants in DTEK’s New Generation project were able to perform a part of the work to improve the quality of housing and utilities services, landscape, increase energy efficiency and repair blocks of flats on their own with the help of their parents or neighbors. Besides, pupils asked local authorities of their cities some questions that were jointly solved as part of the project. And they were guaranteed that those issues would be addressed. As an encouragement for their success in the project implementation, 96 best pupils got modern tablet PCs which would help them in future project work, energy management, participation in housing management, everyday studies.

Interaction with Citizens while Building New Objects and Running Drilling Operations

At the stage of planning and implementation of its projects, DTEK studies public opinion and takes into consideration local community interests – economic, social and those dealing with environmental protection and industrial safety. For example, public hearings on over 20 questions dealing with the construction of Naftogazvydobuvannya facilities were held in 2014.

In 2014, there were public hearings on issues of drilling and wells infrastructure development in Semirenkovsky gas-condensate field (villages of Kovalevka, Savintsy, Machukhi); gas pipelines and inhibitor pipelines construction (villages of Kovalevka, Velikiye Sorochintsy, Savintsy and Solontsy). From 9 to 25 people representing local communities' interests participated in each public hearing. The Company's plans regarding the construction of new objects were supported by local citizens as a result of public hearings.

Humanitarian Initiatives

In 2014, the Company implemented humanitarian initiatives aimed at providing support to people displaced from conflict zones: providing accommodation and meals, water, purchasing medical products for treating the wounded civilians, repairing buildings and social infrastructure in residential areas, supporting children and families of killed people and wounded employees.

In 2014, 1,938 persons displaced from armed conflict zones were accommodated at DTEK facilities. The Company allocated USD 0.57 million for accommodation and meals in health and recreation resorts, hostels and vacation centers for displaced people. DTEK supports armed conflict affected civilians to prevent humanitarian disaster from happening.

The Company also provided medical products with the total of USD 0.3 million to hospitals receiving refugees and treating the wounded in Dobropolye, Donetsk, Kurakhovo, Makyeyevka, Gorlovka, Maryinka, Khartsyzsk, Schastye, Rovenky, Sverdlovsk and Artemovskiy District. Here DTEK works in close cooperation with Donetsk Regional Organization of Ukrainian Red Cross Society, local development agencies and directly with hospitals.

DTEK supports armed conflict affected civilians to prevent humanitarian disaster from happening.

Since many important infrastructure facilities were destroyed during the anti-terrorist operations, DTEK provided urgent financing to repair facilities having crucial importance for the survival of civilians. For example, because of the conflicts in the region, the water supply in the city of Rovenki was reduced, and there was a threat of disruption of the 2014-2015 heating season as in winter water serves as a heat-transfer medium in radiators. With the financial support of DTEK, an alternative water source was identified, a pipeline was laid and water treatment equipment was installed. As a result of this project, 66 high-rise apartment buildings for 3,478 customer accounts, of which 434 consumers are DTEK employees, are now provided with uninterrupted heat supply. In June, as a result of conflicts in the region, the first and the second pump stations of Siverskyi Donets-Donbass Channel were damaged; water supply in the city of Kurakhovo was stopped, and there was a threat of disruption of the heating season. DTEK Kurakhovska TPP found a technical solution for substituting water from the channel with filtered water from Kurakhovo Reservoir. The Company bought a container system for reverse osmosis water filtration, which purifies water from Kurakhovo Reservoir and makes it suitable for drinking. This made it possible to provide more than 23,000 residents with high-quality drinking water.

Apartment buildings in the city of Schastye were repaired, including roofs, windows and buildings themselves. Construction materials for renovating buildings damaged by shelling (technical college, apartment houses and dormitory) were purchased in Zugres.

The Company volunteers and local development agencies helped to prepare school clothes and schoolbags with stationary for displaced children who temporarily lived in 15 towns of Ukraine where the Company's facilities are located. The Company purchased and distributed school clothes and shoes, backpacks, bags and stationery. A total of 1,700 children, who together with their families had been forced to leave their hometowns, were prepared for school. DTEK allocated USD 0.13 million to pay for clothes and school bags of the children.

Employees

People are the key asset and the source of DTEK's competitive advantage, that's why the efficient management of human resources and a continuous increase in employees' professional skills are the priority issues for the Company.

The HR management system is regulated by the Ukrainian legislation, industry regulations and internal regulatory documents. The HR management system regulates employees recruitment, remuneration, career advancement, training and development, organizational development. The main aims of DTEK's HR policy are as follows:

- to attract the most talented employees at the labour market;
- to provide competitive remuneration and incentives to employees;
- to identify and develop employees' potential;
- to establish a single corporate culture.

This policy is an effective tool which leaves open opportunities for the employees initiatives.

DTEK respects employees' right to set up trade unions and other communities that represent their interests. The Company cooperates with these authorities and holds an open dialogue with them to ensure that potential problems are identified and solved in a timely manner. DTEK pays special attention to compliance with an industry agreement and collective agreements. Each year, the Company executives report on the fulfillment of their conditions on trade union meetings. Collective agreements are another guarantee of employees' protection since they provide for conditions of labor remuneration, social benefits, payments to retirees, the Company's occupational safety and personnel training liabilities.

To improve the HR management system, an acquisition and analysis of KPI of the HR management system was automated at DTEK's plants in 2014.

Personnel Training and Development: DTEK Academy

DTEK provides all employees with an opportunity to develop their professional, managerial and leadership potential in a corporate university, DTEK Academy, comprising of about 300 trainers, 7 certified assessors and coaches. Since 2014, the Academy has set a goal to become a competitive provider of training and consulting services and encourage reforming of the vocational education system in Ukraine.

22 employees, participants of TOP-50 completed Leader's Energy program. 151 employees participated in Energy of Knowledge program, 45 of which successfully completed the program after defending a graduation thesis before a committee headed by DTEK's CEO. 22,534 training sessions for managers and 36,010 training sessions for workers were conducted in 2014.

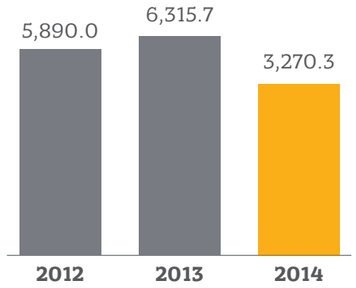
DTEK Academy is a member of International Business School Associations – CEEMAN and EFMD, and it cooperates with the leading Business Schools – Kyiv Mohyla Business School (Ukraine) and INSEAD (France). The Academy's training program includes training sessions on competencies development, professional programs and corporate MBA programs. Employees participating in TOP-50 and Personnel Reserve projects take training courses within Energy of Knowledge and Leader's Energy programs developed in cooperation with Kyiv Mohyla Business School and INSEAD. These programs are aimed at employees preparation and subsequent appointment to the senior and managerial positions.

In 2014, the Company continued the standardization of the training system for workers. They developed a methodology allowing to create modular training programs and use the most efficient methods of learning: training sessions, case studies, discussions, presentations, labs, e-learning. In particular, 12 e-learning courses on general topics were developed and implemented in the training system for workers. DTEK Academy also set up a performance testing system for workers (which covered 5,200 people) on its web portal.

In 2014, DTEK Academy started connecting more than 130,000 employees working at the Company's production facilities in Donetsk, Luhansk, Dnipropetrovsk, Vinnitsa, Zaporizhzhia, Ivano-Frankivsk and Lviv Regions and Kyiv to the Academy web portal. Besides, a program for the automation of 13 production facilities training centers was launched.

DTEK initiates the upgrade of professional standards. From July to September of 2014, «An Underground Mine Worker», «An Auxiliary Boiler Equipment Operator», «An Electrician Operating Distribution Networks» developed by DTEK were approved by the Ministry of Education and Science of Ukraine as the state standards of vocational education.

Investments in Training, '000 USD



Ways of Communicating Employee Opinions to the Company's Executives

The Company holds quarterly meetings with heads of production units and trade unions where they discuss the most important questions and report on the fulfillment of collective agreement conditions at the plants.

Information distribution among employees and feedback is done via:

- a direct telephone line with the CEO and subject matter directors to answer all questions of employees;
- a SCM hot line aimed to help employees leave information regarding noticed working drawbacks and unethical behavior;
- regular surveys conducted among employees in order to identify their overall mood, level of satisfaction with the work in the Company;
- collecting employees' requests and suggestions via boxes for comments and suggestions placed at the plants;
- employees personal appointments with plants' CEOs and HR executives.

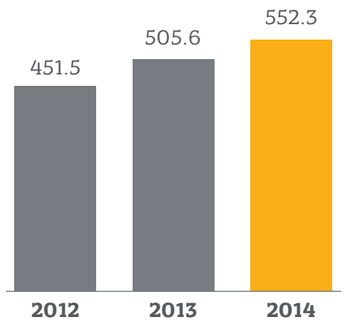
Performance Evaluation, Renumeration and Incentivese

DTEK's Corporate Center has applied a unified renumeration system using Hay Group methodology since 2013. A graded renumeration system was introduced at all power generation plants in 2014, and preliminary stages for its implementation in 2015 were introduced at coal production and distribution plants.

The Company has developed and now applies the job categories matrix as a unified system of jobs distribution in an organizational structure. Personnel performance is annually evaluated in the first quarter of the year. The results allow to determine renumeration, set objectives for the next year, approve training and development programs and suggest candidates for a personnel reserve.

The Company automated HR management processes in its Corporate Center in 2014 which led to the simplification and transparency of management procedures. Apart from this, employees got a quick access to their personal information about holidays, compensations, benefits and pay sheets via internal website. The Company is planning to continue HR services automation and wants to implement it at production plants.

Dynamics of monthly average wages at DTEK plants, USD



Compensation and Benefits Scheme

The structure of social packages applied at DTEK plants is regulated by the current legislation, collective agreements and industry agreements. Due to the anti-terrorist operations (ATO), all Company plants made a decision to include targeted aid to families of died and injured employees, as well as financial and non-financial aid in case of property destruction to current social packages.

Due to the ATO, all Company plants made a decision to include targeted aid to families of died and injured employees, as well as financial and non-financial aid in case of property destruction to current social packages.

Similarly to the Corporate Center, production plants use the Company's funds to implement voluntary medical insurance. Consequently, the Company continues to simplify employee benefits scheme. Besides, energy production plants introduced a financial aid to an employee who gets married for the first time, an employee who becomes a father or a mother, an employee who has a disabled child under 18. They also increased the financial aid to an employee's family in case of his/her death, the financial aid provided to an employee in case of his/her close relatives death. The list of conditions to enjoy benefits was also extended. For example, the following cases were added here: a financial aid in case of fire, natural disaster, grand theft; an aid for employee's personal treatment or for cases that go beyond the insurance.

Contribution to Improvement of Education Quality: Yuri Bochkarev's Scholarship Fund

Yuri Bochkarev's Scholarship Fund for scientific achievements in power engineering totaled to USD 5.6 thousand in 2014

The project is intended to promote hogh-quality Ukrainian university education in power engineering by supporting best students and teachers of the Institute of Power Engineering and Control Systems (former Faculty of Power Engineering) of Lviv Polytechnic National University and the Faculty of Electric Engineering of the Institute of Physics and Engineering of the Zaporizhzhia National Technical University. The program is being carried out in memory of an outstanding personality, Yuri Georgiyovich Bochkarev, who made a significant contribution to the development of power engineering in Ukraine.

In 2014, as part of the project, four students and two teachers of Lviv Polytechnic National University got scholarships and rewards for scientific achievements in power engineering.

The total bonus fund amounted to USD 2.8 thousand. Four students and two teachers of the Zaporizhzhia National Technical University got scholarships and rewards for scientific achievements in power engineering. The total bonus fund amounted to USD 2.8 thousand. Teachers and over 70 students of the Zaporizhzhia National Technical University visited Zaporizka TPP and Botiyevska Wind Power Plant.

As part of their university education, students' visit to DTEK Zaporizka TPP and Botiyevska WPP became a practical involvement into future profession. Participants were told about up-to-date technologies that were being implemented at Zaporizka TPP as part of the upgrade program, got an idea about the current state of thermal power development. Students and teachers were excited to visit Botiyevska WPP as it was the biggest and the most innovative WPP in Ukraine. This plant is among TOP-5 biggest WPPs in the Central and Eastern Europe. Thanks to practical excursions to power engineering plants, students were able to not only look at the technological processes but also communicate with DTEK's high quality specialists, ask questions and get answers that can help them write their course papers and thesis works.

Project Information
Yuri Bochkarev's Scholarship Fund

Yuri Bochkarev's Scholarship Fund was set up in 2012 in the honor of the former General Director of Dniproenergo, ex-minister of Power Engineering in Ukraine and Honored Power Engineer.

The project objectives are as follows:

- to promote high-quality Ukrainian university education in power engineering by supporting best students and teachers of two universities which Bochkarev had relevance to;
- to cherish the memory of an outstanding personality, Yuri Georgiyovich Bochkarev, who made a significant contribution to the development of power engineering in Ukraine.

The project consists of two parts: a scholarship program for the best students in power engineering and an annual reward given to the best teachers in power engineering.

Occupational

Health and Industrial Safety

When the functions between strategic planning and operational management were divided, the reorganization of the Occupational Safety Committees was started to increase their efficiency in occupational safety decision-making. The reorganization of the Committees will be finished in 2015.

In 2014, risk cards were introduced by the distribution plants of DTEK Group to show potential dangers.

However, DTEK's investment priorities related to occupational and health safety remain unchanged and focused on:

- eliminating dangerous and harmful workplace factors influencing the employees;
- adjusting the main assets in compliance with the occupational safety legislation and regulations;
- providing employees with the efficient means of personal protection;
- creating safe environment at workplaces;
- training and increasing the levels of knowledge among employees;
- personnel medical support.

In order to increase employees' responsibility in occupational safety at the mine offices, the crucial rules have been elaborated and applied which violation must result in raising a question of dismissal.

In 2014, the distribution plants introduced the risk cards visualizing potential dangers that may appear at workplaces, as well as risk management actions and self-control issues. They are used during special briefings at workplaces when executing work permit procedure instead of the set of Risk Assessment Cards that were applied before.

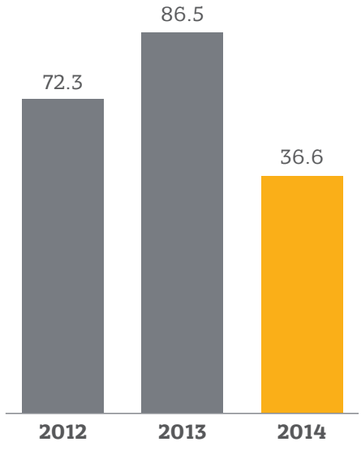
Due to ATO actions, DTEK Donetskoblenergo designed and introduced by plant order an abstract of special briefing and safety notes related to security measures and behavior in regions of combat operations. Based on these documents, daily briefings are carried out for work teams that restore damaged energy supply systems. This practice was shared with other plants located in the region of combat operations, namely DTEK Power Grid and DTEK Energougol ENE.

The plant' occupational and industrial safety management systems are certified in accordance with the international standards:		
DTEK Dobropolyeugol LLC, Dobropilska Mine Office Bilozerska Mine Office	OHSAS 18001:2007 2014 - certification audit performed	All employees are covered by certification. Compliance with the standard confirmed
DTEK Pavlogradugol PJSC, DTEK Komsomolets Donbassa Mine PJSC	OHSAS 18001:2007 2014 - compliance audit performed	All employees are covered by certification. Compliance with the standard confirmed
DTEK Dniprooblenergo PJSC, DTEK Donetskoblenergo PJSC, DTEK Energougol ENE PJSC, Kyivenergo PJSC	OHSAS 18001:2007 2014 - compliance audit performed	Compliance with the standard confirmed
DTEK Power Grid LLC	OHSAS 18001:2007 2014 - regular surveillance audit of hygiene and occupational safety management system performed	Compliance with the standard confirmed
DTEK Zakhidenergo LLC, Wind Power LLC	OHSAS 18001:2007 2014 - certification audit performed	Compliance with the standard confirmed
DTEK Skhidenergo LLC, DTEK Dniprooblenergo PJSC, Pavlogradska CPP, Kurakhovska CPP, Dobropilska CPP, Mospino coal processing company	OHSAS 18001:2007 the annual surveillance audit of the corporate occupational safety management system performed	Compliance with the standard confirmed

In 2014, the process continues to introduce the occupational safety management system in compliance with OHSAS 18001:2007 standard requirements in DTEK Sverdlovanthracite LLC and DTEK Rovenkyanthracite LLC.

In 2014, Naftogazvydobuvannya began introduction of occupational safety system in compliance with OHSAS 18001:2007 standard requirements. The standard introduction is to be finished in 2015.

Occupational Safety Investments, USD million*



* See reporting limits in Schedule 2

Occupational Safety Training

Occupation safety training in DTEK plants is carried out by the work safety briefings, trainings and skill tests.

Thus, all coal mining plants have pre-shift video briefings and, starting from 2013, a computerized skills testing system based on PROTEK Program has also been applied. In 2014, more than 35,000 employees passed the occupational safety knowledge tests within PROTEK Program in DTEK's coal mining plants. The out-of-plant coal mining personnel is constantly provided by off-job training in the requirements of technological documentation. 27,000 employees took this course in 2014.

Trainings and competitions are regularly held in distribution enterprises for educational purposes. Operation Worker Day, Master Day and professional skills competitions of the production teams are organized annually by DTEK Donetskoblenergo. Various educational programs with the elements of teams competition in servicing distributional networks are organized at Mezhirichi educational training polygon by DTEK Dniprooblenergo to provide practical training in execution of operational tasks to personnel. 1,296 employees were trained at the Personnel Training and Development Center, including 441 persons that gained paramedical skills.

11,720 employees were trained in the production training centers in 2014.

One of the first innovations became halting of the planned production on the Day of Occupational Health and Safety in order to involve the whole production personnel into training process carried out at workplaces. The only exclusion to this were emergency works.

Unique production training facilities are operated at all DTEK heat generation plants. These are production training center at DTEK Skhidenergo and training centers at DTEK Dniproenergo and DTEK Zakhidenergo. The main task of such facilities is to educate personnel in occupational health and safety, fire security and operation, and to run training programs at the time of production that help to acquire the necessary qualification for safe and efficient exploitation and repair of the power plants equipment.

These centers use unique educational computer software and simulators, up-to-date equipment and hardware. In 2014, the new educational polygon was introduced to train qualified electric welders. It was certified by the Paton Institute of Electric Welding and has an authority to issue diplomas giving the right to work at all facilities accountable to Gosgorpromnadzor.

In 2014, Kyivenergo PJSC became a winner of the First Ukrainian Festival of Animated and Video Programs, «Safe Labour 2014» in the nomination of «The Best Video Tutorial» and received the first degree diploma (Industrial Safety Magazine, May 2014).

The Day of Occupational Health and Safety at distribution plants

The Day of Occupational Health and Safety at DTEK Dniprooblenergo was organized in new format in August 2014. On this day, the whole plant personnel took part in new occupational safety rules training directly at their workplaces using the illustrative presentation and video materials. Moreover, employees meetings were held at the plants when the occupational safety successful practices were shared, occupational safety rules violations were analyzed along with the reasons that caused them, measures how to avoid them in the future were discussed.

Non-production personnel was trained to avoid risks while working in the office and to organize medical examination. Fire safety and first aid skills trainings are planned to be introduced in the future.

Starting from October, the Days of Occupational Health and Safety in this format were organized at every distribution plant of DTEK Group.

In 2014, more than 68 employees of Kyivenergo were trained in OHSAS 18001:2007 requirements and received certificates from the leading and internal auditors operating in the occupational safety system.

Motivation to Observe Industrial Safety Rules

The new procedure of material and non-material motivation has been applied at coal mining plants since 2013. This procedure is intended to improve the occupational safety situation, create competing environment, promote innovation proposals related to safe labour conditions.

In 2014, the methodology behind appraisal of the coal mining plants officers was improved basing on the occupational safety situation. This approach stimulates directors to pay more attention to occupational safety issues, as their efficient performance in this particular field is measured both quantitatively and qualitatively. Furthermore, special rules were elaborated and applied in 2014 to increase personal responsibility of each employee for observance of the work safety procedures at coal mines and coal processing plants. Their violation must result in raising a question of dismissal.

At the distribution plants of DTEK Group, the Occupational Safety Committees quarterly elect the best work team based on the occupational and industrial safety criteria. The winning work team is awarded with a challenge pennant and a day off excursion trip.

The Provisions on Employees Motivation in Occupational Safety were introduced by the plant orders at the power generation plants DTEK Skhidenergo LLC, DTEK Dniproenergo PJSC and DTEK Zakhidenergo PJSC. These Provisions contemplate material and non-material motivation (divided into group and individual) of the employees to observe occupational health and industrial safety requirements.

To protect industrial facilities from natural disasters the following activities are being developed:

- the plans of organizational and technical measures to prevent emergency situations (hereinafter referred to as «ES») during autumn/winter and spring/summer seasons;
- the plans of localization and liquidation of emergency accidents;
- interaction plans with the General Committee of Emergency Situations and mitigation of emergency consequences;
- planned schedules of civil defense and fire safety trainings;
- programs of civil defense and technogenic safety briefings.

Trainings of how to act in emergency situations are regularly organized at the plants:

- training of the management staff and specialists at the methodological and educational centers of civil defense and life safety;
- individual education of employees in civil defense at workplace;
- trainings of the headquarters for mitigation of ES consequences in power grids in cooperation with the headquarters mitigation of natural disasters set up by the local state authorities;
- trainings of the headquarters in acting in emergency accidents at radioactive and chemical facilities;
- trainings of the employees in acting during shelling of residential locations (employees sheltering in basement and semi-basement structures).

According to the procedure of personnel material motivation in occupational safety, USD 18 thousand were paid in cash bonuses in different nominations at Kyivenergo in 2014.

75 employees that work actively to prevent injuries at workplace and to improve occupational safety system were encouraged and awarded with tickets to international football matches and matches of the Ukrainian championship, Kiev theaters for family visits and gift vouchers to purchase home appliances in supermarkets.

Health Safety

The main objective of the company's medical service is to preserve life and health of the employees and to prolong their active life span.

In 2014, DTEK Service took under its management medical facilities at DTEK Ladyzhynska TPP, DTEK Dobrotvirska TPP, DTEK Burshtynska TPP, DTEK Myronivska TPP, medical office at Pershotravenskiy Mechanical Repair Plant and Ladyzhynskiy Heath and Recreation Resort. To obtain the right to conduct medical practice, six new medical facilities were prepared for licensing.

Five medical offices of the Medical Center of DTEK Service continue to offer medical assistance to the following plants, located in ATO zone: DTEK Luhanska TPP, DTEK Zuivska TPP, DTEK Myronivska TPP, Mospino coal processing company and Kurakhivska CPP.

All employees of DTEK's plants undergo preventive fluorography examinations to timely detect tuberculosis. The medical personnel was additionally trained to obtain skills of early detection and prevention of this disease. Such measures allowed to halve the disease rate of tuberculosis among employees in the reported period.

Moreover, during pre-shifts examinations, organized at medical facilities to decrease the risk of cardiovascular diseases and prevention of sudden coronary lethal accidents, employees that are likely to have the aforementioned pathologies were identified and grouped. Such groups' share increased by over 1 % during the year, meanwhile the rate of work leave due to disability with such diseases dropped by 9 %.

The rate of women examinations as to detection of oncological pathologies increased by 0.5 % during the reported period.

Medical offices at the plants located in ATO zone continue to offer the necessary medical assistance, including urgent care, to those who need it.

It is essentially required to preserve and strengthen the psychological health of the employees and their family members at the plants that continue operations in ATO zone. To address this issue, the psychologist of the medical office at DTEK Zuivska TPP developed a program to reinforce the stress tolerance and personal development in the living conditions of ATO zone. The information and education work is also carried out with the plant employees. For instance, every employee can study the aforementioned program displayed on the information stand. Individual psychological assistance is provided to employees and their family members; special attention is paid to the families that lost relatives in the course of combat operations. They are offered with recommendations to maintain their psychological health, techniques of urgent psychological treatment to remove psychological traumas.

In 2014, the total of USD 82.6 thousand were invested to purchase equipment for the medical facilities, in particular diagnostic (ECG, alcotests, blood pressure meters), treating (defibrillators), sterilizing (autoclave, sterilizing cameras, bactericide lamps), medical tools and furniture. The education of medical personnel continued this year. 130 employees of medical offices were trained to assist in emergencies in compliance with the international standards.

The improving level of medical assistance at the plants supports the implementation of the main task of medical service which consists in preservation of employees' health. The absence of the employees' claims of the unsatisfactory medical assistance during the year proves the above. Moreover, the results of survey covering 988 employees of DTEK Skhidenergo show that 70 % of the respondents are satisfied with the level of medical assistance they receive.

In 2014, 7,260 employees improved their health in heath and recreation resorts of DTEK Service to prevent development of the professional diseases.

Injury Rate

Along with the state inspections, every injury case is thoroughly investigated within the plant to discover its cause. In practice, the most widely spread causes of injuries at workplace are as follows:

- violation of labor and production discipline;
- violation of technological processes;
- violation of safe machinery exploitation rules;
- non-use of personal protection means;
- weather conditions, e.g., snow, ice (for distribution plants);
- combat operations.

Based on the undertaken investigations, the correction measures are developed to avoid such injuries from happening in the future. As a rule, such measures are intended to:

- increase the level of labor and production discipline;
- bring labour conditions into compliance with the regulatory requirements;
- bring buildings, structures and mines into compliance with the safety requirements;
- increase knowledge of plants' employees;
- improve existing or introduce new and safer technologies;
- replace machinery and equipment by the state-of-art and safer ones.

Ten employees of the distribution plants suffered as a result of combat operations in 2014, two of them passed away, four were heavily injured and four more sustained slight injures. These employees were affected during execution of repair works on the damaged power grids.

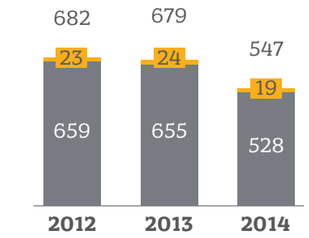
Four employees suffered different injuries at the entrance point to Luhanska TPP as a result of shelling in 2014.

Five employees died and 27 suffered different injures at the coal mining plants because of combat operations in 2014.

Injury Frequency Rate

Rate	2012	2013	2014
Lost Time Accident Frequency Rate	0.67	0.67	0.62
Fatal Accident Frequency Rate	0.022	0.023	0.022

Number of employees that suffered production injuries, persons.



Number of employees that suffered injuries at workplace as a result of combat operations, persons

Rate	2014
Number of employees that suffered injuries at workplace as a result of combat operations	46
Including lethal outcomes	8

Contractors Security Approach

The Provision on Contracting Services Safety was brought into action to ensure the secure execution of works by contracting organizations at every plant of DTEK Group. This Provision includes occupational, industrial, fire and general safety requirements in a contracting company. It also contains a course of action and responsibility distribution in ensuring the secure execution of works by contracting organizations, a checklist of contractor compliance with the safety requirements, the list of documents and actions to ensure safe execution of works by contractors.

The contractors have to meet high requirements, and in case of their violation the respective measures are applied, up to the prohibition of works and contract termination.

Kyivenergo has been operating in compliance with the updated procedure of contractors selection since 2014. The contractor's ability to execute works in a secure way is assessed at the time of price inquiries and tender procedures, taking into account the latest accidents with the contractor's personnel servicing the company's equipment. The contractors have to submit their licenses, permissions to operate in higher risk conditions and to use mechanisms and equipment posing extra high hazards. All contractors have to submit evidences of their qualification skills and each employee involved in works execution at Kyivenergo facilities must be identified.

The company requires that contractors' workplaces are checked on a regular basis.

Environmental Protection

In 2014, the company was actively working to improve environmental situation in the regions of its presence and to preserve the environment for the future generations. DTEK makes considerable efforts to minimize the negative impact on the environment at all production stages: from coal extraction and cleaning to electric power generation and transmission. These steps are in line with Ukraine's desire to follow the European tendencies in the sphere of environmental protection.

The environment-related activities of the company are based on Environmental Policy adopted in 2012. The policy defines long-term objectives of the company in the sphere of environmental protection:

- to prevent and minimize the negative impact;
- to use an integrated approach to environmental protection management at all DTEK plants on the basis of environmental management system;
- to create an effective system of environment impact monitoring and environment risk and problem management;
- to ensure the compliance of equipment and production process with the environment protection legislation.

Environment Protection Expenditures and Investments, mln USD
(excluding environmental tax)

Year	Capital Investments	Operating Expenditures	Other Expenditures	Total
2012	46.0	59.1	9.6	114.7
2013	46.4	65.9	9.7	122.1
2014	17.0	42.6	5.5	65.1

Pollution Abatement in 2014

Since 2012, in the process of renovation of power generating units, DTEK has replaced or reconstructed electric precipitators to reduce dust emissions in accordance with the European requirements.

National plan on the limitation of emissions of certain pollutants from large combustion plants in Ukraine in accordance with Decision of the Energy Community D/2013/05/MC-EnC as of October 24, 2013.

DTEK worked in the coordination team on pollution abatement and implementation of Directives 2001/80/EC and 2010/75/EC in Ukraine. Moreover, operators of all large combustion plants in Ukraine, including DTEK, concluded an agreement with the Institute of Coal Power Technologies of National Academy of Sciences of Ukraine to prepare documentation on «National Plan on Limitation of Emissions of Certain Pollutants from Large Combustion Plants». A draft of this document was prepared in 2014, and it will be adopted in 2015.

UNIDO Project, «Environmentally Effective Treatment and Final Neutralization of Equipment Containing Polychlorinated Biphenyl (PCB) in Ukraine»

Last year, DTEK became a partner of the project, which is a part of Ukraine's obligation fulfillment under Stockholm Convention on Persistent Organic Pollutants. This project implementation will help to evaluate the PCB problem throughout the country and to identify the further actions.

Environmental Education of Students.

Ecologists of the company's corporate center held a series of workshops for the students of the Donetsk State University of Management (specialty in ecology) as a part of cooperation of DTEK with higher educational institutions in Ukraine.

Environmental Management

DTEK's plants continued to implement and improve environmental management system. DTEK Zakhidenergo, DTEK Dobropolyeugol and DTEK Krymenergo successfully passed certification audit for compliance with ISO 14001; the company's ten plants confirmed the compliance of the existing environmental management systems with the requirements of the international standard ISO 14001.

Air Emissions

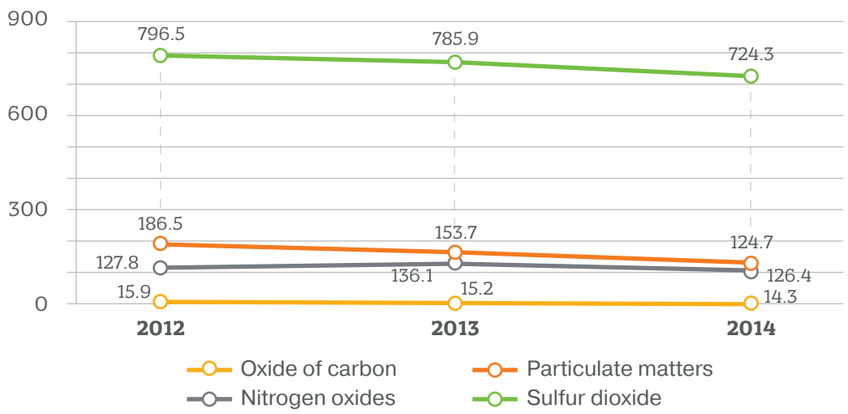
Since 2012, in the process of renovation of power generating units of thermal power plant, DTEK has been replacing or reconstructing electric precipitators to reduce particulate matter emissions in accordance with Directive 2001/80/EC. In 2014, the company completed the reconstruction of gas-cleaning equipment at three thermal power plants. Also, in 2014, a construction of new electric precipitators continued at Power Unit No. 1 of DTEK Kryvorozka TPP; a reconstruction of electric precipitators started at Power Unit No. 9 of DTEK Kurakhivska TPP and No. 3 of DTEK Zuivska TPP. After the reconstruction, all the power units will provide residual dust content of no more than 50 mg/nm3 and will be equipped with the flue gas monitoring systems for continuous air emission control.

In the boiler station of the Zakhidno-Donbasska Mine, due to the installation of the bag cyclone filter for flue gas fine purification of coal dust, the residual concentration of particulates decreased by more than five times; this has greatly improved external air quality in the town of Ternivka.

Projects Implemented by DTEK Thermal Generation Plants in 2014

Project	Decrease of Particulate Matter Concentration, mg/nm³	Number of Times
Reconstruction of electric precipitators at Power Unit No. 13 of DTEK Luhanska TPP	from 2,312 to 50	46.2
Reconstruction of electric precipitators at Power Unit No. 3 of DTEK Zaporizka TPP	from 339 to 50	6.8
Replacement of wet dust collectors by electric precipitators at Power Unit No. 8 of DTEK Dobrotvirska TPP	from 1,099 to 50	22

Dynamics of Gross Air Pollutant Emission, thousand tons



Climate Changes and Greenhouse Gases

Within the Projects of joint implementation under Kyoto Protocol, DTEK's plants took a number of measures to reduce greenhouse gas emissions and provided emission abatement at the end of the first commitment period (2008-2012). Therefore, in 2014, the implementation of 13 joint projects ensured reduction of CO2 emissions by 3.2 mln tons.

The existing 13 projects ensured reduction of CO_2 emissions by 3.2 mln tons in 2014.

Realizing its impact on climate, the company continues taking measures to reduce greenhouse gas emissions and, at the same time, places reliance on continuation of Kyoto Protocol's mechanism implementations for 2013-2020. This will attract additional funding for the projects of this type.

In 2014, employees of DTEK continued to participate actively in the working teams at ministries and agencies, aimed at creating a regulatory foundation in the area of combating climate change and implementation of environmental policy instruments for further reduction of greenhouse gas emissions. Also, the company's specialists assist in the expert evaluation at the technical assistance projects of Ukraine with the purpose of development and implementation of emissions trading scheme.

Water Resources

Environmental policy of DTEK puts forward demands on sustainable use of water resources, volume reduction and improvement of quality indicators of wastewater disposal. To ensure optimal water consumption for production needs, power generation stations use circulation cooling systems of primary and supporting equipment, circulation hydraulic ash removal systems (HAR), water recycling systems.

Water consumption of DTEK thermal power plants for housekeeping and drinking needs was reduced by 13 %: from 6,428.3 thousand cubic meters in 2012 to 5,589.9 thousand cubic meters in 2014; for production needs — by 16 %: from 323,231.3 thousand cubic meters in 2012 to 270,508.5 thousand cubic meters in 2014 as a result of activities on water protection and rational use in 2012-2014.

Main activities aimed at water sustainable use, as well as prevention and minimization of negative impact on them, were held in 2014 at the power generating plants:

- state assessment of project documentation was made, and positive opinions on reconstruction of chemical water treatment of DTEK Kryvorizka TPP were received;
- water consumption and disposal standards of DTEK Burshtynska TPP, DTEK Prydniprovska TPP and DTEK Luhanska TPP were developed to achieve rational use of water resources;
- water supply pipeline from the pump-filter station was replaced by industrial site of DTEK Zuivska TPP;
- reconstruction of clarified water pipelines from pump station No. 1 to the main building of DTEK Kryvorizka TPP is continued; it will reduce clarified water loss by 3,000 cubic meters in 2015;

• reconstruction of pump station of clarified water No. 1 of DTEK Kryvorizka TPP is continued.

In 2013, a program was launched to reduce water damage till 2030 at each thermal power station.

Also, integrated programs are carried out at collieries. These programs are aimed at sustainable use of water resources, prevention and minimization of their damage. One of the projects in 2014 was the completion of the construction of water pipeline from Site No. 8 of the pumping water station Dnipro-Zakhidniy Donbass to the Svitlogorsk water intake. It made it possible to supply Dniprovske and Ternivske Mine Offices with potable water.

Objects of Water Intake for Industrial, Drinking and Household Water Supply of DTEK Energo TPP

Thermal Power Plant	Objects of Water Intake for Industrial, Drinking and Household Water Supply
DTEK Zuivska TPP	Siverskyi Donets-Donbass Channel and Zuivske Reservoir (Krynka river)
DTEK Kurakhovska TPP	Siverskyi Donets-Donbass Channel and Kurakhovo Reservoir (Vovcha river)
DTEK Luhanska TPP	Siverskyi Donets river
DTEK Prydniprovska TPP	Dnipro river
DTEK Kryvorizka TPP	Dnipro-Kryvy Rih Channel
DTEK Zaporizka TPP	Kakhovka Reservoir
DTEK Burshtynska TPP	Hnyla Lypa river (left tributary of Dnister) with water cooling Reservoir
DTEK Dobrotvirska TPP	Zakhidnyi Buh river
DTEK Ladyzhynska TPP	Pivdennyi Buh river
Myronivska TPP	Myronivsky Reservoir

Wastewater Discharge

In 2014, at the electricity generation companies of DTEK, the measures were developed and implemented to improve the waste water treatment and reduce the volume of pollutants discharged into water objects due to the modernization of wastewater treatment plants.

Implemented Projects:

• sewage header and waist water drainage were reconstructed, wastewater treatment plants were constructed at DTEK Prydniprovska TPP, it eliminated wastewater discharge into Dnipro river;

• two additional lines of biological treatment ponds were constructed in sanitary buildings of DTEK Ladyzhin TPP;

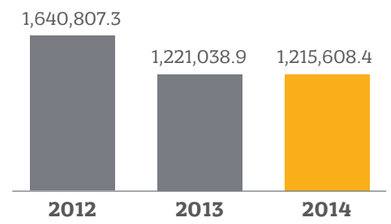
• the initial stage of construction of the plants for the first portions of rainwater treatment is completed at the industrial site (Discharge No. 4) of DTEK Ladyzhin TPP;

• the construction of the pumping station for drainage water of ash and slag lines at the recirculation system of hydraulic ash handling is continued at DTEK Ladyzhin TPP.

In 2014, at the collieries, the measures were also implemented to prevent and minimize the water resources damage as a result of their production activities.

In particular, the reconstruction of wastewater sewers of Block no. 3 of Zakhidno-Donbaska Mine of 2,230 lm (equipped with ten shaft wells, two valves and two holes) is continued. As a result of the work performed, the volume of potable water supply has increased by 2-2.5 at Pavlograd wastewater treatment plants.

Total Volume of Industrial Wastewater Discharges, '000 cubic meters.



Waste Management and Recultivation of Disturbed Soils

One of the company's key objectives in the sphere of environmental protection is to reduce volumes of heavy waste placement by increasing their use. To increase the use of ash and slag materials by all thermal power stations of the plant, the programs are developed and implemented to increase ash and slag usage for 2012-2020. As part of these programs, power unit No. 8 of DTEK Dobrotvirska TPP was equipped with dry ash treatment systems. This will increase extraction of dry ash up to 100,000 tons per year for the subsequent usage by building companies. Besides, projects are implemented to build up ash dams of ash and slag materials and to avoid new land allocation for the waste disposal.

Implemented Projects:

- Construction of Section No. 2 for ash dump No. 3 at DTEK Luhanska TPP;
- Construction of Additional Tier for ash dump No. 1 and No. 2, Building of Tiers 9,10 for Ash Dump No. 3 at DTEK Burshtynska TPP;
- Reconstruction of hydraulic ash and slag removal. Construction of ash and slag dumps at DTEK Ladyzhin TPP.

In total, 217,144.5 tons of ash and slag were used by the power stations for their own needs and 354,525.9 tons were sold to the external customers in 2014; it is 10.5 % of the total ash and slag formation.

To increase ash and slag usage in 2013-2014, marketing research on the usage of ash, slag and their mixture was conducted at all thermal power stations. It made it possible to determine promising directions of ash and slag use: cement, concrete production and constructions, brick and masonry products, dry construction mixes, asphalt mixes, road construction, etc.

To implement this initiative on ash and slag use in road construction, a pilot project «Road Construction between Zuhres and Solid Waste Landfill with the use of ash and slag of DTEK Zuivska TPP» was started. Donetskgiprodor Specialized Project Institute of Road Constructions developed cost estimate documentation; the company ran a tender for the construction. However, the work has been suspended because of the ATO.

DTEK Pavlogradugol plants work on land rehabilitation annually; and in 2014, biologic recultivation was performed on the area of 14.875 hectares.

As part of waste separate collection process, additional 215 containers were installed at the distributive companies. In addition, to provide oil spill response and to prevent oiled waste, the pilot projects on ecological biotechnologies have been implemented and fruitful results have been received. Thus, at DTEK Dniprooblenergo and DTEK Power Grid, oil receivers of 11 transformers have been covered with special bacteria that decompose oil products into harmless substances.

Total Volume of Waste Formation by Hazard Category, tons

Index	2012	2013	2014
1st category	31.6	39.0	55.6
2nd category	393.7	324.6	378.3
3rd category	1,442.8	1,910.5	1,031.3
4th category	21,597,496.7	21,475,203.4	19,300,952.4
Total	**21,599,364.9**	**21,477,477.5**	**19,302,417.5**

Hazard Substances and Materials

DTEK takes actions to minimize the use of the materials that contain asbestos, mercury, oil, phosphate, and PCB.

DTEK's plants constantly work to minimize the use of hazard substances and materials. In particular, they take actions to withdraw materials that contain asbestos and to replace energy-saving lamps that contain mercury by LED and sodium lamps. Thus, in 2014, 100 LED lamps were installed at the distribution companies and DTEK Zuivska TPP; 57 sodium lamps were introduced into DTEK Kurakhovska TPP.

Moreover, at four distribution companies, 142 units of oil-filled equipment were replaced by vacuum and SF6 equipment. It will protect from possible oil spills. At DTEK Krymenergo, 18.407 tons of static capacitors that contain polychlorinated biphenyls (PCB) were decommissioned.

DTEK's plants continue their work on the transition to environment friendly phosphate-free household chemistry. In 2014, 523 kg of environment friendly household products were used.

Preservation and Restoration of Biodiversity

Complex Tree Planting

Compensatory tree planting was performed on 15 hectares field of Geroiv Kosmosu, Pavlograd and Ternivska Mine Offices that are included in DTEK Pavlogradugol PJSC instead of their forest use.

Bird Protection

DTEK distribution companies and Wind Power continue their work on bird protection programs. Electric power companies set 58 platforms for the nests of white storks and 325 protective caps for high-voltage insulators. These measures will prevent possible emergency situations and death of birds. Teachers of biology and pupils will help to monitor settlement of white stork in the nests. DTEK Dniprooblenergo in cooperation with the Regional Ecologic Center for Children and Youth developed and Dnipropetrovsk Regional Government Department adopted the Regulation on Annual Regional Competition «Leleka» as part of all-Ukrainian program of international project for the white stork protection.

In addition, Wind Power completed its investigation on the impact of Botievo Wind Farm on birds and bats in 2014 and confirmed the safety of the modern wind turbine. The situation in the surrounding areas located at a distance of 4-8 km from Botievo Wind Farm was also analyzed. According to the expert opinion, the negative impact on birds and bats in these areas is not detected in the period of both construction and operation. This study of the operating Wind Farm was the first research in Ukraine.

Sustainable

Power Engineering

Many electricity transmission lines were damaged as a result of armed hostilities in Donbass. On November 12, the power engineers of DTEK Donetskoblenergo finished the repairs and turned on 35 kW Yasinovataya, electricity transmission line – DBVT No. 1. This line is a reserve power source for the pumping facility of the Pivdenno-Donbasskyi water pipeline. Thus, the power engineers increased the reliability of the power supply to the water pipeline supplying the Velykoanadilska and Krasnoarmiyska water purification plants. Water is now supplied to 30 settlements where over 250,000 people live. Earlier, DTEK Donetskoblenergo personnel had repaired Yasinovataya electricity transmission line – DBVT No. 2 and supplied the electricity to the Pivdenno-Donbasskyi water pipeline, which was cut of power for 120 days as a result of military hostilities. Then, over 30 settlements in Donetsk Region were able to receive water.

Reliability of Power Supply

The company's employees responsible for power supply faced a lot of challenges during the events of 2014. In August, anti-crisis energy headquarters of swift response started working at DTEK Dniprooblenergo, DTEK Donetskoblenergo and DTEK Power Grid distribution companies. Their main task is to eliminate the consequences of the emergency situations and accidents in the power grids in Donetsk and Dnipropetrovsk Regions in order to provide stable power supply to individuals and legal plants.

Many electricity transmission lines were severely damaged as a result of armed hostilities in Donbass. DTEK has been working on restoration of power supply on a daily basis since May 17, 2014. This work has been substantially complicated due to bombardments, mines and dud munitions, destruction of traffic arteries, massive damage of equipment, forfeiture of specialized machinery and equipment, personnel stoppage at the blockhouses. In aggregate, DTEK power engineers have restored power supply to 1,000,000 people in 310 settlements of Donetsk Region, somewhere on multiple occasions. More than 800 power engineers and up to 250 units of specialized machinery perform restoration works in Donetsk Region on a daily basis. Power engineers work 14 hours seven days a week in the most complicated regions that have suffered the most from the bombardments.

Power Saving and Energy Efficiency

Reliability of the power supply is in tight connection with the energy efficiency. Implementation of energy management system, modernization of power plants and power grids, installment of power saving equipment is an important issue that has to be addressed despite the complicated situation in the industry.

In 2013, DTEK fully switched from «selective» projects to the systemic approach in addressing issues regarding energy efficiency and power saving.

In 2013, DTEK fully switched from «selective» projects to the systemic approach in addressing issues regarding energy efficiency and power saving. In order to prepare its implementation, the company conducted a large scale energy audit involving 14 pilot plants. In aggregate, the company's expenses for the energy audit of four mines, three CPPs, three TPSs, four distribution companies exceeded USD 0.3 million.

An energy audit in seven social buildings in cities where the company performs its activities and in seven industrial objects (production facilities, electric substations, boiler rooms) was conducted in 2014. The project documentation on performance of capital repairs of buildings and constructions, replacement of ineffective equipment was prepared on the basis of the above energy audits.

Commissions on power saving were set up at plants pursuant to the requirements of ISO 50001, international standard for implementing an energy management system. The commissions consisting of the divisional operating heads regularly perform analysis of energy consumption and control the implementation of power saving means. Investment projects approved for implementation in 2015 at pilot plants are secured by funding in the amount of USD 0.5 million (at average UAH/USD FX rate for 1H 2014 – 21.4).

By virtue of the energy managers' work, automatic systems of energy resources measurement are approved for implementation at six DTEK plants, which allows for more precise control of settlements with the suppliers of electricity and online monitoring of the current energy consumption by the large facilities within the plant, change dynamics and swift respond to fluctuations. Investments into development of modern measurement systems amounted to USD 0.23 million in 2014, and in 2015 the amount of investments will exceed USD 0.37 million (at average UAH/USD FX rate for 1H 2014 – 21.4).

The company developed performance substantiation and project documentation in respect of implementation of heat pump at power

generating unit No. 2 at Kyivenergo TPP-6, which shall result in saving of 640,000 cubic meters of gas at separate subdivision of Kyiv TPP. Furthermore, the performance substantiation was developed for the company's TPPs in respect of implementation of non-fuel oil based (non-gas based) ignition on the basis of MIST, Sino-American technology. In the event of successful implementation of the project it will be possible to save 75 million cubic meters of gas per year or 35 % of its annual consumption and 11,000 tonnes of fuel oil – 32 % of annual consumption.

Energy Saving Services for Clients

DTEK started development and implementation of energy saving services for ultimate consumer in 2014.

Effective fuel combustion is the company's priority. At the same time, it is very important whether the ultimate consumer shall receive the service in such volume and quality as such consumer requires, and to what extent provision of such services is reliable and how much the consumer shall pay for it.

DTEK started development and implementation of energy saving services for ultimate consumer in 2014. Starting from December 2014, buildings energy audit services have been implemented at the pilot «site», Kyivenergo. Performance of energy audits together with raising funds for implementation of thermal modernization projects on a «plug-and-produce» basis is planned to start from May 2015. In future, provision of energy saving services (range of services) is planned to be implemented at all of the distribution plants of the company, which shall allow DTEK clients to take advantage of qualified assistance in reduction of non-efficient energy consumption and increase the comfort in houses and buildings.

Client Orientation

The company fully provides socially vulnerable groups including residents of apartment houses without gas and centralized heating with statutory benefits related to payment for electricity.

Main principles of DTEK in respect of quality of goods and services:

- performance of scheduled maintenance checks in full and in a timely manner;
- direction of investments to enhancement of reliability and continuity of power supply and increase of electricity quality;
- carrying out of actions aimed at decrease of emergencies and duration of their elimination (trainings on emergency elimination, cleaning of overhead power lines, complement of emergency reserves for restoration repairs, organization of maintenance standby, etc.);
- increase of clients satisfaction (availability of the services, voltage stability, continuity of and absence of gaps in the power supply, swiftness in restoration of power supply after emergency shutdowns, compliance with the stated terms of restoration of power supply after scheduled shutdowns).

With the purpose to increase the services provision quality in 2014:

- one of the first in Ukraine fully automatic contact center was created on the basis of the leading site, DTEK Dniprooblenergo in Nikopol. Over 1.5 million clients were connected to the service;
- client care standards are developed and will be implemented in 2015;
- program on reformation of regional divisions of power supply (RDP) into customer service centers (CSC): new template organization structure, functions of personnel, division of CSC into front-office and back-office. RDP will be transformed into CSC in 2015.

In order to improve clients services following is applicable:

- telephone «Trust line»;
- information and consultancy centers (ICC);
- official web sites of the company's distribution plants and online service «User Account».

Clients receive all required information with personal service and receiving package of introductory documents.

Energy Safety and Promotion of Environmental Protection Concept among Population

Employees of DTEK's energy companies have been giving lessons on energy safety within Energy to Children Project for over two years.

Today, more than 2,000 lessons have been given at schools in the City of Kyiv, Donetsk and Dnipropetrovsk Regions. To the traditional issue of electricity dedicated to the matters of safe handling of electrical appliances and prevention of electric injuries, environmental protection issues were added in 2014. At these lessons, company volunteers explain why it is important to separate resource valuable wastes, why it is dangerous to put batteries and rechargeable cells into the ground, what threat does the flying lanterns and air balloons cause to the life of birds.

Volunteers prepare handout materials for the lessons and give them to schools on a free of charge basis.

Starting from September 2014, the initiative group of DTEK Power Grid has given 34 integrated lessons «Energy to Children» in Dnipropetrovsk and Donetsk Regions. School students listened to the power engineers with the great interest, actively participated in discussion, asked questions and shared their life stories. Every such lesson is a contribution to the organization of responsible environmental culture and safe handling of electricity. Realization of the project shall be carried on in 2015.

Innovation

Energy performance-contract that will allow to attract additional investments into modernization developed by DTEK is an innovation for large energy industry. Energy service contract is an agreement on implementation of energy saving technologies, whereunder the amount of payment to the contractor depends on the level of achieved energy resources saving and, accordingly, decrease of expenses with respect to such energy resources. Such instrument of energy management will additionally allow to implement energy saving projects in the amount of UAH 500 million starting from 2015.

It is important to preserve and develop renewable power generation in the conditions of energy crisis in Ukraine, including wind power - an industry without the use of fuel and water resources, which operates for the strengthening of energy security of the country.

DTEK develops renewable power generation together with the thermal power generation. Wind power is a contribution of the company to the energy security and environmental welfare of Ukraine. In 2014, DTEK finished construction of Botievo Wind Farm with the total capacity of 200 MW, which became the first «green» energy project of the company realized from the idea to implementation. Operation of Botievo Wind Farm will facilitate in decreasing CO2 emission for 730,000 tonnes comparable to emission of about 365,000 vehicles on Ukrainian roads.

In order to increase effectiveness and controllability of power grids, quality of electricity, the company implements basic Smart Grids components, including automatic electricity measurement monitoring systems (AEMMS) for domestic consumer, as well as remote control engineering of dispatch stations, electric substations 35 -110 (150) kV and TP-DP 6-10 kV.

Schedule 1

On Report and Non-Financial Reporting Process

This report, including Sustainability Section (hereinafter referred to as the «Report»), reflects material facts on sustainability activities of DTEK Group in 2014 calendar year (from January 1 to December 31). It also sets out certain facts of 2015 that are directly related to the Company's activities in 2014 or important in the context of understanding the sustainability objectives. The previous report was published in 2014 and contains information on DTEK's activities in 2012 and 2013.

This document is the second integrated report of the Company. The Company had two-year period for non-financial reports from 2007 to 2013. One-year period has been established from 2014.

The Report has been prepared with the use of:

- a number of indicators from the Branch Schedule on Electricity Industry, Sustainability Reporting Guidelines (GRI);
- a number of indicators from GRI's Branch Schedule on Mining and Smelting Industry;
- recommendations for reporting on the achieved progress of the UN Global Compact (Advanced Level);
- contents of the Corporate Sustainability Leadership Program of the UN Global Compact.

GRI's Application Level:

	C	C+	B	B+	A	A+
Self-declaration			✓			
Third party check						
GRI check						

Reporting Boundaries and Scope

The Report reflects the range of DTEK's activity, approaches in management and cooperation with the stakeholders, as well as performance indicators in such areas as economics, environment, human resources, public relations, client focus.

The structure of the Company is set out in About Company. The non-financial reporting includes quantitative and qualitative (descriptive) elements in the areas of DTEK's business and its subsidiaries having the most material impact on the economy, ecology and social aspects of the Company's activities in the regions of Ukraine.

Organizational Limits of Non-Financial Reporting

1. Electricity Generation

DTEK Skhidenergo LLC, including
- DTEK Kurakhovska TPP,
- DTEK Luhanska TPP,
- DTEK Zuivska TPP,

DTEK Dniproenergo PJSC, including
- DTEK Kryvorizka TPP,
- DTEK Zaporizka TPP,
- DTEK Prydniprovska TPP,

DTEK Zakhidenergo PJSC, including
- DTEK Burshtynska TPP,
- DTEK Dobrotvirska TPP,
- DTEK Ladyzhynska TPP.

2. Electricity Distribution and Sales

DTEK Power Grid LLC,

DTEK Donetskoblenergo PJSC,

DTEK Energougol ENE PJSC,

DTEK Dniprooblenergo PJSC,

Kyivenergo PJSC,

DTEK Krymenergo PJSC.

3. Coal Production and Processing

DTEK Pavlogradugol PJSC, including
- Ternivske Mine Office SIU,
- Pavlogradske Mine Office SIU,
- Geroiv Kosmosu Mine Office SIU,
- Dniprovske Mine Office SIU,
- Pershotravensky Mine Office SIU,

DTEK Dobropolyeugol LLC, including
- Dobropilska Mine Office SIU,
- Bilozerska Mine Office SIU,

DTEK Sverdlovanthracite LLC, including
- ChervonyiPartyzan Mine Office SS,
- Sverdlovske Mine Office SS,
- Sverdlovska CPP SS,

DTEK Rovenkyanthracite LLC, including
- Rovenkivska Mine Office SS,
- Yasenivska Mine Office SS,
- Komendantska CPP SS,

DTEK Mine Komsomolets Donbassa PJSC,

DTEK Dobropilska CPP,

Pavlogradska CPP LLC,

Kurahivska CPP LLC,

DTEK Oktyabrska CPP,

Mospinske CPP LLC.

4. Renewable Energy Plant

Wind Power LLC.

5. Oil and Gas Plant

Naftogazvydobuvannya PrJSC.

Grounds for exemption of organizations from reporting limits

Tekhrempostavka LLC, Pershotravensky Repair and Engineering Plant LLC, Ekoenergoresurs LLC, DTEK Service LLC, DTEK Trading LLC, Power Trade LLC, DTEK Naftogas LLC, Myronivska TPP are beyond the reporting limits (the impact of these companies is insignificant or the data is not consolidated pursuant to GRI's indicators). Geographical reporting limits do not include the companies operating outside Ukraine: DTEK B.V., DTEK Oil&Gas B.V., DTEK Renewables B.V., DTEK Energy B.V., DTEK Finance B.V., NGD B.V., Primorska WEP B.V., DTEK Holdings Limited, DTEK Trading Limited, DTEK Trading S.A., DTEK Finance PLC, DTEK Investments Limited, DTEK Hungary Power Trade LLC, Obukhivska Mine Office JSC, Donskoy Antratsit JSC, Sulinantratsit LLC.

Material Subjects

While evaluating the materiality of the subjects for the purposes of non-financial reports, DTEK relies on the principles of reasonability and relevance in the Ukrainian context.

The audit of news materials in mass media, research of social climate in DTEK's companies, analysis of non-financial reports of the leading energy companies, dialogs with the stakeholders organized by SCM Group, has identified the following material subjects of the Report (based on the expert evaluation of DTEK management):

Context	Low Materiality	Medium Materiality	High Materiality
International	• Benefits of various tariffs for consumers • Safety of network infrastructure for population • Scientific research and development • Cooperation with contractors	• New philosophy: socially- and client-oriented power engineering • Promotion of responsible energy consumption • Combined use of fuel types, development of wind power sources • Investments in new technologies	• Modernization of energy systems and recovery of capital assets (Eastern Europe) • Energy efficiency and reduction of greenhouse gas emission • Cooperation with clients • Management of environmental impacts
Ukraine	• Preservation of biodiversity • Risk of monopolization of Ukrainian market by DTEK	• Improvement of environmental monitoring system • Need of national strategy for sustainable development • Partnership with NCO • Management of wastes until their full utilization • Development of social entrepreneurship	• DTEK's strategy and investments patterns • Enhancement of living standards of population in cities with DTEK's presence • Safety of miners' labor • Payment system in DTEK's companies • Quality of education and health care services

Calculation of Indicators

The data is sourced from the official reporting forms annually submitted to the state statistics authorities. Some indicators are gathered and calculated in accordance with the internal reporting forms verified by the responsible representatives of the companies as part of the internal audit procedures.

Greenhouse gas emission data includes only direct emission data. SCM Group currently does not calculate the volume of indirect greenhouse gas emission as it is very low comparing to the direct emission.

The average quantity of regular employees is used for calculation of turnover rate. The total average quantity of personnel throughout all assets (mines, support facilities, etc.) is used to calculate the average monthly payroll at the Company's plants. Average monthly salaries are correlated every year at the Company's plants based on this indicator.

The calculation methodology was described in detail in the Report on DTEK Group's Sustainability Activities, 2008-2009.

Schedule 2

DTEK's Quantity Performance Indicators

Economical Indicators

DTEK's economical performance indicators are set out in Industry Overview and Performance Results hereof as well as in Consolidated Financial Reporting.

Environmental Indicators

Specific emission of pollutants into atmosphere, tons per 1 ton of manufactured goods

Business block	Specific emission into atmosphere, tons per 1 ton of extracted coal		Specific emission into atmosphere, tons per 1 MW of supplied electricity		Specific emission into atmosphere, tons per 1thousand Gcal of supplied thermal power	
	2013	2014	2013	2014	2013	2014
Generation	-	-	0.02202481	0.020239438	0.40123461	0.409714545
Coal Production and Processing	0.00359434	0.004698877	-	-	-	-

Gross emission of greenhouse gas, '000 tons

Year	Methane	Carbon dioxide (CO_2)	Nitrous oxide (N_2O)	Total	In equivalent CO_2, tons
2013	209.6	57,887.2	0.827	58,097.6	62,545,708.56
2014	194.9	52,012.8	0.752	52,208.5	56,339,068.61

Specific emission of pollutants into atmosphere, tons per 1 ton of manufactured goods

Business block	Methane		Carbon dioxide (CO_2)		Nitrous oxide (N_2O)	
	2013	2014	2013	2014	2013	2014
Generation	0.00033	0.00032	1.09730	1.09730	0.00469	0.00424
Coal Production and Processing	0.06647	0.06179	0.06981	0.00698	0.00165	0.00010

Containment of pollutants in waste water, tons

Year	BOD*	Petroleum products	Suspended substances	Dry residues	Chlorides	Sulphates	Ammonia nitrogen	Total iron	Nitrates
2013	514.2	36.1	2,874.11	377,475.4	141,381.4	71,667.7	35.0	33.90	307.70
2014	525.6	26.3	3,085.01	316,778.3	103,474.4	63,785.6	38.1	620.14	332.34

* Biochemical oxygen demand.

Total volume of reused and recycled water, '000 cubic meters

Year	Rate
2013	10,097,991.12
2014	7,347,570.83

Total volume of water use for own needs by source, '000 cubic meters

Year	Total	Water surface	Subsoil water	Water supplied by municipal and other entities	Other sources*
2013	2,058,742.1	2,027,718.4	4,505.8	11,335.9	15,182.7
2014	1,985,954.6	1,952,530.2	2,908.1	17,739.9	12,776.4

* Other sources include: mine waters and waste water.

Wastes treatment, tons

Rate	2013	2014
Volume of disposal	17,060,455.9	14,704,043.7
Transferred to third party organizations	2,377,419.5	1,846,444.9
Volume of disposed, recycled wastes	2,634,109.3	2,281,649.0
Total	**22,071,984.8**	**18,832,137.7**

Total volume of industrial wastes, tons

Year	Volume of wastes at the beginning of the year				Volume of wastes at the end of the year			
	Barren rock	Sludge	Debris	Other wastes	Barren rock	Sludge	Debris	Other wastes
2013	416,599,285.5	34,166,643.2	0	3,707,024.6	407,684,193.7	46,044,808.3	0	469,626.1
2014	407,684,193.7	46,044,808.3	0	469,626.1	422,775,499.5	42,161,786.6	0	5,980,280.4

Remediation of lands, ha

Year	Area of lands subject to remediation at the beginning of the year	Area of lands subject to remediation at the end of the year	Area of lands remediated in the reporting year
2013	434.19	423.27	10.92
2014	444.03	452.68	18.18

Lands remediation plan, ha

Year	Area of lands where biodiversity reproduction is required, at the beginning of the year			Area of lands where specific biodiversity reproduction is planned by the company, at the end of the year		
	1	2	3	1	2	3
2013	-	416.7	-	-	10.0	-
2014	-	329.6	-	-	10.0	-

1 – in possession; 2 – rented; 3 – in use for industrial needs.

Occupational health

Accident indicators

Rate	2012	2013	2014	2014*
Lost Time Accident Frequency Rate (LTAFR)	0.67	0.67	0.62	0.67
Fatal Accident Frequency Rate (FAFR)	0.023	0.024	0.022	0.030

2012 year: excluding DTEK Krymenergo PJSC
2013 year: including DTEK LLC and DTEK Krymenergo PJSC; excluding Wind Power LLC, Sotsis LLC and Naftogazvydobuvannya PrJSC
2014 year: excluding persons suffered from military hostilities
2014* year: including persons suffered from military hostilities

Occupational illness

Rate	2012	2013	2014
Occupational illness rate	0.98	1.08	0.88
Lost day rate	22.53	17.86	22.44

2012 year: excluding DTEK Krymenergo PJSC
2013 year: including DTEK LLC and DTEK Krymenergo PJSC; excluding Wind Power LLC, Sotsis LLC and Naftogazvydobuvannya PrJSC

Personnel

Personnel turnover rate

2012	2013	2014
4.77	6.12	7.61

Indicator is set out in reporting limits. Personnel turnover rate is calculated in accordance with the internal management report as it allows to include reasons for workers quitting their jobs in more details and receive more adequate turnover data (e.g. include transfer of personnel at DTEK plants).
Data for 2012 excludes DTEK Krymenergo PJSC.

Accounting number of staff as of December 31 of each year, persons.

2012	2013	2014
112.280	111.182	104.067

Data is set out in respect of the main plants covered by the reporting limits, excluding affiliates

Average employment term at electric power plants of personnel who left the organization within the reporting year, persons

Year	Total number of employees who left the company	Women	Men	Aged under 30	Aged from 30 to 50	Aged over 50	Worked in the company for less than a year	Worked from 1 to 5 years	Worked for over 5 years
2012	9,293	3,480	5,813	1,677	3,713	3,903	1,255	2,325	5,713
2013	9,285	3,537	5,748	1,830	4,053	3,402	875	2,360	6,050
2014	4,816	1,678	3,138	833	2,025	1,958	325	1,121	3,370

Data for 2012-2013 is set out in respect of electricity generating, transferring and supplying plants in the reporting limits.

Personnel structure by categories, persons.

Year	Personnel categories		Age, years			Sex	
	MSE	Workers	under 30	from 30 to 50	over 50	male	female
2012	27,000	85,280	31,524	58,405	22,351	82,879	29,401
2013	32,267	94,548	30,556	69,184	27,175	92,318	34,597
2014	28,957	84,180	25,292	60,831	27,014	80,089	33,048

Source: data of the management report
Data for 2012 is set out in respect of the main plants included in the reporting limits, excluding affiliates.
Data for 2013-2014 is set out with inclusion of affiliates of the plants covered by the reporting limits.

Governing bodies structure* by age and sex, persons

Year	Number of governing bodies personnel	Age, years			Sex	
		under 30	from 30 to 50	over 50	male	female
2012	180	4	94	82	163	17
2013	162	5	88	69	146	16
2014	134	1	80	53	115	19

* Governing bodies include general directors, directors, members of the board (including committees).
Data is set out in reporting limits. Data for 2014 excludes DTEK Krymenergo PJSC

Number of education and professional development instances

Year	Total instances of education	Including			
		internal		external	
		MPSE (engineers and technicians)	workers	MPSE (engineers and technicians)	workers
2012	73,389	19,392	41,211	9,796	2,990
2013	79,576	21,458	40,341	14,120	3,657
2014	58,544	14,957	32,915	7,577	3,095

Data for 2012 includes DTEK LLC, data for 2013 includes DTEK LLC and DTEK Krymenergo PJSC.

Power engineering

Direct use of energy with indication of primary sources

Year	Natural gas, gigajoule	Fuel oil, gigajoule	Coal, gigajoule	Coke, gigajoule	Petrol, gigajoule	Diesel oil fuel, gigajoule	Total	
							gigajoule	standard fuel
2012	106,137,720	1,482,141	550,114,580	5,595	6,197,151	4,483,378	668,420,565	22,807,073
2013	94,372,356	1,394,760	555,742,117	1,926	564,105	1,123,786	653,199,051	22,287,702
2014	77,817,635	1,227,276	519,777,968	2,727	499,817	1,097,155	600,422,578	20,486,924

Energy saved dut to energy efficient events

Year	Electricity	Thermal power		Fuel resources	
	'000 KW per hour	Gcal	gigajoule	standard fuel	gigajoule
2012	130,027.64	41,819.63	175,224.23	33,452.95	980,425.68
2013	106,392.07	27,833.75	116,623.40	71,402.38	2,092,632.41
2014	188,656.27	23,151.53	97,004.91	162,201.85	4,753,746.94

Notes to all tables
Data for 2012-2014 is set out in respect to plants included in the reporting limits for the relevant period.
For details please see Schedule 1, On Report and Reporting Process.
DTEK Krymenergo PJSC is an exception: quantity data in respect of this organization is included starting from 2013.

Schedule 3

Table of Standard Reporting Elements and Indicators of the Global Reporting Initiative Guidelines and UN Global Compact

Part I: Organization Profile

GRI, UN GA reporting element	Description	Disclosure completeness degree	References to additional sources of information / direct answer	Reason for non-disclosure	Explanation of / indication to information in the report
	1. Strategy and analysis				
1.1	Representation of the most senior decision maker of the organization	In full			Please see address to the reader
1.2 Criteria 1,2,4	Specification of key exposures, risks, possibilities	Partially			Sustainability
2.1-2.10 Criteria 22	**2. Organization profile**	In full	DTEK official web site, annual reports		
Criteria 23, 24	**3. Report parameters**				
3.1-3.3. 3.5-3.8		In full			Schedule 1
3.4	Contact information	In full	http://www.dtek.com/ru/corporate-social-responsibility		
3.9	Data and calculations measurement methods	In full			Schedule 1, notes to the indicators
3.10	Grounds for values of any reformulated information…	In full			No reformulations were made
3.11	Material changes in respect of previous reporting periods as to the scope, limits or measurement methods applied in the Report	In full			Schedule 2, notes to the indicators
3.12	Table showing the position of standard reporting elements	In full			Schedule 3
3.13	Policy and applied practical approaches in respect of external acknowledgment of the Report	In full			This report is a GRI level self-declaration. Non-financial reports of DTEK before 2012 were subject to the independent audit
Criteria 3	**4. Management, liability and cooperation with stakeholders**				
4.1	Organization corporate governance structure including main committees in the board of directors	In full	http://www.dtek.com/ru/about-us/corporate-governance		Corporate Governance
4.2	Whether the chairperson of the top management body concurrently holds the position of the company's executive manager	In full			No

GRI, UN GA reporting element	Description	Disclosure completeness degree	References to additional sources of information / direct answer	Reason for non-disclosure	Explanation of / indication to information in the report
4.3	For organizations with unitary board of directors please indicate the number of independent members of the top management body	In full	http://www.dtek.com/ru/about-us/corporate-governance/supervisory-board		The supervisory board is comprised of seven directors three of which are independent
4.4	Mechanisms for the shareholders or employees to direct the activity of the management	In full			Main mechanisms include: Negotiations with trade unions while entering into collective agreements; corporate conferences; examination of psychological climate in groups; meetings with the top management within the security audit; participation in DTEK Academy programs; reference to the hot line; telephone lines with the general director and specialized directors; communication within the direct lines at DTEK portal.
4.5	Relation between payments to the top management (including severance payments) and organization performance results (including social and ecological results)	Partially			Relation is established through evaluation of the approved strategic aims and KPI
4.6	Effective procedures preventing conflict of interests	In full			Set out in the compliance policy
4.7	Procedures for evaluation of qualification and competence of the members of the top management body in order to define the organization strategy	In full			Guidelines for top management recruitment are set out in DTEK Group (from Human Resources Policy)
4.8 Principle 2	Representations on mission or values, corporate governance codes etc. developed within the organization, and status of their practical implementation	In full	http://www.dtek.com/ru/about-us/mission-vision-and-values http://www.dtek.com/library/file/corp-ethics-code-rus.pdf http://www.dtek.com/ru/corporate-social-responsibility/ethics_code_implementation		Compliance, Bribery Prevention and Corporate Policy
4.9	Procedures applied by the top management body to supervise the evaluation by the organization of its economical social and ecological performance	In full			Top management performance and assets are evaluated from time to time, results of which are submitted to the Management Board The Management Board annually chooses 2-3 subjects (including matters of social and sustainable development) that shall be subject to constant supervision and analysis by the members of the Management Board during a year.
4.10	Procedures for evaluation of own results by the top management body in connection with the economical, ecological and social performance results of the organization	Partially			The general director, executive director, regional development director have performance indexes established in respect of economical, ecological and social aspects.
4.11 Principle 7	Explanation whether the organization applies precautionary principle and in which way	In full			Society
4.12 Principle 2	Developed by the external parties… principles and initiatives supported by the organization or to which organization is a party	In full			Sustainability
4.13	Membership in Associations and/or International or National Organizations	In full			Sustainability
4.14	List of stakeholders with which the organization cooperated	In full	http://www.dtek.com/ru/corporate-social-responsibility/stakeholders_and_social_partnership http://www.dtek.com/ru/corporate-social-responsibility/partners		No material changes were made into the "stakeholders card" within the reporting period. Each section of the report sets out the information on stakeholders groups with which the organization cooperated within the reporting period as well as the cooperation matters. Corporate Ethics Code.
4.15	Basis for identification of stakeholders for the purposes of future cooperation	In full			
4.16	Stakeholders cooperation approaches	In full	http://www.dtek.com/ru/corporate-social-responsibility/stakeholders_and_social_partnership		
4.17	Key subjects raised or identified during cooperation with stakeholders	In full			Schedule 1

Part II: Approaches to Management

GRI, UN GA reporting element	Description	Disclosure completeness degree	References to additional sources of information/ direct answer	Reason for non-disclosure	Explanation of/indication to information in the report
	Approaches to management of economical exposures				
Aspects. Criteria 1,2	Economical results/ market presence	In full			2011, 2012, 2013 annual financial reports http://www.dtek.com/ru/investor-re- lations/annual-reports
EU6	Management approach to ensure short- and long-term electricity availability and reliability	In full			Sustainable Power Engineering
EU7	Demand-side management programs aimed at change in model of electricity consumption	In full			Society, Sustainability
EU8	Approaches in the matters of research and development aimed at ensuring reliability of power supply	Partially			Sustainable Power Engineering
EU9	Provisions for decommissioning of nuclear power sites	No		Irrelevant	Company does not have assets in nuclear energy
Principle 8. Criteria 1.2, 11-16	**Approaches to management of ecological exposures**	Partially	www.dtek.com/library/file/ dtek-envir-policy-rus.pdf		Environmental Protection
Principles 3,6 Criteria 1,2, 9-12	Approaches to management of labor organization	In full	Human resources policy http://www. dtek.com/ library/file/per- son- nell-management-pol- itic. pdf		
Aspects	Employment	Partially	Human Resources Policy http://www. dtek.com/ library/file/per- son- nell-management-pol- itic. pdf		Employees
EU14	Procedures to ensure availability and replacement of skilled workforce	In full	Human Resources Policy http://www. dtek.com/ library/file/per- son- nell-management-pol- itic. pdf		Employees
EU15	Percentage of employees eligible to retire in the next 5 and 10 years, broken down by job category and regions	No		Unavailable	It is impossible to calculate such data
EU16	Approaches regarding occupational health and safety of persons employed by contractors and subcontractors	In full			Occupational Health and Industrial Safety
	Health and safety at the workplace	In full	http://www.dtek.com/ru/ corporate-social-respon- si-bility/labour-safety		Occupational Health and Industrial Safety
	Relations between employees and management	In full			Employees
	Education	In full			Employees
Principle 6	Diversity and equal opportunities	In full	Human Resources Policy http://www. dtek.com/ library/file/per- son- nell-management-pol- itic. pdf		Employees
Human rights. Aspects. Criteria 5-8	Investment and procurement practice	No		Irrelevant	Not applicable as no risk of violation of human rights is identified within procurement and investment procedures
Principle 6	Non-discrimination	In full	Human Resources Policy http:// www.dtek.com/ library/ file/person- nell-manage- ment-politic. pdf Corporate ethics code		
Principle 3	Freedom of associations and liberty to negotiate	In full			Employees
Principle 5	Child labor	No		Insignificant	Child and forced labor are prohibited under the laws of Ukraine. Company does not perform its activities in the countries exposed to risks of such violations of human rights
Principle 4	Forced and compulsory labor	No		Insignificant	
	Organization of safety	No		Insignificant	No risk of human rights abuse from the security department is applicable within the activities of the company.
Principles 1, 2	Rights of minorities and native peoples	No		Insignificant	Company does not perform its activities within the territories of minorities and native peoples
	Approaches to management of public relations aspects				
Criteria 1, 2					
Aspects	Community				
EU19	Stakeholders' participation in the decision-making process related to energy planning and infrastructure development	In full			Society
EU20	Approaches of the company in respect of cooperation with stakeholders while resolving the issues on deployment/ closing of energy infrastructure objects	In full			Society
Principle 10. Criteria 17-20	Corruption	In full			Compliance
EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/ restoration plans	In full			Occupational Health and Industrial Safety
	Approaches to management of goods aspects	Partially	http://www.dtek.com/ru/ corporate-social-responsi- bHity/dtek_clients		Sustainable Power Engineering
Criteria 1, 2					
EU23	Approaches to expanding access of population to power supply services	In full			Sustainable Power Engineering
EU24	Education of population in matters related to ways of utilizing power supply services	In full			Sustainable Power Engineering

Part III: Economical Performance Indicators

GRI, UN GA reporting element	Description	Disclosure completeness degree	References to additional sources of information/ direct answer	Reason for non-disclosure	Explanation of/indication to information in the report
EC1	Generated and distributed direct economic value	Partially			Performance Results and consolidated financial reporting of this report
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	No		Unavailable	No analysis was made
EC3	Coverage of the organization's defined benefit plan obligations	In full			Consolidated Financial Reporting
EC4	Significant financial assistance received from government	No	Irrelevant		Company has not received any financial assistance from the government.

GRI, UN GA reporting element	Description	Disclosure completeness degree	References to additional sources of information/ direct answer	Reason for non-disclosure	Explanation of/indication to information in the report
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Partially			Employees, reformulation indicator
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	Partially			Society (Development of Business Environment)
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	No		Insignificant	Percentage of DTEK employees (within the reporting limits) hired outside of the local population comprises less than 1 %, therefore no special procedures exist within the company in respect of this aspect.
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	In full			Society, Sustainability
EC9	Understanding and describing significant indirect economic impacts	Partially			Society

Ecological Indicators

GRI, UN GA reporting element	Description	Disclosure completeness degree	References to additional sources of information/ direct answer	Reason for non-disclosure	Explanation of/indication to information in the report
EN1COMM	Materials used	No		Unavailable	No analysis was made
EN2	Percentage of materials used that are recycled input materials	No		Unavailable	No analysis was made
EN3	Direct energy consumption	In full			Schedule 2
EN4	Indirect energy consumption	No		Unavailable	
EN5	Energy saved due to conservation and efficiency improvements	In full			Schedule 2
EN6 Principle 9	Initiatives to provide energy-efficient ... products and services	In full			Sustainable Power Engineering
EN8COMM	Total water withdrawal by source	In full			Schedule 2
EN9	Water sources significantly affected by withdrawal of water by the organization	In full			Environmental Protection
EN10	Percentage and total volume of water recycled and reused	In full			Schedule 2
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value	No		Unavailable	Company does not posses the required data
EN12COMM	Description of significant impacts of activities, products and services on biodiversity	Partially			Environmental Protection
EU13	In which way biodiversity of offset habitats is compared to biodiversity of the affected areas	No		Unavailable	No analysis was made
EN16COMM	Total direct and indirect greenhouse gas emissions by weight and specific indicators	In full			Schedule 2
EN17	Other relevant indirect greenhouse gas emissions by weight	No		Unavailable	Company does not posses the required data

GRI, UN GA reporting element	Description	Disclosure completeness degree	References to additional sources of information/ direct answer	Reason for non-disclosure	Explanation of/indication to information in the report
EN19	by weight	No		vant	absent
EN20COMM	NO, SO, and other significant air emissions by type and weight and specific indicators	In full			Schedule 2
EN21COMM	Total water discharge by quality and destination including volume of heated water	Partially			Schedule 2
EN22COMM	Total weight of waste by type and disposal method Include data on containment of PCB in discharged water	Partially			Schedule 2
EN23	Total number and volume of significant spills	No		Insignificant	No analysis was made
EN24	Weight of transported, imported, exported or treated waste deemed hazardous	No		Irrelevant	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	In full			Sustainable Power Engineering, Environmental Protection
EN27	Percentage of products sold and their packaging materials that are returned to manufacturer for reprocessing	No		Irrelevant	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and workforce transportation	No		Insignificant	
EN30	Total environmental protection expenditures and investments by type	In full			Environmental Protection

Social Indicators

GRI, UN GA reporting element	Description	Disclosure completeness degree	References to additional sources of information/ direct answer	Reason for non-disclosure	Explanation of/indication to information in the report
LA1COMM	Total workforce by employment type, employment contract, and region	Partially			Schedule 2
LA2COMM	Total number and rate of new employee hires and employee turnover by age group, gender and region	Partially			Schedule 2
EU17	Days worked by contractor and subcontractor employees involved in construction, operation and maintenance of energy objects	No		Unavailable	Company does not posses the required data
EU18	Percentage of contractor and subcontractor workers who took relevant health and safety training courses	No		Unavailable	Company does not posses the required data
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees	In full			Employees
LA4COMM	Percentage of employees covered by collective bargaining agreements Percentage of contractors' employees covered by collective bargaining agreements in their organizations	Partially		Unavailable	Scope amounts to 99% within the reporting limits Data on contractor organizations is unavailable

GRI, UN GA reporting element	Description	Disclosure completeness degree	References to additional sources of information/ direct answer	Reason for non-disclosure	Explanation of/indication to information in the report
LA5	Minimum notice period regarding operational changes	In full			According to the legislation - 2 months; specified in collective agreements
LA6	Percentage of personnel represented in joint health and safety committees	In full			Health and safety committee at plants is comprised of 8-10 persons
LA7COMM Criteria 21	Rates of injury, occupational diseases, lost days and absenteeism, total number of work-related fatalities, by region and in contractor organizations	Partially		Unavailable. Insignificant	Schedule 2 Data on contractor organizations is unavailable Breakdown by activity regions is insignificant. Absenteeism ratio is not calculated.
LA8	Education, training, counseling programs in place to assist workforce, their families or community members regarding serious diseases	In full			Occupational Health and Industrial Safety, Employees, Society
LA9. Principle 3	Health and safety topics covered in official agreements with trade unions	In full			These topics are an integral part of collective agreements entered into at every production plant
LA10	Average hours of training per year per employee	No			Recording is not done at every plant
LA11	Programs for skills management and lifelong learning that support continued employability of employees	In full			Employees
LA12	Percentage of employees receiving regular performance development reviews	No		Unavailable	Data is being processed
LA13	Composition of management bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	In full			Schedule 2
LA14. Principle 6	Ratio of basic salary and remuneration of women to men by employee category	No		Insignificant	Basic salary is the same for all employees categories
HR2	Percentage of significant suppliers, contractors, and other business partners that underwent human rights assessment	No		Insignificant	No evaluation was done
HR3. Principle 2	Total hours of employee training on policies and procedures concerning aspects of human rights	Partially			Training on Corporate Ethics Code (Compliance)
HR4. Principle 6	Total number of incidents of discrimination and actions taken	No			No data on such situations was received within the reporting period
HR5.COMM. MM4. Principle 3	Operations in which the right to exercise freedom of association and collective bargaining may be subject to significant risks... Mechanisms relating to the right to strike or instances of declaration of lockout	In full			Right to freedom of associations is specified in collective agreements. Employees have the right to strike. Negotiation is the main dispute resolution method.
HR6. Principle 5	Operations having significant risk for incidents of child labor	No		Insignificant	Please see Standard Reporting Elements, Part II: Approaches to Management. Human Rights
HR7. Principle 4	Operations having significant risk for incidents of forced or compulsory labor	No		Insignificant	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights	No		Insignificant	
HR9	Total number of incidents of violations involving rights of minorities and native peoples and actions taken	No		Insignificant	
SO1.COMM	Type, scope and efficiency of any programs and practical approaches evaluating organization's impact on society	Partially			Society

GRI, UN GA reporting element	Description	Disclosure completeness degree	References to additional sources of information/ direct answer	Reason for non-disclosure	Explanation of/indication to information in the report
SO2. Principle 10	Percentage and total number of business units analyzed for risks related to corruption	Partially			Plants (within the reporting limits) were analyzed in respect of risks related to charity in the reporting period
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	No		Unavailable	
SO4. Principle 10	Actions taken in response to incidents of corruption	No			No such incidents were registered
SO5	Public policy positions and participation in public policy development and lobbying	In full			Company together with the other stakeholders participates in legislation reading and other documents negotiations relating to DTEK business, announces initiatives Environmental Protection
SO6	Total value of financial and in-kind contributions to political parties	No		Insignificant	Company does not provide aid to political parties
SO7	Total number of legal actions for anticompetitive behavior against the organization	No		Insignificant	No such incidents were registered
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	Partially			286 non-monetary sanctions and USD 0.28 million of fines in ecological sphere
PR1.COMM	Life cycle stages in which health and safety impacts of products and services are assessed for improvement	Partially			No analysis of products life cycle was made. Informing of customers on risks related to electricity consumption - please see Sustainable Power Engineering. Pursuant to the sanitary standards, electrical equipment under 220 KW does not provide for actions aimed at protection of consumers health in connection with the effects of electromagnetic fields
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	No		Insignificant	No such incidents were registered
PR3	Type of product and service information required to be disclosed	Partially		Irrelevant	Sustainable Power Engineering
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product information and labeling on peculiarities of products	No		Irrelevant	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	In full			Sustainable Power Engineering
PR6	Programs for adherence to laws, standards... related to marketing communication	No		Insignificant	
PR7	Total number of incidents of non-compliance with regulations concerning marketing communications	No		Insignificant	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No			No such incidents were registered
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning provision and use of products and services	No			No such incidents were registered
EU25	Number of injuries and fatalities, diseases to the public related to damage caused by company assets	In full			12 adults were injured, 10 of which with lethal outcome.
EU26	Percentage of population unserved in service areas	No		Insignificant	

Mining Sector Indicators

GRI, UN GA reporting element	Description	Disclosure completeness degree	References to additional sources of information/ direct answer	Reason for non-disclosure	Explanation of/indication to information in the report
MM1	Amount of land disturbed or rehabilitated/recultivated by the company in the reporting period	In full			Schedule 2
MM2	Area and percentage of lands where biodiversity reproduction is required, at the end of the year	In full			Schedule 2
MM3	Total amounts of overburden, rock, tailing at the beginning and at the end of the reporting period	In full			Schedule 2
MM4	Number of strikes and lock-outs exceeding one week's duration	In full			Right to freedom of associations is specified in collective agreements. Employees have the right to strike. Negotiation is the main dispute resolution method.
MM6	Whether there were disputes or situations where land use issues had to be discussed with the local communities (population, authorities)	In full			Society
MM7	Which mechanisms relating to investigation of complaints related to land use are used by the company	In full			Society
MM9	Any resettlements within the reporting period in connection with the mining works	In full			No resettlements took place in connection with the allocation of objects
EES - economical, ecological, social					

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