

# 1H 2018 RESULTS CORPORATE PRESENTATION DTEK ENERGY B.V.

September 2018

Energy  
in action

**DTEK**



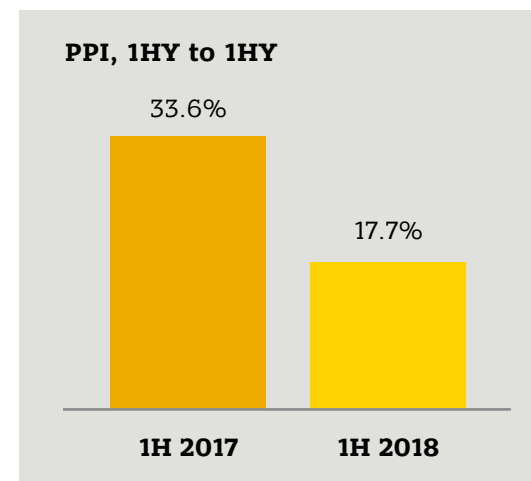
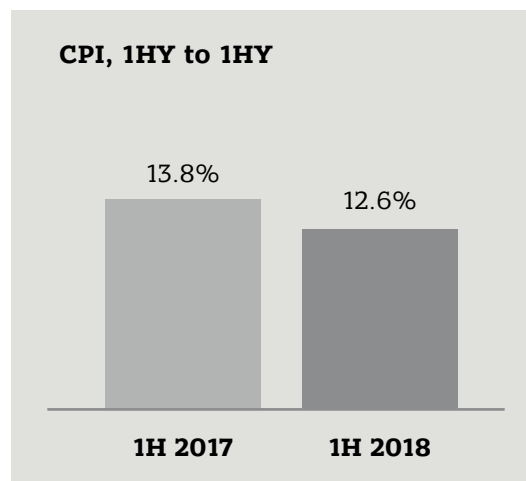
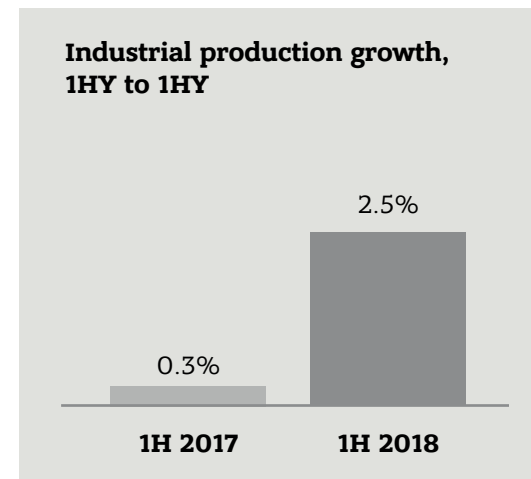
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## Market Environment and Key Highlights



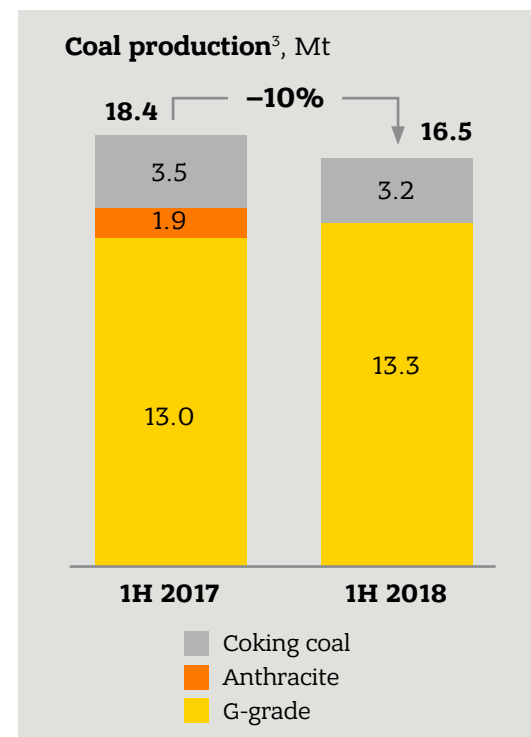
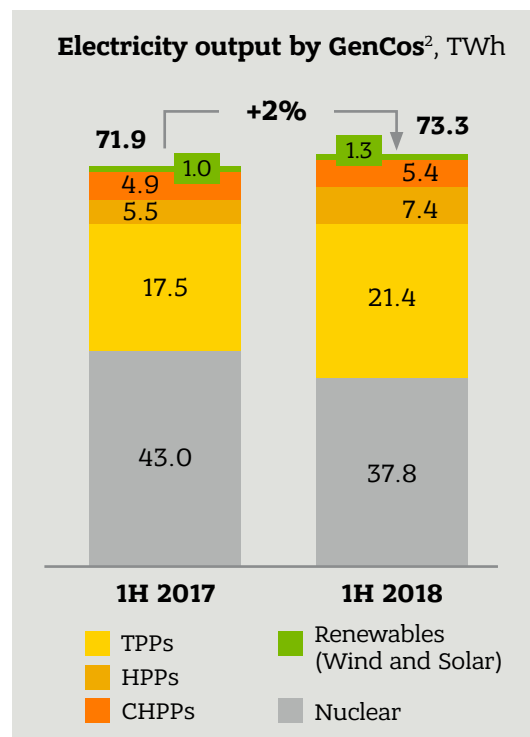
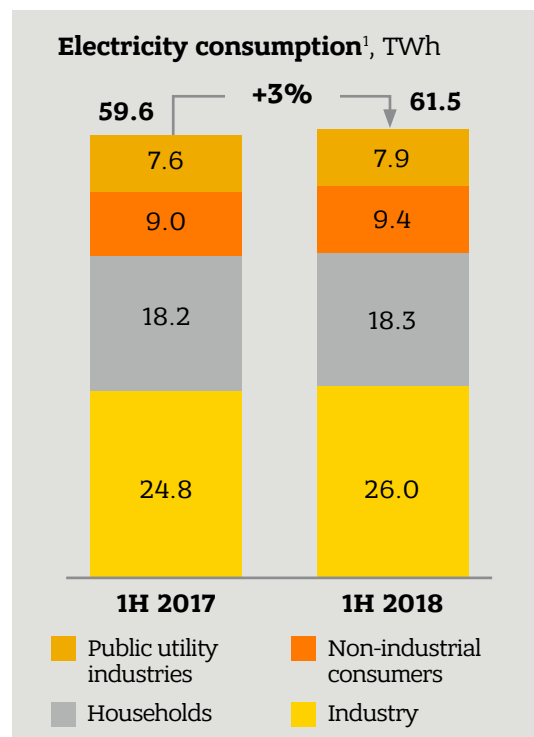
## Market Environment Overview (1/3)

- National Bank of Ukraine (the “NBU”) estimated GDP growth to be 3.2% in 1H 2018. The NBU believes that private consumption together with favorable terms of trade will remain the main drivers of economic growth.
- Industrial production increased by 2.5% in 1H 2018 compared to the same period in 2017, mainly due to significant (4.3%) increase in the electricity production and distribution.
- Construction sector grew by 1.8%, driven by the investments into the infrastructure.
- In 1H 2018, the Ukrainian economy was still exposed to inflation. However, this year’s CPI growth has slowed down compared to 1H 2017 – from 13.8% to 12.6% – mostly due to stabilization of the national currency exchange rate.
- PPI has plunged from 33.6% in 1H 2017 to 17.7% in 1H 2018 due to strengthening of hryvna’s purchasing power on the international market.
- Hryvna performed stronger in 1H 2018 – increasing from 28.07 UAH/USD in January to 26.19 UAH/USD in June.



## Market Environment Overview (2/3)

- In 1H 2018, national electricity consumption<sup>1</sup> increased by 3% due to 5% growth in industrial consumption.
- Total electricity output by domestic generation companies (GenCos) increased by 2% due to a 23% higher output by TPPs and a 34% higher output by HPPs.
- Total 1H 2018 coal production volumes in Ukraine decreased by 10%<sup>3</sup> due to the loss of control over anthracite mines at the NCT in March 2017.



<sup>1</sup>Excluding losses in the grid. According to Ministry of Energy and Coal industry.

<sup>2</sup>The data doesn't include the output of DTEK Zuyiv'ska and Starobeshevska TPPs, located in the non-controlled territory.

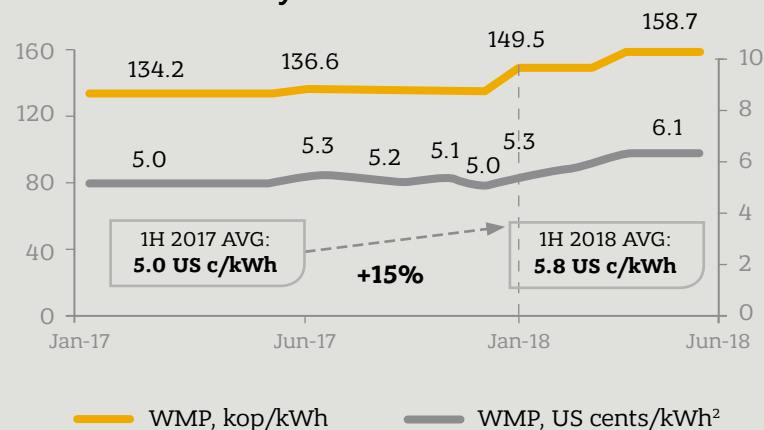
<sup>3</sup>Including total DTEK Energy volume on the non-controlled territory in Q1 2017 of other mines reported in Energobusiness.



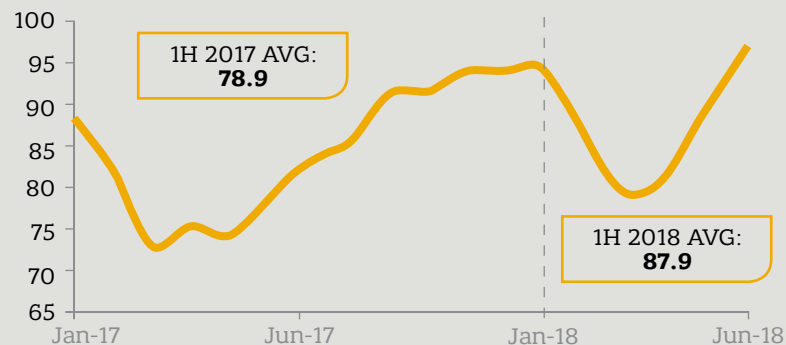
## Market Environment Overview (3/3)

- In 1H 2018, the average tariff for households increased by 11% YoY in UAH terms (up to 102.3 kop/kWh). The average tariff for industrial consumers rose by 14% YoY in UAH terms (to 199.0 kop/kWh). Average wholesale electricity market price rose by 15% in UAH terms compared to 1H 2017.
- Coal indices have been volatile during 1H 2018, boosted by unpredictable supply/demand balance. In the first quarter of 2018, the world markets for steam and coking coal were characterized by a decline in price indicators on the back of moderate consumption demand, growth of wind generation in Europe, renewal of shipments from Richards Bay's port and Australia. The electricity price dynamics in Hungary was quite volatile. In 1H 2018 fluctuations were ranging between 34 (EUR) to 50 (EUR) per MWh. In 1H 2018 electricity price on day ahead market (DAM) in Poland was about 47.7 EUR per MWh, this is 34% higher than the year before.
- In 1H 2018 Hungarian electricity market price plummeted in March – April due to low consumption and rose up at the end of June. During the period of low level prices in Hungary, DTEK secured its sales by hedging prices with the help of long term annual and monthly contracts.

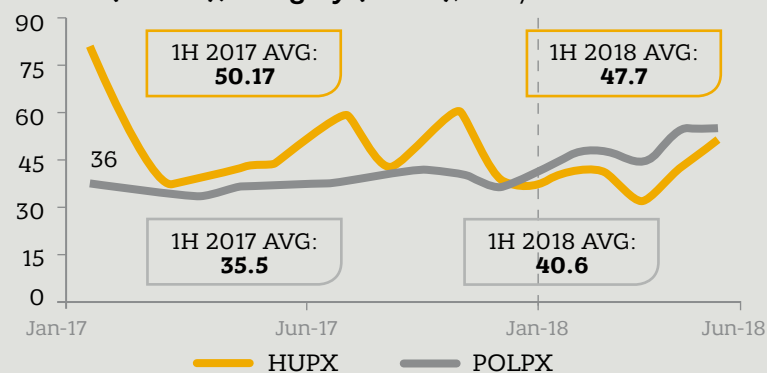
### Wholesale Electricity Market Price in Ukraine



### Price indicator for Steam Coal (API2 CIF ARA)<sup>1</sup>, USD/t



### Export electricity price: Poland (POLPX); Hungary (HUPX), EUR/MWh



<sup>1</sup> 6000 kcal, sulfur = 1%. Steam coal includes G-grade, T-grade and ASH.

<sup>2</sup> Average monthly NBU exchange rates used

Sources: Ukrstat; IHS McCloskey's; POLPX; State company Energorynok; State company Coal of Ukraine; NERC of Ukraine

02

## Operational Review



## Key Operational Results

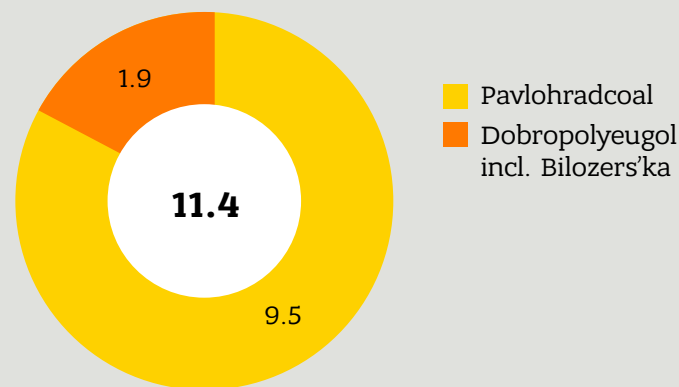
Operational performance	Units	1H 2018	1H 2017	+/-	%
<b>COAL MINING</b>					
Coal mining <sup>1</sup> including:	kT	11,426	13,447	-2,021	-15
Steam coal (G-grade)	kT	11,426	11,568	-142	-1.2
Anthracite coal (T-grade)	kT	0	610	-610	-100
Anthracite coal (A-grade)	kT	0	1,269	-1,269	-100
<b>POWER GENERATION</b>					
Electricity output <sup>2</sup> (thermal power generation)	mln kWh	17,455	16,836	+619	+3.7
Heat generation <sup>3</sup>	k Gcal	5,221	5,150	+71	+1.4
<b>DISTRIBUTION</b>					
Electricity distribution <sup>2</sup>	mln kWh	22,123	21,792	+331	+1.5
<b>ELECTRICITY EXPORTS AND COAL IMPORTS</b>					
Electricity exports	mln kWh	3,005	3,059	-54	-1.8
Coal imports <sup>4</sup>	kT	746	186	+560	+301
Coal imports from Obukhovskaya mine <sup>4</sup>	kT	502	349	+153	+44

<sup>1</sup>Run of mine <sup>2</sup>Including Kyivenergo <sup>3</sup>Kyivenergo <sup>4</sup>Only for internal uses (for trading purposes is excluded)  
 Since March 2017, the indicators of the assets located on the non-controlled territory have not been consolidated. Coal mining and exports excludes Obukhovskaya mine which was transferred outside DTEK Energy Group since September 2016

## Coal Mining

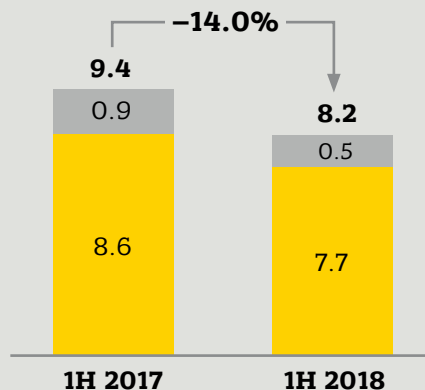
- In 1H 2018, DTEK Energy produced 11.4 Mt of coal, which was 15% lower than in the same period last year primarily due to the loss of production of the T-grade and A-grade coal from the assets located in the non-controlled territory (NCT).
- The volume of G-coal production in 1H 2018 is similar to the last year's figure for the same period.
- Company decreased its 3<sup>rd</sup> party coal sales and internal coal consumption by 41% and 11% respectively due to the loss of control over the coal deliveries from the NCT.
- Labor productivity at G-grade coal mines in 1H 2018 was almost the same in the comparable period and reached 94.2 tons/person/month (excluding the NCT mines).

Coal mining in 1H 2018, Mt



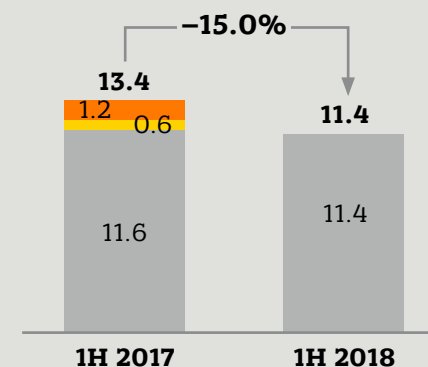
Coal sales<sup>2</sup>, Mt

- 3<sup>rd</sup> party sales
- Internal Consumption



Coal mining by grade<sup>1</sup>, Mt

- A-grade
- T-grade
- G-grade



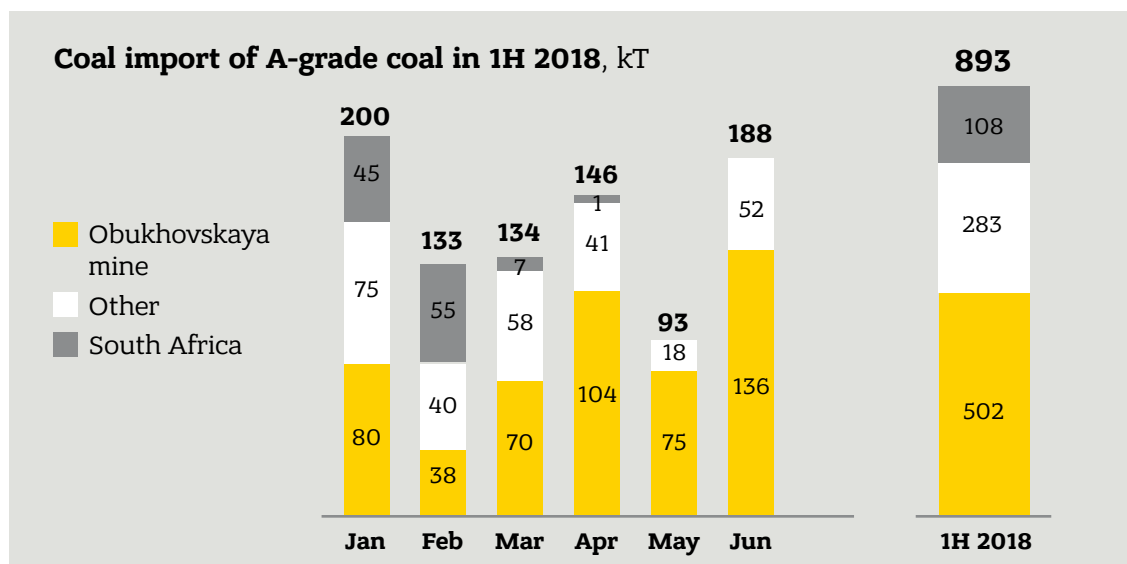
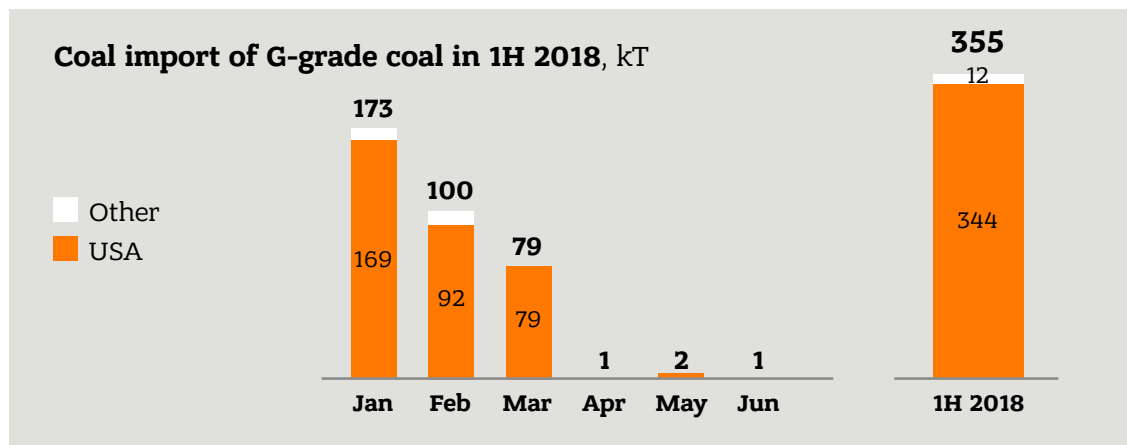
<sup>1</sup> Volume of coal mining is in tones of raw (Run-of-Mine) coal extracted by DTEK Energy

<sup>2</sup> Coal mining from Mine Komsomolets Donbassa, Sverdlovanthracite and Rovenkyanthracite included for Jan-Feb 2017, excluding resource of Obukhovskaya mine



## Import of Coal

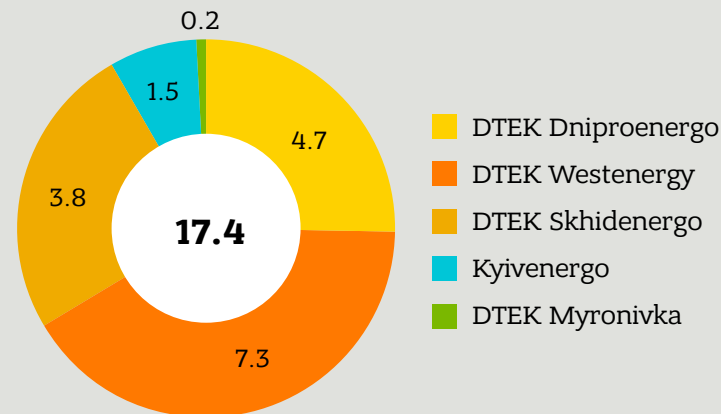
- In 2017, the loss of control over the anthracite coal mines located in the NCT led to an increase of the power generation load on the plants running on G-grade coal.
- Given that adequate ramp-up in the production of G-grade coal at DTEK Energy mines could not be achieved due to insufficient time before the coal consumption peaked during the heating season of 2017/2018, the Company had to import G-grade coal in the first quarter of 2018.
- In 1H 2018, 97% of G-grade coal was imported from the USA with the rest imported from other countries.
- In preparation to the heating season of 2018/2019, the Company plans to increase own production of G-grade coal and fully cover its internal consumption.
- Loss of control over the anthracite mines located in the NCT also required to import A-grade coal to comply with requirements to retain the minimum level of stocks. In 1H 2018, 0.9 Mt of A-grade coal was imported from:
  - 0.5 Mt (56%) – Obukhovskaya mine (Russia)
  - 0.3 Mt (32%) – Other
  - 0.1 Mt (12%) – South Africa



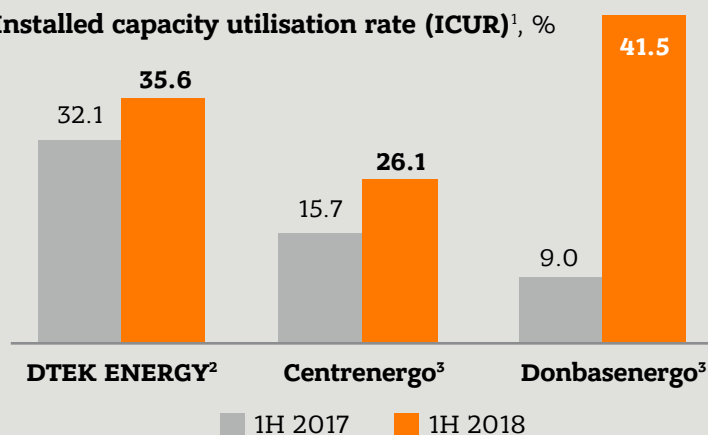
## Thermal Power Generation

- In 1H 2018, thermal power output reached 17.4 TWh, which is 3.7% higher than in the same period last year.
- Key drivers:
  - The increase of electricity consumption by 3.2%, or 1.9 billion kWh in 1H 2018.
  - The increase in power generation by DTEK Dniproenergo, DTEK Westenergy, and Kyivenergo by 9.9%, or 1,212.5 billion kWh.
  - The increase of electric power supply by 16%, or 0.2 billion kWh by DTEK Westenergy.
- The increase of average ICUR<sup>1</sup> from 32.1% to 35.6% due to an increased output of DTEK Dniproenergo TPPs, compared to 1H 2017, when anthracite TPPs worked at minimum capacity load.
- The average fuel consumption level increased by 1.2% as a result of restarting of anthracite-fired TPPs – their average fuel consumption is higher than for G/DG-grade units.

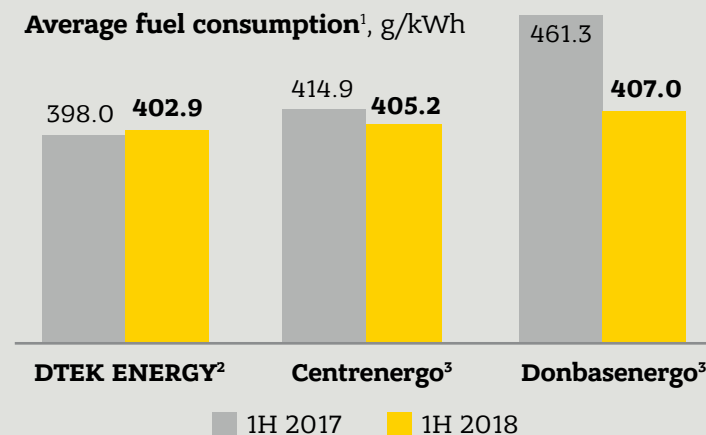
Power generation in 1H 2018<sup>1</sup>, TWh



Installed capacity utilisation rate (ICUR)<sup>1</sup>, %



Average fuel consumption<sup>1</sup>, g/kWh



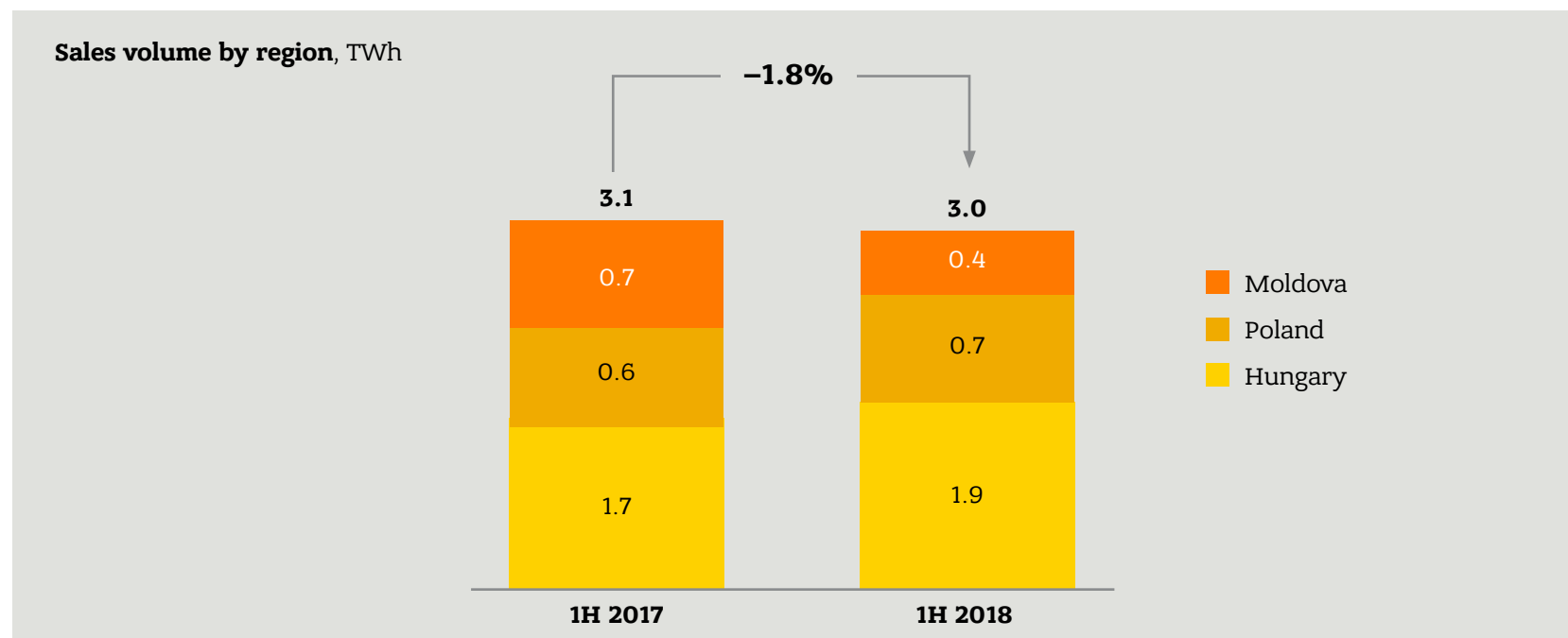
<sup>1</sup>Excluding the non-controlled territory (NCT)

<sup>2</sup> Average of DTEK Skhidenergo, DTEK Westenergy and DTEK Dniproenergo. DTEK Zuyiv'ska TPP and DTEK Myronivka CHPP are not included

<sup>3</sup> According to reporting provided to Energobusiness journal

## Electricity Exports

- In 1H 2018, electricity export volumes decreased by 1.8% to 3.0 TWh compared to the same period last year due to:
  - The increase of electricity export to Poland by 15%; at the same time, the revenue from the electricity sales during the period was driven by higher electricity prices in Poland.
  - The increase of electricity export in Hungary by 8% was driven by successful repair campaign of DTEK Burshtyns'ka TPP as well as using of the full capacity of all energy units to supply electricity to Burshyinskaya «energy island», which allowed capture full potential of electricity exports.
  - The company remains being the main supplier for Moldova, despite decreased demand for electricity in the region.
- The 1H 2018 revenues from electricity exports amounted to USD 170 mln, thus increasing by around 17% vs. 1H 2017, which was mainly driven by price increase.

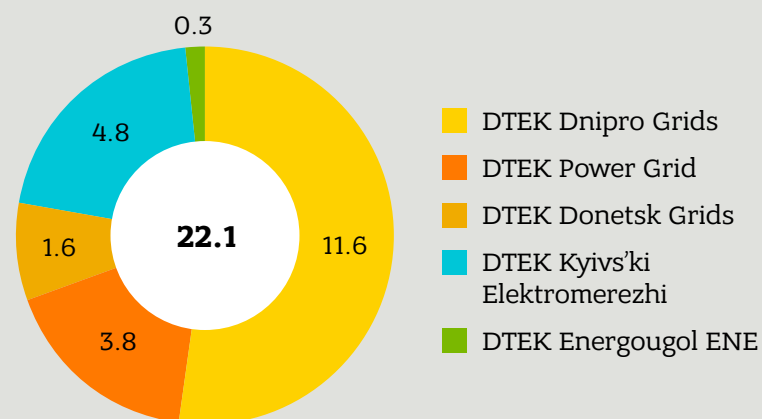




## Electricity Distribution

- In 1H 2018, the volume of electricity distribution increased in by 1.5% to 22.1 TWh compared to the same period last year.
- Key drivers:
  - The increase of power distribution by DTEK Dnipro Grids, DTEK Kyivs'ki Elektromerezhi, and DTEK Power Grid by 4.0%, or 779.8 million kWh, due to the increase in demand from large industrial consumers, small business and households.
  - The decrease power distribution by DTEK Donetsk Grids and DTEK Energougol ENE by 19.4%, or 448.8 million kWh.
- DTEK Energy distribution losses reached 5.0% of total volumes, which is below the Ukrainian average of 11.5%<sup>1</sup>.
- In 1H 2018, the receivables from electricity supplies increased by USD 10.2 mln (5%) due to the increase in utility debts, i.e. water utilities and heating systems.

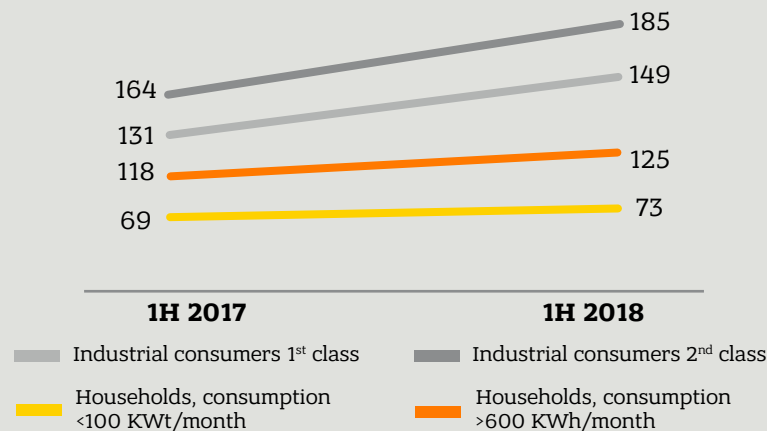
Electricity distribution 1H 2018, TWh



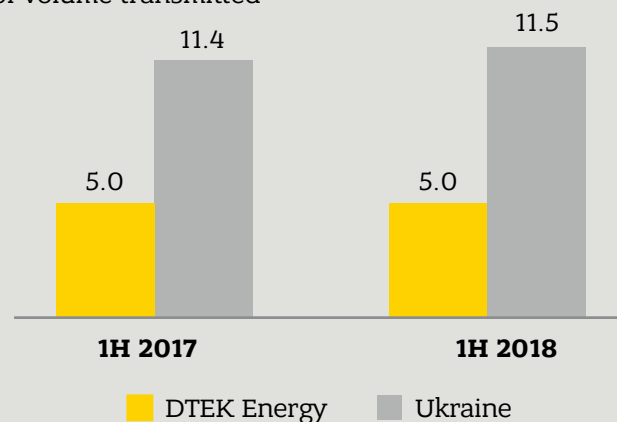
<sup>1</sup> Controlled territory

UAH/USD FX rate used: 1H 2017 – 26.761; 1H 2018 – 26.7462 (the NBU average), 30.06.2017 – 26.098, 30.06.2018 – 26.189

Electricity tariff trends, UAH kop/kWh



Electricity distribution losses<sup>1</sup>, % of volume transmitted



03

## Financial Review and Capital Expenditure



## Financial Highlights

### Income statement highlights

UAH mln	1H 2018	1H 2017
<b>Revenues</b>	<b>83,181</b>	<b>67,831</b>
YoY change	22.63%	
<b>Adjusted EBITDA</b>	<b>13,097</b>	<b>10,295</b>
Margin	15.7%	15.2%
<b>Adjusted EBIT</b>	<b>6,368</b>	<b>6,310</b>
Margin	7.7%	9.3%
<b>Net profit/(loss)</b>	<b>5,404</b>	<b>-1,003</b>
Margin	6.50%	-1.48%

USD mln <sup>1</sup>	1H 2018	1H 2017
<b>Revenues</b>	<b>3,110</b>	<b>2,535</b>
YoY change	22.70%	
<b>Adjusted EBITDA</b>	<b>490</b>	<b>385</b>
Margin	15.7%	15.2%
<b>Adjusted EBIT</b>	<b>238</b>	<b>236</b>
Margin	7.7%	9.3%
<b>Net profit/(loss)</b>	<b>202</b>	<b>-37</b>
Margin	6.50%	-1.48%

### Balance sheet highlights

UAH mln	30 June 2018	31 Dec 2017
Total assets	123,532	131,614
Total liabilities	102,979	112,553
<b>Net assets</b>	<b>20,553</b>	<b>19,061</b>
Short-term borrowings	14,870	16,384
Long-term borrowings	44,778	47,898
<b>Gross Debt</b>	<b>59,648</b>	<b>64,282</b>
Cash and cash equivalents	7,100	5,611
<b>Net debt</b>	<b>52,548</b>	<b>58,671</b>
<b>Net Debt / Adjusted EBITDA</b>	<b>1.96X<sup>2</sup></b>	<b>2.44X<sup>3</sup></b>

USD mln <sup>1</sup>	30 June 2018	31 Dec 2017
Total assets	4,717	4,689
Total liabilities	3,932	4,010
<b>Net assets</b>	<b>785</b>	<b>679</b>
Short-term borrowings	568	584
Long-term borrowings	1,710	1,707
<b>Gross Debt</b>	<b>2,278</b>	<b>2,291</b>
Cash and cash equivalents	271	200
<b>Net debt</b>	<b>2,007</b>	<b>2,091</b>
<b>Net Debt / Adjusted EBITDA</b>	<b>1.96X<sup>2</sup></b>	<b>2.44X<sup>3</sup></b>

<sup>1</sup> Converted in USD only for presentation purposes the NBU UAH/USD FX rates used: UAH/USD FX rate used: 1H 2017 – 26.7617; 1H 2018 – 26.7462 (the NBU average), 30.06.2018 – 26.1892, 31.12.2017 – 28.0672.

<sup>2</sup> The Calculation based on the year period that includes Adjusted EBITDA for 1H 2018 and 2H 2017 and Net Debt as at 30 June 2018.

<sup>3</sup> The Calculation based on the year period that includes Adjusted EBITDA for for the year ended 31 December 2017 and Net Debt as at 31 December 2017.



## 2018 Revenue and Adjusted EBITDA Key Drivers

In 1H 2018, revenue increased by 22.6% in UAH and 22.7% in USD terms or USD 575 mln. Key drivers:

### Volume:

- increase in gas sales by 31% (USD +49 mln),
- decrease in coal sales in Ukraine and exports by 31% (USD -38 mln),
- increase in electricity output by 8% (USD +76 mln),
- increase in the volume of electricity transmission by 5% (USD +48 mln)

### Price:

- electricity tariff increase by 15% (USD +186 mln),
- increase of the tariff for electricity transmission and supply by an average of 13% (USD +133 mln),
- heat tariff increase by 12% (USD +24mln),
- increase in prices for export and domestic coal sales by 28% and 37%, respectively (USD +25 mln),
- increase in electricity exports by 27% (USD +29 mln),
- increase in gas prices by 19% (USD +39 mln)

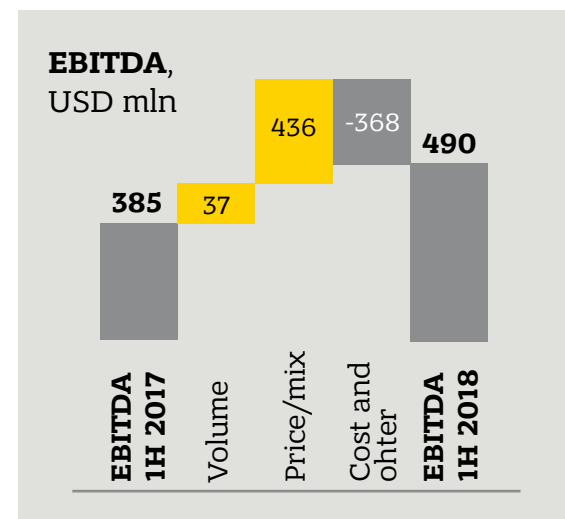
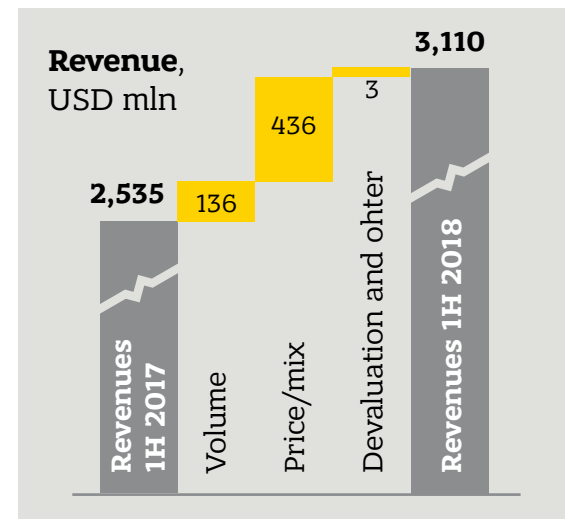
Adjusted EBITDA increased by 27% in the reporting currency UAH. In USD terms Adjusted EBITDA increased by USD 105 mln (27.3%). Main drivers:

### Change of volumes:

- increase in electricity output by 8% (USD +43 mln),
- decrease in 3<sup>rd</sup> party export and domestic coal sales (USD -11 mln);

### Production costs increase was driven by:

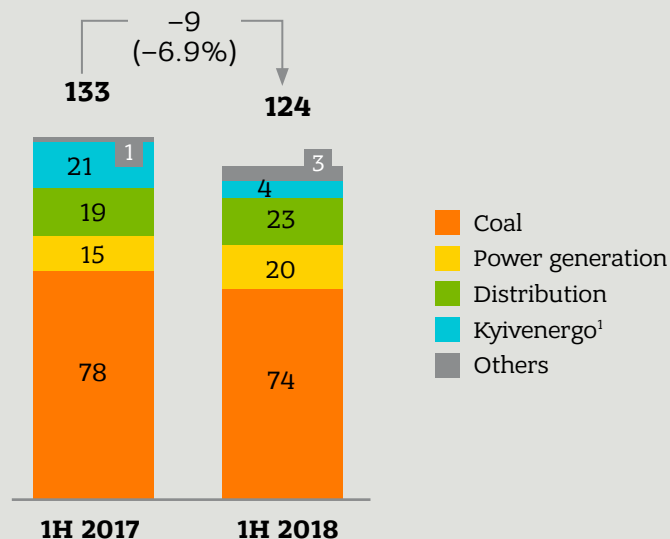
- increase of the cost of electric power (USD -131 mln),
- increase of the tariff for electricity transmission and supply by an average of 13% (USD -125 mln),
- prices for gas, purchased for further sale to 3<sup>rd</sup> party, increased by 21% (USD -43 mln),
- electricity exports purchase tariff increased by 14% (USD -20 mln),
- the price of gas for heat energy production increased by 8% (USD -15 mln),
- increase of the cost for electricity transmission and supply (USD -11 mln)



## Capital Expenditures

- In 1H 2018, the investments were down by USD 9 mln or 7% compared to the same time period in 2017. In UAH terms CAPEX decreased by 7%, or UAH 247 mln.
- The company is implementing a program to increase the use of G-grade coal in the energy sector, aimed to minimize the anthracite deficit following trade embargo with the conflict region:
  - Priority is to transform power units into G-grade coal power generation;
  - Significant investments were made for production of the required volume of G-grade coal.
- The investments into the distribution business and Kyivenergo were executed according to the requirements set by NERC.
- In 1H 2018, the Company focused on investing into the projects that aim to increase the quality and reliability of energy supply, implementation of automated control and electricity metering systems, and opening of new Client Service Centres a range of energy-efficient products is also being presented.

By business segments, USD mln

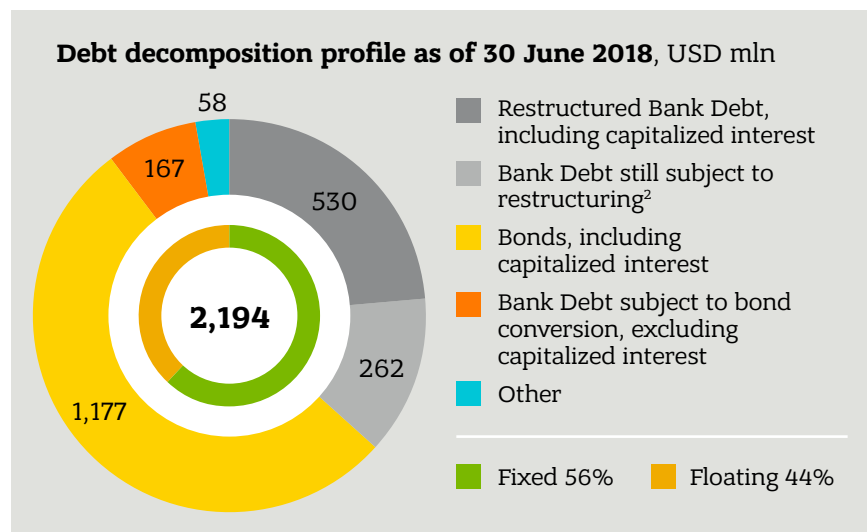


Business Unit	Projects	Completion
<b>COAL MINING</b>		
Yubileyna mine	Constructing of ventilation borehole No.3	3Q 2019
Dniprovaska mine	Replacing of the main ventilation fans	4Q 2018
DTEK Dobropil's'ka CEP	Construction of the filter press section and rock dump	1Q 2019
<b>POWER GENERATION</b>		
DTEK Zaporizka TPP	Overhaul of the electrostatic precipitator of unit <sup>1</sup>	1Q 2019
DTEK Burshtyns'ka TPP	Retrofit of unit 10	1Q 2018
DTEK Prydniprovaska TPP	Retrofit of units 9,10 for working on G-grade coal	4Q 2018
<b>ELECTRICITY DISTRIBUTION</b>		
DTEK Dnipro Grids	Construction of Naddniprianska substations 150/10/6 kV	1Q 2019
DTEK Kyivs'ki Elektromerezhi	Construction cable line 110 kV between Substation Novokievskaya and Substation Moskovskaya	4Q 2019
DTEK Kyivs'ki Elektromerezhi	Retrofit of Poznyaki 110/10 kV substation	4Q 2019

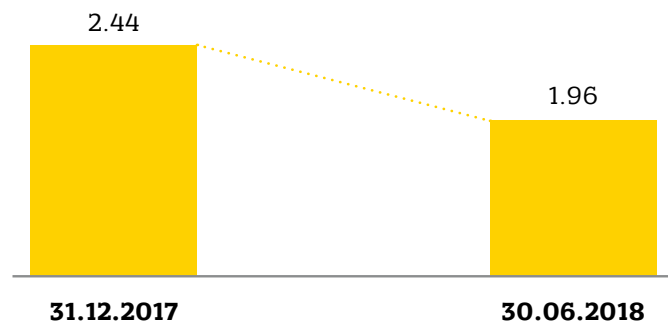
<sup>1</sup> Kyivenergo includes generation, heat generation and electricity distribution assets  
UAH/USD FX rate used: HY 2017 – 26.7616; HY 2018 – 26.7462 (the NBU average)

## Debt Structure

- Gross Debt amounted to **USD 2,278 mln**, Debt<sup>1</sup> made **USD 2,194 mln** as of 30 June 2018.
- In 2017 the Company finalized the restructuring of bonds and the major portion its Bank debt.
- In September 2018 the Company completed the restructuring of several facilities in the total amount of USD 217 mln (as of 30 June 2018), thereof: USD 67 mln were converted to bonds and USD 150 mln were restructured subject to terms and conditions similar to the facilities restructured in 2017.
- Post reporting date (30.06.2018) the company prepaid principal in the amount of USD 166 mln.



## Net debt to adjusted EBITDA



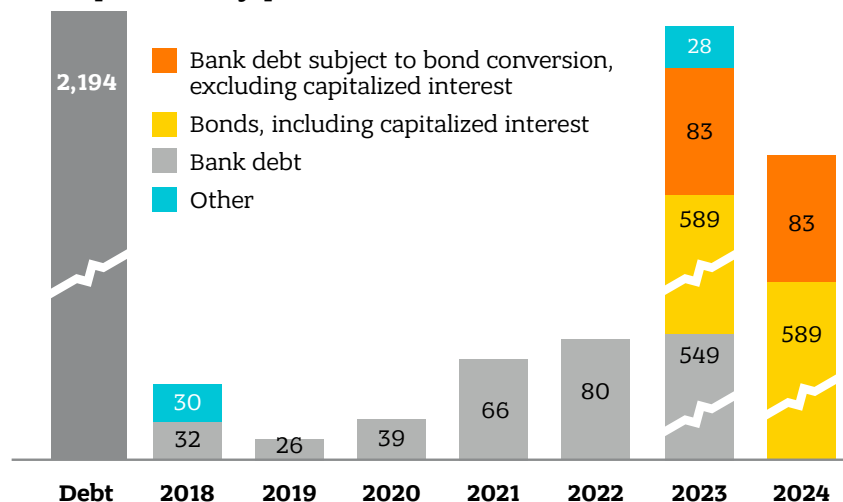
<sup>1</sup>Debt includes principal and capitalized interest for restructured bond and bank debt but excludes interest accrual, bank commissions, discounts, etc.

<sup>2</sup>The amount of debt is principal amount only. The amount of interest to be capitalized (PIKed) will be known as of the restructuring effective date of each particular facility. As of 30/06/2018 the total interest accrual amounts to USD 109 mln.

<sup>3</sup>The profile is presented as if the facilities that remained unrestructured as 30 June 2018 are restructured subject to terms and conditions similar to the facilities restructured in 2017

UAH/USD FX rates used: UAH/USD FX rate used: 1H 2017 – 26.7617; 1H 2018 – 26.7462 (the NBU average), 30.06.2018 – 26.1892, 31.12.2017 – 28.0672.

## Debt maturity profile as 30 June 2018<sup>3</sup>, USD mln





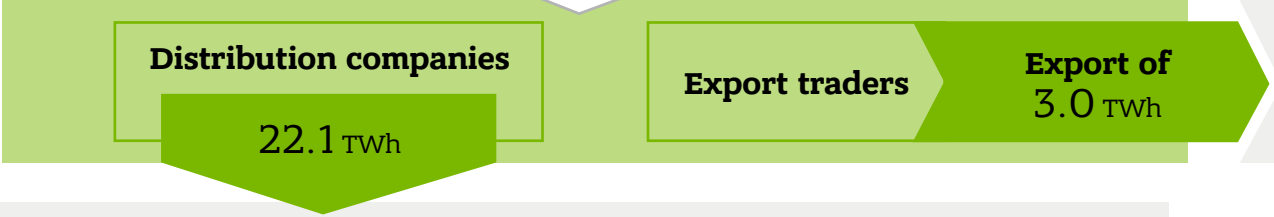
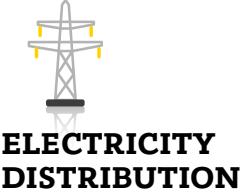


# Vertical Integration Model

- Electricity is DTEK Energy’s core product
- Selling predominantly to non-cyclical markets, capturing value across entire value chain



**Energorynok**  
 State-owned company operator of the single-buyer Ukrainian WEM (Wholesale Electricity Market)



**LOCAL MARKET<sup>2</sup>:** **3.5** million households and **96K** corporate and other customers

**3<sup>rd</sup> party customers (export sales)**

<sup>1</sup> Consumption of coal mined by DTEK Energy TPPs and DTEK Myronivka CHPP  
<sup>2</sup> Controlled territory  
 Source: DTEK Energy, 1H2018 results. TPP includes DTEK Myronivka CHPP and excludes DTEK Zuyivs'ka TPP

## Leading Energy Company in Ukraine



### Coal production

Coal mining volume: **11.4 Mt**

**16** coal mines and

**5** coal enrichment plants



### Power generation

Power generation (thermal): **17.4 TWh**

Installed capacity: **17.5 GW**

**9** TPG, **1** CHP plants



### Electricity distribution

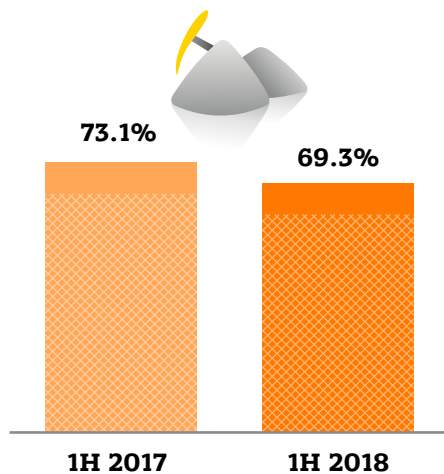
Electricity distribution: **22.1 TWh**

Grid length: **99,500 km**

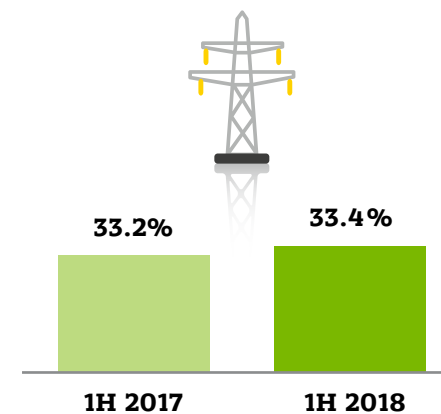
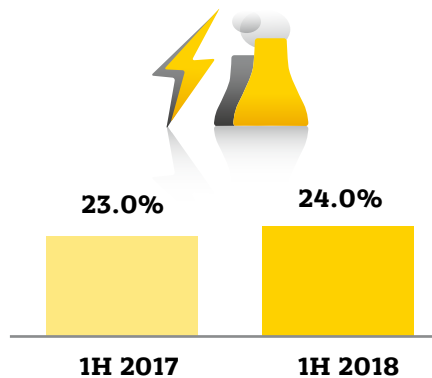
**5** distribution companies

**3.6** million end consumers

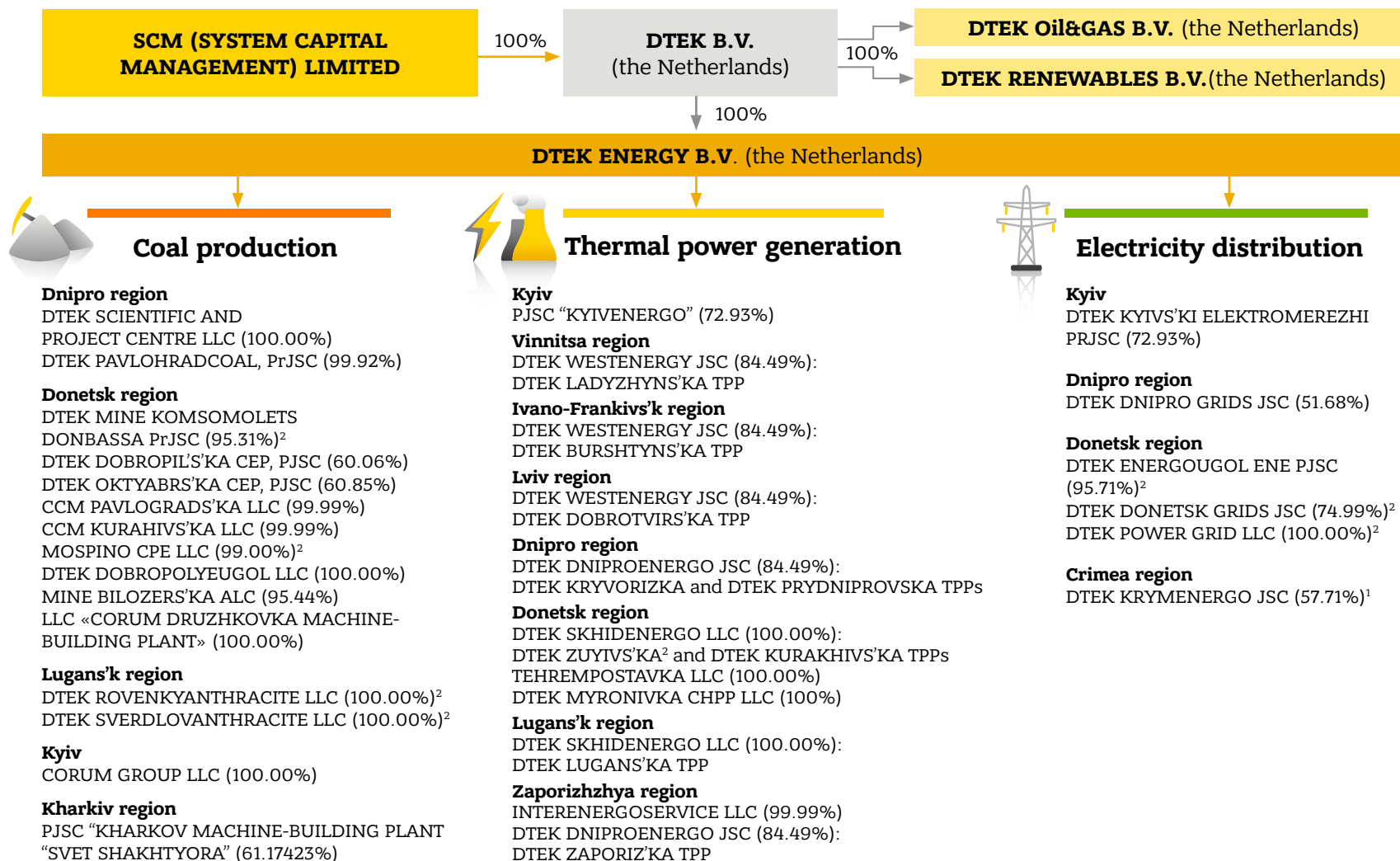
## DTEK PROPORTIONAL SHARE IN UKRAINE



SCM group internal consumption



## Geography of Operations and Ownership Structure

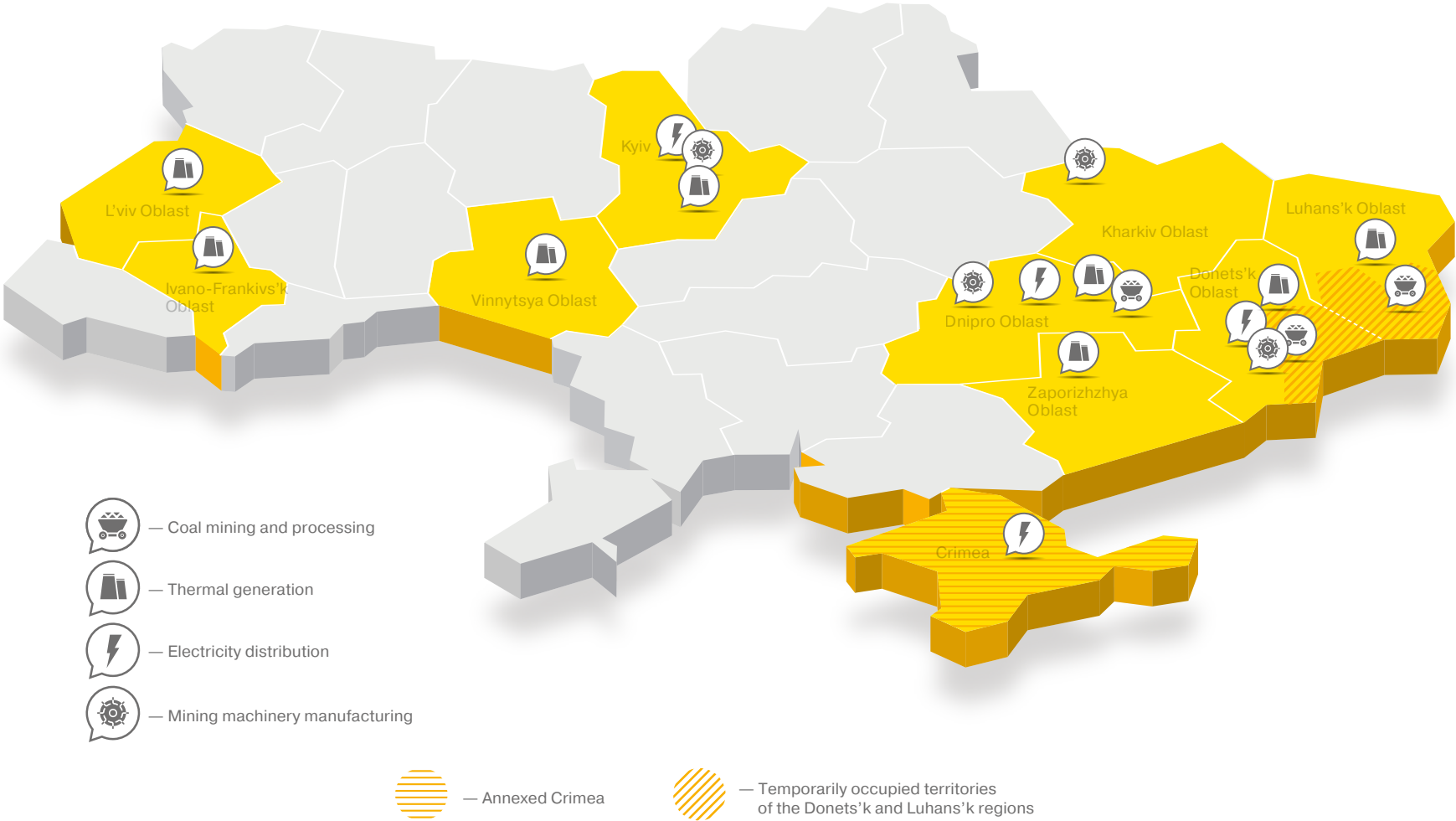


<sup>1</sup> In January 2015 assets of DTEK KRYMENERGO JSC were expropriated according to decision of Crimea State Council.

<sup>2</sup> In March 2017 asset in the NCT zone were seized.



# Location of DTEK ENERGY assets



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