



ENERGY SECTOR OF UKRAINE

2015: KEY TRENDS AND INDICATORS

JANUARY 2016

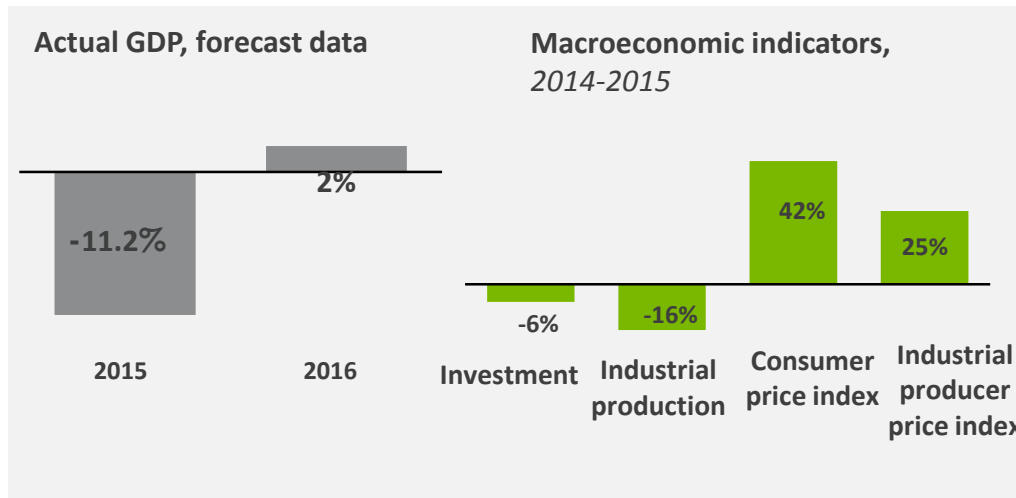


OVERVIEW OF UKRAINE'S MACROECONOMIC INDICATORS

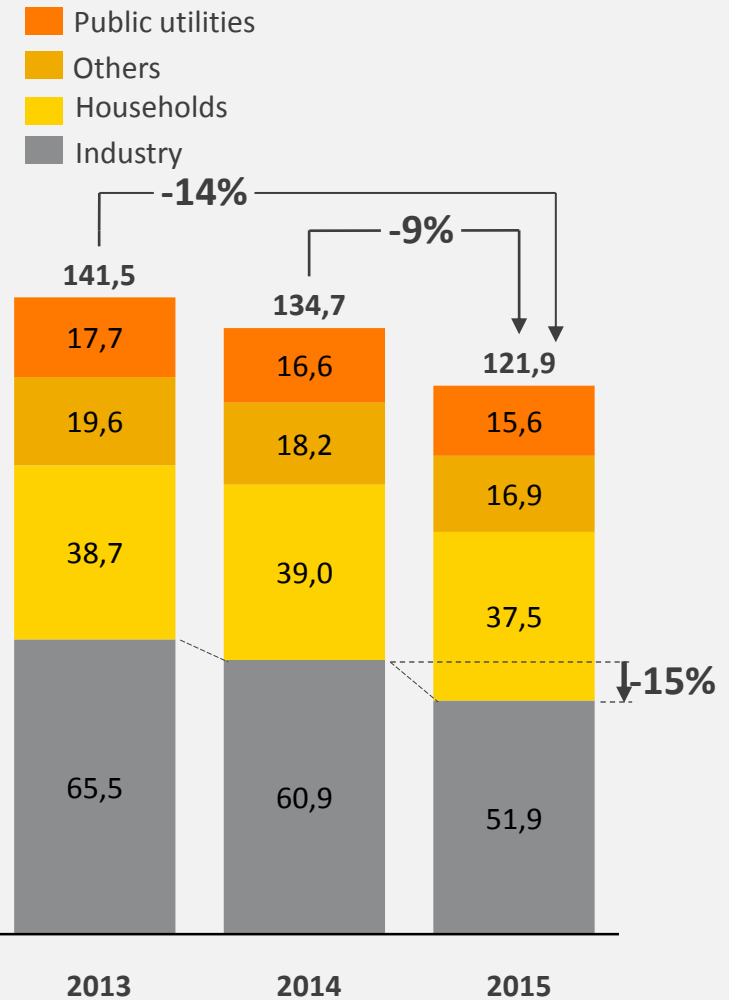
Electricity consumption by industry sectors and households in 2015 vs. 2014 dropped by 15% and by 4%, respectively. In total, electricity consumption in 2015 dropped by 9% vs. 2014 and by 14% vs. 2013.

Factors of influence:

- unstable operation of the plants located in the immediate proximity to the active combat zone (Illych iron and steel works, Azovsteel, etc.)
- after the Kakhovskaya-Titan line was knocked out of service (the supply to the Crimea equals zero), the ambient temperature is the main factor responsible for changes in consumption
- climate factors in 2015: extremely mild winter start: average temperature in December was +1.5 °C vs. the average -1.2 °C over the last five years



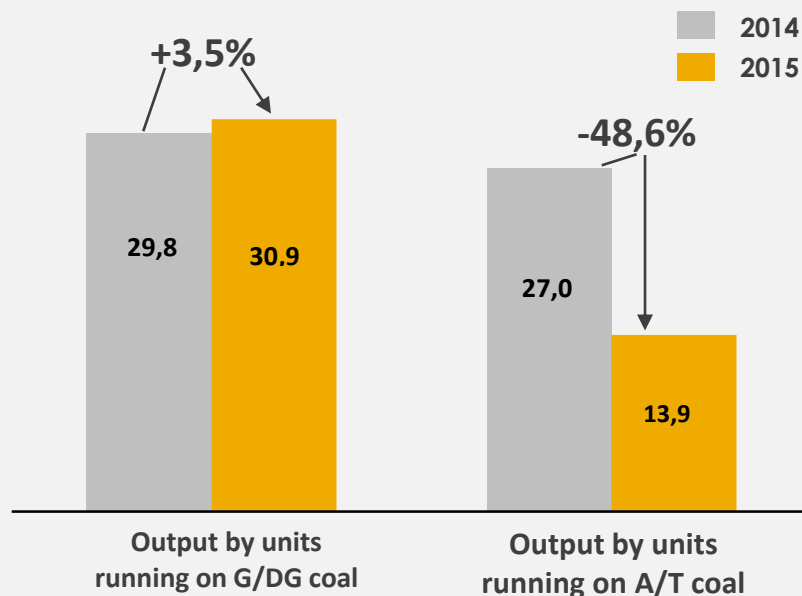
Electricity consumption In Ukraine** TWh



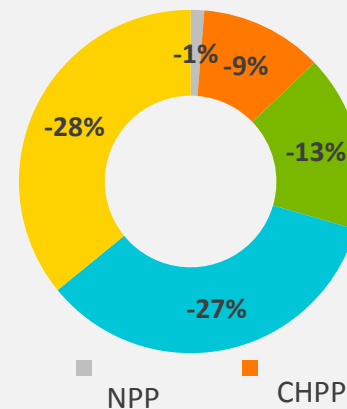
ELECTRICITY GENERATION, 2014-2015

- The total electricity output by GenCos in 2015 dropped by 13% or 21.7 bln kWh to 144 bln kWh vs. 2014.
- As of 15 Jan. 2016, 24 power units with a total capacity of 5.3 ths. MWh in the UES are mothballed, and seven GenCos' TPPs units are reported to be under routine or emergency maintenance.

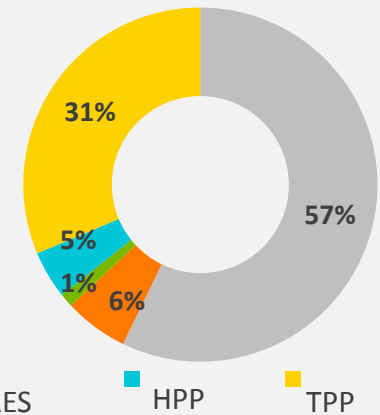
Electricity output by thermal GenCos, 11 months 2015, bln kWh



Comparison of electricity output by generation type, 2014-2015,* %



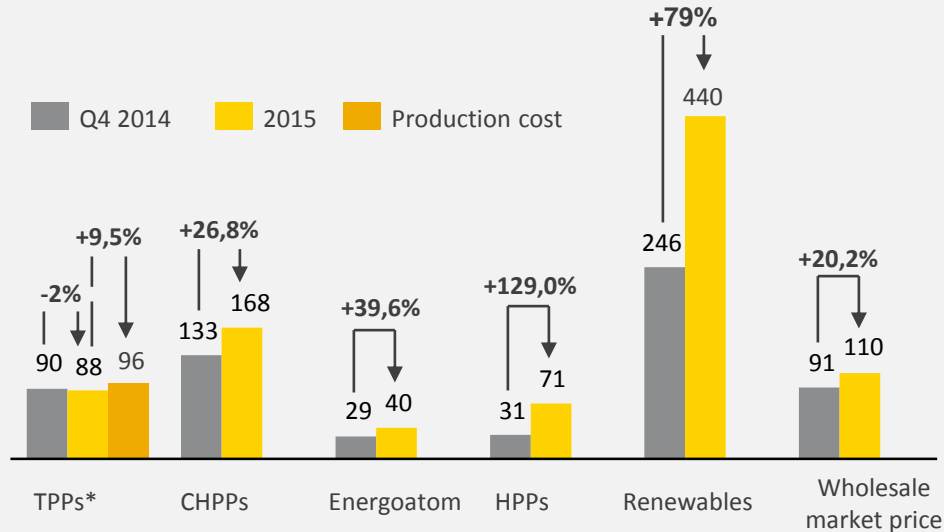
Electricity output by GenCos in 2015,* %



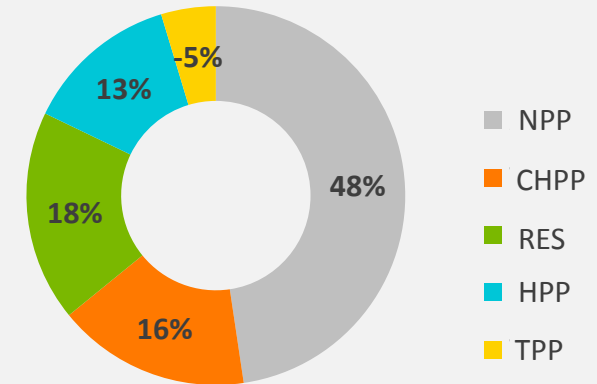
- Anthracite-fired TPPs saw the biggest reduction in electricity production, on average it came to 49%. Such an abrupt decline was slightly compensated by the growth of thermal generation (G/DG grade) by 4%.
- Submission of the draft law on electricity market reform to the Rada is delayed, and norms of existing legislation are not implemented. The draft law on Regulator is as well delayed, which also enables further 'manual' management of the energy sector.

FINANCIAL INDICATORS OF ENERGY COMPANIES IN 2015

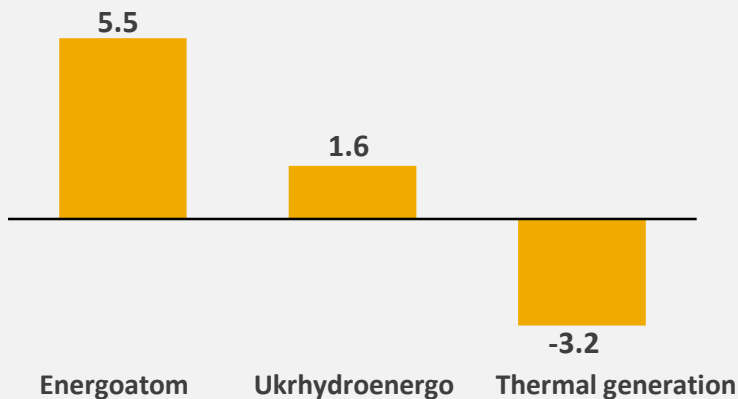
Tariff growth dynamics for different types of generation and electricity price growth trends in Ukraine, *kop/kWh*



Funds allocation resulting from changes in the GenCos' tariff in 2015



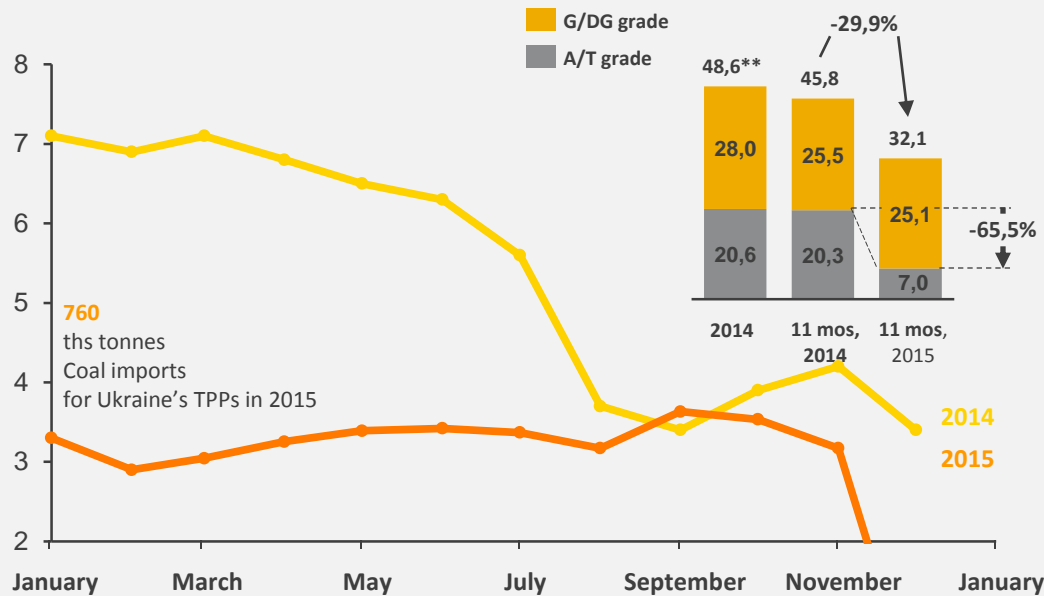
Gross profit of GenCos for 9 months of 2015, *UAH bln*



- The 2015 tariff of GenCos' TPPs dropped vs. Q4 2014 by 2%, while the tariff of the remaining types of generation increased from 27 to 79%. The wholesale market price increase and, respectively, the amount of electricity on the market was ensured at the cost of thermal generation.
- During 11 months, profitability of GenCo's TPPs amounted to: (-)9.5%

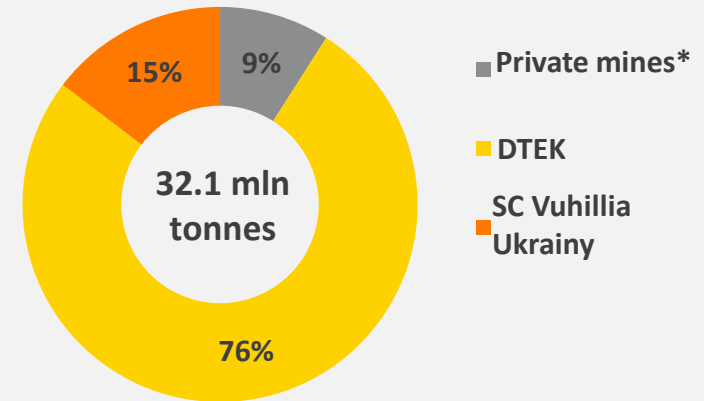
COAL PRODUCTION IN UKRAINE. KEY PRODUCTION INDICATORS

Dynamics of steam coal production, mln tonnes*

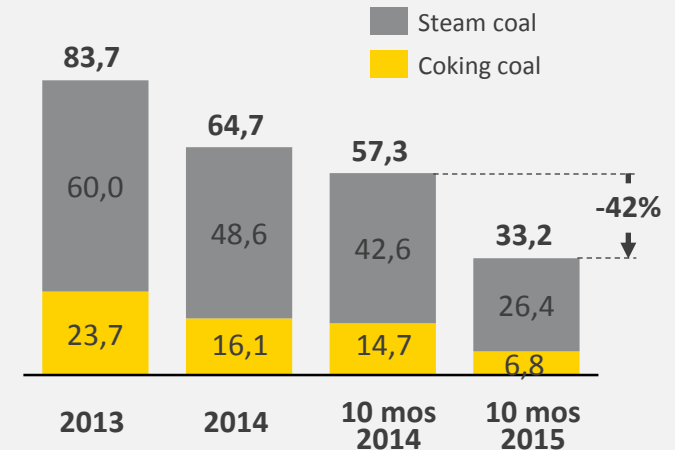


- Total coal production in Ukraine in 10 months 2015 dropped by 42% YoY.
- Steam coal production in Ukraine in eleven months of 2015 fell by 30% or 13.7 mln tonnes to 32.1 mln tonnes YoY.
- Reduction in the anthracite coal production (non-controlled territories) amounted to 66% or 13.3 mln tonnes

Steam coal production in Ukraine, 11 months of 2015, %

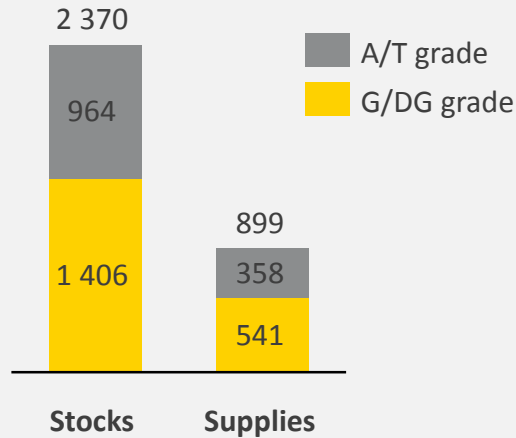


Dynamics of coal production, 2014-2015, mln tonnes

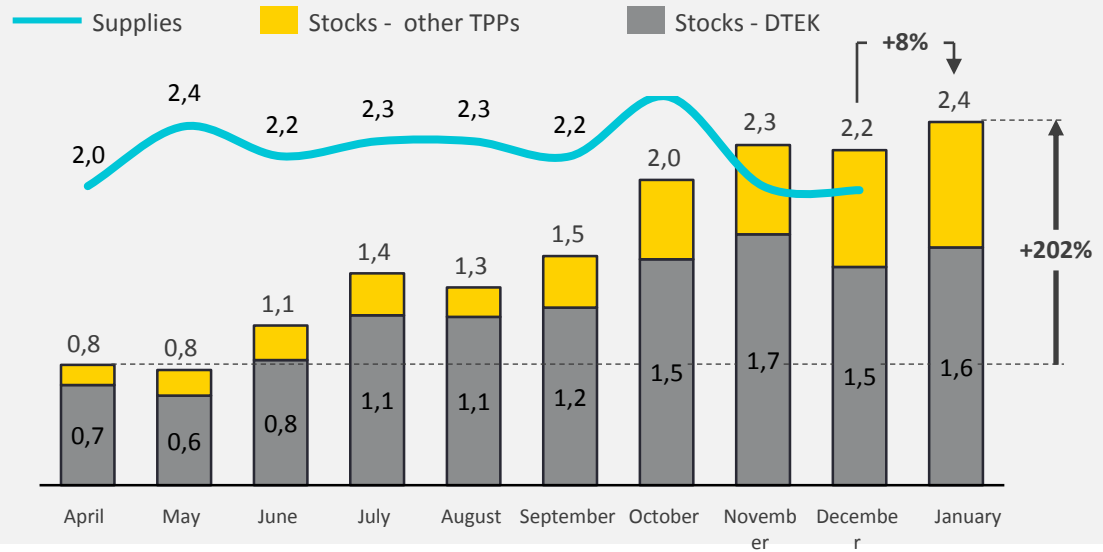


COAL SUPPLIES AND STOCKS AT GENCOS' TPPs IN 2015

Coal supplies over 14 days of January and stocks at GenCos' TPPs as of 12 January 2016, ths tonnes

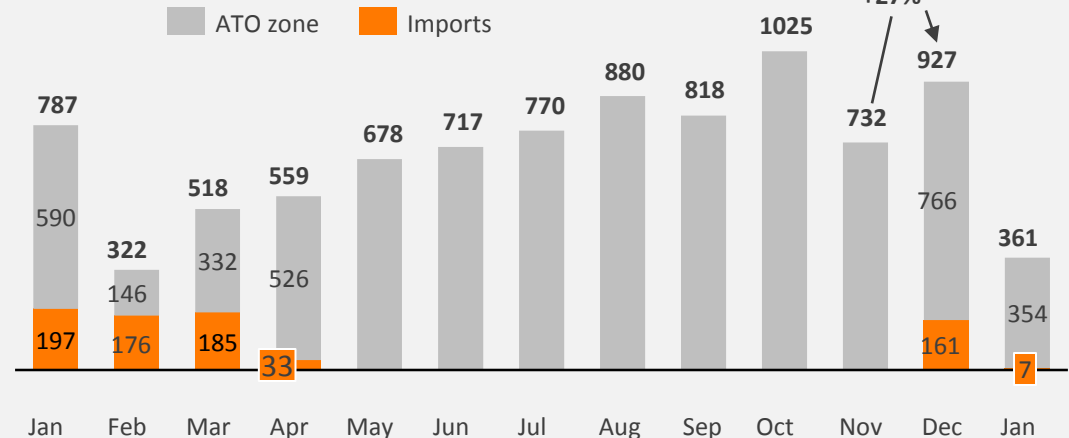


Trends in coal supplies and stocks at GenCos' TPPs in 2015, mln tonnes



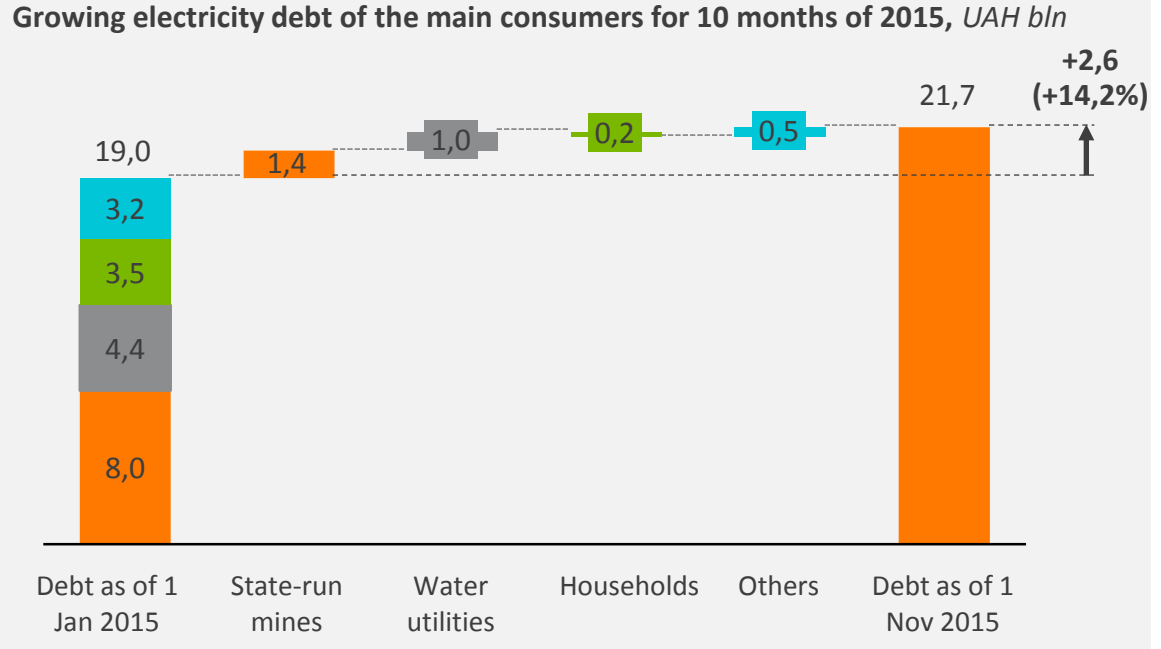
- As of 12 January 2016, steam coal stocks of the thermal power generators totalled 2.370 mln tonnes. The difference vs. the beginning of the month is (-) 3% or 65 ths. tonnes
- There was no coal supply from December 1 to December 9 from the ATO zone due to the shipment restrictions imposed on by the self-proclaimed republics. Shipments have resumed since 10 December.
- Since the start of December, 168 ths tonnes of imported anthracite have been shipped to the Trypilska TPP.

Supplies of A/T coal grades to GenCos' TPPs (January shipments, 14 days), ths tonnes



ELECTRICITY DISTRIBUTION

- Since the start of the year, the total debt of consumers in Ukraine's controlled territory has increased by 14.2%.
- The largest contribution to the above increase was made by the coal industry and household consumers, 17% and 22%, respectively.
- If this non-payment situation persists, the total debt of consumers may have grown by UAH 3.2 bln (+12%) by the end of the current year.



- As of 1 January 2016, the debt of the state enterprise Energorynok to thermal power GenCos reached UAH 6.66 bln.
- As of 1 December 2015, DTEK's debt for the consumed coal amounted to UAH 3.8 bln.
- The Regulator has not proceeded with adoption and realization of such tariff-setting system that would encourage modernization and efficiency.

