

In 2014, **SLOVYANSKA TPP** started its preparations for the first-ever construction of power units in the history of independent Ukraine. The aggregated capacity of two power units shall amount to 660 MW. The power plant utilizes CFB as the fuel combustion technology.

Voroshilovgradska SDPP was constructed using the boiler assembly in pre-fabricated modules up to 40 tonnes for the first time in the USSR. This technology enabled commissioning of 7 boilers and 4 turbines in a year instead of 4 boilers and 2 turbines as planned. No other construction in the world had seen such a fast installation process.

In early 1960s, **SLOVYANSKA SDPP** was the first power plant in Europe to test and introduce the bulky units (power units up to 800 MW), that were later installed at the Vuhlehirska, Zaporizka and Permskaya power plants.

Severodonetska SDPP was the first power plant in Ukraine where the heat-producing units were installed (1931).

Donbasenergo regional energy company became the largest production association in the USSR in 1949.

In 1976, Donbasenergo ranked first among the production associations of the USSR due to commissioning of full capacity of Vuhlehirska SDPP.

By the end of 1980, one third of Ukraine's total electricity output was generated by Donbasenergo (31.8 %).

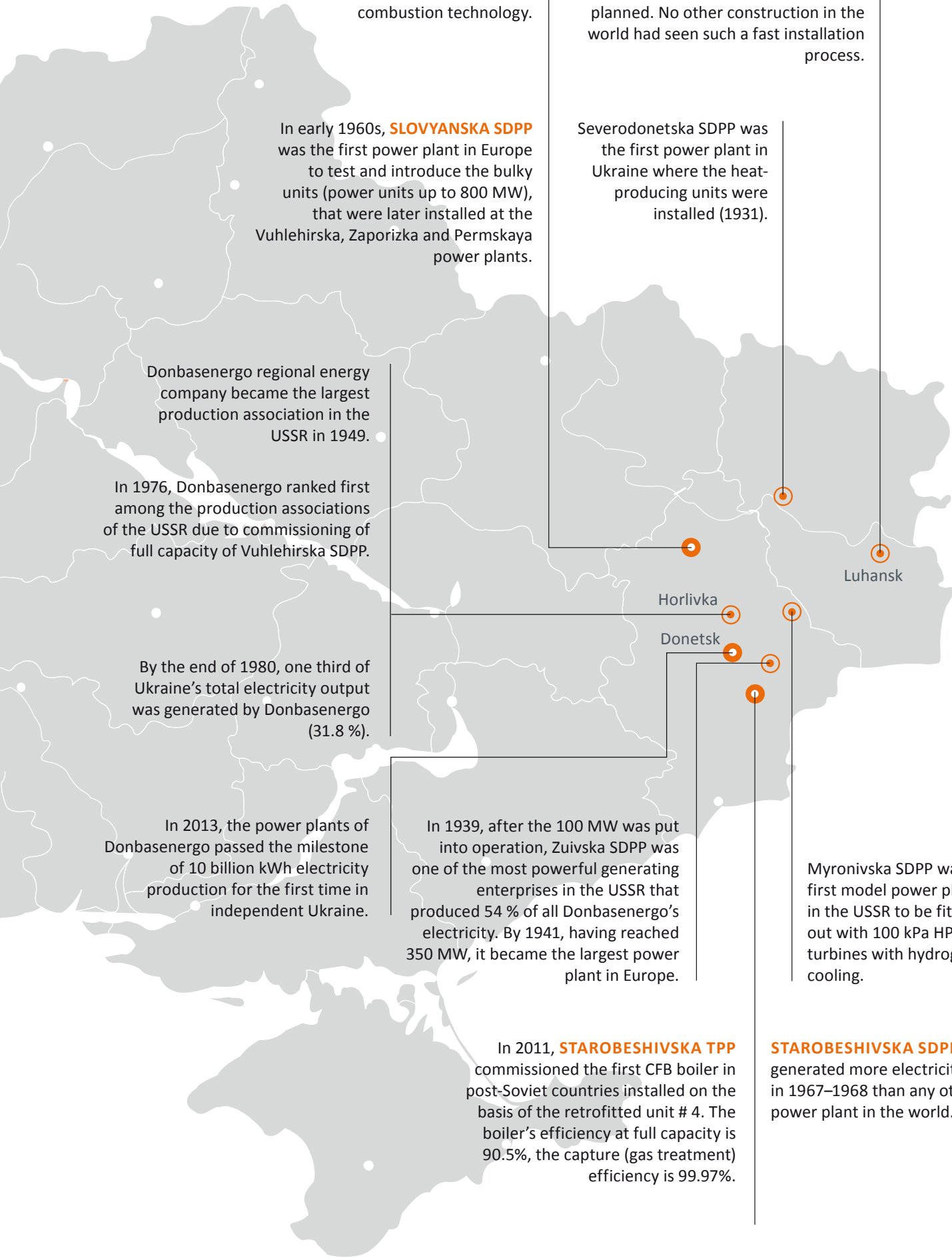
In 2013, the power plants of Donbasenergo passed the milestone of 10 billion kWh electricity production for the first time in independent Ukraine.

In 1939, after the 100 MW was put into operation, Zuivska SDPP was one of the most powerful generating enterprises in the USSR that produced 54 % of all Donbasenergo's electricity. By 1941, having reached 350 MW, it became the largest power plant in Europe.

Myronivska SDPP was the first model power plant in the USSR to be fitted out with 100 kPa HP turbines with hydrogen cooling.

In 2011, **STAROBESHIVSKA TPP** commissioned the first CFB boiler in post-Soviet countries installed on the basis of the retrofitted unit # 4. The boiler's efficiency at full capacity is 90.5%, the capture (gas treatment) efficiency is 99.97%.

STAROBESHIVSKA SDPP generated more electricity in 1967–1968 than any other power plant in the world.



KEY FIGURES AND EVENTS OF THE YEAR



ELECTRICITY GENERATION
7,141
million kWh



PRODUCTIVE ELECTRICITY SUPPLY
6,355
million kWh



REVENUES FROM ELECTRICITY AND HEAT SALES
5,864.8
million UAH

January 01

- **Starobeshivska TPP.** Power unit # 4 was switched to design fuel: high-ash coal and sludge (the coal's ash content is 35–41.2%).

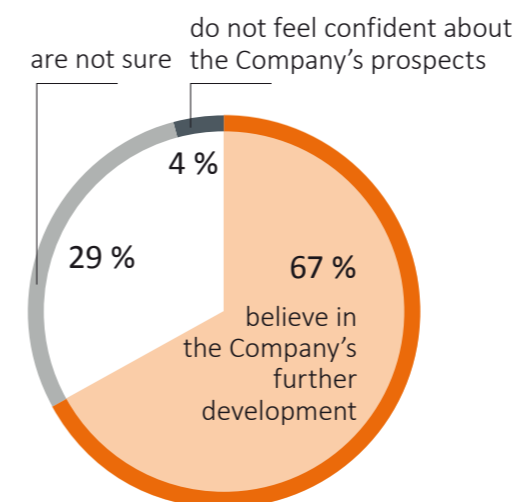
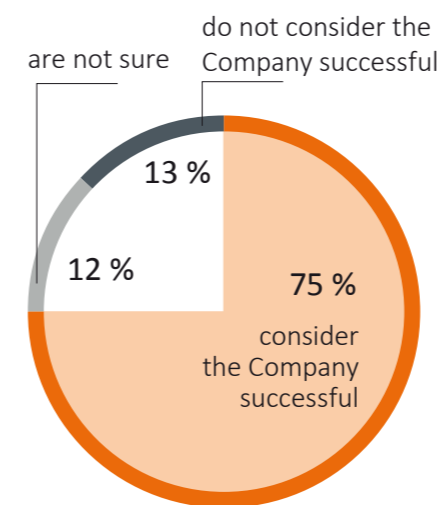
February 02

- **Starobeshivska TPP.** Representatives of ZVVZ-Ukraine, ZVVZ Group and Siemens Ukraine carried out a trial startup of the induced-draft fan within the framework of the unit # 12 retrofit. As a result, the permit was issued to put it into operation and perform the boiler startup and adjustment operations.

March 03

- The Company carried out its first staff polling to determine the level of the staff's satisfaction with their jobs and the factors affecting it. 1,434 employees took part in the polling: representatives of the working professions, administrative and management staff.
- **Slovyanska TPP.** The Company started a retrofit of package 7B on the power unit # 7. The voltage transformers were replaced; new gas-insulated transformers with an upgraded NOG-245 kV accuracy class were installed instead of the old oil-immersed transformers produced back in 1953; the SF6 circuit breaker was assembled on the outdoor switchgear ORU-110 kV, along with two sets of current transformers on switchgears ORU-110 kV and ORU-330 kV. For the first time since its commissioning, new equipment was installed on the steam panel dryer #3. The retrofit extended the dryer's service life by 10 years and improved its reliability.
- **Starobeshivska TPP.** The annual overhaul campaign started, to be implemented in three stages:
I – current overhauls of units # 4, 5, 6, 9, 10, 11, 13;
II – retrofit of unit # 8;
III – commissioning of unit # 12.

POLLING RESULTS:



April 04

- The Company adopted its Health and Safety Policy where it declared and publicly announced its strategic objectives and commitments in health and safety for the benefit of all the employees of Donbasenergo's structural units.
- 26 April saw a general shareholders' meeting where the 2013 performance results of Donbasenergo were approved.
- **Starobeshivska TPP** completed the retrofit of unit # 12.

May 05

- The Company summed up the results of children's creative competition 'Donbasenergo Is My Inspiration' in which the children of 106 employees took part. The best works were used as illustrations for the Company's 2015 corporate calendar.

June 06

- **Slovyanska TPP.** When the battle actions started, the families of energy workers and residents of Mykolaivka were evacuated to Berdiansk where they were provided with accommodation and food at the local vacation holidays, recreation and rehabilitation centres.
- 20 employees of the Company's management staff and structural units completed their training in the international mini-MBA business program.

July 07

- Teploelektroproekt design institute celebrated its 30th anniversary.
- **Slovyanska TPP.** After the battle actions ceased, the General Director set up the Task Force to restore the power plant's operations and to resume provision of essential services to the town of Mykolaivka. The first plant's facilities were restored, overhaul of the auxiliary transformer 203T was completed and energy supply to the residents of Mykolaivka was resumed. Besides, the electricity supply was resumed for the plant's own consumption and for the pump stations of the Siverskyi Donets – Donbas canal. The Company also repaired the railway groundwork from Slovyanska TPP to the Elektricheskaya station and inspected and repaired the railway tracks around the power plant, which allowed to resume the supplies of solid and liquid fuels and start deliveries of the required materials and equipment for the repair and recovery operations.
- After the battle actions started in Donetsk, the Company's employees and their families were evacuated to Svyatogorsk.



FULLFILLMENT OF
INVESTMENT PROGRAM
UAH

817.7
million

August 08

- The Company adopted its Environmental Management Policy where it declared and publicly announced its strategic objectives and commitments as regards the environmentally safe production and compliance with the applicable European emission norms and preservation of natural environment in the Company's areas of presence.
- **Slovyanska TPP.** The 1 million kVA transformer 17T that was fully destroyed in the battle actions was disassembled. The company repaired the glass panels in all the buildings and facilities that were damaged in the battle actions and conducted all the required measures to resume operations of the power plant's auxiliary 'non-block' sections within the framework of the power plant's preparation for the autumn and winter season to provide safe working conditions for the employees. The repair works started on the switchgear that was seriously damaged in the battle actions.
- **Starobeshivska TPP.** Power unit # 12 was connected to the grid.



HEALTH AND
SAFETY COSTS UAH

13.7
million

September 09

- On 1 September, a new school year started in the educational institutions of Mykolaivka that were most damaged in the battle actions (secondary schools # 1 and # 3 and day care centre #37). The Company repaired the buildings, bought the required furniture and kitchen appliances.
- **Slovyanska TPP** celebrated its 60 years.

October 10

- The Company's Directorate decided to provide material assistance to the employees of Slovyanska TPP whose homes were significantly damaged or destroyed in the battle actions.
- As the Company organized quality preparations of the plants for the peak load in autumn and winter, the heating season was able to start on time in Novyi Svit and Mykolaivka. Slovyanska TPP is generating heat by the boilers of the plant's auxiliary 'non-block' sections.
- **Slovyanska TPP.** The Company completed the repair and recovery works on the power plant's mazut-handling facilities that were damaged in the battle actions.
- **Starobeshivska TPP.** The Company ran warranty trials of the electric precipitator on unit # 12. The trials were carried out by the specialists of Donbasenergonaladka.



ENVIRONMENTAL
COSTS UAH

63.9
million

November 11

- The management staff of Donbasenergo was permanently transferred to Kyiv.
- **Starobeshivska TPP.** Unit # 4 was connected to the grid after the planned overhauls were completed and is operating at 165 MW.
- **Slovyanska TPP.** The second complex of preparatory works was completed to retrofit the unit # 6 dividing it into two units, 6A and 6B, with 330 MW capacity each.

December 12

- The Company successfully completed its H&S certification confirming its compliance with OHSAS 18001:2007 standard requirements.
- The general shareholders' meeting decided to change Donbasenergo's state registration to Kyiv.
- **Slovyanska TPP.** The Company carried out all the preparatory works for the installation of 1 million kVA transformer to be delivered from Vuhlehirska TPP. Connection of the 5T transformer will allow the power plant to bring the electricity and heat generation to the pre-war level. The systems of package 7A of the unit # 7 are inspected before the startup.



NET PROFIT UAH

100.9
million

ANNOUNCEMENT OF DONBASENERGO'S GENERAL DIRECTOR FOR SHAREHOLDERS



Dear shareholders!

The events of 2014 that preceded the 85th anniversary of Donbasenergo were a turning point for our Company and largely defined both today's performance results of Donbasenergo and the Company's future for several years to come. The Company could either give in to the new political and economic challenges it had to face, or stand up to them and tough it out. We have withstood this test to move on, develop our business and implement our plans. The Company's 2014 performance results should not be evaluated from the point of view of standard approaches: actual results vs. plan and current indicators vs. previous ones. Our today's evaluation must factor in the quality and level of the risks we faced in 2014. On the one hand, actual financial and economic indicators at year-end were below the plan that was developed based on the positive trends of 2012-2013. On the other hand, the events of 2014 could have caused not just unfavourable economic results, but a full production shutdown. Despite the existing threats triggered by political and economic upheaval in Donetsk region and Ukraine, Donbasenergo managed to retain its production and status of the national electricity market participant. This result was possible due to consolidated efforts of all the Company's employees. A popular Renaissance saying was 'When there's a will, there's a way'. I believe that the strong-willed decisions of each manager at our departments and structural units and determination of our people to rise above the circumstances and their ability to act professionally in the most difficult conditions helped us to close financial year 2014 with satisfactory results. The Annual Electricity Generation Plan of Donbasenergo was not fully complied with due to the damages of

Slovyanska TPP's main and auxiliary equipment as a result of military actions, which also caused the power plant's shutdown in July 2014. Nevertheless, our power plants generated over 7.1 billion kWh of electricity in 2014, for the total amount of UAH 4.8 billion, that was supplied to the Integrated Power System of Ukraine. Starobeshivska TPP operated to its maximum possible capacity in the second half-year and maintained stability of the country's power system in spite of interrupted fuel supplies, numerous damages of the substations and power lines. Ukraine managed to avoid total blackouts in the autumn and winter season due to the valuable contribution of each and every one of Starobeshivska TPP's 2,000 employees. Moreover, the power plant's stable operation generated the funds that the Company required to restore Slovyanska TPP and to support all the Company's structural units.

Donbasenergo's power plants succeeded in carrying out quality preparations for the autumn and winter period and timely started the heating season, despite the continuing fuel deficit, disturbed logistics and undermined economic ties with their partners. We have made all necessary efforts to provide heating for 25,000 residents of Novyi Svit and Mykolaivka, even though we had to use uneconomical outdated equipment at Slovyanska TPP (similar equipment had long been decommissioned and dismantled throughout Ukraine). In its turn, the startup of the power plant's auxiliary 'non-block' section in October 2014, including in the generation mode, became a clear signal that Slovyanska TPP was ready to 'return to the ranks' and continue working for the Integrated Power System of Ukraine. The damage that the enterprise suffered as

a result of the battle actions exceeded UAH 250 million. In February 2015, the Company completed basic repair and recovery operations at its own expense. The main goal of Donbasenergo as a modern innovative company is to ensure sustainable development. Year 2014 was no exception. We have completed the retrofit of unit # 12 at Starobeshivska TPP upgrading its capacity by 10 MW; practically completed the retrofit of package 7B on unit #7 of Slovyanska TPP and carried on with the preparatory works to construct power units 6B and 6A. In 2014, the Company fulfilled a number of corporate and social responsibility commitments: it successfully passed the international health and safety certification in line with the OHSAS standards and adopted the Environmental Management Policy. We took all steps to fulfill our obligations to our creditors, which caused an increment in Donbasenergo's solvency ratio as compared to 2012 and 2013 by 17.1% and 6%, respectively. The Company closed year 2014 with the net profit of UAH 100.9 million. The shareholders are going to receive dividends at the end of the year which turned out to be fatal for many enterprises operating production facilities in Eastern Ukraine. Of course, these dividends are going to be much lower than last year. However, Donbasenergo sends a clear signal to its shareholders: we do not regard current social and political upheaval and military actions as a 'curtain' that can conceal false decisions and wrongful acts. More than that, current events can motivate the Company to work even better, become even stronger to be a reliable support for the families of our energy workers, a good faith partner for the local communities, the state, the industry's enterprises and our shareholders.

Eduard Bondarenko
General Director
Donbasenergo

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1 DONBASENERGO TODAY



DONBASENERGO IS A MODERN ELECTRICITY GENERATING, SOCIALLY RESPONSIBLE COMPANY WITH A RICH PRODUCTION HISTORY AND HIGH DEVELOPMENT POTENTIAL

COMPANY'S PROFILE

Donbasenergo as a production company is an integrated production complex combining the electricity and heat generation enterprises. The Company's main assets are the power units of Starobeshivska TPP and Slovyanska TPP with total installed capacity of 2,855 MW. The main product of Donbasenergo is electricity, the share of which in total commercial output amounts to 97.7 %. The Company's power plants also generate and deliver heat for the towns of Mykolaivka (Slovyansk district) and Novyi Svit (Starobeshevo district), thus ensuring heating supply for all groups of consumers.

Donbasenergo operates and develops seven enterprises (structural units).

Each structural unit makes its own contribution to the Company's development and its financial and economic result. The Company's enterprises perform overhauls, adjustments and trial runs of the heat machinery and electrical equipment, produce spare parts and accessories for these types of equipment, develop the new production types, such as foundry operations, manufacturing of the heat insulation mixtures and materials, engage in design surveys, construction and repair works on the buildings and facilities of TPPs, provide transportation and other services.

Donbasenergo guarantees good faith fulfillment of its obligations to its shareholders: it carries out efficient economic activities, pays out the dividends timely and in full. The share of dividends in the allocation of net profit amounts to 30%.

The Company is a reliable and responsible partner for the local residents and self-government authorities in the areas where its production facilities are located: Mykolaivka and Novyi Svit. The production activities of Donbasenergo's power plants are the main source for pumping up local budgets, and its social policy is key to supporting the vital activities and development of those energy towns.

In 2014, the Company sent out two clear signals about its responsibility for environment and retaining the natural potential of Donetsk region and Ukraine. Donbasenergo became one of the initiators and an active participant in the development of the National Emission Reduction Plan of Major Pollutants from Large Combustion Plants with 50 MW Minimum Nominal Heat Capacity, which matches the development strategy of the international Energy Community Ukraine is a member to. The Company also adopted its ground-breaking corporate document, the Environmental Management Policy.



5 January 1930 was a milestone in the history of Donbas and the entire country: the USSR Labour and Defense Council passed a decree to establish the association of state-owned power plants of Donetsk coal basin under the title Donbastok. It was the birthday of one of the most powerful energy systems that served as a base for innovations both on the scale of the USSR and entire Europe at each stage of its development.

COMPANY'S PROFILE



INSTALLED CAPACITY OF SLOVYANSKA TPP
880
MW



INSTALLED CAPACITY OF STAROBESHIVSKA TPP
1,975
MW



TOTAL INSTALLED CAPACITY OF TPPS SINCE 1.04.2015
2,890
MW



TAXES PAID AND OTHER MANDATORY PAYMENTS TO THE BUDGET, UAH
695.6
million



PAID TO THE STATE AND TARGET FUNDS, UAH
194.3
million

COMPANY'S STRUCTURE



STAROBESHIVSKA TPP



The TPP operates 9 power units. The power units # 13 and # 12 were retrofitted in 2013–2014. The TPP has installed electric precipitators with ash removal efficiency not less than 99.85%, which helped to bring the ash concentration in the emissions down to 50 mg/m3 to comply with European standards.

SLOVYANSKA TPP



In 2014, the TPP completed the revamp of power unit # 7, including equipment retrofits on packages 7A and 7B that were performed concurrently with a recovery campaign after the battle actions. Due to the same reason, the auxiliary 'non-block' section of the power plant (the only remaining operational one in Ukraine) took over the autumn-winter peak load 2014–2015. The TPP carries on with its preparation for the construction of the first all-new capacities in the history of independent Ukraine – packages 6A and 6B that will utilize a cutting-edge technology of low grade fuel combustion.

Donbasenergo is reforming its health and safety system to rule out fatalities and minimize the production injury and occupational disease rate.

The Company's health and safety management system created over two years was successfully certified in 2014 under the international OHSAS 18001:2007 standard.

Donbasenergo remains a reliable partner of the state, discharging its tax obligations timely and in full. In 2014, the Company paid UAH 695 million in taxes to the state budget and UAH 181 million to the social funds.

Donbasenergo is a generation company that always supports its declarations with relevant actions. Being socially responsible means to make effective production decisions that can positively affect the social, economic, environmental and cultural aspects of the society's development. One of these decisions is the launch of the Company's technical retrofit program that will result in a more economical, environmentally clean and safe production based on the use of innovative technologies. This new upgraded production will be able to ensure high-level competitive generation in the industry market, labour market and social technology market. Every year is bringing Donbasenergo closer to achieving this strategic goal by implementing advanced practices and improvement of production and management processes. Year 2014, however complicated and controversial, was no exception.



Donetsk power system received its today's name – Donbasenergo – in 1943 when the country started to restore the region's energy system from ruins. One of the most powerful associations in the USSR and Europe needed only 11 months for the turbine generator of Zuivska SDPP to supply its first industrial energy to the grid. Slovyanska TPP that was damaged in the battle actions in 2014 supplied its first electricity to Ukraine's grid 3 months after the recovery operations started.

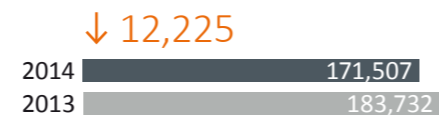
COMPANY IN ENERGY MARKET

The purpose of Donbasenergo in the energy market is to satisfy the state's electricity demands by ensuring effective operation of the Company's production capacities.

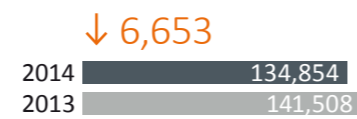
STRUCTURE OF ELECTRICITY CONSUMPTION IN UKRAINE IN 2013–2014

| INDUSTRY | 2013 | | 2014 | | Deviation | |
|--------------------------------|----------------|------|----------------|------|----------------|--------------|
| | million kWh | % | million kWh | % | million kWh | % |
| Metals | 35,035 | 24.8 | 34,103 | 25.3 | -932 | -2.7 |
| Fuels | 8,518 | 6.0 | 7,391 | 5.5 | -1,126 | -13.2 |
| Oil and gas | 4,517 | 3.2 | 3,802 | 2.8 | -715 | -15.8 |
| Machine-building | 5,176 | 3.7 | 4,361 | 3.2 | -815 | -15.7 |
| Other industry | 12,239 | 8.6 | 11,437 | 8.5 | -802 | -6.6 |
| Agriculture | 3,636 | 2.6 | 3,506 | 2.6 | -130 | -3.6 |
| Transport | 8,452 | 6.0 | 7,322 | 5.4 | -1,130 | -13.4 |
| Construction | 941 | 0.7 | 843 | 0.6 | -99 | -10.5 |
| Household consumers | 17,702 | 12.5 | 16,502 | 12.2 | -1,200 | -6.8 |
| Other non-industrial consumers | 6,556 | 4.6 | 6,435 | 4.8 | -122 | -1.9 |
| Population | 38,735 | 27.4 | 39,152 | 29.0 | +417 | 1.1 |
| Consumption (net) | 141,508 | | 134,854 | | -6,653 | -4.7 |
| Losses | 42,224 | | 36,653 | | -5,572 | -13.2 |
| Consumption (gross) | 183,732 | | 171,507 | | -12,225 | -6.7 |

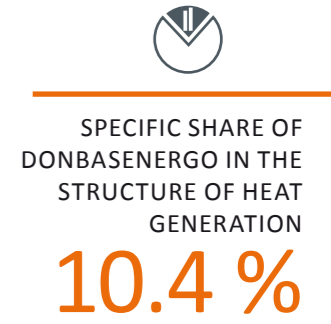
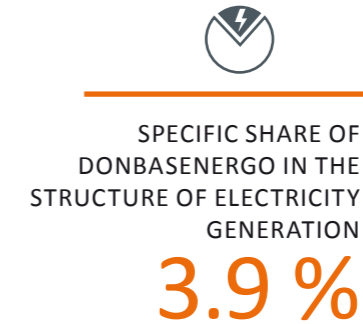
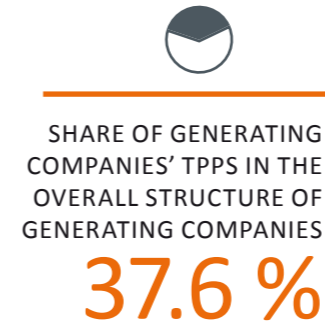
Gross electricity consumption in Ukraine in 2014, million kWh



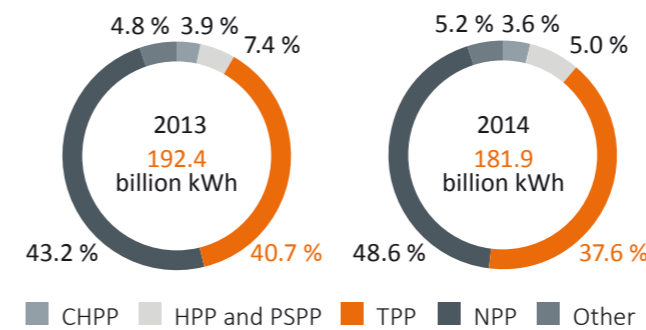
Electricity consumption by end consumers, million kWh



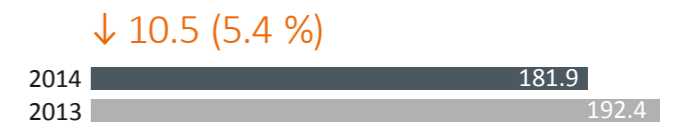
Decreased electricity consumption came as a result of decline in the industrial production and difficult social and economic situation of Ukraine's people. According to the Law of Ukraine "On Electric Power Industry", the electricity produced by the generating companies is supplied to the country's Wholesale Electricity Market operated by the state enterprise Energorynok. The electricity generation tariff is approved by the National Commission for State Energy and Public Utilities Regulation of Ukraine (NCSEPUR).



OUTPUT OF INTEGRATED POWER SYSTEM OF UKRAINE IN 2013–2014, billion kWh



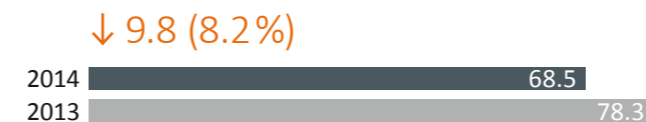
Electricity generation in the Integrated Power System of Ukraine dropped by 5.4 % as compared to 2013 down to 181,945 million kWh.



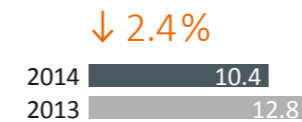
The heat generation of Ukraine is represented by five generating companies: Donbasenergo PJSC, Centrenergo PJSC, DTEK Zakhidenergo PJSC, DTEK Skhidenergo LLC, DTEK Dniproenergo PJSC

The share of generating companies' TPPs in 2014 in the overall structure of the Ukrainian generating companies' output amounted to 37.6 %. The specific share of Donbasenergo in 2014 made up 3.9 % in the overall structure of electricity production in Ukraine and 10.4 % in the structure of heat generation.

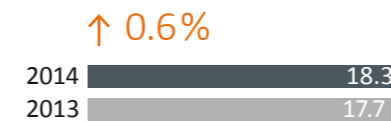
OUTPUT OF GENERATING COMPANIES' TPPS IN 2013–2014, billion kWh



Donbasenergo PJSC



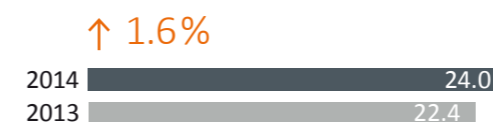
Centrenergo PJSC



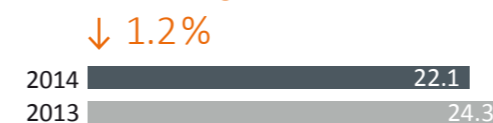
DTEK Zakhidenergo PJSC



DTEK Dniproenergo PJSC



DTEK Skhidenergo LLC



By early 1931, the GOELRO Plan had been implemented. In 1933, Ukrainian SSR had 13 district power plants with approximately 1 million kW installed capacity. They ensured 2/3 of total electricity output by the republic power plants, which amounted to 3,248 million kWh.

SHARE OF OUTPUT OF THE GENERATING COMPANIES' TPPS IN THE IPS OF UKRAINE IN 2013-2014

Donbasenergo PJSC

↓ 1.3%

2014 3.9
2013 5.2

Centrenergo PJSC

↓ 0.3%

2014 6.9
2013 7.2

DTEK Dniproenergo PJSC

↓ 0.1%

2014 9.0
2013 9.1

DTEK Zakhidenergo PJSC

↑ 0.2%

2014 9.5
2013 9.3

DTEK Skhidenergo LLC

↓ 1.6%

2014 8.3
2013 9.9

Other generation

↑ 3.1%

2014 62.4
2013 59.3

The generating companies operate in the Wholesale Electricity Market on a competitive basis: the power units in the range from the lowest to the highest unit cost to cover the peak load are chosen for the pre-set schedule for a planned operational day.

The hourly electricity prices are determined by the highest-cost cycling unit.

The prices for operational capacity and cycling-load capability are determined on the basis of the ratios calculated by Energorynok SE. For all the other producers, the NCSEPUR lays down supply tariff for a planned month.

TARIFF FOR ELECTRICITY SUPPLIED BY THE GENERATING COMPANIES' TPPS IN 2013-2014, UAH/MWh

Donbasenergo PJSC

↑ 137.69

2014 766.67
2013 628.98

Centrenergo PJSC

↑ 73.12

2014 661.94
2013 588.82

DTEK Dniproenergo PJSC

↑ 40.12

2014 641.14
2013 601.02

DTEK Zakhidenergo PJSC

↑ 83.97

2014 774.08
2013 690.11

DTEK Skhidenergo LLC

↑ 65.1

2014 712.82
2013 647.72



THE SUPPLIED ELECTRICITY TARIFF FOR THE GENERATING COMPANIES' TPPS AMOUNTED TO

707.11
UAH/MWh



DONBASENERGO'S TARIFF IN 2014 AMOUNTED TO

766.67
UAH/MWh



DONBASENERGO'S TARIFF IN 2014 GREW UP BY

137.69
UAH/MWh

| Generating companies' TPPs | 2013 | | | 2014 | | |
|----------------------------|---------------------|------------------------|--|---------------------|------------------------|--|
| | Supply, million kWh | Commodity, million UAH | Tariff with additional payments, UAH/MWh | Supply, million kWh | Commodity, million UAH | Tariff with additional payments, UAH/MWh |
| Donbasenergo PJSC | 9,006 | 5,664.6 | 628.98 | 6,355 | 4,872.5 | 766.67 |
| Centrenergo PJSC | 12,585 | 7,410.4 | 588.82 | 11,356 | 7,517.3 | 661.94 |
| DTEK Dniproenergo PJSC | 16,027 | 9,632.6 | 601.02 | 15,029 | 9,635.4 | 641.14 |
| DTEK Zakhidenergo PJSC | 16,238 | 11,206.0 | 690.11 | 15,646 | 12,111.6 | 774.08 |
| DTEK Skhidenergo LLC | 17,256 | 11,177.2 | 647.72 | 13,645 | 9,726.2 | 712.82 |
| Generating companies' TPPS | 71,112 | 45,090.8 | 634.08 | 62,032 | 43,863.0 | 707.11 |

Throughout 2014, there was a positive trend towards an increase in the tariffs of the generating companies' TPPs at the expense of growth of the wholesale market price (WMP), prices of the supplied electricity, operational capacity and cycling-load capability. The supplied electricity tariff for the generating companies' TPPs in 2014 amounted to 707.11 UAH/MWh, which is 73.03 UAH/MWh above the level of the previous year. Donbasenergo's tariff made up 766.67 UAH/MWh (+137.69 UAH/MWh), which is 21.9% more than last year. This is the highest growth indicator among the thermal generation companies (for other companies, the tariff rose by 10.3% on average).

The existing single-buyer market model is a constraining factor both for the efficient use of the TPPs' capacities and for extension of the thermal generation's share in the overall structure of the installed capacity of Ukraine's power sector. Within the framework of the concept of operation and development of the Wholesale Electricity Market, Ukraine is going to switch to a model including the market of bilateral agreements, the balancing market, the 'day ahead' market, the auxiliary service market, etc.



By the end of 1980, the installed capacity of Ukraine's TPPs reached 37.7 GW, their electricity output amounted to 214.4 billion kWh, and the third of that volume (31.8%) fell on Donbasenergo's share. Total capacity of all its thermal power plants made up approximately 13 million kW. This would have been sufficient to supply electricity to two such countries as Hungary and Yugoslavia. The leader of domestic power industry – Donbasenergo – grew up to become the world's largest power system by mid-1980s.

2 OVERVIEW OF OPERATIONAL RESULTS



SHARE OF ELECTRICITY IN TOTAL OUTPUT

97.7 %



PRODUCTION

DONBASENERGO'S MAIN PRODUCTION LINE IS ELECTRICITY GENERATION, THE SHARE OF WHICH IN TOTAL COMMODITY OUTPUT AMOUNTS TO 97.7 %. THE SITUATION IN 2014 PREVENTED THE COMPANY FROM FULFILLING ITS GENERATION PLAN. HOWEVER, ALTHOUGH STAROBESHIVSKA TPP IS LOCATED IN THE TERRITORY BEYOND UKRAINE'S CONTROL, AND SLOVYANSKA TPP UNDERWENT EXTENSIVE REPAIR AND RECOVERY OPERATIONS FROM JULY TO DECEMBER 2014, DONBASENERGO MANAGED TO ENSURE RELIABLE LOAD RESPONSE BY ITS POWER UNITS ACCORDING TO THE DISPATCH SCHEDULE, THUS SUPPORTING STABLE OPERATION OF THE INTEGRATED POWER SYSTEM.

Fulfillment of the main technical and economic indicators

| Indicator | Measurement unit | Actual 2013 | Plan 2014 | Actual 2014 | Deviations Actual 13/Actual 14 | | Deviations Plan 14/Actual 14 | |
|---|------------------|-------------|-----------|-------------|--------------------------------|-------|------------------------------|-------|
| | | | | | + / - | % | + / - | % |
| Electricity generation | million kWh | 10,054 | 8,475 | 7,141 | -2,913 | -29.0 | -1,334 | -15.7 |
| Starobeshivska TPP | | 7,648 | 6,461 | 5,906 | -1,742 | -22.8 | -555 | -8.6 |
| Slovyanska TPP | | 2,405 | 2,015 | 1,235 | -1,171 | -48.7 | -780 | -38.7 |
| Productive electricity supply | million kWh | 9,006 | 7,573 | 6,355 | -2,651 | -29.4 | -1,218 | -16.1 |
| Starobeshivska TPP | | 6,865 | 5,779 | 5,272 | -1,593 | -23.2 | -507 | -8.8 |
| Slovyanska TPP | | 2,141 | 1,794 | 1,084 | -1,058 | -49.4 | -710 | -39.6 |
| Structure of electricity supply | % | 100.0 | 100.0 | 100.0 | 0.0 | 0 | 0.0 | 0 |
| Starobeshivska TPP | | 76.2 | 76.3 | 82.9 | 6.7 | 8.8 | 6.6 | 8.7 |
| Slovyanska TPP | | 23.8 | 23.7 | 17.1 | -6.7 | -28.3 | -6.6 | -28.0 |
| Specific fuel consumption for electricity supply | g/kWh | 417.2 | 417.4 | 415.0 | -2.2 | -0.5 | -2.4 | -0.6 |
| Starobeshivska TPP | | 416.4 | 416.0 | 414.0 | -2.4 | -0.6 | -2.0 | -0.5 |
| Slovyanska TPP | | 419.9 | 421.6 | 420.2 | 0.3 | 0.1 | -1.4 | -0.3 |
| Installed capacity utilization ratio | % | 40.6 | 33.7 | 28.4 | -12.2 | -30.1 | -5.3 | -15.7 |
| Starobeshivska TPP | | 44.9 | 37.0 | 33.9 | -11.0 | -24.4 | -3.1 | -8.4 |
| Slovyanska TPP | | 31.2 | 26.1 | 16.0 | -15.2 | -48.7 | -10.1 | -38.7 |

PRODUCTION

Electricity generation, million kWh

↓ 2,931 million kWh



Electricity generation in 2014 went down by 2,913 million kWh vs. actual 2013 and by 1,334 million kWh vs. financial plan 2014.

Installed capacity utilization ratio, %

↓ 12.2 %



Specific consumption of reference fuel, g/kWh

↓ 2.2 g/kWh



The Company's specific consumption of reference fuel for electricity generation in 2014 went down by 2.2 g/kWh YOY.

- At Starobeshivska TPP, the 2.4 g/kWh decline occurred due to higher calorific value of the combusted coal and fewer start-ups of the power units.
- At Slovyanska TPP, the specific consumption of reference fuel grew up by 0.3 g/kWh mainly as a result of lower average load and higher electricity self-consumption due to damages of power unit # 7 as a result of the battle actions and, as a consequence, operation of the first stage with poor technical and economic indicators.

Non-fulfillment of the plan came as a result of the following factors:

- change in the dispatch schedule due to the situation in Ukraine and a number of the grid limits as regards the power output for Starobeshivska TPP
- significant damages of the equipment, buildings and facilities, as well as communications of Slovyanska TPP as a result of short, but intensive battle actions.

Decline of the electricity generation in 2014 resulted in lower installed capacity utilization ratio that amounted to 28.4 % for Donbasenergo, which is 12.2 % below the level of 2013 and 5.3 % below the financial plan 2014.

In comparison with the financial plan 2014, the Company's specific consumption of reference fuel for electricity generation went down by 2.4 g/kWh at year-end 2014.

- At Starobeshivska TPP, the 2.0 g/kWh decline occurred mainly as a result of higher calorific value of the combusted coal and fewer start-ups of power units.
- At Slovyanska TPP, the 1.4 g/kWh decline occurred mainly as a result of the impact of performance indicators of the 7A boiler package in the first half-year following its retrofit and higher calorific value of the combusted coal.



INSTALLED CAPACITY
UTILIZATION RATIO

28.4 %



FUEL COSTS
AMOUNTED TO

72.8 %

UAH/MWh

COST STRUCTURE OF THE COMMERCIAL OUTPUT FOR 2014

| Costs | Actual 2013 | | Plan 2014 | | Actual 2014 | | Deviation from actual 2013 | | Deviation from plan 2014 | |
|--|----------------|--------------|----------------|--------------|----------------|--------------|----------------------------|--------------|--------------------------|--------------|
| | UAH million | % | UAH million | % | UAH million | % | UAH million | % | UAH million | % |
| 1. Production cost, total | 4,655.2 | 96.9 | 4,424.4 | 96.8 | 3 523.8 | 96.5 | -1,131.4 | -24.3 | -900.6 | -20.4 |
| Production services, including | 156.5 | 3.2 | 190.8 | 4.2 | 127.8 | 3.5 | -28.7 | -18.3 | -63.0 | -33.0 |
| operation | 25.5 | 0.5 | 36.7 | 0.8 | 27.3 | 0.7 | 1.8 | 7.1 | -9.4 | -25.6 |
| maintenance | 131.0 | 2.7 | 154.1 | 3.4 | 100.5 | 2.8 | -30.5 | -23.3 | -53.6 | -34.8 |
| Raw produce and auxiliary materials, including | 145.3 | 3.0 | 146.2 | 3.2 | 124.1 | 3.4 | -21.2 | -14.6 | -22.1 | -15.1 |
| water | 22.4 | 0.5 | 22.3 | 0.5 | 20.1 | 0.6 | -2.3 | -10.3 | -2.2 | -9.9 |
| operation | 54.6 | 1.1 | 39.8 | 0.9 | 30.4 | 0.8 | -24.2 | -44.3 | -9.4 | -23.6 |
| maintenance | 68.3 | 1.4 | 84.1 | 1.8 | 73.6 | 2.0 | 5.3 | 7.8 | -10.5 | -12.5 |
| Outsourced fuel | 3,588.0 | 74.7 | 3,363.2 | 73.6 | 2,660.8 | 72.8 | -927.2 | -25.8 | -702.4 | -20.9 |
| Outsourced energy | 16.1 | 0.3 | 11.3 | 0.2 | 6.0 | 0.2 | -10.1 | -62.7 | -5.3 | -46.9 |
| Payroll costs | 334.4 | 7.0 | 308.4 | 6.8 | 264.0 | 7.2 | -70.4 | -21.1 | -44.4 | -14.4 |
| Unified social tax | 122.7 | 2.6 | 114.1 | 2.5 | 96.3 | 2.6 | -26.4 | -21.5 | -17.8 | -15.6 |
| Depreciation | 119.0 | 2.5 | 123.4 | 2.7 | 119.7 | 3.3 | 0.7 | 0.6 | -3.7 | -3.0 |
| Other costs, including | 173.2 | 3.6 | 167.0 | 3.6 | 125.1 | 3.5 | -48.1 | -27.8 | -41.9 | -25.1 |
| environmental payment | 148.4 | 3.1 | 145.3 | 3.2 | 108.4 | 3.0 | -40.0 | -27.0 | -36.9 | -25.4 |
| payment for land | 1.4 | 0.0 | 2.0 | 0.0 | 2.0 | 0.1 | 0.6 | 42.9 | 0.0 | 0.0 |
| other needs | 23.4 | 0.5 | 19.7 | 0.4 | 14.8 | 0.4 | -8.6 | -36.8 | -4.9 | -24.9 |
| 2. Administrative costs | 148.8 | 3.1 | 144.2 | 3.2 | 129.1 | 3.5 | -19.7 | -13.2 | -15.1 | -10.5 |
| 3. Cost of sales | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | -100.0 | 0.0 | 0.0 |
| Total costs | 4,804.3 | 100.0 | 4 568.6 | 100.0 | 3,652.9 | 100.0 | -1,151.4 | -24.0 | -915.7 | -20.0 |

The main component in the structure of full production cost of the reporting period is the fuel cost (72.8 %), which in absolute terms went down 1.9 % YOY and was 0.8 % below the financial plan.

Actual payroll costs with a unified social tax were 5.4 % above the financial plan level in 2014 and made up 9.8 % in the overall structure of the commercial output costs.

PRODUCTION



SALES OF FINISHED PRODUCTS, WORKS (SERVICES) TO THE COMPANY'S STRUCTURAL UNITS IN 2014, UAH thousand

| # | Name of structural unit | Sales of finished products, works (services), including | | | | | |
|----------|---|---|-----------|-------------|-------------------------|-----------|-------------|
| | | To external customers | | | To own structural units | | |
| | | Actual 2013 | Plan 2014 | Actual 2014 | Actual 2013 | Plan 2014 | Actual 2014 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1 | Structural unit Elektroremont, total | 35,174 | 38,304 | 34,366 | 33,926 | 39,322 | 35,683 |
| | Including: | | | | | | |
| 1.1 | finished products | 30,228 | 33,594 | 32,090 | 19,491 | 24,700 | 19,347 |
| 1.2 | overhauls of electromechanical equipment | 1,061 | 1,024 | 310 | 439 | 391 | 1,793 |
| 1.3 | overhauls of electrotechnical equipment | 3,274 | 3,288 | 1,502 | 13,996 | 14,231 | 14,543 |
| 1.4 | other activities | 611 | 398 | 464 | | | |
| 2 | Structural unit DESR, total | 1,397 | 13,527 | 1,234 | 39,172 | 26,407 | 31,766 |
| | Including: | | | | | | |
| 2.1 | finished products | 538 | 12,691 | 34 | 86 | 314 | 471 |
| 2.2 | brickwork and insulation of equipment | 302 | | | 20,587 | 9,412 | 15,781 |
| 2.3 | motor transport services | 103 | 197 | 368 | 2,013 | 2,475 | 1,568 |
| 2.4 | repair and construction works | 31 | | | 14,437 | 13,314 | 13,636 |
| 2.5 | other activities | 423 | 639 | 832 | 2,049 | 892 | 310 |
| 3 | Structural unit DEN, total | 1,907 | 1,696 | 1,294 | 8,942 | 9,294 | 6,447 |
| | Including: | | | | | | |
| 3.1 | motor transport services | 35 | 8 | 7 | 1,034 | 780 | 73 |
| 3.2 | services of repair shops | 1,436 | 1,308 | 905 | 7,908 | 8,514 | 6,368 |
| 3.3 | other activities | 436 | 380 | 382 | | | 6 |
| 4 | Structural unit DonTEP, total | 8,824 | 8,121 | 6,395 | 22,820 | 28,569 | 21,333 |
| | Including: | | | | | | |
| 4.1 | design works | 8,275 | 7,417 | 5,038 | 21,687 | 27,284 | 20,025 |
| 4.2 | operational lease of assets | 385 | 390 | 208 | | | |
| 4.3 | other activities | 164 | 314 | 1,149 | 1,133 | 1,285 | 1,308 |
| 5 | Structural unit PAT, total | 172 | 121 | 273 | 8,895 | 7,935 | 7,061 |
| | Including: | | | | | | |
| 5.1 | motor transport services | 21 | | | 7,115 | 7,935 | 7,061 |
| 5.2 | services of repair shops | 1 | | | 1,780 | | |
| 5.3 | other activities | 150 | 121 | 273 | | | |
| 6 | Structural unit Energotorg, total | 66,819 | 45,829 | 48,616 | 1,299 | 1,261 | 2,098 |
| | Including: | | | | | | |
| 6.1 | sales of goods | 62,123 | 41,330 | 44,773 | 558 | 490 | 1,387 |
| 6.2 | market charge | 153 | 134 | 121 | | | |
| 6.3 | commercial service | 23 | 20 | 4 | 680 | 708 | 680 |
| 6.4 | operational lease of assets | 2,120 | 1,980 | 1,673 | | | |
| 6.5 | other activities | 2,400 | 2,365 | 2,045 | 61 | 63 | 31 |

The structural units of Donbasenergo produce their products and render services both to the Company's own enterprises and external customers. The personnel's high qualifications, their innovative developments and, in some cases, equipment which is unique for the region, ensure competitiveness of the Company's enterprises. In 2014, as the economic environment in Donetsk region sharply deteriorated, the scope of Donbasenergo enterprises' activities outside the generation structure was substantially diminished. However, the structural units fulfilled their obligations under the agreements made in late 2013 and early 2014 timely and on a high quality level.

The scope of work inside the Company also declined as compared to 2013 and the financial plan 2014. The repair and recovery operations at Slovyanska TPP (design works, overhauls of electric equipment, restoration of buildings and facilities) somewhat levelled out the situation. However, even in the tough conditions of 2014, the structural unit Elektroremont achieved positive dynamics as regards the scope of production for the Company's internal needs and only insignificant decrease of production for the external organizations as compared to the previous year, which occurred mainly due to significant logistical complications.



During November holidays in 1967, the Minister of Energy and Electrification of the Ukrainian SSR K.M. Pobegaylo, the former manager of Donbasenergo trust, personally arrived to the town of Novyi Svit. He came to present a commemorative banner with the inscription 'Winner in the Socialist Competition to Honour the 50th Anniversary of the Great October Socialist Revolution' to the power plant's staff to be kept at the power plant for all times. On 3 August 1970, the staff of the through shift 'V' headed by the shift foreman Mr. Mikhno completed the generation of the first 100 billion kWh at Starobeshivska SDPP. This was another milestone for the power plant that its employees regarded as one of the best ones in Donbasenergo, on a par with the record-holding 'eight hundred thousands' of Slovyanska SDPP.

FUEL SUPPLY

FUEL SUPPLY

FUEL SUPPLY IS THE FUNDAMENTAL OPERATION OF DONBASENERGO CREATING A SUSTAINABLE BASIS FOR THE STABLE LOAD OF THE COMPANY'S UNITS AND POWER PLANTS. QUALITY MARKET MONITORING, RELIABLE PARTNERSHIP WITH THE COAL COMPANIES, OIL FUEL PRODUCERS, NATURAL GAS SUPPLIERS AND UKRAINE'S RAILWAY, AS WELL AS PROFESSIONAL APPROACH TO THE FUEL QUALITY CONTROL, EXPERT LOGISTICS AND WAREHOUSE CONTROL SHAPE THE EFFECTIVE FUEL POLICY OF DONBASENERGO. THE FUEL SUPPLY STANDARDS ADOPTED AT THE COMPANY ALLOWED IT TO ACHIEVE POSITIVE RESULTS EVEN IN THE UNPRECEDENTED CONDITIONS OF 2014.

GENERAL DESCRIPTION OF FUEL SUPPLY. SUPPLIED FUEL BY TYPES AND GRADES. PROCESSING FUEL

The fuel was supplied to the Company's power plants in 2014 on the basis of the estimated summer electricity balance of the IPS of Ukraine and the estimated (provisional) composition of the power units approved by the Ministry of Energy and Coal Industry to generate electricity in the planned amount and to stockpile the required amount of coal.

Coal was supplied under the agreements with Vuhillya Ukrainy (Coal of Ukraine) state enterprise and suppliers of domestic coal in compliance with the standard coal quality requirements stipulated by the State Standard of Ukraine DSTU 4083-2012 'Bituminous coal and anthracite for powdered-coal combustion at thermal power plants. Technical specifications'.

As of 01.01.2015, the warehouses of Starobeshivska TPP and Slovyanska TPP have accumulated:

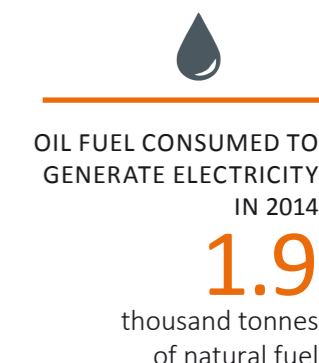
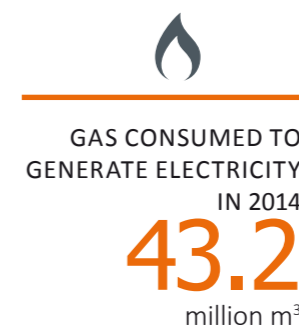
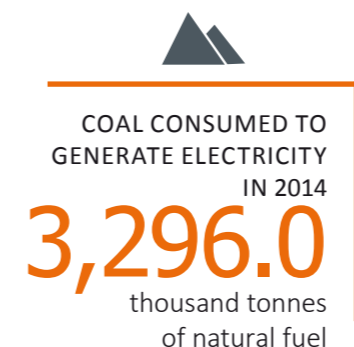
- coal: 141,500 tonnes (544,700 tonnes as of 01.01.2014)
- oil fuel: 3,900 tonnes (3,500 tonnes as of 01.01.2014).

In 2014, settlements for the supplied coal amounted to UAH 2,631.42 million which makes up 101.09 % of the total cost of supplied coal.

The natural gas was supplied in 2014 to the structural units of Donbasenergo centrally by Naftogaz of Ukraine national joint-stock company, TRANS-GAZ BUREAU limited liability company and GAZINVEST-TRADING limited liability company, which ensured a continuous uninterrupted production process.

- In 2014, Donbasenergo purchased natural gas:
- from Naftogaz of Ukraine: 24.2 million m³ for UAH 145.2 million
 - from TRANS-GAZ BUREAU: 13.90 million m³ for UAH 68.0 million
 - from GAZINVEST-TRADING: 6.0 million m³ for UAH 39.0 million.

Settlements with Naftogaz of Ukraine in 2014 amounted to UAH 150.9 million, which is 103.8 %,



including the advance payment of UAH 4.6 million for January 2014 made in December 2013.

The advance payment to Naftogaz of Ukraine for January 2015 equals UAH 10.3 million.

Settlements with TRANS-GAZ BUREAU for the natural gas purchased in 2014 were performed in full to the amount of UAH 68.3 million.

Settlements with GAZINVEST-TRADING were made to 92.3 % of the total cost of the natural gas purchased in 2014 and amounted to UAH 36.0 million.

Starobeshivska TPP consumed 2,644.0 tonnes of fuel oil fuel for firing and lighting during gas shortages and sludge drying for unit # 4.

Fuel supply to the Company's power plants by fuel types

| Fuel type | Measurement unit | 2013 | 2014 | Deviations |
|-----------|---------------------|----------|----------|------------|
| Coal | ths. tonnes | 4,923.2 | 2,914.5 | 2,008.7 |
| Oil fuel | ths. tonnes | 1.8 | 6.0 | +4.2 |
| Gas | ths. m ³ | 61,810.5 | 43,253.7 | 18,556.8 |

Consumption of combusted fuel by types for electricity generation

| Fuel type | Measurement unit | Actual 2013 | Plan 2014 | Actual 2013 | Deviation from Plan 2014 |
|-----------|-----------------------------|-------------|-----------|-------------|--------------------------|
| Coal | ths. tonnes of natural fuel | 4,895.6 | 4,077.4 | 3,296.0 | -781.4 |
| Gas | million m ³ | 61.1 | 64.4 | 43.2 | -21.2 |
| Oil fuel | ths. tonnes of natural fuel | 0.8 | 0.5 | 1.9 | 1.5 |

Fuel for electricity generation

| Fuel | Measurement unit | Actual 2013 | Plan 2014 | Actual 2013 |
|----------------------------|------------------|-------------|-----------|-------------|
| Coal | | | | |
| Calorific value | kcal/kg | 5,305 | 5,345 | 5,544 |
| Share in overall structure | % | 98.2 | 97.7 | 98 |
| Gas | | | | |
| Calorific value | kcal/kg | 7,979 | 7,928 | 7,983 |
| Share in overall structure | % | 2.1 | 2.3 | 1.9 |
| Oil fuel | | | | |
| Calorific value | kcal/kg | 9,346 | 9,376 | 9,590 |
| Share in overall structure | % | 0.1 | 0.0 | 0.1 |

Actual delivery of production coal by grades, thousand tonnes

| Grade | 2013 | 2014 | Deviations |
|-------------------|-----------|-----------|------------|
| A | 3,187,667 | 1,549,842 | -1,637,825 |
| T | 1,036,825 | 1,237,408 | 200,583 |
| Anthracite sludge | 167,918 | 127,260 | -40,658 |



Starobeshivska SDPP was the first power plant in the association to install the Sirius control system with an electronic computing machine on its newest assembled power unit in mid-1970s. These machines could efficiently distribute the load between power units and compute the fuel requirements.



133
open tenders
conducted

MATERIAL AND TECHNICAL SUPPLIES

MATERIAL AND TECHNICAL SUPPLIES OF PRODUCTION ORGANIZED ACCORDING TO THE STRICT INTERNAL QUALITY STANDARDS ENABLED DONBASENERGO, EVEN IN THE DIFFICULT CONDITIONS OF 2014 WHERE FIVE OUT OF EIGHT STRUCTURAL UNITS, INCLUDING STAROBESHIVSKA TPP, HAD TO OPERATE IN THE TERRITORY BEYOND UKRAINE'S CONTROL, TO RESPONSE PROMPTLY AND EXPERTLY TO THE NEW CHALLENGES AND ENSURE PERFORMANCE OF THE PLANNED UNIT RECONSTRUCTION OPERATIONS, OVERHAUL CAMPAIGNS AND RECOVERY WORKS STICKING TO THE SCHEDULE AS MUCH AS PRACTICABLE.

ORGANIZATION OF THE MATERIAL AND TECHNICAL SUPPLIES IN THE COMPANY IS BASED ON THE PRINCIPLES OF ECONOMIC EFFECTIVENESS, TRANSPARENCY AT ALL THE STAGES OF PROCUREMENT, GOOD FAITH COMPETITION AND NON-DISCRIMINATION OF PARTICIPANTS, ALONG WITH PREVENTION OF CORRUPT ACTIVITIES AND ABUSIVE PRACTICES.

Donbasenergo in its activities is guided by the Laws of Ukraine 'About Features of Implementation of Purchases in Separate Spheres of Economic Activity' no. 4851 dd. 24 May 2012 and 'On Public Procurement' no. 2289 dd. 1 June 2010, and starting on 18 April 2014 the Law of Ukraine 'On State Purchases' no. 1197 dd. 10 April 2014. Procurement of goods, works and services with the proceeds generated by the Company's economic operations is performed in line with these Laws, as well as on the basis of the Regulation on Procurements approved by the order of Donbasenergo no. 52 dd. 25 March 2014. In cases where the price limits of the procurement item exceed the amounts stipulated by Article 4 of the Law 'About Features of Implementation of Purchases in Separate Spheres of Economic Activity', one of the procurement procedures is applied, with its stages strictly regulated by the legislation. To organize and conduct these procedures, Donbasenergo established the tender committees. The open tender procedure is the basic procurement procedure for the enterprise. In 2014, Donbasenergo's tender committees conducted 133 open tender procedures, including the following:

| | |
|------------------------|----------------|
| Administrative office: | 110 procedures |
| Starobeshivska TPP: | 16 procedures |
| Slovyanska TPP: | 6 procedures |
| Elektroremont: | 1 procedure |

The most costly procurements were equipment and services purchased to retrofit power units # 6 and 7 at Slovyanska TPP. Total obligation amounts under the concluded agreements are UAH 339 million and 27 million, respectively. Besides, 6 open tender procedures were conducted for the repair and recovery operations at Slovyanska TPP that suffered damages during the ATO in summer 2014. As a result, new agreements were made for the total amount of approximately UAH 130 million.

AUTOMATION OF BUSINESS PROCESSES

ACCORDING TO THE IT STRATEGY OF DONBASENERGO APPROVED IN 2013, THE COMPANY LAUNCHED THE AUTOMATION OF BUSINESS PROCESSES TO BRING EACH ONE IN COMPLIANCE WITH THE HIGHEST STANDARDS OF MODERN MANAGEMENT, TO HARMONIZE THESE PROCESSES IN THE ADMINISTRATIVE OFFICES AND STRUCTURAL UNITS AND ULTIMATELY TO IMPROVE THEIR EFFICIENCY. THE STRATEGY PROVIDES FOR A STEPWISE IMPLEMENTATION INVOLVING THE REQUIRED RESOURCES AND CLEAR FULFILLMENT OF THE CHANGE ALGORITHM. DESPITE THE DIFFICULT CONDITIONS OF 2014, THE COMPANY MANAGED TO SOLVE A NUMBER OF CRITICAL TASKS WITHIN THE FRAMEWORK OF BUSINESS PROCESS OPTIMIZATION.

The following IT projects were implemented for automation of business processes in 2014:

- implementation of the complex control system (continued)
- development of the reliable failure-free network IT infrastructure with duplication of communication channels and automatic dynamic switching
- migration of the server IT infrastructure to the new Data Centre
- construction of the structured cabling system at the structural units (continued)
- arrangement of the telephone communication service based on the IP networks
- implementation of the integrated communication system based on Microsoft Lync.

As the Company's administrative office and structural unit DonTEP had to change location due to the battle actions that started in Eastern Ukraine, the

Company organized and opened a makeshift office in Donetsk region and later a new office in Kyiv.

The Company is planning to organize a Service Desk based on ITIL processes in 2015 within the framework of its IT Strategy roadmap. Another plan for the first half-year 2015 is to introduce a centralized print control service, which will help to improve the service quality and reduce its cost.

The Company is also planning to carry on with its implementation of the complex enterprise management system based on 1C Production Enterprise Management software in 2015–2016 in the following priority areas:

- accounting and tax book-keeping
- treasury
- customer service and equipment overhaul management
- motor transport management.



In 1950, Donbasenergo presented 17 projects for the All-Union socialist competition, some of which by far exceeded the boundaries of Donbas and were applicable to the Integrated South System, one of the biggest power systems in the world.

For instance, a group of engineers and communication technicians of Donbasenergo, Dniproenergo and Rostovenergo constructed dozens of telemechanic channels ahead of schedule using the equipment that was not typically in use. The project's economic effect exceeded RUB 1 million.

INVESTMENT ACTIVITY

INVESTMENT ACTIVITY

DONBASENERGO'S INVESTMENT ACTIVITIES ARE FOCUSED ON TWO AREAS: ATTRACTION OF THE REQUIRED RESOURCES AND THEIR RATIONAL USE TO RECONSTRUCT THE MAIN AND AUXILIARY EQUIPMENT, PERFORM CAPITAL OVERHAULS OF POWER UNITS, BUILDINGS AND FACILITIES.

The Company's investment policy is based on the principles of openness, economic viability and social profile. Donbasenergo's projects requiring investment resources are designed to improve the

production safety and cost effectiveness, minimize its negative environmental impact, create new jobs and facilitate further development of the local communities.

CAPITAL INVESTMENTS

| # | Description | 2011 UAH million | 2012 UAH million | 2013 UAH million | 2014 UAH million |
|------|--|------------------------|------------------------|------------------------|------------------------|
| 1 | Capital investments, including: | 299.3 | 399.0 | 936.4 | 817.7 |
| | Starobeshivska TPP | 269.3 | 302.7 | 500.7 | 396.2 |
| | Slovyanska TPP | 21.9 | 67.5 | 396.6 | 393.4 |
| 1.1. | Capital construction | 100.2 | 286.5 | 822.5 | 737.0 |
| | Starobeshivska TPP | 96.8 | 278.5 | 458.4 | 354.1 |
| | Slovyanska TPP | 3.4 | 7.5 | 364.1 | 382.1 |
| 1.2. | Improvement costs (capital overhaul) | 188.3 | 69.8 | 62.6 | 53.7 |
| | Starobeshivska TPP | 168.4 | 10.9 | 29.3 | 38.8 |
| | Slovyanska TPP | 15.7 | 47.1 | 16.2 | 7.2 |
| 1.3. | Procurement of machines and equipment | 9.5 | 37.7 | 42.9 | 17.3 |
| | Starobeshivska TPP | 3.6 | 12.1 | 11.9 | 2.7 |
| | Slovyanska TPP | 2.6 | 12.1 | 14.1 | 3.1 |
| 1.4. | Costs on other non-circulating material assets | 0.9 | 3.4 | 4.9 | 2.2 |
| | Starobeshivska TPP | 0.4 | 1.3 | 1.1 | 0.7 |
| | Slovyanska TPP | 0.1 | 0.6 | 1.9 | 1.0 |
| 1.5. | Investments in non-material assets | 0.4 | 1.6 | 3.5 | 7.5 |
| | Starobeshivska TPP | 0.02 | 0.05 | 0.08 | 0 |
| | Slovyanska TPP | 0.12 | 0.24 | 0.2 | 0.01 |

Capital investments, UAH million



| Retrofit items | Plan 2015 UAH million |
|----------------------------------|--------------------------|
| Starobeshivska TPP | 12.1 |
| Unit # 12 (plant control system) | 12.1 |
| Slovyanska TPP | 185.1 |
| Unit # 6 | 117.6 |
| Unit # 7 | 67.5 |
| Total | 197.2 |



UTILIZATION OF CAPITAL INVESTMENTS TO RETROFIT POWER **UNIT # 12** AT STAROBESHIVSKA TPP IN 2014, UAH

347.7
million



UTILIZATION OF CAPITAL INVESTMENTS TO RETROFIT POWER **UNIT # 6** AT SLOVYANSKA TPP IN 2014, UAH

55.7
million



UTILIZATION OF CAPITAL INVESTMENTS TO RETROFIT POWER **UNIT # 7** AT SLOVYANSKA TPP IN 2014, UAH

305.4
million

RETROFIT OF POWER UNIT # 12 AT STAROBESHIVSKA TPP

In 2014, the Company completed the retrofit of power unit # 12 at Starobeshivska TPP.

In March 2014, the unit was connected to the grid.

On 4 November 2014, the Company received a GASK (State Architectural and Construction Control) certificate confirming the facility's compliance with the design documentation and its availability for operation. As a result of the retrofit, the unit's capacity was upgraded by 10 MW to reach 210 MW.

At year-end 2014, utilization of capital investments to retrofit the power unit # 12 at Starobeshivska TPP (1st construction stage) reached UAH 347.7 million.

Project's financial component

Design cost of retrofit: **UAH 755.0 million**

Actual project cost: **UAH 712.4 million**

The main equipment retrofit included the following:

- modernization of the boiler unit with auxiliary equipment
- modernization of the turbine unit K-200-130 and auxiliary equipment
- replacement of the generator
- modernization of electrotechnical equipment
- construction of electric precipitator to capture dust from flue gases
- modernization of the instrumentation and controls.

Technical and economic indicators before and after the power unit retrofit

| Indicator | Measurement unit | Before | After |
|--|-------------------------|--------|-------|
| Capacity | MW | 200 | 210 |
| Specific consumption of reference fuel | g of reference fuel/kWh | 424.8 | 375.7 |
| Annual electricity supply | million kWh | 701 | 1,037 |
| Dust emissions to atmosphere | mg/nm ³ | 2,860 | 48.8 |

Apart from that, the retrofit project of the power unit # 12 provides for the implementation of the Plant Control System (PCS) at Starobeshivska TPP in line with the requirements of Ukrenergo NPC and Ministry of Energy and Coal Industry of Ukraine. The cost of the system implementation amounts to UAH 12.1 million.

The PCS is designed to control the electricity generation at Starobeshivska TPP with simultaneous automatic regulation of the frequency and capacity of the IPS of Ukraine. The system must also display the production indicators and transmit them to the information, technical and dispatch centres.

In 2014, an agreement was made for the PCS to be implemented in the first quarter 2015.

INVESTMENT ACTIVITY

**RETROFIT OF POWER UNIT # 7
AT SLOVYANSKA TPP**

The power unit # 7 at Slovyanska TPP is the only operating power unit of the power plant supplying heat to the town of Mykolaivka. Taking into account a significant scope of works, the unit retrofit is planned in several stages.

Estimated project budget is UAH 2,936.8 million:

- **1st stage:** UAH 474.9 million (including modernization of package 7A, additional equipment and electric precipitators)
- **2nd stage:** UAH 628.8 million (including modernization of package 7B, additional equipment and electric precipitators)
- **3rd stage:** UAH 804.7 million (modernization of the boiler unit TPP-200-1, turbine K-800-240-2 and additional turbine equipment)
- **4th stage:** UAH 1,028.4 million (construction of the desulphurization system (DSS)).

Project implementation:

In 2013, the bulk of works for the first stage of retrofit was completed (package 7A of the boiler unit, electric precipitator 7A, etc.).

In 2014, the bulk of works for the second stage of retrofit were carried out, namely:

- reconstruction of package 7B of the boiler unit
- reconstruction of the ash removal system (ash and slag lines, ash pump house)
- reconstruction of the electric equipment of the switchgear KRU-6 kV, replacement of the section 7RG
- supply of the upgraded shaft of the midpoint pump station # 3
- replacement of the electric motor PEN-2
- reconstruction of electric equipment of the switchgear RU-0,4 kV, sections 7NB, 7NV, 7ND
- reconstruction of the power unit's auxiliary equipment (replacement of the gas ducts from the convection shaft to the regenerative air heater (RVP), reconstruction of the regenerative air heaters RVP# 6–10, replacement of the discharge pumps (SEN) # 1 and 2, overhauls of the thermal insulation and brickwork, replacement of the mesh filters FS-400 with FS-500
- reconstruction of the steam panel dryer PPS # 3.

The following operations were rescheduled for 2016–2017:

- reconstruction of the gas treatment equipment of the drying and reduction system (SRS-2) of the pulverized coal shop
- reconstruction of the electric equipment of the switchgear KRU 6 kV, replacement of the section 7RA
- reconstruction of the electric precipitator of the package 7B (including the exhaust gas monitoring system and the pneumatic ash handling system)
- reconstruction of the power unit. Auxiliary equipment (replacement of the cyclone collectors and gas recirculation ducts, replacement of the fan VO-2A, replacement of the induced-draft fans)
- reconstruction of hydrotechnical facilities (replacement of the circulating pump stations # 6 and 7, replacement of the mesh screens # 6 and 7)
- other works (roof, roads, development of amenities, etc.).

The following operations are planned for 2015 (May–August):

- replacement of water economizer 1, package 7A
- replacement of water economizer 1, package 7B
- reconstruction of electric equipment of the switchgear KRU-6 kV, replacement of the section 7RV.

Implementation of the third stage, providing for the reconstruction of the main and auxiliary equipment of the turbine unit along with other measures, is expected in 2016–2017.

At year-end 2014, utilization of the capital investments to retrofit the power unit # 7 at Slovyanska TPP amounted to UAH 305 million.

Technical and economic indicators before and after the power unit retrofit

| Indicator | Measurement unit | Before | After |
|--|-------------------------|----------------------|--------------------|
| Available capacity | MW | 760 | 800 |
| Specific consumption of reference fuel | g of reference fuel/kWh | 411.7 | 366.1 |
| Annual electricity supply | million kWh | 2.912 | 3.638 |
| Dust emissions to atmosphere | mg/nm ³ | 7A – 985 7B – 700 | 7A – 50 7B – 50 |

**RETROFIT OF POWER UNIT # 6
AT SLOVYANSKA TPP**

The Company carries on with the largest power unit retrofit project in the history of independent Ukraine: the power unit # 6 at Slovyansk TPP is to be divided into units # 6B and # 6A, 330 MW each, using the CFB technology. The project is scheduled for 2014–2023.

Project implementation in 2014

January: start of the design documentation development, stage 'P' (the general design contractor is Teploelektroproekt research institute).

June: demolition of the boiler shop building and the turbine shop foundations was completed.

July: the work was started to relocate the plant compressor station, the plant's condensate storage tanks and the condensate storage tank pump station that were damaged in the course of the ATO.

August: the Project Management Office was set up for the retrofit of power unit # 6 within the framework of Donbasenergo's organizational structure.

October: relocation of the stage 1 ash and slag lines was completed.

November: installation of the condensate storage tanks, the condensate storage tank pump station, and compressor units was completed.

December: inspection of the construction structures was completed at the main building of stage 2; the scheme of power distribution by the units at the outdoor switchgear was developed.

The Company's main counterparties under the project

Turbine unit manufactured by: Turboatom OJSC
Generator manufactured by: Elektrotvazhmash state enterprise

Subcontractors: Ukratomenergoproekt LLC, Ukrenergomerezhproukt research institute
On-site construction and preparatory works: Donbasteploelektromontazh LLC, Montazhspetstekhnologia LLC

Over 12 months 2014, utilization of the capital investments to retrofit the power unit # 6 at Slovyanska TPP amounted to UAH 55.7 million.

In 2015, Donbasenergo plans to:

- complete development of the power unit construction schedule jointly with the customer's engineer
- complete development of the stage 'P' design documentation
- complete development of the working documentation for the turbine shop foundations
- start casting of the turbine shop foundations and the auxiliary turbine equipment, assembly of the turbine unit's foundation plates.

Project's financial component

Project's estimated budget: **UAH 6,809 million**

Expected project implementation cost: **UAH 15,040 million**

Technical and economic indicators after the power unit retrofit

| Indicator | Measurement unit | Value |
|--|-------------------------|-------|
| Available capacity | MW | 660 |
| Specific consumption of reference fuel | g of reference fuel/kWh | 365 |
| Annual electricity supply | million kWh | 4.554 |
| Dust emissions to atmosphere | mg/nm ³ | 10 |
| Sulphur emissions to atmosphere | mg/nm ³ | 200 |
| Nitrogen emissions to atmosphere | mg/nm ³ | 150 |



On 17 November 1968, construction of Vuhlehirskaya SDPP started. The power plant had a 3.6 million kW capacity, which made it one of the Soviet Union industry leaders: out of all the industry's enterprises, only hydro power plants on the Yenisei and Angara could compete with it. The expected annual investment was sky-high at that time and amounted to RUB 35 million. The power plant construction was expected to take only 7 years due to the application of fast construction techniques.

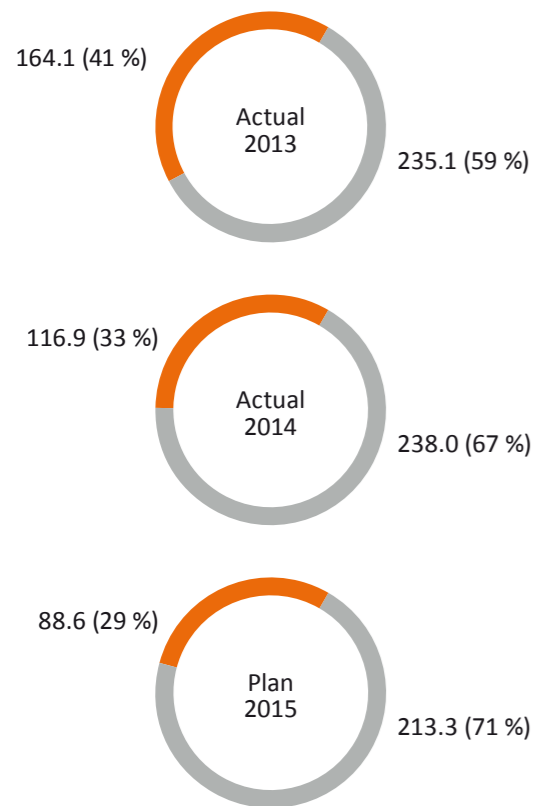


ACTUAL COST FOR
MAINTENANCE CAMPAIGN
IN 2014 – UAH
354.9
million

REPAIR OF MAIN AND AUXILIARY EQUIPMENT

MAINTENANCE PROGRAMS 2014 FOR STAROBESHIVSKA AND SLOVYANSKA TPPS FORESEE THE REPAIR OF MAIN, AUXILIARY PACKAGED AND GENERAL-PLANT EQUIPMENT, BUILDINGS, STRUCTURES AND TRANSMISSION UNITS IN ORDER TO IMPROVE OPERATIONAL RELIABILITY, TECHNICAL AND ECONOMIC PERFORMANCE OF TPPS EQUIPMENT.

Maintenance campaign costs in 2013–2014 vs. planned costs in 2015



■ Slovyanska TPP ■ Starobeshivska TPP

Pursuant to the maintenance campaign schedule 2014 approved by order of the Ministry of Energy and Coal Industry of Ukraine No. 33 'On preparation of the power plants and heat networks equipment for reliable and efficient operation in 2014 and in autumn and winter period in 2014-2015' dated 17.01.2014, the Company has planned to prepare 15 items of equipment for autumn and winter period 2014-2015, including:

- reconstruction of power units No. 8, 12 (completion) of Starobeshivska TPP and the boiler of 7B building of Slovyanska TPP
- interim maintenance of power units No. 4, 10, 11 of Starobeshivska TPP
- current repairs of 9 items of equipment, including power units No. 5, 6, 9, 13 of Starobeshivska TPP and 5 equipment items of Slovyanska TPP
- the boiler of building 7A, turbogenerator No. 7, boilers No. 6, 7 (I stage) and turbogenerator No. 3 (I stage)
- maintenance of heat networks (2.04 km).



In 1950, the engineer of ZuSDPP Kalinina together with the Stakhanovite workers Petrova and Kisurina researched a possibility to reduce (and even exclude) drying of large generators after the major inspection. A reduction due to excluded drying of one generator during one day only enabled generation of the additional energy sufficient to supply power to a mid-size mine during 10 days.

ACTUAL PERFORMANCE OF MAINTENANCE CAMPAIGN IN 2014

| No. of power unit | Maintenance type | Cost, UAH mln. | Main works |
|----------------------------------|--------------------|----------------|--|
| STAROBESHIVSKA TPP | | | |
| 4 | Interim | 27.3 | Repair of boiler unit lining, repair of raw coal conveyors, replacement of ball cleaning system filters, replacement of feed electric pump oil cooler |
| 5 | Current | 10.2 | Replacement of armor of 5A, B mills, replacement of the drive and crown pinion of 5B mill |
| 6 | Excluded from plan | 2.6 | Maintenance to support equipment operability |
| 8 | Current | 7.3 | Replacement of armor of 8A, B mills |
| 9 | Interim | 43.5 | Replacement of the cold convective steam superheater, replacement of the 3rd stage packages of the convective steam superheater, replacement of armor of 9B mill, repair of the flow part of turbine with replacement of the low pressure rotor with the standby rotor |
| 10 | Interim | 23.2 | Replacement of the cold convective steam superheater packages, partial replacement of packages of the secondary steam superheater inlet part, packages of the 3rd and 4th stages of the convective steam superheater |
| 11 | Interim | 27.8 | Replacement of packages of the cold convective steam superheater, partial replacement of tubes of the top steam superheater |
| 12 | Reconstruction | 11.0 | Replacement of packages of the water economizer |
| 13 | Current | 6.2 | Partial replacement of armor of 13A mill, replacement of the crown pinion of 13A mill |
| General plant equipment | | 78.9 | Repair of equipment of the chemical shop, electric shop, fuel and transport shop, and equipment of the onshore pump station |
| Starobeshivska TPP, total | | 238.0 | |
| SLOVYANSKA TPP | | | |
| 7A boiler | Current | 14.7 | Replacement of high pressure energy fittings, repair and reconditioning of high pressure piping |
| 7B boiler | Reconstruction | 8.3 | Repair of burners, heating surfaces, draft equipment |
| Turbo-generator-7 | Current | 15.7 | Repair of bearings, repair of check and control valves |
| General plant equipment | | 78.2 | Repair of equipment of the dust handling shop, chemical shop, electric shop, fuel and transport shop |
| Slovyanska TPP, total | | 116.9 | |
| TPPs total | | 354.9 | |

REPAIR OF MAIN AND AUXILIARY EQUIPMENT

Pursuant to the maintenance campaign schedule 2015 approved by the order of Ministry of Energy and Coal Industry of Ukraine No. 920 'On preparation of the power plants and heat networks equipment for reliable and efficient operation in 2015 and in autumn and winter period in 2015-2016' dated 31.12.2014, it is necessary to prepare 15 items of equipment for autumn and winter period 2015-2016, including:

- reconstruction of 3 power units, including power unit No. 8 of Starobeshivska TPP, and completion of reconstruction of 7B building of Slovyanska TPP power unit No. 7
- major overhaul of Slovyanska TPP boiler No. 7 (1st stage)
- interim maintenance of power units No. 5, 9 (completion) of Starobeshivska TPP
- current repairs of 9 items of equipment, including power units No. 4, 6, 10, 11, 12, 13 of Starobeshivska TPP and 3 equipment items of Slovyanska TPP – turbogenerator No. 7, boiler No. 6 (1st stage) and turbogenerator No. 3 (1st stage)
- maintenance of heat networks (1.68 km).

MAIN INDICATORS OF MAINTENANCE CAMPAIGN IN 2015

| No. of power unit | Maintenance type | Cost, UAH mln. | Main works |
|----------------------------------|----------------------|----------------|---|
| STAROBESHIVSKA TPP | | | |
| 4 | Current | 42.0 | Repair of CFB boiler unit lining, repair of the cold convective steam superheater, repair of high pressure energy fittings, replacement of air-gas flow duct expansion joints |
| 5 | Interim | 14.7 | Replacement of the inlet end wall of 5A mill, replacement of the drive pinion of 5A mill with bearings and shaft, replacement of 5A booster pump |
| 6 | Current | 10.1 | Replacement of packages of the cold convective superheater, reconditioning of boiler unit setting |
| 8 | Current | 4.2 | Replacement of heating sections 8A, B raw water evaporators |
| 9 | Interim (completion) | 6.0 | Replacement of the drive pinion of 9(B) mill with bearings and shaft |
| 10 | Current | 3.7 | Replacement of the drive pinion of 10A mill with bearings and shaft |
| 11 | Current | 9.3 | Replacement of armor of 11 'A, B' mills, replacement of 11A drive pinion with bearings and shaft |
| 12 | Current | 4.5 | Replacement of electric motors of exhausters |
| 13 | Current | 8.5 | Replacement of armor of 13A, B mill, replacement of the crown pinion of 13B mill |
| General plant equipment | | 110.3 | Repair of equipment of the chemical shop, electric shop, fuel and transport shop, and equipment of the onshore pump station |
| Starobeshivska TPP, total | | 213.3 | |
| СЛАВЯНСКАЯ ТЭС | | | |
| 7A boiler | Reconstruction | 11.711,689 | Repair of piping, repair of steam coolers, repair of high pressure energy fittings |
| 7B boiler | Reconstruction | 8.98,941 | Repair of piping, repair of high pressure energy fittings |
| Turbo-generator-7 | Current | 10.810,773 | Repair of turbine bearings, repair of turbine steam distribution part |
| General plant equipment | | 57.257,191 | Repair of equipment of the dust handling shop, chemical shop, electric shop, fuel and transport shop |
| Slovyanska TPP, total | | 88.6 | |
| TPPs total | | 301.9 | |



DAMAGE DUE
TO MILITARY
OPERATIONS – UAH

202.8
million

RECOVERY EFFORTS AT SLOVYANSKA TPP

Active military operations were performed in Mykolaivka area from 2 July to 4 July 2014. They caused heavy damage of Slovyanska TPP equipment, buildings and structures, service lines; there were critical damages detrimental to operability of the plant and preventing proper mothballing of equipment. Consequently, it was impossible to supply heat to Mykolaivka in the autumn and winter period.

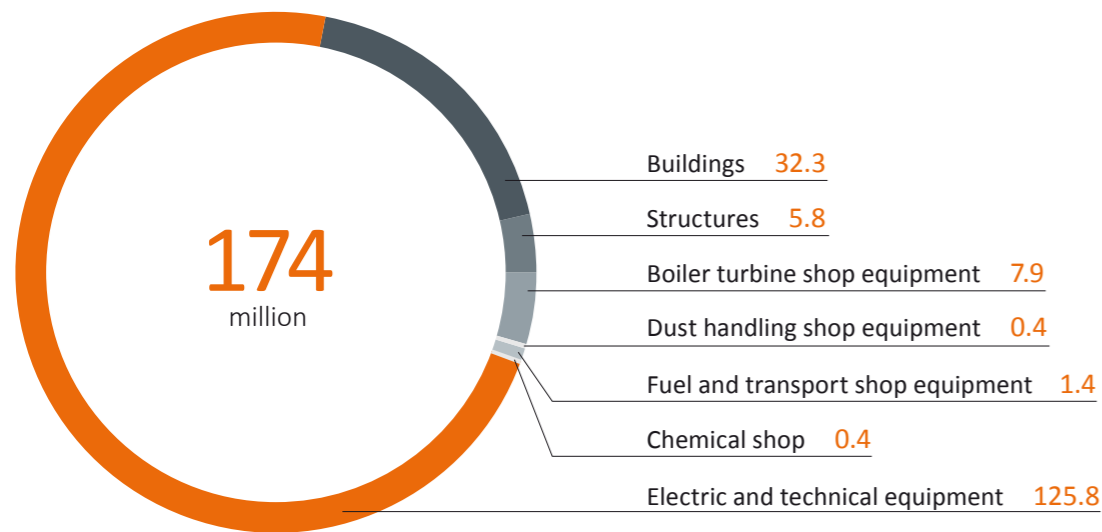
MAIN STAGES OF RECOVERY EFFORTS

- Recovery efforts started at Slovyanska TPP on 09.07.2014.
- The works on explosive ordnance disposal were completed within the TPP site and at the facilities outside its territory (mine sweeping operations were performed in the fuel storage, on the entry railway tracks and in 330, 220, 110 outdoor switchgears).
- Power and water supply for in-plant use and to Mykolaivka was restored, heat network for the autumn and winter period were repaired and pressure tested.
- Slovyanska TPP's firefighting pipelines were restored and put into operation.
- Recovery efforts in the non-unit part of boiler and turbine shop were accomplished on 15.10.2014 (turbogenerator-3, boilers No. 6, 7) to provide for uninterrupted heat supply to the site and to Mykolaivka during the autumn and winter period in 2014–2015.
- Turbogenerator No. 3 with boilers No. 6, 7 was put into operation on 16.10.2014.
- Visual and technical inspections were performed starting from 05.07.2014; fault detection reports were developed for equipment, building and structures.

The orders of Donbasenergo PJSC No. 107 dated 05.07.2014 and of Slovyanska TPP No. 230 dated 09.07.2014 established the working groups for organization and coordination of the efforts to remedy the damages and remove debris and to commission the plant.

- A special organization, East Consulting Group LLC, was involved to evaluate the damage of Donbasenergo. Simultaneously the damage was evaluated to define full cost of restoring the technical and process integrity of damaged facilities; Swan Consulting LLC was involved for this purpose.
- The report of the scope of loss caused by complete or partial damage of manufacturing fixed assets was presented. The loss totaled UAH 202.8 mln.
- After damage assessment, Teploelektroproekt CE developed the design and estimate documentation for restoration of Slovyanska TPP. On 15.10.2014 the project was submitted to Ukrstroyekspertiza SE (Kiev) for expert review. A positive opinion was obtained and a declaration was issued dated 15.12.2014 to start recovery efforts.

Cost of equipment recovery efforts at Slovyanska TPP



Cost of repair of fixed assets damaged during military operations amounted to UAH 15.2 mln., including

- a third-party contractor method – UAH 0.8 mln.
- a contractor method – UAH 11.2 mln:
DESR – UAH 3.2 mln;
Elektroremont – UAH 8.0 mln.
- a non-contractor method – UAH 3.2 mln.

Other cost of liquidating the consequences of military operations amounted to UAH 14.1 mln, including:

- cost of spares and materials purchased for liquidation of the consequences of military operations – UAH 2.4 mln.



Immediately after the liberation of Donbass in 1943 and the beginning of restoration of power plants in the region, the "right" supply chains were not available yet; the ways of finding the components were unimaginable. The annals of ZuSDPP recovery describe a story, when in the beginning of 1944 the plant received a letter from the former employee, gas welder Stepan Ganzha. He wrote that he saw the turbine pipe near the slope of railway on the way to the hospital near Bataysk (Rostov region). He knew about destruction of the plant from media publications and he wrote his comrades. Deputy Director of the plant

Sushchenko went to Bataysk and came back with shocking news: the pipe has "Zuevskaya TPP" marking. A 64 t component was lifted to the platform with cranes; the platform was connected to the military train and the turbine pipe was delivered back to its native enterprise. The rotor noticed by other soldier near Razdolnaya station was delivered in much the same way. The deputy Head of Turbine Shop Nikolay Getman went there. The military operations were still conducted near Razdolnaya. With great difficulty Getman found the old steam locomotive at the station and set out on a search. In seven kilometers he indeed found the piece. It seemed very familiar to Getman, and he was right: once he had put 'TG No. 5' mark on this mechanism himself.

PHOTO REPORT OF SLOVYANSKA TPP RECOVERY EFFORTS





Central entrance

The entrance had been refurbished in 2014, shortly before the hostilities. It was renovated in its original form.



Auxiliary off-skid section of the power plant

The auxiliary off-skid section of the plant is the only one remaining in operation in Ukraine, analogues at other TPPs were written down and dismantled. During the recovery campaign it took over the autumn-winter peak load. It also operates in generation mode.



Auxiliary off-skid section of the power plant





Auxiliary off-skid section of the power plant



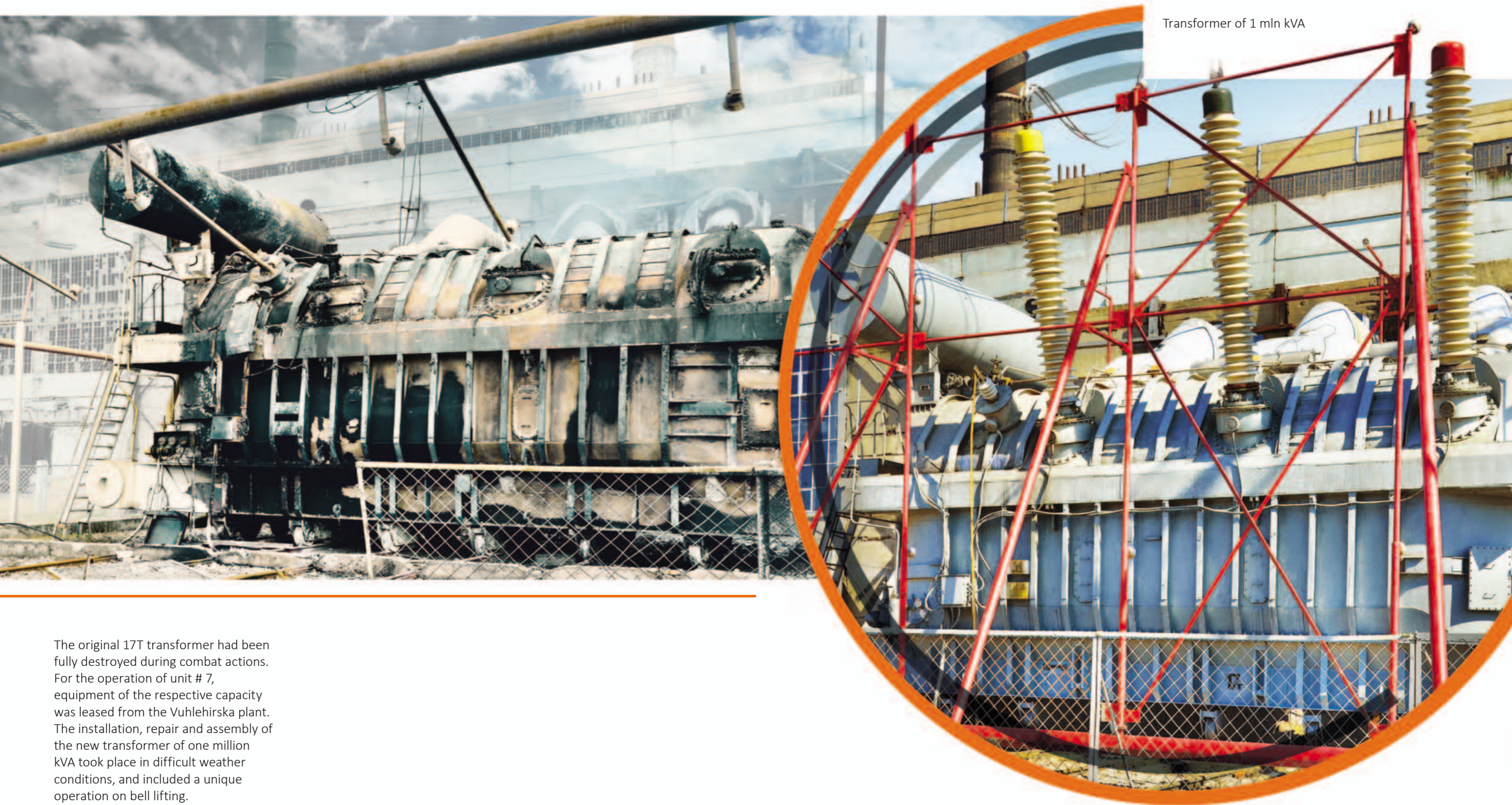
Building of the service section
(former administrative building)

Before the start of military actions there were workshops and training areas here. After the retrofit it also accommodates part of personnel of Teploelektroproekt Research Institute.



Outdoor switchgear

This section had suffered the heaviest damages. Restoration of the electric equipment started on the first day after the end of combat actions in order to ensure power supply to the town of Mykolaivka and auxiliary energy for the plant itself.



Transformer of 1 mln kVA

The original 17T transformer had been fully destroyed during combat actions. For the operation of unit # 7, equipment of the respective capacity was leased from the Vuhlehirska plant. The installation, repair and assembly of the new transformer of one million kVA took place in difficult weather conditions, and included a unique operation on bell lifting.

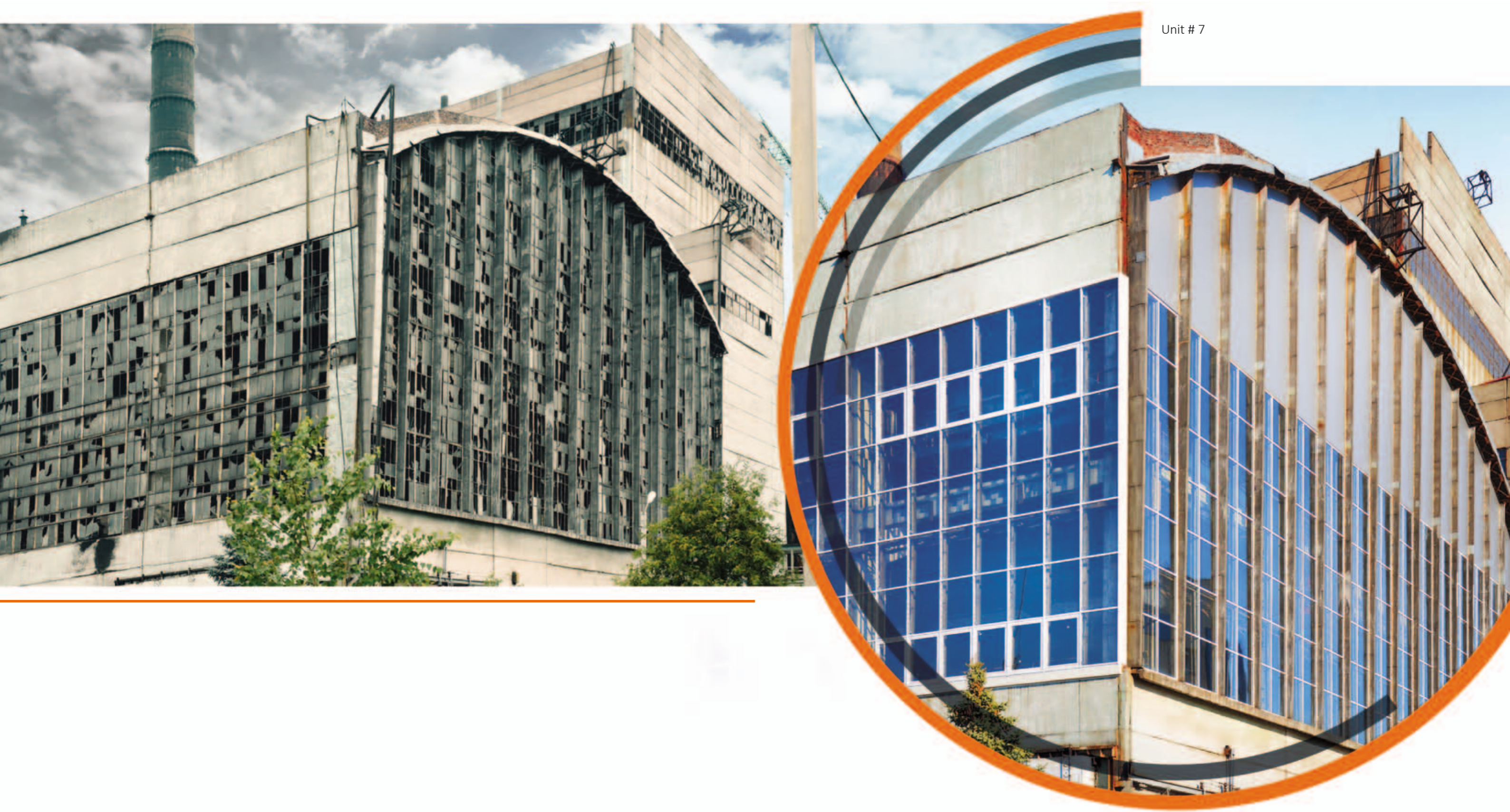


Building of the turbine section, unit # 6



Unit # 7

The only operating unit of Slovyanska TPP. In 2013, the retrofit of 7A package was completed, and early 2014 the modernization of 7B package started. During military operations, the unit's main equipment remained intact, while the building was damaged. During the restoration, the retrofit of 7B package was completed, the unit is ready to take load.



Unit # 7



Pathway gallery of conveyor # 12 AB
Fuel supply section

Building of an engineering and laboratory complex



After the end of combat operations the modern administrative building accommodates personnel of the Operations and Technical Division of Donbasenergo and an operational system improvement unit, which is in charge of a lean program implementation at Slovyanska TPP.

3 ANALYSIS OF FINANCIAL PERFORMANCE



FINANCIAL RESULTS ARE ONE OF THE MOST IMPORTANT INDICATORS OF THE COMPANY'S EFFICIENCY. THEIR ANALYSIS DISCLOSES THE INFLUENCE OF INTERNAL, PRODUCTION-RELATED AND EXTERNAL ECONOMIC AND POLITICAL FACTORS ON THE KEY METRICS OF THE FINANCIAL SITUATION IN THE POWER GENERATION. INFORMATION IN THIS CHAPTER DISCLOSES THE CAPABILITY OF DONBASENERGO TO MAINTAIN CONTROL OVER THE FINANCIAL AND ECONOMIC SITUATION, DESPITE THE DECLINE IN SOME OF THE KEY FINANCIAL INDICATORS, AND TO FULFILL ITS OBLIGATIONS TO THE BUYER OF ITS PRODUCTS REPRESENTED BY ENERGORYNOK STATE ENTERPRISE, TO PARTNERS, CREDITORS AND SHAREHOLDERS.

DONBASENERGO'S 2014 FINANCIAL STATEMENTS WERE MADE IN LINE WITH THE REQUIREMENTS OF THE INTERNATIONAL ACCOUNTING STANDARDS (IAS) AND REPORTING STANDARDS.

SALES PROCEEDS AND REVENUE

Proceeds from sales of heat and electricity, UAH million

↓ 951.7

| | | | |
|------|---------|---------|---------|
| 2014 | 4,554.8 | 1,310.0 | 5,864.8 |
| 2013 | 5,334.5 | 1,481.7 | 6,816.5 |
| 2012 | 4,019.9 | 1,555.8 | 5,577.1 |

Net profit from sales of heat and electricity, UAH million

↓ 793.1

| | | | |
|------|---------|---------|---------|
| 2014 | 3,795.7 | 1,091.7 | 4,887.3 |
| 2013 | 4,445.4 | 1,234.7 | 5,680.4 |
| 2012 | 3,349.9 | 1,296.5 | 4,647.6 |

Production cost of sold heat and electricity, UAH million

↓ 1 046,3

| | | | |
|------|---------|---------|---------|
| 2014 | 2,728.7 | 794.2 | 3,522.9 |
| 2013 | 3,279.9 | 1,248.6 | 4,569.2 |
| 2012 | 2,758.2 | 1,358.3 | 4,096.5 |

Gross profit from sold heat and electricity, UAH million

↓ 253,3

| | | | |
|------|---------|-------|---------|
| 2014 | 1,067.0 | 297.5 | 1,364.5 |
| 2013 | 1,165.5 | -13.9 | 1,111.2 |
| 2012 | 591.7 | -61.8 | 551.0 |

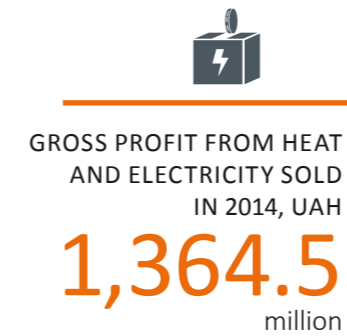
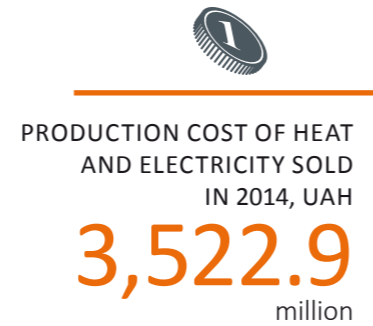
■ Starobeshivska TPP ■ Slovyanska TPP

Company's revenue from sales of heat and electricity in 2014 amounted to UAH 4,887.3 million

Decrease in the revenue resulted from reduction in the electricity output by 2,912.6 million kWh compared to 2013 and by 1,987.7 million kWh compared to 2012.

The production cost of the heat and electricity sold in 2014 was UAH 3,522.9 million. It was cut by UAH 1,046.3 million compared to 2013 and by UAH 573.6 million compared to 2012 due to the reduced costs for process fuel.

The gross profit from heat and electricity sold in 2014 reached UAH 1,364.5 million that is by UAH 253.3 million more than in 2013 and by UAH 813.5 million more than the same indicator of 2012 due to the above factors.



FINANCIAL INDICATORS

2012–2014 KEY FINANCIAL INDICATORS, UAH million

| Indicator, UAH million | 2012 | 2013 | 2014 |
|---------------------------------|--------------|--------------|--------------|
| Operating profit | 551.0 | 1,111.2 | 1,364.5 |
| Administrative expenses | 114.0 | 170.1 | 171.4 |
| Sales expenses | 17.0 | 12.9 | 8.0 |
| Other operating, other profit | 193.2 | 185.8 | 395.7 |
| Other operating, other expenses | 436.0 | 337.2 | 1,296.0 |
| Financial revenue | 106.3 | 4.3 | 17.0 |
| Financial expenses | 156.8 | 86.9 | 128.2 |
| EBT | 126.7 | 694.3 | 173.7 |

EBT for 2012–2014, UAH million



Pre-tax profit for 2014 amounted to UAH 173.7 million. This indicator is lower than the net profit for the previous reporting period due to the following factors:

- (-) UAH 805.3 million – reflection in the accounting records of accrued reserve for depreciation of fixed assets according to the IAS requirements
- (-) UAH 229.9 million – reduction in the accrued investment component of the electricity tariff according to the decisions of NCSEPUR of Ukraine
- (+) UAH 257.1 million – adjustment in the amounts of the deferred costs reserve made in the fourth quarter of 2014 and associated with restorative repair at Slovyanska TPP
- (+) UAH 215.4 million – decrease in semi-constant expenses and repair/maintenance expenses within electricity generation cost
- (+) UAH 167.8 million – reduction in the electricity production cost through decrease in the fuel component in the production cost by 2.64 kop./kWh
- (+) UAH 149.8 million – increase in repayment of debt by Energorynok for sold electricity for which a reserve was made
- (+) UAH 95.9 million – rise of profit from electricity resulting from increase in electricity generation tariff not taking into account the investment component by 1.51 kop./kWh.

NET PROFIT

STRUCTURE OF FINANCIAL PERFORMANCE FOR 2012–2014, UAH million

| Indicator, UAH million | Actual 2012 | Actual 2012 | Actual 2012 | Deviation 2014 a/2013 a | | Deviation 2014 a/2012 a | |
|---|--------------|----------------|----------------|-------------------------|--------------|-------------------------|--------------|
| | | | | +/- | % | +/- | % |
| (+) Net profit (proceeds) from sales of electricity, heat, including investment component in tariff | 4,647.6 | 5,680.4 | 4,887.3 | -793.1 | -14.0 | 239.8 | 5.2 |
| (-) Production cost of sold electricity, heat | 4,096.5 | 4,569.2 | 3,522.9 | -1,046.3 | -22.9 | -573.6 | -14.0 |
| (=) Operating revenue | 551.0 | 1,111.2 | 1,364.5 | 253.2 | 22.8 | 813.4 | 147.6 |
| (-) Administrative expenses | 114.0 | 170.1 | 171.4 | 1.3 | 0.7 | 57.4 | 50.4 |
| (-) Sales expenses | 17.0 | 12.9 | 8.0 | -4.9 | -38.0 | -9.0 | -52.9 |
| (+) Other operating, other profit | 193.2 | 185.8 | 395.7 | 209.9 | 112.9 | 202.5 | 104.8 |
| (-) Other operating, other expenses | 436.0 | 337.2 | 1,296.0 | 958.8 | 284.4 | 860.0 | 197.2 |
| (+) Financial profit | 106.3 | 4.3 | 17.0 | 12.7 | 293.0 | -89.3 | -84.0 |
| (-) Financial expenses | 156.8 | 86.9 | 128.2 | 41.3 | 47.6 | -28.7 | -18.3 |
| (=) Pre-tax profit | 126.7 | 694.3 | 173.7 | -520.6 | -75.0 | 46.9 | 37.0 |
| (-) Profit tax accrued according to form 2 | 95.8 | 162.8 | 72.8 | -90.0 | -55.3 | -23.0 | -24.0 |
| (=) Net profit | 30.9 | 531.5 | 100.9 | -430.6 | -81.0 | 69.9 | 225.8 |

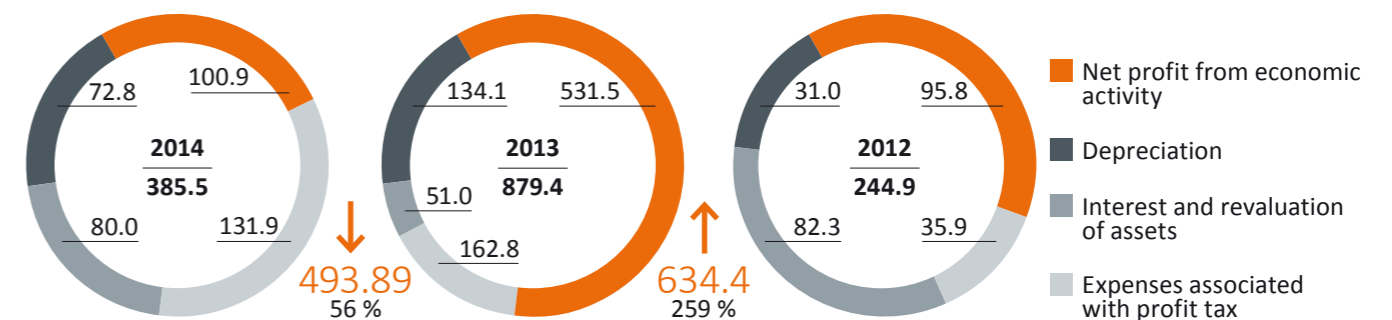
Net profit, UAH million



The net profit of the Company, taking into account the accrued profit tax of UAH 72.8 million based on the financial/economic performance in 2014, amounted to UAH 100.9 million.

EBITDA

EBITDA STRUCTURE IN 2012–2014, UAH million





CASH BALANCE AS AT
01.01.2015, UAH
216.5
million



CURRENT SOLVENCY
RATIO IN 2014
IMPROVED BY
6.0 %



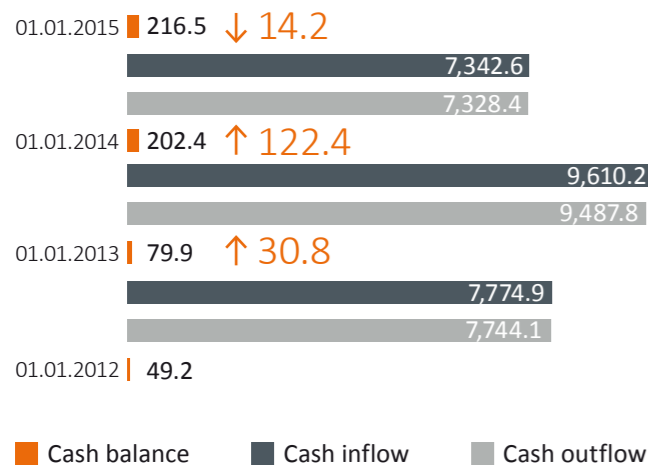
CASH FLOW
ADEQUACY RATIO
FOR 2014
0.71



NET WORKING
CAPITAL
FOR 2014, UAH
-1,229.8
million

CASH FLOW

CASH FLOW STRUCTURE IN 2012–2014, UAH million



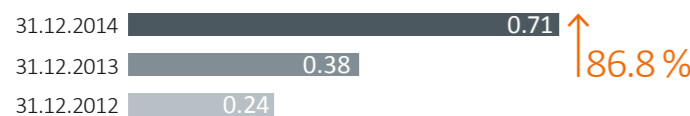
Cash flow over the reporting period amounted to (+) UAH 14.2 million. This result was mainly obtained due to the incomplete use of cash received in connection with settlements according to resolution of the Cabinet of Ministers of Ukraine no. 1164 dd. 19.11.2014 On measures to stabilize the operation of energy generation companies of thermal power stations and to ensure reliable work of the Integrated Power System of Ukraine in autumn and winter period of 2014/15.

CURRENT SOLVENCY RATIO



In 2014, the current solvency ratio was improved by 6.0 % compared to 2013 and by 17.1 % compared to 2012. The result was mainly achieved due to return of the earlier provided advance payments for sold electricity to Energorynok.

CASH FLOW ADEQUACY RATIO ON CURRENT ACTIVITY FOR EXTINGUISHMENT OF OBLIGATIONS



Based on 2014 performance results, increase in the payment ratio for extinguishment of obligations to 0.71 (+86.8%) is observed. This resulted from decrease in attraction and repayment of long-term loans and short-term credits.

MANAGEMENT OF LIQUIDITY AND CREDIT PORTFOLIO

Dynamics of NWC, UAH million



To estimate the Company's 2014 liquidity, ratios characterizing Donbasenergo's capacity to make timely and full payments on short-term debts were calculated.

Based on 2014 performance results, the net working capital decreased to UAH 1,229.8 million as a result of 12.1% reduction in the level of current payments for supplied electricity.

DYNAMICS OF LIQUIDITY INDICATORS

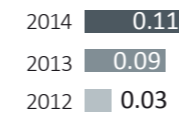
For current liquidity (standard >1)



For instant liquidity (standard 0.6...0.8)



For absolute liquidity (standard 0.2...0.5)



According to the presented calculations, 2014 liquidity indicators were decreased compared to the previous reporting periods due to the following:

- decrease in the debt to Energorynok by UAH 61.0 million resulting from settlements to cover the difference in tariffs according to resolution of the Cabinet of Ministers of Ukraine dd. 29.01.2014 no.30

- reclassification of debt to Energorynok between the current one and the long-term one to an amount of UAH 449.8 million and additional accrual of bad debt reserve of UAH 195.5 million according to the requirements of IAS 39 Financial instruments: recognition and measurement
- decrease of the current accounts payable by UAH 257.5 million as a result of return to Energorynok of earlier provided advance payments for sold electricity.

The total current liquidity ratio reduced, on the one hand (apart from the above), due to the reduction in the coal stocks of TPPs by UAH 231.1 million, and on the other hand, due to increase in the current accounts payable connected with long-term liabilities to UAH 138.1 million attracted to finance the retrofit of power unit #7 of Slovyanska TPP.

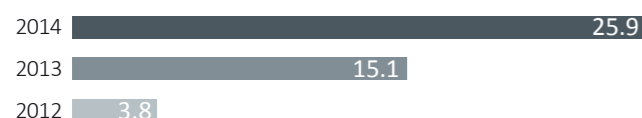
With that, the value of absolute liquidity ratio for 2014 was improved compared to the previous reporting periods through increase in the free cash balance on the accounts.

Thus, general deterioration of the liquidity is connected with the company's dependence on the borrowed funds as well as decrease in the level of Energorynok's settlements for supplied electricity.

ANALYTICAL RATIOS CHARACTERIZING THE FINANCIAL CONDITION

Economic efficiency of the Company assets' utilization is expressed by the profitability ratios that characterize the possibility to obtain economic benefits from the use of production resources, capital, assets and investment funds.

Dynamics of operating activity profitability ratio



Improvement of the operating activity profitability ratio for 2014 resulted from:

- growth rates of electricity tariffs (17.6%), not taking into account the investment component, exceeded the growth rates of the electricity production costs (11.4%)
- growth of the investment component in the structure of the electricity tariff by UAH 640.6 million

Dynamics of ROA



Following the results of 2014, ROA decreased compared to 2013 due to decline of the overall financial result and increase in the assets' value as a result of continuing retrofit and technical re-equipment of the Company's key production facilities.

Dynamics of ROE



ROE for 2014 demonstrates negative trend compared to 2013, resulting from decrease of the net profit with almost unchanged own capital.

Solvency ratio

| Indicator | Standard value | Value | |
|-------------------------|----------------|------------------|------------------|
| | | as at 01.01.2014 | as at 31.12.2014 |
| Solvency ratio | > 0.5 | 0.306 | 0.350 |
| Capital structure ratio | < 1 | 2.273 | 1.858 |

The value of the solvency ratio was improved in the course of 2014 due to reduction in the current accounts payable to Energorynok on the obtained advance payments for supplied electricity by UAH 257.5 million as a result of settlements to cover the difference in tariffs.

Changes in the calculated value of the capital structure ratio resulted from reduction in the current liabilities under long-term loans by UAH 94.2 million as well as disbursement of the created reserves for pensions and payments according to the Collective Agreement, to an amount of UAH 119.3 million.

Dynamics of the interest coverage ratio



The performed analysis of creditors' protection from passing of interest, according to the interest coverage ratio, in 2014 shows that despite the reduction in the ratio value, the Company ensured the coverage of the interest liabilities to its creditors.

Dynamics of receivables turnover ratio



The calculated value of the receivables turnover ratio practically did not change, which means the management of settlements with debtor companies within the term of the contractual liabilities.

Dynamics of profit per one share



The calculated value of the net profit per 1 share, based on the 2014 performance, amounted to UAH 4.3. Decrease of this indicator is connected with decrease in the overall financial result (net profit).

Thus, despite the improvement of some financial ratios for 2014, the financial standing of the Company remains difficult and depends on the external, government decisions.



In 1961–1963, Slovyanska TPP for the first time introduced integrated automation of boiler and turbine shops, fuel supply and chemical water treatment. This resulted in higher culture of equipment operation, improved the quality of control and management as one machine operator in the boiler shop could operate four boilers and two turbines in the turbine shop. The staff on duty was reduced by 175 persons. All these measures resulted in the annual saving of 250 thousand rubles.

4 CORPORATE GOVERNANCE



CORPORATE GOVERNANCE IN DONBASENERGO IS PERFORMED IN ACCORDANCE WITH THE EFFECTIVE LEGISLATION OF UKRAINE RELYING, IN THE FIRST TURN, ON THE REQUIREMENTS OF THE LAWS OF UKRAINE ON JOINT STOCK COMPANIES, ON SECURITIES AND STOCK MARKET, THE ECONOMIC AND CIVIL CODES OF UKRAINE, OTHER LAWS AS WELL AS REGULATIONS OF THE NATIONAL SECURITIES AND STOCK MARKETS COMMISSION, THE COMPANY'S ARTICLES OF ASSOCIATION, RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS, THE SUPERVISORY BOARD, THE AUDIT COMMISSION AND DIRECTORATE.

CORPORATE GOVERNANCE PRINCIPLES

- Clear distribution of functions and responsibilities between the management bodies – the General Meeting of Shareholders, the Supervisory Board, the Audit Commission and Directorate
- Respect of the shareholders' corporate rights and ensuring the possibility for them to exercise their corporate rights associated with participation in the Company
- Equal attitude to all shareholders irrespective of the number of shares they hold
- Performance of the strategic management of the Company's activity by the Supervisory Board, ensuring efficient control over the activity of the Executive Body – Directorate as well as accountability of the Supervisory Board members to shareholders and the shareholders meeting
- Performance of weighted, diligent and efficient management of the Company's current activity by the Executive Body, subordination of the Directorate to the Supervisory Board and the shareholders
- Timely disclosure of full and reliable information about the Company, including its production indicators, financial indicators, significant events, changes in the ownership structure and management to ensure the possibility for weighted decisions by shareholders
- Efficient control by the Audit Commission of the Company's financial and economic activity in order to protect the rights and legal interests of the shareholders.

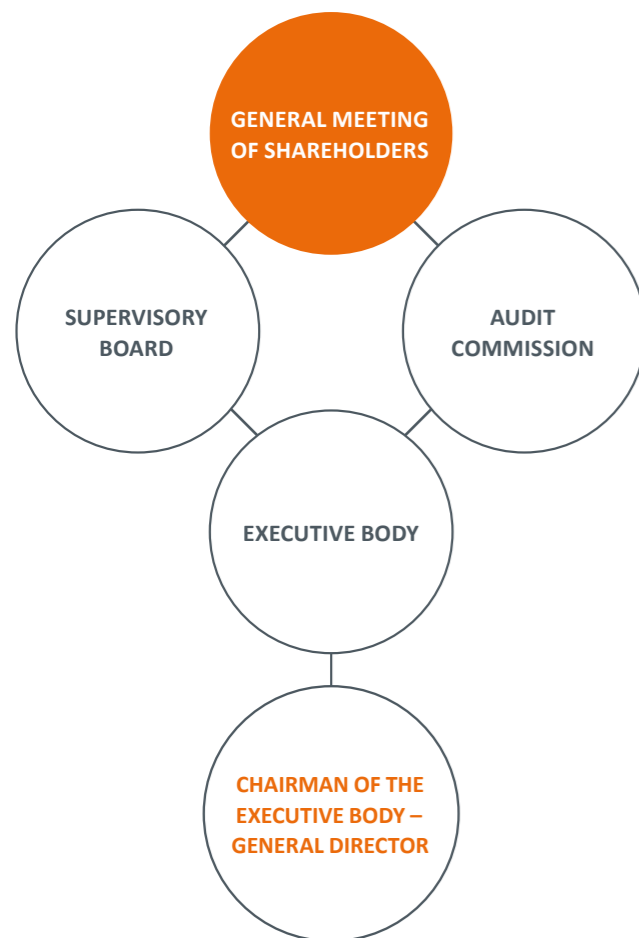


Centralized management of USSR economy branches till 1934 existed as a four-link system: people's commissariat – association – trust – enterprise. Later, the Soviet republics set up commissariats of local industries and made transition to a three-link management system: main committee – trust – enterprise. The work of the trusts was largely influenced by local party bodies, and in the course of 1930s this influence was growing. Donetsk regional committee of the Communist

Party did not just thoroughly control Donenergo, but put specific production tasks.

Prescriptive management style and direct subordination to the regional committee were reinforced in November 1939 when department of electrical stations was established in the Stalinskiy regional committee of the Communist Party. In parallel with main committees, the department put to practice the party's directives in the sector, exercised control over the performance of production plans by enterprises, checked the work of local party organizations and economic entities.

CORPORATE GOVERNANCE STRUCTURE



GENERAL MEETING OF SHAREHOLDERS

In 2014, two General Shareholders Meetings were held.

The scheduled annual meeting of shareholders was held on 26 April 2014.

KEY DECISIONS MADE BY THE COMPANY'S SHAREHOLDERS:

- approved the reports by Donbasenergo management bodies for 2013
- approved the results of the Company's financial and economic activity for 2013
- re-elected the members of the Supervisory Board, the Audit Commission due to the transfer of the state-owned stake of 25%+1 share of the National Joint Stock Company Energy Company of Ukraine to the management of the State Property Fund of Ukraine pursuant to resolution of the Cabinet of Ministers of Ukraine no.23 dated 22.01.2014
- following the Company's 2013 performance results, made decision to pay dividends in an amount of UAH 159,458.7, which accounted for 30% of the net profit.

Extraordinary meeting of shareholders was held on 17 December 2014

KEY DECISIONS MADE BY THE COMPANY'S SHAREHOLDERS:

- introduced changes to the Articles of Association of Donbasenergo and Regulation on structural subdivisions of the Company due to the change of their location

SUPERVISORY BOARD

Structure of the Supervisory Board:

- Energoinvest Holding PrJSC – Chairperson of the Supervisory Board
- State Property Fund of Ukraine – Deputy chairperson of the Supervisory Board
- Yevgeniy Opikhaylenko – Secretary of the Supervisory Board
- Aleksandr Kheilo – member of the Supervisory Board
- Energoinvest Holding B.V., private company with limited liability – member of the Supervisory Board

In 2014, 17 meetings of the Supervisory Board were held

KEY DECISIONS MADE BY THE MANAGEMENT BODY:

- approved the plans of financial, economic activity and production program of the Company, considered their performance reports
- approved and reconciled organizational structure and internal regulatory documents of Donbasenergo
- made decision about attraction of borrowed funds
- approved and reconciled investment projects and project documentation on retrofit projects implemented at the power plants
- initiated convocation of the extraordinary General Meeting of Shareholders to introduce changes to the Company's title documents due to the changed location of Donbasenergo's management office and structural units



In 1965, as part of reform for economic stimulation of producers, A. Kosygin (Chairman of the USSR Council of Ministers) allowed the enterprises to leave part of their revenue at their disposal that was split into three groups: fund for financing of production, fund for material rewarding and fund for social, cultural and household development. Donbasenergo association received the possibility to regulate the level of living for its employees.

AUDIT COMMISSION

Structure of the Audit Commission:

- Alla Bogatyriova – Chairman of the Audit Commission
- State Property Fund of Ukraine – member of the Audit Commission
- Oleg Naumenko – member of the Audit Commission

In 2014, four meetings of the Audit Commission were held

At the meetings the following reports by the Directorate of Donbasenergo were considered: on performance of capital investment and development plan for 2013, first half of 2014 and 2014 in total, on performance of financial plan. Information about the receipt, use and return of credit funds in 2013, first half of 2014 and 2014 overall was considered.

STRUCTURE OF SHAREHOLDER CAPITAL

DIRECTORATE

Structure of the Directorate as of 31.12.2014:

- Eduard Bondarenko – General Director
- Aleksey Kurakov – Directorate member – First Deputy of the General Director
- Valentina Marchenko – Directorate member – Director for Economy, Finances and Corporate Governance
- Viktor Rupp – Directorate member – Technical Director
- Aleksandr Boenko – Directorate member – Legal Support Director
- Aleksandr Maksimenko – Directorate member – Director of Starobeshivska TPP
- Valeriy Cherepiy – Directorate member – Director of Slovyanska TPP

In 2014, 29 meetings of the Directorate were held

KEY DECISIONS MADE WITH REGARDS TO THE PRODUCTION AND ECONOMIC ACTIVITY:

- developed and reconciled production programs, financial and investment plans of the Company, considered their performance progress
- established a work group to coordinate the work associated with the restoration of Slovyanska TPP and determined the first priority tasks in this area
- made decisions to ensure uninterrupted operation of the Company and safety of employees in the period of ATO
- made decisions on crediting and management of the Company's property
- made staffing decisions and decisions related to labour remuneration

KEY DECISIONS RELATED TO SOCIAL ACTIVITY:

- made decision to allocate charitable aid to the executive committee of Mykolaivskiy municipal council for restoration of two schools, a pre-school establishment, housing stock and social infrastructure assets damaged in the course of ATO
- made decision to allocate financial aid for medical treatment of Slovyanska TPP employees and their family members/relatives who suffered during the ATO
- made decision to allocate financial aid and loans to employees of Slovyanska TPP for restoration of property damaged as a result of ATO

On 21 August 2013, 60.77% of Donbasenergo shares were sold by the State Property Fund of Ukraine to Energoinvest Holding through open tender.

The state represented by the State Property Fund of Ukraine owned 25%+1 share in the Company.

The privatization of the state-owned share (25%) in Donbasenergo is planned to be made before 30 June 2015, based on Resolution of the Cabinet of Ministers of Ukraine no. 204 On approval of plans for placement of shares in enterprises of fuel and energy sector dated 3 April 2013 with amendments no. 1071-p dated 7 November 2014.

SHARES

Since 18.05.2011, the shares of Donbasenergo have been included in the first level of listing of the Stock Market register of Ukrainian Stock Market. Since 08.07.2013, the Company's shares were moved to the second level of the Stock Market register's listing by decision of the Quotation Commission no.955 dd. 05.07.2013.

Additional information for the shareholders:

The issue of Donbasenergo's shares was administrated by National Depository of Ukraine Public Joint Stock Company:

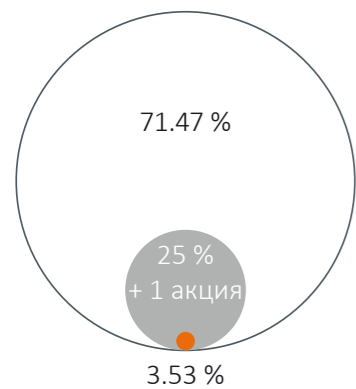
EDRPOU code 30370711
04071, Kyiv
Nyzhnyi val street, building 17/8

The issuer made a contract for opening of securities accounts for holders of Donbasenergo's shares with United Registration Company LLC:

EDRPOU 23785133
08292, Kyiv region
Bucha town, B. Khmel'nitskogo Boulevard
Building 6, office 253, tel. 050-425-00-78

According to the Law of Ukraine On the Depository System of Ukraine, if the owner of securities did not make the contract with the depository institution chosen by the Issuer for administration of securities accounts on its own behalf or did not transfer its rights for securities on its own securities account opened with other depository institution, the securities of such owner (that entitle to participate in the issuer's bodies) are not taken into account in determining the quorum and in voting in the issuer's bodies.

STRUCTURE OF SHAREHOLDER CAPITAL



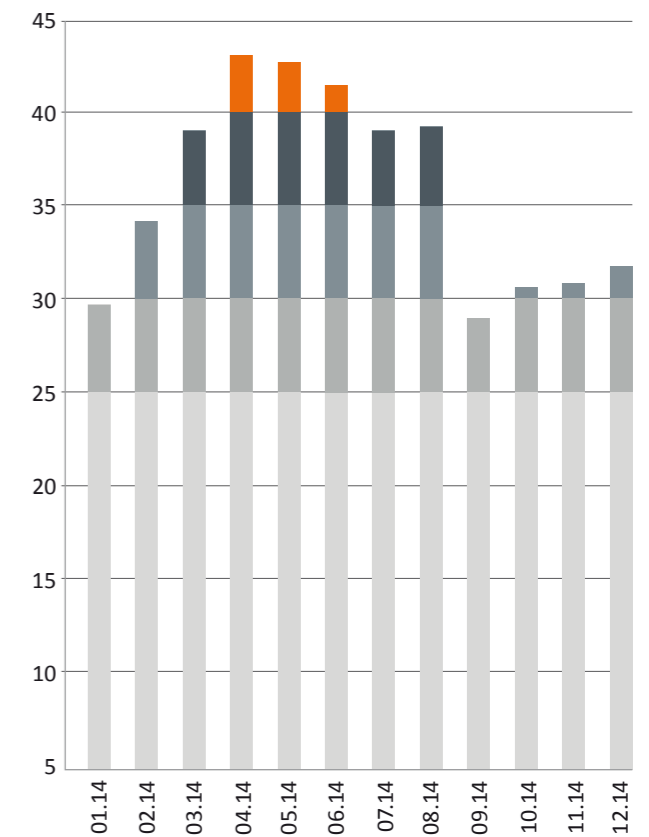
TOTAL NUMBER OF SHARES ISSUED BY DONBASENERGO IS – 23,644,301

THE FACE VALUE OF ONE SHARE IS UAH – 10

THE AUTHORIZED CAPITAL IS UAH – 236,443,010

- Legal entities, including ENERGOINVEST HOLDING 60.77 %
- The state represented by the State Property Fund of Ukraine
- Physical persons

Dynamics of monthly average value of the Company's shares at the Ukrainian Stock Market for 2014



5 SUSTAINABLE DEVELOPMENT



ONE OF THE PRIORITIES IN DONBASENERGO ACTIVITIES IS ENSURING THE SUSTAINABLE DEVELOPMENT OF THE COMPANY BASED ON THE EFFICIENT TACKLING OF THE HR TASKS, GUARANTEEING SAFE AND FAVOURABLE WORK CONDITIONS, PROVIDING SOCIAL GUARANTEES AND MEETING THE OBLIGATIONS THE COMPANY HAS REGARDING THE DEVELOPMENT OF THE REGION IT OPERATES IN. IN 2014, EXTERNAL POLITICAL AND SOCIAL-ECONOMIC FACTORS GREATLY INFLUENCED THE GENERATION INDICATORS, BUT DID NOT CHANGE THE MAIN TRENDS IN DONBASENERGO DEVELOPMENT.

Well-balanced HR policy is the key management function and is aimed at improving the efficiency of each employee and the working team as a whole. It is achieved through the improvement of the

professional level and development of the soft skills of the staff, ensuring the employment and providing optimal opportunities for a professional self-realization, observing social guarantees.

PERSONNEL AND ITS STRUCTURE. LABOUR REMUNERATION

Average listed number of employees



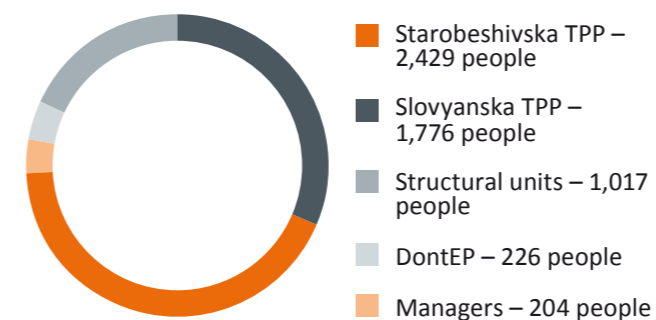
The listed number of employees went down by 8.5% or 519 people YoY, thus the specific headcount of the operating personnel (operating personnel ratio) dropped by 6.7% (from 1.93 to 1.80 people per MW of the installed capacity).

The payroll dropped by 4% YoY to make UAH 454,593.8 mln. The payroll reduction is explained by:

- headcount reduction by 8.5%
- growth of the unpaid leaves by 7.7 times*.

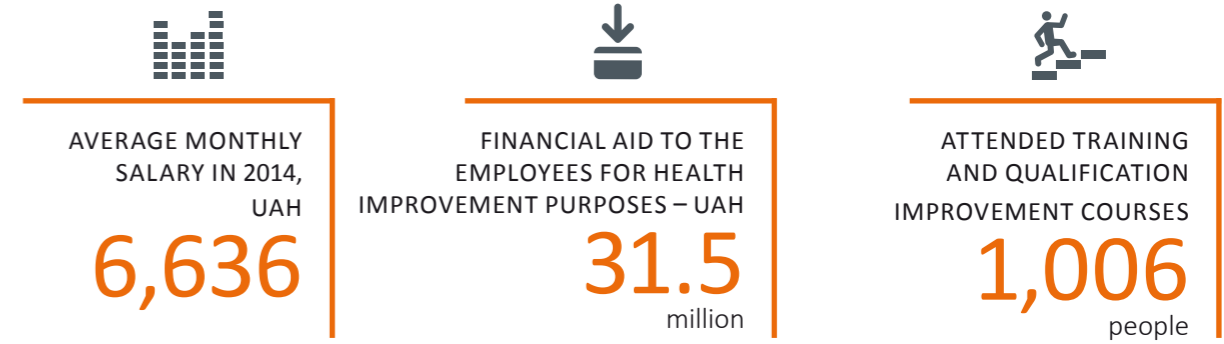
* In 2014 the Company employees took the maximum number of the unpaid leaves: 322,812 man-hours (5,144 people) vs. 41,947 man-hours (1,403 people) in 2013, which is explained by the employees and/or members of their families leaving the military hostilities area.

Personnel deployment per structural units in 2014



Dynamics of the average monthly wages' growth





SOCIAL GUARANTEES AND RESPONSIBILITY

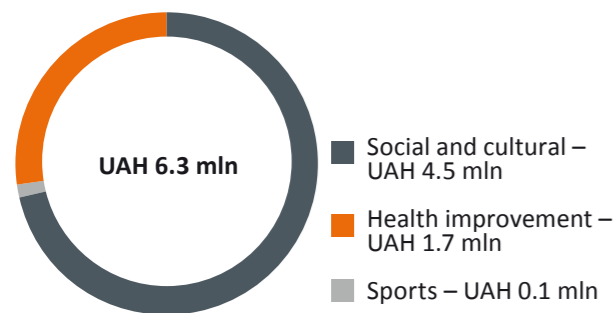
In 2014, the Company observed the social guarantees it has to provide to its employees and non-working pensioners as envisaged by the Collective Bargaining Agreement:

- the amount of financial assistance to the Company's employees for health improvement purposes grew by 11.3% to make UAH 31.5 million (UAH 28.3 million – in 2013)
- the amount of the paid one-time rewards dedicated to anniversaries and special commemorative dates (including awards and letters of thanks) reached UAH 2.8 mln.

During the reporting period the deductions to the trade union increased by 18.9% YoY to make UAH 6.3 mln.

The total amount of payments for social and labour benefits in 2014 decreased by 13.7% YoY.

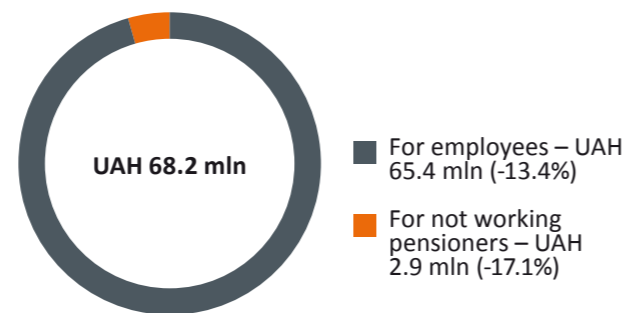
Cultural and entertainment events



In 2014, Donbasenergo's social responsibility policy implementation was connected to providing assistance to the enterprises and employees of the Company, residents of the towns of its operations who suffered as the result of the military hostilities and their social-economic consequences.

To ensure the safety of the families of Slovyanska TPP employees, the Company arranged the evacuation of women and children – over 500 people – from the town of Mykolaivka. The Company took on the full costs of their evacuation, accommodation at the health resorts on the Azov sea coast and living expenses in June to July 2014. The cost of such measures exceeded UAH 3.5 mln.

The total amount paid for social and labour benefits in 2014



The Company allocated UAH 2.5 mln to refurbish and restore the infrastructure, kindergarten and two secondary schools in the town of Mykolaivka.

The personnel of Donbasenergo headquarters decided to provide targeted charity assistance to Slovyanska TPP employees who suffered as the result of the active combat: for medical treatment, restoration and purchase of houses and belongings. The total amount of funds allocated for such purposes exceeded UAH 1 mln.

We arranged for free hot meals in winter time for the employees of Starobeshivska TPP, which is located in the area not controlled by Ukraine (Novyi Svit settlement) – while the banking system is not operational.

PERSONNEL TRAINING AND DEVELOPMENT

In 2014, 20 employees of the structural units and headquarters of Donbasenergo completed a mini-MBA international business program. The project was the first one in the Company and was launched in October 2013 as part of the corporate program for the managerial talents development. Donbasenergo employees attended the courses by the leading lecturers of the International Management Institute (MIM-Kyiv): scientists and current consultants from large corporations, NGOs and state authorities, having gained practical knowledge in management, economics, law. They successfully defended their consulting projects, which was confirmed by the corresponding international certificates.

To ensure the level of knowledge and skills of Donbasenergo employees that meets the task of making the Company more competitive in the energy market, the generation division of Donbasenergo cooperates with the following educational establishments in the issues related to the personnel training, re-training and qualifications improvement:

- Centre for Professional Advancement for the executives and specialists of the Ministry of Energy and Coal of Ukraine
- National Technical University of Ukraine 'Kyiv Polytechnic Institute'
- Donetsk National University
- International Management Institute (MIM-Kyiv)
- Training, Retraining and Professional Advancement Institute of Donbas National Academy of Construction and Architecture, etc.

In 2014, 1,006 Company employees attended training and professional development courses, including 416 specialists and professionals who attended the training courses in the Professional Advancement Institutes and other educational establishments that have a required license and

accreditation. The cost of the training was covered by Donbasenergo. Overall personnel training and development expenses amounted to UAH 971.92 ths.

As of 01.01.2015, 139 Company employees attend an on-the-job training:

- in educational establishments of III–IV accreditation levels – 97
- in educational establishments of I–II accreditation levels – 42.

To select students for future employment we concluded 57 work placement agreements with 23 educational establishments of Donetsk Region. In 2014, 136 pupils and students had work placements with the structural units of Donbasenergo.

The annual in-service training of the structural units' workers for 2014–2015 academic year started on 01 October 2014.

Personnel training by types



Workers' professional development



Professional development of executives and specialists



Other types of training



CORPORATE CULTURE

In 2014, the corporate culture of Donbasenergo demonstrated itself through high level of the employees' responsibility, unity and mutual assistance. The events in the region served as a powerful uniting factor in the Company, which helped the generation business independently restore Slovyanska TPP, ensure stable running of Starobeshivska TPP and other structural units.

Corporate media: Power unit 6 of Slovyanska TPP souvenir, Our Generation publication, and image-calendar 'Donbas is My Homeland' that reflect the key values of the Company through the important events in the life of the region and the country were awarded prizes in the Best Corporate Media of Ukraine 2014 contest.

For 2014, Donbasenergo allocated UAH 2.4 mln for cultural and leisure events. However, the Company redistributed the funds to give assistance to the employees and their families, as well as the towns of the Company operations that were affected by the active combat.

During the year we also held creative contest for Donbasenergo employees and their children with over 200 participants. Such events help discover talents and strengthen the corporate spirit.

In 2014, UAH 399 ths were allocated for sports and health improvement events, but the actual consumed amount totaled UAH 60 ths.



One of the aspects of the 'family policy' of Donbasenergo was organizing leisure time for the employees and their children. Culture Centers and stadiums were built in the towns and settlements where employees lived, various clubs and hobby and interest groups opened, family and industrial competitions were held. The Company purchased tourist tents, tennis tables, recorders for the clubs. Regular trips to theatres and museums of the regional centers were organized. In the late 1970s a new tradition

was born: all employees celebrated together holidays and memorable events of the national level. In the Olympic 1980 year an energy system Spartakiad was held in the town of Zugres. Four teams participated in it: 'Light', 'Heating', 'IACS' and 'CRDEL'. And the 50th anniversary of Donbasenergo was celebrated in Horlivka by the festival of amateur creative endeavors of the Company employees: social competition for the best wall newspaper and best visual promotion, first runs of the performances by 'Pamyat' experimental theatre studio directed by Yu. Davidenko.

OCCUPATIONAL SAFETY

Introduction of modern occupational safety standards is obligatory for ensuring production safety from the point of view of personnel health and life safety, reliable running of the equipment and stable operation of the system.

In 2014, Donbasenergo completed the occupational safety management system (SMS), which was successfully certified under OHSAS 18001:2007 international certificate. It is the result of a large-scale two-year work at each structural unit of the Company, wherein proper algorithms of the personnel actions were formed and the employees' attitude to occupational and industrial safety was changed.

It resulted in injuries rate and accidents frequency and severity ratios' reduction YoY, while the occupational safety expenses were lower than in 2013 (2.9% of the payroll in 2014 vs. 4.3% of the payroll in 2013).

Key achievements in the occupational and industrial safety in 2014:

1. No fatalities.
2. Reduced general industrial injuries rate.
3. Reduced number of the non-production injuries.
4. Successful certification of the SMS under OHSAS 18001:2007 international standard.

Injuries rate (general production and non-production injuries)

| # | Company | Production injuries (H-1, H-5) | | | | Cases not related to production (H-5) | | | | Non-production injuries (HT) | | | | Occupational illness cases | | | | Number of cases when third persons were injured by the electrical equipment of the company | | | | | |
|---------------|---|--------------------------------|----------|-----------------------|----------|---------------------------------------|----------|-----------------------|----------|------------------------------|------------|-----------------------|----------|----------------------------|----------|--------------------|----------|--|----------|----------|----------|-----------------------|----------|
| | | Total | | Among them fatalities | | Total | | Among them fatalities | | Total | | Among them fatalities | | Total | | Identified in 2014 | | People with 2 or more occupational diseases | | Total | | Among them fatalities | |
| | | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 11 | 12 | 13 | 14 |
| 1 | Starobeshivska TPP of Donbasenergo | 2 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 219 | 138 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | Slovyanska TPP of Donbasenergo | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 133 | 126 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | Elektroremont SE of Donbasenergo | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 51 | 42 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | Donbasenergospetsremont SE of Donbasenergo | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 38 | 19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 | Donbasenergoremont SE of Donbasenergo | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 | Donbasenergo Transport Company SE of Donbasenergo | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 | Teploelektroproekt DPI NII of Donbasenergo | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 | Energotorg EDN SE of Donbasenergo | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10 | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 | Headquarters | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL: | | 2 | 1 | 0 | 0 | 2 | 0 | 2 | 0 | 464 | 338 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |



Сертификат регистрации

удостоверяет, что

ПУБЛИЧНОЕ АКЦИОНЕРНО ОБЩЕСТВО «ДОНБАССЭНЕРГО»
 03150, Украина, г. Киев, ул. Предславинская, д. 34 А

внедрила систему управления охраной труда, которая соответствует

OHSAS 18001:2007

в области

Производство и поставка электрической энергии; производство, транспортировка и поставка тепловой энергии.
 Ремонт стационарного, транспортабельного электротехнического и тепломеханического оборудования.
 Производство продукции и запасных частей производственно-технического назначения.

Сертификат №: **CI /15904 HS** Дата выдачи: **27 февраля 2015**
 Действителен до: **27 февраля 2018** при соблюдении согласованной программы аудита, успешном подтверждении сертификата после каждого последующего аудита и в соответствии с регламентами CI

Подписан от имени и по поручению 

Менеджер по аккредитации



Certification International (UK) Ltd., Delta 200, Delta Business Park, Great Western Way, Swindon, Wiltshire, SN5 7XP, United Kingdom

www.cert-int.com 

LTAFR



Severity rate



The unprecedented breakthrough of Donbasenergo in occupational safety, which falls on the 1970s, was preceded by continuous efforts on improving the industrial culture. For the first time amenities appear at the enterprises enabling the workers to meet hygiene and sanitary requirements; ventilation of the industrial premises, cleanliness of the air, temperature, humidity and noise level are strictly controlled. Along with the workshops being brought in compliance with the sanitary norms, occupational safety standards were being developed aimed at protecting workers from any dangers of their activities. The state controls the implementation of the new occupational safety standards and regulates them. As the policy changed,

innovations were being introduced at the enterprises: fencing around the hazardous objects, special workwear and personal protection equipment for workers. During the ninth five-year industrial plan the USSR spent 40% more on PPE and occupational safety than during the previous five years. More machinery, mechanisms and tools are produced that ensure occupational safety. In 1971 through 1975, over 140 thousand working conditions improvement measures were introduced on average per year. They accounted for approximately 1/3 of all Occupational Safety costs. The expenses on implementing Occupational Safety standards in the industry pay back in approximately 6 to 7 months vs. 4 to 5 years of the cost of constructing new enterprises and vs. the three years of new machinery expenses.

ENVIRONMENTAL
PROTECTION COSTS, UAH63.9
million

OCCUPATIONAL SAFETY EXPENSES

| Payroll, UAH mln | | The amount paid to the Occupational Injury and Disease Insurance Fund of Ukraine, UAH mln | | Occupational safety costs (actual), UAH mln | | Per cent of the payroll spent on occupational safety (actual), % | |
|------------------|--------|---|--------|---|-------|--|------|
| 2012 | 2013 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 |
| 382.06 | 475.57 | 190.15 | 237.20 | 16.53 | 13.71 | 4.3 | 2.9 |

| Occupational safety costs (actual) | Funds, UAH mln | | Per cent of the overall payroll | |
|---|----------------|-------|---------------------------------|-------|
| | 2013 | 2014 | 2013 | 2014 |
| 1 | 2 | 3 | 4 | 5 |
| Bringing the fixed assets in conformity with the requirements of the occupational safety standards | 5.78 | 1.35 | 35.0 | 9.8 |
| Elimination and mitigation of the dangerous and hazardous production factors upon the employees | 1.57 | 0.67 | 9.5 | 4.9 |
| Work place attestation | 0.02 | 0.04 | 0.1 | 0.3 |
| Occupational safety training, total: | 0.65 | 0.29 | 3.9 | 2.1 |
| including: | | | | |
| officials, according to cl. 5.2 of the Standard Provisions (managers of the company, heads of the OC units) | not recorded | 0.15 | not recorded | 1.1 |
| other employees | not recorded | 0.13 | not recorded | 1.0 |
| Providing the employees with special workwear and footwear, other PPE | 5.28 | 8.62 | 31.9 | 62.9 |
| Including introduction of the most recent PPE | 0.00 | 0.59 | 0.0 | 4.3 |
| Testing and examining PPE | 0.00 | 0.01 | 0.0 | 0.1 |
| Special meals for the employees | 0.68 | 0.63 | 4.1 | 4.6 |
| Arrangement and holding medical examinations | 0.66 | 0.57 | 4.0 | 4.2 |
| Ensuring functioning of the occupational safety offices | 0.15 | 0.09 | 0.9 | 0.7 |
| Providing the employees with standards and regulatory documents on occupational safety | 0.26 | 0.18 | 1.6 | 1.3 |
| Measures to prevent injuries among the population | 0.01 | 0.02 | 0.1 | 0.1 |
| Other | | | | |
| Occupational safety audit | 0.66 | 0.65 | 4.0 | 4.7 |
| Stands preparation and purchasing | 0.27 | 0.07 | 1.6 | 0.5 |
| Detergents and agents that neutralize the negative impact of hazardous substances on the body or skin | 0.34 | 0.35 | 2.1 | 2.5 |
| Mineral salted water | 0.20 | 0.17 | 1.2 | 1.3 |
| TOTAL | 16.53 | 13.71 | 100.0 | 100.0 |

ENVIRONMENTAL
PROTECTION

THE SOCIALLY RESPONSIBLE ACTIVITIES OF THE COMPANY MEAN THAT IT MAKES EVERY EFFORT TO REDUCE THE IMPACT OF NEGATIVE TENDENCIES AND FORM NEW SUSTAINABLE TRENDS IN DEVELOPING THE TOWNS IT OPERATES IN BY RAISING THE COST-EFFECTIVENESS AND SAFETY OF PRODUCTION. ONE OF THE MOST IMPORTANT AREAS FOR THE GENERATION IS PRESERVING THE NATURAL POTENTIAL OF THE TERRITORIES WHERE PRODUCTION FACILITIES OF DONBASENERGO ARE LOCATED.

THE BASIS OF THE COMPANY'S RESPONSIBLE APPROACH TO ENVIRONMENTAL PROTECTION IS THE CONTINUOUS REDUCTION OF THE PRODUCTION ACTIVITIES' INFLUENCE ON THE ENVIRONMENT AND ENSURING THE ENVIRONMENTAL SAFETY AT THE LEVELS REQUIRED BY EUROPEAN STANDARDS.

The most important tasks of Donbasenergo in raising the environmental safety of production are:

- introduction of state of the art technologies for heat and electricity generation and supply, gradual decommissioning of the obsolete equipment
- overhauls of environmental protection facilities and equipment, to ensure reliable and safe functioning of treatment equipment
- rational use of natural resources.

In 2014, the Company announced its environmental protection policy, thus setting a course for introducing the environmental management system. The Policy goal is to prevent and minimize the negative impact upon the environment by ensuring that the equipment and production processes comply with the regulation requirements of environmental legislation while securing a common approach to the environmental management system.

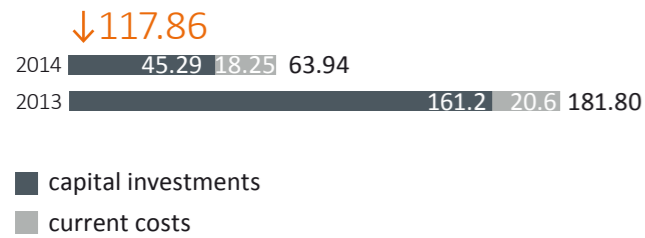
In order to ensure the environmental system introduction and implementation of the goals and principles of the Policy, Donbasenergo:

- has set up a coordinating group to develop and introduce the environmental management system in the Company
- task forces set in each structural unit to work on the implementation of the standard of the environmental management system
- the ESS implementation schedule has been designed in line with EMS implementation.

In 2014, UAH 180.1 mln was planned for environmental protection measures. Only UAH 63.9 mln were used due to the economic and political situation in the region.

ENVIRONMENTAL PROTECTION

Costs of environmental protection measures and observance of the environmental legislation, UAH mln



PARAMETERS OF THE PRODUCTION IMPACT UPON THE ENVIRONMENT

STAROBESHIVSKA TPP

Pollutants emissions, tonnes

In 2014, the pollutants emissions dropped.



The emission reduction is explained by the reduced electricity generation and improved flue gas treatment for dust emissions.

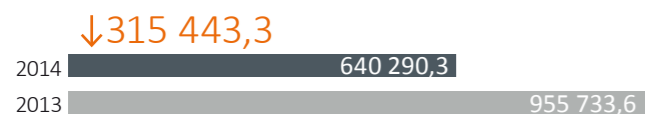
Water resources use, ths cubic meters



The reduced water consumption is also explained by the reduced electricity production in 2014 and timely and good-quality repairs of the water-supply systems.

Water discharges reduction by 22 ths cubic meters is due to the lesser water consumption.

Waste generation, tonnes



Lesser waste generation is explained by the reduced electricity production

Costs of environmental protection measures and observance of the environmental legislation, UAH mln

| Costs | 2013, UAH mln | 2014, UAH mln |
|---|---------------|---------------|
| Air protection | 156.4 | 39.31 |
| Water resources protection | 9.6 | 5.40 |
| Waste management | 14.0 | 16.65 |
| Soil preservation and rehabilitation | 0.4 | 0.3 |
| Preserving bio-diversity and habitat | 0.5 | 0.0 |
| Radiation safety | 0.013 | 0.004 |
| R&D | 0.8 | 2.28 |
| Other environmental protection measures | 0.02 | 0.0 |
| TOTAL | 181.8 | 63.9 |

SLOVYANSKA TPP

Pollutants emissions, tonnes



In 2014, the pollutants emissions dropped. It is explained by the reduced electricity generation.

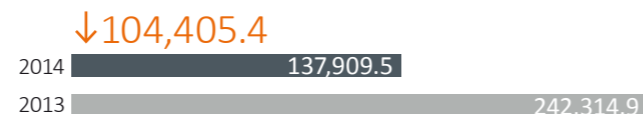
Water resources use, ths cubic meters



The increased water consumption in 2014 is explained by the higher electricity production by the 1st stage vs. 2013. More water was consumed using the once-through water-supply system.

It also explained the larger volumes of the discharges: they grew by 54,059.3 ths cub. meters (54.3%).

Waste generation, tonnes



The waste generation reduction is observed YoY.



THE ACCRUED ENVIRONMENTAL TAX IN 2014 AMOUNTED TO UAH

108,6
million

In 2014, the accrued environmental tax for the business activities of Donbasenergo PJSC, in particular, emissions, discharges, waste placement, totaled UAH 108.6 mln, which is by UAH 39.9 mln less YoY.*

* the indicator has changed due to the reduced electricity production.

In 2015, the Company plans to implement environmental protection measures that will help:

- reduce the emissions of suspended particulate matters by 0.965 tonne per year
- meet the conditions of the emissions permit on reaching the maximum permissible level for suspended particulate matters
- reduce the contamination factors' impact upon the environment
- minimize emergencies and their environmental consequences
- improve the quality of water discharges
- provide an available facility to store ash and slag waste without any additional land allocation
- improve technical conditions of the water ponds
- receive accurate data on the quantity and quality characteristics of the contaminating factors by purchasing and installing state-of-the-art monitoring devices.

For 2015, Donbasenergo allocated UAH 48.38 mln (own funds) for environmental protection, including:

- atmospheric air protection – UAH 32.927 mln
- protection and rational use of land resources – UAH 0.102 mln
- protection and rational use of water resources – UAH 0.165 mln
- protection and rational use of natural resources – UAH 1.417 mln
- rational use and disposal of production waste – UAH 13.769 mln.

To reduce the negative impact upon the environment, reduce pollutant emissions and bring them in compliance with Directive 2001/80/EC standards, the Company is implementing a long-term environmental protection plan.



As is the tradition of Zuivka plants, ZuGRES-2 (Zuivka State District Power Plant) was build over seven years. Viktor Yakovlev, the future plant manager, explained the specifics of the new giant in 1975: 'First of all, it uses cheap coal only. The energy will be most efficient!

Furthermore, the plant will have an automated control system, which costs RUB 4 mln. Eight turbines of three hundred

thousand kilowatt each are being produced by Kharkiv factories, boilers will come from Taganrog... The plant will have unique cooling towers of ten thousand square meters each, and will be equipped with the most advanced gas treatment facilities. Flue gases treated in the electrostatic precipitators with the efficiency ratio of up to 90% will be released in to the atmosphere via two ferroconcrete stacks 320 meters high, causing no damage to the environment at all.'

Long-term environmental protection plan

| Measures | Expected outcome | Project start | Project completion |
|--|--|---------------|--------------------|
| STAROBESHIVSKA TPP | | | |
| Retrofit of gas-treatment equipment in units 5, 6, 8-13 to reach the process standards for the emissions of suspended particulate matters, whose composition was not determined, to 50 mg/m ³ | Dust emission reduction to 6,930 t/g at each unit 5, 6, 8-13 | 2016 | 2020 |
| Desulphurization at units 5, 6, 8-13 to meet the process standard for SO ₂ emissions of 400 mg/m ³ | SO ₂ emission reduction to 6,960 t/g ² at each unit 5, 6, 8-13 | 2016 | 2020 |
| Construction of de-NO _x facilities at units 5, 6, 8-13 to meet the process standard for nitrogen oxide emissions (recalculated as nitrogen dioxide) of 200 mg/m ³ | NO (recalculated as NO ₂) emission reduction to 4,000 t/g at each unit 5, 6, 8-13 | 2016 | 2020 |
| SLOVYANSKA TPP | | | |
| Upgrading of the thermal power facilities (boilers No. 6, 7), ensuring that the norms are met for: suspended particulate matters, whose composition was not determined – 100 mg/m ³ SO ₂ – 1,760 mg/m ³ NO (recalculated as NO ₂) – 600 mg/m ³ | Dust emission reduction to 9.268 t/g SO ₂ emission reduction to 11.784 t/g NO ₂ emission reduction to 104.25 t/g | 2014 | 2016–2018 |
| Upgrading of the ESP, replacing Unit 7 equipment and installing de-SO _x /de-NO _x facilities to meet the standards for: emissions of suspended particulate matters, whose composition was not determined – to 50 mg/m ³ emissions of SO ₂ – to 400 mg/m ³ emissions of NO (recalculated as NO ₂) – to 2,000 mg/m ³ | Dust emission reduction to 9.270 t/g SO ₂ emission reduction to 2,262 t/g NO ₂ emission reduction to 5,257 t/g | 2014 | 2016–2018 |

LEAN MANUFACTURING

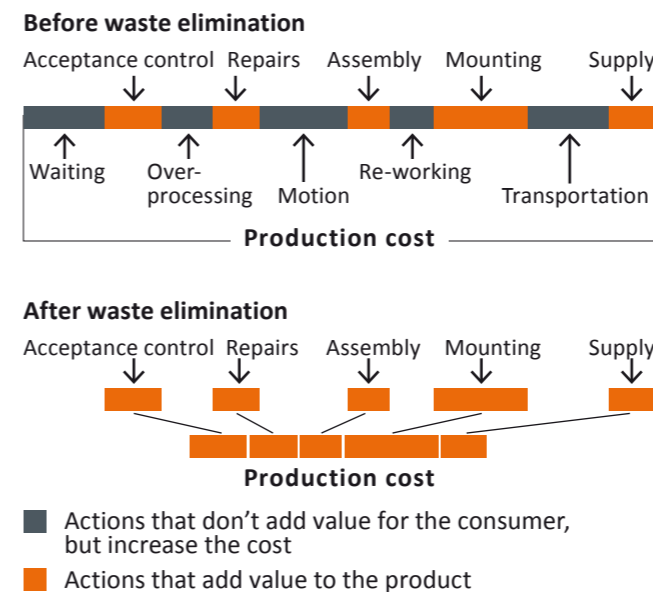
In 2014, following the recommendations of an independent international auditor, Donbasenergo started studying the tools of the advanced global practice of Lean Manufacturing to implement it at its generating plants in the future. Lean standards presuppose that a producer strives to eliminate all types of waste: any actions that consume resources, but do not create value. To reach this goal, companies in different countries use a wide range of tools, individually selected. This was the task set to Donbasenergo specialists: to determine the most important directions of the production system reforming and adequate tools for doing so. The findings have been used as a basis for the Production System Improvement Program, which will be launched at Slovyanska TPP in early 2015.

The strategic goal of Donbasenergo in implementing the Lean Manufacturing principles will be achieved via the following tasks:

- Stabilization and reduction of variance in the key technical-economic indicators to the target level
- Introducing the ideas and rationalization proposals system
- Raising the efficiency of equipment examination and walkdowns
- Building up the system to look for defects' causes
- Improving the overhauls' management system
- Improving meetings' system
- Work places rationalization in line with 5S methodology.

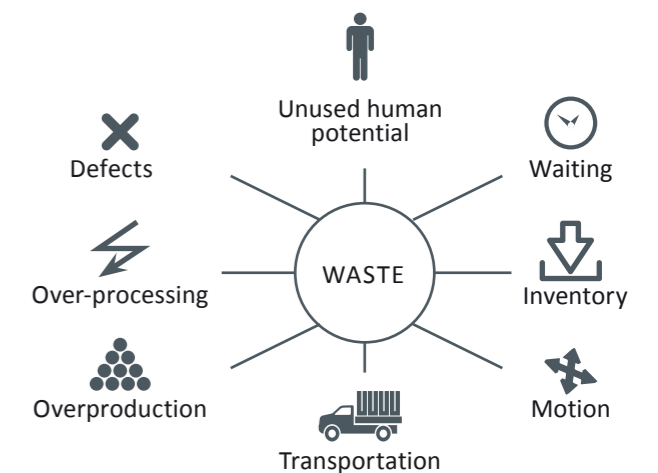
VALUE CREATION FLOW

Lean Manufacturing can be viewed as a collection of useful advices, tools and methods (i.e. best practices), which proved their efficiency in eliminating waste in manufacturing.



WASTE

Traditionally, Lean Manufacturing specifies seven key types of waste, which are also called 'seven deadly wastes'. Unused human potential, not listed in the 'seven deadly wastes', is a very serious waste. It can result in lost opportunities (e.g. loss of motivation, creativity and ideas).



6 RISKS MANAGEMENT



RISK MANAGEMENT IS ONE OF THE MOST IMPORTANT ACTIVITIES OF DONBASENERGO PJSC ENSURING THE STABILITY OF THE COMPANY OPERATIONS. COMPETENT FORECAST OF THE IMPACT VARIOUS EXTERNAL AND INTERNAL FACTORS CAN HAVE ON ALL ASPECTS OF THE GENERATION BUSINESS HELPS TACKLE THE TASKS EFFECTIVELY EVEN IN DIFFICULT SOCIAL, ECONOMIC AND POLITICAL CONDITIONS.

Risk management is comprehensive and its goal is not only to identify the inherent risks in time and assess them, but to minimize the probability of negative events and their consequences. Donbasenergo formed a key risks list to ensure that the Company achieves its goals and the technical and economic indicators set for 2014. Such key risks should be subject to compulsory monitoring and control.

LIST OF KEY RISKS OF 2014

| # | Risk | Risk category | Deviation of the actual value from the estimated expected one*, % | Risk factors |
|---|---|--------------------------|---|---|
| 1 | Changes in the electricity supply | Financial risks | -29 | Reduced electricity consumption in Ukraine |
| | | | | Redistribution of the output volume between two types of generation (TPP and NPP) by Energorynok SE |
| | | | | Damage to the generating capacities |
| 2 | Changes in the electricity tariff, taking into account the investment component | Financial risks | 4 | Changes to the level of the wholesale market price |
| | | | | Changes in the scope of the investment component accrual |
| 3 | Changes in the receipts from Energorynok SE** | Financial risks | -28 | Changes in the level of settlements with Energorynok SE for the supplied electricity |
| | | | | Reduced value of saleable goods |
| | | | | Changes in the scope of attracted advance payments |
| 4 | Changes in the capital investment scope** | Capital investment risks | -56 | Untimely works fulfillment and/or equipment supply |
| | | | | Changes in the cost of works and/or equipment |
| | | | | Untimely procurement procedure |
| | | | | Growing deficit of own working capital |
| | | | | Changes in the scope of the received investment component |

* the expected indicator value has been determined using the scenario analysis methods and expert opinions and is the most probable value of the indicator, taking into account the risks influence

** the risk is related, i.e. it depends on the occurrence of other listed risks and factors

RISK # 1

The deviation in the occurred risk No. 1 'Changes in the electricity supply' is conditioned by several external factors (31%) and unforeseeable events (69%), the probability of which was beyond the Company's control: Ukrenergo NEC setting electricity saving modes due to the low coal stocks at TPPs, limited transmission capacity of some power transmission lines due to the active combat and ATO in the area where generating capacities of Slovyanska TPP are located.

Risk management measures

To mitigate the consequences we conducted refurbishment and restoration works in the buildings, constructions and equipment of Slovyanska TPP, coal supply channels have been arranged and supplies to the Company's TPP resumed.

RISK # 2

Occurrence of risk No. 2 'Changes in the electricity tariff, taking into account the investment component' is mainly conditioned by the growth of the Wholesale Market Price for electricity by 6.8% vs. its expected value due to the higher value of subsidy certificates and Energorynok SE payment therein. The reduced accrual of the investment component, as ordered by NERC (National Electricity Regulation Commission) and NCSEPUR (National Commission for State Energy and Public Utilities Regulation), acted as a constraint for the electricity tariff.

Risk management measures

The Company performed repair works on the TPP equipment in line with the approved schedules to improve its reliability and uninterrupted operation during fall/winter peak of 2014/2015, which ensured the expected positive influence of internal factors upon the risk value.



In August 1940, the Head of the Power Plants Unit of the Regional Committee of the Communist Party of Ukraine Shepelev stated that they expected electricity deficit of 100 ths kW in 1941. The growing disproportion between the demand for electricity and

capacities of Donbas power plants is explained also by the fact that People's Commissariats, while commissioning new mines, factories, furnaces, didn't pay attention to the energy base. And, as a rule, the funds allocated for the construction of in-house power plants were not used.

RISK # 3

The deviation in the occurred risk No. 3 'Changes in the receipts from Energorynok SE' is conditioned by 45 % by the occurrence of the related risk 'Changes in the electricity supply', which despite the electricity tariff growth, has significantly decreased the cost of the supplied saleable goods. But mainly the indicator was negatively affected by the aggravation of the general economic situation in the country, which lead to the decreased paying capacity of the end consumers, and consequently, incomplete settlements (89.4 %) for the electricity supplied by

the Company.

Risk management measures

As the risk occurrence was prompted by several external factors beyond the Company's control, the key managerial decisions were aimed at the minimization of the risk occurrence consequences: to stabilize the financial condition and optimize costs we revised the expediency of the planned scope and

lines of expenses and adjusted them.

RISK # 4

Deviation of the occurred risk No. 4 'Changes in the capital investment scope' from the expected value is by 80% conditioned by the cumulative influence of the unforeseeable external factors: considerable drop in the earnings for the electricity supplied, and the resulting growth of the general deficit of the working capital, reduced amount of the investment component in the tariff as it was no longer accrual following the resolutions by NERC and NCSEPUR. But the main reason the other risk factors occurred was the damage to the business links in the region where the Company's generating capacities are located due to the exacerbation of the military

and political situation and the ATO.

Risk management measures

To minimize the consequences the Company decided to revise the expediency of the Capital Investment Plan and adjust it to implement the highest priority projects and investment areas in full.

On the whole, despite the considerable impact by the external unforeseeable negative factors upon Donbasenergo activities, its key indicators remained in the estimated permissible limits, which combined with the timely and efficient managerial decisions helped get positive financial result in 2014.

| | | |
|--|---|-------------|
| Enterprise: _____ | Date (year, month, day) according to EDRPOU | Codes |
| Territory: ___Ukraine_____ | according to KOATUU | 2014/12 /31 |
| Organizational and legal form of business activity | according to KOPFG | 23343582 |
| State management body: Energy Company of Ukraine NJSC | according to SPODU | 1410636900 |
| Type of economic activity: electricity production | according to KVED | 230 |
| Average number of employees _____ | | 40.11.0 |
| Address, telephone _____ | | |
| Measurement unit: UAH thousand | | |
| Prepared (to tick (v) respective box): | | |
| according to the accounting standards | | |
| according to the international financial reporting standards | | |

BALANCE SHEET (Statement of financial position)

as of 31 December 2014

Form 1

Code according to DKUD

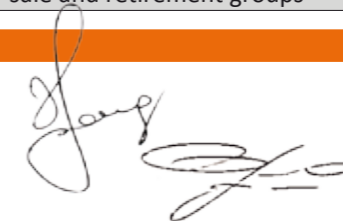
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| ASSET | Line code before 2013 | Line code | As of the start of the reporting period | As of the end of the reporting period |
|--|-----------------------|-------------|---|---------------------------------------|
| I. NON-CURRENT ASSETS | | | | |
| Intangible assets: | | | | |
| residual value | 010 | 1000 | 6,823 | 11,366 |
| original value | 011 | 1001 | 9,730 | 15,815 |
| accumulated depreciation | 012 | 1002 | 2,907 | 4,449 |
| unfinished capital investments | 020 | 1005 | 1,140,417 | 683,946 |
| Fixed assets: | | | 0 | 0 |
| residual value | 030 | 1010 | 1,406,424 | 1,735,966 |
| original value | 031 | 1011 | 2,507,942 | 3,477,848 |
| depreciation | 032 | 1012 | 1,101,518 | 1,741,882 |
| Investment property: | | | 0 | 0 |
| fair (residual) value of investment property | 055 | 1015 | 2,506 | 2,696 |
| original value of investment property | 056 | 1016 | 5,129 | 5,372 |
| depreciation | 057 | 1017 | 2,623 | 2,676 |
| long-term biological assets | 035 | 1020 | 0 | 0 |
| Long-term financial investments: | | | 0 | 0 |
| accounted by method of participation in the capital of other companies | 040 | 1030 | 0 | 0 |
| other financial investments | 045 | 1035 | 0 | 0 |
| long-term accounts receivable | 050 | 1040 | 40 | 146,438 |
| deferred tax assets | 060 | 1045 | 222,305 | 244,925 |
| other non-current assets | 070 | 1090 | 0 | 0 |
| Total for section I | 080 | 1095 | 2,778,515 | 2,825,337 |
| II. CURRENT ASSETS | | | | |
| Stocks: | | | 0 | 0 |
| production inventories | 100 | 1101 | 478,475 | 274,419 |
| current biological assets | 110 | 1110 | 0 | 0 |
| production in progress | 120 | 1102 | 8,487 | 12,425 |
| finished products | 130 | 1103 | 2,709 | 3,627 |
| goods | 140 | 1104 | 8,720 | 5,665 |
| bills received | 150 | 1120 | 2,391 | 2,359 |
| Accounts receivable for goods, works and services: | | | | |
| net realizable value | 160 | 1125 | 443,999 | 192,789 |
| Accounts receivable on settlements: | | | | |
| for advances paid | 180 | 1130 | 11,262 | 53,396 |
| with budget | 170 | 1135 | 1,163 | 7,915 |
| including from profit tax | | 1136 | 0 | 0 |
| from internal settlements | 200 | 1145 | 0 | 0 |
| other current accounts receivable | 210 | 1155 | 18,877 | 34,640 |
| current financial investments | 220 | 1160 | 0 | 0 |

| LIABILITY | Line code before 2013 | Line code | As of the start of the reporting period | As of the end of the reporting period |
|--|-----------------------|-------------|---|---------------------------------------|
| Cash and cash equivalents: | | | | |
| cash and cash equivalents: | 230-240 | 1165 | 202,383 | 216,543 |
| cash | 231 | 1166 | 127 | 99 |
| bank accounts | | 1167 | | 216,444 |
| deferred expenses | 270 | 1170 | 0 | 0 |
| other current assets | 250 | 1190 | 13,770 | 802 |
| Total for section II | 260 | 1195 | 1,192,236 | 804,580 |
| III. NON-CURRENT ASSETS AND RETIREMENTS GROUPS | 275 | 1200 | 0 | 0 |
| BALANCE | 280 | 1300 | 3,970,751 | 3,629,917 |
| I. OWN CAPITAL | | | | |
| registered capital | 300 | 1400 | 236,443 | 236,443 |
| additional capital | 330 | 1405-1410 | 20,134 | 365,628 |
| paid in capital | | 1411 | 0 | 714 |
| reserve capital | 340 | 1415 | 3,634 | 30,210 |
| retained revenue (uncovered loss) | 350 | 1420 | 953,821 | 637,170 |
| unpaid capital | 360 | 1425 | 0 | 0 |
| withdrawn capital | 370 | 1430 | -926 | 0 |
| Total for section I | 380 | 1495 | 1,213,106 | 1,270,165 |
| II. LONG-TERM LIABILITIES AND SECURITY | | | | |
| Deferred tax liabilities | 460 | 1500 | 0 | 0 |
| Pension obligations | | 1505 | 261,666 | 142,285 |
| Long-term bank loans | 440 | 1510 | 263,170 | 169,003 |
| Other long-term liabilities | 470 | 1515 | 6,967 | 0 |
| Long-term securities | 410 | 1520 | 11,902 | 12,648 |
| Long-term security of staff costs | 400 | 1521 | 0 | 0 |
| Target financing | 420 | 1525 | 1,482 | 1,482 |
| Total for section II | | 1595 | 545,187 | 325,418 |
| III. CURRENT LIABILITIES AND SECURITY | | | | |
| Short-term bank loans | 500 | 1600 | 411,776 | 326,304 |
| Issued promissory notes | 520 | 1605 | 0 | 0 |
| Current accounts payable under: | | | | |
| long-term liabilities | 510 | 1610 | 314,707 | 452,821 |
| goods, works and services | 530 | 1615 | 559,050 | 585,725 |
| settlements with budget | 550 | 1620 | 114,803 | 117,936 |
| including from profit tax | | 1621 | 64,483 | 81,564 |
| settlements of insurance | 570 | 1625 | 8,009 | 7,662 |
| settlements from labour remuneration | 580 | 1630 | 17,360 | 16,092 |
| under received advance payments | 540 | 1635 | 666,663 | 414,492 |
| settlements with participants | 590 | 1640 | 26,788 | 42,766 |
| internal settlements | 600 | 1645 | 0 | 0 |
| | | 1660 | 82,655 | 61,110 |
| Deferred revenue | 630 | 1665 | 8,527 | 7,798 |
| Other current liabilities | 610 | 1690 | 2,120 | 1,628 |
| Total for section III | | 1695 | 2,212,458 | 2,034,334 |
| IV. Liabilities associated with non-current assets and retirement groups withdrawn for sale and retirement groups | 605 | 1700 | 0 | 0 |
| BALANCE | | 1900 | 3,970,751 | 3,629,917 |

Director

Chief Accountant



E.M. Bondarenko

T.P. Svartsevich

| | |
|-------------------------|------------|
| | Codes |
| Date (year, month, day) | 2014/12/31 |
| according to EDRPOU | 23343582 |

Enterprise: Donbasenergo PJSC

PROFIT AND LOSS ACCOUNT (INCOME STATEMENT) for 2014

Form 2 Code according to DKUD 1801003

I. FINANCIAL RESULTS

| Item | Line code | Over the reporting period | Over the previous period |
|---|-----------|---------------------------|--------------------------|
| 1 | 2 | 3 | 4 |
| Net profit (revenue) from sales of products (goods, works, services) | 2000 | 4,887,332 | 5,680,432 |
| Production cost of sold products (goods, works, services) | 2050 | 3,522,882 | 4,569,197 |
| Gross: | | | |
| profit | 2090 | 1,364,450 | 1,111,235 |
| loss | 2095 | 0 | 0 |
| Other operating revenue | 2120 | 379,586 | 166,738 |
| Administrative expenses | 2130 | 171,389 | 170,123 |
| Sales costs | 2150 | 8,019 | 12,939 |
| Other operating expenses | 2180 | 480,274 | 320,777 |
| Financial results from operating activity: | | | |
| profit | 2190 | 1,084,354 | 774,134 |
| loss | 2195 | 0 | 0 |
| Equity income | 2200 | | |
| Other financial revenue | 2220 | 17,043 | 4,337 |
| Other revenue | 2240 | 16,119 | 19,102 |
| Financial expenses | 2250 | 128,171 | 86,865 |
| Equity expenses | 2255 | | |
| Other expenses | 2270 | 815,679 | 16,402 |
| Financial results from ordinary activities before tax: | | | |
| profit | 2290 | 173,666 | 694,306 |
| loss | 2295 | 0 | 0 |
| Losses (profit) from profit tax | 2300 | 72,756 | 162,777 |
| Net: | | | |
| profit | 2350 | 100,910 | 531,529 |
| loss | 2355 | 0 | 0 |

II. TOTAL REVENUE

| Name of indicator | Line code | Over the reporting period | Over the previous period |
|--|-----------|---------------------------|--------------------------|
| 1 | 2 | 3 | 4 |
| Additional evaluation (writedown) of non-current assets | 2400 | | |
| Additional evaluation (writedown) of financial instruments | 2405 | | |
| Accumulated exchange differences | 2410 | | |
| Share of other total revenue of associated and joint enterprises | 2415 | | |
| Other aggregate revenue | 2445 | 138,985 | 40,801 |
| Other total revenue before tax | 2450 | 138,985 | 40,801 |
| Tax on profit associated with other aggregate revenue | 2455 | 25,017 | 7,344 |
| Other total revenue after tax | 2460 | 113,968 | 33,457 |
| Total revenue (sum of lines 2350, 2355 and 2460) | 2465 | 214,878 | 564,986 |

III. ELEMENTS OF OPERATING EXPENSES

| Name of indicator | Line code | For the reporting period | For the previous period |
|--------------------------------|-----------|--------------------------|-------------------------|
| 1 | 2 | 3 | 4 |
| Material expenses | 2500 | 2,902,675 | 3,847,650 |
| Labour remuneration costs | 2505 | 438,014 | 484,868 |
| Deductions for social measures | 2510 | 163,968 | 204,595 |
| Depreciation | 2515 | 131,877 | 134,091 |
| Other operating expenses | 2520 | 402,788 | 335,455 |
| Total | 2550 | 4,039,322 | 5,006,659 |

| Name of item | Line code | For the reporting period | For the previous period |
|---|-----------|--------------------------|-------------------------|
| 1 | 2 | 3 | 4 |
| Average annual number of ordinary shares | 2600 | 23,632,173 | 23,644,301 |
| Adjusted average annual number of ordinary shares | 2605 | 23,632,173 | 23,644,301 |
| Net profit per one ordinary share | 2610 | 4.27 | 22.48 |
| Adjusted net profit per one ordinary share | 2615 | 4.27 | 22.48 |
| Dividends per one ordinary share | 2650 | | |

Director
Chief Accountant

E.M. Bondarenko
T.P. Svartsevich

ANNEX 3

Enterprise: Donbasenergo PJSC

Date (year, month, day)
according to EDRPOU

| |
|------------|
| Codes |
| 2014/12/31 |
| 23343582 |

CASH FLOW STATEMENT (direct method) for 2014

Form 3

Code according to DKUD

1801004

| Item | Line code | For the reporting period | For similar period of previous year |
|---|-------------|--------------------------|-------------------------------------|
| 1 | 2 | 3 | 4 |
| I. Operating cash flow | | | |
| Inflow from: | | | |
| sales of products (goods, works, services) | 3000 | 4,274,919 | 4,968,771 |
| return of taxes and charges | 3005 | — | — |
| including value added tax | 306 | — | — |
| target financing | 3010 | 2,648 | 5,139 |
| receipt of subsidies, grants | 3011 | 2,544 | 4,234 |
| Inflow of advance payments from buyers and customers | 3015 | 1,475,592 | 1,613,609 |
| Inflow from return of advance payments | 3020 | 2,772 | 4,590 |
| Inflow from interest on cash balances on current accounts | 3025 | 4,917 | 2,068 |
| Other inflow | 3095 | 125,198 | 160,238 |
| Spent to pay for: | | | |
| goods (works, services) | 3100 | (2,979,194) | (4,130,428) |
| labour | 3105 | (372,306) | (387,069) |
| Deductions for social measures | 3110 | (194,283) | (205,418) |
| Liabilities on taxes and charges | 3115 | (558,788) | (592,447) |
| Liabilities on profit tax | 3116 | (103,312) | (151,418) |
| Liabilities on value added tax | 3117 | (239,713) | (213,147) |
| Spending on payment of advances | 3135 | (513,124) | (374,642) |
| Spending on payment for return of advances | 3140 | (5) | (50) |
| Other spendings | 3190 | (192,792) | (157,892) |
| Net operating cash flow | 3195 | 1,100,554 | 906,469 |
| II. Investment cash flow | | | |
| Inflow from sales of: | | | |
| financial investments | 3200 | | |
| non-current assets | 3205 | 121 | 6,591 |
| Inflow from received: | | | |
| interest | 3215 | — | — |
| dividends | 3220 | — | — |
| Proceeds from derivatives | 3225 | (—) | (—) |
| Other inflow | 3250 | (75,500) | (7) |
| Spending on acquisition of: | | | |
| financial investments | 3255 | (—) | (—) |
| non-current assets | 3260 | (968,115) | (1,249,149) |
| Payments on derivatives | 3270 | (—) | (—) |
| Other payments | 3290 | (—) | (—) |
| Net investment cash flow | 3295 | -892,494 | -1,242,551 |
| III. Financial cash flow | | | |
| Inflow from: | | | |
| equity capital | 3300 | — | — |
| receipt of loans | 3305 | 1,354,259 | 2,849,158 |
| Other inflow | 3340 | 1,640 | — |
| Spending on: | | | |
| purchase of own shares | 3345 | (—) | (926) |
| repayment of loans | 3350 | (1,406,790) | (2,380,798) |
| Payment of dividends | 3355 | (143,085) | (8,945) |
| Other payments | 3390 | (—) | (—) |
| Net financial cash flow | 3395 | -193,976 | 458,489 |
| Net cash flow for the reporting period | 3400 | 14,084 | 122,407 |
| Cash balance at year start | 3405 | 202,383 | 79,938 |
| Influence from change in exchange rates on cash balance | 3410 | 76 | 38 |
| Cash balance at year end | 3415 | 216,543 | 202,383 |

ANNEX 4

Enterprise: Donbasenergo PJSC

Date (year, month, day)
according to EDRPOU

| |
|------------|
| Codes |
| 2014/12/31 |
| 23343582 |

EQUITY CAPITAL STATEMENT

Form 4

Code according to DKUD

1801005

| Item | Line code | Registered capital | Capital in additional evaluation | Additional capital | Reserve capital | Rndistributed profit (uncovered loss) | Unpaid capital | Withdraw capital | Total |
|--|-----------|--------------------|----------------------------------|--------------------|-----------------|---------------------------------------|----------------|------------------|-----------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Year opening balance | 4000 | 236,443 | | 20,134 | 3,634 | 953,821 | | -926 | 1,213,106 |
| adjustment: | | | | | | | | | |
| change in the accounting policy | 4005 | | | | | | | | 0 |
| correction of errors | 4010 | | | | | | | | 0 |
| other changes | 4090 | | | | | | | | 0 |
| Adjusted year opening balance | 4095 | 236,443 | 0 | 20,134 | 3,634 | 953,821 | 0 | -926 | 1,213,106 |
| Net profit (loss) for the reporting period | 4100 | | | | | 100,910 | | | 100,910 |
| Other aggregate profit for the reporting period | 4110 | | | | | 113,968 | | | 113,968 |
| Profit distribution: | | | | | | | | | |
| payments to owners | 4200 | | | | | -159,459 | | | -159,459 |
| transfer of profit to registered capital | 4205 | | | | | | | | 0 |
| deductions to reserve fund | 4210 | | | | 26,576 | -26,576 | | | 0 |
| transfer of profit to production development fund | 4215 | | | 345,494 | | -345,494 | | | 0 |
| Contributions: | | | | | | | | | |
| contributions to capital | 4240 | | | | | | | | 0 |
| repayment of debt from capital | 4245 | | | | | | | | 0 |
| Withdrawal of capital: | | | | | | | | | |
| repurchase of shares (stake) | 4260 | | | | | | | | 0 |
| Resale of bought out shares (stake) | 4265 | | | 714 | | | | 926 | 1,640 |
| Cancellation of bought out shares (stakes) | 4270 | | | | | | | | 0 |
| Withdrawn shares in the capital | 4275 | | | | | | | | 0 |
| Other changes in capital | 4290 | | | | | | | | 0 |
| Total changes in capital | 4295 | 0 | 0 | 346,208 | 26,576 | -316,651 | 0 | 926 | 57,059 |
| Year closing balance | 4300 | 236,443 | 0 | 366,342 | 30,210 | 637,170 | 0 | 0 | 1,270,165 |

Director

Chief Accountant

E.M. Bondarenko

T.P. Svartsevich

PERFORMANCE OF DONBASENERGO FINANCIAL PLAN'S INDICATORS FOR 2014, UAH thousand

I. Company's profit generation

| | Line code | Plan | Actual | (+, -) | % |
|--|------------|--------------------|--------------------|-------------------|----------------|
| Revenues | | | | | |
| Profit (proceeds) from sales of products | 001 | 6,826,482.0 | 5,864,798.0 | -961,684.0 | 85.9 |
| Value added tax | 002 | 1,016,660.0 | 977,466.0 | -39,194.0 | 96.1 |
| Excise duty | 003 | - | - | - | - |
| Other indirect taxes | 004 | - | - | - | - |
| Other deductions from profit | 005 | - | - | - | - |
| Net profit (proceeds) from sale of products: | 006 | 5,809,822.0 | 4,887,332.0 | -922,490.0 | 84.1 |
| generation of electricity by thermal power plants | 006/1 | 5,793,746.0 | 4,872,488.0 | -921,258.0 | 84.1 |
| generation and distribution of heat | 006/2 | 16,076.0 | 14,844.0 | -1,232.0 | 92.3 |
| Other operating profit | 007 | 290,314.0 | 379,586.0 | 89,272.0 | 30.8 |
| Equity income | 008 | - | - | - | - |
| Other financial revenue | 009 | 6,179.0 | 17,043.0 | 10,864.0 | 275.8 |
| Other revenue | 010 | 13,523.0 | 16,119.0 | 2,596.0 | 119.2 |
| Extraordinary profit | 011 | - | - | - | - |
| Total profit | 012 | 6,119,838.0 | 5,300,080.0 | -819,758.0 | 86.6 |
| Expenses | | | | | |
| Production cost of sold products: | 013 | 4,423,390.0 | 3,522,882.0 | -900,508.0 | 79.6 |
| electricity generation by thermal power plants | 013/1 | 4,365,013.0 | 3,460,531.0 | -904,482.0 | 79.3 |
| generation and distribution of heat | 013/2 | 58,377.0 | 62,351.0 | 3,974.0 | 106.8 |
| Total administrative expenses, including: | 014 | 180,413.0 | 171,389.0 | -9,024.0 | 95.0 |
| expenses associated with the use of company cars | 014/1 | 7,581.0 | 7,081.0 | -500.0 | 93.4 |
| expenses for consulting services | 014/2 | 1,500.0 | 1,053.0 | -447.0 | 70.2 |
| expenses for insurance services | 014/3 | 41.0 | 6.0 | -35.0 | 14.6 |
| expenses for audit services | 014/4 | 480.0 | 480.0 | 0.0 | 100.0 |
| other administrative expenses | 014/5 | 170,811.0 | 162,769.0 | -8,042.0 | 95.3 |
| Expenses for sale | 015 | 9,980.0 | 8,019.0 | -1,961.0 | 80.4 |
| Other operating expenses | 016 | 686,684.0 | 480,274.0 | -206,410.0 | 69.9 |
| Financial expenses | 017 | 127,294.0 | 128,171.0 | 877.0 | 100.7 |
| Losses from participation in equity | 018 | - | - | - | - |
| Other expenses | 019 | 29,371.0 | 815,679.0 | 786,308.0 | 2,777.2 |
| Tax on profit from ordinary activity | 020 | 83,526.0 | 72,756.0 | -10,770.0 | 87.1 |
| Extraordinary expenses (unrecovered losses) | 021 | - | - | - | - |
| Total expenses | 022 | 5,540,658.0 | 5,199,170.0 | -341,488.0 | 93.8 |
| Financial results: | | | | | |
| Gross profit (loss): | 023 | 1,386,432.0 | 1,364,450.0 | -21,982.0 | 98.4 |
| electricity generation by thermal power plants | 023/1 | 1,428,733.0 | 1,411,957.0 | -16,776.0 | 98.8 |
| generation and distribution of heat | 023/2 | -42,301.0 | -47,507.0 | -5,206.0 | 112.3 |
| Financial results from ordinary activity | 024 | 799,669.0 | 1,084,354.0 | 284,685.0 | 135.6 |
| Financial results from ordinary activity before tax | 025 | 662,706.0 | 173,666.0 | -489,040.0 | 26.2 |
| Net profit (loss) | 027 | 579,180.0 | 100,910.0 | -478,270.0 | 17.4 |

II. Net profit distribution

| | Line code | Plan | Actual | (+, -) | % |
|---|------------|------------------|------------------|-------------------|--------------|
| Fund for payments of dividends to economic entities, according to the standard set in the current year based on financial and economic performance in the previous year, including: | 028 | 159,459.0 | 159,459.0 | 0.0 | 100.0 |
| per the state-owned part of shares | 128/1 | 136,773.0 | 136,773.0 | 0.0 | 100.0 |
| balance of undistributed profit at the beginning of the reporting period | 031 | 488,436.0 | 953,821.0 | 465,385.0 | 195.3 |
| Production development fund | 032 | 345,494.0 | 345,494.0 | 0.0 | 100.0 |
| Reserve fund | 033 | 26,576.0 | 26,576.0 | 0.0 | 100.0 |
| Adjustment of balance-sheet items on recognized actuarial profit/loss | 034 | -329,979.0 | -113,968.0 | 216,011.0 | 34.5 |
| Balance of undistributed profit at the end of the reporting period | 035 | 866,066.0 | 637,170.0 | -228,896.0 | 73.6 |

III. Compulsory payments to budget and state target funds

| | | | | | |
|---|----------------|------------------|------------------|------------------|--------------|
| Payment of current taxes and compulsory payments to the budget, including: | 037 | 645,706.0 | 630,970.0 | -14,736.0 | 97.7 |
| tax on profit | 037/1 | 103,312.0 | 103,312.0 | 0.0 | 100.0 |
| excise duty | 037/2 | - | - | - | - |
| VAT | 037/3 | 254,190.0 | 239,713.0 | -14,477.0 | 94.3 |
| VAT subject to refunding from the budget | 037/4 | - | - | - | - |
| rental payments | 037/5 | - | - | - | - |
| resource payments | 037/6 | 20,478.0 | 20,363.0 | -115.0 | 99.4 |
| other taxes, including: | 037/7 | 267,726.0 | 267,582.0 | -144.0 | 99.9 |
| payment for environmental pollution | 037/7/1 | 127,132.0 | 126,903.0 | -229.0 | 99.8 |
| deduction of the part of net profit | 037/7/2 | - | - | - | - |
| dividends per the state-owned part of shares | 037/7/3 | 136,773.0 | 136,773.0 | 0.0 | 100.0 |
| Repayment of tax arrears | 038 | - | - | - | - |
| Allocations to the state target funds, including: | 039 | 192,573.0 | 194,345.0 | 1,772.0 | 100.9 |
| Settlements on single social contribution | 039/1 | 177,197.0 | 180,711.0 | 3,514.0 | 102.0 |
| Other compulsory payments to budget, including: | 040 | 73,208.0 | 64,618.0 | -8,590.0 | 88.3 |
| Tax on profit of physical persons | 040/1 | 72,833.0 | 64,305.0 | -8,528.0 | 88.3 |

PERFORMED REPAIR AND RESTORATION OF MAJOR AND AUXILIARY EQUIPMENT OF SLOVYANSKA TPP

| # | Name of facility | # | Name of facility |
|----|--|----|--|
| 1 | Turbine section of power unit 7 | 40 | Field 6, 7, 9, 12, 14 outdoor switchgear-220 kV |
| 2 | Steam turbine K-800-240-2 | 41 | Field 4 outdoor switchgear-110 kV |
| 3 | Pump tPn-1, 2 | 42 | 1st and 2nd bus bar systems of outdoor switchgear-330 kV |
| 4 | High pressure heaters 6, 7, 8 I, II groups | 43 | 2nd system of bus bars of outdoor switchgear-220 kV |
| 5 | Local control board tPn-1, 2 | 44 | By-pass system of bus bars, outdoor switchgear-220 kV |
| 6 | Electric motor PEn-1, 2 | 45 | Fuel preparation |
| 7 | Turbine section of out-of-unit part | 46 | Repair of railway track |
| 8 | Local control board tG-#3 | 47 | Suspended car pushing trolleys, line A, B |
| 9 | Local control board PSV-1,2 | 48 | Oil fuel tanks 1, 2 of oil fuel pump station 2 |
| 10 | Boiler section of out-of-unit part | 49 | Condensate tanks of defroster depot |
| 11 | Assembly casing of boiler 6 and downtaking duct to flue gas exhaust 6A | 50 | Oil tank 6A of mill lubrication system, boiler 6 |
| 12 | General plan equipment | 51 | Equipment of turbine hall of oil fuel pumping station 2 |
| 13 | Compressor 1 of the plant's general compressor station | 52 | Control board of PPC compressor station |
| 14 | Water heating system of power plant's general compressor station | 53 | Pressurizer fan of electric motor of ball tube mill 1 |
| 15 | Equipment of the control room 'lvviol-3' | 54 | Separator |
| 16 | Hydrogen collectors | 55 | Forced-draft fan 1 of defroster depot |
| 17 | Electrolysis plant 1A | 56 | Condensate pump of defroster depot |
| 18 | Electrical equipment | 57 | Water preparation |
| 19 | Electric precipitator of unit 7A, B | 58 | Condensate storage tanks |
| 20 | Transformer 17T | 59 | Acid storage tanks |
| 21 | Transformer 27TA | 60 | Alkali storage tanks |
| 22 | Transformer 27T (reserve) | 61 | Tanks of chemically treated water |
| 23 | Transformer 204T | 62 | Clarified water tanks |
| 24 | Transformer 203T | 63 | Water cleaning agents |
| 25 | Transformer 24T | 64 | Decarbonizer |
| 26 | Transformer 25T | 65 | Pipelines |
| 27 | Autotransformer 11 ATA | 66 | High-pressure pipelines of turbine section, power unit 7 |
| 28 | Autotransformer 13 ATA | 67 | Low-pressure pipelines of power unit 7 |
| 29 | Autotransformer 13 ATB | 68 | Raw water pipeline (old line) |
| 30 | Current wireway 24 kV | 69 | Raw water pipeline (new line) |
| 31 | 6 kV bus bars of main and reserve power supply lines | 70 | Fire pipelines of oil fuel pumping station 2, 2A |
| 32 | Bus bars 204T | 71 | Process water pipelines to plant's general compressor station |
| 33 | Bus bars from 17T to field 6 outdoor switchgear-330 kV | 72 | Heating network pipeline (direct and return line) to pumping and filtering station |
| 34 | Bus bars from dischargers 204T to field 9 outdoor switchgear-220 kV | 73 | Heating network pipeline (direct and return line) from TPP to emergency station till commercial accounting point |
| 35 | Dischargers RVMG-330 of power unit 7 | 74 | Heating network pipeline (direct and return line) near outdoor switchgear-330 kV |
| 36 | Dischargers RVS-220 204T | 75 | Steam and condensate pipeline of defroster depot |
| 37 | Discharger 203T | | |
| 38 | Group disconnecter of power unit 7 | | |
| 39 | Field 1, 2, 3, 4, 5, 6 outdoor switchgear-330 kV | | |

FULFILLED REPAIR AND RESTORATION OF BUILDING AND STRUCTURES OF SLOVYANSKA TPP

| # | Name of facility | # | Name of facility |
|----|--|----|---|
| 76 | Transporter 10 heating pipeline | 1 | Buildings |
| 77 | Condensate return pipeline to power unit 6 | 2 | Building of construction and assembly department of Slovyanska TPP |
| 78 | Compressed air pipeline from receivers | 3 | Building of engineering and laboratory complex |
| 79 | Steam and oil fuel pipelines from oil tanks 1-3 to oil fuel station | 4 | Building of service section |
| 80 | Steam and oil fuel pipelines from oil fuel pumping station 2 to power unit 7 | 5 | Building of central gatekeeper's post |
| 81 | Oil pipelines TG-3 - of bearings 5, 6 | 6 | Building of integrated auxiliary section |
| 82 | Dust ducts | 7 | Turbine section. Main building of phase 1 |
| 83 | Ash and slag pipelines | 8 | Boiler section. Main building of phase 1 |
| 84 | Crane fleet | 9 | Main building of power unit 6, turbine section |
| 85 | Overhead crane 2 of turbine section, power unit 7 | 10 | Smoke suction section. Main building of the 1st phase |
| 86 | Overhead crane 2, 3 of turbine section, power unit 7 | 11 | Building of electrical precipitator, section A of power unit 7 |
| 87 | Gantry crane of electrical precipitator, power unit 7 | 12 | Building of covered transformer substation, power unit 7 |
| 88 | Gantry crane of on-shore pumping station 2 | 13 | Building of pumping and filtering station |
| 89 | Overhead crane of bay window section, power unit 7 | 14 | Building of wagon dumper |
| 90 | Overhead and gantry crane of pulverized fuel shop | 15 | Building of defroster |
| 91 | Transloading crane 2 of fuel and transport shop | 16 | Building of nitrogen and oxygen station |
| 92 | Overhead crane MK-20/5 of fuel and transport shop | 17 | Building of demineralizing unit |
| 93 | Overhead crane no. 2, 3 of turbine section, power unit 7 | 18 | Building of oil fuel station 2, 2A |
| 94 | Overhead crane of boiler section, out-of-unit part | 19 | Building of compressor station, central pulverized fuel plant |
| | | 20 | Bulldozer fleet building |
| | | 21 | Building of fire-resistant fluid control room 'lvviol-3' |
| | | 22 | Building of on-shore pumping station 2, 2A |
| | | 23 | Storage of fuel and lubricants |
| | | 24 | Structures |
| | | 25 | Pathway gallery between power unit 6 and 1st phase |
| | | 26 | Footbridge in the area of southern gatekeeper's point above the railway track |
| | | 27 | Foundation of transformer TC 1000000 no. 17T |
| | | 28 | Gantry of transformer 17T |
| | | 29 | Structures of tunnels for outdoor switchgear-330 kV and support structures for electrical equipment |
| | | 30 | Pipes of pulverized fuel shop |
| | | 31 | Galleries of conveyors 2 (A, B), 16, 12 (A, B) |
| | | 32 | Platform 2 of lifting conveyor 4A, B |
| | | 33 | Chemical water treatment pavilions |
| | | 34 | Protection structure 19372 |

