

Introduction



Oleg Popov

Chairman of the Supervisory Boards of DTEK ENERGY B.V., DTEK RENEWABLES B.V., DTEK OIL & GAS B.V., CEO of SCM

Dear colleagues and partners,

I am pleased to present the DTEK Group's 2018 Annual Report.

2018 was an exciting year full of investment and other notable milestones, including reform of the electricity market and a renewed focus on the cities where we work and the people who live there. I'd like to recap the year's highlights in order.

It is extremely important that we do not let external challenges hinder the development of our industry by continuing to invest. Thus, in 2018 the DTEK Group invested UAH 20 bln into production, doubling the amount invested in 2017. Systematically, we have been implementing our strategy for the radical modernization of existing production facilities and the creation of new ones. We know Ukraine's energy sector is badly in need of a comprehensive transformation, so the DTEK Group is doing everything it can to help it become more technologically-advanced and environmentally-friendly.

Here are just some of the projects implemented by the DTEK Group in 2018 — projects that are important not only for our business, but also for the entire Ukrainian energy industry.

In 2018, the DTEK Group invested almost UAH 10 bln in green energy. We built Nikopol Solar Power Plant and completed construction on phase I of Prymors'k Wind Farm. But we are not stopping there: phase II of Prymors'k Wind Park and Pokrovs'k Solar Power Plant are both under construction. We plan to have 1 GW of installed capacity in green energy by 2020. That means we will produce 2,500 mln kWh of green electricity annually, which is the amount Ukraine consumes in seven days. In other words, we can provide Ukraine with a whole week of green electricity! This is just one of the ways we're helping the Ukrainian energy sector become environmentally-friendly.

And this is not the only thing we're proud of: in 2018, the DTEK Group allocated UAH 1.7 bln to developing gas production. We continued drilling ultra-deep wells and introduced production facilities that use a unique combination of equipment and technological solutions. When it comes to the distribution of energy, DTEK was one of the first companies in Ukraine to provide access to online maps of power grids. And I am particularly

pleased with our line of projects relating to the "new energy industry", including the network of high-speed charging stations for electric vehicles, DTEK's innovation management function, and our Energy Accelerator, responsible for harnessing the value of new ideas and technology. These projects are changing the face of the Ukrainian energy industry, ensuring it becomes more customer-centric and develops in a sustainable way.

We all understand that continuous production from renewable energy sources cannot be guaranteed using current technologies, especially given the rapid rise in demand for electricity. In addition, in Ukraine, thermal generation remains a significant element of energy security. In the foreseeable future, we should replace imported coal with domestic coal. The DTEK Group has invested UAH 5.4 bln in increasing G-grade coal production and re-equipping power units to run on domestic coal rather than imported anthracite. In 2018, we carried out that work at the two power units of DTEK Prydniprov's'ka TPP. The share of electricity generation from anthracite decreased to 12% of the DTEK Group's total production.

Energy sector reform is aimed at accelerating the positive transformations enabled by liberalization. In the initial stage of the reform, companies have been required to separate distribution system operators from the production and supply of electricity. In 2018, DTEK Group was the first among the companies in the industry to complete this unbundling procedure, outlining the network and client businesses. This once again underlines our commitment to create an electricity market in line with the European model. Since its establishment, DTEK has been pushing for reform, because we think competition should rule the market. The transition to a liberalized model opens up opportunities for structural change, while making the industry more investable, more technologically-advanced, more environmentally-friendly, and able to support Ukraine's energy resilience. Consumers will become full-fledged market participants, ensuring that

companies focus on improving existing services and introducing new ones.

There's one more thing I would like to say: in addition to developing our production and exploring new areas, DTEK has always been and remains focused on corporate social responsibility. The principles of sustainable development underlie our business — we understand that we can only be successful over a long period if the interests and needs of all stakeholders are met. That includes local communities, part of which are made up of DTEK Group enterprises, as well as our employees and partners, whose daily work contributes to the overall success.

In 2018, we allocated UAH 2.2 bln towards sustainable development projects. We purposefully invest in improving working conditions and employee training. And we have brought our social partnership projects to a new level. For example, our project "Your Hometown Begins with You" has led to some amazing ideas on the arrangement of city-wide space, and to explore these ideas, we have introduced a competition for large grants. Another project we are proud of is "Energy Efficient Schools: New Generation", which has grown from regional project to a national one, covering every region of Ukraine. I hope, the TREND and "Come on, Let's Play!" projects, which we started this year, will have the same promising future.

However, all of the above was only made possible thanks to the professionalism and support of each DTEK Group employee. I am confident that, together, we will build the most modern, technologically-advanced and people-oriented energy company in Ukraine. You, our employees, are the guarantee of DTEK's ongoing business success.

