



# 1HY 2019 RESULTS CORPORATE PRESENTATION DTEK ENERGY B.V.

September 2019



## Key Highlights of 1HY 2019

### 1. Corporate strategic initiatives

- Strategic development and Corporate Transformation**
  - In 1 HY 2019 DTEK Energy has been actively working to prepare for the future liberalized market conditions and have set up the main strategic priorities for the period 2020-2030: redefined role in reformed market environment; improve operational cost-efficiency; rationalize TPP fleet; modernize generation capacity (flexibility, efficiency)
  - On 30 May 2019, DTEK Energy acquired 2 CORUM entities to enable a better oversight over their operation and create cost efficiencies
- Environment, social, governance (ESG) strategy**
  - DTEK has developed a long-term ESG strategy for the period until 2030, which is aimed at ensuring the sustainable development of the company taking into account environmental, social and governance initiatives and challenges
  - The strategy aims to bring existing internal procedures related to ESG in line with international practices and standards
  - In 1HY 2019, DTEK was first assessed by the international rating agency Sustainalytics and received the following ratings: 28.0 for ESG Risk and 55.8 for ESG Management ratings which is above the sector average for both metrics

### 2. New market model

- Electricity market model**
  - From the 1st of July, the single buyer (pool) market was replaced with a bilateral contracts, day ahead, intraday and balancing markets. It provides an opportunity for GenCos to earn revenues from a variety of sources, including generation, trading and balancing services. Along with the liberalized market, a Public Service Obligation framework has been established to subsidize household electricity prices and renewable generation and to be funded by nuclear and hydro generation.
  - Liberalized electricity market allowed thermal power generators to move away from the tariff-based to market-based electricity pricing. This transition creates a more customer-oriented, competitive and investor-friendly environment
  - On the 1<sup>st</sup> of July, DTEK Energy successfully commenced its operation on the new electricity market

### 3. Operational and financial performance

- Operational performance**
  - 715MW of generation capacity has been converted from A-grade to G-grade since 2017. By the end of 2019, DTEK is planning switch another 315MW generation unit at Kryvorizka TPP from A-grade to G-grade coal
  - The overall share of electricity generated from G-grade fired TPPs increased to 89.2% in 1HY 2019
- Financial performance**
  - In H1 2019, the Company continued its deleveraging strategy and repaid USD 55 mln to the bank lenders in January 2019
  - On the 5<sup>th</sup> of September, Moody's international rating agency upgraded DTEK Energy's corporate rating from "Ca" to "Caa2"

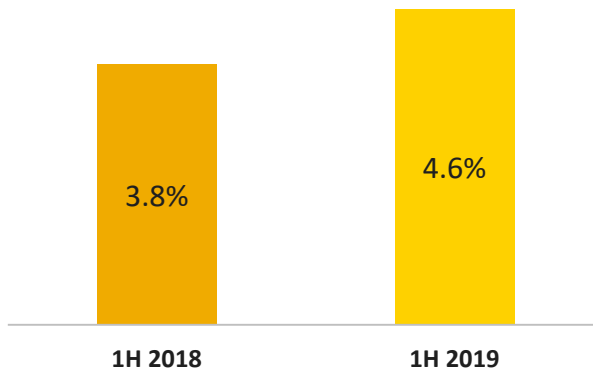
# CONTENTS

1. Market environment overview
2. Operational review
3. Financial Review and Capital Expenditure
4. Appendices

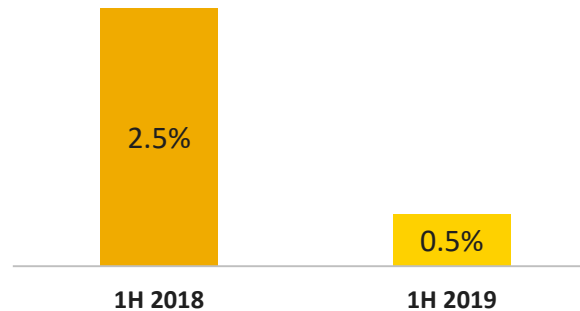
# Market Environment Overview



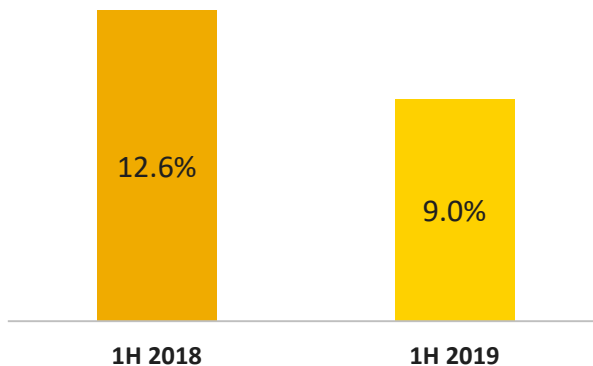
Ukraine GDP Growth, 1HY to 1HY



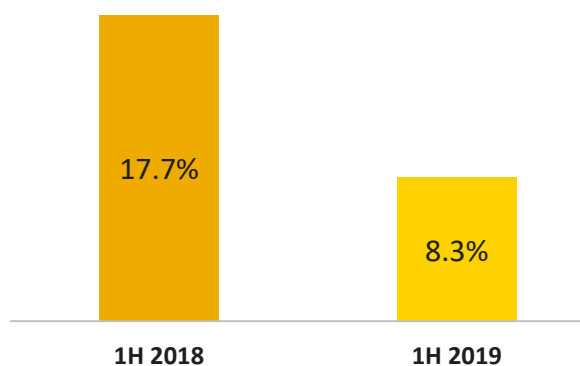
Industrial Production Growth, 1HY to 1HY



CPI, 1HY to 1HY



PPI, 1HY to 1HY

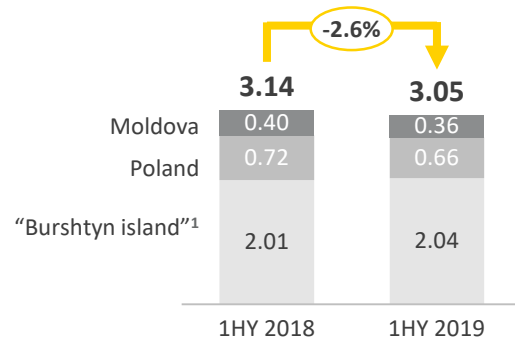


- National economy continues strong performance demonstrating 4.6% GDP growth in 1HY 2019 over comparable period last year
- The National Bank of Ukraine (NBU) has revised its economic growth forecast to 3.0% for 2019 FY (from 2.5%) and 3.2% for 2020 FY (from 2.9%) owing to stronger domestic demand, better terms of trade, and higher levels of grain crops harvest
- Inflation continues to decline towards the NBU's target of 5%
- PPI decreased from 17.7% in 1H 2018 to 8.3% in 1H 2019
- Tight monetary policy was the main factor that restrained the underlying inflationary pressure
- On the 6<sup>th</sup> of September, Fitch Rating upgraded Ukraine's long-term and short-term foreign currency and national currency credit ratings from B- to B, and improved its forecast from stable to positive
- Key political events include:
  - 21<sup>st</sup> April 2019 – Volodymyr Zelensky became the 7<sup>th</sup> president of Ukraine
  - President Zelensky's Party, Servant of the People, was able to secure 254 positions in the new Parliament, giving it a majority

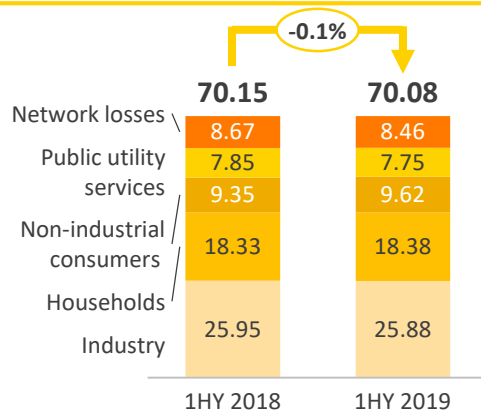
Source: Ukrstat, "Interfax"

# Electricity market overview

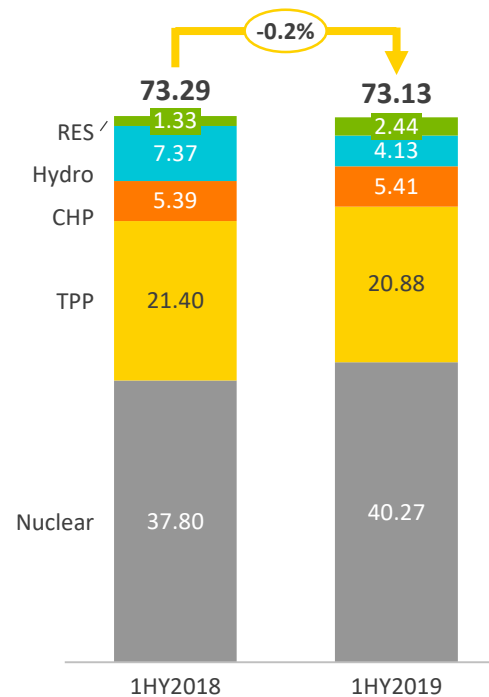
Ukraine`s electricity export, TWh



Ukraine`s electricity consumption, TWh



Ukraine`s electricity output, TWh



In 1HY 2019, national electricity consumption decreased by 0.1%

Total national electricity output by generation companies decreased by 0.2%:

- 44% drop of generation by hydro plants due to low water levels was largely compensated by nuclear generation which increased its output by almost 6.5%
- Electricity generation from TPPs decreased by 2.4%

In 1HY 2019, the export of electricity by DTEK Energy has slightly decreased by 0.9% or 0.028 TWh compared to the same period in 2018

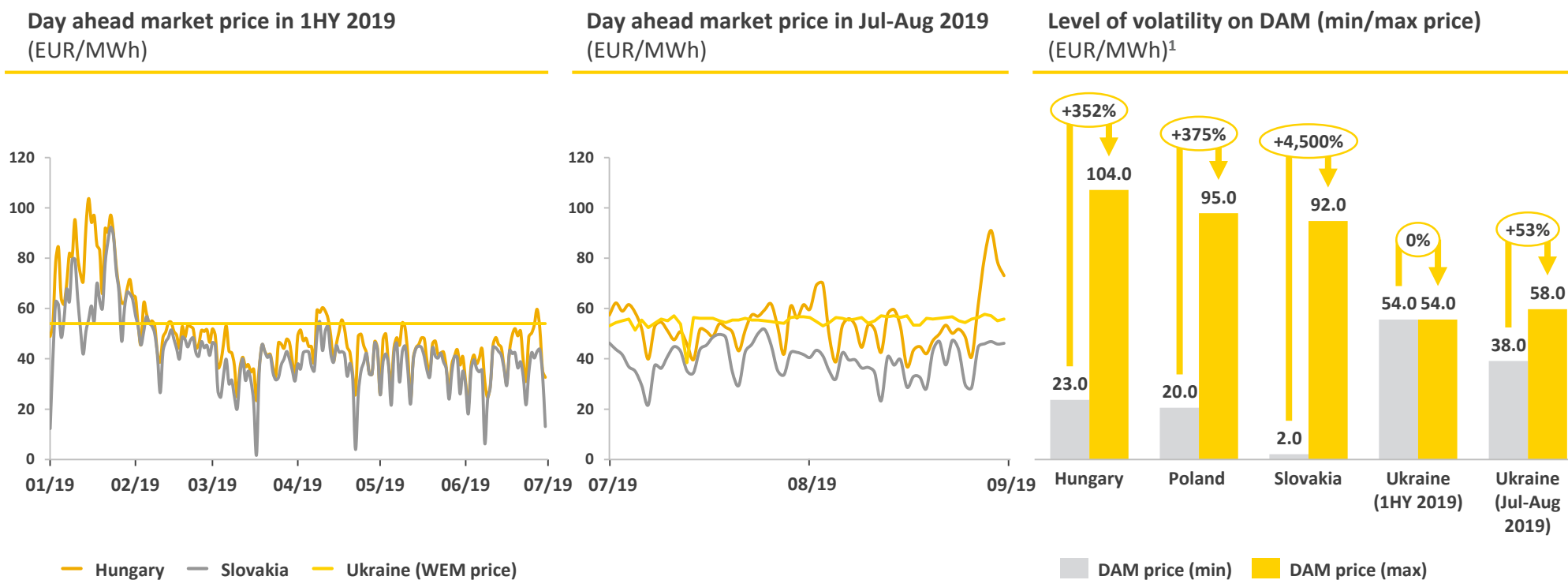
(1) Includes export to Hungary, Slovakia, Romania

Source: Ministry of Energy and Coal industry; System operator "Ukrenergo"

# Fundamental changes in Ukrainian electricity market model

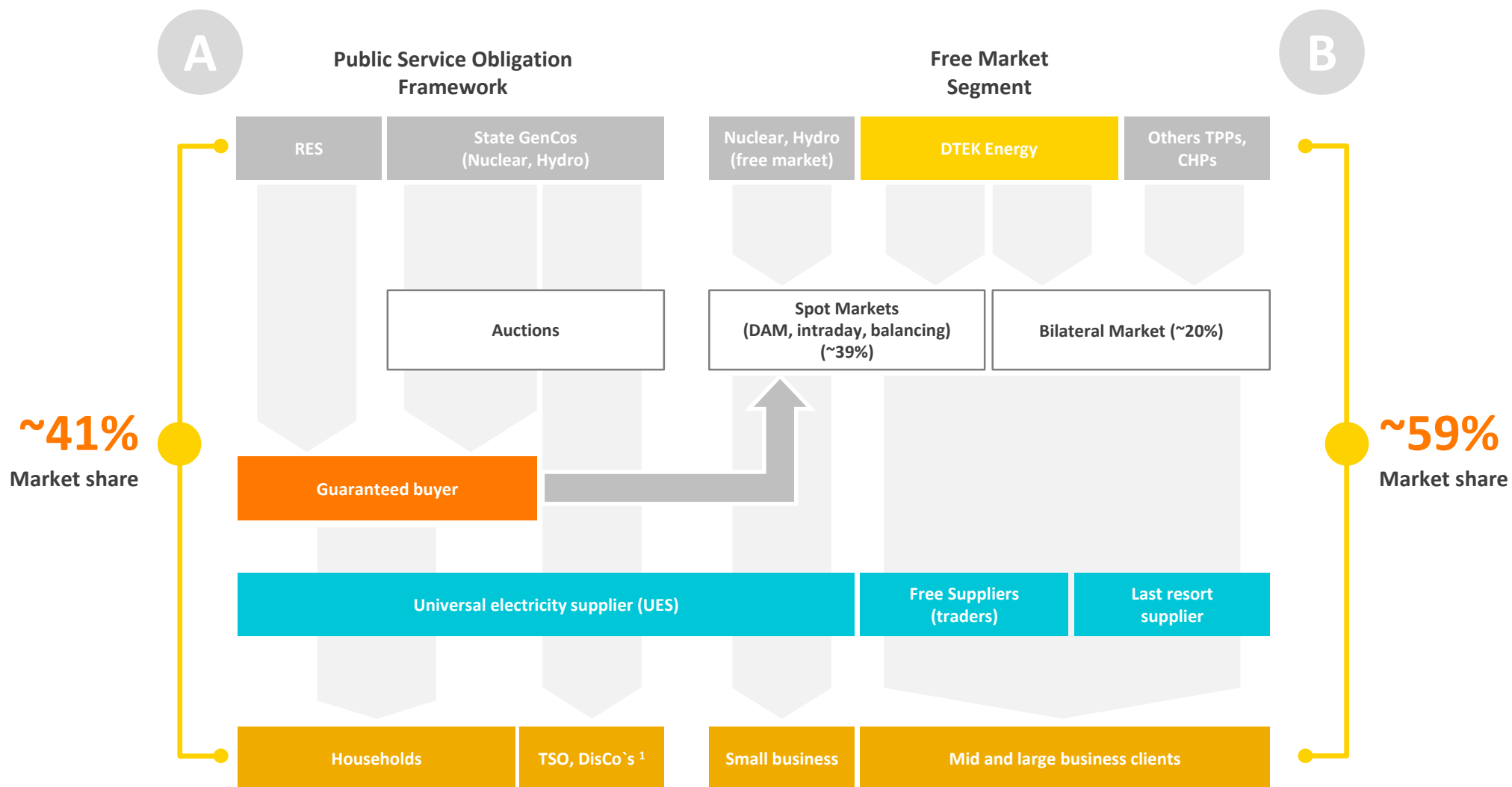


LIBERALIZATION OF THE ELECTRICITY MARKET REPRESENTS A FUNDAMENTAL CHANGE TO THE WAY THE MARKET CURRENTLY OPERATES WITH IMPLICATIONS ACROSS THE ENTIRE VALUE CHAIN. AS SEEN IN THE CHARTS BELOW, THE TYPICAL RANGE OF ELECTRICITY PRICES ON THE HUNGARIAN AND POLISH POWER EXCHANGES IN 1 HY 2019 WAS €20-104/MWh, WHILE UKRAINIAN WEM PRICE WAS LARGELY AT THE SAME LEVEL DURING THE WHOLE PERIOD. FROM THE 1<sup>ST</sup> OF JULY, AFTER NEW MARKET MODEL WAS LAUNCHED, LEVEL OF VOLATILITY ON UKRAINIAN MARKET INCREASED BUT STILL LIMITED BY AN EXISTING DAY AND NIGHT CAPS



(1) Currency rate UAH/EUR: 29.947 (1HY 2019 NBU average) Source: Market Operator, HUPX, NERC;

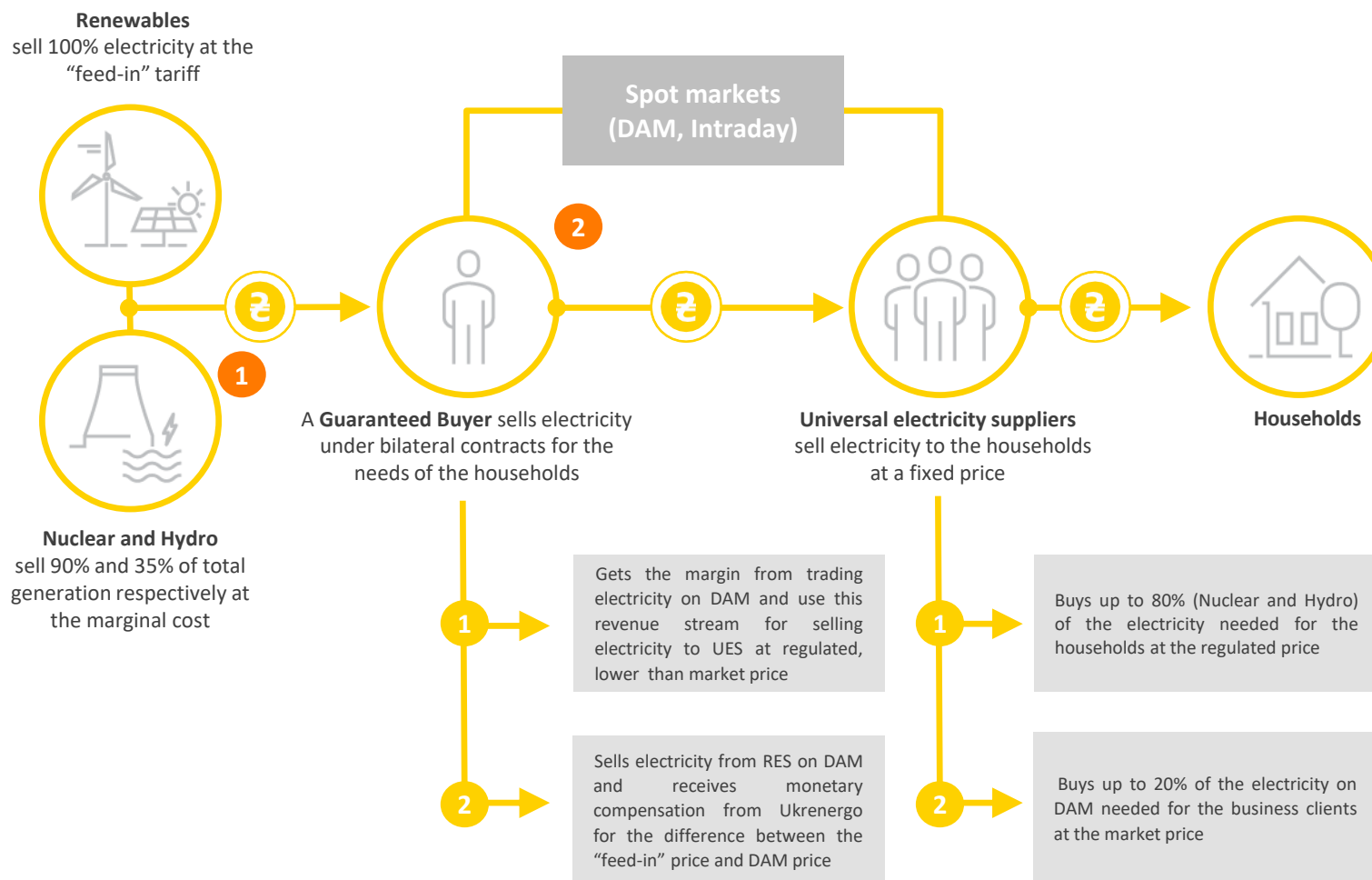
# New electricity market model



(1) TSO – Transmission System Operator;  
DisCo's – Distribution System Operators

# Public Service Obligations Framework

Resolution #1781 approved by the Regulator on 30 August 2019



A

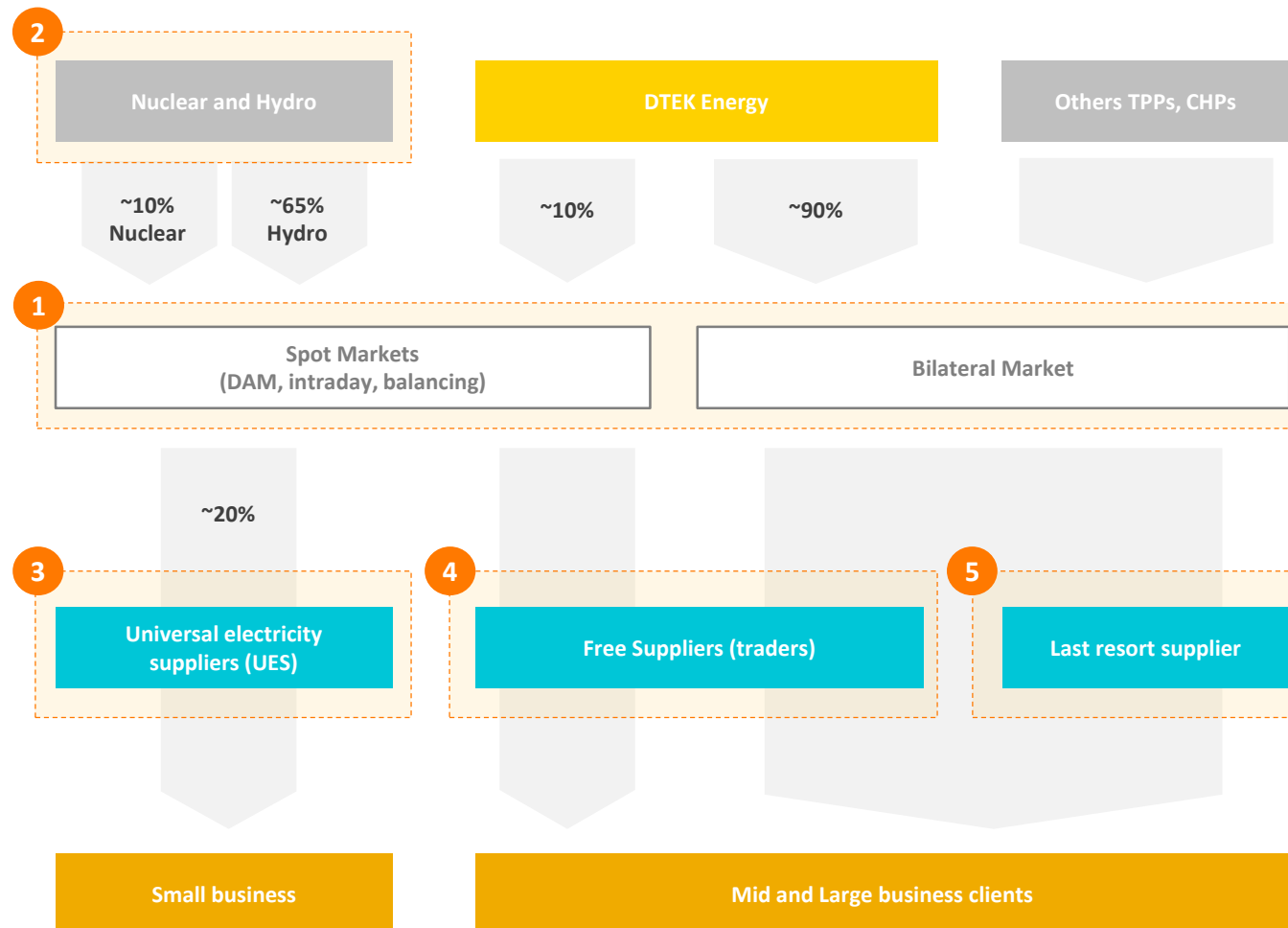
## Public Service Obligations (PSO) description

- 1 State-owned generation is obliged to subsidize households prices by selling certain volume of electricity to Guaranteed Buyer through auctions at a regulated prices (below market); Guaranteed Buyer resells electricity to (i) the Universal Electricity Suppliers (UES) at an even lower regulated tariff for the needs of the households and (ii) the Day Ahead Market
- 2 The losses that Guaranteed Buyer incurs from the difference of high purchasing price from Nuclear and Hydro and low selling price to UES, are compensated through the margin that Guaranteed Buyer generates from trading the electricity on the Day Ahead Market



# Free Market segment

Resolution #1781 approved by the Regulator on 30 August 2019

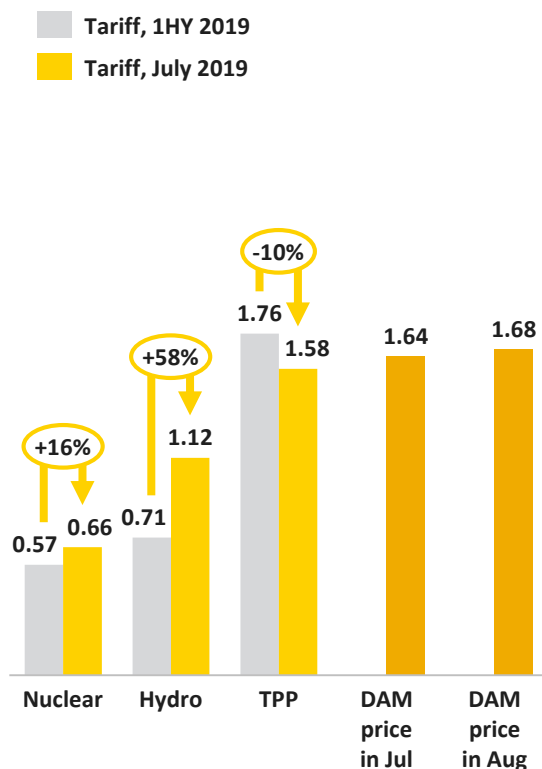


B

- 1 On the 1<sup>st</sup> of July, bilateral and spot markets were introduced. Participation is open for all players
- 2 State generation (NPPs, HPPs) becomes participant of the competitive spot markets but their output is limited to a level allowed by the Regulator
- 3 UES purchases on the spot markets up to 20% of electricity at market price for forming its sales portfolio
- 4 Mid and large businesses purchase electricity through bilateral contracts and spot market directly or through traders who can offer competitive pricing due to better management of sourcing process. Import of electricity is liberalized and also has access to the market through traders
- 5 Last resort supplier is a supplier at a regulated tariff for maximum of 90 days in case of a sudden stop of supply by a supplier under bilateral contract

# Free market segment pricing

**Price dynamics in 1 HY – Jul-Aug 2019<sup>1</sup>**  
(kUAH/MWh)

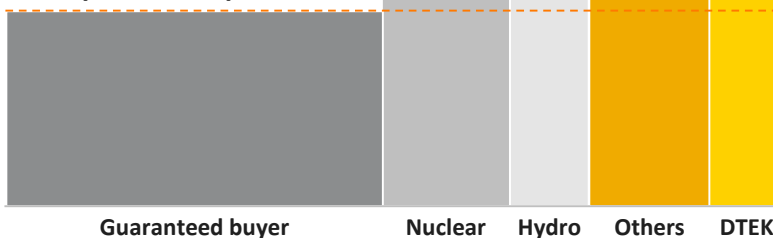


**Cap prices in Aug 2019<sup>2</sup>**  
(kUAH/MWh)

**Max. cap price: 2.05 kUAH/MWh**  
(8:00am – 11:00pm)

**Average DAM price: 1.68 kUAH/MWh**

**Min. cap price: 0.96 kUAH/MWh**  
0:00am – 8:00am;  
11:00pm – 12:00pm



Electricity prices on the liberalized market are no longer determined centrally, as it was before the 1<sup>st</sup> of July, but rather emerge as a result of supply-demand balance between generators and buyers of electricity

New market model allowed to increase the selling price for state GenCos:

- Nuclear power plants are allowed to sell ~10% of generated electricity on DAM at market price of kUAH 1.61/MWh in Aug and operate in base load which effectively means selling electricity during the day at capped prices
- Hydro power plants are allowed to sell ~80% of generated electricity on DAM at market price of kUAH 1.68/MWh in Aug and operate in base and peak load

On the contrary to the state GenCos, DTEK Energy operates more flexible capacity and primarily sells electricity in the peak mode albeit incurs higher running costs

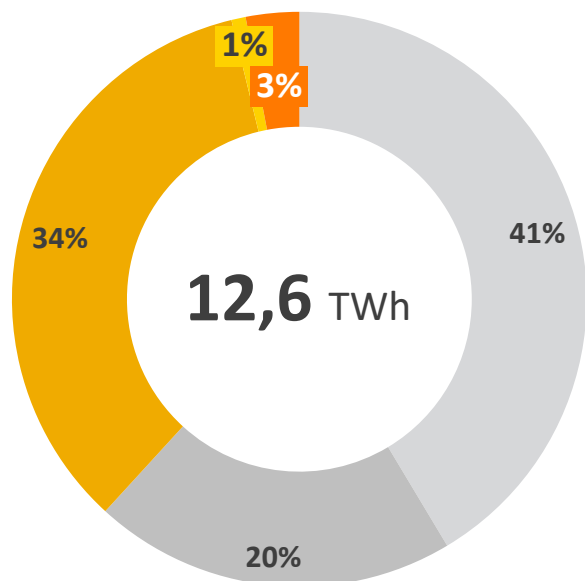
At the moment DAM price is capped by the Regulator and will be valid till 1 April 2020. In bilateral contracts the price is uncapped

Source: SE "Market Operator"

- (1) GenCos tariffs exclude excise tax and dispatching payments
- (2) Cap prices are valid till 1 April 2020

# Electricity sales in new market model by segments

Traded volume in July 2019



■ Bilateral contracts (PSO) ■ Day Ahead Market ■ Balancing market  
■ Bilateral contracts ■ Intraday market



## Bilateral markets

Direct contracts between suppliers and end consumers of electricity such as industrial consumers and large businesses

## Day-ahead / Intraday markets

Short-term trading of electricity on the power exchange



## Balancing market

establishes market-based balance service provision, when GenCo's submit balancing service bids to the TSO, which are procured by the TSO in price order to secure the system balance

## Ancillary services

Provision of services to the TSO to support the stability of the electricity system (e.g. reserve and frequency management)

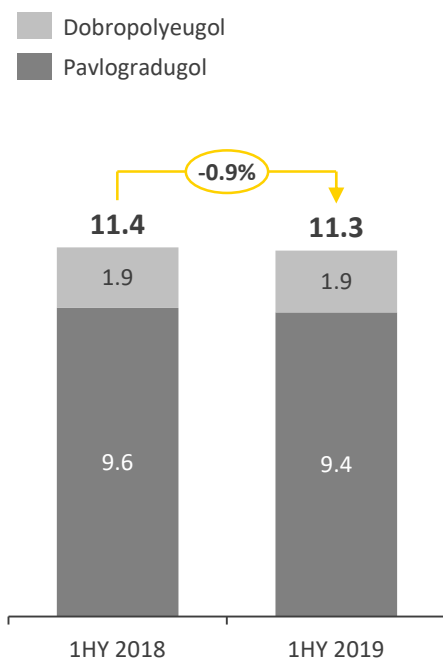


# CONTENTS

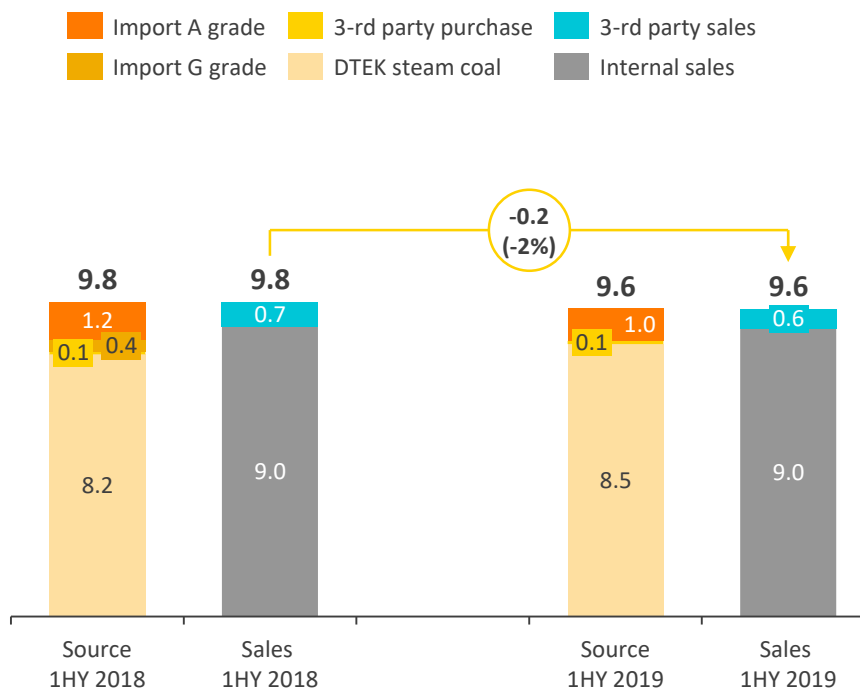
1. Market environment overview
2. Operational review
3. Financial Review and Capital Expenditure
4. Appendices

OPERATIONAL PERFORMANCE	units	1HY 2018	1HY 2019	+/-	%
<b>COAL MINING</b>					
Steam coal mining	kT	11,426	11,324	-101	-0.9
<b>POWER GENERATION</b>					
Electricity output (thermal power generation)	GWh	15,910	15,831	-90	-0.6
<b>ELECTRICITY EXPORTS AND COAL IMPORTS</b>					
Electricity exports	GWh	3,005	2,977	-28	-0.9
Coal imports	kT	1,492	991	-501	-34

## Coal mining structure, Mt



## Coal balance, Mt



In 1HY 2019, DTEK Energy mined 11.3 Mt of G-grade coal, which is in line with last year's level

In 1HY 2019, DTEK Energy imported 991 Kt of A-grade coal, 99% of which came from mine Obukhovskaya's located in Russia

860 Kt of imported coal was used at DTEK Energy TPPs, which is 31.2% lower than last year due to the transition of the Pridneprovsk TPP power units from the A-grade to G-grade

In 1HY 2019, the average labour productivity at DTEK Energy's mines increased by 3.4 % and amounted to 97.4 tonnes per person / month

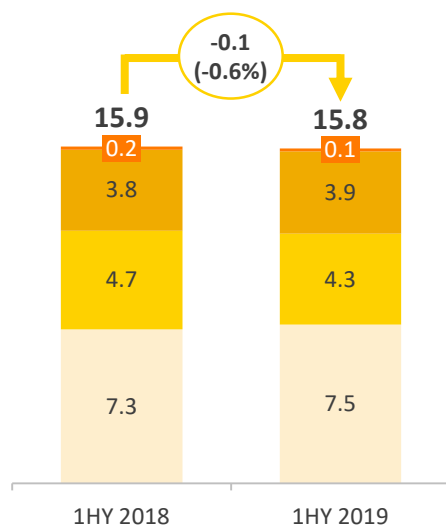
(1) Volume of coal mining is in tones of raw (Run-of-Mine) coal extracted by DTEK

# Thermal Power Generation



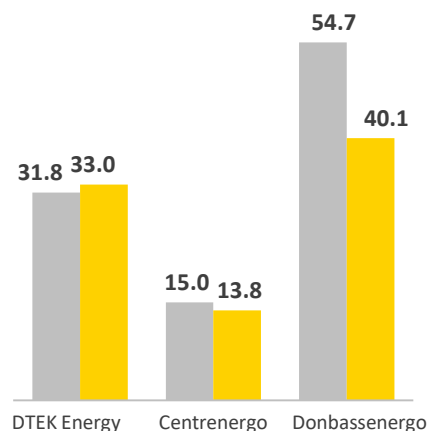
**DTEK Power generation,  
TWh**

■ DTEK Myronivka
 ■ Dniproenergo  
■ Skhidenergo
 ■ Westenergy



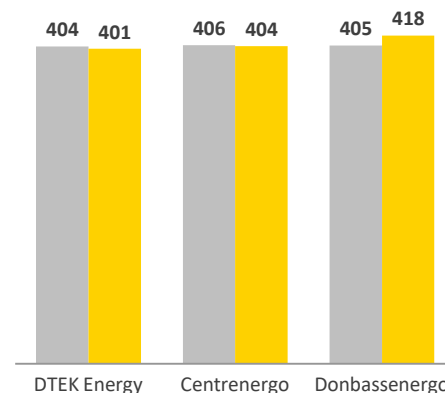
**Load Factor,  
%**

■ 1HY 2018  
■ 1HY 2019



**Average fuel consumption,  
g/kWh**

■ 1HY 2018  
■ 1HY 2019



For the reporting period, DTEK Energy supplied 15.8 TWh of energy to the United Energy System of Ukraine (UES). This is 0.6%, or 0.1 TWh less than in the same period of last year

DTEK Energy TPPs' load factor in 1HY 2019 increased from 31.8% to 33.0% due to the planned removal of mothballed power units from installed capacity count

DTEK Energy's average fuel consumption level decreased by 0.7% to 401 g/kWh as a result of the switching from A-Grade coal with higher calorific value to G-grade coal

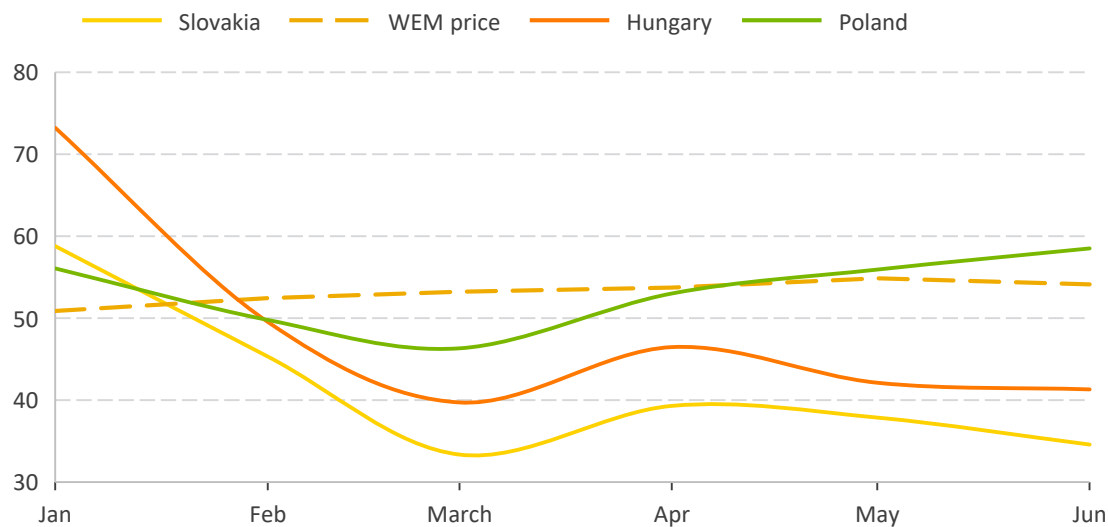
# Electricity exports



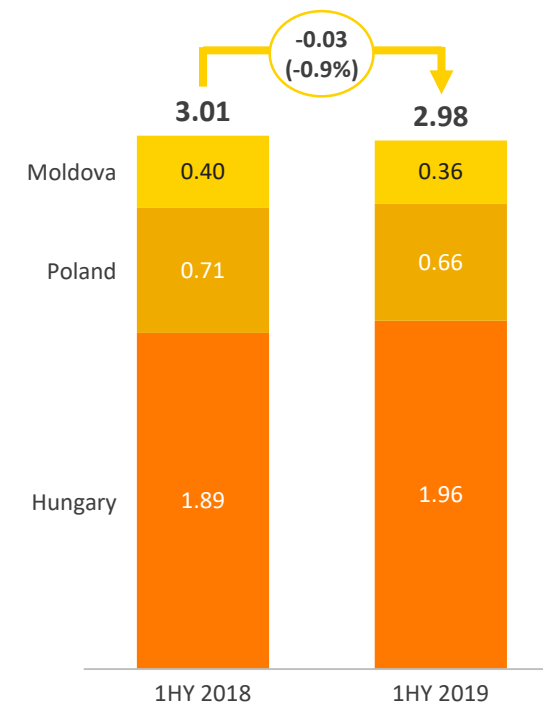
For the first half of 2019, the export of electricity by DTEK slightly decreased (by 1% or 28 GWh) compared to the same period in 2018. In total, over the first half of the year the company exported 2,977 GWh of electricity, including 1,962 million GWh (66%) to Hungary, 659 GWh (22%) to Poland and 357 GWh (12%) to Moldova.

The decrease in exports to Moldova is driven by the new terms of contract; decline of supply to Poland caused by power lines repair campaign. Export to Hungary grew by + 4% due to removal of restrictions by the Ukrainian TSO, associated with the switching of Burshtynskaya TPP power units to output to the UES of Ukraine during a shortage of power, as well as fewer emergency stops at the Burshtynskaya TPP

## Day Ahead Market pricing in HY2019, EUR/MWh



## Electricity export 1HY 2018- 1HY 2019, TWh





# CONTENTS

1. Market environment overview
2. Operational review
3. Financial Review and Capital Expenditure
4. Appendices

# Financial Highlights



## Income statement highlights<sup>1</sup>

UAH mln	1H 2019	1H 2018	USD mln <sup>2</sup>	1H 2019	1H 2018
Revenues	53,426	43,117	Revenues	1,984	1,612
YoY change	23.9%		YoY change	23.1%	
Adjusted EBITDA	11,033	12,366	Adjusted EBITDA	409	462
Margin	20.7%	28.7%	Margin	20.7%	28.7%
Adjusted EBIT	6,239	6,696	Adjusted EBIT	232	250
Margin	11.7%	15.5%	Margin	11.7%	15.5%
Net profit	3,342	6,306	Net profit	124	236
Margin	6.3%	14.6%	Margin	6.3%	14.6%

## Balance sheet highlights

UAH mln	30 June 2019	31 Dec 2018	USD mln*	30 June 2019	31 Dec 2018
Total assets	96,974	99,629	Total assets	3,706	3,598
Total liabilities	82,066	87,101	Total liabilities	3,136	3,146
Net assets	14,908	12,528	Net assets	570	452
Short-term borrowings	7,216	7,520	Short-term borrowings	276	272
Long-term borrowings	44,411	48,479	Long-term borrowings	1,697	1,751
Gross Debt <sup>3</sup>	51,627	55,999	Gross Debt <sup>3</sup>	1,973	2,022
Cash and cash equivalents	942	3,582	Cash and cash equivalents	36	129
Net debt	50,685	52,417	Net debt	1,937	1,893
Net Debt / Adjusted EBITDA <sup>4</sup>	2.06X	1.97X	Net Debt / Adjusted EBITDA <sup>4</sup>	2.06X	1.97X

(1) Income Statement Highlights for 1H 2018 include results of continued operations only

(2) Converted in USD only for presentation purposes NBU UAH/USD FX rates used: UAH/USD FX rate used: 1H 2018 – 26.7462; 1H 2019 – 26.9316 (NBU average), 30.06.2019 – 26.1664, 31.12.2018 – 27.6883

(3) Gross Debt includes principal and capitalized interest for restructured bond and bank debt, interest accrual, discounts, bank commissions related to restructuring but excludes 3rd parties guarantees, bank commissions etc.

(4) Adjusted EBITDA for the year ended 30 June 2019 and 2018 includes results of continued and discontinued operations till the date of disposal

# 1 HY 2019 Revenue and Adjusted EBITDA Key Drivers



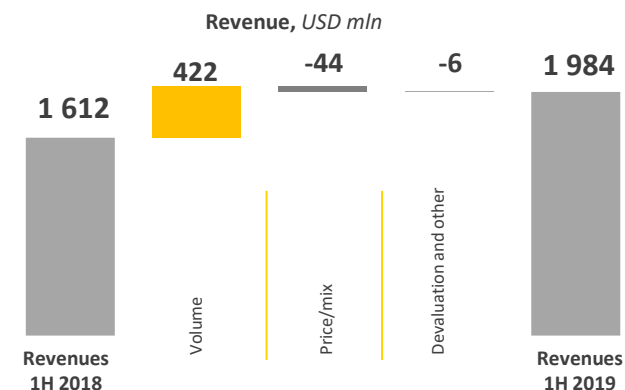
In 2019 revenue increased by 23.9% in UAH terms (reporting currency) and 23.1% in USD terms. Key drivers:

Volume:

- After unbundling Oblenergos, in 1HY 2019, DTEK Trading signed new supply contracts and sold 6.8 billion kWh electricity to end-consumers which resulted in USD 410 mln in terms of revenue and USD 9 mln in terms of EBITDA contribution.
- increase in gas and gas condensate sales (USD +32 mln)
- decrease in coal sales in Ukraine by 18.6% (USD -14 mln)

Price/mix\*:

- increase in electricity export prices by 11.7% (USD +19 mln)
- electricity tariff decrease by 3.8% (USD -40 mln)
- decrease in gas prices by 8.3% (USD -22 mln)



Adjusted EBITDA decreased by 11.0% in UAH terms (reporting currency) and 11.6% in USD terms. Main drivers:

Volume:

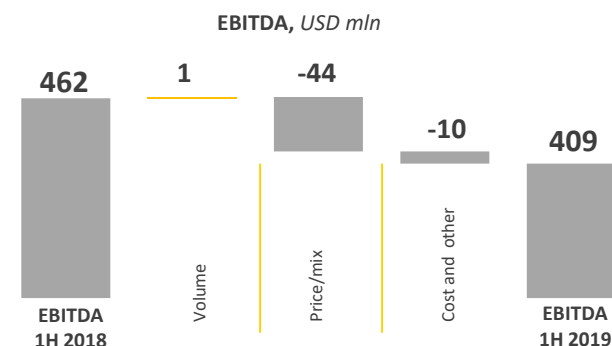
- sale of 6.8 billion kWh of electricity to end-consumers (USD +9 mln)
- decrease in coal sales in Ukraine by 18.6% (USD -5 mln)

Price/mix\*:

- increase in electricity export prices by 11.7% (USD +19 mln)
- electricity tariff decrease by 3.8% (USD -40 mln)
- decrease in gas prices by 8.3% (USD -22 mln)

Costs and other:

- prices for gas, purchased for further sale to 3<sup>rd</sup> parties, decreased by 9.5% (USD +25 mln)
- electricity exports purchase tariff increased by 5.4% (USD -9 mln)
- increase of the cost of electric power (USD -6 mln)
- prices for coal, purchased for further sale to 3<sup>rd</sup> parties, increased by 11.1% (USD -4 mln)



\*Percentage change is indicated for prices in currency of transaction. UAH/USD FX rate used: 1H 2018 – 26.7462; 1H 2019 – 26.9316

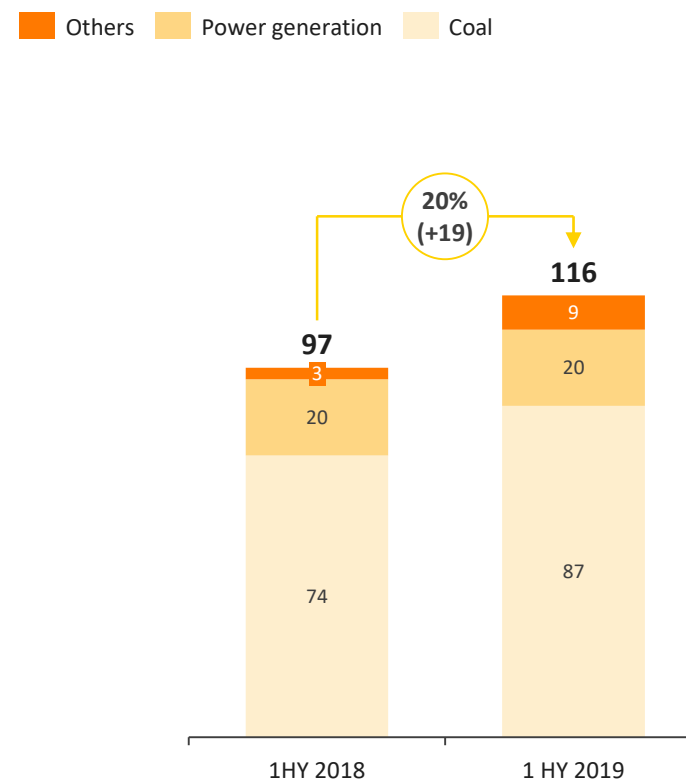
# Capital Expenditures, 1H 2019



- In 1H 2019, the capital expenditures went up by 20% y/y (or USD 19 mln) to USD 116 mln. In UAH terms, capex increased by 19.2 y/y to UAH 3112 mln. The share of Coal and Power generation segments in the Company's investments amounted to 92%, going from 97% compared to the previous year level. The shift was mainly due to increase of investments in Coal segment by USD 13 mln
- In 1H 2019, DTEK Pavlogradugol PrJSC mines acquired 3 shearers and 2 tunneling machines. DTEK Dobropolyeugol LLC added 2 tunneling machines and 2 shearers to its mining equipment inventory. The new equipment has improved performance, ensuring stable coal production in deteriorating geological conditions
- DTEK Dobropolyeugol LLC has completed the second stage of the rock dump construction. This will enable the allocation of coal concentration waste for the next 10 years and was constructed using innovative 'green dump' technology
- At DTEK Prydniprovsk TPP, power unit No. 10 has been re-equipped to run on domestic G-grade coal. It is the plant's fourth power unit that was converted. The power unit is equipped with an electrostatic filter to reduce dust emissions in line with European requirements, which is no more than 50 mg/m<sup>3</sup>

Business Unit	Key Projects	Completion
<b>COAL MINING</b>		
Pavlogradska Mine	Equipping the 214 <sup>th</sup> longwall	1H 2019
Pavlogradugol PrJSC	Acquisition of 3 shearers and 2 tunneling machines	1H 2019
Dobropolyeugol LLC	Acquisition of 2 shearers and 2 tunneling machines	1H 2019
DTEK Zhovtneva, CPP JSC	Acquisition of a heavy hydrocyclone, a thickening cyclone, sieves, pump units, and power and automation equipment	1H 2019
Dobropolyeugol LLC	Construction of the rock dump	1H 2019
<b>POWER GENERATION</b>		
DTEK Kryvorizka TPP DTEK Zaporizka TPP DTEK Burshtyn's'ka TPP	Successful completion of the tests for compliance with the ENTSO-E requirements	1H 2019
Prydniprovsk TPP	Retrofit of Units No. 10 for working on G grade coal	1H 2019
DTEK Luhanska TPP, DTEK Kryvorizka TPP	Successfully passed environmental management system compliance audits of compliance of the with ISO; 14001:2015	1H 2019

## By business segments, USD mln



\*UAH/USD FX rate used: 1H 2018 – 26.7462; 1H 2019 – 26.9316

# Debt Structure Overview



In H1 2019, the company stuck to its deleveraging strategy. In January 2019, DTEK has repaid USD 55 mln to the bank lenders, thus, lowering the Restructured Bank Debt down to USD 446 mln

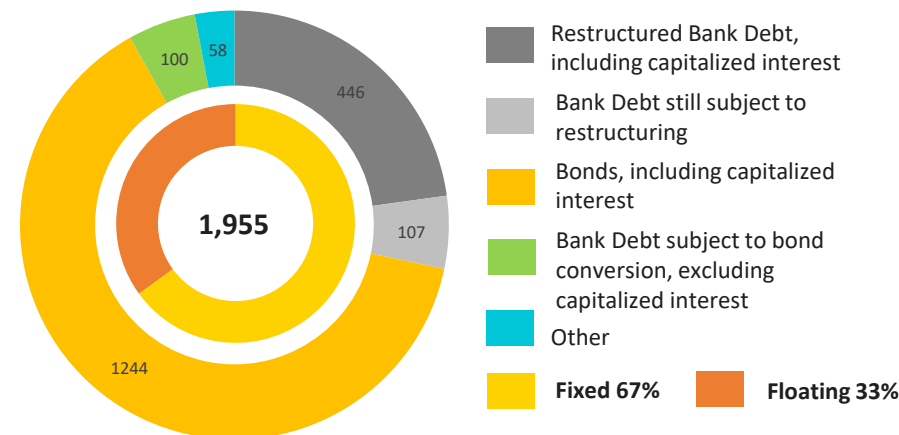
The Gross Debt amounted to USD 1,973 mln, while the value of the Debt Decomposition profile (Gross debt less Interest Accrual, Discounts and Bank Commissions related to restructuring) is USD 1,955 mln as of 30 June 2019

The leverage (Net Debt/Adj. EBITDA) as of 30 June 2019 is equal to 2.06x

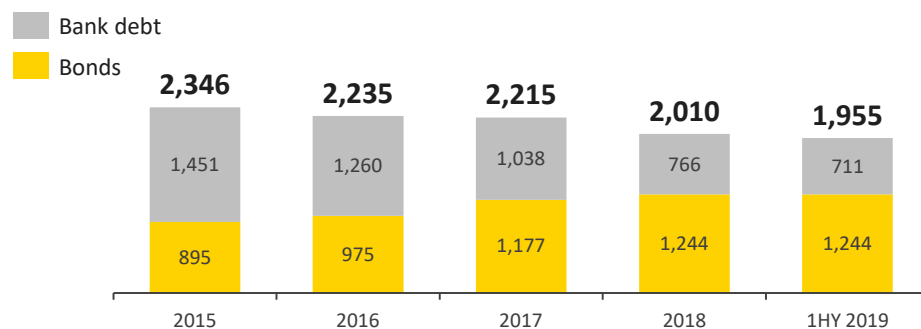
DTEK Energy has been paying the full coupon in cash since Q1 2018 and expects to continue doing so in order to comply with its deleveraging strategy

In 2019 Moody's international rating agency upgraded DTEK Energy's corporate rating from "Ca" to "Caa2". The outlook is "stable"

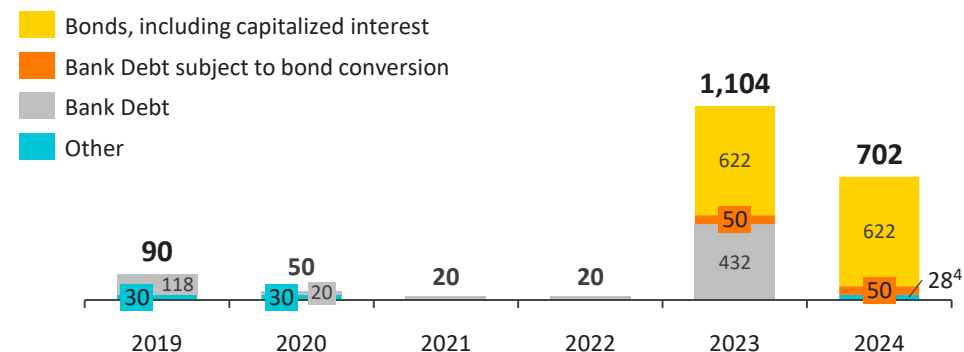
## Debt decomposition profile as of 30 June 2019, USD mln



## Debt Portfolio Evolution, USD mln<sup>2</sup>



## Amortisation schedule, USD mln<sup>3</sup>

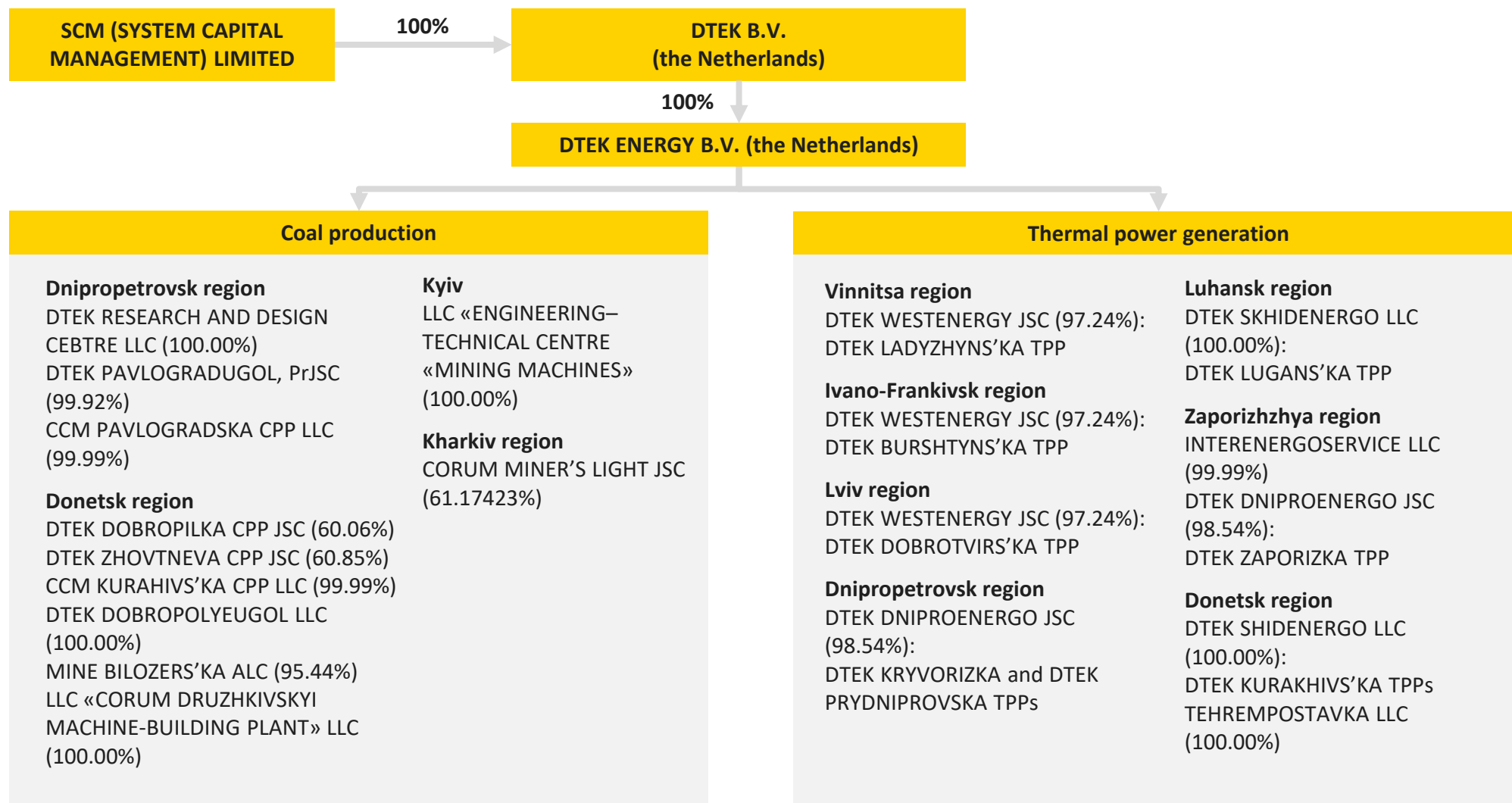


- (1) Debt includes principal and capitalized interest for restructured bond and bank debt but excludes interest accrual, bank commissions, discounts, etc.
- (2) Excluding currency swaps (derivatives) MTM (for 2015) and interest accrual, bank commissions, discounts and 3<sup>rd</sup> parties guarantees.
- (3) Presented amortisation schedule assumes that the final piece of the restructuring is complete in Q3 2019 and the bank lenders are aligned with the previously restructured bank lenders.
- (4) To be repaid within 5 years starting from December 2020 in equal annual instalments

# CONTENTS

1. Market environment overview
2. Operational review
3. Financial Review and Capital Expenditure
4. Appendices

# Geography of Operations and Ownership Structure



(1) As of September 2019  
 (2) Not all the entities are listed above

By attending the meeting where this presentation is made, or by reading the presentation slides, you acknowledge and agree to the following:

This presentation has been prepared by DTEK Energy B.V. (DTEK Energy). This presentation and its contents may not be redistributed, republished, reproduced (in whole or in part) by any medium or in any form. This presentation does not contain or constitute, and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of the DTEK Energy or any of its affiliates, or an invitation or inducement to enter into investment activity, in any jurisdiction. No part of this presentation should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. This presentation is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”). This presentation must not be sent, transmitted or otherwise distributed in, nor does it contain or constitute, nor should it be construed as, an offer to sell or a solicitation of offers to buy securities in, the United States, Canada, Australia, Japan or any other jurisdiction where such delivery, transmission, distribution, offer or sale is unlawful. The DTEK Energy, its affiliates, advisors and representatives and each of them (i) shall have no responsibility or liability whatsoever (whether in contract, in tort or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation; (ii) make no representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information or opinions contained herein, and no reliance should be placed thereon; and (iii) except as required by applicable law or regulation, shall have no obligation to update this presentation or to correct any inaccuracies herein or omissions herefrom that may become apparent. This presentation contains forward looking statements that reflect the DTEK Energy’s intentions, beliefs or current expectations. These forward looking statements are identified by words such as “may”, “will”, “would”, “should”, “project”, “seek”, “plan”, “predict”, “anticipate”, “believe”, “intend”, “estimate”, “expect” and similar expressions or their negatives. Forward looking statements relate to events and depend on circumstances that will occur in the future, and are based upon assumptions and expectations which, although the DTEK Energy believes them to be reasonable at this time, may prove to be erroneous. These events, circumstances, assumptions and expectations are inherently subject to significant risks, uncertainties and contingencies which are difficult or impossible to predict and are or may be beyond our control, and which could cause the DTEK Energy’s actual financial condition, results of operations, business and prospects, and the actual performance of its industry or the markets it serves or intends to serve, to differ materially from those expressed in or suggested by the forward-looking statements in this presentation. Important factors that could cause actual results to differ materially from those discussed in these forward-looking statements include the achievement of the anticipated levels of revenues, profitability and growth, the ability to fund future operations and capital needs through borrowing or otherwise, the ability to successfully implement any of the DTEK Energy’s business strategies, the timely development and acceptance of new products and services, the DTEK Energy’s ability to procure raw materials, its ability to enter into sales contracts for its products, the economic climate, the DTEK Energy’s success in responding to changes within the competitive markets in which it operates, and the DTEK Energy’s success in identifying other risks to the business and managing the risk of the aforementioned factors. There may be additional material risks that are currently not considered to be material or of which DTEK Energy is unaware.

**Failure to comply with the restrictions set out in this Disclaimer may constitute a violation of applicable securities laws or may otherwise be actionable.**





## Investor relations contacts

Danil Babkov

Tel.: +38 (044)-581-84-82

E-mail: [ir@dtek.com](mailto:ir@dtek.com)

[www.dtek.com](http://www.dtek.com)