

# DTEK: 1H 2012 KEY OPERATIONAL & FINANCIAL RESULTS

September 2012



- Leading energy company in Ukraine
- Vertically integrated business model
- Sizeable coal reserves and competitive cost structure
- Solid financial results & profitability improvement despite challenging operating environment
- Conservative leverage policy
- Experienced management team with proven track record and strong execution skills

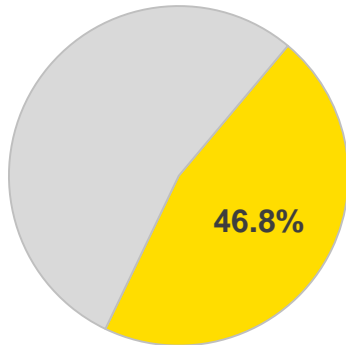
# LEADING ENERGY COMPANY IN UKRAINE



## Coal production

Coal mining volume: **39.9 mln t**  
Coal reserves: **1 638 mln t**

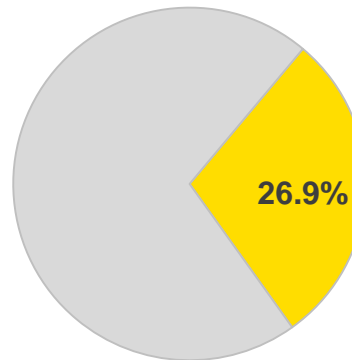
Share in coal mining  
in Ukraine – **46.8%\***



## Thermal Power Generation

Energy generation: **53.1 TWh**  
Installed capacity: **18.2 GW**

Share in power generation  
in Ukraine – **26.9%**



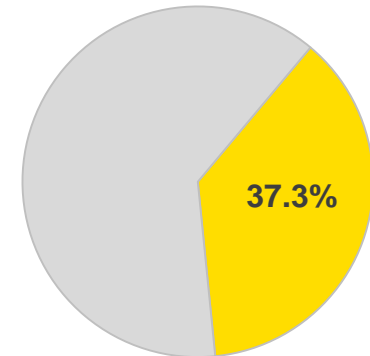
■ DTEK    ■ Other



## Power Distribution & Sales

Electricity supply: **62.8 TWh**  
Grid length: **159 000 km**

Share in power distribution  
and sales in Ukraine – **37.3%**



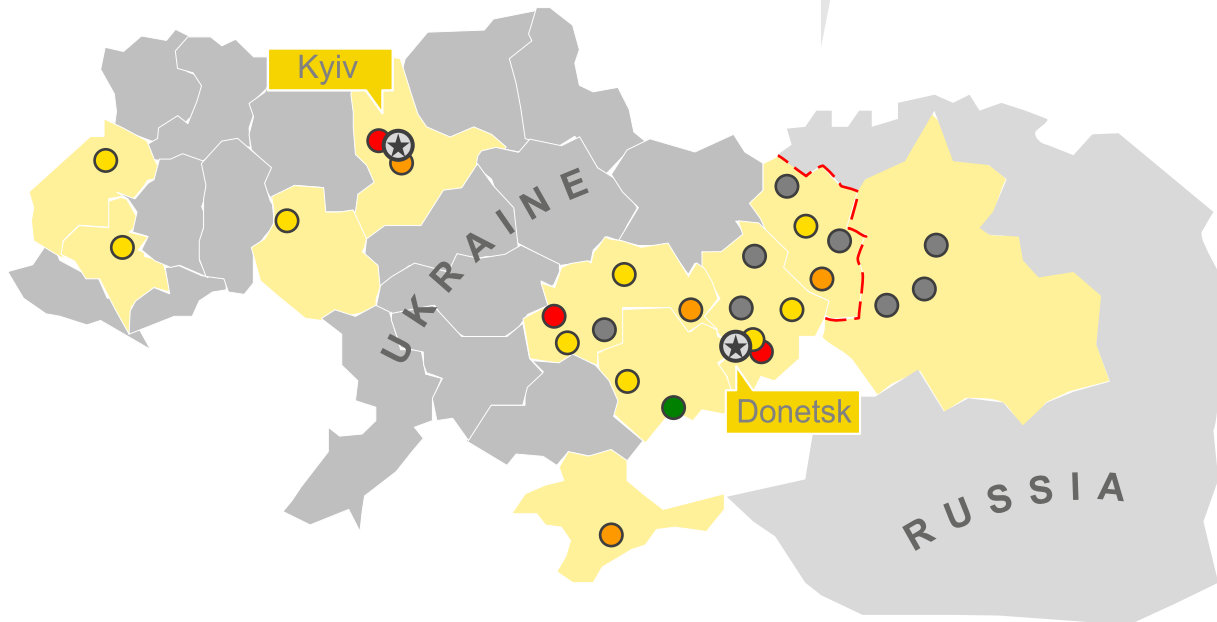
\* DTEK TPG own consumption 82.6%. Supply to local market & Exports 17.3%  
All figures are 2012E

# VERTICALLY INTEGRATED BUSINESS MODEL

## Location in Ukraine's main industrial centers:

- Proximity to key industrial customers
- Logistic synergies across business segments
- Constant focus on operational efficiency improvements

## Production Units Location



- Coal mining
- Power generation
- Power distribution
- Heating
- Wind power
- ★ Corporate HQ

## The only vertically integrated player in the domestic Power & Utility market:

- Coal production secures most of power generation needs
- Perfect hedge of fuel supply and fuel price risks
- Economies of scale and strong synergies between segments
- Value creation across the whole business chain

## ▪ **Production results:**

- Coal mining : 20 mln tonnes (+75% YoY)
- Power generation : 25.6 TWh (+54% YoY)
- Power distribution and sales : 23.6 TWh (purchase from WEM, +235% YoY)

## ▪ **Financials:**

- Revenues : USD 4 794 mln, +107% YoY (excluding new acquisitions\* +24%)
- EBITDA : USD 988 mln, +55% YoY (excluding new acquisitions\* +23%)
- CAPEX : USD 524 mln (includes USD 181 mln for newly acquired companies\*)
- Net Debt / EBITDA : 1.05 (+0.42 change vs December 31<sup>st</sup> , 2011)

## ▪ **M&A:**

- Consolidation in privatization auctions of controlling stakes in Zakhidenergo, Dniproenergo, Donetskoblenergo, Dniprooblenergo and Krymenergo
- Acquisition of Belozerskaya Mine and coal mines in Rostov region

# 1H2012 KEY BUSINESS PARAMETERS

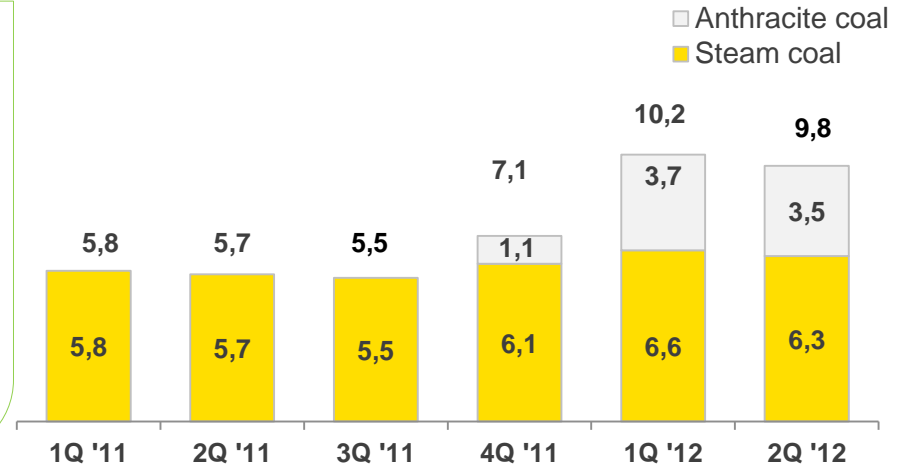
OPERATIONAL PERFORMANCE		1H 2011	1H 2012	+/-	%
<b>COAL MINING AND PREPARATION</b>					
Coal mining - total	kT	11 435	20 048	8 613	75.3
<i>thermal coal</i>	<i>kT</i>	10 338	19 488	9 150	88.5
<i>coking coal</i>	<i>kT</i>	1 097	560	-537	-48.9
<b>POWER GENERATION</b>					
Electricity output	mln kWh	16 658	25 620	8 962	53.8
Heating production (Kievenrgo)	<i>k Gcal</i>	0	9 014	9 014	
<b>ELECTRICITY DISTRIBUTION AND SALES</b>					
Purchase in WEM	mln kWh	7 048	23 606	16 558	234.9
<b>ENERGY AND COAL TRADING</b>					
Energy export	mln kWh	2 138	4 291	2 153	100.7
Coal export	kt	1 858	1 466	-392	-21.1
<b>FINANCIAL PERFORMANCE</b>					
<b>Revenues</b>	USD mln	2 319	4 794	2 475	106.7
<b>EBITDA</b>	USD mln	637	988	351	55.1
<b>EBITDA margin</b>	%	27.4	20.6	-6,8	
<b>Net profit</b>	USD mln	277	306	29	10,7
<b>CAPEX (excluding VAT)</b>	USD mln	169	524	355	210,1
<b>Free cash flow (excluding M&amp;A)</b>	USD mln	242	(153)	-395	(163)

# DTEK COAL MINING TRENDS

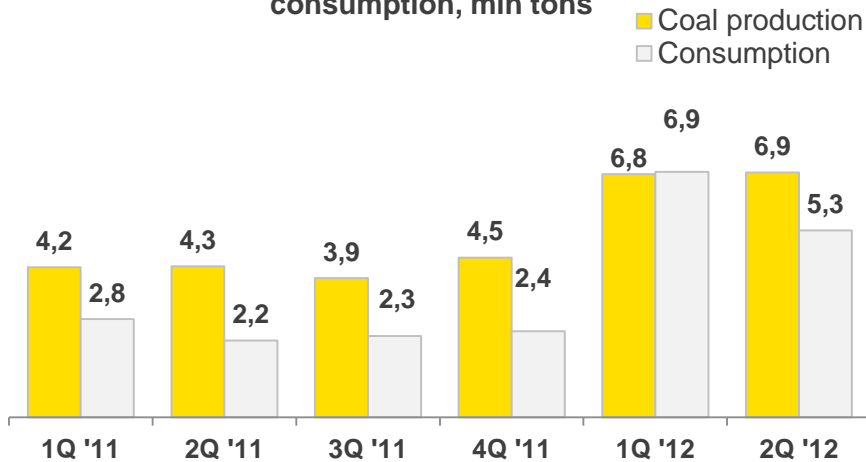
## DTEK

- Coal mining: 20 mln tons (+75.3% YoY), including production volumes of newly acquired assets DTEK Rovenkianthracite (3.7 mln tons), DTEK Sverdlovanthracite (3.4 mln tons), Belozerskaya Mine (0.3 mln tons)
- CAPEX in Coal mining segment amounted to USD 225 mln (USD +118.5 mln vs LY)

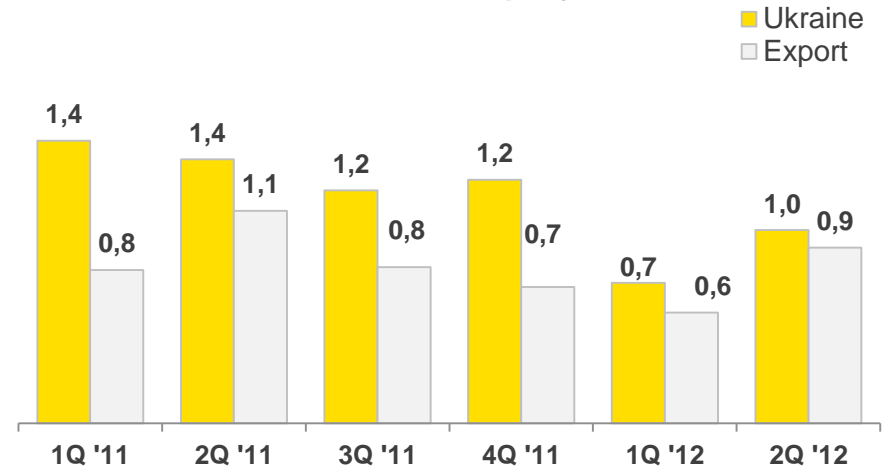
DTEK coal mining, mln tons



DTEK coal production and own power generation consumption, mln tons



DTEK coal sales\* to 3-rd party, mln tons



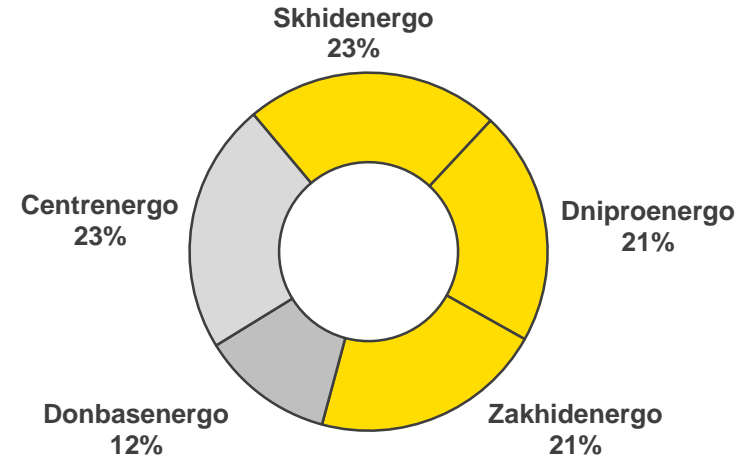
\*including trading operations

# DTEK THERMAL POWER GENERATION TRENDS

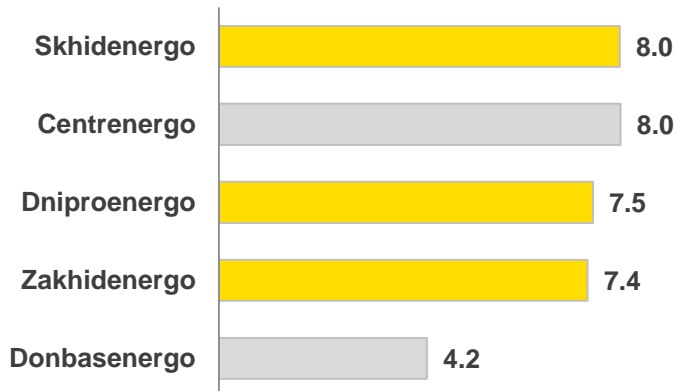
## DTEK:

- Market share in Ukrainian TPG segment: 65%
- Thermal power generation output: 25.6 TWh (+53.8% YoY)
- Average capacity utilization rate 43.8% (+0.06% YoY)
- Average fuel consumption: 389 gr (+0.8% YoY)
- In 1H 2012 average YoY tariffs increase was +0.58 \$cents/KWh
- CAPEX in TPG segment was USD 66.9 mln (USD +29.7 mln vs LY)

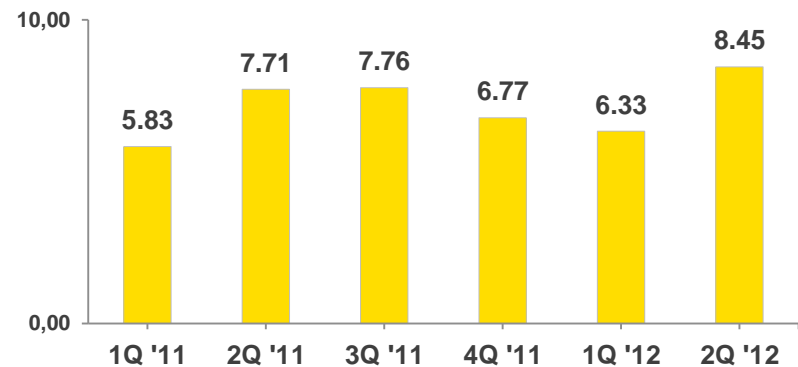
Ukrainian GenCos market shares in thermal power generation, %



Ukrainian GenCos output to WEM, TWh



Ukrainian GenCos average tariffs, \$ cent/KWh



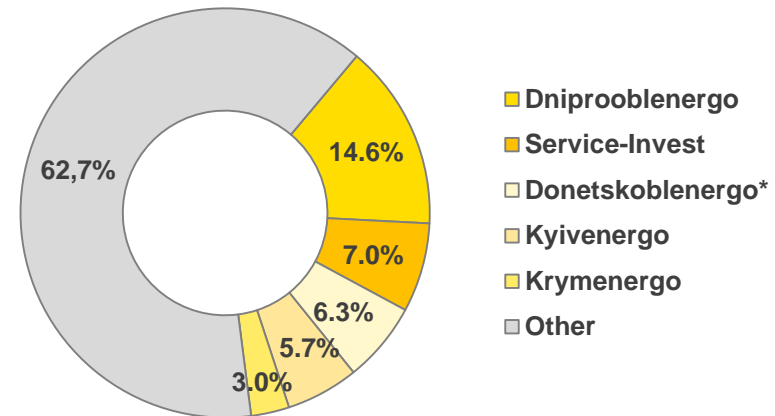


# DTEK POWER DISTRIBUTION AND SALES TRENDS

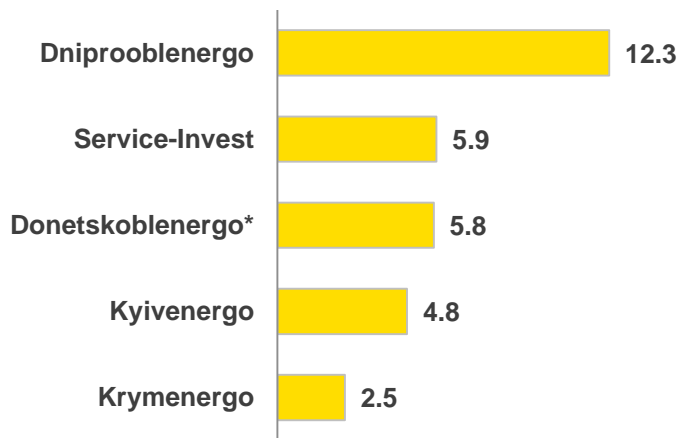
## DTEK :

- Market share in Ukrainian TPG segment: 65%
- Power distribution and sales: 23.6 TWh (+235% YoY)
- Average losses' level: 9.9% against average Country's level at 12%
- In 1H 2012 there was no changes in tariffs for households consuming less than 800 KWh; increase of +262.5% was implemented for households consuming more than 800 KWh
- CAPEX in Power Distribution & Sales segment was USD 56.7 mln (USD +38.1 mln vs LY)

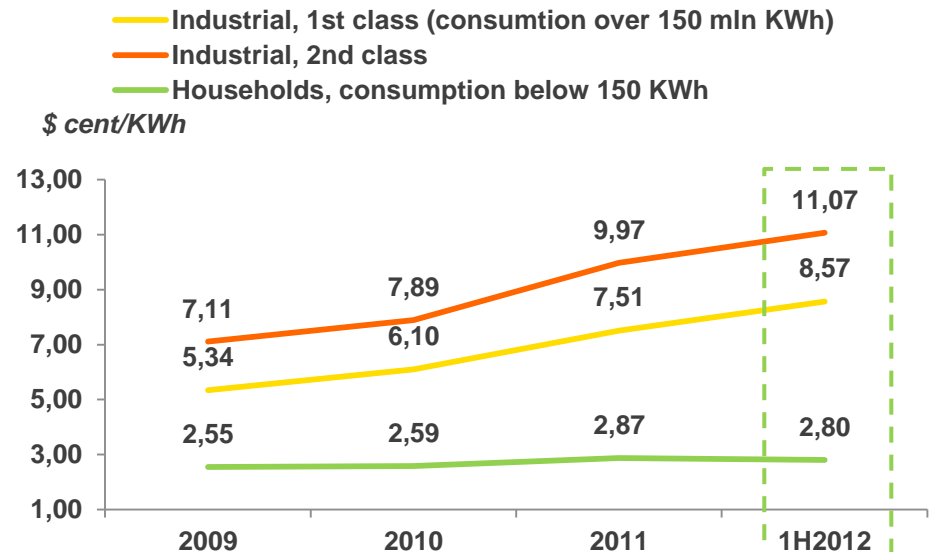
Power distribution companies' share, %



DTEK power sales & distribution by companies, TWh



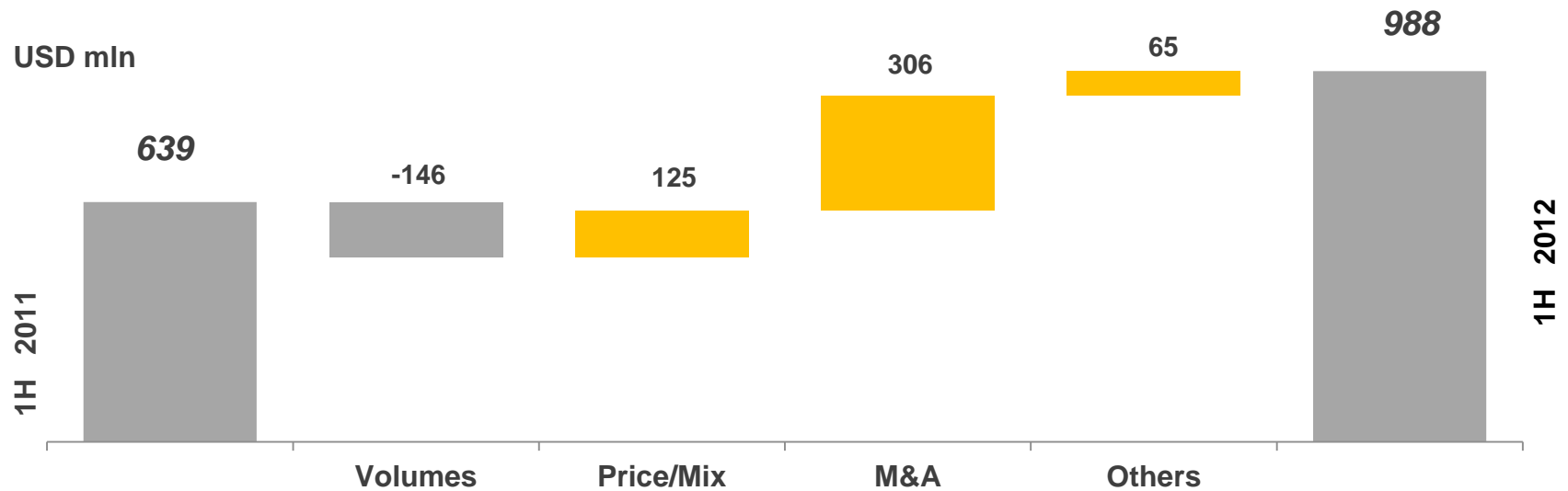
Electricity tariff trends



# EBITDA GROWTH MAIN DRIVERS

1H 2012 EBITDA grew by USD 349 mln (+55% YoY), among main drivers were:

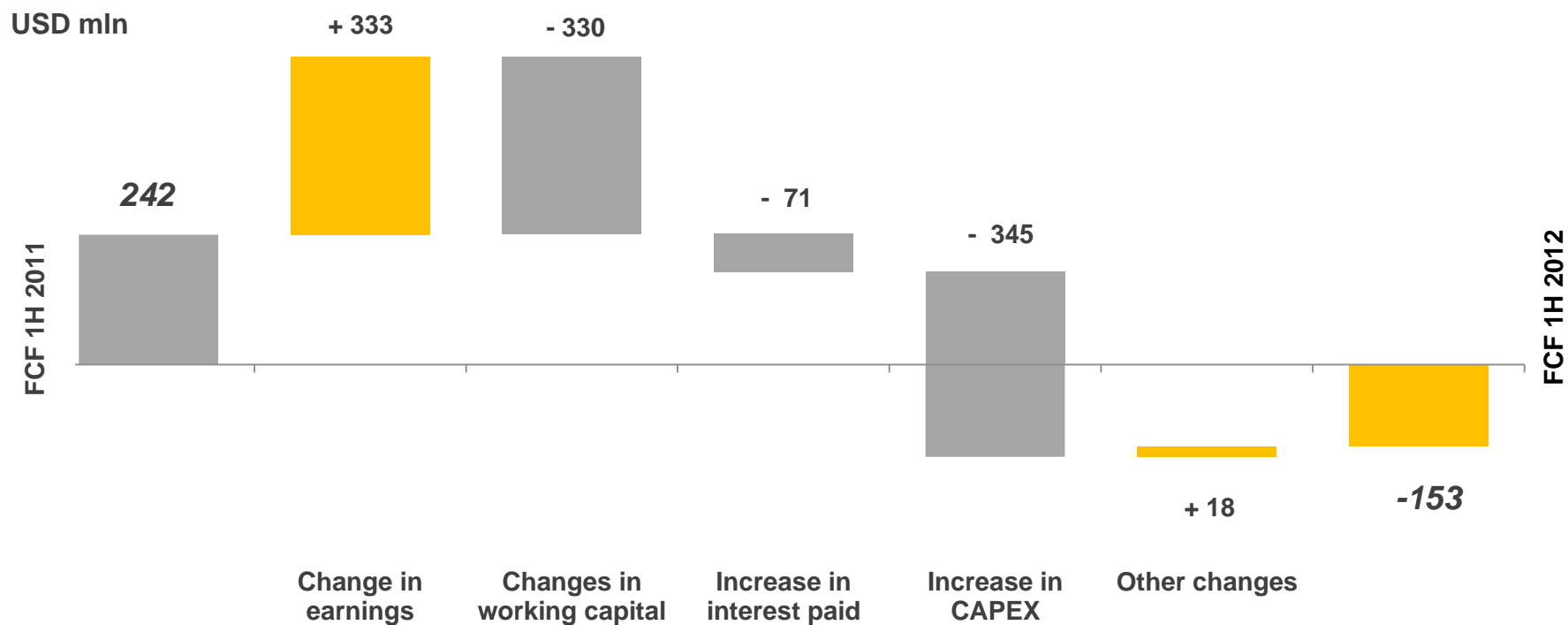
- Price/ Mix effect includes increase of Skhidenergo tariffs (+8,3%) and thermal coal average price increase (+8,4% YoY)
- M&A reflects consolidation operating results of Sverdlovanthracite, Rovenkianthracite, Kievenergo, Donetskoblenergo, Dniiproblenergo and Krymenergo
- Volume drivers include reduction of the 3-d party thermal coal trading operations as well as sales of own coking coal, reduction of Skhidenergo output by 9.8%
- Key other drivers include repayment by municipal utilities old debts for electricity



# FREE CASHFLOW CHANGES

Key drivers of the Free Cashflow reduction were:

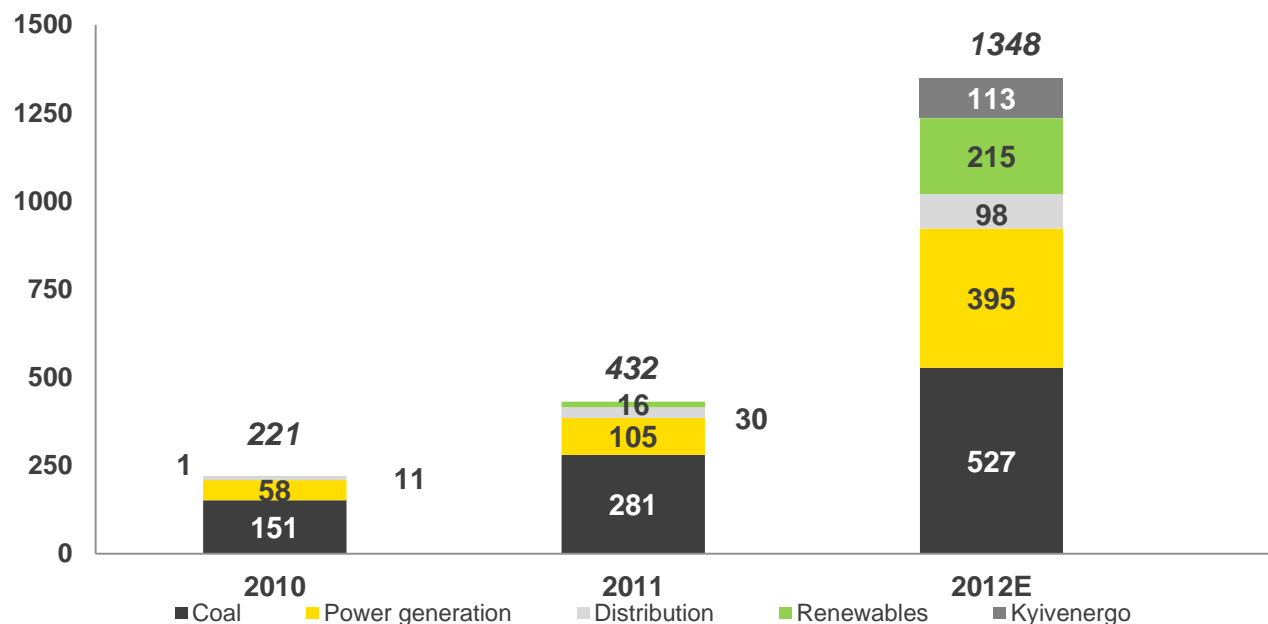
- Higher CAPEX reflecting investments in acquired production units and investment in the Botievo Wind Power project
- Growth in the working capital primarily due to consolidation of the new acquisitions
- Increase in the interest charges is in line with credit portfolio growth vs LY



# CAPEX TRENDS

- 1H 2012 CAPEX investments amounted to USD 524 mln (out of which USD 90 mln were funded via TPG and Distribution companies investment mark up in tariffs)
- CAPEX invested in the newly acquired companies amounted to USD 181 mln
- Investment in the Botievo Wind Power project amounted to USD 65 mln. By the end of the year it is expected to build 30 wind power generating turbines with total capacity of 90 MW

USD mln



\* Exchange rates used UAH/USD for 2010 – 8.00; 2011 – 7.98; 2012 – 8.30;

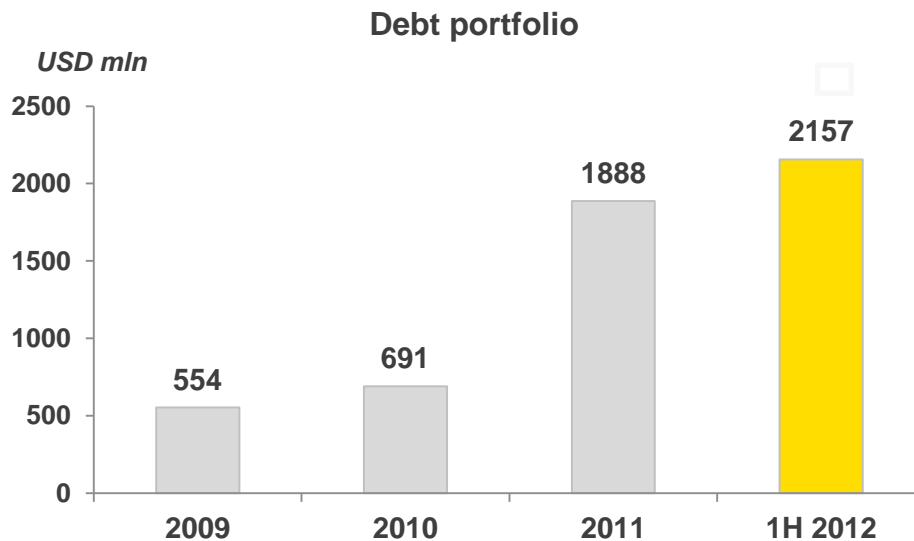
Starting from 2012 CAPEX includes: Kyivenergo, Zakhidenergo, Dniproenergo, Donetskoblenergo, Sverdlovanthracite, Rovenkyanthracite, Mine Bilozerska and Wind Power (for 2012)

# KEY INVESTMENT PROJECTS

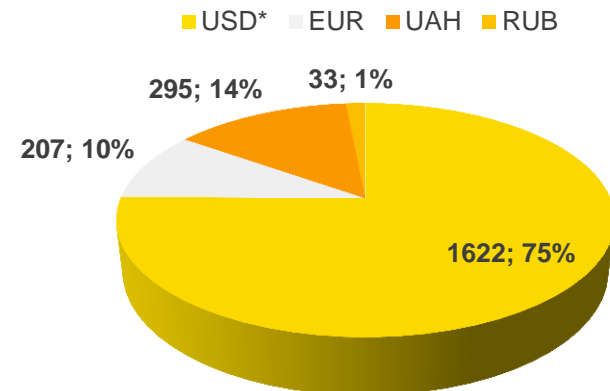
PROJECTS (in USD mln)	Total PROJECT CAPEX	SPENT BY 31.12.2011	2012E CAPEX	PROJECT TARGETS
<b>COAL MINING</b>				
Constructing ventilation borehole No. 3 at Yubileyna mine**	29.4	3.1	5.4	<ul style="list-style-type: none"> <li>Annual production increase to 1.5 mln t</li> </ul>
Purchasing an MB-444P shearer, a CZK 225/642 scraper conveyour and Ostroj powered supports to extract deposits at longwall 341 of Pavlogradska mine*	22.7	20.7	2.0	<ul style="list-style-type: none"> <li>Average daily longwall output increase from 1,100 tonnes/day to 2,500 tonnes/day</li> </ul>
Increasing the capacity of the technological chain of Geroiv Kosmosu mine**	14.8	0.3	3.5	<ul style="list-style-type: none"> <li>Coal winder capacity increase from 1.5 mln t to 3.0 mln t</li> </ul>
Constructing facilities of the vertical fresh air shaft at Frunze mine***	31.4	0	1.7	<ul style="list-style-type: none"> <li>Annual production increase to 1.8-2.0 mln t</li> <li>Labour and cargo transportation chain optimization</li> </ul>
<b>POWER GENERATION</b>				
Retrofit of unit 13 Luhanska TPP**	53.7	3.1	20.8	<ul style="list-style-type: none"> <li>Capacity: + 35 MW</li> <li>Specific fuel consumption: - 61.3 g/kWh</li> <li>Maneuverability range: + 45 MW</li> </ul>
Retrofit of unit 6 Kurakhovska TPP**	73	0	68.7	<ul style="list-style-type: none"> <li>Capacity: + 15 MW</li> <li>Specific fuel consumption: - 40.6 g/kWh</li> <li>Maneuverability range: + 45 MW</li> </ul>
Retrofit of unit 4 Zuivska TPP**	31.7	7.0	24.0	<ul style="list-style-type: none"> <li>Capacity: + 25 MW</li> <li>Specific fuel consumption: - 21.9 g/kWh</li> <li>Maneuverability range: + 40 MW</li> </ul>
<b>KYIVENERGO</b>				
Constructing the substation 110/10 kV Universytetska with a 110 kV line**	19.0	0.2	18.8	<ul style="list-style-type: none"> <li>Substation transformers capacity: 80 MVA</li> </ul>
Constructing the substation 110/10 kV Moskovska with a 110 kV line**	19.3	0.7	18.5	<ul style="list-style-type: none"> <li>Substation transformers capacity: 126 MVA</li> </ul>

# GROUP DEBT PROFILE

- Total debt as of June 30<sup>th</sup> 2012, amounted to USD 2.2 bln, representing USD +279 mln increase vs Dec 31<sup>st</sup>, 2011. It includes USD 204 mln of debt consolidated with acquisitions and USD 37 mln ECA credit lines for Wind Power project
- Main leverage ratios at the end of reporting period:
  - Gross Debt/ Adj EBITDA = 1.36x (-0.27 vs Dec 31<sup>st</sup>, 2011)
  - Net debt/ Adj EBITDA = 1.05x (+0,42 vs Dec 31<sup>st</sup>, 2011)
- Average credit portfolio maturity stands at 3.2 years
- At the end of reporting period cash and equivalents amounted to USD 580 mln
- Ratings Fitch and Moody's reaffirmed at "B" and "B2" respectively with Stable outlook



**Debt currency profile, equivalent in USD mln**  
As of 30/06/12



All figures are 1H2012 actual

\* Including cross-currency interest rate SWAP

- Continuing strong organic business growth
- Significant group production and CAPEX investments increase following M&A program (late 2011 and 1H 2012)
- Greenfield investments in the Botievo Wind Farm
- 2X growth in electricity exports volumes
- Stable growth of Revenues and EBITDA despite volatile economic environment (e.g. limited electricity tariffs increases, coal prices reduction etc.)
- Stable liquidity position and low leverage

## APPENDIX



# SELECTED FINANCIALS 1H 2010 – 1H 2012

USD MLN	1H2010	1H2011	1H2012
<b>Income statement</b>			
<b>Revenues</b>			
Sales of steaming and coking coal	515	1 043	562
Sales of electricity to electricity pool	451	613	1 785
Sales of electricity to final customers	351	509	1 638
Heat generation	0	0	516
Export sale of electricity	14	148	278
Other sales	5	5	17
<b>Operating expenses</b>			
Cost of electricity purchased for resale	344	596	1 724
Raw materials	198	239	942
Staff cost, including payroll taxes	176	218	633
Other expenses, net	282	629	508
<b>EBITDA</b>	<b>335</b>	<b>637</b>	<b>989</b>
<i>EBITDA margin</i>	25.1	27.5	20.6
<b>Depreciation</b>	94	104	346
<b>EBIT</b>	<b>241</b>	<b>533</b>	<b>643</b>
<i>EBIT margin</i>	18.0	23.0	13.4
<b>Net profit</b>	<b>162</b>	<b>277</b>	<b>306</b>
<i>Average exchange rate USD/UAH</i>	7.99	7.96	7.96
<b>Balance sheet</b>			
Non-current assets	2 113	2 603	6 784
Current assets	791	935	2 445
- of that cash and cash equivalents	166	249	583
<b>Total assets</b>	<b>2 904</b>	<b>3 538</b>	<b>9 229</b>
Shareholders equity (including minority)	1 568	2 019	3 583
Interest bearing debt	621	604	2 162
Other liabilities	715	915	3 484
<b>Total liabilities</b>	<b>1 336</b>	<b>1 519</b>	<b>5 646</b>
<i>Exchange rate at 30 June UAH / USD</i>	7.99	7.97	7.91

# SELECTED FINANCIALS 1H 2010 – 1H 2012

UAH MLN	1H2010	1H2011	1H2012
<b>Income statement</b>			
<b>Revenues</b>			
Sales of steaming and coking coal	4 095	8 302	4 493
Sales of electricity to electricity pool	3 585	4 880	14 262
Sales of electricity to final customers	2 792	4 049	13 082
Heat generation	0	0	4 125
Export sale of electricity	114	1 181	2 220
Other sales	39	41	133
<b>Operating expenses</b>			
Cost of electricity purchased for resale	2 735	4 739	13 776
Raw materials	1 576	1 899	7 526
Staff cost, including payroll taxes	1 402	1 738	5 058
Other expenses, net	2 247	5 009	4 057
<b>EBITDA</b>	<b>2 665</b>	<b>5 068</b>	<b>7 898</b>
<i>EBITDA margin</i>	25.1	27.5	20.6
<b>Depreciation</b>	751	825	2 767
<b>EBIT</b>	<b>1 914</b>	<b>4 243</b>	<b>5 131</b>
<i>EBIT margin</i>	18.0	23.0	13.4
<b>Net profit</b>	<b>1 288</b>	<b>2 201</b>	<b>2 447</b>
<b>Balance sheet</b>			
Non-current assets	16,708	20 748	54 224
Current assets	6,256	7 456	19 543
- of that cash and cash equivalents	1,309	1 988	4 663
<b>Total assets</b>	<b>22,964</b>	<b>28 204</b>	<b>73 767</b>
Shareholders equity (including minority)	12,400	16 096	28 639
Interest bearing debt	4,913	4 816	17 283
Other liabilities	5,651	7 292	27 845
<b>Total liabilities</b>	<b>10,564</b>	<b>12 108</b>	<b>45 128</b>

2011

## Coal mining

- **Dobropolyeugol.** On January 4, 2011 DTEK signed a 49-year lease agreement to rent state-owned coal mining company Dobropolyeugol.
- **Rovenkianthracite and Sverdlovanthracite.** On December 1, 2011 DTEK signed 49-year concession agreements to rent state-owned coal mining companies Rovenkianthracite and Sverdlovanthracite.

## Power generation

- **Kyivenergo.** DTEK paid **UAH 450.5 mln (USD 55.6 mln)** for a 25% stake in the company, after winning a privatization auction on **December 9, 2011**. As a result of the transaction, DTEK concentrated **72.33%** of Kyivenergo shares.

2012

## Coal mining

- **Rostovsky Anthracite, LLC.** DTEK made its first coal acquisitions outside Ukraine on **July 2, 2012** by closing a deal with Rostovsky Anthracite, LLC, to buy three mines and a coal processing plant in Russia.

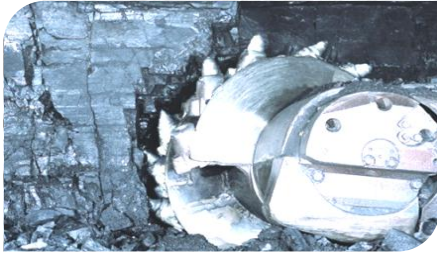
## Power generation

- **Zakhidenergo.** DTEK was the only bidder to privatize the company at an auction on **November 25, 2011**. Following an independent appraisal ordered by the State Property Fund, DTEK paid **UAH 1,932 bln (USD 238.5 mln)** for a 45.103% stake on **January 10, 2012**. As a result of the transaction, DTEK concentrated **70.94%** of Zakhidenergo shares.
- **Dniproenergo.** DTEK was the only bidder to privatize the company at an auction on **January 11, 2012**. Following an independent appraisal ordered by the SPF, DTEK paid **UAH 1,179.7 bln (USD 145.6 mln)** for a 25% stake on **March 13, 2012**. As a result of the transaction, DTEK concentrated **72.90%** of Dniproenergo shares.

## Power distribution and sales

- **Donetskoblenergo.** DTEK won an auction held by the SPF on **January 11, 2012** for a 40.061% stake in Donetskoblenergo. The company paid **UAH 467.6 mln (USD 57.7 mln)** for the stake. As a result of the transaction, **DTEK** concentrated **71.34%** of Donetskoblenergo shares.
- **Dniprooblenergo.** DTEK won an auction held by the SPF on **April 17, 2012** for a 50% stake in Dniprooblenergo. The company paid **UAH 660.1 mln (USD 81.5 mln)** for the stake. As a result of the transaction, **DTEK** concentrated **51.505%** of Dniprooblenergo shares.
- **Krymenergo.** DTEK won an auction held by the SPF on **May 4, 2012** for a 45% stake in Krymenergo. The company paid **UAH 256 mln (USD 32 mln)** for the stake. As a result of the transaction, **DTEK** concentrated **57.50%** of Krymenergo.

# OPERATING ASSET OWNERSHIP\*



## Coal production

DTEK PAVLOGRADUGOL PJSC – 99.92%  
DTEK MINE KOMSOMOLETS DONBASA PJSC - 95,03%  
DTEK DOBROPOLYEUGOI LLC – 49 years lease  
DTEK ROVENKYANTHRACITE LLC– 49 years concession  
DTEK SVERDLOVANTHRACITE LLC – 49 years concession  
DTEK DOBROPOLSKAYA CEP PJSC – 60.06%  
DTEK OKTYABRSKAYA CEP PJSC – 60.85%  
CCM PAVLOGRADSKAYA LLC – 99%  
CCM KURAHOVSKAYA LLC – 99%  
MOSPINO CPE LLC – 99%  
PUBLIC MINING CORPORATION OBUKHOVSKAYA  
PUBLIC COMPANY DON-ANTHRACITE  
SULINANTHRACITE COMPANY OF LIMITED RESPONSIBILITY



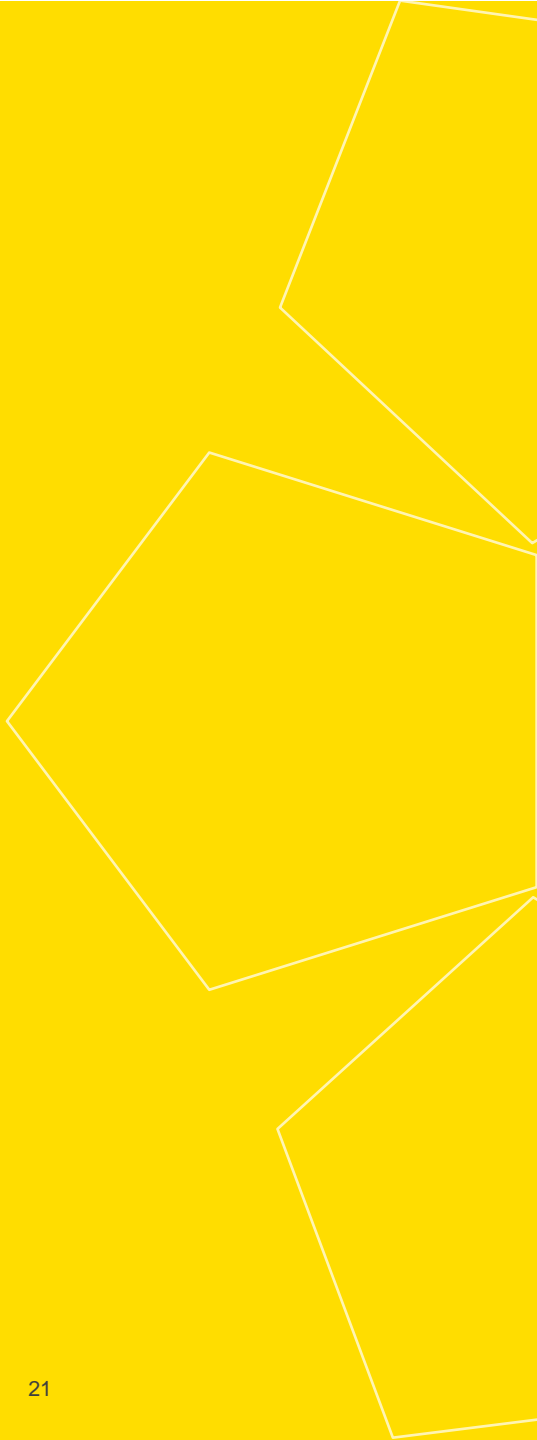
## Power generation

DTEK SKHIDENERGO LLC– 100%  
PJSC KYIVENERGO – 72.33%  
PJSC DTEK ZAKHIDENERGO – 70.94%  
PJSC DTEK DNIPROENERGO – 73.30%  
WIND POWER LLC – 100%



## Power distribution and sales

SERVICE-INVEST LLC – 100%  
DTEK ENERGOUGOL ENE PJSC – 94.3%  
PJSC KYIVENERGO – 72.33%  
PJSC DTEK DONETSKOBLENERGO – 71.34%  
PJSC DNIPROOBLENERGO – 51.50%  
PJSC KRYMENERGO – 57.50%



This document may contain forward-looking statements related to planned measures or future financial indicators of DTEK.

The words “expect”, “intend”, “estimate”, “project”, “will” and similar expressions identify forward-looking statements, which generally are not historical in nature.

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