

Analysis of Financial Performance

For 2018, the consolidated revenue of DTEK Group was UAH 157,619 mln. Product sale costs increased to UAH 121,273 mln. As of the end of the year, the net profit amounted to UAH 12,373 mln. The net operating cash flow for 2018 was UAH 29,326 mln (in 2017 it was UAH 23,754 mln). Capital expenditure increased by 91.4% and amounted to UAH 19,878 mln.

Consolidated Financial Performance of DTEK Group, UAH mln*

| Indicators | 2017 | 2018 | Change, (+/-) | Change, (%) |
|------------------------------|-----------|-----------|---------------|-------------|
| Revenue | 134,637 | 157,619 | +22,982 | +17.1 |
| Cost of sales | (100,783) | (121,273) | +(20,490) | +20.3 |
| Operating income | 1,225 | 571 | -654 | -53.4 |
| Operating expenses | (14,329) | (13,211) | +1,118 | -8 |
| EBITDA | 37,195 | 42,897 | +5,702 | +15.3 |
| EBITDA margin | 28% | 27% | -1 pp | -1.5 |
| EBIT | 26,484 | 28,303 | +1,819 | +6.9 |
| EBIT margin | 20% | 18% | -2 pp | -8.7 |
| Net profit | 4,628 | 12,373 | +7,745 | +167.4 |
| Assets | 152,492 | 147,971 | -4,521 | -3.0 |
| Capital investments | 10,388 | 19,878 | +9,490 | +91.4 |
| Taxes paid in Ukraine | 22,517 | 26,724 | +4,207 | +18.7 |

* All data in the Financial Results Analysis section is sourced from the audited consolidated statements of DTEK B.V.

Income

The income of DTEK Group is derived from electricity wholesale to SE Energorynok, from the sale of coal, gas and gas condensate, as well as from the distribution of electricity and heat to end consumers.

In 2018, income from the sale of electricity to end-users in Ukraine and exports accounted for 46% of the consolidated revenue; the income from electricity wholesale to SE Energorynok — 38%; gas and gas condensate sale — 10%; sale of coal — 4%.

The DTEK Group generated the major part of the income in the Ukrainian domestic market — 92% of the consolidated revenue (including the compensation for the difference in heat tariffs). The share of export income in the consolidated revenue was 7%: as of the end of 2018, the income from export sales increased by UAH 3,175 mln year-over-year up to UAH 11,610 mln.

The following income changes took place in the key business segments:

- income from electricity distribution and supply in the domestic market increased by 16.6% and amounted to UAH 63,310 mln compared to UAH 54,303 mln in 2017;
- income from electricity generation increased by 14.6% and amounted to UAH 59,389 mln compared to UAH 51,801 mln in 2017;
- income from coal sales increased by 2.9%, to UAH 6,901 mln, compared to UAH 6,704 mln a year earlier. Income from coal exports amounted to UAH 1,641 mln compared to UAH 1,832 mln in 2017;
- income from natural gas and gas condensate sale increased by 24.5% and amounted to UAH 15,971 mln compared to UAH 12,826 mln in 2017.

Cost of sales

In 2018, the cost of sales increased by UAH 20,490 mln and amounted to UAH 121,273 mln. The increase in the cost of sales is linked to a rise in the expenses for the supply of electricity, as well as expenditures on salaries, the purchase of energy resources in foreign markets, logistics and transportation.

As of 2018, the gross profit was UAH 36,346 mln, which exceeds the respective 2017 indicator by UAH 2,492 mln. The gross margin decreased from 25.1% in 2017 to 23.1% in 2018.

Operating expenses and income

As of 2018, the general administrative costs grew by 23.8% and amounted to UAH 3,630 mln. The main general and administrative expense item is staff costs, including payroll taxes, which accounted for 64.4% of all general and administrative costs in 2018.

Sales expenses increased by 22.8% and amounted to UAH 1,934 mln, which was caused by an increase in transportation costs.

Other operating expenses increased by 34.2% and amounted to UAH 6,811 mln. The increase in other operating expenses is mainly due to the accrual of impairment reserve for fixed assets, intangible assets and goodwill.

Other operating incomes dropped by 53.4% and amounted to UAH 571 mln.

Liabilities and equity

Since the end of 2017, the volume of credits and loans had decreased from UAH 81,213 mln to UAH 77,983 mln by the end of 2018. In 2018, DTEK Group restructured a significant portion of its bank borrowings amounting to UAH 7,725 mln by signing supplementary contracts to reschedule the principal debt repayment.

In addition, in 2018, DTEK Group attracted a number of loans to finance renewable energy projects. From a consortium of German banks headed by Bayerische Landesbank, UAH 2,221 mln were attracted for the construction of the Prymors'k WPP with maturity in 2028 at EURIBOR interest rate of +2.5% until April 2019, after that an interest rate decreases to +1.9%. Moreover, financing for the construction of the Nikopol SPP was attracted from CMEC (China) in the amount of UAH 4,306 mln at an interest rate of 2.9% with maturity in 2029.

Long-term financial liabilities in 2018 decreased by 28.3%, or by UAH 2,074 mln, and amounted to UAH 5,266 mln.

As of the end of 2018, DTEK Group's accounts payable dropped by 5.0%, from UAH 17,015 mln to UAH 16,168 mln. Advances received as of 31 December 2018 decreased by 8.1% and amounted to UAH 7,649 mln.

Assets

In 2018, the assets of DTEK Group dropped by 3% compared to 2017 and amounted to UAH 147,971 mln. The book value of non-current assets decreased by 3.4%, to UAH 105,194 mln. Current assets decreased by UAH 838 mln, from UAH 43,615 mln in 2017 to UAH 42,777 mln in 2018.

Cash flow

In 2018, the net cash flow from operating activities increased by UAH 5,572 mln and amounted to UAH 29,326 mln. At the same time, the investment activity payments in 2018 increased by UAH 127 mln compared to 2017 and amounted to UAH 16,019 mln.

Expenditure on financial activities in 2018 amounted to UAH 9,924 mln.

DTEK Group's share in enterprises and companies as of 31 December 2018, %

| Company | % |
|--|------------|
| Holding companies | |
| DTEK B.V. | |
| DTEK ENERGY B.V. | 100 |
| DTEK RENEWABLES B.V. | 100 |
| DTEK OIL & GAS B.V. | 100 |
| DTEK GRIDS B.V. | 100 |
| D.TRADING B.V. | 100 |
| D.SOLUTIONS B.V. | 100 |
| Corporate centre | |
| DTEK LLC | 100 |
| Servicing of DTEK Group offices | |
| DTEK Service LLC | 99.9 |
| DTEK ENERGY LLC | 100 |
| Coal production and processing | |
| DTEK DOBROPOLYEUGOL LLC | 100 |
| DTEK PAVLOHRADCOAL PrJSC | 100 |
| MINE BILOZERS'KA ALC | 95.4 |
| KURAHIVS'KA CCM LLC | 99.9 |
| PAVLOGRADS'KA CCM LLC | 99.9 |
| DTEK OKTYABRS'KA CEP PJSC | 60.9 |
| DTEK Dobropil's'ka CEP PJSC | 60.1 |
| DTEK Scientific and Project Centre LLC | 100 |
| Electricity generation | |
| DTEK SKHIDENERGO LLC | 100 |
| TEHREMPOSTAVKA LLC | 100 |
| DTEK DNIPROENERGO JSC | 99.9 |
| DTEK WESTENERGY JSC | 99.9 |
| DTEK MYRONIVKA CHPP LLC | 100 |
| INTERENERGOSERVICE LLC | 99.9 |
| ELEKTRONALADKA LLC | 99.9 |

| Company | % |
|---|------------|
| Mining machinery manufacturing | |
| CORUM GROUP LLC | 100 |
| CORUM DRUZHKOVA MACHINE-BUILDING PLANT LLC | 100 |
| CORUM TRADING LLC | 99 |
| PERSHOTRAVENSKIY REPAIR AND ENGINEERING PLANT LLC | 99 |
| SVET SHAKHTYORA PJSC | 61.2 |
| Others | |
| KYIVENERGY JSC | 72.9 |
| Coal production and processing | |
| DONSKOY ANTHRACITE JSC | 100 |
| SULINANTHRACITE LLC | 100 |
| MINE OFFICE OBUKHOVSKAYA JSC | 100 |
| DTEK RENEWABLES LLC | 100 |
| Wind power | |
| WIND POWER LLC | 100 |
| WIND TECH LLC | 100 |
| ORLOVKA WEP LLC | 100 |
| PRIMORSKAYA WEP LLC | 100 |
| PRIMORSKAYA WEP-2 LLC | 100 |
| Solar power | |
| TRYFANOVKA Energy LLC | 100 |
| SOLAR FARM-1 LLC | 100 |
| SOLAR FARM-2 LLC | 100 |
| SOLAR FARM-3 LLC | 100 |
| SOLAR FARM-4 LLC | 100 |
| SOLAR FARM-5 LLC | 100 |
| SOLAR FARM-6 LLC | 100 |
| SOLAR FARM-7 LLC | 100 |
| SOLAR FARM-8 LLC | 100 |

| Company | % |
|--------------------|-----|
| SOLAR FARM-9 LLC | 100 |
| SOLAR FARM-10* LLC | 100 |
| SOLAR FARM-11 LLC | 100 |
| SOLAR FARM-12 LLC | 100 |
| SOLAR FARM-13 LLC | 100 |
| SOLAR FARM-14 LLC | 100 |
| SOLAR FARM-15 LLC | 100 |

* After the end of the reporting period, SOLAR FARM-10 LLC was renamed DTEK TILIGULSKA WEP LLC.

| DTEK OIL&GAS LLC | |
|-----------------------------|------|
| Gas production | |
| INVESTECOGAZ LLC | 100 |
| NEFTEGAZRAZBOTKA LLC | 100 |
| NAFTOGAZVYDOBUVANNYA PJSC | 73.0 |
| OIL&GAS SYSTEMS LLC* | 100 |

* Established after the end of the reporting period.

| DTEK GRIDS LLC | |
|--|------|
| Electricity distribution and grid operation | |
| DTEK POWER GRID LLC | 100 |
| DTEK ENERGOGOL ENE PrJSC | 95.7 |
| DTEK KYIV GRIDS PrJSC | 72.9 |
| DTEK DONETSK GRIDS JSC | 71.5 |
| DTEK DNIPRO GRIDS JSC | 51.7 |

After the end of the reporting period, DTEK Group completed acquisition 93.9978% of the PrJSC Kyivoblenergo and 68.2949% of the JSC Odesablenergo.

| Company | % |
|---|------------|
| D.TRADING LLC* | 100 |
| Trading in coal, electricity, gas and oil products | |
| DTEK TRADING SA | 100 |
| DTEK TRADING LIMITED | 100 |
| DTEK TRADING LLC | 100 |
| DTEK Hungary LLC | 100 |
| DTEK POWER TRADE LLC | 100 |

* Established after the end of the reporting period.

| D.SOLUTIONS LLC* | |
|--|-----|
| Electricity supply and energy efficiency services | |
| DNIPRO ENERGY SERVICES LLC | 100 |
| DONETSK ENERGY SERVICES LLC | 100 |
| KYIV ENERGY SERVICES LLC | 100 |
| DTEK ESCO LLC | 100 |

* Established after the end of the reporting period.

| Non-controlled companies | |
|--------------------------------------|------|
| DTEK ROVENKYANTHRACITE LLC | 100 |
| DTEK SVERDLOVANTHRACITE LLC | 100 |
| DTEK MINE KOMSOMOLETS DONBASSA PrJSC | 95.3 |
| MOSPINO CPE LLC | 99.0 |
| DTEK KRYMENERGO JSC | 57.7 |

On January 21, 2015, the Crimean self-proclaimed government started to consider the movable and immovable property of DTEK KRYMENERGO as the property of the Republic of Crimea.

On March 15, 2017, the company declared that it had lost control over the enterprises and assets located in the areas of Donetsk and Luhans'k regions temporarily not controlled by the Ukrainian government.

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