



ECA-COVERED FORM OF FINANCING IN UKRAINE. DTEK WINDPOWER CASE STUDY

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DTEK GROUP OF COMPANIES COMPRISES THREE OPERATING ARMS

DTEK B.V.

DTEK RENEWABLES B.V.



DTEK ENERGY B.V.



DTEK OIL&GAS B.V.



Wind Power LLC – operating subsidiary of DTEK Renewables B.V.

- The largest wind energy company in Ukraine
- Operator of one of the largest wind farms in Central and Eastern Europe (Botievo, 200 MW)
- Electricity generation – 634 mln kWh per year
- Wind farm projects portfolio – 1,5 GW
- Employs 58 permanent staff of which 21 are on-site in operations and the remaining in HQ with fully developed CEO, CFO, legal and financial-administrative functions
- Activities are subject to international standards of corporate governance (incl. fundamental behavioural commitment to responsible investment and the strict application of ESG principles to operations and activities)

BOTIEVO WIND FARM – DTEK'S FIRST SUCCESSFUL PROJECT IN THE RENEWABLES SEGMENT

2008-2011

Oct 2008 – Set up of Wind Power LLC

Nov 2009 – Commencement of assessment of wind potential

Apr 2010 – Signing of land lease agreements for 49 years

Jul 2011 – Start of construction works at Botievo site

2012

Jan 2012 – Signing of wind turbines' supply agreement for 30 units V112 3 MW

Apr 2012 – Signing of EUR107 mln loan agreement with LBB

Aug 2012 – Zaporizhzhyaoblenergo provides power connection for 90 MW

Oct 2012 – Launch of Botievo Wind Farm

Dec 2012 – Obtaining the 'Feed in-tariff' and membership in WEM of Ukraine

2013-2014

Feb 2013 – Commissioning of 30 wind turbines of the 1st stage and starting of construction works for the 2nd stage

Mar 2013 – Signing of EUR138 mln loan agreement with LBB

Jun 2013 – The agreement for 2nd stage financing of the project by LBB was signed

Apr 2014 – Commissioning of the 2nd stage. Botievo wind farm reaches the design capacity of 200 MW



ECA-COVERED FINANCING WAS CHOSEN FOR DTEK'S BOTIEVO WIND FARM CONSTRUCTION PROJECT



Project cost

The project investment amounted to EUR 340 mln, 72% of which was funded by debt (trade) financing

Deal participants

Wind Power LLC, LandesBank Berlin and EKF export credit agency (ECA) from Denmark organized the credit transaction. EKF obtained reinsurance from other ECAs for wind turbine components produced outside of Denmark (German Eurler Hermes, Polish KUKE S.A. and private insurance companies Zurich, FCIA)

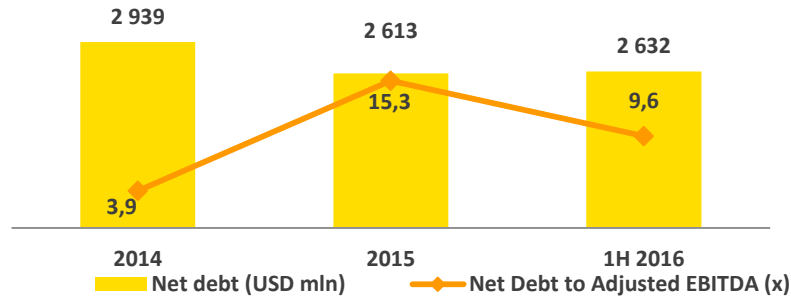
Loan term

The term of EUR 245 mln loan (made in 2 stages) is 10 years plus one year for the delivery and construction

Deal recognition

At the beginning of 2013 the deal of fundraising for 1st stage of Botievo project was named as Deal of the Year-2012 in ECA-backed financing according to Euromoney. The deal is among the Best Deals of 2012 according to Global Trade Review Magazine (London), as well

DTEK Energy B.V. Net debt² and Net Debt / EBITDA (adj.)



(1) Gross Debt includes borrowings (USD 2,484 mln) + Gross-settled derivative financial instruments (USD 199 mln)

(2) Net Debt represents gross debt (USD 2,683 mln) less cash and cash equivalents (USD 52 mln);

(3) Adjusted EBITDA represents profit for the year after excluding the following non-operating income statement items: depreciation and amortization, foreign exchange losses less gains, income tax expense, impairment of property, plant and equipment, charities to related parties, finance income and expenses except for gains/losses on initial recognition and early repayment of financial instruments from non-related parties, interest on bank deposits, unwinding of discount on the long-term restructured accounts.

- DTEK Group's financial position deteriorated significantly as a result of Ukraine's economic contraction and hostilities that commenced in 2014
- Gross Debt¹ of DTEK Energy B.V. (the Group's largest operating company) as of 30.06.2016 amounted to USD 2,683 mln, 95% of it was in foreign currencies
- Given liquidity constraints the principal repayments to major lenders in 2015 as well as interest payments since 4Q 2015 have been suspended. However, the company managed to enter into the Standstill Agreement with its Euro bondholders on 26 April 2016 (effective until 28 October 2016) and bank creditors (21 September 2016)
- Jointly with the engaged financial and legal advisors – Rothschild and Latham&Watkins LPP – the company has ongoing negotiations with creditors (both bank debt and Eurobonds) on the debt re-profiling/restructuring which are expected to be completed by YE 2016/early 2017
- Following further UAH devaluation within 1H 2016 Net Debt/EBITDA³ covenant was breached under several credit facilities
- DTEK Group continues to pay interest and make principal repayments on the existing ECA-covered loans in amount of 6 M USD (so-called essential lines)
- DTEK starts group restructuring in 2013 with main task to create three subholdings focused on O&G, Renewables and traditional energy business independent from each other. All necessary consents were obtained
- Switch to fully stand-alone financing allowed to keep serving 185,5 M EUR ECA-covered loan provided by LBB. LBB is no longer bound by agreements with DTEK Energy, thus is not affected by the Group's debt restructuring process

Export Credit Agency

Offers financing to domestic companies for international export operations and other activities

Helps remove the risk of uncertainty of exporting to other countries and underwrite political and commercial risks of overseas investments

Encourages exportation and international trade

Can operate both as government departments and as private companies

Several forms of financing: credit insurance, financial guarantees, or both

Finances a number of projects in developing countries and emerging markets

ECAs play a significant role in providing financing for Ukrainian businesses in the current economic situation

Government regulation in Ukraine

Ukrainian government and NBU took efforts to liberalize requirements for ECA-backed loans (liberalizing forex exchange control, possibility to make early repayments, etc.). However, authorities should do further steps to bring Ukrainian legislations into compliance with world best practices of ECA-backed financing (payment of ECA premium, cash-sweep conditions, opening and maintaining of reserve accounts, etc.)

Fulfilling debt obligations on our ECA-covered loan allows DTEK Group to make an indelible impact:

- Maintaining the market integrity, particularly related to ECA-covered financing
- Maintaining the adequate ECA assessment and rating of business activities in Ukraine
- Maximizing country limits of the ECAs in Ukraine, laying the foundation for future ECA-covered financing of Ukrainian businesses

Thank you for your attention!