



Integrated report 2019

financial and non-financial results

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Introduction



Oleg Popov
CEO of SCM

Dear colleagues and partners, please find hereby the annual report of DTEK Group.

In 2020, DTEK celebrated its 15th anniversary. This year has been a challenge for all of us because of the global coronavirus pandemic, which has reignited the discussion about the role and purpose of business for society. As a business, we were able to provide a quick and clear answer — a reliable partner and supporter of the sustainable development of society. The history of DTEK supports this both with facts and figures.

Today DTEK Group is a significant player Ukraine's energy sector. As a leading entity, our responsibility is, first of all, to contribute to the progress of the entire industry through the creation of new directions, the integration of leading technologies and solutions, sharing our experience and expertise with other Ukrainian companies, engaging in open dialogue with all stakeholders regarding further development. All these are components of the country's successful economic development. DTEK's contribution to the Ukrainian economy over 15 years is almost USD 23 bln: USD 10.4 bln was invested in the energy sector, USD 1.5 bln in sustainable development, more than USD 11 bln was allocated to budgets of all levels in Ukraine.

Behind these numbers is a team of 70.000 employees who are leading experts. After all, the company invests heavily in the development and training of personnel. Our corporate university, Academy DTEK, has been a major success, and has become a tool for managing talent, knowledge and change.

Additionally, residents of the cities where DTEK's production enterprises operate form part of our story. From the very beginning of the company's work, we have been guided by corporate social responsibility, implementing local projects aimed at improving the quality of life in the cities of our activity. Today, DTEK has commit-

ted itself to achieving the UN Sustainable Development Goals. As a result, our actions have remain consistent and our commitment to the principles of ESG (Environmental, Social and corporate Governance) unwavering, as we strive to support the interests of society. For this purpose, we adopted our ESG Strategy. The 12 UN Sustainable Development Goals were subsequently integrated into this strategy, in addition to measures to monitor progress. This means that the interests of employees and residents of the regions where the enterprises operate have become the focus of the company's development strategy.

ESG is a value code that determines the level of maturity and social responsibility of society, business and the state. We have proven that SCM is a business that is ready to take responsibility. During the coronavirus pandemic, SCM businesses took responsibility for the lives and health of their employees and residents of the cities where we operate.

Moreover, we began work on the country's economic strategy in the context of the global crisis, and this initiative was supported by other businesses and the government. I am sure that both in the world and in Ukraine, industrial business will be the main factor in overcoming the uncertainty of the economic recession caused by the coronavirus, the main driver of growth, and the main fulcrum.

It is now clearer than ever that the national economy will survive if metallurgy, energy and the agricultural sector survive. They are the basis of the Ukrainian economy. Our recovery plan for Ukraine is to boost the industry and support the revival of small and medium-sized businesses. And we are following this plan.

I would especially like to thank all DTEK employees for your dedication and work. You have become the foundation of resilience for the entire country, helping it overcome the effects of the pandemic.

Truly, thanks a lot for your work!

Introduction



Maxim Timchenko
CEO of DTEK

Dear colleagues and partners!

I would like to present the results of the DTEK Group performance in 2019. This year has been the year of ambitious achievements and new challenges.

We have achieved our target of 1GW of installed capacity in renewable energy and have successfully issued green Eurobonds on Euronext Dublin. This is our contribution, and it is a significant one, to Ukraine's transition to low-carbon energy sector. Thanks to energy reform, and we already started to see the first results in 2019, Ukraine has significant opportunities to introduce structural changes in the industry, with the aim of developing the modern energy sector.

I would like to tell you about the outstanding events of the year in the context of our corporate development strategy to 2030.

Energy sector

A familiar industrial world is rapidly changing for the sake of the future. All changes are based on the energy sector; competitive and clean green energy, and new energy efficiency standards. Such changes require unity to attain our ambitious goals. Consumers, the state and business should build up relations on a qualitatively new level via dialogue, transparent competition of energy companies and market pricing.

Two events of 2019 will play a crucial role in further development of the Ukrainian energy sector. The first one is Ukraine's reform of the energy sector and the establishment of the electricity market in line with the European model. The country has been working towards this reform for almost 10 years. Unbundling was implemented in order to introduce structural changes: electricity distribution function was separated from generation and supply. This allowed for the formation of liberalised electricity markets, of which the retail and wholesale segments were respectively established on January 1 and July 1. Thus, Ukrainian consumers became active market participants with the opportunity to purchase electricity from producers under direct contracts or freely choose their electricity supplier. The words 'client' and 'choose' were introduced into the glossary of the Ukrainian energy sector for the first time and provided a real incentive for companies to develop competitive advantages and attract investment into business development. Green energy has become synonymous with modern electricity production. In 2019, an important step we took was attainment of our

strategic goal — to build 1 GW of capacities in renewable energy. In that year, we successfully placed green Eurobonds for the amount of 325 mln Euros and thus created an effective financial mechanism for Ukraine's transition to the energy balance with lower CO₂. Now, the discussion concerning the further support of renewable energy in Ukraine, determining the pace of development of the sector for several years to come, is still ongoing. In this discussion it is important not to lose sight of the main goal — the decarbonisation of the Ukrainian economy.

The Ukrainian energy sector also needs technologies and tools to accelerate the pace of the gas production industry. Our company DTEK Oil&Gas successfully drills deep gas wells, which has become possible because of our investment into advanced equipment and innovative technologies.

The volume of coal production in the country is predetermined by both — international commitments and the energy balance of Ukraine, reflecting our drive towards energy independence. DTEK keeps the volume necessary for complete provision of the company's thermal generation.

The coronavirus pandemic, which emerged in 2019, is the second event that will have a continued impact on the energy sector. The experience of fighting against the spread of coronavirus has shown that civil society, the government and business can work in a coordinated and effective way. This approach is required today to recover after the crisis and to attain the goals set.

Customers

DTEK Group has introduced systemic changes into its activity, implementing the program of business transformation to create fiduciary relations with clients.

Our company D.TRADING contributes to the development of wholesale segments of the electricity market through involvement of international marketing and trading experience.

We strive to become a benchmark for a client-focused approach in the sector and to be the leader in the competitive market. Operators of the distribution system have become separate companies for electricity suppliers to get equal access to the infrastructure, thus ensuring the right of clients to choose any of the suppliers. We have also created a retail brand in the electricity market, YASNO, which aims to ensure the best client service in the sector, to create a diverse product and solution portfolio, to develop online services.

Ukraine “plus”

Ukraine is becoming increasingly integrated into the European energy community. Integration takes place at the technical level via the interconnection of the energy systems; at the regulatory level via the synchronization of our sectoral legislation with European counterparts; and at the technological level via the involvement of technologies, international expertise and partners. In each case, we provide an effective support to the country.

Synchronization of the Unified Energy System of Ukraine with the European energy system ENTSO-E is important from the point of view of the country's energy security. We promote the implementation of this project, and in 2019, several of DTEK Energy' TPPs power units successfully passed a test for conformity with the ENTSO-E requirements.

The best technologies and international equipment producers were involved in the construction of solar and wind power plants, digitalisation of our enterprises.

We realise that significant progress in the technological and innovative eco-systems of the sector should be achieved for business to further develop successfully. With this in view, in 2019 we initiated the national project related to the establishment of the Technological oil and gas hub. It will become an effective tool for attracting technologies to Ukraine and, at the same time, a platform for gas production companies to exchange experiences. Thus, we will contribute to the development of new trends in the Ukrainian gas production industry, which will further support the country achieve energy independence.

For the successful transformation of the Ukrainian energy sector, it is necessary to rapidly cover the distance separating Ukraine from the best global practices in the industry. We openly share the experience gained with other Ukrainian energy companies, since we view sustainable development not just in the context of our company, but on a broader societal level.

Efficiency

The search and introduction of innovations constitute the basis for further development. With this in view the company has established units dealing with digital transformation of business and innovations, creating new sources of our growing efficiency.

Our expert centre of digital technologies is implementing a digital transformation program embracing both production and managerial processes of all business directions. Starting with the first quarter of 2019, we have launched 23 projects within the framework of this program.

Our unit dealing with innovation management develops the culture of open innovations, successfully cooperates with startups, and it has already taken projects with QRSmarty, EverScan, Gnostics, Ax-Draft, Hepta onto commercial implementation.

People

Today it is safe to say that DTEK corresponds to the best global standards in terms of the level of professionalism. For instance, our renewable energy team has successfully implemented projects related to the construction of Pokrovska and Nikopolska solar power plants with the capacity of 240 MW and 200 MW, Prymorska and Orlivska wind power plants with the capacity of 200 MW and 100 MW, respectively, in record time. At each stage of the projects, the team has shown high professional expertise and efficiency of interaction, ability to act quickly and efficiently, to integrate technologies that are new for Ukraine.

Talent and leadership skills development, and the increased professionalism of DTEK staff lie within the area of responsibility of Academy DTEK. Each year Academy DTEK improves its educational programs to meet business needs more accurately. Today, we focus on innovations and understand that their implementation requires new skills, views and culture from leaders, to implement changes on a business-wide scale. With this in mind, in 2019 we launched the flagship program Energy of Innovation: Executive MBA and project ID.School.

In 2019, Academy DTEK became the winner of the contest of the best corporate universities of the world, the Global CCU Awards 2019. Academy DTEK was recognized as №1 in the Corporate Responsibility category.

Society

Ambitious projects in production, sustainable development projects in the regions, educational products for staff, state sector and society bring about changes and influence quality of life. The company is implementing all this for the sake of the future, following the European choice of Ukraine.

Europe sees implementation of the Green Deal program as an essential part of economic recovery following the coronavirus pandemic. It will transform the current economic model for the sake of environmental sustainability. One of the priority tasks of the program is the attainment of carbon neutrality by 2050.

It is high time we changed the paradigm for assessing the success of economies and business. Real leaders should set themselves the goal improving the environment where they live, as well as to take care of the wellbeing of both the current generation, and future generations.

DTEK was established as a company focused on development, aligning itself with European standards of a socially responsible business. With each year of our growth and transformation from a regional company to a national business, we have scaled up and increased the number of social projects. Each year more and more communities of villages and cities where our production enterprises are located are joining our projects. Now almost 80,000 residents from 62 cities participate in the interregional project “Your Hometown Begins with You”, 1,602 schools participate in the interregional project “Energy Efficient Schools: New Generation”, the interregional project “Come on, Let's play!” has attracted 4,500 children to football games, we have implemented 2,310 projects within our social partnership programs.

Our goal is to serve as an example to follow for other Ukrainian businesses in the implementation of socially important projects. In 2019, we approved a new long-term development strategy based on the UN Sustainable Development Goals and corresponding to the ESG principles (Environmental, Social, and Governance). We integrated 12 UN Sustainable Development Goals into our ESG Strategy and undertook the commitment to achieve progress. In our strategy, we determined our treatment of the environmental issues as well as set our principles of social responsibility, business administration transparency.

Ukraine strives to become a part of Europe via the integration of energy markets, synchronization of the sectoral legislative framework, and the unity of values and priorities. We, as a business, contribute to the achievement of the country's goals — our investment priorities are influenced by the goal to become a modern sustainable business, and a leader in the decarbonisation of Central and Eastern Europe.



DTEK Group at a glance

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15 facts about DTEK Group

DTEK Group is the largest private domestic investor in the Ukrainian energy sector. Our enterprises produce coal and natural gas, generate electricity at solar, wind, and thermal power plants, distribute and supply electricity to consumers, provide energy efficiency services, and develop a network of high-speed charging stations. In each business segment, production enterprises are consolidated into operating holding with separate companies responsible for the management of the day-to-day activities. Since 2007, DTEK represents Ukraine in the UN Global Compact. DTEK Group is a member of SCM, whose shareholder is Rinat Akhmetov.

1

DTEK was founded in 2005.

2

DTEK employs 70,000 people. DTEK's enterprises are recognized as the best Ukrainian employers according to surveys performed by international audit firm EY and Ukrainian business press.

3

Since its formation, DTEK has invested USD 11.9 bln in the energy sector and sustainable development projects. Through these efforts, DTEK has achieved the growth of its production operations and social development in the regions where DTEK Group's enterprises operate:

- the production of natural gas increased 3.3 times,
- the production of steam coal has doubled,
- 1 GW of capacities were built in the renewable energy sector.

4

DTEK pursues the principles of sustainable development and have implemented 2,310 projects within the scope of the Social Partnership Programs.

5

In 2019, DTEK adopted the ESG Strategy that integrated 12 Sustainable Development Goals of the UN Global Compact and made a commitment to achieve progress.

6

DTEK has the best expertise in the sector which allows the Group to implement a large-scale energy development program.

To improve Ukraine's energy sustainability, 16 TPPs power units operated by DTEK Energy with a total capacity of 4.1 GW have been upgraded, and a program has been implemented to increase a share of domestic G-grade coal in power plants' fuel mix.

7

The miners of Samarska mine have successfully driven through the Bohdanivskyy fault, which is the largest West Donbas geological fault and where the depth difference between coal seams reaches up to 300 meters. To accomplish this goal, a number of various surveys and studies were conducted and a new rock-supporting technology was developed that opened access to 10 mln tonnes of coal.

8

DTEK Oil&Gas drilled a 6,750 meter-deep gas well, which is the deepest producing gas well in Ukraine. Such technological expertise will allow the company to drill gas wells with the depth of over 5,000 meters in record time.

9

DTEK brings the best global practices to Ukraine to achieve progress.

D.Solutions is the electricity supplier for 3.5 mln households and commercial consumers. It was one of the first suppliers in Ukraine to launch a retail brand on the electricity market. Today, the company is the only Ukrainian supplier that offers clients additional green products and services aligned with the principles set out in the Ukraine's Green Energy Transition Concept by 2050.

10

DTEK Grids recognizes the needs of modern customers. Accordingly, the company is changing the approach in customer service and is offering a European quality of service. The customers can contact through the service centers, call to contact centers, communicate with the company on social networks and instant messaging platforms, and use online services.

11

DTEK Oil&Gas was the first among Ukrainian gas production companies to initiate the foundation of the Oil&Gas Technology Hub. The objectives pursued by the Hub include the engagement of innovations, state-of-art technologies, international start-ups, and the best experts. These systemic efforts will form new trends in the development of the industry, and Ukraine will gain yet another momentum for its energy independence.

12

DTEK Renewables has built RES power plants that rank among the largest facilities, both in Ukraine and Europe: Botievska Wind Farm, Nikopolska SPP and Pokrovska SPP. These plants will promote the global goal of decarbonizing the economy.

13

Academy DTEK is a corporate university that provides training to all DTEK Group employees. It has become an innovative educational business platform open to business, public sector, and the community. Training of new leaders is one of the goals pursued by DTEK Group to make a contribution to Ukraine's sustainable development.

14

DTEK is a reliable partner of the community.

Since the outbreak of hostilities in the Donbas region, DTEK Grids has restored electricity supply to substations and power transmission lines more than 16,000 times. This included 13,000 repairs to 6-10 kV transformer substations, more than 1,600 repairs to restore the damaged sections of high-voltage power lines, and more than 1,500 operations to reconnect 35-110 kV substations.

15

During the COVID pandemic, DTEK employees' ensured uninterrupted generation, distribution, and supply of electricity to support the community through this difficult period. Houses, hospitals, shops, plants had uninterrupted electricity supply, and DTEK is among those who made this possible.

Mission, vision, values

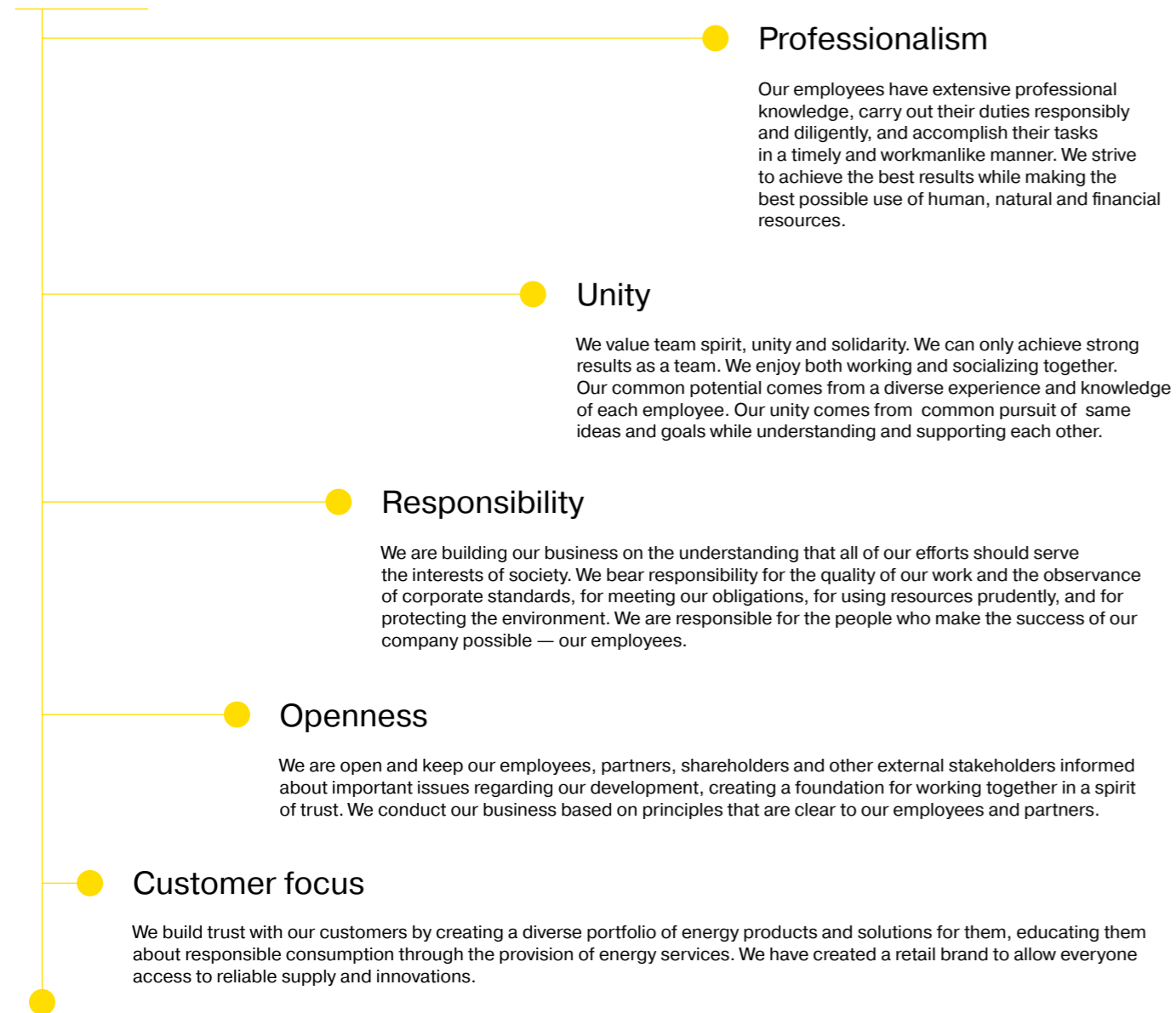
Mission

We are working in the name of progress and social prosperity. Our energy brings light and warmth to people.

Vision

We are a dynamically developing Ukrainian company that strives for leadership on the European energy markets. Our success is based on people, efficiency, and advanced technologies.

Values



Pursuit of excellence

We create right conditions for the development of talents and abilities of our employees, implement the most promising technologies, and improve production and management processes. As we expand our business, we strive to instill confidence in our employees and contribute to the successful development of Ukraine.

Development strategy until 2030

Concept of development

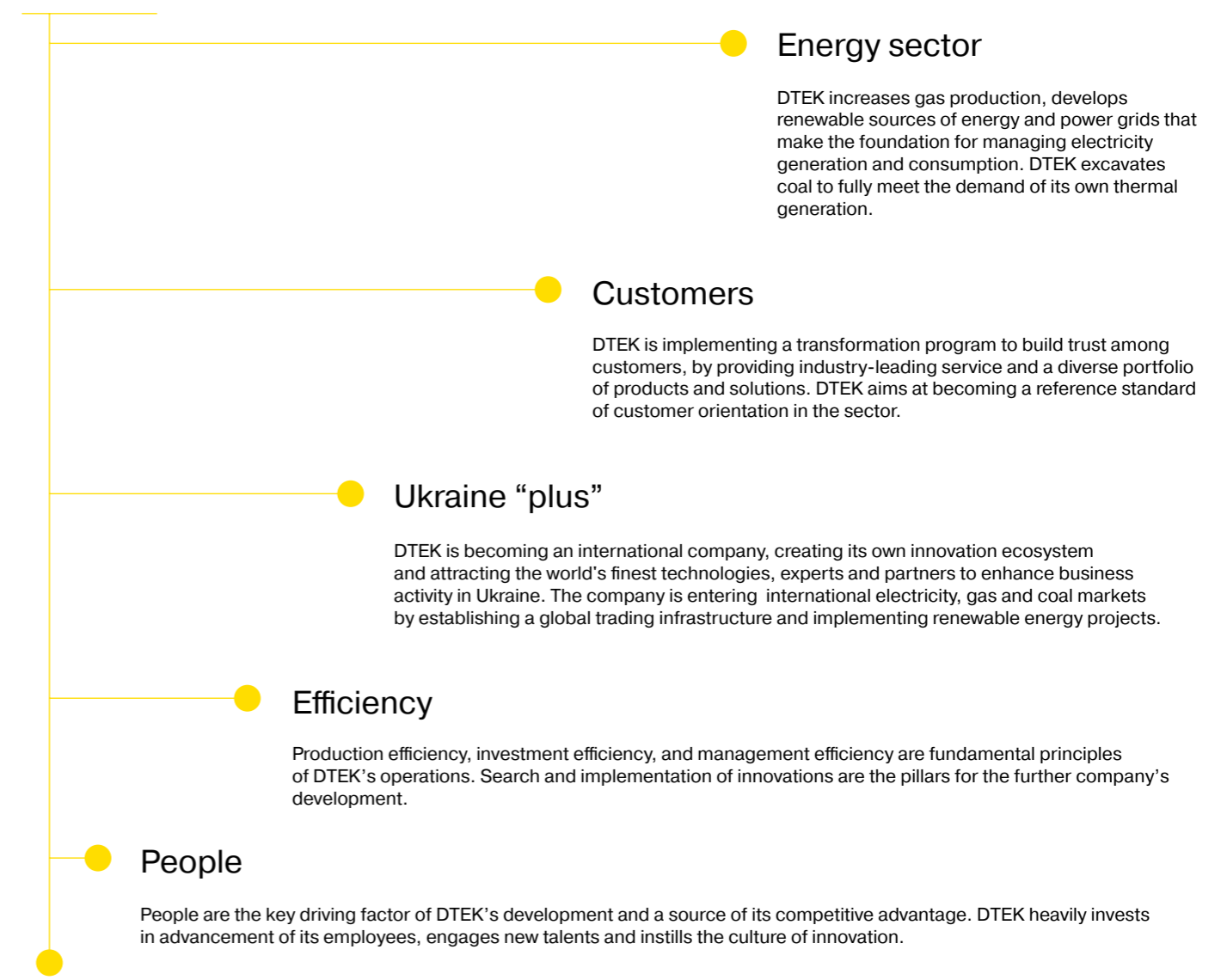
DTEK will actively develop in Ukraine and enter the markets of neighboring countries as a diversified energy company with secured fuel resources.

DTEK will focus on the sale of electricity to all categories of consumer while maintaining high standards of service and building a strong retail brand.

DTEK will support and develop key success factors: the talents and potential of its employees and the efficiency of production, investments, and management.

DTEK will participate in reforming and upgrading Ukraine's economy, social development of regions where it operates, and promotion of best standards in industrial and environmental safety.

Six vectors of development



Society

DTEK is a responsible investor, reliable partner, and largest employer. DTEK contributes to social transformation and development of a competitive economy, acts openly and transparently, and encourages entrepreneurship, cooperation, and innovations. The company promotes modern international environmental safety standards and the best occupational health and safety practices.

Development business strategy: stages and priorities

The long-term corporate development strategy sets out priorities of business, management projects, and technologies

	2015 — 2020	2020 — 2025	2020 — 2030
Core business	Efficiency	Transformation	Innovations
	Scaling of LEAN projects	Active development of RES and gas markets, a transition to the RAB-regulation in the grids	Introduction of robotic technologies in manufacturing processes
	A reform of the energy market and introduction of an incentive based regulation tariff	Reduction of the share of coal generation in an energy mix, transformation of coal regions Retail brand development, promotion of new products and services	Introduction of innovations throughout the entire value chain
	Expansion of the products and services portfolio Development of a distribution infrastructure	Automation and digitalisation of business processes	Large-scale use of digital technologies and AI solutions
	Pilot innovation projects	Participation in international innovative projects Compliance with the best ESG practices	
New opportunities	Expansion	Partnership	Diversification
	Expanded asset portfolio	Identification and implementation of strategic partnerships in Ukraine	Geographical diversification
	Gradual expansion and transition to self-financing of new businesses	Attraction of international partners to Ukraine Entry into European markets based on international trade and implementation of RES projects	Management of the international investment portfolio Business value realization

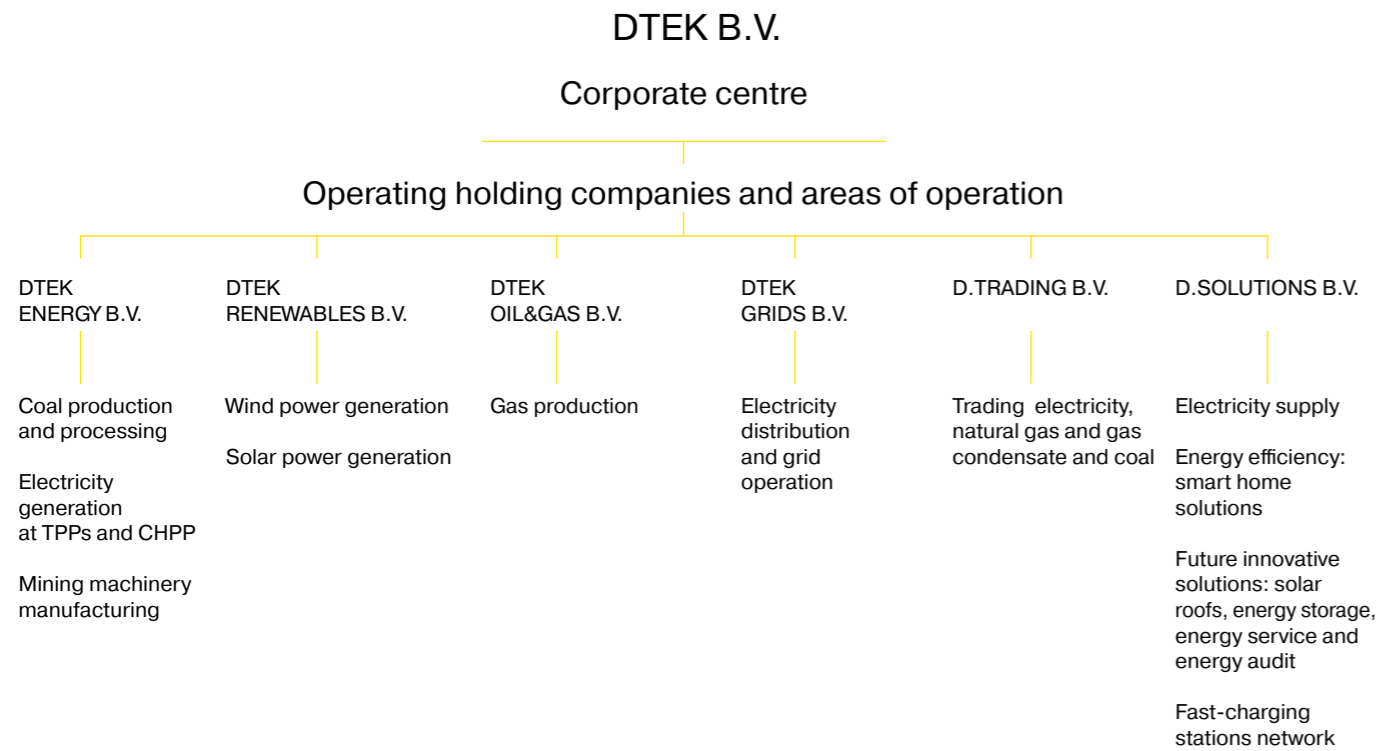
ESG development strategy

DTEK is a leader in Ukraine’s environmental modernisation. The company takes responsibility for its environmental and social impact and cares about the well-being of future generations. Bearing in mind the global trend of responsible investments as well as the magnitude of DTEK’s impact on Ukraine’s progress towards achieving the UN Sustainable Development Goals, the company has integrated the 12 UN Sustainable Development Goals into its ESG Strategy up to 2030.

ESG Strategy priorities:



DTEK Group's corporate governance structure



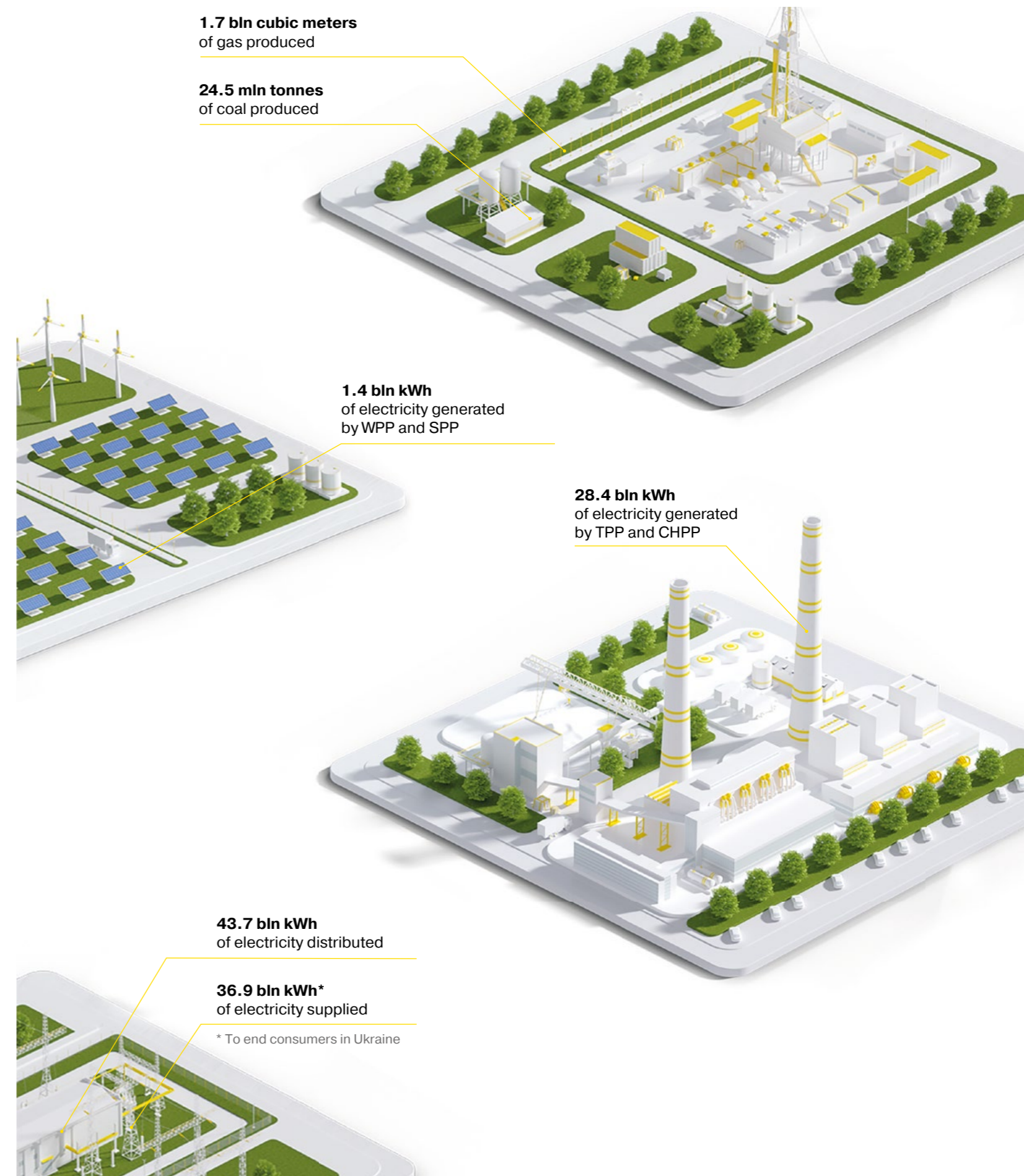
Key objectives of the Corporate centre:

- long-term planning
- developing new businesses
- managing an investment portfolio and raising long-term financing
- developing the managerial talent pool
- reputation management
- interacting with central government authorities

Key objectives of the operating companies:

- managing day-to-day operations
- promoting operating efficiency
- implementing investment projects
- professional advancement of employees
- developing industry-related expertise

Key performance indicators of 2019



Location of DTEK Group production enterprises

Kyiv and Region:
Electricity distribution
 DTEK Grids: Kyivoblenergo, DTEK Kyiv Grids

Electricity supply
 D.SOLUTIONS: Kyiv Energy Services

Mining machinery manufacturing
 DTEK Energy: CORUM Group

Vinnitsia Region:
Electricity generation
 DTEK Energy: DTEK Ladyzhynska TPP, Ladyzhynska HPP, Ladyzhynska SPP

Dnipropetrovsk Region
Coal production and processing
 DTEK Energy: DTEK Pavlohradcoal, CCM Pavlogradska

Electricity generation
 DTEK Energy: DTEK Kryvorizka TPP, DTEK Prydniprovka TPP
 DTEK Renewables: Nikopolska SPP, Pokrovska SPP

Electricity distribution
 DTEK Grids: DTEK Dnipro Grids

Electricity supply
 D.SOLUTIONS: Dnipro Energy Services

Donetsk Region:
Coal production and processing
 DTEK Energy: DTEK Dobropilliacoal, Bilozerska Mine ALC, DTEK Dobropilska CPP, Kurahivska CPP, DTEK Oktyabrsk CPP

Electricity generation
 DTEK Energy: DTEK Kurahivska TPP, DTEK Myronivka CHPP

Electricity distribution
 DTEK Grids: DTEK Donetsk Grids, DTEK Energougol ENE, DTEK Power Grids*

Electricity supply
 D.SOLUTIONS: Donetsk Energy Services

Mining machinery manufacturing
 DTEK Energy: CORUM Druzhkivskiyi Machine-Building Plant

Zaporizhia Region:
Electricity generation
 DTEK Energy: DTEK Zaporizka TPP
 DTEK Renewables: Botievska WPP, Prymorska WPP, Orlivska WPP

Ivano-Frankivsk Region:
Electricity generation
 DTEK Energy: DTEK Burshtyn TPP

Luhansk Region:
Electricity generation
 DTEK Energy: DTEK Luhanska TPP

Lviv Region:
Electricity generation
 DTEK Energy: DTEK Dobrotvirska TPP

Odesa Region:
Electricity distribution
 DTEK Grids: Odesaoblenergo

Poltava Region:
Gas production
 DTEK Oil&Gas: Naftogazvydobuvannya









Kharkiv Region:
Mining machinery manufacturing
 DTEK Energy: Svitlo Shakhtaria

Gas production
 DTEK Oil&Gas: Naftogazrozrobka, Naftogazsystemy

Kherson Region:
Electricity generation
 DTEK Renewables: Tryfonivska SPP

Russian Federation:
Coal production and processing
 Mine Office Obukhovskaya JSC, Donskoy Anthracite JSC, Sulinanthracite LLC



	Coal production and processing		Wind energy
	Mining machinery manufacturing		Solar energy
	Gas production		Electricity distribution
	Thermal generation		Electricity supply

* In connection with the grids located on the controlled territory of the Donetsk Region. Undertakings outside the operational management are not shown on the map.

Key Events in 2019

February

DTEK completed unbundling of electricity distribution and supply functions

DTEK Group was among the first to introduce systemic changes in its operations and unbundled its electricity distribution operations from operations of supplying electricity to consumers within the scope of the energy reform. Operating companies were established in each business area, which ensured their independent functioning within the structure of DTEK Group.

DTEK Grids focuses on electricity distribution and is also responsible for operating the power grids, ensuring reliable power supply and developing infrastructure. D.SOLUTIONS supplies electricity to households, small non-household consumers, state-financed organizations, and other consumers with contracted capacity under 150 kW.

D.TRADING, which was established in January, is responsible for the development of wholesale trade in energy products both in Ukraine and on international energy markets, and generally manages the product portfolio of DTEK Group.

These changes afforded an opportunity for distribution system operators to focus on strengthening safety and quality of operation of power grids. In turn, suppliers were able to offer their clients services meeting European quality standards.

DTEK Kryvorizka TPP: a test for compliance with ENTSO-E standards was successfully passed

Specialists with NPC Ukrenergo, United States Energy Association (USEA), EPRA (Turkey), and DMCC (Ukraine) tested power unit No. 3 of the Kryvorizka TPP. They examined the power unit's ability to comply with the key requirements for synchronized operations with ENTSO-E, in particular, to reduce or increase its capacity fast and precisely in response to changing frequency in the energy system. The tests demonstrated that power unit No. 3 of DTEK Kryvorizka TPP and equivalent power units are capable of following the frequency of the European energy system. In 2019, the tests were successfully passed by power units No. 1 and No. 2 of Zaporizka TPP, and power units No. 5, No. 7, and No. 10 of Burshtyn TPP.

March

Nikopolska SPP started generating green electricity

It took the company less than a year to construct a 200 MW power plant. The EPC contract was made with China Machinery Engineering Corporation in April 2018, the first solar panel was installed in October, and six months later the power plant started generating green electricity. It is expected that the power plant will generate 290 million kWh of green energy that will cut CO₂ emissions down by 300,000 tonnes.

Nikopolska SPP comprises of 750,000 solar panels installed on the territory of a depleted ore mining pit.

DTEK Oil & Gas won the first online auction for a license to develop mineral resources

The company won a lot to purchase a special permit to develop the reserves of the Svitankovo-Lohivska site at an auction held by the State Service of Geology and Mineral Resources of Ukraine. This was first time that the auction had been held online in Ukraine, and the platform was provided by Prozorro.Sale, a national system of state electronic auctions.

A special permit to develop mineral resources of the Svitankovo-

Lohivska site was granted for 20 years. The site covers the territory of the Chuhuiv, Zmiiv, and Kharkiv districts of the Kharkiv Region. It measures 197.5 km². Mineral resources include oil, natural gas, and gas condensate.

DTEK Prydniprovsk TPP: power unit No. 10 was converted to burn steam coal instead of anthracite

This is the fourth power unit of the power plant that started firing G-grade coal. Since 2017, DTEK Energy has been implementing a strategy for converting TPP power units designed to use anthracite to G-grade coal. This efforts help to reduce considerably the use of imported coal and thus increase the stability of the Ukrainian energy system.

Moreover, a modern electrostatic precipitator was built at the power unit. This device will reduce the emission of solid particles into the atmospheric air down to 50 mg/m³ in compliance with European standards.

April

DTEK Oil & Gas launched a new deep drilling program at the Machukhske field

The company's long-term strategy is aimed at the transition to gas extraction from 7,000 meter-deep gas horizons. The program provides for drilling four exploratory holes and two prospecting wells to discover new gas reserves. The program was designed on the basis of advanced geological and geophysical studies that included a wide-azimuth 3D seismic survey, high-precision gravitational and magnetic exploration that had been conducted by the company in the course of four years. The first well drilled within the scope of this program was 5,704-meter deep well No. 53.

May

Academy DTEK was recognized among the world's best corporate universities

Academy DTEK won a 2019 Global CCU Award in the Corporate Responsibility category. The award was made for the Academy's contribution in enhancing the quality of education for public officials. Academy DTEK cooperates with almost 30 governmental agencies. Special training programs were developed for public officials aimed at developing their professional and personal competencies.

Global CCU (Global Council of Corporate Universities) was established in 2005 and brings together corporate universities operated by industry leaders from more than 50 states around the world. Academy DTEK is the only Ukraine's representative at Global CCU.

The award ceremony was held in Brazil.

DTEK Group became a controlling shareholder of two distribution system operators

The Group purchased 68.2949% shares of Odesaoblenergo JSC, a distribution system operator operating in the Odesa Region, and 93.9978% shares of Kyivoblenergo PJSC, the Kyiv Region distribution system operator.

DTEK Grids has designed a program aimed at the development of power grids in these regions. The program focuses on systemic digitalization of infrastructure operations, heightened reliability of electricity supply and quality customer experience.



June

DTEK Renewables borrowed EUR 90 mln to finance the construction of Phase II of Prymorska Wind Farm

A 10-year loan was issued by a consortium of German banks that included KfW IPEX-Bank, ODDO BHF Aktiengesellschaft headed by Bayerische Landesbank, and was secured by guarantees issued by Euler Hermes and CESCE export credit agencies. This agreement supports the transformation of the national energy sector while aiming toward considerable decarbonization of the sector through the development of green power plants. Debt financing raised by DTEK Renewables strengthens its role as a long-term partner for leading international financial institutions and equipment suppliers. The construction of Phase II of Prymorska Wind Farm with the capacity of 100 MW commenced in 2018.

DTEK Grids commissioned the Naddnyprianska substation — one of the most advanced power facilities in Ukraine

The substation will supply electricity to the entire Dnipro downtown and two new subway stations and will also create new opportunities for the development of infrastructure of Ukraine's largest industrial center.

The substation was built in place of illegal dumping. The high-voltage gas-insulated switchgear installed at the substation occupies the area measuring mere 80 m². The comparable old equipment would have required the area measuring at least 1,200 m². The new technology makes the substation suitable for large city applications thanks to its compact size. Moreover, the substation is completely automated and is operated remotely. As a result, the quality of electricity supply is improved.

July

DTEK Oil&Gas intends to develop the Zinkivska area

DTEK Oil & Gas was recommended as a winner in Ukraine's largest tendering procedure for production sharing agreements (PSA) in connection with the Zinkivska area. DTEK Oil&Gas plans to re-process and re-interpret the data collected during the earlier seismic and gas dynamics surveys, carry out a 3D seismic survey using a wide-azimuth technique, and also drill three exploratory wells. Natural gas production is expected to be launched during the second year of the operations.

October

DTEK was selected among the top three distribution companies in CHARGE Awards 2019

DTEK was nominated as a finalist in the Best Distribution Brand category alongside two other leaders. During the competition, DTEK Grids showcased its systemic communication and multi-channel customer information projects: digital solutions for customer services, educational projects to raise awareness about the energy market reform and responsible energy consumption, and the Light Affairs project aimed at making the work of DTEK Grids' distribution system operators transparent and understandable.

DTEK team shared their experience of operating on the energy market during the annual international Charge Energy Branding Conference held in Reykjavik (Iceland).

DTEK launched cooperation with the Croatian national power company

DTEK and HEP d.d. (Hrvatska elektroprivreda d.d.), the Croatian national power company, signed the Memorandum of

Understanding and Business Cooperation. The Memorandum opens new opportunities for cooperation in the area of trading in energy goods and implementation of joint projects on international markets including investments in power assets.

DTEK commissioned 240 MW Pokrovska solar power plant
The power plant ranks second in terms of its capacity among European solar power facilities. Pokrovska SPP is a project implemented by Ukrainian companies and specialists for Ukrainian consumers, 16 companies were engaged in the construction project. The new power plant was built on the territory of a depleted ore mining pit and comprises 840,000 solar panels manufactured by Risen (China). Pokrovska SPP will generate 400 mln kWh of green energy annually. The plant will help reduce CO₂ emissions by 420,000 tonnes annually, which is an equivalent of emissions from over 200,000 cars.

DTEK Kryvorizka TPP: power unit No. 1 was converted to burn steam coal instead of anthracite

As the new equipment was installed at a live power unit, it was important to prevent damage to the existing equipment, which increased the complexity of installation operations. 300 MW power unit No. 1 was successfully retrofitted and connected to the Ukrainian Integrated Power System on October. In general, DTEK Energy's strategy aimed at converting TPP power units to use domestic coal instead of anthracite achieved an increase of Ukrainian coal-based electricity generation in total production from 74.2% in 2017 up to 90.8% in 2019.

DTEK joined the World Economic Forum

The World Economic Forum is a global non-governmental organization promoting the development of international cooperation. The company will participate in Shaping the Future of Energy platform by engaging various stakeholders in search for innovative solutions in the energy sector. This platform brings together leaders from the establishment, civic communities, energy technology companies and private investors to develop governance and policy guidelines and innovative models for investing in the development of infrastructure and the sector.

November

DTEK placed specialized securities to develop renewable energy for the first time in the history of Ukraine

Five-year EUR 325 mln Eurobonds bearing 8.5% interest per annum were listed on Euronext Dublin exchange in November. The financing will be allocated exclusively between the existing and future projects undertaken by DTEK Renewables in the renewable energy sector.

Green Eurobonds are a new instrument that can be used by companies to attract investments in the development of renewable energy projects. DTEK's successful bond issuance created an efficient financial mechanism supporting Ukraine's transition to an energy mix with lower CO₂ share.

DTEK completed the construction of 200 MW Prymorska Wind Farm
The wind farm comprises of two phases: the first phase is located in the Prymorsk district of the Zaporizhia Region, and the second one is in the Pryazovsk district. Thanks to strong winds at its location, the wind park will supply 700 million kWh of green electricity to the national power system on annual basis. This will help cut CO₂ emissions down by 750,000 tonnes per year.

The Prymorska Wind Farm became a platform for innovations: unique technological solutions that allow for the achievement of the maximum operating performance of the equipment that was

installed on site. New-generation GE wind turbine generators that can adapt to the wind direction and speed were installed at the wind farm, and a digital substation technology was applied for the first time in Ukraine.

DTEK reached 1GW of installed renewable energy capacities
DTEK working in cooperation with Danish company Vestas, a global leader in WTG manufacturing, completed the construction of Orlivska wind farm. The power plant is located on the Azov seashore in the Zaporizhia Region and comprises of 26 wind turbines with the total capacity of 100 MW. The power plant will generate 380 mln kWh of green energy annually that will ensure the reduction of CO₂ emissions by 400,000 tonnes.

By completing this project, DTEK reached its strategic goal of building 1 GW of green generating capacities by the end of 2019. The company invested USD 1.2 bln in the Ukrainian RES sector and created unique expertise that was applied to implement large-scale innovative projects.

“Come On, Let's Play!” DTEK and FC Shakhtar project supported by the UEFA Foundation for Children won the More than Football Award 2019, a European competition of social projects. This project gives an opportunity to boys and girls aged 7 to 12 to attend free football training sessions with coaches.

40 European football clubs entered the More than Football Award 2019 competition. Chelsea FC Foundation, Juventus FC, Rangers Charity Foundation and Shakhtar Social were selected for the shortlist of the More than Football Award 2019. The award ceremony was held at Camp Nou stadium in Barcelona

DTEK launched a retail brand on the electricity market

Key events after the reporting period. DTEK Group operations amid the COVID pandemic

The COVID pandemic continues to have a profound impact on global economies and all areas of life. In this situation, every responsible business concentrated its resources to help its country deal with the crisis. DTEK Group focused on solving two crucial issues: minimizing as far as possible the risk of the infection spreading among the personnel and ensuring continuous operations. The Group provided humanitarian aid to the regions where its businesses operate alongside all other SCM assets.

As a matter of priority, certain measures to protect employees were immediately implemented. Office personnel were transferred to remote working. Those employed by manufacturing companies had a special work schedule that varied depending on the nature of their functions. These efforts allow continuous manufacturing operations and thus minimization of the impact caused by the pandemic on Ukraine's economy.

It goes without saying that protective goggles, medical face masks, and hand sanitizers were provided to all our employees

Under brand YASNO electricity is supplied to 3.5 mln households and commercial consumers in Kyiv, Dnipropetrovsk, and Donetsk Regions. Apart from supplying electricity, YASNO will develop three product lines:

- YASNO Smart — energy-efficient kits with two-zone meters and smart light;

- YASNO E-Mobility — a network of fast-charging stations for electric vehicles. The new service will offer charging equipment for residential buildings and corporate clients;

- YASNO Efficiency — roof solar panels, electricity storage systems, energy audit, energy service, and energy management

December

DTEK social projects received the Partnership for Sustainability Award 2019 for the contribution to the attainment of the UN Global Sustainable Development Goals

80 projects from four states were submitted to competition announced by the UN Global Compact Network Ukraine. Two DTEK projects: “Come On, Let's Play” nominated in the Society category and TREND nominated in the Economic Development category were among the winners. TREND project was launched to encourage residents of multi-apartment buildings to implement energy-saving solutions by promoting awareness in this area and providing assistance with raising investments.

who remained at their workplaces due to operational reasons. Site medical facilities received special information on COVID testing and ensured heightened control over the health of the company's personnel.

To support Ukraine's efforts aimed at preventing the spread of the COVID disease, DTEK Group set up the COVID-19 Containment Headquarters. The HQ helped to ensure immediate response to the situation within DTEK Group and to forge relationships with local headquarters established in several Regions to jointly identify the needs for resources. SCM assets were mobilised to meet the high demand for assistance at medical facilities.

The crisis provoked by the COVID outbreak demonstrate the extent to which our lives depend on energy. DTEK Group has fulfilled its corporate mission of bringing electricity and heating to people in this extremely demanding situation.

The crisis has emphasized the importance of dialogue and joint efforts. The efforts of each individual, community, company, industry, government and the state are required to counteract the pandemic. Everyone has mobilised their resources around the most valuable asset: human life.

Top management of the DTEK Group



Maxim Timchenko

CEO of DTEK
Maxim Timchenko has headed DTEK since 2005

Under his leadership, DTEK has become the largest national investor.

Along with 20 other leaders of the world's largest energy companies, Maxim Timchenko was a co-founder and signatory to the Energy for Society, a global initiative of the World Economic Forum.

From 2002 to 2005, Mr. Timchenko worked as a senior manager at SCM, where he was responsible for SCM's energy business until it was separated into DTEK. He started his career as a consultant at PricewaterhouseCoopers (1998–2002), where he advanced to a senior auditor position.

He is a member of the Association of Certified Chartered Accountants (ACCA) and the Supervisory Board of the UN Global Compact Network Ukraine.

He received a degree in Production Management with honors from the Donetsk State Academy of Management (Ukraine) in 1997. He continued his education at Manchester University (UK) and received a BA degree in Economics and Social Sciences with honors.



Dmytro Sakharuk

CEO of DTEK Energy
Dmytro Sakharuk has headed DTEK Energy since 2017

In 2000, he graduated with honors from the Kharkiv National University of Internal Affairs majoring in Law. In 2001, he received a Master's degree in Law Enforcement with honors from the same university. He continued his education at Chicago-Kent College of Law where he received a Master's Degree in International and Comparative in 2002. During his employment with DTEK, Mr. Sakharuk successfully completed the Energy of Leader program, a joint program of the London Business School and Academy DTEK.

He started his career at Philip Morris Ukraine in 2004, and then joined an international law firm of Squire, Sanders & Dempsey LLP in 2008.

He joined DTEK team in March 2010 as the Deputy Legal Director, and was promoted to the Legal Director's position in 2011. Following the introduction of a new corporate governance structure, Dmytro Sakharuk was appointed executive director in August 2014, and then was transferred to acting CEO position at DTEK Energy in October 2016.

In September 2017, Mr. Sakharuk was appointed as CEO of DTEK Energy.



Maris Kunickis

CEO of DTEK Renewables
Maris Kunickis has headed DTEK Renewables since 2020

The former CEO of DTEK Kyiv Grids, Maris Kunickis joined the DTEK team in 2018 as a Development Director of DTEK Grids. Mr. Kunickis was responsible for strategic planning, and technology and business trends research for distribution system operators.

Prior to joining DTEK from 2010 to 2018, he was a member of the board and Chief Operating Officer of Latvenergo (Latvia), as well as a deputy member of the board of directors of the Pan-European Association for the Electricity Industry Eurelectric, and vice president and member of the board of the Latvian Association of Power Engineers and Energy Constructors.

Maris Kunickis began his career in 1999 as an electrician at Latvenergo VAS. In 2006, he became the executive director of Rigas gaisma — Riga municipal service, and in 2008 became its CEO.

He was educated at the Riga Technical University (Latvia) at the Faculty of Energy and Electrical Engineering, holds an engineering degree in the area of power plant networks and systems. He received his second higher education and received a Master's Degree at the University of Latvia at the Faculty of Physics and Mathematics, specializing in Technologies for Sustainable Development.



Igor Shchurov

CEO of DTEK Oil&Gas
Igor Shchurov joined the company in 2011

From April 2013 to September 2016, he was in charge of Naftogazvydobuvannya, a key production asset of DTEK Oil&Gas. Under his leadership, the company progressed to a totally new level of operations: the annual natural gas production increased three-fold in short time.

Before joining DTEK Group, Mr. Shchurov was in charge of Novatek-Tarkosaleneftegaz where he secured the annual natural gas production of over 14 billion cubic meters. From 1998 to 2007, he worked at Samaraneftgaz (Yukos Oil Company, Russia), where he successfully traveled the path from an oil and gas production operator to the deputy general director.

He has a degree in Oil and Gas Field Development and a degree in Finance and Credit. In 2002, he was awarded a PhD degree in Technical Sciences



Ivan Gelyukh

CEO of DTEK Grids
Ivan Gelyukh has headed DTEK Grids since 2018

He joined DTEK team in 2005 and worked head of the investment department from 2005 to 2008. He then moved to the Kyivenergo as head of the investment department, in 2011 he headed the Regulatory Policy and Investments Directorate, and the Strategy Directorate of Kyivenergo in 2012. In September 2013 he was appointed Deputy Commercial Director of DTEK Energy, and acted as electricity distribution and sales director of DTEK Energy since March 2017. In 2018, Mr. Gelyukh was promoted to CEO of DTEK Grids. Under his leadership, the company successfully unbundled its electricity supply and distribution functions in accordance with the requirements imposed by the first stage of the electricity market reform.

He began his career in 2001 as an economist at Intron company. Mr. Gelyukh is a co-chair of Energy Community Distribution System Operators in Electricity (ECDSO-E) Coordination Group. He received a Master's degree in Finance from the Donetsk National University in 2003.



Vitaly Butenko

CEO of D.TRADING
Vitaly Butenko has headed D.TRADING since 2019

He has more than 20 years' experience in the energy sector and investment banking, and has been in charge of the company since its formation in January 2019.

First, he joined DTEK team as Strategy and M&A Director back in 2007. Later on, in 2014 he was appointed Commercial Director, and then oversaw the formation of DTEK's new international trading company, D.TRADING, in 2019.

D.TRADING promotes the development of Ukraine's new electricity and natural gas markets by engaging global marketing and trading experience while connecting Ukraine with global energy markets. Building on its leading analysis, forecasting and trading instruments, D.TRADING carries on successful commercial and trading operations and optimizes DTEK's entire product portfolio both in Ukraine and on international markets. The company also engages in trading operations based on external resources.

Prior to joining DTEK, Mr. Butenko was pursuing a career in investment banking. Having obtained an MBA degree from the University of Manitoba (Canada) in 1996, he worked at investments banks in Toronto, New York, and Kyiv for over a decade.



Abdullah Koksai

CEO of D.SOLUTIONS
Abdullah Koksai has headed D.SOLUTIONS since 2019

He took over the leadership of the Sales and Marketing Department at DTEK Grids in June 2018. He oversaw the development of electricity supply and energy efficiency services business development strategy. In April 2019, Abdullah Koksai was appointed CEO of D.SOLUTIONS.

He has multi-year experience in consulting and banking sectors. Prior to joining DTEK team, he worked for more than nine years at Enerjisa (Turkey, a venture asset of Sabancı Holding and E.ON), where he held managerial positions and was responsible for operations and marketing. He was in charge of electricity procurement, pricing, commercial cycle, and customer experience, and headed the reorganization within the scope of unbundling.

In 1999, he received a degree in Mechanical Engineering from Middle East Technical University (Turkey). In 2003, he received an MBA degree from City University of New York (USA).



An overview of Ukraine's industries and macroeconomic indicators

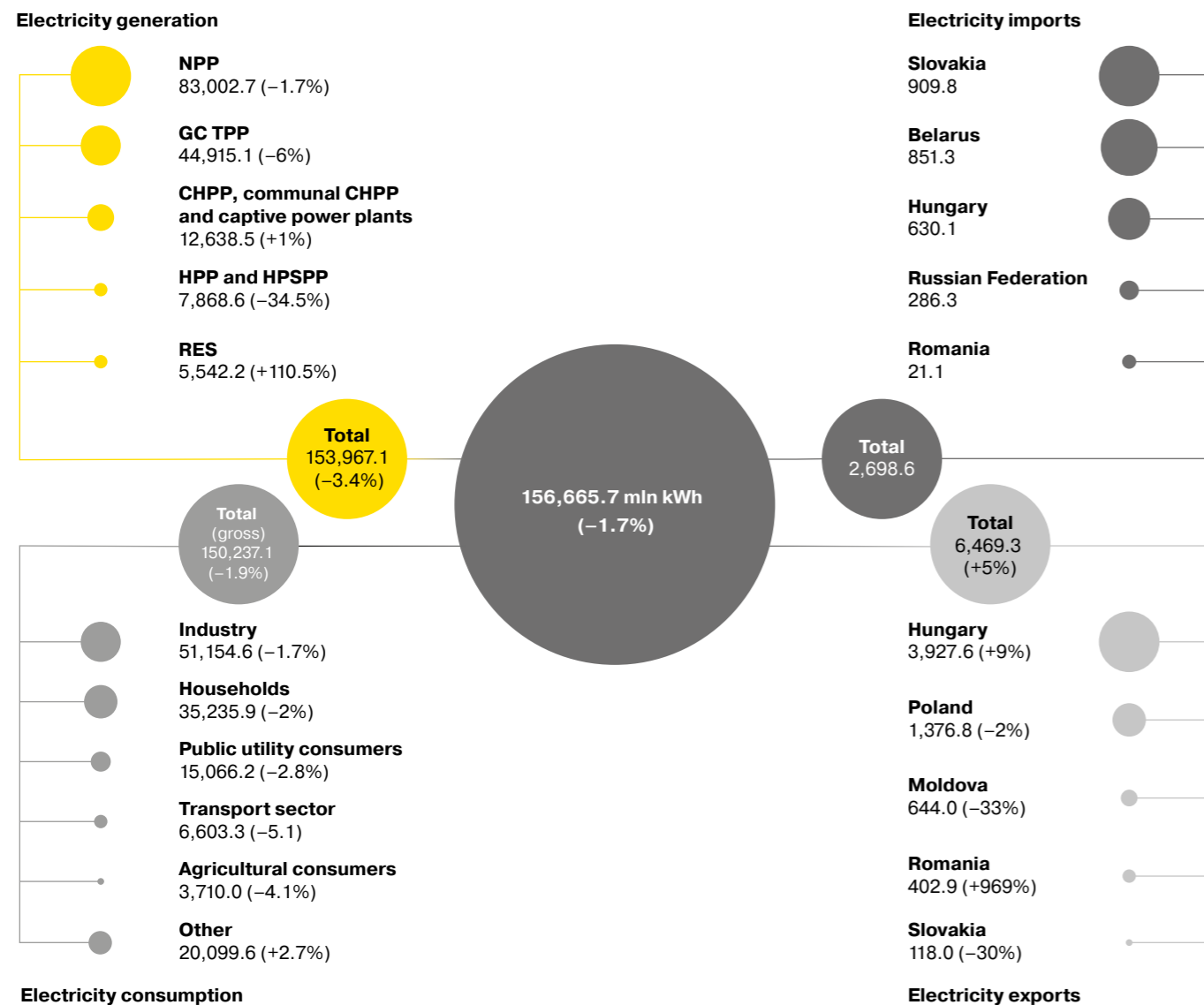
1 Electricity Market

2 Natural Gas Market

3 Ukraine's macroeconomic indicators

Electricity Market

Electricity balance in 2019, mln kWh (% YoY)



Data: Ministry of Energy and Environmental Protection of Ukraine, NPC Ukrenergo

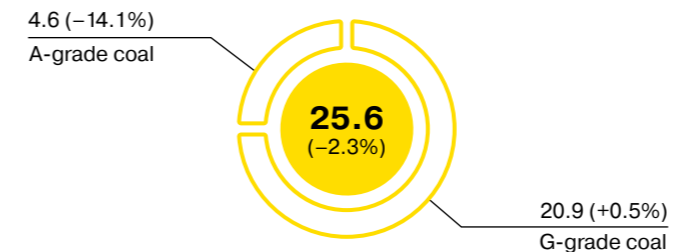
The Ukrainian Integrated Power System comprises of nuclear, thermal, hydraulic, pumped storage power plants and power plants based on renewable energy sources, combined heat and power plants, as well as transmission and distribution power lines. Central dispatch control of the Ukrainian Integrated Power System (IPS) is the responsibility of NPC Ukrenergo. All commercial entities whose facilities are connected to the Ukrainian IPS must comply with operative orders and instructions issued by the dispatcher. In 2019, there was a 2% drop in electricity consumption in Ukraine caused by the reduced demand from main consumer groups. The machine industry reduced electricity consumption by 10%, the fuel industry – by 4%, and the iron and steel industry – by 3% in the industrial consumption sector. The chemical and petrochemical industries were the only industries that demonstrated a 20% growth, which was mainly due to the suspension of imports of mineral fertilizers from the Russian Federation. In particular, CMU Resolution

no. 535 on Amendments to the List of goods originating from the Russian Federation prohibited for import to the customs territory of Ukraine, which includes fertilizers, was enacted on 1 July 2019. Amid the reduced demand, Ukraine resumed commercial import of electricity that had ceased back in 2015, in the second half of the year. These two factors have become the key drivers of the reduced electricity generation in Ukraine, and thermal generation (reduced generation by hydro power plants was mainly caused by a low level of water inflow in rivers). TPPs also cut their production by 6% despite efforts taken within the ongoing implementation of the strategy aimed at replacing A-grade coal in the fuel balance with G-grade coal. Four power units of DTEK Prydniprovskaya TPP, one power unit of DTEK Kryvorizka TPP, two power units of Zmiivska TPP, and two power units of Trypilska TPP were converted to burn G-grade coal instead of A-grade coal in 2017-2019. These measures prevent

risks of production stoppage caused by the shortage of fuel thus strengthening the reliability of operations of the Ukrainian power system. In general, in 2019, Ukraine imported 4.5 million tons of A-grade coal, which is 1.1% less than in 2018. A-grade coal was imported to

Ukraine from three states: the Russian Federation, the Republic of South Africa, and the USA. The Russian Federation has remained the major supplier as its share in the total coal imports grew from 85% in 2018 up to 98% in 2019.

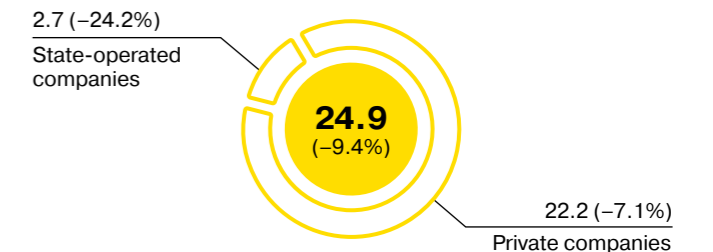
Coal consumption by TPPs and CHPPs in 2019, mln tons (% YoY)



Data: Ministry of Energy and Environmental Protection of Ukraine, DixiGroup.

Today, coal satisfies more than one third of Ukraine's demand for electricity generation. Although thermal generation reduced aggregate coal consumption in 2019, G-grade coal consumption demonstrates an upward trend due to a strategy for converting power generating units. This trend is expected to continue in the future as Ukraine plans to completely replace A-grade coal with G-grade coal, the production of which does not face a risk of stoppage due to hostilities. Starting from March 2017, Ukraine has discontinued coal production on the temporary occupied territories of Donetsk

Steam coal production in Ukraine in 2019, mln tons (% YoY)



Data: Ministry of Energy and Environmental Protection of Ukraine.

and Luhansk regions where all A-grade coal mines are located. Ukraine ranks seventh in the world in terms of proven coal reserves estimated at 34.4 bln tons, which accounts for 3% of the global coal reserves. Steam coal accounts for the major portion of the reserves, and the share of coking coal is about 30%. The main coal deposits are located in the Donetsk, Dnieper, and Lviv-Volyn coal basins, as well as in the Dnieper-Donetsk and Transcarpathian coal basins. The deposits have the depth of 500 to 1,000 meters, and thin coal beds ranging from 0.8 to 1.0 meter.

Production, ICUF*, and specific coal consumption by thermal generation companies

Companies	Electricity generation, bln kWh		ICUF, %		Specific fuel consumption, g/kWh	
	2018	2019	2018	2019	2018	2019
DTEK ENERGY (TPP and CHPP)	36.0	31.4	35.2	32.9	405.4	405.8
Centrenergo	8.7	10.2	12.9	15.1	405.2	395.0
Donbasenergo	3.5	3.4	44.8	43.7	407.4	418.1

* Installed capacity utilization factor.

ICUF for DTEK Energy is stated without regard to gas and fuel oil power generating units and mothballed power generating units.

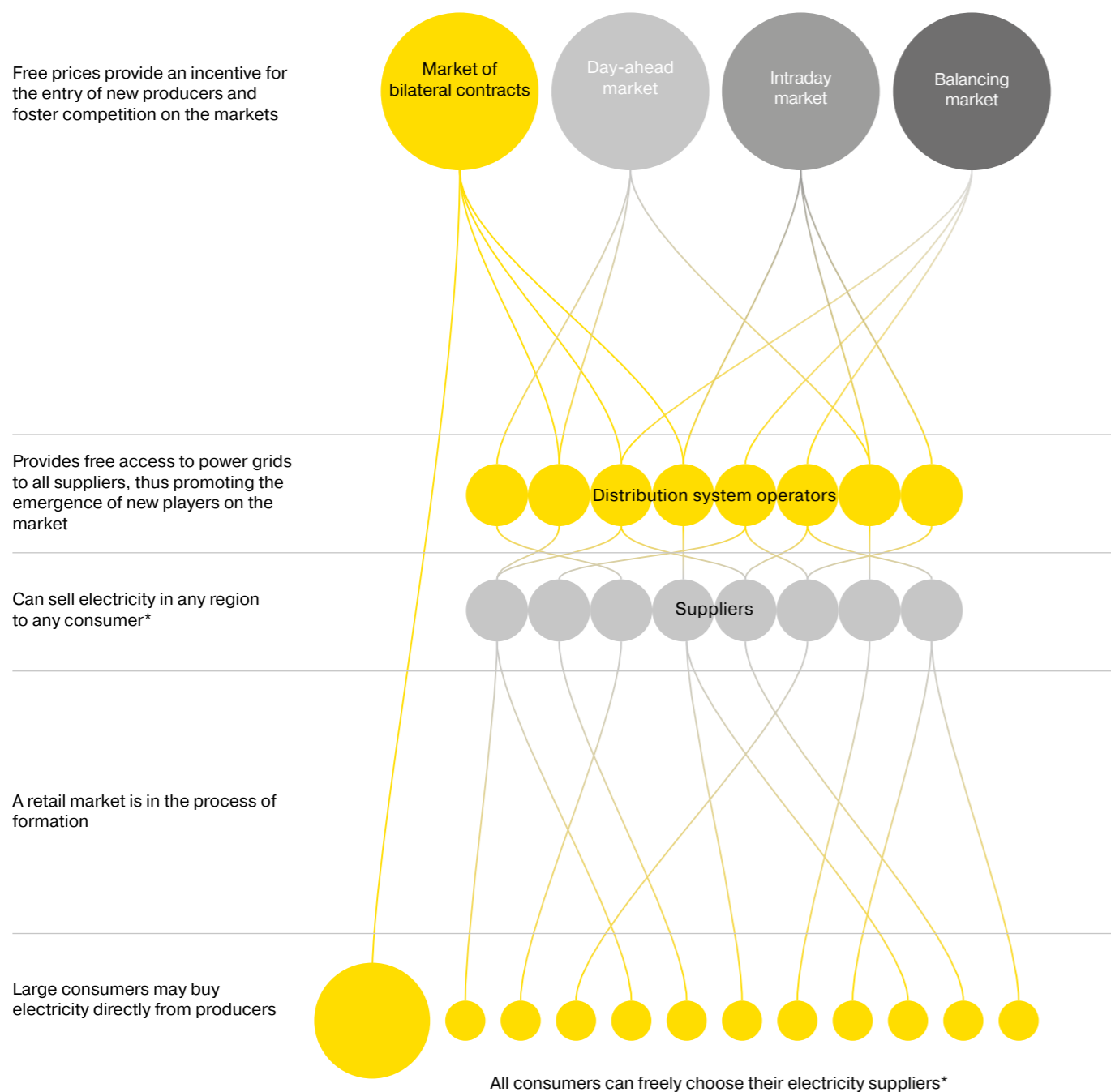
Industry and pricing regulation

In 2019, two electricity market models were in operation. During the first half of the year, it was a single-buyer model where all market players interacted within the framework of the Wholesale Electricity Market, and SE Energorynok acted as an operator of this market. First, electricity producers would sell all the electricity generated by them to the Wholesale Electricity Market, and then suppliers would buy it to supply to their consumers.

This model was a starting point for Ukraine's transition to a competitive electricity market. On 1 July 2019, the Law of Ukraine No. 2019-VIII on Electricity Market completed the introduction of a liberalised market in accordance with the applicable European laws governing the electricity industry. Similarly to European states, Ukraine launched the following markets: bilateral contracts, day-ahead, intraday, and balancing. An ancillary services market had to be launched as well but since power generating companies failed to certify their equipment in accordance with the Equipment Testing Regulations in due time, this market's launch was postponed.

Post-reform electricity market

Free prices provide an incentive for the entry of new producers and foster competition on the markets

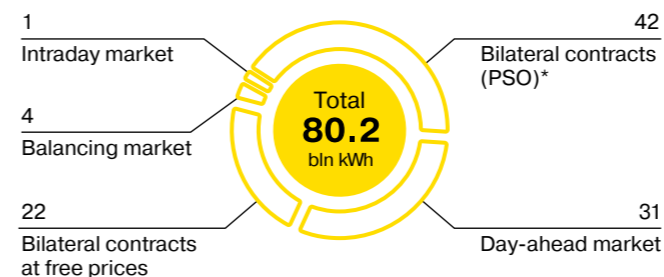


* Other than household consumers, since the electricity tariffs for them are set by the NEURC at a fixed level.

The National Energy and Utilities Regulatory Commission (NEURC) is a multi-member body, acting independently from governmental and local self-government authorities. The Commission's objectives include state regulation, monitoring and control of commercial entities operating in the area of energy and public utilities. In the framework of a "single buyer" model, the NEURC approved a wholesale market price of electricity, electricity tariffs for certain producers, electricity transmission and distribution tariffs, tariffs for household consumers, and electricity pricing methodologies applicable to electricity supplied by regulated suppliers. Following the transition to a competitive market, the Regulation on setting forecast wholesale electricity market prices was revoked.

Due to the transition to the European market model, Oblenergos divided their monopolistic and competitive operations by unbundling distribution system operators and electricity suppliers. Simultaneously, following their unbundling from Oblenergos, electricity suppliers were entrusted with a function of universal service suppliers acting within their defined territories. They act as guaranteed suppliers for residential and small non-residential consumers as well as state-financed organizations regardless of their contracted capacity and consumers with contracted capacity below 150 kW. All large consumers with contracted capacity above 150 kW and connected to the grid had to choose their electricity suppliers by 1 January 2019. If a consumer failed to select a supplier and make a relevant agreement, electricity was supplied by the supplier of last resort. The supplier of last resort is a company that may not refuse to supply electricity to a consumer. Electricity is supplied during 90 days and discontinues at the end of this period. SE Ukrinterenegro was appointed by the government to act as the supplier of last resort during the period from 1 January 2019 until 1 January 2021. The NEURC set the tariffs charged by the supplier of last resort, universal service suppliers, and electricity distribution tariffs. An incentive tariff design (RAB regulation) was expected to be introduced within the scope of the energy reforms; however, it never happened despite the adoption of a basic set of regulatory documents back in 2013. The RAB regulation envisages that tariffs and a normative rate of return on capital will be set in advance once every several years (a regulated period) for transmission system operators and distribution system operators. These measures will create an opportunity for attracting investments into technological development and introduction of new technologies to improve the quality of services provided to consumers.

Electricity sales structure on wholesale markets, %



Data: Market operator, Ukrainian Energy Exchange, NPC Ukrenergo, DTEK's assessment.

* A public service obligation (PSO) means an obligation imposed on electricity market players to provide a service of general interest. This mechanism helped avoiding an increase in the electricity tariff for residential consumers that has remained unchanged since 2017 and allowed financing the purchase of electricity from RES producers selling electricity under feed-in tariffs.

Trends of wholesale market and day-ahead market prices, UAH/MWh

Single buyer model. Wholesale market price	Liberalised market. Day-ahead market price		
2018	HY1 2019	HY2 2019	HY2 2019
1,561	1,618	1,575	1,465
		Burshtyn Energy Island base	Ukrainian IPS base

Data: Market Operator SE.

Key Regulatory Developments in 2019

The key objective that the energy sector had to attain in 2019 was to implement the energy reform. Pursuant to the Law of Ukraine No. 2019-VIII on the Electricity Market dated 13 April 2017, a liberalized retail electricity market was launched on 1 January 2019, and a liberalized wholesale market followed on 1 July 2019. However, a number of regulations were enacted throughout 2019.

- On 27.02.2019, the Cabinet of Ministers adopted Resolution No. 140 to appoint Oschadbank an authorized bank of the electricity market starting from 01.07.2019.
- On 22.05.2019, the Cabinet of Ministers approved Articles of Association of two state-operated companies: the Market Operator and the Guaranteed Buyer.
- On 05.06.2019, the Cabinet of Ministers adopted resolutions required to introduce the new electricity market starting from 01.07.2019, in particular:
 - to approve a regulation on imposing PSO to supply electricity to the population;
 - to approve a regulation on electronic auctions to sell electricity under bilateral contracts between state-operated companies.
- On 12.06.2019, the Cabinet of Ministers adopted resolutions required to introduce the new electricity market starting from 01.07.2019, in particular:
 - to appoint the CEO of the Market Operator and the Guaranteed Buyer state-operated companies;
 - to approve amendments to the regulation on imposing PSO to supply electricity to the population;
 - to approve the distribution balance sheet of SE Energorynok.
- On 21.06.2019, the Transmission System Code was amended (NEURC Resolution No. 1120).
- On 24.06.2019, the following resolutions were adopted by the NEURC to facilitate efficient full-scale introduction of the new electricity market:
 - to amend Resolution No. 307 of 14.03.2019 re-enacting the Market Rules;
 - to amend Resolution No. 308 of 14.03.2019 re-enacting the Day-Ahead and the Intraday Market Rules.

The adverse impact caused by these resolutions was the introduction of price caps on the day-ahead, intraday, and balancing markets in accordance with the amended Market Rules.

- On 10.07.2019, the Cabinet of Ministers adopted Resolution No. 677 to approve a regulation on the construction of generating capacities and demand management (the regulation has to foster a favourable environment for investments in the construction of new electricity generating capacities).
- On 18.07.2019, the NEURC adopted Resolution no. 1525 amending the Retail Electricity Market Rules to settle some issues of the retail market.
- On 18.09.2019, amendments to the Law on Electricity Market were adopted to permit electricity imports from Russia and Belarus. As a result, electricity imported from the Russian Federation and Belarus was dumped on the market causing the price collapse on the day-ahead market. Ukrainian electricity producers suffered considerable losses.
- The positive factors include the adoption of amendments to the Transmission System Code (NEURC Resolution No. 2267 of 05.11.2019 providing for a transition period on the ancillary services market). A declaratory procedure for obtaining compliance certificates for ancillary services (simplified certification for market players) allowed launching this market segment.
- On 04.12.2019, amendments to the Law of Ukraine on Electricity Market were adopted to partially restrict electricity imports from Russia and Belarus. Also, this Law granted the NEURC with powers to set price ceilings on the market for the first time ever. However, a number of restrictions were imposed as well: a price ceiling can be set only in case of considerable price volatility on the day-ahead, intraday, and balancing markets, in accordance with the methodology introduced by the Regulator, and provided that the price ceiling has minimum impact on the formation of a free (market) price. The Regulator has to review the rationale for establishing price ceilings and their level at least every six months. It should be noted that the methodology has never been approved, and the price ceilings are established on a permanent basis.

- On 09.12.2019, the Cabinet of Ministers adopted Resolution No. 1003 on Amendments to the Procedure on imposing special obligations on electricity market players to secure public interests during the functioning of the electricity market. As a result, the Guaranteed Buyer received access to additional sources of financing.

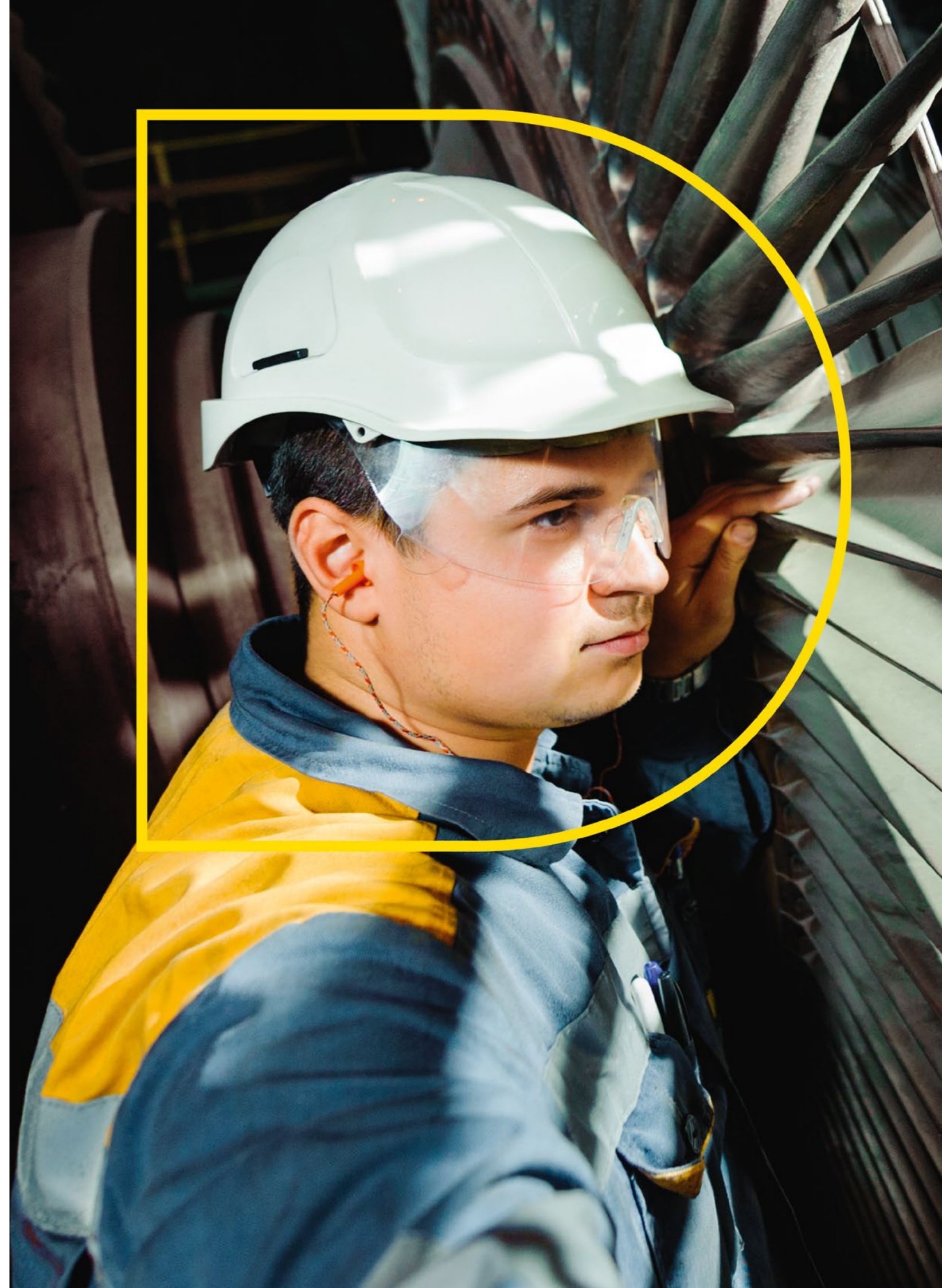
- On 19.12.2019, the Verkhovna Rada adopted the Law of Ukraine No. 2490-1 amending some laws of Ukraine to secure constitutional principles in the energy and public utilities sectors. The Law provides for new powers of the NEURC and introduces new principles of its operation.

- On 26.11.2019, the NEURC passed Resolution No. 2485 amending the Market Rules, in particular, amending price caps on the balancing market, which subsequently created an opportunity for market players to perform certain manipulations on the day-ahead market because prices on the balancing market were lower than the day-ahead market prices during certain periods.

Key objectives and challenges in 2020

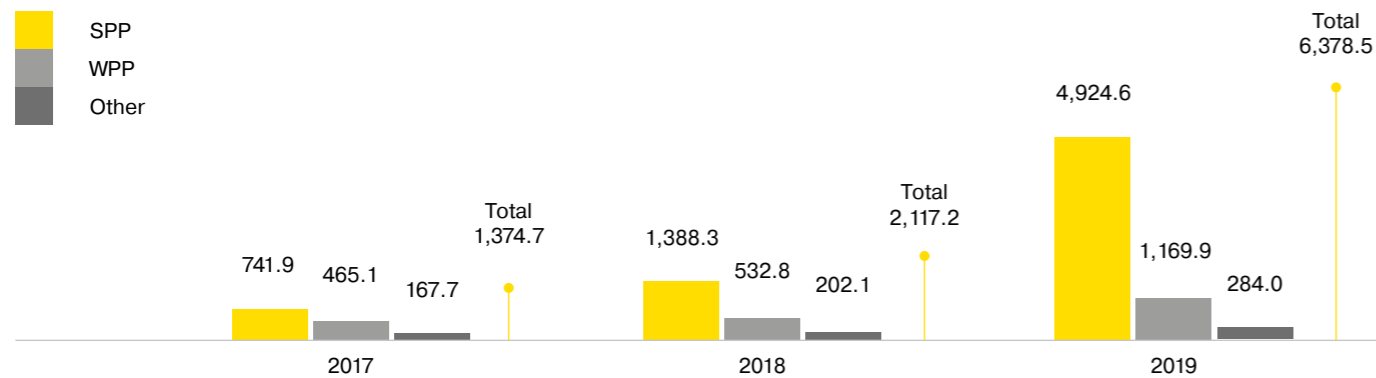
To continue industry reforms which requires:

- the introduction of a balanced economic model of operations in the energy sector;
- the replacement of the commodity PSO with the financial PSO and gradual removal of cross-subsidies while making prices (tariffs) charged to end consumers economically sound;
- the settlement of debt accrued on the Wholesale Electricity Market by 1 July 2019, as well as after the transition to a new electricity market model;
- the removal of artificial price restrictions such as price caps on the day-ahead and intraday markets; and
- the transition to incentive pricing by the distribution system operators.



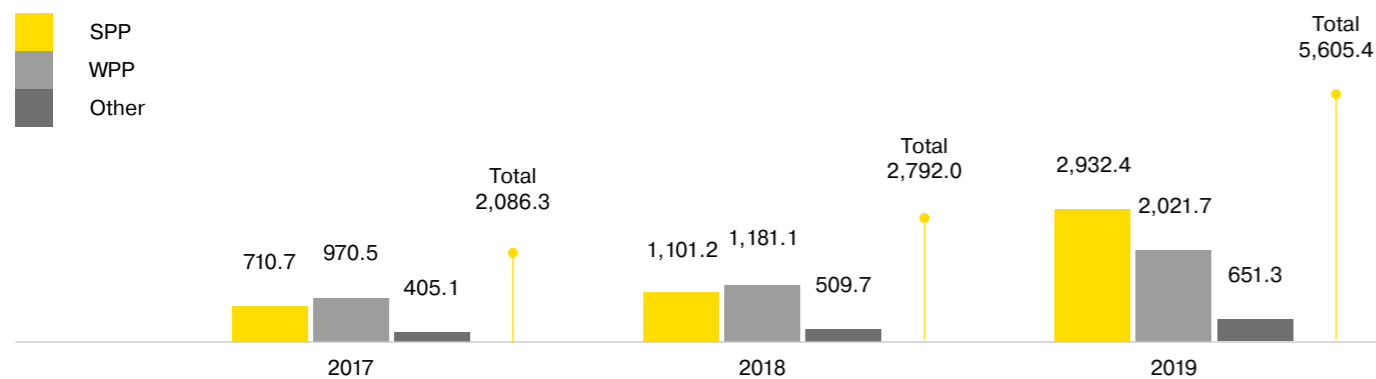
The renewable energy industry

Installed capacity of the facilities operating under a feed-in tariff, MW



Source: NEURC. Information is provided for facilities located in mainland Ukraine, excluding households.

RES electricity generation, mln kWh



Data: The State Agency on Energy Efficiency and Energy Saving, the Ukrainian Wind Energy Association (UWEA), NEURC. Information does not include households.

At the end of 2019, solar generation accounted for 78.9% of the installed capacities in the RES sector while its share in the electricity generation was 52.3%. A situation in the wind energy sector is quite the opposite: it accounts for 16.5% of the installed capacities and for 36.1% of the electricity generation.

The solar energy has remained the leader in terms of the growth of its installed capacities which is attributable to the increased availability of construction technologies and flexibility in managing the size of power plants. The majority of the RES market players operate in this segment: 600 companies out of more than 760.

For two years in a row, the wind energy has been demonstrating the highest growth rates of the installed capacities in the past 10 years. 637 MW were commissioned, which is almost ten-fold higher than the previous year's indicator.

In general, 2019 set a new record in terms of capacity growth rates in the green energy sector: more than 4.1 GW of capacities were commissioned improving the 2018 results almost six-fold. The key development drivers included a favourable investment climate, efficient incentive programs supporting the development of the renewable energy sector, as well as technological developments and their

increased efficiency. The other important factor contributing to the growth was an active stance taken by the Ukrainian state-operated banks and international financial institutions on the investments in the RES projects. In 2019, such companies as NBT (Norway), Guris (Turkey), Scatec Solar (Norway), TIU Canada (Canada), Modus Energy International (Lithuania), and EMSOLT (Turkey) entered the Ukrainian renewable energy market. According to the Bloomberg New Energy Finance data, foreign investments made in the Ukrainian RES sector totalled USD 3.5 bln.

Ukraine ranked 8th among 104 world's states in Climatescope 2019 rankings climbing 55 positions (previous year ranked 63rd).

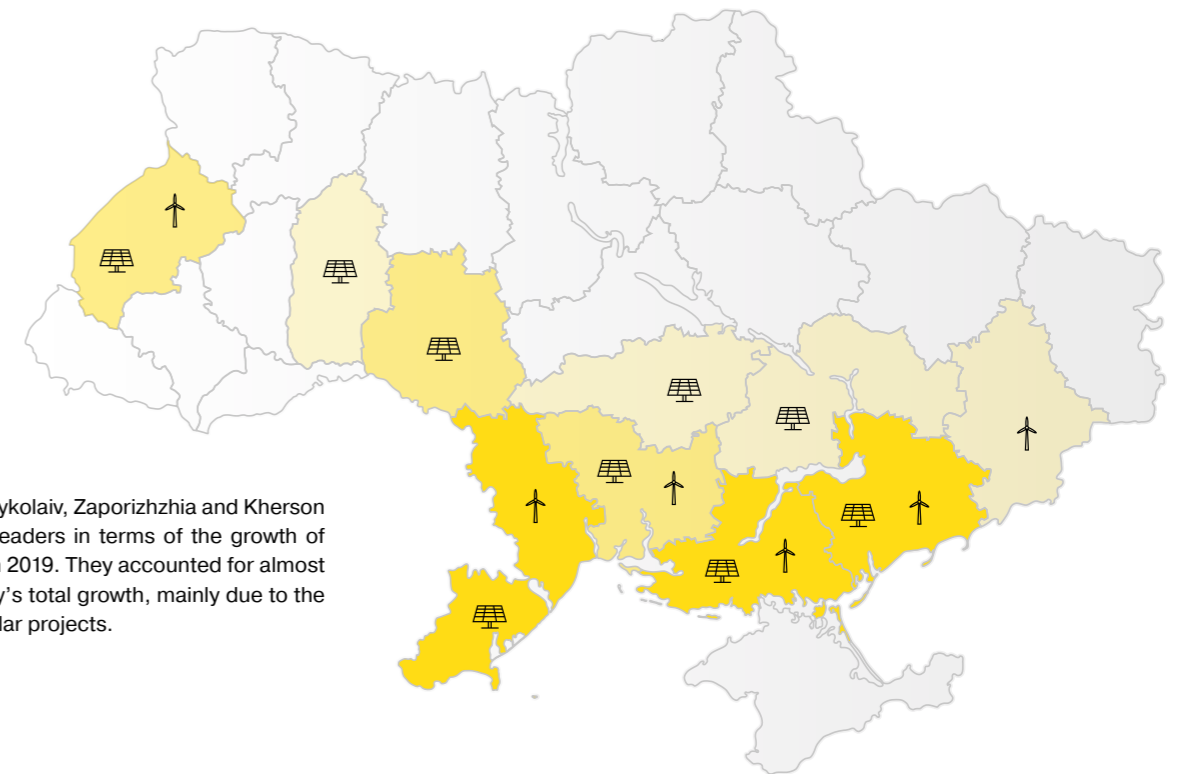
The focus should also be made on rapid development of the renewable energy sector on the level of households. In Ukraine, there are almost 22 thousand of households that have already installed solar panels, and two thirds of these panels were installed in 2019.

A considerable growth of generating capacities made possible an almost 4% increase of the green energy share in the total electricity generation by the end of 2019. According to the forecast balance of electricity in the Ukrainian IPS, it is expected that in 2020 11,375 bln of green kWh will be generated accounting for 7.9% of the total generation. At the same time, the Energy Strategy of Ukraine sets even more ambitious long-term goal: the green energy has to account

for 25% in the primary energy consumption by 2035. On one hand, this is conducive to the increased investments in the sector, while on the other hand it requires a more sensible approach to balancing

the Ukrainian power system and state support to the RES sectors, in particular, by introducing green auctions in compliance with the global best practices.

TOP-10 regions in the RES sector at the end of 2019, MW



Dnipropetrovsk, Mykolaiv, Zaporizhzhia and Kherson regions were the leaders in terms of the growth of green capacities in 2019. They accounted for almost 60% of the country's total growth, mainly due to the development of solar projects.

Regions	WPP	SPP	Household SPP	Other	Total
Kherson	337.7	406.0	33.2	3.9	780.8
Zaporizhzhia	497.8	288.9	5.6	3.7	796.0
Odesa	32.7	430.0	21.1	1.2	485.0
Mykolaiv	118.9	592.6	16.3	13.6	741.4
Lviv	33.9	328.7	18.6	3.0	384.2
Vinnytsia	0.0	336.5	17.9	40.9	395.3
Khmelnytskyi	0.0	275.9	23.0	25.1	324.0
Dnipropetrovsk	0.0	1,013.8	70.6	29.8	1,114.2
Kirovohrad	0.0	298.4	31.9	19.3	349.6
Donetsk	13.5	0.0	9.4	5.5	28.4
Other	7.1	952.3	305.4	138.5	1,403.3

Data: NEURC, UWEA, excluding NCT (138 MW of RES capacities located in Donetsk and Luhansk regions).

Regulatory Environment

The development of the renewable energy sector remains one of Ukraine's strategic priorities in the industry. However, a steep growth of RES capacities throughout 2018 and 2019 provided a rationale for regulatory initiatives aimed at improving the efficiency of RES integration into the national power system while introducing incentive market regulation to support the development of the green energy. In the first half of 2019, there was a number of important regulatory developments that introduced a new competitive model of support to renewable energy sources compliant with European best practices. The second half of the year was also characterized by certain regulatory initiatives some of which were quite chaotic or even demonstrably discriminatory by their nature. The majority of these initiatives have never been seen through to the end, and a dialog on the regulation facilitating the development of the green energy sector has continued in 2020.

In 2019, there were considerable regulatory developments in the sector:

- The Law No. 2712-VIII on Amendments to some laws of Ukraine to ensure competitive conditions for the production of electricity from renewable energy sources entered into force on 22 May 2019. Later on, this Law introduced a program of state support to commercial entities operating in the RES sector through quota trading auctions and secured conditions for completing RES projects and obtaining a feed-in tariff subject to the execution of pre-PPA contracts.
- Starting from 1 July 2019, a new electricity market comprising of the balancing market, ancillary services market, the day-ahead market, and intraday market was opened pursuant to the Law of Ukraine on Electricity Market. Pursuant to parts 2, 3, and 9 of Article 65 of the Law of Ukraine on Electricity Market, the Cabinet of Ministers appointed a state-operated company to act as the Guaranteed Buyer to facilitate the implementation of state guarantees under which all electricity generated by the facilities operating on the basis of renewable energy sources (including hydro energy generated only by micro, mini, and small hydro power plants) would be purchased at a feed-in tariff or at auction prices. Pursuant to CMU Resolution No. 324 of 17 April 2019, the Guaranteed Buyer state-operated company was established on the basis of the Guaranteed Buyer branch of SE Energorynok. Following the launch of the new electricity market, the sales of electricity under a feed-in tariff have been made under bilateral contracts between producers or consumers that obtained a feed-in tariff and the Guaranteed Buyer.

- The Law No. 1210 of 30 August 2019 introduced amendments to the Tax Code of Ukraine by revoking a zero VAT rate on the imports of solar panels, inverters, and wind turbines. The President signed this law in 2020. Earlier, the zero VAT rate applied to equipment imported for RES projects over the period from 1 January 2019 to 31 December 2022, but its effect was limited until May 23, 2020 - the date of its entry into force.

- In December 2019, the National Energy and Utilities Regulatory Commission (NEURC) approved amendments to Resolution No. 641 of 26 April 2019 and introduced changes to the Regulation on the purchase of electricity under a feed-in tariff. The most important changes are the following:

- the Regulation covers the purchase of electricity generated by renewable energy sources both under a feed-in tariff and by auctions;

- dispute resolution by international arbitration;

- payments to an arbitration fund of the Guaranteed Buyer;

- introduction of a public register of RES electricity producers;

- changes in the procedures for signing PPA contracts, as well as forecasting and balancing.

- The same month, the Cabinet of Ministers of Ukraine adopted Resolution No. 1175 on the Introduction of competitive conditions for promoting the production of electricity from alternative energy sources dated 27 December 2019. The Resolution sets out a procedure for holding auctions to distribute support quotas and a procedure for selecting electronic auction platform operators. ProZorro.Sale State-Operated Company was appointed an administrator of a trading platform for auctions. The procedure for auctions to distribute support quotas governs the following aspects: (1) the formation of annual quotas of support to commercial entities generating electricity from renewable energy sources; (2) the operation of an electronic trading system; (3) the preparation of auctions; (4) the conduct of auctions; (5) the determination of winners following an auction; (6) the execution and publication of a sale and purchase agreement in the electronic trading system; (7) the submission and return of a bank guarantee; (8) requirements for banks issuing bank guarantees; and (9) a payment procedure and fees charged by automated electronic platform operators, as well as other aspects of auctions.



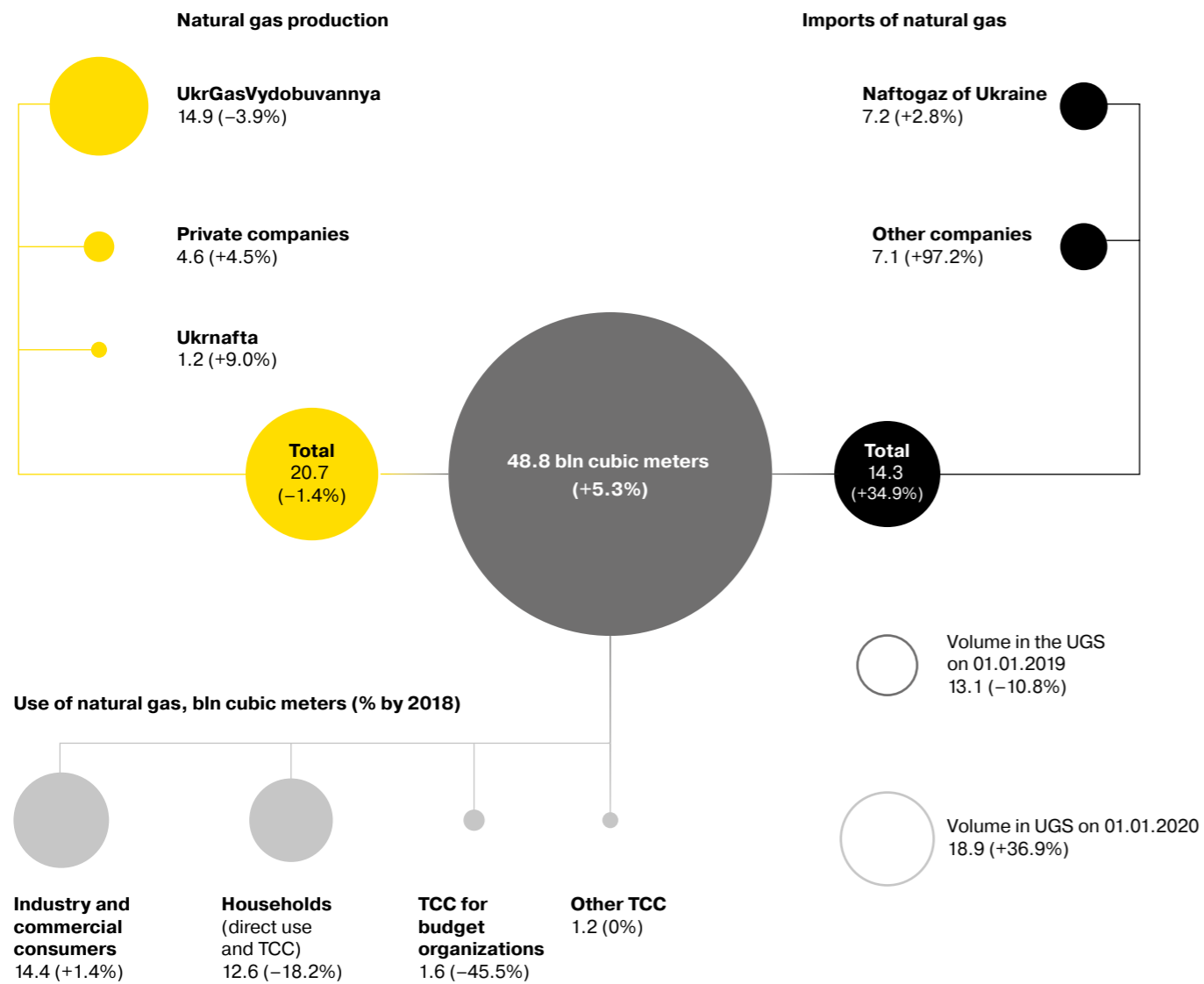
The natural gas market

Natural gas balance in 2019

Indigenous natural gas production covers 69.5% of total consumption in the country (in 2018 the coverage was 65%). In 2019, state-owned companies reduced production by 3.9%, while private producers increased production by 4.5%. It is worth noting that most private companies are working on new fields, so

the rate of natural decline in production due to the depletion of the reservoir is lower. In 2019, Ukraine significantly increased its imports of natural gas. Private consumer companies and traders increased purchases by 97.2%. At the same time, since 2016, gas imports have increasingly come from Europe.

Natural gas revenues, bln cubic meters (% by 2018)

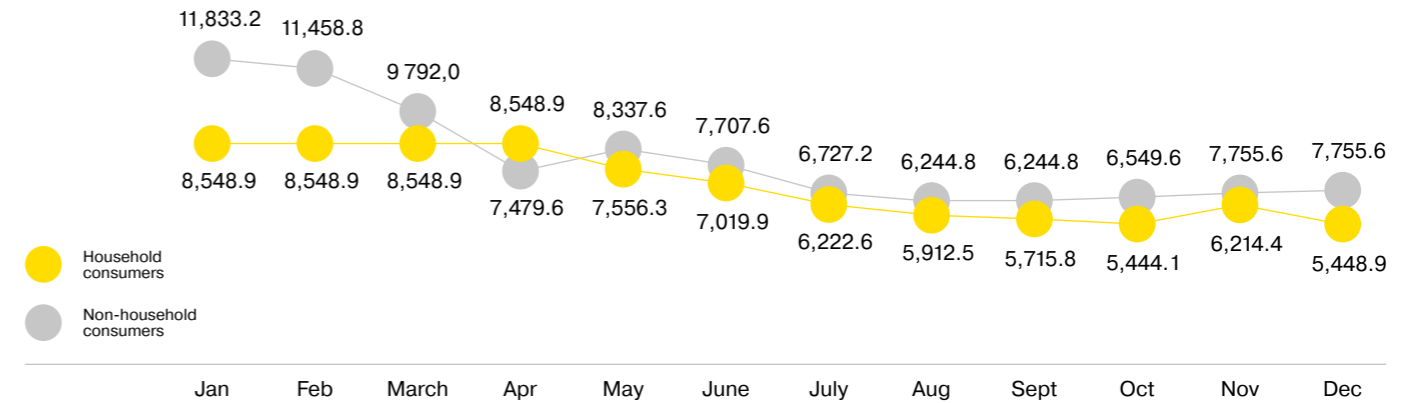


Data: NJSC Naftogaz of Ukraine, Ministry of energy and environment protection of Ukraine, State Statistics Service.

Ukraine consumed 29.8 billion cubic meters of natural gas in 2019, which is 7% less than in 2018. The significant reduction in demand is primarily due to warmer weather in the winter months. At the

same time, 44% more natural gas was consumed for heating. This is due to several heat producers transitioning from coal to gas and alternative energy sources.

The price of natural gas for consumers in 2019, UAH/thsd cubic meters

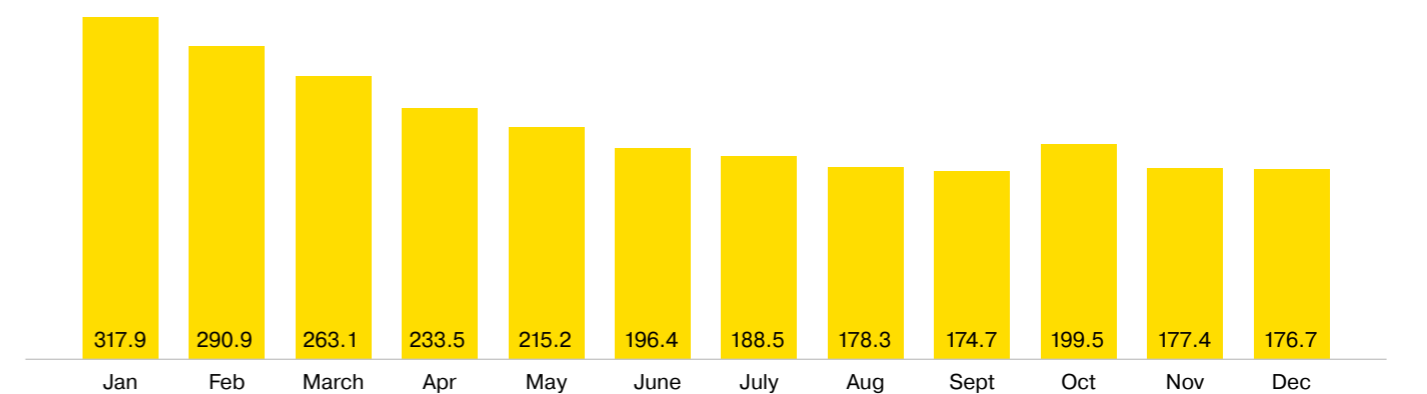


Data: NJSC Naftogaz of Ukraine, prices include VAT.

Until May 2019, the tariff set in November 2018 was valid for the population. Starting from May 1, Ukraine changed the tariff system for household consumers and introduced a monthly tariff revision. Currently, the final tariff has four components: tariffs for natural gas transportation and distribution services; trade margin of the supplier, the maximum amount of which is set by the

Regulations on public special duties; VAT. Simultaneously, tariffs for distribution services are different for each regional gas distribution system operator. The price lists of NJSC Naftogaz of Ukraine serve as a price reference for the market.

The average price of imported natural gas in 2019, USD/thousand cubic meters



Data: Ministry of Economic Development and Trade of Ukraine.

In 2019, Ukraine continued to import natural gas exclusively from Europe. Direct delivery from Russia has not been carried out since 2016. The number of importers

is increasing every year: 76 companies supplied gas to Ukraine in 2019 against 65 companies in 2018.

Regulatory environment

Unbundling and the new tariff of the gas transmission system (GTS). In accordance with the requirements of the Third EU Energy Package, one of the stages of the reform of the Ukrainian natural gas market has been completed - unbundling has been carried out. From January 1, 2020, the GTS Operator of Ukraine, which is completely separate and independent from NJSC Naftogaz of Ukraine, started operating.

For domestic gas production enterprises, the National Energy and Utilities Regulatory Commission (NEURC) has set tariffs for natural gas transportation services for 2020-2024: UAH 101.93 per 1.000 m³ per day - tariff for GTS entry points; UAH 124.16 per 1.000 m³ per day - tariff for exit points from the GTS.

Coefficients will be applied to the tariffs depending on the period of ordering capacity for natural gas pumping. For internal entry and exit points from the GTS, the coefficient for the quarter is set to 1.02, for the month - 1.04, for the day ahead - 1.1. These ratios take effect in stages until the beginning of the next gas year.

Reboot of the State Service of Geology and Subsoil of Ukraine.

In 2019, the subsoil use reform took place. Among the already implemented changes in the regulator's activities were simplification of access to geological information, creation of an investment atlas of the subsoil user and work on the introduction of an electronic subsoil user's office.

The preparation of a new version of the Subsoil Code was launched. It should be in line with world best practices and eliminate all existing archaic barriers to increase the efficiency of subsoil use for the growth of the Ukrainian economy. In 2020, Ukraine should receive an updated version of the Subsoil Code, which will be the only codified document in the field of subsoil use. Modernized and adapted to world standards rules will protect the interests of the state and each subsoil user.

Update of the relevant legislation.

13 important amendments to sectoral legislation were approved by the Verkhovna Rada and the Government in 2019. Their implementation will contribute to the development of the industry and increase natural gas production.

Access to the development of minerals of national importance has been significantly simplified due to the exclusion from the draft text of the agreement on the distribution of environmental impact assessment products, the abolition of the need to coordinate with regional councils for subsoil use, and improving the procedure for obtaining land for use.

A pilot project for the sale of special permits for subsoil use through the state auction platform ProZorro.Sale has proven to be an effective mechanism for attracting investors. In order to improve it, changes have been made that allow foreign companies to participate in auctions directly without creating a legal entity in Ukraine. In addition, re-bidding will reduce the starting price for the plot, which was not sold at previous auctions.

The Government voluntarily liquidated the Subsoil Use Commission at the State Service of Geology and Subsoil, without which no special permits were issued.

Online auctions for licensing the development of hydrocarbons. The oil and gas industry is the only subsoil industry that has initiated changes and abandoned all ways to obtain special permits outside auctions. For the first time in Ukraine, the practice of trading through the online platform ProZorro.Sale, which belongs to the Unified system of electronic government trading in Ukraine, to issue special permits for the use of subsoil for the development of oil and gas fields.

In 2019, five rounds of online auctions were held, as a result of which investors purchased 19 oil and gas blocks with a total area of almost 3.000 km². The state-owned JSC Ukrigasvydobuvannya became the record holder for the purchased special permits, with 14 victories, another one from the domestic companies DTEK Oil&Gas, Burisma Group, Nadra Carbon, the United Oil and Gas Company and the foreign company Nafta RV.

As a result of open bidding, the state budget of Ukraine was replenished by UAH 358 mln, which is almost twice as much as the initial offers for these sites.

Competitions for concluding production sharing agreements.

After a five-year break, Ukraine has resumed the practice of conducting tenders for the conclusion of agreements on the distribution of hydrocarbon production. In 2019, 13 oil and gas blocks with a total area of almost 25.000 km² were put up for tender. However, the winners of only nine competitions were approved.

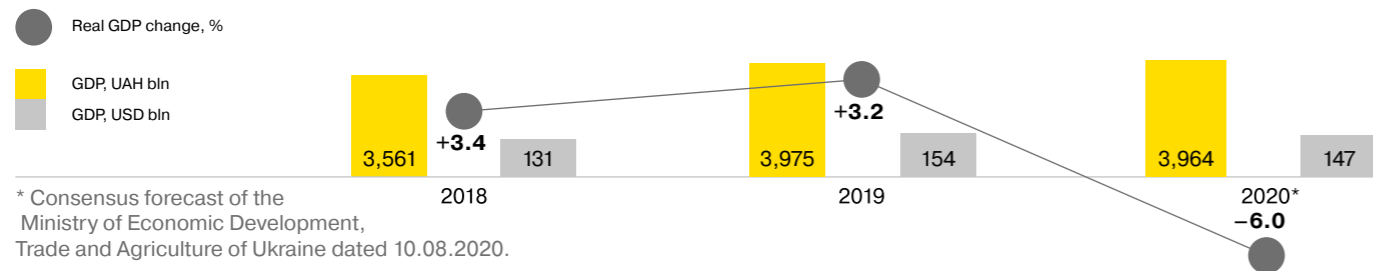
As a result of these competitions, two large foreign players were attracted to the Ukrainian market: the Canadian company Vermilion Energy and the American Aspect Energy. Together with other winners — leading domestic companies Ukrigasvydobuvannya, DTEK Oil&Gas, Ukrnaftoburinnya, Geo Alliance Group and Zakhidadar-service — they have committed to invest in the development of these blocks in the next five years from USD 430 mln to USD 1.5 bln and drill at least 39 exploration wells.

Data: The Association of Gas Producers of Ukraine



Macroeconomic indicators of Ukraine in 2019

GDP dynamics



* Consensus forecast of the Ministry of Economic Development, Trade and Agriculture of Ukraine dated 10.08.2020.

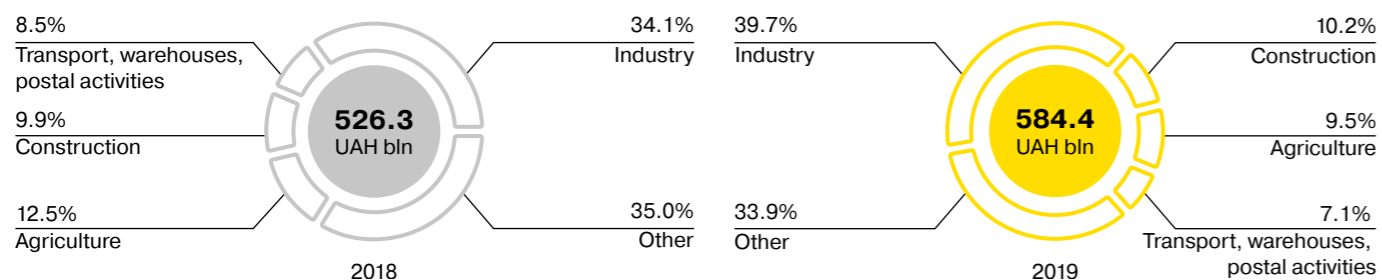
Data for 2019 are given at the rate of UAH 25.9 per USD 1, for 2018 - UAH 27.2 per USD 1.

According to the National Bank of Ukraine, GDP growth in 2019 was due to an increase in domestic demand amid rising wages and high levels of investment, which affected growth in the trade, transport and construction sectors.

According to the consensus forecast of the Ministry of Economic Development, Trade and Agriculture of Ukraine, which was published on August 10, a significant decline in real GDP is expected in 2020. A fall of 6.0% is foreseen, although according to the previous forecast, a decline of 4.2% was expected. The Ministry revised the GDP growth rate due to the introduction of quarantine in Ukraine from March 2020 to May 2020, in response to the coronavirus pandemic. First of all, a significant decrease is expected in the service sector, due to a decrease in demand in the domestic market. A decrease in production and export of industrial products is also expected due to a significant slowdown in world economic growth and a reduction in international trade, which was a consequence of the pandemic and volatility in the commodity markets. In the second half of the year, the economy is forecasted to recover due to the revival of consumer demand both in the domestic and

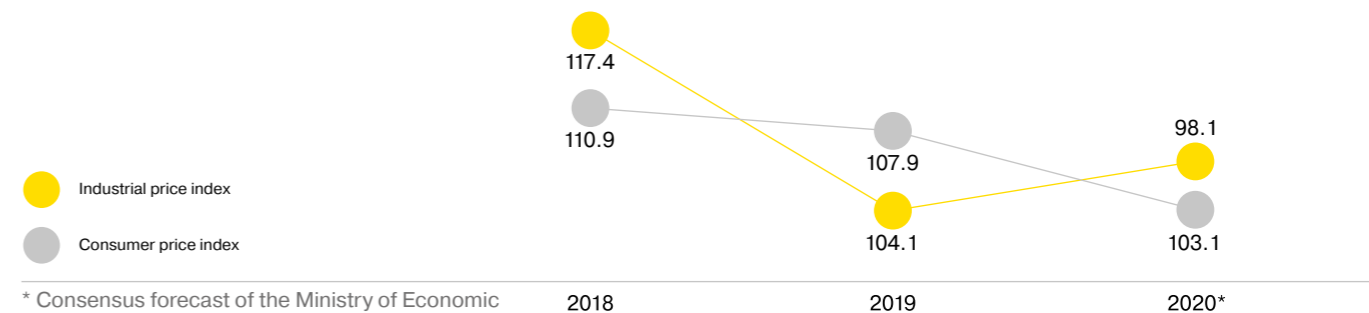
international markets caused by the lifting of restrictions imposed due to quarantine. In 2019, enterprises and organizations directed UAH 584.4 bln to capital investments, which is 11.0% more than in 2018. At the same time, the structure of funding sources has not changed significantly: own funds of enterprises and organizations remain the main source of funding with a share of 68.1%, budgets of all levels account for 14.6%, bank loans – 7.0%, household deposits – 5.6%, for foreign investment – 0.6%. Thus, in 2019, the share of own funds of enterprises decreased by 3.2 percentage points, and the share of budget funds increased by 1.9 percentage points. In the industrial sector, capital investments were distributed as follows: a fall of 44.7% in the processing industry, 29.2% – in the extractive industry and 24.4% – in energy supply. Investments were directed to tangible assets, mainly to the purchase of equipment and improvement of engineering structures. The net inflow of foreign direct investment is USD 3.3 bln, while last year it amounted to USD 2.9 bln. USD 2.9 bln was sent to equity capital in 2019, primarily in the real sectors of the economy – industry, trade, transport, IT.

Structure of capital investments, %



Data: State Statistics Service of Ukraine.

Industrial and consumer price index, %



* Consensus forecast of the Ministry of Economic Development, Trade and Agriculture of Ukraine dated 10.08.2020

Data: State Statistics Service of Ukraine.

According to the results of 2019, consumer inflation fell to 7.9%, and producer inflation to 4.1%, due to the tight monetary policy of the National Bank of Ukraine, improving household expectations and strengthening the hryvnia exchange rate.

The NBU has set the inflation target range for 2020 at 5% ± 1 percentage point and maintains the validity of this forecast. The National Bank predicts that in the second half of 2020, the Ukrainian economy will recover from the pandemic; a rapid rise in prices will not occur due to a decrease in aggregate supply and demand. The average annual consumer price index is expected to be at 103.1 and the producer price index at 98.1. This is partly the result of the strengthening of the hryvnia in the second half of 2019.

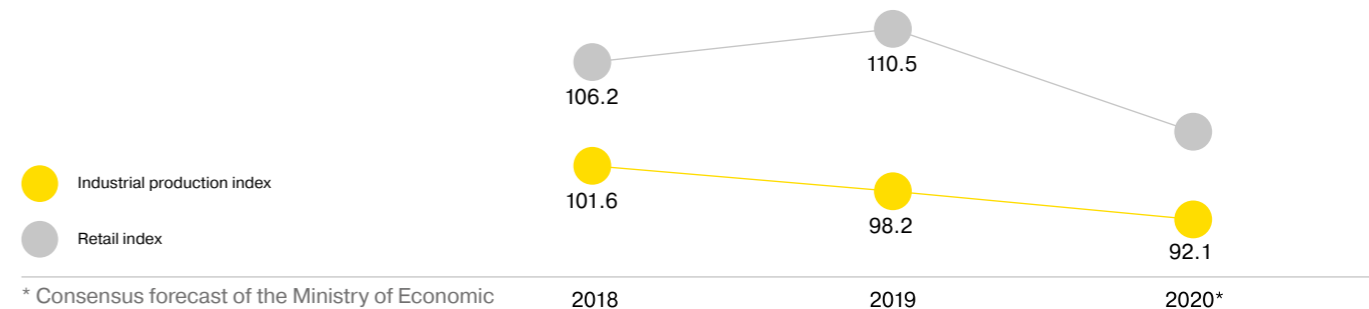
The average nominal salary of full-time employees in December 2019 amounted to UAH 12,264, which is 14.8% higher than in the same period of 2018. According to the State Statistics Service of Ukraine, household incomes increased to UAH 3,699.3 bln following to wage revisions. The increase in income against the back-

ground of a moderate change in housing and utilities sector tariffs has reduced the number of households that have applied for subsidies to reimburse the cost of housing and utilities services. According to the State Statistics Service of Ukraine, in December 2019, 3.3 mln households received subventions (3.9 mln households in December 2018), and the average amount of subvention per household decreased from UAH 713 per month in 2018 to UAH 639 in 2019.

In 2019, the volume of industrial production decreased by 1.8%, primarily due to deteriorating foreign economic conditions - a significant decline in steel and iron ore prices on world markets in the III-IV quarter, intensification of trade wars and trade restrictions by Russia, strengthening the hryvnia exchange rate. The decline in demand and competitiveness of Ukrainian enterprises in the field of metallurgy and mechanical engineering led to a reduction in production in 2019.

The wholesale and retail trade sector accounts for 13.1% of Ukraine's GDP value added structure. Growing domestic demand and investment helped to increase the volume of trade in 2019. The growth was primarily due to demand for non-food products, while retail sales of some groups of food products decreased.

Index of industrial production and physical volume of retail trade turnover, %



* Consensus forecast of the Ministry of Economic Development, Trade and Agriculture of Ukraine dated 10.08.2020; the adjusted forecast of the trade sector is not given.

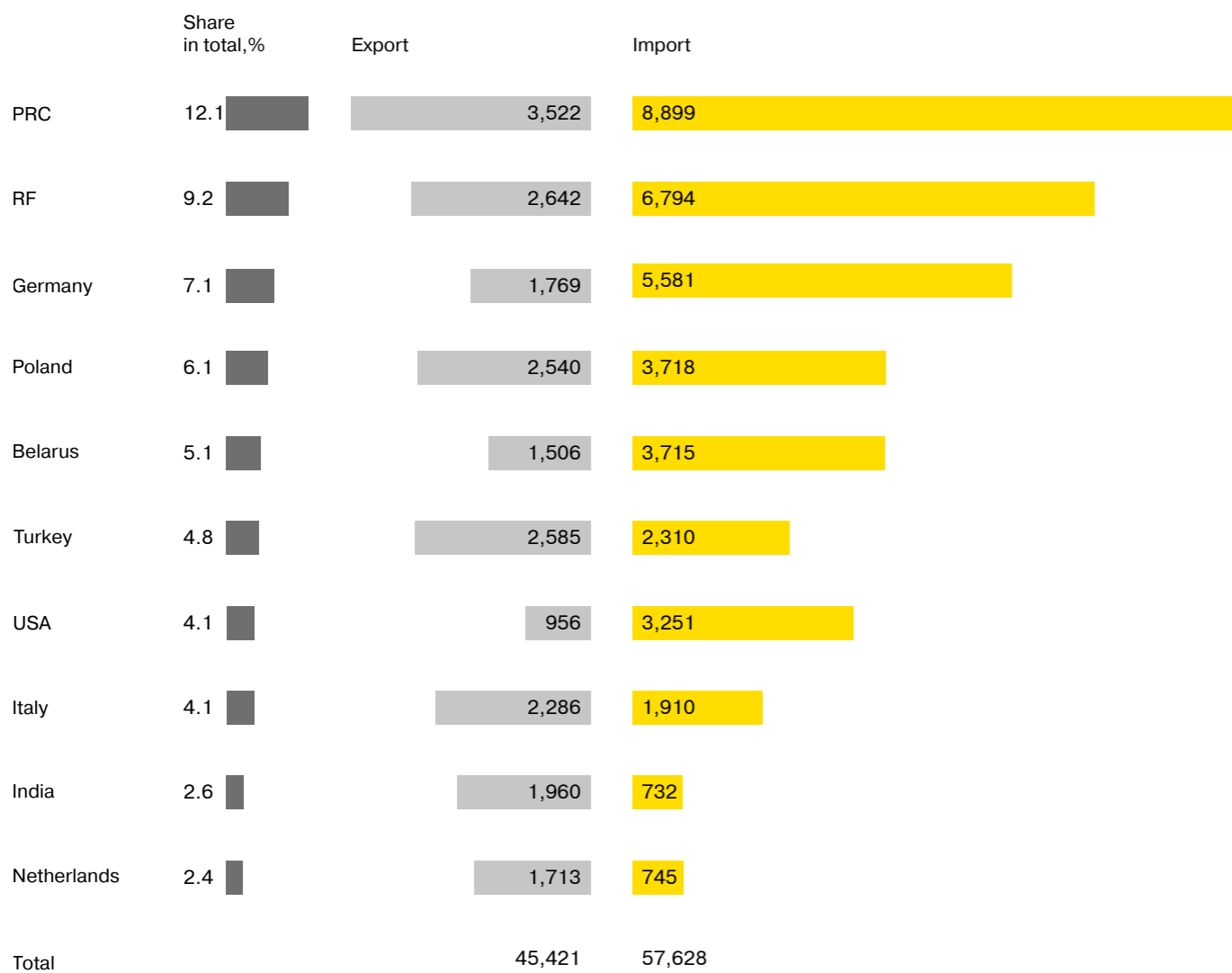
Data: State Statistics Service of Ukraine.

Industry, construction, retail trade and agriculture are the basic industries on which the level of Ukraine's GDP depends the most. According to the results of 2019, the

volume of construction work performed increased by 23.0%, the trade sector – by 13.6%, and agriculture – by 1.3% (8.5%, 3.3% and 5.7%, respectively, in 2018).

Ranking of countries in total foreign trade in goods in 2019, USD mln

Data: National Bank of Ukraine.



The overall level of exports of goods and services in 2019 amounted to USD 63,421 mln, imports – USD 75,804 mln. Exports increased by 7.2% compared to 2018, while imports increased by 7.5%. The negative balance of foreign trade amounted to USD 12,383 mln.

The geographical structure of imports of goods and services maintains the trends gained in 2015 – a decrease in the share of trade in the CIS countries and a reorientation to European and Asian markets.

In 2019, the largest increase was seen in imports of goods and services from Asia – 20.4%, which reached USD 17.619 mln. Imports from EU countries in 2019 amounted to USD 32.650 mln, which is 9.0% higher than in 2018. Imports of goods from Russia decreased by 14.4% and amounted to USD 7.821 mln.

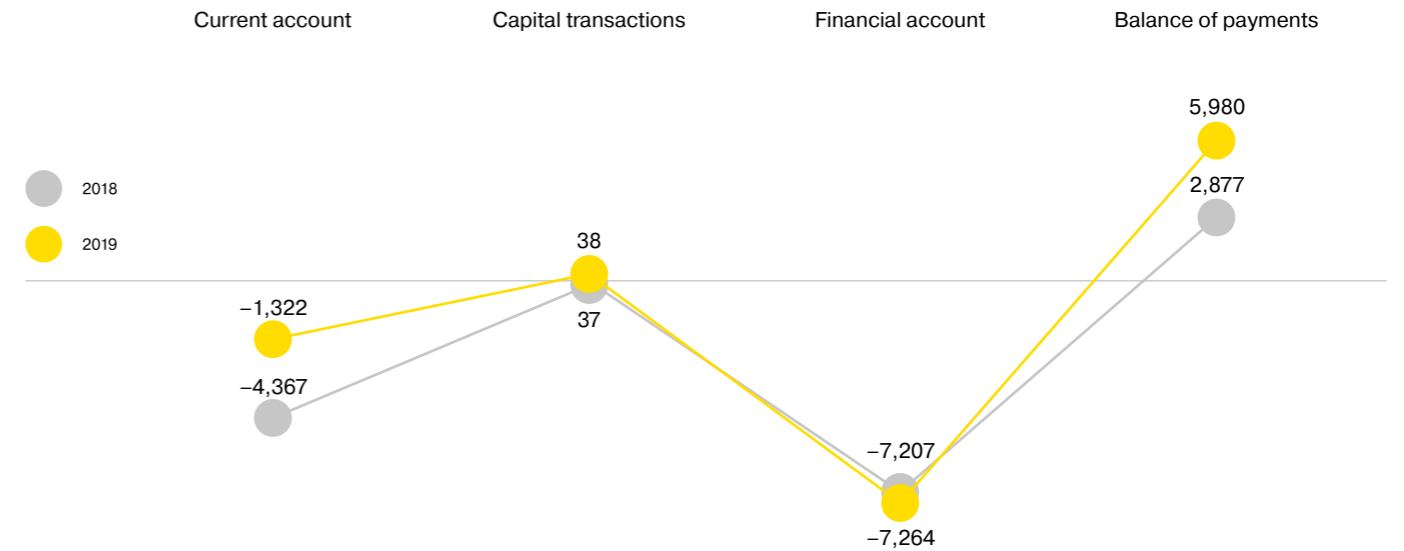
Imports of goods are dominated by products of the machine-building industry – 33.6% of the total, mineral products – 21.1%, chemical and related industries - 18.9%. Under the influence of stable domestic demand, imports of engineering, food and indus-

trial products increased significantly by 21.1%, 20.6% and 13.6%, respectively. At the same time, according to the NBU report, the volume of energy imports decreased by 7.3%.

In 2019, the basis of Ukrainian exports were food products - 48.7% of the total, metallurgical products – 22.0%, mineral products – 9.7%. Export growth was significantly affected by grain sales, due to the high harvest in 2019, while lower world prices for iron ore and metallurgical products led to a decrease in exports of ferrous and nonferrous metals by 12.0%.

Most Ukrainian products enter the markets of the EU and Asia – 43.1% and 23.2%, respectively, in the overall structure of exports. According to the consensus forecast of the Ministry of Economic Development, Trade and Agriculture of Ukraine, the export of goods and services in 2020 will be reduced by 13.2% due to a decrease in demand caused by the coronavirus infection pandemic and lower prices in commodity markets. The volume of imports of goods and services is projected to decrease by 17.2%, mainly due to a decrease in domestic demand, primarily for consumer goods, and lower prices in energy markets.

Balance of payments, USD mln



Data: National Bank of Ukraine.

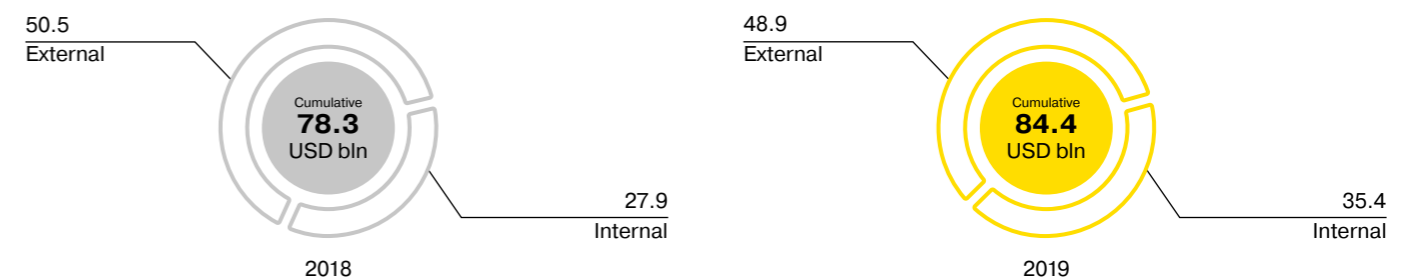
At the end of the year, the current account deficit amounted to 0.9% of GDP (3.6% in 2018). The deficit decreased to USD 1.3 bln (USD 4.4 bln in 2018). The growth rates of exports and imports were 7.2% and 7.5%, respectively (9.8% and 12.8% in 2018), and the reduction of the current account deficit was achieved due to an increase in primary and secondary income.

The inflow of capital on the financial account in 2019 was observed primarily in debt capital in both the private and public sectors. In particular, due to the strengthening of the hryvnia in mid-2019, there was an increase in demand from non-residents for hryvnia OVDs – net purchase amounted to USD 4.4 bln. In addition, a number of Ukrainian companies issued Eurobonds totaling USD 2.1 bln, of which USD 363 mln was attracted by DTEK Group through the placement of green Eurobonds for the development of renewable energy in Ukraine.

Attracting debt capital from non-residents and purchasing foreign currency on the market allowed the National Bank of Ukraine to increase international reserves by 22% and as on January 1, 2020 they reached USD 25.3 bln. This amount covers 3.8 months of future imports and is sufficient to meet Ukraine and the implementation of current operations.

In response to the improvement of the macroeconomic situation, strengthening of the hryvnia exchange rate and reduction of inflation to the target level, the National Bank of Ukraine gradually reduced the discount rate from 18.0% set in September 2018 to 13.5% to the end of December 2019. In 2020, the discount rate continued to decline, but already under the influence of changes in macroeconomic indicators. In June 2020, it was set at 6%, which was an all-time low.

Public and state-guaranteed debt at the end of the year, USD bln



Data: Ministry of Finance of Ukraine.

Public debt and state-guaranteed Ukraine in 2019 in dollar terms increased by 7.8%. But the ratio of total debt

to GDP in 2019 fell to 54.8% – primarily due to real GDP growth and the strengthening of the hryvnia.



Performance results

- 1 Production activity
- 2 Investment projects
- 3 Analysis of financial results

Production activity

In 2019, DTEK Group produced 24.5 mln tonnes of coal (–9.8% YoY) and 1,659.3 mcm of natural gas (+0.7%). 29.8 bln kWh (–14.2%) of electricity was supplied to the United Energy System of Ukraine. 43.7 bln kWh of electricity (–0.1%) was distributed to customers. End consumers on the domestic market received 37.0 bln kWh of electricity.

DTEK Group Key Performance Indicators

Indicators	UoM	12 mo. 2019	12 mo. 2018	Change (+/–)	Change (%)
Coal production	thous. tonnes	24,511.0	27,185.9	–2,674.9	–9.8
Including:					
G-grade, DG (Ukraine)	thous. tonnes	22,425.0	24,131.6	–1,706.6	–7.1
A-grade (Mine Office Obukhovskaya)*	thous. tonnes	2,086.0	3,054.3	–968.3	–31.7
Coal concentrate production	thous. tonnes	10,621.6	12,355.5	–1,733.9	–14.0
Including:					
External CCM (Ukraine)	thous. tonnes	423.2	1,361.8	–938.6	–68.9
Mine Office Obukhovskaya*	thous. tonnes	1,457.0	1,936.8	–479.8	–24.8
Electricity generation (supply)	mln kWh	29,832.3	34,753.6	–4,921.3	–14.2
Including:					
TPPs and CHPPs	mln kWh	28,435.3	34,076.6**	–5,641.3	–16.6
WPPs and SPPs	mln kWh	1,397.0	677.0	+720.0	+106.4
Electricity distribution	mln kWh	43,654.0	43,684.8	–30.8	–0.1
Electricity supply to the domestic market	mln kWh	38,568.8	43,684.8	–5,116.0	–11.7
Electricity supply to foreign markets	mln kWh	5,829.7	5,825.6	+4.1	+0.1
Electricity import	mln kWh	368.6	0	+368.6	+100.0
Coal export***	thous. tonnes	740.1	486.3	+253.8	+52.2
Coal import	thous. tonnes	1,893.6	2,662.6	–769.0	–28.9
Natural gas trading	Mcm	2,132.7	1,931.5	+201.2	+10.4
Natural gas production	Mcm	1,659.3	1,648.5	+10.8	+0.7
Gas condensate production	thous. tonnes	63.7	51.5	+12.2	+23.7

* From 1 September 2016, DTEK Energy ceased consolidating the indicators of Mine Office Obukhovskaya into its statements, as the Company's management has been transferred to Strategic Holding DTEK B.V. This transaction has been carried out as part of the restructuring of DTEK Energy's loan portfolio, aimed at balancing the asset development capacity with the loan servicing capabilities.

** On 31 July 2018, the management contract of Kyiv TPP-5 and TPP-6 was terminated. Their supply amounted to 1.6 billion kWh in 2018.

*** Including trading operations outside Ukraine.

DTEK Energy: Coal Production, Thermal Energy, Mining Engineering

DTEK Energy has created a complete cycle in electricity generation: the enterprises produce coal and generate electricity.

The company operates mines that produce G-grade coal. Coal is mostly enriched on its own CPPs. Mining engineering plants are integrated into the production chain, which allows to respond efficiently and quickly to the needs of production — from the creation of new equipment to the provision of spare parts.

The company generates electricity at eight thermal power plants and one combined heat power plant. TPPs and CHPP provide heat to the cities in which they are located.

To ensure Ukraine's energy sustainability and independence, DTEK Energy increases the share of domestic coal in the fuel balance of power plants — the company re-equips power units to switch from anthracite to G-grade coal.

700 million tonnes are the industrial reserves of G-grade coal.

13.5 GW is the installed capacity of TPPs and CHPPs.

In 2019, DTEK Energy miners extracted 22.4 mln tonnes of G-grade coal, which is 7.1% or 1.7 mln tonnes less than in 2018.

The company's internal and third-party coal processing plants have processed 15.7 mln tonnes of ROM coal; while coal concentrate production amounted to 9.2 mln tonnes. The share of raw coal processing and coal concentrate production by third-party plants reduced to 5.1% and 4.6% respectively, due to the implementation of a comprehensive program to modernize internal CPPs.

Main factors driving performance indicators:

- Coal production by DTEK Pavlohradcoal has been reduced by 9.0%, or 1,804.1 thousand tonnes due to reduced demand from thermal generation. At the same time, the company maintains high labour productivity indicators of 109.0 tonnes per worker per month.

In 2019, DTEK Energy's power engineers provided 28.4 bln kWh for Ukraine's power system. This is 16.6%, or 5.6 bln kWh, lower than in 2018. Excluding Kyiv TPP-5 and TPP-6, the lease agreement of which was terminated in 2018, the decrease is 12.4%, or 4.0 bln kWh.

Main factors driving performance indicators:

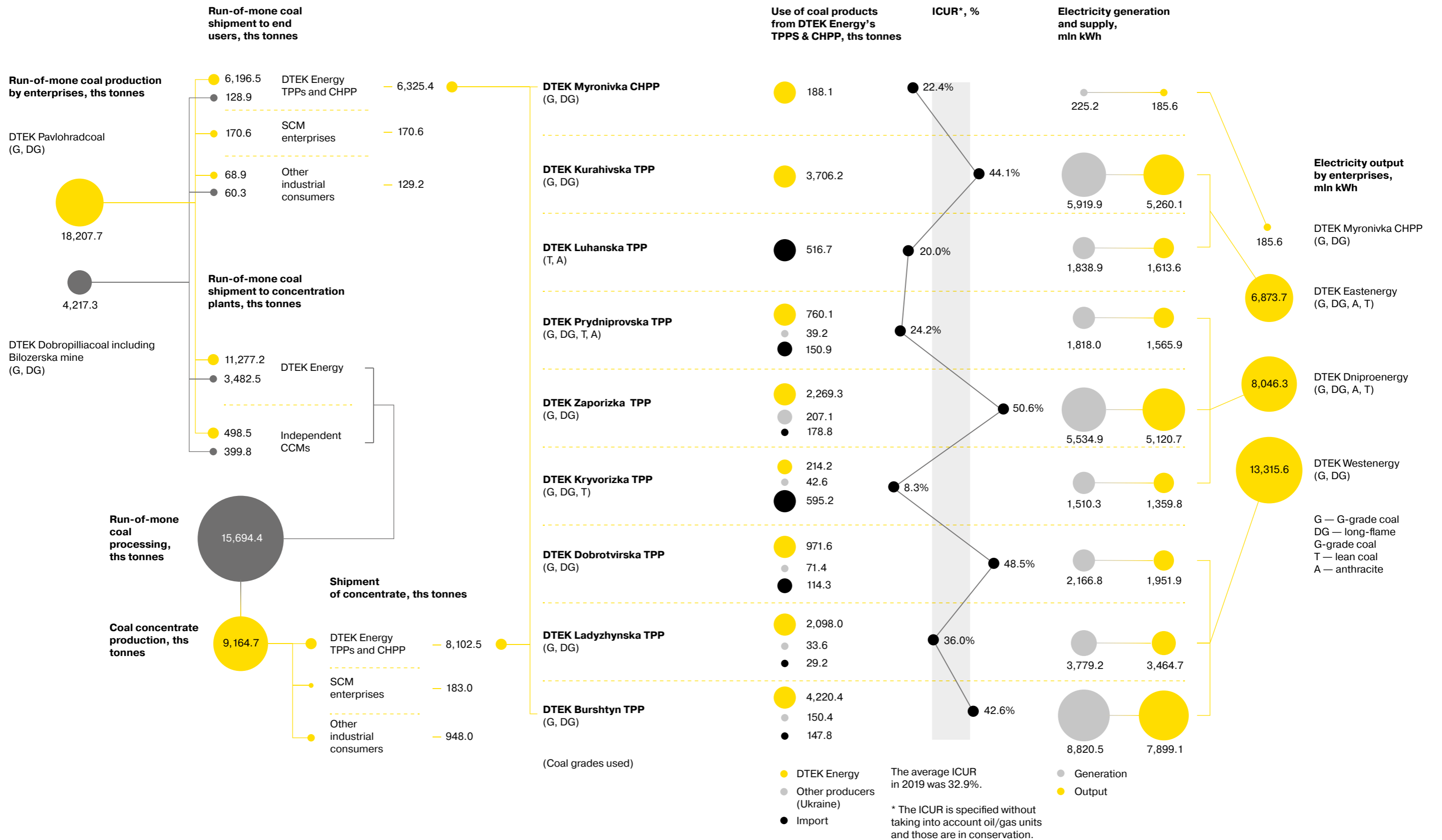
- In Q4 2019, the company's enterprises cut down electricity generation by 39.9%, or 3.8 bln kWh compared to the same period of 2018. The number of operating power units during the day decreased to 20 (30 in the fourth quarter of 2018), at night — to 18 (27 in the fourth quarter of 2018). This is due to the import of 1.8 bln kWh of electricity, a reduction in domestic demand by 2.3 bln kWh and artificial restrictions on heat generation;

- The lease agreement to manage Kyiv CHPP-5 and CHPP-6 expired on 31 July 2018 (1,615.0 mln kWh was generated in 2018).

DTEK Energy implements a comprehensive program to increase the share of domestic G-grade coal in the fuel balance of power plants, % of total production



DTEK Energy's production balance for 2019



Production capacity of DTEK Energy as of January 1, 2020

Power unit No.	Installed capacity, MW	Date of in-service/ last overhaul repair or reconstruction	Running time, hours	Overhaul repair/reconstruction
DTEK Kurahivska TPP				
3	200	1972/2018	305,175	
4	210	1973/2018	277,671	
5	222	1973/2015	257,172	reconstruction was completed in 2009; increase in installed capacity by 12 MW major repair is planned for 2020
6	225	1973/2019	256,913	reconstruction was completed in 2013; increase in installed capacity by 15 MW
7	225	1974/2016	269,483	reconstruction was completed in 2010; increase in installed capacity by 15 MW; major repair is planned for 2022
8	225	1974/2017	266,540	reconstruction was completed in 2012; increase in installed capacity by 15 MW
9	225	1975/2015	265,610	reconstruction was completed in 2015; increase in installed capacity by 15 MW major repair is planned for 2021
Total:	1,532			
DTEK Luhanska TPP				
9	200	1962/2017	332,977	
10	210	1962/2018	327,106	reconstruction was completed in 2012; increase in installed capacity by 35 MW
11	200	1963/2004	318,289	
13	210	1967/2014	310,300	reconstruction was completed in 2012; increase in installed capacity by 35 MW
14	200	1968/2018	294,224	
15	200	1969/2018	308,474	
Total:	1,220			
DTEK Zaporizka TPP				
1	325	1972/2019	301,362	reconstruction was completed in 2014; increase in installed capacity by 25 MW
2	300	1972/2018	292,563	reconstruction of the electrostatic precipitator is planned in 2024
3	325	1972/2014	298,625	reconstruction was completed in 2014; increase in installed capacity by 25 MW major repair is planned for 2021
4	300	1973/2016	275,531	major repair and reconstruction of the electrostatic precipitator are planned for 2022
5	800	1975/1995	148,998	unit fired by fuel oil and gas
7	800	1977/1992	133,190	unit fired by fuel oil and gas
Total:	2,850			

Production capacity of DTEK Energy as of January 1, 2020

Power unit No.	Installed capacity, MW	Date of in-service/ last overhaul repair or reconstruction	Running time, hours	Overhaul repair/reconstruction
DTEK Kryvorizka TPP				
1	315	1963/2017	304,172	reconstruction was completed in 2017; increase in installed capacity by 33 MW. In 2019, there was a change in the specified fuel — from anthracite to combustion of G-grade coal
2	300	1964/1998	313,767	
3	300	1965/2013	277,333	reconstruction was completed in 2013; increase in installed capacity by 18 MW
4	300	1966/2005	253,224	
5	282	1967/1994	304,903	
8	282	1969/1996	267,041	
10	300	1972/2017	210,269	
Total:	2,079			
DTEK Prydniprovskia TPP				
7	150	1958/2013	346,337	In 2017, the specified fuel was changed — switched from anthracite to combustion of G-grade coal
8	150	1958/2014	372,463	In 2017, the specified fuel was changed — switched from anthracite to combustion of G-grade coal
9	150	1959/2012	339,832	reconstruction was completed in 2012 without increasing installed capacity. In 2018, the specified fuel was changed — switched from anthracite to combustion of G-grade coal
10	150	1960/2019	334,893	In 2019, the specified fuel will be changed — switched from anthracite to combustion of G-grade coal
11	310	1962/2016	266,455	In 2021, it is planned to change the specified fuel — to switch from anthracite to combustion of G-grade coal
Total:	910			
DTEK Dobrotvirska TPP				
5	100	1960/2018	354,652	
6	100	1961/2015	351,260	
7	150	1963/2019	364,868	
8	160	1964/2014	339,951	reconstruction was completed in 2014; increase in installed capacity by 10 MW; major repair is planned for 2020
Total:	510			
DTEK Ladyzhynska TPP				
1	300	1970/2018	264,621	
2	300	1971/2009	262,598	major repair is planned for 2021
3	300	1971/2011	254,760	major repair is planned for 2022
4	300	1971/2019	247,781	
5	300	1971/2003	223,785	mothballed
6	300	1971/2004	230,276	mothballed
Total:	1,800			

Production capacity of DTEK Energy as of January 1, 2020

Power unit No.	Installed capacity, MW	Date of in-service/ last overhaul repair or reconstruction	Running time, hours	Overhaul repair/reconstruction
DTEK Burshtyn TPP				
1	195	1968/2017	311,324	
2	185	1965/2014	298,239	
3	185	1966/2019	310,267	
4	195	1966/2018	333,304	
5	215	1967/2013	325,411	reconstruction of stage I was completed in 2013, stage II— in 2016; increase in installed capacity by 20 MW
6	195	1967/2015	326,415	major repair was completed in 2015; increase in installed power by 10 MW
7	206	1968/2012	310,557	reconstruction was completed in 2012; increase in installed capacity by 21 MW
8	195	1968/2009	322,884	
9	195	1968/2016	307,453	
10	210	1969/2018	317,622	reconstruction was completed in 2018; increase in installed capacity by 15 MW
11	195	1969/2011	288,666	
12	195	1969/2018	278,724	
Total:	2,366			
DTEK Myronivka CHPP				
ТТ №2	100	1953/2004	285,814	under repair
ТТ №3	60	1954/1998	335,195	mothballed
ТТ №5	115	2004/2019	84,307	in 2017, the specified fuel of boiler No. 10 was changed — switched from anthracite to combustion of G-grade coal; in 2018, the specified fuel of boiler No. 9 was changed — switched from anthracite to combustion of G-grade coal
Total:	275			

DTEK Renewables: Renewable power generation

DTEK Renewables is the largest investor in renewable energy in Ukraine. Since its inception, the company has invested USD 1.2 bln in the construction of wind farms and solar power plants. In wind energy, the company owns the largest operating stations in Ukraine. These are Botievska WPP and Prymorska WPP with a capacity of 200 MW each, as well as the Orlivska WPP with a capacity of 100 MW. In solar energy, the pilot project was implemented in 2017. The construction of the Trifanovska SPP with a capacity of 10 MW showed the prospects of this direction. In 2019, the Nikopolska SPP and Pokrovska SPP with a total inverter capacity of 440 MW were put into operation.

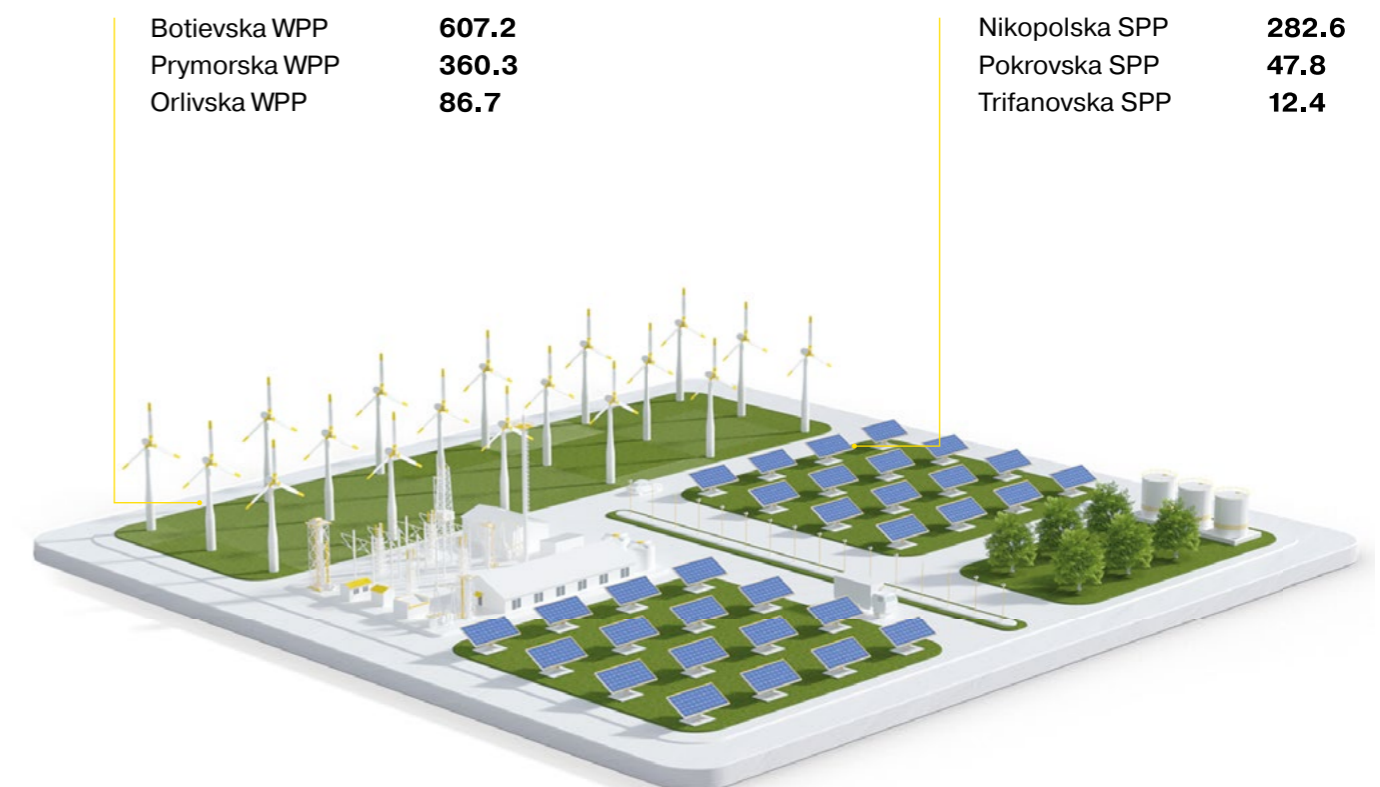
**№1 on investments in green energy.
950 MW of installed capacity.
Environmental impact of green power plants work —
reduction of CO₂ emissions by 2.6 mln tonnes per year.**

In 2019, 1.4 bln kWh of electricity was supplied by the company to the Ukrainian National Power Network. This is 106.4% or 720 million kWh, higher than in 2018.

Main factors driving performance indicators:

- Two solar and three wind power plants with the aggregate capacity of 740 MW were commissioned during a year. New power plants supplied 777.5 mln kWh of green energy to the Ukrainian National Power Network of Ukraine in 2019;
- Trifanovska SPP supplied 12.4 mln kWh of green energy to the Ukrainian National Power Network meeting the plant's target indicators;
- Botievska WPP generated 607.2 mln kWh of green energy, which is 8.6% lower YoY, due to restrictions imposed during repair and maintenance work, and also by UES operator. The availability indicators of wind turbines and infrastructure remain high, and conform to the wind farms best global standards of 98.02% and 99.64% accordingly.

DTEK Renewables's production volumes in 2019, mln kWh



DTEK Oil&Gas: Production of Natural Gas and Gas Condensate



Stable increase of gas production in Ukraine is only possible under the condition of intensive development of depths over 5-6 km. DTEK Oil&Gas successfully drills gas wells to great depths, which has become possible thanks to investments in modern equipment and innovative technologies. The accumulated experience allows us to consider the transition to drilling wells deeper than 7 km. The main production asset is PJSC Naftogazvydobuvannya. The company produces gas and gas condensate in the licensed areas of Semyrenkivske and Machukhske fields from a depth of more than 5 km. Naftogazrozbka LLC was established to study and put the new sites into operation. The company specializes in conducting geological exploration works and conducts development of Khoroshevo field in Kharkiv Region. DTEK Oil&Gas is exploring opportunities to expand its business. The development strategy envisages both participation in auctions for subsoil use and acquisition of existing promising assets. DTEK Oil&Gas is also ready to use its experience and expertise to manage other companies' projects.

№1 on natural gas production among private enterprises.
37.4 bln cubic meters — natural gas reserves of category 2P of the international classification SPE-PRMS.

1,659.3 mln cubic meters of natural gas and 63.7 thousand tonnes of gas condensate were produced in 2019, which is 0.7% and 23.7% higher YoY accordingly.

Main factors driving performance indicators:

- The drilling of four wells was finished at the Semyrenkivske Field: well No. 61 with the depth of 5,456 m and horizontal displacement of 380 m, well No. 43 with the depth of 5,605 m and horizontal displacement of 370 m; 5,420-meter-deep well No. 72 and 5,470-meter-deep well No. 75.
- The drilling of 5,704 m deep well No. 53 was completed at the Machukhske Field.
- The use of innovative technologies reduced drilling time by 3.5 months.
- The overhaul of wells and implementation of measures aimed at intensifying production rates on the existing well stock have been ensured.

DTEK Grids: Electricity Distribution and Grid Operation

The unbundling of electricity distribution and supply to consumers is the first stage of energy reform, which was completed in 2018 in accordance with the Electricity Market Law. Due to these changes, distribution system operators are separate companies that provide electricity suppliers with equal access to electricity grids, so customers can choose any supplier. Distribution system operators are also responsible for the operation of networks, ensuring reliable electricity supply and infrastructure development.

DTEK Grids focuses on electricity distribution. Its distribution system operators serve 5.5 million customers in Kyiv, Kyiv, Dnipropetrovsk, Donetsk and Odesa regions. Clients include metallurgical and machine-building plants, mines and factories, enterprises, social facilities and the population.

DTEK Grids supplied 43.7 bln kWh of electricity to their clients in 2019, which is on par with 2018.

Main factors driving performance indicators:

- DTEK Dnipro Grids and DTEK Power Grids cut down electricity distribution by 23%, or 7 bln kWh. This is due to a decrease number of customers, as the territories of licensed activities of enterprises were revised as part of the energy reform.
- The acquisition of Odesaoblenergo and Kyivoblenergo, whose performance indicators have been consolidated since May 2019. The enterprises distributed 7.5 bln kWh of electricity in May — December period.

Efficiency of DTEK Grids distribution system operators in 2019

Enterprises	Electricity distribution in 2019, mln kWh			
	Total	1 class. Clients, connected to networks with a voltage of 27.5 kW and more	2 class. Clients, connected to networks with a voltage up to 27.5 kW	Losses, %
DTEK Dnipro Grids	17,270.4	9,848.3	7,422.1	5.4
DTEK Kyiv Grids	9,272.6	242.5	9,030.1	6.3
DTEK Power Grids	6,293.7	5,990.9	302.8	0.9
Kyivoblenergo	3,851.8	461.2	3,390.6	15.1
Odesaoblenergo	3,623.3	342.0	3,281.3	12.4
DTEK Donetsk Grids	2,926.3	325.0	2,601.3	16.7
DTEK Energougol ENE	415.9	249.6	166.3	0.7
Total	43,654.0	17,459.5	26,194.5	7.4

D.TRADING: electricity trading, gas and gas condensate, coal

In 2019 Ukraine switched to a new model of the electricity market. The new model introduces segments of organized and unorganized electricity trade. The market of bilateral agreements concluded directly between the participants belongs to the unorganized segment. While the markets for the day ahead, intraday and balancing — organized segments, where relations are built according to the rules established by the regulator.

In the market of bilateral agreements D.TRADING specializes in the supply of electricity to large industrial consumers and universal service providers, as well as in export operations. In addition, D.TRADING will be an active participant in the day-ahead and balancing markets.

In the natural gas and coal markets, the company manages the energy resources portfolio of the DTEK Group and conducts operations with Ukrainian and imported resources.

D.TRADING carries out electricity, gas and gas condensate, coal wholesale trade in the Ukrainian and foreign markets.

Electricity export and supply to the domestic market

5.8 bln kWh of electricity was exported in 2019 under foreign economic contracts, which is on par with last year. The electricity was exported to Hungary, Poland, and Moldova.

Ukraine switched to a new model of the electricity market in 2019, according to which all industrial enterprises and large non-household consumers must choose their electricity supplier. In 2019, our company supplied 20.1 bln kWh of electricity to non-residential end consumers including major industrial companies, distribution system operators, and traders.

D.TRADING electricity supply in 2019, mln kWh

Domestic market	24,186.5
Including:	
End consumers	18,451.7
Other	5,734.8
Foreign market	5,829.7
Including:	
Poland	1,376.8
Moldova	644.0
Hungary, Slovakia, Romania	3,808.9

Coal export and supply to the domestic market

Export operations are carried out exclusively from Mine Office Obukhivska. In 2019, 740.1 thousand tonnes were supplied to foreign markets, which is 52.2% or 253.8 thousand tonnes more than in 2018. The main consumers of coal products are metallurgical, ferroalloy and soda plants in Europe, Canada and India. The company reduced the supply of coal products to the Ukrainian market by 43.0%, or 651.5 thousand tonnes, to 863.3 thousand tonnes. This was due to the lack of quotas for coal exports, which caused the cessation of shipments from June 1, 2019.

To ensure the operation of Ukrainian thermal power plants and industrial consumers, the company imported a total of 1,893.6

thousand tonnes of coal products, including from Colombia and South Africa. In general, the company reduced its purchase of coal on foreign markets by 28.9%, or 769.0 thousand tonnes, including due to the implementation of DTEK Energy's strategy to upgrade anthracite thermal power plants to use domestic G-grade coal.

A total of 1,723.4 thousand tonnes of coal was supplied to Ukrainian industrial consumers from its own and third-party resources.

Natural gas supply on the domestic market

The company increased the sales of its own and third-party natural gas purchased on the domestic market up to 2,132.7 mln cubic meters (+10.4% or 201.2 mln cubic meters YoY) thanks to the growing sales to industrial and electricity sector enterprises.

D.SOLUTIONS: Electricity Supply

In the new model of the electricity market, supplier companies are endowed with the function of universal service providers for a two-year period. Universal service — guaranteed supply of electricity to budget organizations, household, small non-household consumers and other consumers with a contractual capacity of up to 150 kW. Electricity is supplied at the tariff set by the regulator.

Kyiv Energy Services, Dnipro Energy Services, and Donetsk Energy Services supply electricity to consumers in Kyiv, Dnipropetrovsk and Donetsk regions under the YASNO brand.

To date, D.SOLUTIONS has launched three product families that focus on working with end consumers. YASNO Smart specializes in providing energy efficient solutions for households. YASNO Efficiency — complex solutions for the installation of roof solar panels, energy storage system, as well as energy audits and

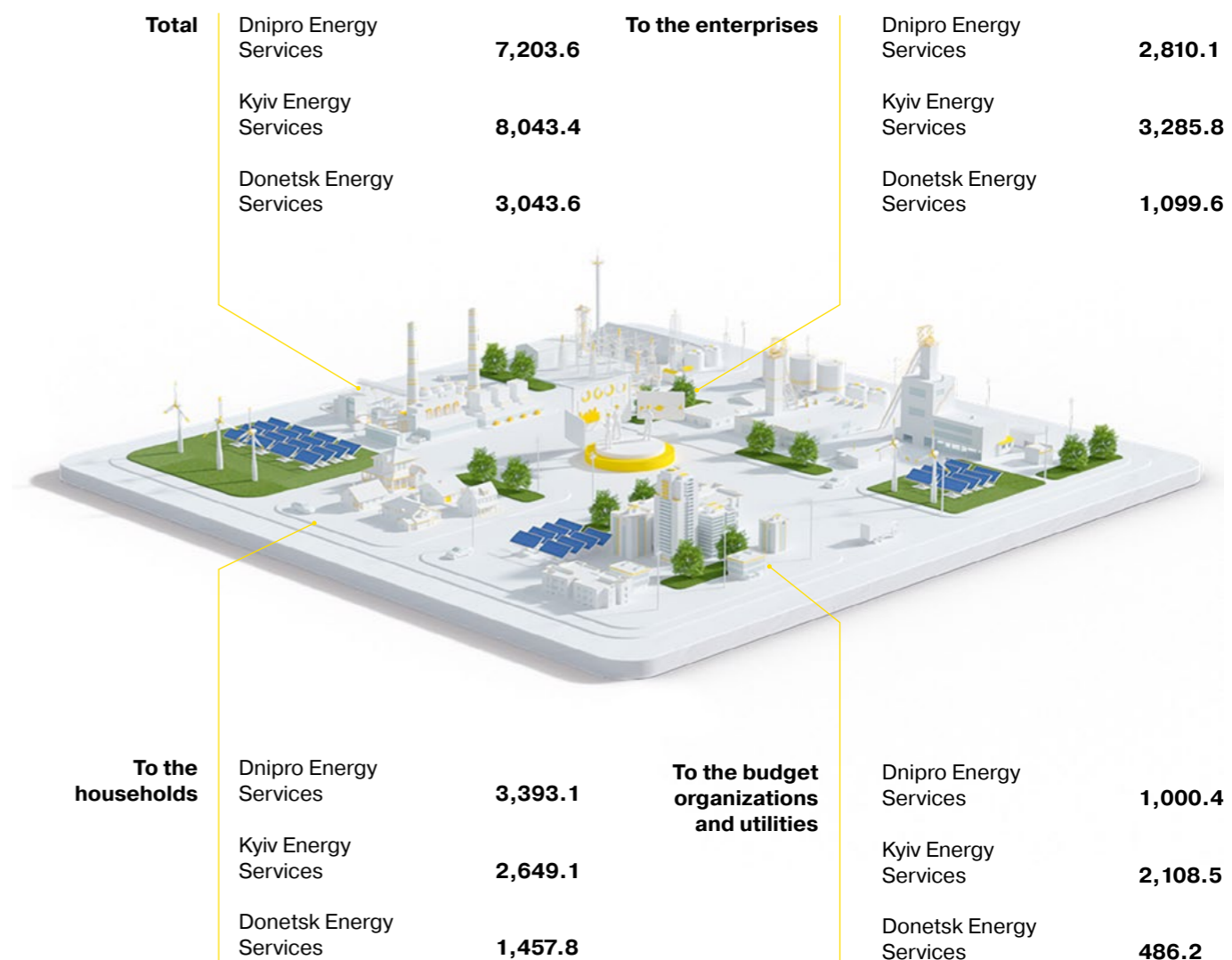
energy services. The company also operates a network of fast charging stations for electric vehicles under the brand name YASNO E-mobility.

YASNO is the first retail brand in Ukraine on the electricity market

18.5 bln kWh of electricity was supplied to consumers in 2019 by universal service suppliers operating under YASNO retail brand.

12 high-speed charging stations were installed at Kyiv — Odesa, Kyiv — Lviv, and Kyiv — Poltava motorways in 2019. The company now operates 23 charging stations in total.

D.SOLUTIONS electricity supply in 2019, mln kWh



Investment projects

In 2019, DTEK Group allocated UAH 23 bln for the construction and modernisation of its operational companies, up 17% year-over-year. The investment made allowed DTEK to build wind farms and solar power plants, drill gas wells, as well as continue conversion of its thermal power plants to G-grade coal to enhance the resilience of the Ukrainian energy system.

Investments, UAH mln (IFRS, net of VAT, excluding costs for intangible assets)

	2018	2019	Variance, +/-	Variance, %
DTEK Energy	6,037*	5,186	-851	-14.1
Coal production and processing	4,061	3,804	-257	-6.3
Electricity generation	1,408	1,099	-309	-21.9
Kyivenergo	103	-	-103	-100
Others	465	283	-182	-39.1
DTEK Grids	1,932	3,525	+1,593	+82.4
DTEK Renewables	9,556	10,968	+1,412	+14.7
DTEK Oil&Gas	1,685	2,559	+874	+51.8
D. TRADING	-	4	+4	+100
D. SOLUTIONS	-	261	+261	+100
DTEK Group	19,878	23,180	+3,302	+16.6

* Excluding UAH 1,550 mln investment in the electricity distribution considered as a separate stream.

DTEK Energy: coal production, thermal generation, mining machinery manufacturing

The key task of the energy sector continues to be the reduction of the share of imported energy resources in the national fuel balance and integration of the Ukrainian energy system with the ENTSO-E. DTEK actively supports such steps intended to enhance the energy security of Ukraine.

Key coal production and processing projects in 2019

- equipment replenishment: DTEK Pavlohradcoal replenished its equipment fleet with six shearers and seven roadheaders, whereas DTEK Dobropillia coal — with three shearers. The new equipment has better operational parameters compared to the old one. It helps maintain high rates of coal production in the deteriorating mining and geological environment;

- upgrade of the coal processing plants: DTEK Pavlohradská CPP completed the retrofit of the unit for hydroclassification of coal sludge and screw separation waste. It will reduce the volume of accumulated waste, as well as improve the environmental situation in the region. In general, the project will help upgrade the closed loop water sludge system whose commissioning has since forbidden the use of the sludge pond. In turn, it enabled early reclamation of the land intended for disposal of coal processing waste. The reclamation of the 173 ha land parcel is underway.

DTEK Zhovtneva CPP procured the equipment for processing of 1-13 mm run-of-mine coal in heavy medium hydrocyclones. Construction and installation of the equipment are scheduled for 2020.

DTEK Dobropilská CPP completed the second stage of the rock dump having enough capacity to accommodate coal processing waste for the next ten years. The innovative «green» dump construction technology was used to reduce the environmental footprint. In particular, the technology assumes no coal burning in the rock dump and no contact of the coal processing waste with the environment.

Key electricity generation projects in 2019

- DTEK Prydniprovská TPP: converted Unit 10 to G-grade domestic coal. It is already the fourth plant's unit re-engineered to burn G-grade coal instead of anthracite. The unit was equipped with the electrostatic precipitator to reduce dust emissions to below 50 mg/m³ to meet the European standards;

- DTEK Kryvorizka TPP: converted Unit 1 from anthracite to G-grade coal. The modified unit was put back into operation in October. Since 2008, the company retrofits the existing or builds new electrostatic precipitators during the upgrade or retrofit of its energy generating units to comply with the emission limit values set out in Directive 2001/80 / EU.

- Unit 3 of DTEK Kryvorizka TPP, Units 1,2 of DTEK Zaporizka TPP and Units 5,7,10 of DTEK Burshtyn TPP were successfully tested for compliance with the ENTSO-E requirements;

- DTEK Kurahivská TPP successfully tested its units for compliance with the requirements of the ancillary services market. Permanent certificates were obtained in the first quarter of 2020. The introduction of the ancillary services market became possible as a result of the energy market reform. The market is one of the key tools used by the Transmission System Operator to maintain the power quality required to ensure reliable operation of the United Energy System of Ukraine.

DTEK Energy managed to rehabilitate 4 GW of its installed capacity with the upgrade of its TPPs and CHPPs

	2009	2010	2012	2013	2014	2015	2016	2017	2018	2019
DTEK Kurahivská TPP	№5	№7	№8	№6		№9				
DTEK Luhanská TPP			№10		№13					
DTEK Zaporizka TPP			№1		№3					
DTEK Prydniprovská TPP			№9					№7* №8*	№9*	№10*
DTEK Burshtyn TPP			№7	№5		№6**	№5		№10	
DTEK Kryvorizka TPP				№3				№1		№1*
DTEK Dobrotvirská TPP					№8					
DTEK Myronivka CHPP								№10*	№9*	

■ Upgraded

■ Converted from anthracite to G-grade coal

* Major overhaul and uprate.

DTEK Renewables: renewable power generation

DTEK Group’s ESG strategy enshrines the goal to reach carbon neutrality by 2040 and development of the renewable energy will contribute to that. DTEK Renewables implements the advanced systems of generation forecasting in order to efficiently integrate the renewable facilities into the energy system

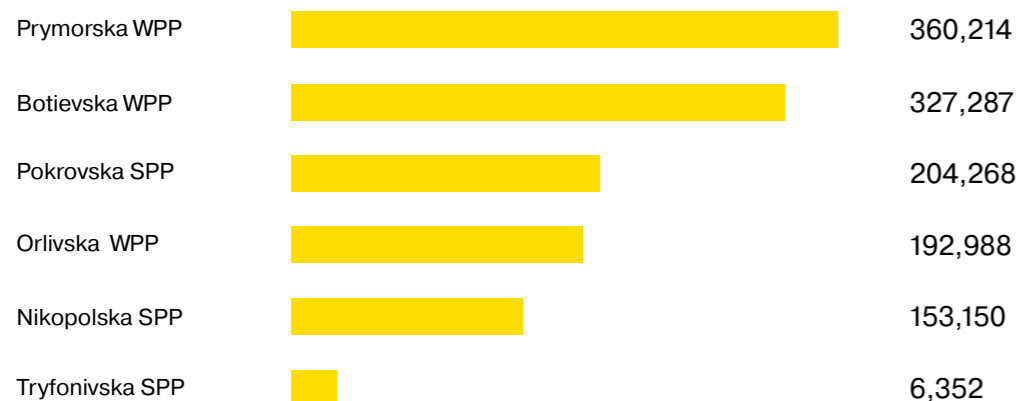
Key 2019 projects

- Nikopolska SPP (installed inverter capacity: 200 MW). The project was implemented in the shortest possible time. The number of the solar panels installed within a day could reach 15,000 panels as a result of the right solutions taken by the design team. Starting from 1 March the solar plant has been feeding the United Energy System of Ukraine. It will annually generate 290 mln kWh of green energy that reduces CO₂ emissions by 308 thousand tonnes per year.
- Prymorska WPP (installed capacity: 200 MW). The wind farm was constructed in two phases — one after another. With each of the new task completed we improved the interaction between DTEK Renewables’ team and representatives of the General Contractor and suppliers that was extremely important as 500 specialists participated in the project. Daily meetings and constant coordination allowed us to achieve high level of organization of both construction and commissioning works. Prymorska WPP has become a ground for testing new technologies in Ukraine. We installed the digital substation where the data exchange between the internal elements and external systems as well as control of its operation are based on IIEC 61850 protocol.

The environmental impact of the wind farm is revealed in the annual reduction of CO₂ by 700—750 thousand tonnes.

- Orlivska WPP (installed capacity: 100 MW). The wind farm was designed and constructed in the shortest possible time — less than a year from the date of signing the general contractor agreement. On-site location of the bulk material storage and concrete mix plant providing the concrete for wind turbine foundations helped optimize the construction time. 26 wind turbines will annually generate 380 mln kWh of green energy, thus, reducing the greenhouse gas emissions by more than 400 thousand tonnes a year.
- Pokrovska SPP (installed inverter capacity: 240 MW). The solar plant is equipped with 874 thousand panels manufactured by Risen (China) which are located on the re-cultivated land of a former manganese quarry. New solar plant will annually generate 400 mln kWh and reduce CO₂ emissions by 420 thousand tonnes. This was the first project implemented by the Company without involvement of an EPC-contractor. Poyry and Tractebel international agencies highly praised the work of DTEK Renewables team.

DTEK Renewables provides green electricity to 1, 244, 259 households in 202



According to NEURC, the average power consumption by one household averaged 1,986 kW/year in 2018.

DTEK Oil&Gas: natural gas and gas condensate production

The Company strategy assumes transition to new development trends and an increase in gas production to 5 bln cubic meters of gas per year in 2025. In order to achieve the goal, DTEK Oil&Gas deploys the innovative technologies at every stage of operations and enables development of the technological ecosystem in the gas sector. This is yet another Company’s contribution to Ukraine’s energy independence.

For achievement of the strategic goals, DTEK Oil&Gas implements and uses the advanced technologies at all production stages: exploration, drilling, extraction and hydrocarbon processing. One of the Company’s major tasks is to achieve 100% digitalization. For this purpose, we created the Technology Centre intended to improve the efficiency of the oil and gas business by systemic search for, adaptation and implementation of the innovative technologies. Today, DTEK Oil&Gas is the only Ukrainian gas producer with its own Technology Centre. In 2019, the Company established the Expert Council aimed at implementing the best world practices to enhance the efficiency of business processes. The Council members are leading international experts including the representatives of the following companies: Miller and Lents, RPS Energy, Baker Hughes, Schlumberger, PA Belorusneft, Target, WellPath, etc. To lay a solid foundation for DTEK Oil&Gas’ long-term development, it is necessary to progress with the technological and innovation ecosystems of the sector. This is why the Company started to implement a nationwide project — creation of the Oil and Gas Technology Hub, which will systematically attract innovations, modern technologies, international start-ups and prominent experts to Ukraine. This will set new trends in the development of the oil and gas industry in Ukraine and give a new impetus for Ukraine to achieve energy independence.

Key projects for 2019

- three deep Wells #61, #72, #75 were drilled in the Semyrenkivske Field;
- the implementation of a new drilling program at the Machukhske Field has been started, according to which Well #53 has already been drilled and wells #54 and 55 are being built;
- booster compressor stations and nitrogen plants were constructed on the Semyrenkivske Field to enhance the recovery and quality of the commercial gas;
- a subsoil license for the Svitankovo-Logivska Site (Kharkiv region) was acquired. The Company acquired the licence at the open online auction held by the State Service of Geology and Subsoil of Ukraine;
- the Company also won the largest tender in Ukraine’s history for entering into production sharing agreement for the Zinkivska Area (Sumy and Poltava regions).

Successful examples of DTEK Oil&Gas’ digital transformation inspire new projects

- 3-D modelling for the most efficient field development
- Well telemetry system — a remote control of work and prompt response to any changes
- Automatic emergency shutdown system
- System of early emergency detection
- Proprietary automated dispatch control system (ADCS) developed by the company experts. The automated dispatch control system collects data from the wells, hydrocarbon metering units, gas processing facilities, gas detection systems, early emergency detection and alarm system. The system automatically generates reports for technological parameter analysis and sends the information to the end users.

DTEK Grids: electricity distribution and grid operation

DTEK Grids' goal is implementation of the Smart Grid programmes, which, in turn, requires technical upgrade of the networks. It will enable Ukrainian consumers to benefit from the modern energy supply system.



The investment programmes of DTEK Grids' distribution system operators are intended to improve welfare in towns and villages of the companies' operations through reliable power supply. The upgrade of the electrical networks also prevents electricity shortage associated with urban development and reduces power losses in distribution.

187 292,3 km is the total length of DTEK Grids' overhead power lines

864.8 km of cable and high-voltage overhead power lines was built, 584.8 km retrofitted and 12,275.6 km repaired in 2019.

38,398.9 MVA is the total capacity of DTEK Grids' substations

27 substations, 526 transformer substations and distribution substations were built or retrofitted in 2019. Besides, 12,348 facilities were repaired.

DTEK Grids provides services to 5,531,696 customers

72% is the customer satisfaction index (CSI), which is an average CSI value across European companies. 661,000 smart meters covering 12% of customers were installed in the networks of the distribution system operators as of the end of 2019. It clearly shows that DTEK Grids is one of the national leaders in terms of smart meter installation. 31,128 new customers were connected in 2019. DTEK Grids facilitates the role of prosumers providing them with transparent access to the grid thus contributing to Ukraine's achievement of its economy decarbonisation goals. As of the end of 2019, 5,861 prosumers were connected to DTEK Grids' DSOs.

DTEK Grids completely changes the customer experience by assuring European quality of service, as the company is well aware of the modern customer needs and can meet them with its unique solutions. If customers have any questions or comments regarding power supply, they can visit customer service centres, call contact centres or contact the company through social networks or messengers. The company launched online services and simplified the grid connection process to make it clear and understandable for customers, while continuing with smart meter installation.

Key 2019 projects

- DTEK Dnipro Grids: built and commissioned the Naddniprianska substation, one of the most advanced energy facilities in the city of Dnipro. The substation will supply power to 300 thousand people living in the central city districts and two metro stations under construction; advances innovative technologies: uses drones for inspection of the overhead power lines and analyses drone data to predict potential outages. It collected data on the 150 km overhead power lines in Dnipropetrovsk region and developed a software product for analysis of the collected data.
- DTEK Donetsk Grids: established the Central Dispatch Service in the town of Kramatorsk to improve management of the energy infrastructure of Donetsk region; completed technical re-equipment of Misto 2 substation to enhance the quality of power supply to Mariupol.
- DTEK Power Grid: completed technical re-equipment of the Novoraiska substation to improve power transmission to the northern part of Donetsk region, while enhancing the reliability of power supply to the towns of Kramatorsk and Druzhkivka.
- DTEK Kyiv Grids: started preparation for smart grid implementation, namely installed the telemechanics systems at over 300 substations and distribution stations. The innovative technologies will ensure full automation of the energy infrastructure management to improve reliability and stability of power supply.
- Kyivoblenergo: completed retrofitting of the Irpin and Petrivtsi substations to increase grid capacity to be able to connect new facilities;

launched a new online grid connection service. Now customers can submit a connection request, obtain technical specifications, pay for connection and monitor the status of request through the company's website. It saves customers time and makes the connection process more transparent. The pilot project will be rolled out to the other licensed areas of DTEK Grids' distribution system operators.

- Odesablenergo: completed the retrofitting of the Yuvileina substation powering Odesa's historical centre; started implementation of the IT systems: SCADA (supervisory control system) and GIS (geographic information system).

System average interruption frequency index (duration > 3 minutes)

2017		605
2018		651
2019		522

SAIDI (System Average Interruption Duration Index) is the ratio of the total number of customers to whom the service was unavailable as a result of all long power interruptions during the reporting period to the total number of customers. SAIDI is measured in minutes. The data does not include Odesablenergo and Kyivoblenergo.

Grid connections in 2019

Companies	Standard connection				Non-standard connection
	Category I (below 16 kW), connections		Category II (16-50 kW), connections		
	urban	rural	urban	rural	
DTEK Donetsk Grids	957	492	460	174	165
DTEK Kyiv Grids	344	0	378	0	134
DTEK Dnipro Grids	5,305	1,771	2,108	1,490	1,603
DTEK Power Grid	0	0	0	0	44
DTEK Energougol ENE	0	0	1	0	3
Odesablenergo	2,043	1,951	1,251	1,096	238
Kyivoblenergo	2,325	2,863	1,342	2,415	175
Total	10,974	7,077	5,540	5,175	2,362

D.SOLUTIONS: supply of electricity, provision of energy efficiency and e-mobility solutions



Yasno Y



Company's key task is to manage the business transformation in order to achieve better commercial efficiency, strong brand awareness, improve sales and marketing opportunities, deliver new goods and services, and adopt the best customer relation management practices. The strategic goal is to establish customer-oriented, diversified retail business.

D.SOLUTIONS, today, is a supplier of energy products for 3.5 million customers. Under the YASNO brand, the company develops three product families that help customers to reduce electricity costs.

- YASNO**

More than 656 thousand customers visit the energy offices of the companies united under the YASNO brand annually. In 2019, five energy offices were renovated and opened in a new format, and in 2020, it is planned to create a network of 65 energy offices in three regions. For visitors' convenience, we started to service B2C and B2B customers separately, allocated separate areas for express servicing to deal with prompt and typical matters, installed self-service terminals for submitting meter readings, arranged comfortable areas for filling in the documents and children play areas. In each region of the Company operations there are contact centres which receive more than 1.3 mln calls. Based on the year results, the average wait time practically halved. Uniform customer satisfaction standards and sale quality standards were applied. Centralized system for work quality control and all service and sale channels management is in place. In 2020, the company continued to create an integrated system of energy solutions — licenses to supply natural gas to customers were obtained.
- YASNO E-mobility**

In 2019, a network of STRUM fast charging stations was renamed YASNO E-mobility and the range of rendered services was expanded. In addition to fast chargers, car owners can acquire charging stations for homes or offices. YASNO E-mobility network grew from 10 stations in Kiev to 23 stations on the highways Kyiv — Lviv, Kyiv — Odesa and Kyiv — Poltava.
- YASNO Smart**

It offers energy efficient and smart solutions for households, which help to reduce the electricity bills. 15 thousand Ukrainian households acquired YASNO Smart energy efficiency kits in 2019, so over 35 thousand families use them.
- YASNO Efficiency**

Above UAH 1.3 bln is the total amount of the energy service contracts concluded with YASNO Efficiency, a unit delivering comprehensive energy efficient solutions. Its portfolio includes 72 projects implemented for the industry and public sector, which allow the customers to reduce electricity consumption by 126 mln kWh/year, natural gas consumption by 1.1 mln cub.m/year. In 2019, the unit implemented 25 energy service projects for the industry, which are estimated to result in annual energy savings of 104 mln kWh. The completed projects made it possible to improve the equipment reliability and occupational safety as well as employees' working conditions. In 2019, the Company implemented 17 energy efficient projects in the public sector, which are estimated to result in annual energy savings of 1.8 million kWh. In particular, heating systems in the public sector institutions' buildings (children educational establishments, schools, hospitals and clinics) in Kyiv, Zaporizhia, Brovary, Skvira, Bakhmut, Pokrovsk, Soledar were retrofitted. All completed projects resulted in achievement of comfortable room temperatures and a reduction in the heat energy consumption by 20-45%.

Innovations and digitalization of the companies

DTEK Group is transforming its production to be effective in tackling the global challenges faced by the energy sector — to be clean, efficient and customer-focused. Business Digital Transformation and Innovation Unit was established to search for and implement new solutions and technologies.

MODUS: digital transformation of the business

MODUS, DTEK Group's expert centre, implements digital transformation programme. The programme covers both production and administrative processes in all business areas. In the next three years MODUS will focus on 11 key areas.

The first wave 2019	Modules: "Digital Mine", "Digital Thermal Power Plant", "Digital Grids", "Digital HR", "Digital Logistics"	23 projects started and are being implemented
The second wave 2019	Modules: "Digital Analytics", "Digital Procurement", "Digital Field", "Digital Office"	Preparation for the start and implementation from 2020
The third wave 2020–2021	Modules: "Digital Customer", "Digital Renewables"	Setting a vision for digital transformation under those modules and listing a set of digital initiatives

Key modules projects:

Digital Mine. Wi-Fi network was deployed at the 500m horizon in the Yuvileina mine. Actually, this is the first such project in Ukraine and one of the first such projects in Europe. Wi-Fi communication offers a new range of opportunities from on-line inspections to remote control in the mine. However, the key is to create a network of new projects aimed at improving miners' occupational safety and implementing the digital ecosystem. Approximately 130 km of fiber-optic and power cables, as well as more than 400 base stations and access points were used for the project.

Digital Logistics. A model optimising the railway logistics was implemented to improve the transportation management and thus to reduce losses from railway cars' idle time. Route optimisation and on-line updating of the information about empty cars resulted in saving of 1.5% of the total coal transportation costs over 10 months.

Digital TPP. The Operation Mode Control project is in progress. The system automatically determines the optimal operating mode for the energy generating units and produces real time recommendations for the operational staff on adjustment of the operation parameters. For testing and implementation of the pilot project, specialised devices and coal scales were installed, a software was developed and a model was built to determine the quantity and characteristics of the fuel in real-time mode. The data needed to build AI capabilities, as well as to generate operator recommendations is collected and stored in cloud environments. The project was partially implemented at DTEK Burshtyn TPP. After improvement, it is going to be rolled out to DTEK Zaporizka TPP.

Digital grids. Digital diagnostics of the overhead power lines using drones, laser scanning and 3D modelling (neural networks) help to predict the potential vulnerable sections, which are likely to fail, in order to avoid potential outages and guarantee the uninterrupted power supply to the customers.

Digital Mine, Digital Thermal Power Plant, Digital Grids. Traditional approaches to inspections and repairs of mine equipment, thermal power plants and grid's components are replaced with the automated systems to be operated by companies' specialists through tablets with the relevant software installed.

Innovation DTEK: integration of the innovative solutions

Innovation DTEK seeks for innovative solutions in three horizons

1

Search for innovative solutions aimed at improving safety, business efficiency and environmental friendliness of production.

2

Solutions to adapt to changes in the energy sector.

3

Creation of new non-energy businesses and business models.



In 2019, Innovation DTEK signed the agreements for commercial project launch with QRSmarty, EverScan, a-Gnostics, AxDraft, Hepta.

QRSmarty. Using a mobile app one can track down commodities and materials flows at the enterprises: to trace them at all stages of the lifecycle, confirm installation or dismantling of the spare parts during repairs, monitor operations during the warranty period by means of unique marking.

EverScan. LIDAR scanning with the help of drones makes it possible to estimate coal stocks and receive digitized data. Use

of this technology resulted in an improvement of measurement accuracy by 4-6% and a reduction in the work execution time from several hours to 15-20 minutes.

a-Gnostics. Machine Learning and Artificial Intelligence-based system to be used for hourly prediction of power consumption. Average hour accuracy: 96%.

Hepta. LIDAR scanning of overhead power lines with the help of drones to detect potential line breakages and failures caused by growing vegetation.

Analysis of the financial results

The consolidated revenue of DTEK Group for 2019 amounted to UAH 137,742 mln. Cost of sales went down to UAH 108,570 mln. Based on the annual results, net income amounts to UAH 12,592 mln.

Net operating cash flow for 2019 amounted to UAH 24,476 mln (in 2018 — UAH 29,326 mln). Capital expenditure increased by 16.6% to UAH 23,180 mln.

Consolidated financial indicators of DTEK Group, UAH mln*

Indicators	2018	2019	Change, +/-	Change, %
Revenue	157,619	137,742	-19,877	-12.6
Cost of sales	(121,273)	(108,570)	-(12,703)	-10.5
Operating income	571	2,318	+1,747	+306.0
Operating expense	(13,211)	(18,510)	+(5,299)	+40.1
EBITDA	42,897	32,768	-10,129	-23.6
EBITDA margin	27%	24%	-3 pp	-11.1
EBIT	28,303	19,129	-9,174	-32.4
EBIT margin	18%	14%	-4 pp	-22.2
Net profit	12,373	12,592	+219	+1.8
Assets	147,971	168,251	+20,280	+13.7
Capital investments	19,878	23,180	+3,302	+16.6
Taxes paid in Ukraine	26,724	23,394	-3,330	-12.5

* All data in the section "Analysis of the financial results" are provided on the basis of the consolidated statements of DTEK B.V.

Income

Income of DTEK Group is formed on the basis of the wholesale trading in the electricity market, sales of coal, gas and gas condensate, as well as electricity distribution to the end consumers. In 2019, in the consolidated revenue, income from the electricity sales to the end consumers in Ukraine and exports amounted to 47%, from the wholesale trading in the electricity market — 25%, from the electricity distribution services — 9%, from gas and gas condensate sales — 9%, from coal sales — 5%.

DTEK Group in the internal Ukrainian market generated the main amount of income — 90% of consolidated revenue (including compensation of difference in tariffs for heat). Share of income from the exports in consolidated revenue is 10%: based on the 2019 results, income from the export sales increased by UAH 2,416 mln compared to 2018 — to UAH 14,026 mln.

The following changes of income occurred in the key segments of the business:

- In 2018, income from the electricity distribution and supply in the internal market was UAH 63,310 mln, including income from the electricity distribution comprising UAH 8,060 mln and income from the electricity supply to the end consumers comprising UAH 55,250 mln. In accordance with a new mode of the electricity market, the distribution and supply functions were divided into separate areas to ensure independence of the activities. In 2019, income from the electricity supply to the end consumers reduced by 2.1% YoY and amounted to UAH 54,078 mln, income from the electricity distribution increased by 51.5% YoY and amounted to UAH 12,211 mln.

- In 2018, income from the electricity generation was UAH 59,389 mln. Due to the introduction of a new model of the electricity market, as from 1 July 2019, the 'single buyer' model according to which all participants interacted only through the Wholesale Electricity Market was no longer in force. In 2019, income from generation, including income from the electricity generation from the renewable sources, and wholesale electricity sales to the consumers amounted to UAH 39,681 mln;

- Income from gas and gas condensate sales reduced by 21.9% and amounted to UAH 12,469 mln compared to UAH 15,971 mln in 2018;

- Income from the coal sales reduced by 5.6% and amounted to UAH 6,511 mln compared to UAH 6,901 mln of the previous year. Income from the coal exports amounts to UAH 1,734 mln compared to UAH 1,641 mln in 2018.

Cost of Sales

In 2019, cost of sales reduced by UAH 12,703 mln and amounted to UAH 108,570 mln. A decrease in cost occurred due to reduction of expenses for the energy resources purchase in the external markets caused by a decrease in the electricity sales in 2019 compared to the previous year and implementation of TPPs unit transition programme.

Based on the 2019 results, gross profit is UAH 27,716 mln, which is by UAH 6,044 mln below the 2018 indicator. Gross margin reduced from 21.4% in 2018 to 20.1% in 2019.

Operating Expenses and Income

Based on the 2019 results, general administrative expenses increased by 32.0% and were UAH 4,793 mln. The main item of the general and administrative expenses are staff costs, including payroll taxes, which are 68.9% of total general and administrative expenses in 2019.

Sales costs increased by 35.7% and amounted to UAH 2,624 mln due to a rise in transportation costs.

Other operating expenses are UAH 6,886 mln. A change in the level of other operating expenses is mainly due to the accrual of provision for the impairment of the intangible assets and goodwill, as well as the accrual of provision for other liabilities.

Other operating income increased by 306.0% and amounted to UAH 2,318 mln. An increase in other operating income is mainly due to amortisation of the accounts payable and an increase in fair value of the financial instruments.

Assets

The assets of DTEK Group in 2019 increased by 13.7% compared to 2018 and amounted to UAH 168,251 mln. The book value of fixed assets increased by 14.1% — up to UAH 120,077 mln. Current assets increased by UAH 5,397 mln — from UAH 42,777 mln in 2018 to UAH 48,174 mln in 2019.

Liabilities and Equity

At the end of 2019, the equity amount was UAH 30,175 mln and included: share premium comprising UAH 9,909 mln, other reserves comprising UAH 19,619 mln, accumulated losses comprising UAH 9,980 mln and minority share comprising UAH 10,627 mln.

Amount of credits and loans reduced from UAH 77,983 mln at the end of 2018 to UAH 77,031 mln at the end of 2019. In 2019, DTEK Group restructured a significant part of the bank loans comprising UAH 5,796 mln by signing additional agreements, new facility agreements and conversion of some loans into Eurobonds.

In 2019, DTEK Group also took out several loans for financing of the renewable projects. UAH 2,025 mln at the interest rate EURIBOR +1.95% maturing in 2029 were raised from the consortium of German banks for construction of the second stage of Prymorska WPP. In addition, a loan amounting to UAH 555 mln at the interest rate of 7% per annum maturing in 2025 was raised from Ukrigasbank for construction of Orlyvska WPP. In 2019, DTEK Group placed the Green Eurobonds at Euronext Dublin for the amount of UAH 8,525 mln (EUR 325 mln) maturing in 2024 at the interest rate of 8.5% per annum.

In 2019, long-term financial liabilities reduced by 30.8% or by UAH 1,622 mln, and amounted to UAH 3,644 mln. Based on the 2019 results, accounts payable of DTEK Group increased by 13.9% from UAH 16,168 mln to UAH 18,413 mln. As of 31 December 2019, the prepayments received increased by 15.6% and amounted to UAH 8,846 mln.

Cash flows

In 2019, net cash flow from operating activities reduced by UAH 4,850 mln and amounted to UAH 24,476 mln. At the same time, cash flow from investing activities in 2019 increased by UAH 19,122 mln compared to 2018 and amounted to UAH 35,141 mln.

Net cash flow from financing activities in 2019 was UAH 8,023 mln.



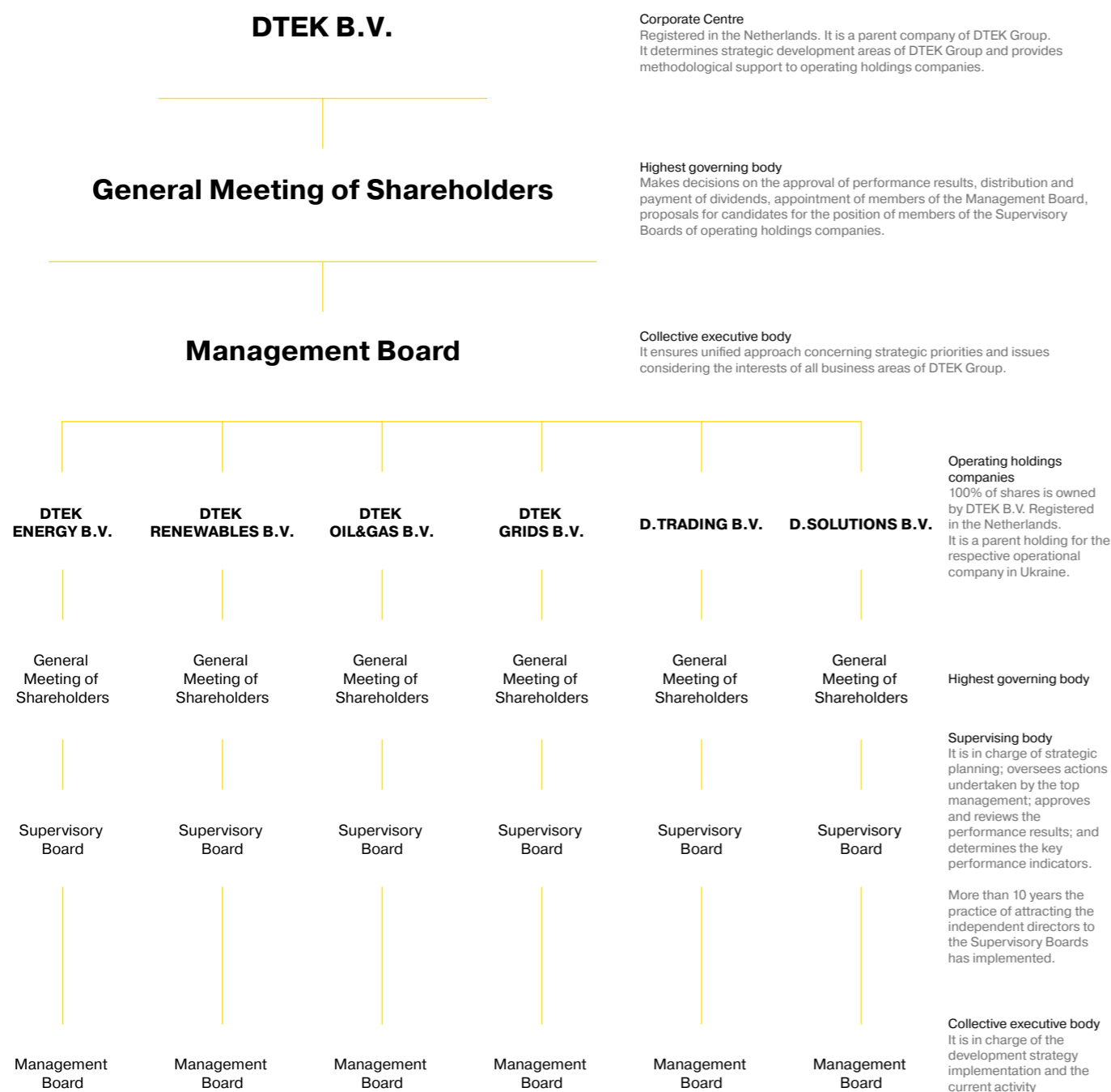
Corporate governance

- 1 Corporate governance structure
- 2 Supervisory Boards of the operating holdings companies
- 3 Risk management system
- 4 Compliance and corporate ethics
- 5 Dividend policy

Corporate governance structure

The corporate governance system of DTEK Group is based on the principles of disclosure and transparency. It provides respect for the stakeholders' interests, ethical decision-making, efficiency at all level of the governance system. This approach allows meaningful cooperation with investors, partners and employees supporting implementation of the long-term development goals and increasing the investment attractiveness of DTEK Group in the international capital markets.

DTEK Group constantly develops its corporate governance system in order to consider changes in the business and society needs. DTEK Group accepted division of the strategic planning and operational management functions. This approach allows for the equal development of new and existing business areas in line with the long-term development strategy and the achievement of goals set forth in ESG Strategy of DTEK Group.



Supervisory Boards of the operating holdings companies

The Supervisory Boards are charged with ensuring strategic management in each business area and also exercise control over the activities of management. Face-to-face meetings with management are held on a regular basis, during which plans and reports on the implementation of decisions are presented.

The personnel composition of the Supervisory Boards

DTEK ENERGY B.V.: Oleg Popov, Damir Akhmetov, Sergey Korovin, Iryna Mykh, Johan Bastin, Robert Sheppard, Catherine Stalker

DTEK RENEWABLES B.V.: Oleg Popov, Damir Akhmetov, Sergey Korovin, Iryna Mykh, Johan Bastin

DTEK OIL&GAS B.V.: Oleg Popov, Damir Akhmetov, Sergey Korovin, Iryna Mykh, Robert Sheppard

DTEK GRIDS B.V.: Sergey Korovin, Iryna Mykh, Johan Bastin, Catherine Stalker

D. TRADING B.V.: Sergey Korovin, Iryna Mykh, Johan Bastin

D. SOLUTIONS B.V.: Sergey Korovin, Iryna Mykh, Johan Bastin

Corporate Secretary of the Supervisory Boards of DTEK ENERGY B.V., DTEK RENEWABLES B.V., DTEK OIL&GAS B.V., DTEK GRIDS B.V., D. TRADING B.V., D. SOLUTIONS B.V. (non-voting) – Oleksiy Povolotskyi.



Oleg Popov

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

Oleg Popov graduated from Donetsk Polytechnic Institute in 1991 and from Donetsk State University in 1996. From 1991 to 2000, he worked in various state institutions. In 2020, Oleg Popov was invited to join SCM JSC as the Deputy General Director. From 2001 to 2006, he held the office of the Executive Director. From 2001 to 2006, he held the office of the Executive Director. He has been CEO of SCM JSC since January 2006. He is also the chairman of the Supervisory Boards of Shakhtar FC and FUJB PJSC and sits on the Supervisory Board of Metinvest B.V. His duties include approval of the key financial, investment and personnel decisions related to both the management company and SCM assets, and assessing the performance of the heads of these assets.



Damir Akhmetov

Member of the Supervisory Boards of DTEK ENERGY B.V., DTEK RENEWABLES B.V., DTEK OIL&GAS B.V., Chairman of SCM Advisors (UK) Limited

In 2010, he graduated from Sir John Cass Business School (City, University of London) with a MSc in Finance. Since February 1, 2013, he has been working at SCM Advisors (UK) Limited, and currently holds the office of Chairman. Damir Akhmetov is also member of the Supervisory Board of Metinvest B.V.



Sergey Korovin

Chairman of the Supervisory Boards of DTEK GRIDS B.V., D.TRADING B.V., D.SOLUTIONS B.V., Member of the Supervisory Boards of DTEK ENERGY B.V., DTEK RENEWABLES B.V., DTEK OIL&GAS B.V.

In 1993, Sergey Korovin graduated with honors from the Department of Applied Mathematics and Cybernetics of the Lomonosov Moscow State University. In 2002—2008, he worked at Danish and Russian offices of McKinsey & Company international consultancy. Since 2008, Sergey Korovin has been responsible for working with telecommunications companies and served as member of the Board of Microsoft office in Russia. In 2010—2017, he was Director of Energy Business Development at SCM JSC.



Robert Sheppard

Member of the Supervisory Boards of DTEK ENERGY B.V., DTEK OIL&GAS B.V., Independent Director and Chairman of IPM Advisors

In 1972, he graduated from the University of Wyoming, United States, and has a Bachelor's Degree in Physics and Mathematics. He graduated from the Columbia Business School in 1991 with an Executive MBA degree. He began his career in the oil industry at Amoco in 1972. In the mid-1980s, Robert Sheppard worked at Amoco Exploration as a Vice President. He was an Executive Director at GUPCO (Gulf of Suez Petroleum Company) from 1992 to 1995. Robert Sheppard was the President and General Director of Amoco representative offices in Argentina and Egypt from 1995 to 1998. He worked as a Chief Operating Officer, and then, as President of Sidanco from 1998 until it merged with BP. From 2002 to 2004, Robert Sheppard was a Senior Vice President at BP responsible for overseeing assets in Russia. Later on, he was appointed as General Director and then Non-Executive Director of Soma Oil and Gas. Currently, Robert Sheppard is Chairman of IPM Advisors consulting company.



Iryna Mykh

Member of the Supervisory Boards of DTEK ENERGY B.V., DTEK RENEWABLES B.V., DTEK OIL&GAS B.V., DTEK GRIDS B.V., D.TRADING B.V., D.SOLUTIONS B.V., Senior lawyer of SCM JSC

Iryna Mykh graduated from the law school of Ivan Franko State University in Lviv, Ukraine, in 1994. She later studied at the Osgoode Hall Law School, York University, Toronto, Canada. From 1996 to 2006, she was a senior lawyer at Silets'kyi and Partners law firm, an affiliate of Squire Sanders & Dempsey LLP, where she became a partner in 2006. From June to October 2008, she was a legal adviser to Ukrainian Agrarian Investments Group owned by Renaissance Capital. She then worked as Head of the Legal Department of Klub Syra Ltd. until June 2009. She held the office of Senior Attorney at the Voropaev and Partners law firm until 2017. Currently, Iryna Mykh holds the office of Senior Attorney at SCM JSC.



Catherine Stalker

Member of the Supervisory Boards of DTEK ENERGY B.V., DTEK GRIDS B.V., Independent Director

Catherine Stalker graduated from Heriot Watt University in Edinburgh, UK, with a Bachelor's degree and obtained her Master's degree from the London School of Economics. She began her career in 1991 at the Bank of England as a research analyst and banking supervisor. From 1995 to 2007, she worked at PricewaterhouseCoopers in Moscow and Berlin, where she was the Partner in charge of the client practice for HR management in the CEE-CIS region. She led client projects on executive compensation, organisational restructuring, and human resource management. Catherine Stalker is now based in the UK where she advises a range of companies on corporate governance, with particular focus on the efficiency of their boards.



Johan Bastin

Member of the Supervisory Boards of DTEK ENERGY B.V., DTEK RENEWABLES B.V., DTEK GRIDS B.V., D.TRADING B.V., D.SOLUTIONS B.V., Director of DTEK FINANCE PLC and DTEK INVESTMENTS Limited, Managing Partner of Iveaghhouse Capital Investment Advisors

Dr. Bastin holds a MSc in Urban Planning from the Eindhoven University of Technology in the Netherlands and Ph.D. in Regional Planning with a specialty in public administration and finance from the University de Montreal in Canada. He also attended the MBA programme at McGill University in Montreal. From 1985 to 1992, he served as Resident Team Director at Harvard University's Institute for International Development in Indonesia, providing advice to Indonesia's Minister of Finance on infrastructure investment, fiscal decentralization and privatization of state-owned companies. From 1993 to 2002, he held several senior management positions with the European Bank for Reconstruction and Development in London, UK, latterly as Business Group Director responsible for loans and equity investments in infrastructure, transport and energy utilities, municipal and environmental services and energy efficiency across the entire EBRD's geography. From 2002 until 2009, Dr. Bastin was Managing Director at Darby Private Equity, a major private equity fund manager and subsidiary of Franklin Templeton Investments, providing finance to companies in Central and Southeast Europe. From 2009 until 2015, he was CEO of CapAsia, an international fund and asset management company headquartered in Singapore and focusing on private equity investment in the infrastructure and energy sectors in South-east and Central Asia. Since mid-2015, Dr. Bastin is a managing partner of Iveaghhouse Capital Investment Advisors, a Netherlands based investment boutique, advising an international energy companies on corporate strategy, investment finance, renewable energy and M&A.



Oleksiy Povolotskyi

Corporate Secretary of the Supervisory Boards of DTEK ENERGY B.V., DTEK RENEWABLES B.V., DTEK OIL&GAS B.V., DTEK GRIDS B.V., D.TRADING B.V., D.SOLUTIONS B.V., Director of Corporate Governance, Risk Management and Compliance at DTEK LLC, Lawyer

Oleksiy Povolotskyi graduated from the law school of the Kharkiv University of Internal Affairs, Ukraine. Late on, he obtained a Master's Degree in the Scarman Centre at the University of Leicester, UK. Before becoming a lawyer at Squire, Sanders & Dempsey LLP, an international law firm, he taught law and held the position of the director of international relations department at the Kharkiv University of Internal Affairs. He has been working in DTEK since 2010. Currently, he is responsible for the development and maintenance of the corporate governance system throughout the DTEK Group, the development of a centralized risk management system, the implementation of compliance functions and anti-corruption policies, as well as building business continuity and business process management functions. He is a member of the Board of the Professional Association

Committees under the Supervisory Boards

There are advisory bodies that are called committees under the supervisory boards. The task of the committees is to consider specific issues and recommend solutions, provide support and advice to help the boards carry out their mission and tasks. Each committee holds regular meetings during the year.

Audit Committees under the Supervisory Boards of DTEK ENERGY B.V., DTEK RENEWABLES B.V., DTEK OIL&GAS B.V., DTEK GRIDS B.V., D.TRADING B.V., D.SOLUTIONS B.V.

Chairman:
S. Korovin (for all Supervisory Boards)
Committee Member:
I. Mykh (for all Supervisory Boards)

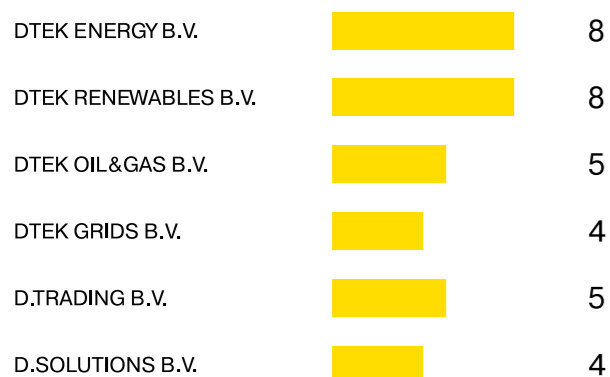
- Main tasks:**
- supervision the effectiveness of the internal control and risk management systems, internal and external audit. The Committee develops and provides recommendations for improving the operation of control systems and audit functions;
 - reviewing the validity and reliability of financial and other reports, including annual financial statements;
 - ensuring compliance with legal and regulatory requirements;
 - providing recommendations to the supervisory boards on the selection of an external auditor;
 - evaluating the quality and independence of internal and external audit.

Labour Safety and Environmental Protection committees under the Supervisory Boards of DTEK ENERGY B.V., DTEK OIL&GAS B.V., DTEK GRIDS B.V.

Chairmen:
R. Sheppard (DTEK ENERGY B.V., DTEK OIL&GAS B.V.),
J. Bastin (DTEK GRIDS B.V.)
Committee Member:
I. Mykh (DTEK ENERGY B.V., DTEK OIL&GAS B.V., DTEK GRIDS B.V.)

- Main tasks:**
- identification of occupational safety and environmental protection risks and the development of measures to minimize them;
 - determining strategic initiatives and targets to improve the occupational safety and environmental protection, monitoring progress on implementation;
 - reviewing the analysis of all serious incidents and remedial measures that have been taken;
 - reviewing the system of employee incentives to comply with the occupational safety procedures and standards with regard to remuneration;
 - preparing and approving emergency response exercises at DTEK Group enterprises.

Number of the Committee in-person meetings:



Participation in meetings by the Committee members: 100%

Nominations, Remunerations and Corporate Governance committees under the Supervisory Boards of DTEK ENERGY B.V., DTEK GRIDS B.V.

Chairman:
C. Stalker (DTEK ENERGY B.V., DTEK GRIDS B.V.)
Committee Members:
O. Popov (DTEK ENERGY B.V.),
S. Korovin (DTEK GRIDS B.V.)

- Main tasks:**
- ensuring the application of appropriate standards of corporate governance in the company's jurisdictions and, additionally, overseeing compliance with internal corporate governance standards of DTEK Group;
 - developing recommendations for the structure of the Supervisory Board and its committees, as well as the approach to corporate governance;
 - evaluating candidate profiles and providing recommendations to the Supervisory Boards on appointments to vacant positions on senior executive candidates;

- assessing senior executive performance on an annual basis and proposing remuneration levels to the Supervisory Boards;
- monitoring policies for motivating, assessing and remunerating senior executives;
- reviewing succession plans for key senior executive positions, and overseeing management development;
- agreeing the people strategy to underpin the business strategy;
- monitoring and evaluating management's approaches to HR management and employee engagement, development of an ethical and effective corporate culture based on DTEK Group's values;
- overseeing social initiatives and partnerships.

Number of the Committee in-person meetings:



Participation in meetings by the Committee members: 100%

Number of the Committee in-person meetings:



Participation in meetings by the Committee members: 100%

Risk management system

DTEK Group is continuously developing and improving its risk management system, which enables timely risk and opportunity identification and management. This allows for a quick response to changes in the internal and external environment, while maintaining operation efficiency and productiveness.

DTEK is a pioneer in risk management in Ukraine, launching a risk management practice in its activity in 2007. In 2018, it was decided to apply a centralized approach to risk management; involving internal controls and insurance to improve the risk management system. This approach ensured creation of a single center that builds and integrates the risk management system into the corporate culture of DTEK Group, increasing the efficiency of all key processes. Risk management is concentrated in the function of the Corporate Governance, Risk Management and Compliance. In order to transition to a centralized risk management system, a new model of interaction of all system participants has been approved, while a program of key initiatives and projects has been developed and is currently being implemented, the regulatory and methodological documents for the analysis of the full range of risks are also being adopted. In addition, business planning processes and approaches to business process model management, financial reporting are being updated, new tools for risk analysis and management, methods for monitoring and testing of internal controls are being implemented.

The risk management system is based on the conceptual foundations of COSO ERM and ISO 31000 international risk management standards, and also follows the requirements of the world's best practices of risk management in the energy sector. The function regularly evaluate the effectiveness of the risk management and internal control system, as well as monitors the implementation of

decisions to ensure and improve its efficiency. Such a multi-level management system enhances operational security, increases transparency and improves communication.

Basic principles of risk management:

- timely identification, assessment and management of risks and opportunities;
- ensuring that decisions are made taking into account the risks, opportunities and established risk appetite;
- support and improvement of the internal control system, promotion of the culture of detection and declaration of control deficiencies and identification of the root cause for their elimination;
- creation of an effective insurance protection system.

In order to create an effective insurance protection system, an interaction vertical for DTEK Group's risk management on insurance issues was built, the functionality was distributed at all levels of corporate governance. Created insurance programs meet the requirements of the legislation, contractors and the actual needs of each business. As part of the development of the DTEK Group's insurance protection system, the world's best practices and trends are used.

account the characteristics and requirements of each business process. This approach allows for the development of areas of responsibility and monitoring risks at all levels of management, as well as to develop targeted response plans.

Centralized risk management model of the DTEK Group

As part of risk management, a unified classification and a unified register are used to analyze and flexibly manage the identified or implemented changes. An owner is appointed for each category of risk, and the terms and tasks analysis are determined taking into



Compliance and corporate ethics

DTEK Group conducts its business activities in full compliance with the regulatory requirements of the jurisdictions where its enterprises and companies operate. The ethical business operations is a fundamental position of DTEK Group to be complied with by every employee.

A special division has been operating at the Corporate Centre since 2010 — the Compliance Service. It is headed by a Compliance Officer, whose areas of activities are permanently updated to comply with the changes in external environment. As of today, the following areas fall under responsibility of the Compliance Service: development of methodology and implementation of internal controls system for management of corruption risks, economic sanctions risk and insider information. Decisions and recommendations made by the Compliance Service are mandatory for all employees of DTEK Group. In 2019, the organisational model of the Compliance Service was reformed with positions of Compliance Coordinators launched at

the operating companies for efficient management of compliance risks at their assets in accordance with uniform standards and methodology of DTEK Group. The Compliance Coordinators report to the Compliance Officer of the Corporate Centre. The Compliance Service is under management of the Director of Corporate Governance, Risk Management and Compliance, which is directly subordinate to the CEO of DTEK and accountable to the Supervisory Boards of the operating holdings companies. An active support provided by the Supervisory Boards and Management of the operating holding companies for the initiatives of the Compliance Service facilitates the strengthening of compliance culture.

Business Ethics

DTEK Group pays special attention to the development of compliance culture, so it openly states on its anti-corruption standards and unacceptability of violation of economic sanctions.

DTEK Group continues to improve and enhance the effectiveness of the system of internal controls and mechanisms aimed at countering corruption. In order to develop the provisions of the Code of Ethics and Business Conduct, a new Anti-Corruption Program was approved in 2018. The program is developed in accordance with the best international practices and standards of corruption risk management, taking into account the provisions of ISO 37001:2016 Anti-bribery management systems, anti-corruption legislation and international acts on combating corruption of extraterritorial action (including the FCPA and the UKBA). In addition, the section on checking business partners for the corruption risk has been finalized and takes into account the recommendations of the Transparency International and the World Economic Forum.

Compliance with the Anti-Corruption Program is mandatory for all employees and representatives of DTEK Group. The Program directly prohibits any manifestations of corruption, including commercial bribery or remuneration for the simplification of formalities. In establishing business relations, preference is given to partners who share the principles of DTEK's Anti-Corruption Program and those who have an effective internal system of anti-corruption measures. All contractors that have the right to act on DTEK Group's behalf or represent its interests before any third parties, are subject to mandatory verification for corruption risks. At the same time, it is prohibited to cooperate with contractors or public organizations which were determined by the Compliance officer as having high corruption risk. Transactions with contractors that have a moderate corruption risk can only be carried out, if recommendations from the Compliance Service to help minimize the risk have been implemented.

Special attention is paid to compliance with economic sanctions imposed by the UN, the USA and countries, where the enterpris-

es and companies of DTEK Group are registered and operate. In accordance with the approved risk appetite, every single business partner shall be subject to vetting for sanction risk regardless of the amount and nature of the agreement. The identification of the sanction risk of the business partners shall be conducted on a daily basis through automated screening that compares the databases of the DTEK Group's counterparties with the database of the third-party specialised provides that aggregates sanction lists of all countries and companies. Moreover, the sanction risk is identified through the vetting of the counterparty, their ultimate beneficiary, direct and indirect shareholders, executive body to identify any alarm signs of sanction risk. DTEK Group does not operate in jurisdictions that have been subject to extensive US and EU sanction-based restrictions. In DTEK Group, it is impossible to conclude transactions with contractors that have a medium sanction risk without complying with the recommendations of the Compliance Service for risk minimization.

Key mechanisms of DTEK Group' compliance system

- Approval of the policies and procedures. Participation of the Compliance Officer is mandatory for approval of the local documents related to business processes (policies, regulations and procedures) carrying compliance risks.
- Assessment and management of compliance risks. The methodology for identifying and evaluating compliance risks is in place, for the management of which standard activities are identified and the risk appetite is regularly reviewed.
- Monitoring and testing of the compliance controls. The efficiency and sufficiency of the compliance controls are regularly audited by the Compliance Service and the Corporate Internal Audit Department. The audit findings are used for revising the compliance programme and updating the policies, regulations and procedures, and improving the automated controls in the company's business processes.
- Management of the sanction and corruption risks in joint ventures, merger and acquisition transactions. Prior to concluding a transaction, a compliance officer conducts a comprehensive check of an acquisition target, a seller and partner in joint business to identify the corruption and sanction risks, and after entering into transaction – to eliminate violations and risk of violations as well as to integrate an acquisition target into the unified compliance system of DTEK Group.
- Interactions with counterparties and intermediaries. Identification and assessment of risks is based on the risk appetite and due diligence metrics, sanction and corruption risks of business partners. Anti-corruption and anti-sanction clauses are included in all contracts with counterparties that is common practice in the international companies but not so common in local business. The clauses reflect the recommendations of both domestic and international legislation, international principles and the best international practices and the experience of enforcement of international sanctions regimes and anti-corruption legislation.
- Approval of agreements and transactions which potentially can carry high corruption risk. It is demanded that a compliance officer should approve transactions related to sustainable development, charity, sponsorship, donations, provision of a non-reimbursable financial assistance, merger and acquisition transactions. Obtaining an approval from the Compliance Service is also required to enter into agreements on representation of DTEK Group interests before any third party and issuance of power of attorneys.
- Assessment of the corruption risks and conflict of interests of employees. The risks are identified when a person is employed or transferred to another position or DTEK Group company. Besides, from 2011 we have operated an automated system of self-declaring of employees' potential conflict of interests and conduct annual declaration of conflict of interests aimed at mitigating the risks of such conflicts.
- Approval of business gifts and business hospitality. There is a system in place for recording and approving business gifts and business hospitality, which was automated in 2016. The Ethics and Business Conduct Code, Anti-Corruption programme, and internal Regulations impose restrictions on receiving and presenting business gifts and hospitality.
- Abuse reports and corporate investigations. DTEK Group employees and any third party has an opportunity to call to SCM hotline to inform about violations of the Ethics and Business Conduct Code. The Compliance Service takes part in the corporate investigations of some categories of such information (as part of an investigation team or as an expert).
- Training of the employees in the ethics and anti-corruption standards, fundamentals of the sanction compliance. Starting from 2017, these topics are included in the training programmes for all employees. The relevant e-learning course was developed. Moreover, some categories of managers and employees receive monthly training.

Insider information management

DTEK's debt securities (Eurobonds of DTEK Finance Plc and Green Eurobonds of DTEK Renewables Finance B.V.) are listed on two global stock exchanges, the Irish Stock Exchange and Euronext Dublin, which imposes a commitment to comply with listing and disclosure rules. As a result, DTEK Group has established rules for handling the insider information. In particular, the criteria for assigning information to the insider one have been determined, the procedure for forming and updating insider lists has been approved, and insiders are required to observe rules and restrictions on disclosing the insider information and conducting the Eurobond transactions to prevent offences in the securities market.

The register of insiders, in which persons who have access to insider information by virtue of their position or professional activity, is regularly updated. Maintaining this register allows the Compliance Officer to inform insiders promptly about obligations, responsibilities and prohibited practices, which simplifies the process of monitoring and supervising compliance with information disclosure rules and transparency rules established by foreign regulators.



Dividend policy

DTEK Group's dividend policy is based on the principle of maintaining a balance between the need to invest in the development of production capacities and the respect for shareholders' right

to participate in the distribution of profit. This approach is a decisive factor in the long-term growth of the shareholder value of DTEK Group's operating holding companies.



Sustainability

- 1 Sustainability
- 2 Environmental protection
- 3 Society
- 4 Employees

Sustainability

From the very beginning, DTEK has adhered to the principles of social partnership. Our experience shows that large projects are successfully implemented in a relationship based on trust, which is why development of cities and regions in which DTEK Group enterprises operate is fundamental. In order to safeguard long-term balancing between business development and the interests of society, the DTEK Group has integrated the UN Global Compact Sustainable Development Goals into its strategy.

Throughout its 15-year history, DTEK has implemented sustainable development projects that have attracted tens of thousands of Ukrainians and have been recognised nationally and internationally. "Energy efficient schools", "Come on, Let's play!", "Your hometown begins with you", Academy DTEK are just some of our initiatives, and they are all based on ESG principles. These projects have taught us to listen to the needs of communities and employees; respond to their needs; and to change for the better together. 2020 was the year for DTEK Group to launch a new long-term strategy based on the UN Sustainable Development Goals and in line

with ESG principles. In the new strategy, we seek to meet the interests of society in a broader context. That is why DTEK Group's sustainable development efforts are aimed at reducing environmental impact and resource management, improving industrial safety and maintaining staff health, conducting business ethically and adhering to anti-corruption standards, and having an open dialogue with society and employees. This approach is applied throughout the value chain and at all levels of business management: DTEK Group companies and enterprises are guided in their activities by the ESG Strategy and the SCM Sustainable Development Policy.

DTEK Group's ESG Strategy priorities



Sustainable development goals of the UN Global Compact in the context of Ukraine and DTEK Group



- 17 goals were approved by world leaders at the UN summit and officially entered into force on January 1, 2016.
- In 2016, Ukraine began adapting the Sustainable Development Goals to its context in order to create a national strategy framework document until 2030. This allowed indicators to be set for each goal to further monitor progress.
- DTEK Group is committed to the 12 Sustainable Development Goals, which are most critical in the day-to-day operations of its enterprises and companies.

DTEK Group implemented 12 UN Sustainable Development Goals in its ESG Strategy and is committed to making progress

<p>3 GOOD HEALTH AND WELL-BEING</p>	Investing in employee health and providing access to high quality health care.	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Following an open innovation approach with an emphasis on energy storage, artificial intelligence and robotics.
<p>4 QUALITY EDUCATION</p>	Guaranteeing continuous learning, implementation of educational programs for external and internal clients.	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	Ensuring a significant decreasing the company's impact on the environment and contributing to the development of cities and regions.
<p>5 GENDER EQUALITY</p>	Providing equal opportunities for all employees regardless of gender to unlock their full potential.	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Implementing the circular economy approaches to recover a significant share of the company's wastes.
<p>6 CLEAN WATER AND SANITATION</p>	Stabilising water consumption despite expansion of business operations.	<p>13 CLIMATE ACTION</p>	Strongly committing to the Paris Agreement goals and Ukraine's greenhouse gas targets.
<p>7 AFFORDABLE AND CLEAN ENERGY</p>	Leadership in the Ukrainian renewable energy market.	<p>15 LIFE ON LAND</p>	Planting trees and remediating sites with a focus on promoting biodiversity and protecting the ecosystem.
<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Pursuing zero fatalities and ensuring safe working conditions.	<p>17 PARTNERSHIPS FOR THE GOALS</p>	Enhancing public-private partnerships to assist Ukraine in achieving Sustainable Development Goals.

Sustainability management

The Sustainability Committee of DTEK, the Regional Policy Function of DTEK Energy, the executive office of DTEK Renewables, DTEK Oil&Gas, DTEK Grids plan and implement projects in the field of sustainable development.

Interaction with stakeholders is an important component of sustainable development. DTEK Group adheres to the principle of information transparency and provides stakeholders with full information about its activities. Partnerships and constructive dialogue are conducted on a systematic basis, which allows timely receipt of information about the interests and expectations of stakeholders.

Stakeholders:

- employees and their families;
- residents in areas where the company operates;
- NGOs;
- local governments, regional and central executive bodies;
- international organizations and investment communities;
- experts and think tanks;
- academic circles and the scientific community;
- media;
- the population of Ukraine as a whole.

Tasks of the committee:

- approval and updates to the strategy, as well as policies in the field of personnel management, including the concept of corporate culture, recommendations for consideration of internal candidates for participation in successor training programs for key positions;
- assessment of the labor protection management system;
- identification of challenges and approval of strategies for social development for the regions of enterprises' activity;
- coordination of environmental strategy;
- consideration of non-production issues that could significantly affect the performance of the company's business objectives.

Tasks of the function and executive offices:

- planning, implementation, monitoring of social projects and evaluation of their efficiency;
- interaction with stakeholders;
- promoting the development of corporate social responsibility in Ukraine;
- participation in Ukrainian and international initiatives to disseminate their experience and attract new practices in the field of sustainable development.

The main awards in the field of ESG for 2019

At the competition of the best corporate universities in the world Global CCU Awards 2019 in the nomination Corporate Responsibility, Academy DTEK was recognized №1. The victory was awarded for DTEK's contribution to improving the quality of education of employees of government agencies and institutions. Academy DTEK cooperates with almost 30 government agencies. Special training programs aimed at the development of professional and personal competencies have been developed and taught to their employees. Global CCU (Global Association of Corporate Universities) was established in 2005 and unites corporate universities of leading companies from more than 50 countries. Academy DTEK is the only representative of Ukraine in the Global CCU.

Project of DTEK and FC Shakhtar "Come on, Let's play!" is the best in Europe and Ukraine

In the pan-European competition of social projects More than Football Award 2019, "Come on, Let's play!", which is implemented with the support of the UEFA Foundation for Children, was recognized the best project. Thanks to this project, boys and girls aged 7 to 12 play football with coaches for free.

#Morethanfootball Action Weeks gives clubs the opportunity to inform the European football community about their social activities. 40 European clubs took part in the More than Football Award 2019 competition.

"Come on, Let's play!" also received the Partnership for Sustainability Award 2019 for its contribution to achieving the UN Sustainable Development Goals. 80 projects from four countries were submitted to the competition, initiated by the UN Global Compact Office in Ukraine.

Two DTEK Group companies have become the best in the field of labor protection

DTEK Dnipro Grids and Mine Office Pershotravens'ke won the Best Enterprise for Risk Management System nomination. The award ceremony took place within the framework of the VII International Scientific and Practical Conference "Labor Protection 2019". The

conference was organized by the journal Labor Protection with the support of the State Labor Service of Ukraine, State Institution Kundiiev Institute of Occupational Health of the National Academy of Medical Sciences of Ukraine and the International Labor Organization.

DTEK Renewables received the Eco-Oscar for the construction of solar and wind power plants

Thanks to development of RES the company reduce emissions by 2.6 mln tonnes of CO₂ per year, which is equivalent to emissions of 1.3 mln cars.

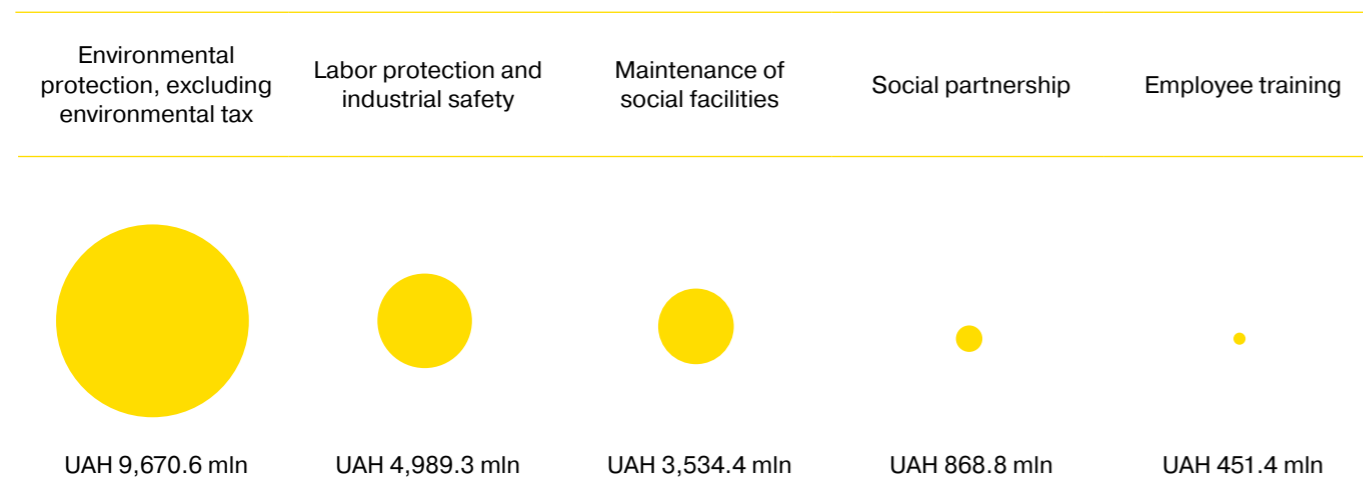
The award was received during the business forum of green changes ECO transformation 2019. This project was created to promote the formation of a new system of values in the business environment and to support the leaders of the business community who form a caring attitude to the land and care for the conservation of natural resources.

Membership in associations, international and national organizations

DTEK is a participant of the UN Global Compact and a member of the UN Global Compact Network Ukraine. DTEK is a member of the World Economic Forum and participates in the Energy Futures Initiative (EFI). DTEK is a member of the European Business Association, the European-Ukrainian Energy Agency, the U.S.-Ukraine Business Council (USUBC), the U.S.-Ukraine Foundation (USUF) and the Norwegian-Ukrainian Chamber of Commerce (NUCC).

DTEK is a member of the professional associations: the European Association for Coal and Lignite (EURACOAL), the Union of the Electricity Industry (Eurelectric), the European Energy Forum (EEF), the European Federation of Energy Traders (EFET), the European Distribution System Operators for Smart Grids (E.DSO).


Since its foundation, DTEK Group has invested UAH 19.5 bln in sustainable development



Environmental protection

The strategic objectives of DTEK Group include the introduction of modern technologies and best practices which minimize the impact of its production.

The UN Sustainable Development Goals in the field of environmental protection, which the DTEK Group has implemented in its ESG Strategy and is committed to making further progress.

UN goals and overall objectives	Tasks of the UN goals relevant to the activities of the DTEK Group	DTEK Group commitments at the level of the ESG Strategy
 <p>6 CLEAN WATER AND SANITATION</p>	Ensure availability and sustainable management of water and sanitation for all.	6.3. Reduce the discharge of untreated wastewater, primarily through innovative technologies of water purification at the national and individual levels.
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	Ensure access to affordable, reliable, sustainable and modern energy for all.	7.1. Expand the infrastructure and modernize networks for reliable and sustainable energy supply through the introduction of innovative technologies. 7.2. Ensure diversification of the supply of primary energy resources. 7.3. Increase the share of renewable energy in the national energy balance, in particular through the introduction of additional capacities at facilities that produce energy from renewable sources.
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Ensure sustainable consumption and production patterns.	12.4. Reduce the amount of waste generation, and increase recycling and reuse through innovative technologies and production.
 <p>13 БОРЬБА С ИЗМЕНЕНИЕМ КЛИМАТА</p>	Take urgent action to combat climate change and its impacts.	13.1. Limit greenhouse gas emissions in the economy.
 <p>15 СОХРАНЕНИЕ ЭКОСИСТЕМ СУШИ</p>	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.	15.3. Restore degraded lands and soils through innovative technologies.

The table contains targets under the SDGs identified by Ukraine as the priorities in the "Sustainable Development Goals: Ukraine. National report 2017".

Environmentally-related expenditure of the DTEK Group, UAH mln

	Capital investments			Operating expenses			Additional expenses			Total		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
DTEK Energy*	319	244.5	371.8	730.9	1,009.7	930.6	44.8	60.2	48.8	1,094.7	1,314.4	1,350.1
DTEK Renewables	—	—	—	0.2	0.7	0.8	—	—	—	0.2	0.7	0.8
DTEK Oil&Gas	29.3	55.2	—	0.8	2.2	2.9	0.5	0.03	0.03	30.6	57.4	2.9
DTEK Grids	0.05	0.3	—	0.5	2.1	3.8	0.8	2.4	3.5	1.3	4.8	7.3

* From 2019, the data of machine-building enterprises, in particular Corum Miner's Light JSC and Corum Druzhkivskiy Machine-Building Plant LLC, are consolidated.



Implementation of environmental protection standards

All enterprises of the DTEK Group are required to adhere and comply with the requirements and provisions of DTEK's Environmental Policy in their environmental activities. The document defines the following long-term goals in relation to environmental protection:

- protect the environment, including the prevention of pollution, rational use of resources, reducing the impact on climate change, protecting biodiversity and ecosystems;
- develop renewable energy and modernize thermal generation;
- comply with mandatory legal and other requirements adopted by DTEK;
- ensure the environmental safety of enterprises;
- constantly improve the environmental management system to improve environmental performance.

DTEK Group's approach to Environmental Impact Assessment

Preventing and minimizing the negative environmental impacts of DTEK Group operations is one of the main priorities of the organization's environmental activities. The structure of responsibility for the environmental management system is defined, the main elements of which are as follows:

- implementation, operation and improvement of the environmental management system in accordance with ISO 14001;

- auditing the environmental management system;
- identification and assessment of environmental risks and opportunities, development of measures to manage them;
- development and implementation of environmental programs (annual and prospective) in the field of atmospheric air protection, rational use of water resources, regulation of waste quality and groundwater in the areas hosting production facilities, waste management and land reclamation;
- conducting annual environmental trainings for all employees of enterprises;
- work with contractors and suppliers, in particular contracts with contractors must have a clause on their compliance with environmental legislation.

In 2019, DTEK Group's enterprises continued to implement internal regulations to meet the requirements of the ISO 14001:2015 standard, as well as conducted a series of audits for compliance with the standard.

Thus, in 2019, supervisory audits of environmental management systems at DTEK Eastenergy, DTEK Dniproenergy and DTEK Westenergy were successfully passed. For the first time, DTEK Myronivka CHPP was certified and TÜV SÜD Management Service GmbH received a 3-year certificate.

In addition, the audit companies confirmed that the environmental management systems at Wind Power, Prymorska WPP, Prymorska WPP-2, Wind Tech, Naftogazvydobuvannya, DTEK Dnipro Grids, DTEK Donetsk Grids, DTEK High Voltage Grids and DTEK Kyiv Grids meet the requirements of international standards. All employees of these companies are included in the certification.

During 2020, it is planned to conduct a certification audit for compliance with ISO 14001:2015 Kyivoblenergo, Odesoblenergo, as

well as three DTEK Renewables enterprises: Orlivska WPP, Solar Pharm-1 and Solar Pharm-3.

DTEK Group enterprises monitor their environmental impact in accordance with the requirements of current legislation.

For this, a control system has been built that covers the entire production cycle: emissions and discharges pass laboratory tests; waste accumulation sites are assessed for their impact on soil and air; atmospheric air and groundwater at the border of enterprises' environmental protection zones are taken for quality control; and environmental facilities and cleaning equipment are checked for compliance with technical conditions. Monitoring data make it possible to determine the degree of impact of production on the state of the environment and to make timely management decisions aimed at preventing and reducing the impact on the environment.

DTEK Energy's electricity generation enterprises ensure the operation of the Automated System of Environmental Indicators project.



Water resource

Water consumption

DTEK Group focuses its water resource management efforts around economic and efficient use at all its production facilities.

The project consists of five functional blocks: control over the state of flue gas monitoring systems; control over the condition of ash and slag pipelines, and ash dumps; informing about environmental emergencies; management of inspections of compliance with environmental legislation; and calculation of eco-tax.

DTEK Oil&Gas has set up a local regime monitoring network to monitor the quality of soils, groundwater and ground gases at the Semyrenkivske and Machukhske fields. The necessary information is constantly collected and analyzed, which makes it possible to identify and prevent the negative impact of production activities on the environment. On a quarterly basis, the company provides water and soil sampling, static water level measurement in observation wells and ground gas samples at the permanent control points of the observation network. In addition, DTEK Oil&Gas conducts water and soil research at points identified jointly with the communities of the settlements where the company operates.

DTEK Oil&Gas also takes atmospheric air samples at the border of the sanitary protection zones of its industrial facilities as part of its environmental monitoring. According to the results of many years of research, there is no negative impact of enterprises on the environment.

To ensure optimum water consumption, DTEK enterprises reuse water and use circulating water supply systems.

The largest volumes of water are used by the electricity generation enterprises of DTEK Energy. Most of the company's power plants reuse industrial water in the production cycle, working with a circulating cooling system in their main and auxiliary equipment.

Water withdrawal by DTEK Group's enterprises, mln cubic meters

	Surface water	Other sources	Water supplied by utilities system	Underground water	Total
2017	1,581.7	69.0	51.3	1.6	1,703.6
2018	1,298.5	69.0	6.5	1.1	1,375.2
2019	1,238.2	68.4	7.3	0.7	1,314.6

The exceptions are DTEK Zaporizka TPP and DTEK Prydniprovskaya TPP, which operate on a once-through water supply system. Almost the entire volume of industrial wastewater from thermal power plants is heat exchange water, which belongs to the norma-

tive-pure. In 2019, the company's power plants implemented a number of measures in the field of rational use of water resources and water treatment:

- DTEK Burshtynska TPP reconstructed the drinking water pipeline of the main building of the boiler-turbine shop. As a result, the loss of drinking water in the main building was reduced by 10,000 cubic meters per year;

- DTEK Dobrotvirska TPP started the second stage of reconstruction of the water deironing station, during which new filters for water purification were purchased and installed. The design result of the stage is to reduce the discharge of wash water by 95% and increase the productivity of the station. The end of the second stage is scheduled for 2020.

Rational use of water by mining and concentrating enterprises of DTEK Energy is ensured by the reuse of mine water for production needs and circulating water supply systems.

For example, in 2019, DTEK Pavlohradaska CCM continued to improve the closed water-sludge scheme of the enterprise, the introduction of which precluded the use of a sludge accumulator. The factory has completed the reconstruction of the hydroclassification unit of coal sludge and screw separation waste, which allows to reduce the volume of their formation and improve the state of the environment in the region.

The full closed cycle of the water-sludge scheme has also been implemented at DTEK Dobropilska CMM — water is returned to the enrichment process, and waste is taken to the waste heap. The implementation of such projects has reduced water use at DTEK



Emissions of pollutants into the atmosphere

All DTEK Group enterprises have received permit documents for emissions of pollutants into the atmosphere and operate in accordance with their conditions.

Since 2012, DTEK Energy has been reconstructing electrostatic filters when upgrading and reconstructing power units to achieve a residual dust content of exhaust gases no more 50 mg/m³, as required by Directive 2001/80/EC of the European Parliament and of the Council on the limitation of emissions of certain pollutants into the air from large combustion plants.

Exhaust gas monitoring systems have been installed on the gas cleaning equipment of the modernized power units for continuous control of pollutant emissions into the atmosphere. Also, all power plants have video surveillance systems installed that provide operators with additional operational information about the combustion modes in boilers.

In 2019, during the reconstruction of the gas cleaning equipment of DTEK Prydniprovskaya TPP power unit No.10, a new modern

Pavlohradaska CMM and DTEK Dobropilska CMM by 37.5% (from 1,452,000 cubic meters in 2017 to 907,000 cubic meters in 2019).

Wastewater discharges

DTEK Energy's enterprises continuously monitor the quality of wastewater, implement projects to modernize treatment facilities and reuse wastewater in technological cycles.

DTEK Energy TPPs monitor the quality of discharged wastewater and the status of groundwater to control the impact on surface and groundwater. Also, all TPPs monitor the quality of wastewater and groundwater in the area where ash dumps are located and work on the treatment of cooling reservoirs from bottom sediments.

The main activities aimed at prevention and minimization of wastewater discharges implemented by DTEK Energy TPPs in 2019:

- reconstruction of industrial drainage system was continued at DTEK Prydniprovskaya TPP (completion of works is planned in 2021). The implementation of the project will ensure the collection and supply of industrial water to treatment plants with their subsequent use in a closed hydro ash removal system.

In order to maintain the required water level in the reservoirs, increase the reliability and safety of their operation, DTEK Kurahivska TPP has built an additional gateway regulator of the open discharge channel.

electrostatic precipitator and a system of continuous monitoring of exhaust gases were installed. The implementation of this project allowed for the increase of the degree of flue gas cleaning to 99.8% and the reduction of dust emissions into the atmosphere to 50 mg/m³, which is in line with European standards.

In 2018-2019, DTEK Prydniprovskaya TPP installed two automatic stations for continuous monitoring in order to control concentrations of dust, carbon monoxide, sulfur dioxide and nitrogen of atmospheric air at the border of its sanitary protection zone.

DTEK Oil&Gas twice a year monitors compliance with the standards of maximum permissible concentrations of pollutants at the boundaries of sanitary protection zones and once a year monitors emissions of pollutants at emission sources in accordance with the conditions of permits for emissions into the atmosphere. According to the results of the measurements, the emissions do not exceed the permissible norms.

Gross emissions of pollutants into the atmosphere, thousand tonnes

	Solids	Sulfur oxides (SO _x)	Nitrogen oxides (NO _x)	Carbon monoxide (CO)	Total
2017	118.3	489.3	85.2	6.5	863.8
2018	112.6	431.4	78.2	5.1	771.8
2019	99.2	401.5	67.2	5.2	723.1



Greenhouse gas emissions and climate change

DTEK Group makes significant efforts to minimize the negative impact on the environment at all stages of the production process. Systematic ecological modernization of facilities ensures the reliability of production and meeting the requirements of European environmental standards.

In 2019, DTEK Group enterprises emitted greenhouse gases in the amount of 35,382.3 thousand tonnes in CO₂ equivalent*, which is 12% less than in 2018 – 39,610.5 thousand tonnes. One of the main factor for the reduction of greenhouse gas emissions is the increase RES electricity generation.

DTEK Energy's enterprises implement measures to reduce greenhouse gas emissions. Thus, DTEK Pavlohradcoal Stepova mine together with REGEN company implement a methane utilization project by high-temperature oxidation on the basis of a 1.6 MW Caterpillar cogeneration unit. The implementation of this project will reduce greenhouse gas emissions into the atmosphere by 57 thousand tonnes of CO₂ equivalent. The commissioning of the cogeneration unit is planned for 2020.

DTEK Renewables is one of the largest investors in the Ukrainian renewable energy sector. Each project of the company contributes to the achievement of Ukraine's strategic targets of the economy's decarbonisation. In 2019, the company reached its portfolio of implemented projects to 1,000 MW of RES installed capacity. This means that every year about 2,500 mln kWh of green electricity will be generated by the company — the equivalent of Ukraine's consumption for seven days. It also means that CO₂ emissions will

Gross greenhouse gas emissions by DTEK Group enterprises, thousand tonnes

	Nitrous oxide emissions	Methane emissions	Carbon dioxide emissions	Total
2017	0.5	158.4	40,162.2	40,321.2
2018	0.5	139.0	35,586.0	35,725.5
2019	0.5	145.1	31,194.9	31,340.5

*In calculating greenhouse gas emissions, global warming potential coefficients were used in accordance with the Fifth Report of the Intergovernmental Panel on Climate Change (IPCC): methane — 28, nitrous oxide — 265. In 2018, the following coefficients were used for the calculation: methane — 21, nitrous oxide — 310.

be reduced by 2,650,000 tonnes per year. To promote green energy and environmental education, DTEK Renewables has been implementing the Industrial Tourism program since 2016. About 50 excursions to wind and solar power plants were conducted, which were visited by more than 1,000 Ukrainian and foreign tourists during 2019.



Conservation and restoration of biodiversity

Ornithological safety of electrical equipment still remains a new issue for Ukraine's energy sector. If earlier power engineers only cared for the protection of power lines from damage and emergencies, but special attention is now paid to cooperation with ecologists and ornithologists.

According to research, birds are making increasingly use of power line pylons for nesting, used by them instead of trees in the open. White storks, stock dove, saker falcons, etc. all have been nesting on these structures. According to ornithologists, more than 50% of the white stork population nests on power lines — highlighting the comfort level of birds as they rest and look for prey.

DTEK Group's distribution system operators were among the first to introduce ornithological safety programs for power lines. In 2013, bird protection devices were installed for the first time. This measure makes it possible to address the issue comprehensively: not only to protect birds, but also to increase the reliability of electricity supply to consumers. After all, birds can cause short circuits, which lead to power outages in settlements and industrial facilities.

In addition, distribution system operators are implementing a number of projects to conserve rare bird species in protected areas. For example, since 2015, together with the Dnipro-Oril Nature Reserve, DTEK Dnipro Grids has been monitoring the impact of power lines on the aerial wildlife in the Dnipropetrovsk region, which primarily involves the protection of white storks. Monitoring allows to identify areas for the installation of bird protection devices.

205 km of power lines have already been inspected. In addition, in 2019, on the territory of the ornithological reserve "Bulakhivsky Lyman" 2.5 km of power lines are equipped with special markers. Markers with a light reflective element, which are visible at a distance of up to 15 meters (for two years of the project markers are installed during 5.3 km of power lines). This allows birds to safely bypass power lines at dusk or in bad weather. Studies by ornithologists conducted in 2019 confirmed the effectiveness of the installed devices.

234 casings (a cap made of insulating material covering the insulator and sections of wire on the sides) have been installed on the territory reserved for the Orilsky National Nature Park and in the

Nikopol district of the Dnipropetrovsk region. In addition, 835 protective umbrellas (caps) for insulators of high-voltage power lines have been installed in Dnipropetrovsk and Donetsk regions.

Every year, DTEK Grids experts monitor the appearance of new stork nests on pylons during the inspection of power lines in order to equip them in the future. In 2019, DTEK Dnipro Grids and DTEK Donetsk Grids transferred 32 white stork nests to special artificial platforms. DTEK Kyiv Grids installed platforms in Kyiv for the first time, and currently three platforms have been installed. A total of 157 nests have been transferred since 2013. In addition, in 2019, DTEK Dnipro Grids inspected five artificial sockets previously installed on the pylons of power line for the stock dove (Columba oenas), a species listed in the Red Book of Ukraine. Two nests are already inhabited.

DTEK Dnipro Grids involves children and youth to the protection of white storks, conducting the annual regional competition "Leleka" since 2015. In 2019, the winners of the competition were 13 children. The company also focuses on motivating employees to engage with environmental activities. Employees of the three structural divisions were awarded the transition cup "The Best in Taking Care of Nature" and monetary prizes.

DTEK Renewables continuously monitors populations of birds, bats and vegetation, annually exploring the impact of wind turbines on the environment. The monitoring covers the sites of all wind power plants of the company: Botievska, Orlivska, Prymorska and Prymorska-2. From 2018, ornithological monitoring is carried out in accordance with the recommendations of the Scottish Natural Heritage, the Equator Principles and the standards of international financial companies.

DTEK Group enterprises also take care of the protection of water fauna: special equipments have been installed at thermal power plants to protect fish and fry and to ensure the size of the fish population. In 2019, DTEK Luhanska TPP and DTEK Kryvorizka TPP upgraded and overhauled fish protection devices at water intakes.



Waste management and land reclamation

More than 99% of waste generated during the production activities of DTEK Energy’s enterprises is safe, but requires free land for disposal. Therefore, one of the key tasks of the company in the field of environmental protection is to increase the use of heavy waste — rocks and ash and slag materials (ASM), which enterprises are formed during coal mining and its combustion for electricity production.

ASM can be used in the construction industry for the production of cement and concrete, which will help reduce the use of natural raw materials and decrease greenhouse gas emissions. In Ukraine, the demand for secondary materials is insignificant and construction companies use only an average of 5-10% of the amount of waste generated at thermal power plants. In European countries, this figure can reach 95%.

All DTEK Energy TPPs are implementing programs to increase the use of fly ash and slag materials. During 2017-2019, two stages of the project “Technical re-equipment of the electrostatic filter of DTEK Ladyzhynska TPP power unit No. 1” were completed. The project is aimed at increasing the collection of dry ash in the amount of up to 50 thousand tonnes per year. Also, a project to organize the collection of dry ash has been launched at DTEK Prydniprovsk TPP power unit No. 10: in 2019, technical documentation for the construction of a pneumatic ash removal system has been developed, and in 2020 the project will be implemented. In order to accumulate dry ash, improve its technical characteristics and further use the material in a number of infrastructure and construction projects at DTEK Burshtynska TPP, silos are being reconstructed. Completion of the project is scheduled for 2020.

In order to prevent the allocation of new lands for the disposal of ash and slag waste, thermal generation enterprises are increasing dams of ash dumps using this material. In particular:

- DTEK Zaporizka TPP: the procedure of environmental impact assessment was passed and a positive conclusion was obtained about the possibility of further expansion of the ash dump. At present, exploration works have been carried out, design and estimate documentation has been developed for the construction of the dam of the 3rd and 4th tiers of the ash dump and work has begun on the construction of the 3rd tier of the ash dump using 761.5 thousand tonnes of ash slag;
- DTEK Burshtynska TPP: works on increasing the section No. 1 of the 10th tier of the ash dump No. 3 were performed, 348.5 thousand tonnes of ash slag were used. The procedure of environmental impact assessment was passed, a positive conclusion was obtained about the possibility of increasing ash dumps No. 1 and No. 2;
- DTEK Ladyzhynska TPP: the environmental impact assessment procedure was completed and a positive conclusion was obtained on the possibility of further expansion of the 3rd tier of the ash dump.

To prevent ash and slag waste from entering the environment,

sections of ash and slag lines are being replaced at thermal power plants. In 2019, a total of 3.6 km of ash and slag lines were replaced, in particular DTEK Dobrotvirsk TPP — 600 meters, DTEK Prydniprovsk TPP — 950 meters, DTEK Zaporizka TPP — 270 meters, DTEK Ladyzhynska TPP — 516 meters, DTEK Kurahivska TPP — 741 meters; DTEK Kryvorizka TPP — 145 meters, DTEK Myronivka CHPP — 350 meters

In 2019, the volume of utilization of ash and slag materials reached 1,532.5 thousand tonnes. Such a significant amount of utilization is due to the intensive use of ASM for the own needs of the enterprises (increase of ash dumps, etc.), for which DTEK Energy TPPs used 1,169.3 thousand tonnes. In addition, 363.2 thousand tonnes were transferred to external consumers for further use of ASM as a secondary raw material. Thanks to these measures, the total volume of utilization of ash and slag materials in 2019 amounted to 39% of the volume of their formation this year.

Another promising area for use of ash and slag materials is road construction. Expert opinions on the feasibility of using DTEK Energy TPPs (DTEK Ladyzhynska TPP, DTEK Burshtynska TPP, DTEK Dobrotvirsk TPP, DTEK Kurahivska TPP, DTEK Kryvorizka TPP and DTEK Prydniprovsk TPP) in road construction have been developed. The conclusions were approved by Shulgin State Road Research Institute.

In 2019, cooperation with the research institute was continued — a memorandum in support of pilot road construction in Ivano-Frankivsk region with the use of ash and slag materials was signed. The project is planned for implementation during 2020. This project will make it possible to replicate the use of ASM during the construction, reconstruction and overhaul of state and local roads.

DTEK Pavlohradcoal reclaims lands damaged in a result of mining operations annually. Reclamation is carried out in the method of backfilling rocks with sagging surface. Then a fertile layer is applied to the plot and biological reclamation is carried out: organic and mineral fertilizers are applied, land reclamation is carried out and agricultural crops are sown to restore fertility of the soil. In 2019, the technical stage of reclamation was completed with the application of a conditionally fertile layer on the territory of 14.3 hectares, and the biological stage of reclamation was performed on the area of 10.7 hectares. In addition, the company annually carries out compensatory deforestation, replacing plantations damaged in the process of mining operations. In 2019, the Pavlogradska, Ternivska, Blahodatna and Samarska mines planted 13 hectares of forest.

Coal processing enterprises have switched to using an innovative “green dump” technology in the construction of waste dumps. Clay banking is built for each tier of a dump as well as an internal drainage system and a fire-prevention protective layer. This approach reduces the environmental burden by eliminating the combus-

tion and contact of coal waste with the environment, while water will be diverted to the pond and reused in production. In 2019, DTEK Dobropilsk CMM performed construction and installation works on the second stage of construction of the “green dump”. Implementation of the project provides authorized and environmentally safe disposal of coal waste.

DTEK Energy also continues to reclaim land of ash dumps: in 2019, 300 trees were planted at DTEK Prydniprovsk TPP near the ash dump and sludge storage in the Shiyanka River Strait, and 1,000 trees were planted at DTEK Ladyzhynska TPP near the ash and slag dump.

In 2019, DTEK Grids distribution system operators also planted 245 trees and 835 bushes.

In the field of natural gas production, DTEK Oil&Gas apply modern technologies for the utilisation of waste products arising from the drilling of wells, which minimises the impact on the environment. Previously, drilling waste — sludge and wastewater — was collected in special waterproofed sludge barns, and after the completion of well construction work, the waste was subject to neutralization and disposal at well construction sites.

Since 2017, DTEK Oil&Gas has been applying high environmental standards and using a sumplless drilling method, which significantly reduces its impact on the environment. The sumplless drilling method involves cleaning the sludge with special equipment. The company provides treatment of the entire volume of drilling mud, after which the waste is transferred to licensed organizations for further treatment outside the fields, and the cleaned drilling mud is reused during drilling.

In 2019, DTEK Oil&Gas used the NDDM non-dispersive drilling fluid system for the first time, which reduced the total amount of drilling waste generated by almost 30% and made it possible to completely avoid discharges of excess drilling fluid and avoid diluting it with water.

After the construction of wells, the land is subject to reclamation and returned to the owner in a condition suitable for its intended use. In 2019, the company reclaimed 5.8 hectares of land.

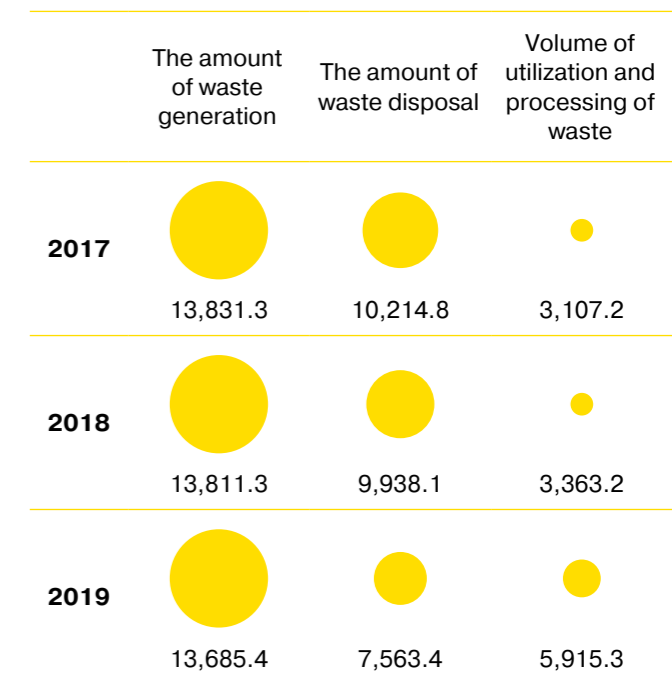
Handling and optimizing the use of hazardous substances and materials

One of the key initiatives of DTEK Group’s enterprises is optimization of the use of hazardous substances and materials. In 2019, continued work to reduce the use of asbestos-containing materials. Thus, the thermal generation enterprises performed partial replacement of asbestos-containing materials with alternative substances and materials during repairs, bricklaying and insulation of equipment.

In addition, distribution system operators been replaced 347 units of oil-filled equipment by hermetic oil transformers that do not require maintenance or by vacuum, gas-insulated, or with dry dielectric. These measures make it possible to increase the environmen-

tal safety of equipment and eliminate possible oil spills. In 2019, DTEK Donetsk Grids, DTEK Energougol ENE, Odesoblenergo, Kyivoblenergo joined the project of the Global Environment Facility and UNIDO “Environmentally sound management and final disposal of polychlorinated biphenyls (PCBs) in Ukraine”. In total, six distribution system operators became partners in a project aimed at investigating the possible content of PCBs in oil-filled equipment for cleaning in case of detection. Within the framework of the project in 2019, 286 samples of transformer oil were taken, and in 2020 it is planned to take more than 3 thousand samples. Enterprises are also replacing mercury-containing energy-saving lamps with LED ones. After the decommissioning of mercury lamps, safe LED lamps are installed for replacement. In particular, in 2019, 25 LED lamps were replaced at renewable energy facilities, 12,552 lamps were replaced by thermal generation enterprises, and 14,833 lamps were replaced by distribution system operators.

Waste management, thousand tonnes




Hazardous waste generated as a result of economic activity of enterprises is not more than 1 percent of the total amount of generated waste and is transferred to specialised enterprises that have a license for hazardous waste management. DTEK Group companies do not import, export (including international transportation) or process hazardous waste.

Society

A social partnership with the communities is a prerequisite for DTEK Group companies and enterprises, with the aim of building relationships based on trust. Enterprises implement Social Partnership Programs to improve the quality of life through sustainable social, economic and cultural development of communities.

The UN Sustainable Development Goals concerning social partnerships, which the DTEK Group has implemented in its ESG Strategy and is committed to making further progress.

UN goals and overall objectives	Tasks of the UN goals relevant to the activities of the DTEK Group	DTEK Group commitments at the level of the ESG Strategy
 <p>3 GOOD HEALTH AND WELL-BEING Ensure healthy lives and promote lifelong well-being for all at all ages.</p>	3.4. Reduce premature mortality from non-communicable diseases.	The DTEK Group pays significant attention to healthcare issues, ensuring that all employees have access to timely and quality medical care.
 <p>4 QUALITY EDUCATION Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p>	4.5. Increase the prevalence of knowledge and skills required for decent jobs and entrepreneurship among the population.	DTEK Group supports a number of projects aimed at improving access to education. Academy DTEK are implemented educational programs for external and internal stakeholders.
 <p>8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>	8.3. Increase the employment. 8.5. Promote a safe and secure working environment for all workers, including by applying innovative health and industrial safety technologies.	The DTEK Group promotes full employment and decent work for all employees, as well as the provision of reliable and safe working conditions.
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.</p>	9.1. Develop quality, reliable, sustainable and accessible infrastructure based on the use of innovative technologies, including environmentally friendly modes of transport.	DTEK Group implements social partnership programs to ensure sustainable development. The programs have five main directions: energy efficiency in the utilities sector, health care, development of socially significant infrastructure, support for the business environment and increasing communities activity.
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES Make cities and human settlements inclusive, safe, resilient and sustainable.</p>	11.2. Ensure the development of settlements and territories exclusively based on the principles of integrated planning and management with the participation of communities. 11.5. Reduce the adverse impact of pollutants, including on the urban environment, in particular, using innovative technologies.	DTEK Group establishes stable social partnerships with communities and local authorities in the regions where its enterprises operate in order to improve the standard of living those residents. Strategies for social and economic development are a tool for achieving goals in sustainable development. DTEK Group raises awareness of energy efficiency and promotes a responsible attitude towards consumption.
 <p>17 PARTNERSHIPS FOR THE GOALS Strengthen the means of implementation and revitalize the global partnership for sustainable development.</p>	17.3. Develop partnerships between government and business to achieve the sustainable development goals.	DTEK Group develops partnerships with international donor organizations and state funds for the implementation of joint sustainable development projects in territories where its enterprises operate. DTEK is also a member of the UN Global Compact and provides an annual report.

The table contains targets under the SDGs identified by Ukraine as the priorities in the "Sustainable Development Goals: Ukraine. National report 2017".

Social Partnership Programs

Cooperation with the territories where DTEK Group's production facilities operate through the implementation of Social Partnership Programs is a tool for achieving the sustainable development goals. Projects are developed jointly with local authorities, experts and the general public. On one hand, it both involves and unites people in solving acute and urgent issues of sustainable development. On the other hand, this approach allows communities to raise funds for projects from business and public funds, as well as from

international donor organizations.

Social Partnership Programs consist of interregional and local projects. Interregional projects are large investment projects implemented at the territorial level that unites several cities where DTEK Group companies operate. These projects solve common issues across all the territory involved. The task of local projects is to match the activities of enterprises and the needs of local communities. This approach makes it possible to take into account the needs of each community as closely as possible and thus reduce social risks.

Investments in the areas of Social Partnership Programs, UAH mln

	2013	2014	2015	2016	2017	2018	2019
Socially significant infrastructure	34.2	34.4	13.9	10.9	40.9	63.6	38.1
Increasing the activity of local communities	5.5	3.8	3.3	9.2	39.8	58.8	40.8
Energy efficiency in the utilities sector	45.9	25.7	12.7	23.1	86.6	38.5	11.4
Healthcare	32.2	11.1	10.1	1.5	3.3	6.4	4.2
Business environment development	12.8	2.6	0.9	0.8	2.0	2.1	0
Total	130.8	77.6	40.9	45.5	172.6	169.3	94.4

In 2019 was created, repaired, landscaped and equipped

Institutions in the field of education	70
Children's playgrounds and sports grounds	56
Utility networks (heat, water and gas pipelines, lighting)	55
Parks and recreational areas	22
Health facilities	18
Sports facilities and establishments	9

Number of projects under the Social Partnership Programs 2019

Socially significant infrastructure	42
Increasing the activity of local communities	14
Energy efficiency in the utilities sector	36
Healthcare	10
Total	102

In 2007–2019, 2,310 projects were implemented under the Social Partnership Programs, in which the DTEK Group invested UAH 1,302.6 mln.

Since 2013, social partnership strategies have been implemented. This has made social investment effective.



"Your Hometown Begins with You" interregional project

The main goal of the project is to develop public activity and initiative among the residents, to involve them in solving the problems of the territories. Thanks to the project, each resident has the opportunity to contribute to the improvement of the quality of life in their districts, cities and villages. By supporting the initiatives, the DTEK Group helps everyone understand their importance in ensuring sustainable development.

"Your Hometown Begins with You" is a competition of minigrants, to which residents can submit their project for the improvement of local facilities. Local communities are involved in the selection of the best projects: on the social partnership program website spp-dtek.com.ua online voting on each project is opened. Every year, more and more residents participate in the selection of projects. For example, in 2019, almost 104 thousand residents took part in the voting, which is 70% higher than the figure in 2018. In 2019, the company introduced two new criteria for selecting winning projects. The first is Smart City, which aims to encourage the use of modern technologies to improve the quality of life. The second is the development of cooperation between cities and rural areas. Also, in order to expand the target audience, additional benefits were provided for initiative groups that applied for minigrants in the areas of "Energy Efficiency" and "Ecology".

This competition has achieved important changes: the relations between the participants of the projects have become a true partnership, a systematic approach to planning and organizing joint work for the implementation of the project is being built. If at the first stages of the competition residents submitted proposals for the improvement of surrounding building grounds, recently they are offering more projects for the arrangement of urban space. Therefore, a large grant competition is held separately. In 2019, the competition covered 15 territories, whose communities submitted 45 ideas to change the public urban space. According to the results of online voting, the 15 best projects were selected, with each project representing its territory.

"Your Hometown Begins with You" has become a systemic project that teaches residents to work together to improve the quality of life

Indicators	2013	2014	2015	2016	2017	2018	2019
Number of settlements that took part in the project	18	19	15	38	42	55	62
Number of residents who took part in the project	5,600	6,535	5,918	7,222	16,000	16,400	20,050
Number of applications for minigrants submitted by the commissions	262	401	396	500	539	647	809
Number of winning projects by minigrants	105	167	140	210	268	305	263
The maximum size of the minigrant from the company, UAH	20,000	20,000	30,000	30,000	50,000	55,000	80,000
Number of applications for maxigrants submitted by the commissions	—	—	—	—	154	45	45
Number of winning projects by maxigrants	—	—	—	—	15	15	15
The maximum size of the maxigrant from the company, UAH	—	—	—	—	200,000 — 500,000	200,000 — 700,000	200,000 — 700,000
Attracting community co-financing, UAH mln	1.4	1.2	2.0	2.3	6.0	7.3	5.9



"Energy Efficient Schools: New Generation" interregional project

"Energy Efficient Schools: New Generation" is an innovative educational program on energy efficiency for schoolchildren in grades 4-11, aimed at educating environmental values, responsible attitude to energy consumption and the formation of skills for rational energy use. The program is on the open online platform energyschool.org.ua which has provided equal access to modern teaching methods for both urban and rural schools. Only 6 rural schools took part in the project in 2015, and their number increased to 195 in 2019.

Under this project, schoolchildren already study three courses — "Fundamentals of Energy Supply and Energy Saving", "Alphabet of Housing and Utilities Management" and "My Energy Efficient Home". The Ministry of Education and Science of Ukraine has ratified all these courses, which were developed with the company's involvement. And in 2018, educators began selecting schools to participate in a national experiment aimed at implementing these courses in the compulsory school curriculum. This three-year experiment started in the 2019-2020 school year, it was attended by 24 schools in Dnipropetrovsk region. In addition, in 2019, several novations were introduced for the development of the project. For the first time, a pilot course on energy efficiency was tested for a primary school, which was joined by 20 schools. An independent learning format has also been introduced, which allows students to study online courses without the involvement of school leaders. The new format of education covered more than 1,500 schoolchildren.

Development Institute (Ukraine). Now Bulgarian schoolchildren together with Ukrainian peers will learn to save energy for the future. DTEK is committed to sharing expertise and supporting the Energy Efficiency Center in implementing the project in Bulgaria.

The implementation of the project on an open online platform allows to create virtual classes where schoolchildren from different cities and regions study. In the 2019-2020 school year, 30 interregional classes were created, not only allowing students to successfully study, but also took part in the online game "Smart Home". Also, participants of interregional classes at the beginning of the school year traveled to partner cities, where they competed in the brain-ring on energy efficiency and organized together eco-actions dedicated to the International Earth Day.

The interregional training format of "Energy Efficient Schools: New Generation" received support for further development through a Memorandum of Cooperation for the implementation of the program "Let's change the country together". The company signed this Memorandum with the governors of Ivano-Frankivsk, Lviv, Donetsk and Luhansk regions, and all parties confirmed their intention to jointly develop the project in its interregional format.

In 2019, the project became international thanks to a Memorandum of Cooperation concluded between the Energy Efficiency Center (Bulgaria) and the Municipal

"Energy Efficient Schools: New Generation": schoolchildren from 500 localities joined the study

	1 wave	2 wave	3 wave	4 wave	5 wave	6 wave	7 wave
Number of schools	11	55	150	79	858	1,257	1,602
Number of localities	1	20	11	32	475	476	500

Due to the implementation of the project on an open online platform, the number of rural schools that have joined it is increasing every year. In 2019, they accounted for 36% of the total number of schools.

The project's methodological and organizational support is provided by the All-Ukrainian Charitable Organization "Municipal Development Institute". The Institute estimates that each thousand schools participating in the project can save up to 5,200 MWh, which reduces CO₂ emissions by 4,742 tonnes.



Interregional project "Come on, Let's Play!"

"Come on, Let's Play!" is a joint project with FC Shakhtar, which aims to develop mass children's football and promote a healthy lifestyle. This is a project in which there is a place for boys, girls, children with special needs.

In Ukraine, such unique initiatives are only possible with the support of big business, because they require the development of sports infrastructure. In such projects, business becomes a partner to society and local communities in creating new opportunities for all children regardless of where they are from.

DTEK Group supported this project because it is convinced that mass children's football is useful not only for sports, but also for social development. From an early age, children cultivate team values, acquire the habit of leading a healthy lifestyle and are inspired to further self-realization.

Project "Come on, Let's Play!" open to all children aged 7 to 12 years. Children are trained in football for free, providing all the necessary equipment. They practice three times a week with qualified volunteer coaches. DTEK and FC Shakhtar jointly organise regular competitions for young players and professional training, internships and master classes with European specialists for their coaches.

In 2019, more than 4,500 children played football on 66 football

fields, 10 of which were opened in the cities where DTEK Group companies operate. During the entire implementation of the project, 18 football fields "Come on, Let's Play!" were opened with the support of the DTEK Group.

"Come on, Let's Play!" received two awards in 2019. The project became the best in the competition More than Football Award 2019, passing almost 40 European football clubs. The award ceremony took place at Camp Nou Stadium as part of the 13th European Football for Development Network conference. The second prize was awarded to the Partnership for Sustainability Award 2019, which is held by the UN Global Compact in Ukraine. "Come on, Let's Play!" became the best in the category "Society".





5 key areas of Social Partnership Programs

DTEK Group implements Social Partnership Programs in 56 territories where its enterprises operate. Social investments are allocated in five key areas: energy efficiency in the utilities sector, health care, development of socially significant infrastructure, development of the business environment, increasing local community activity.

1. Energy efficiency in the utilities sector

Energy efficiency is a driver of sustainable economic development in Ukraine. DTEK Group invests in projects aimed at improving the energy efficiency of the utilities sector and social infrastructure, which is an important factor in the quality of life of communities.

The most significant projects of 2019 were:

In Kamianka-Buzka district of Lviv region, three social institutions were reconstructed. In the premises of the Center for Children and Youth Creativity, where more than 600 children study, a modular boiler room with a remote data transmission device via GPRS was installed and connected to the heating network; in the music school, where 200 children study, separate boiler rooms have been overhauled and new gas boilers have been installed; in the territorial center, which serves more than 400 residents of the city and surrounding areas, the replacement of furnace heating with a boiler room.

In 24 condominiums in Dobropillia, Donetsk region, buildings were scanned and with the help of the TREND 1.0 software package, information materials on the condition of buildings, possible measures to reduce energy consumption, necessary investments, and the expected savings effect were prepared. Energy certification of buildings was conducted for 4 condominiums — certificates approved by the State Agency for Energy Efficiency and included in the online database of energy certificates.

The country's housing and communal services sector faces the challenge of meeting modern needs and creating a culture of energy efficiency. In 2018, the DTEK Group launched the TREND project to create effective energy saving tools for residents. The project has a single algorithm for all cities due to the implementation on the online platform TREND 1.0, energytrend.org.ua, which is the author's development of the Institute of Local Development. The platform includes services for monitoring and managing energy consumption, technical, economic and financial modeling of apartment building management, implementation of energy efficiency measures and management accounting, as well as distance learning programs.

In secondary schools in the village of Pivdenne and the village of Primiske in the Dnipropetrovsk region, old windows and doors have been replaced with energy-saving ones, and in the school in the village of Oleksiivka the heating system has been overhauled. Now more than a thousand children will be able to study in warmth and comfort.

Under the DTEK Oil&Gas social partnership program, it financed the replacement of windows for schools in the Machukhiv United territorial community in the Poltava region. Schools in the villages Ploske and Poluzirya, with more than 150 students, have 70 new windows. The replacement of windows in schools is a project that has been implemented since 2018 for the community. Creating comfortable learning conditions is necessary. In the Machukhiv secondary school, for example, where more than 280 children study, the windows have not been replaced since the school's construction in 1987, while in the village Poluzirria, the school has undergone maintenance since 1993.

2. Health care

DTEK Group pays great attention to health care issues so that employees and residents receive timely, high-quality medical care. To this end, investments are systematically directed to the reconstruction of medical facilities and the purchase of modern equipment.

The most significant projects in 2019 were:

• Vinnytsia: a mobile X-ray machine was purchased for the Vinnytsia Regional Children's Clinical Hospital, where more than 16,000 children are treated annually. The device is needed by the hospital to provide highly specialized emergency and planned medical care, surgical practice of minimally invasive methods of surgical interventions. The advantage of this device is the reduction of radiation exposure when examining children.

An automatic coagulometer was purchased for the Podilsk Regional Oncology Center, where more than 10,000 patients are treated annually in inpatient departments and almost 6,500 surgeries are performed.

• Kamianka-Buzka district (Lviv region): the Medical Care Center was overhauled, and an automatic biochemical analyzer and a set of reagents were purchased for the clinical-diagnostic laboratory of the Central District Hospital, which is designed for 250 patients.

• Prymorsk (Zaporizhzhia region): The Central District Hospital is provided with computer equipment and working conditions have been created with the central database of the electronic health care system.

• Prymiske village (Dnipropetrovsk region): windows and doors in the rural outpatient clinic have been replaced with energy-saving ones.

• Shyshatskyi district (Poltava region): modernization of Shyshatskyi district hospital was continued. In 2019, the facade and ramps of the children's department were overhauled, as well as medical equipment was purchased. In recent years, DTEK Oil&Gas has financed a comprehensive reconstruction of the district hospital by UAH 8.3 mln. Thanks to this, the children's ward of the hospital has created a quality medical base and comfortable conditions for the simultaneous treatment of 19 patients under the age of 15.

• Kovalivka, Solontsi, Kovanchyk (Poltava region) villages: three outpatient clinics of primary medicine have been arranged.

3. Development of socially significant infrastructure

DTEK Group supports projects aimed at improving the quality and accessibility of social services, solving acute problems of important infrastructure elements, and improving access to education and leisure.

The most significant projects in 2019 were:

• Burshtyn (Ivano-Frankivsk region): thanks to the efforts of DTEK Energy, Burshtyn City Council and the EU ULEAD Program, the building of the old pharmacy was reconstructed into the Center for Administrative Services. More than 35,000 city residents will be able to receive passport office services, register their place of residence or business, resolve issues with their rent or the privatization of property, etc. in the new comfortable premises.

• Dobrotvir urban-type settlement (Lviv region): the premises of the Strumochok kindergarten, which is attended by more than 150 children, have been overhauled. Renovations were made in the children's bedrooms, playrooms and bathrooms, as well as new furniture for kids. Thanks to the project, the best living conditions have been created in the kindergarten, which should also have a positive impact on the quality of children's upbringing.

In addition, a new modern boathouse was built for Dobrotvir children's and youth sports school, where ten boats for kayaking and canoeing will be stored; reconstructed gazebo in the form of a wrought-iron ship, which is located on the banks of the Western Bug, and it will be an interesting object in the village for the development of tourism.

• Dobropillia (Donetsk region): the roof of the House of Culture, the only cultural center in the city, which is visited by more than 3,000 children annually, has been repaired.

• Pryvovchanske village (Dnipropetrovsk region): reconstruction of Central square has started — the only place for recreation and cultural leisure of 900 inhabitants of the village. This project is co-financed by the company, and its value lies in the joint work of business, community and local government to improve people's living conditions.

• Tryfonivka village (Kherson region): the first stage of lighting reconstruction was carried out on four main streets of the village.

• Chkalovo village (Dnipropetrovsk region): the second stage of reconstruction of the water supply network was carried out, now even more villagers are provided with drinking water.

• Prymorsk (Zaporizhzhia region): the water supply system with a length of more than 1.3 km was overhauled with the replacement of the asbestos-cement pipeline. This allowed to provide quality water to local residents.

• Rainivka village (Zaporizhzhia region): the village club was overhauled and a playground was installed.

• Oleksiivka village (Dnipropetrovsk region): the dining room and kitchen in Oleksiivka Secondary School were renovated.

• Pokrovske village (Dnipropetrovsk region): a minibus was purchased for sports teams of the local children's and youth sports school, as well as a tractor for the needs of the village.

• Velykosorochynska United Territorial Community (Poltava region): the dining room of Velykosorochynska Secondary School of the 1st – 3rd grades was overhauled.

• Savyntsi village (Poltava region): the external drainage system of Savyntsi Secondary School of the 1st – 3rd grades was reconstructed.

4. Increasing the activity of local communities

It is important for the DTEK Group to promote the development of community initiatives in public, artistic and sports life, as the change in quality of life depends on the activity and initiative of everyone.

In 2019, the key became citywide events of various formats of socio-cultural and sports, including:

• Ladyzhyn (Vinnytsia region). For the first time in the Vinnytsia region, the International Festival of Wooden Sculptures "Ladyzhynsky Grove 2019" was held, to which 5 master sculptors from Ukraine, Lithuania and Belarus were invited. Their sculptures adorned the local arboretum.

During the festival, the sculptors showed their skills at the show speed-carving — in 1.5 hours they created 5 sculptures up to 1 meter. All works were sold at a charity auction, and the funds raised were donated to the treatment of two schoolgirls from Ladyzhyn.

Residents of the city not only observed the work of master sculptors at the festival, but also took part in the arranged locations: 211 schoolchildren attended excursions-lectures to the member of the National Union of Architects of Ukraine and art critic Inna Berezina, 15 creative groups of Ladyzhyn fair 17 masters held 16 art master classes. The project covered almost 10 thousand people (residents and guests of the festival).

• Dobrotvir urban-type settlement (Lviv region). The children's and youth sports contest "United Country" gathered more than 400 athletes. This event has been held in the village annually since 2015 and has already become a tradition. In 2019, children from 24 energy cities of Ukraine and Poland took part in the Games. But most participants came from Burshtyn, Energodar, Shchastia, Kurakhove. Young athletes competed in two sports: football and kayaking and canoeing.

• Zelenodolsk (Dnipropetrovsk region). The traditional festival "ENERGYFEST: new generation" took place. It is annually visited by 5–7 thousand residents and guests of the city. The main task of the festival in 2019 was the integration into the program of social activities — sports, educational, health and entertainment to attract guests to active participation. For this purpose, a water parade, sports competitions, master classes for children and adults were held. In addition, art spaces, photo zones, ecolocations, a musical evening with the group TamerlanAlena were organized.

• Halytskyi district (Ivano-Frankivsk region). Two ecological projects have been implemented — a bicycle route has been laid

and an observation point for rare birds has been set up.

In order to increase the tourist attractiveness of small towns of Ivano-Frankivsk and Lviv regions, an ecological bicycle route with a total length of 42 km has been laid, which runs in Kamianka-Buzka district along the Western Buh River and around the Burshtyn Reservoir. As part of the second project, an artificial bird mini-bridge and observation point (a wooden house with an area of 10 m²) was set up at the Burshtyn Reservoir, 4 information stands and a booklet about birds were created. This project covered almost 200 ornithologists, researchers, popularized new birdwatching routes, as well as carried out a number of events to form the ecoculture of the local population.

5. Development of the business environment

DTEK Group enterprises operate mainly in single-industry town. For the development of economically self-sufficient communities, small and medium-sized businesses are supported to stimulate the creation

of new jobs and attract investors to the regions. This will help increase tax revenues to local budgets.

The implementation of projects aimed at attracting financing and creating opportunities for business development in the cities where DTEK Group companies operate has continued.

In 2017, a pilot project was launched — the Center for Entrepreneurship Support, which was opened in Dobropillia (Donetsk region) in order to provide expert support to local businesses.





This project has become relevant and in demand by the community. In 2019, the Center provided local entrepreneurs with about 137 consultations on the preparation of business plans for submission to competitions of international donor organisations. One of them received a grant of UAH 249.8 thousand from UNDP, which will create four jobs. Another project won the competition of the International Organization for Migration and received a grant of UAH 80,000. The Center also helped develop more than 20 business plans for the development of small and medium enterprises.



Employees

People are our main value and the source of DTEK Group's competitive advantage. Only a team of professionals can perform ambitious tasks, that is why the DTEK Group actively develops key success factors — the talent and potential of its employees through investments in the development and implementation of an innovative culture in production and management. A system of continuous personal development has been created for each employee, and personnel management processes are trained by managers at all levels. This supports a constructive work environment that enables effective work and self-realization in the profession.

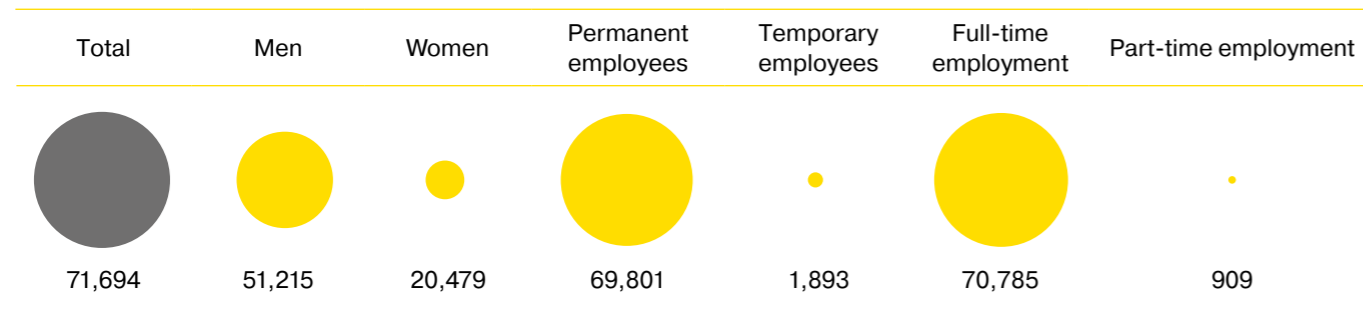
The UN Sustainable Development Goals for Human Resources Management, which the DTEK Group has implemented in its ESG Strategy and is committed to making further progress.

UN goals and overall objectives	Tasks of the UN goals relevant to the activities of the DTEK Group	DTEK Group commitments at the level of the ESG Strategy
<p>3 GOOD HEALTH AND WELL-BEING</p>  <p>Ensure healthy lives and promote lifelong well-being for all at all ages.</p>	<p>3.4. Reduce premature mortality from non-communicable diseases.</p>	<p>The DTEK Group pays significant attention to healthcare issues, ensuring that all employees have access to timely and quality medical care.</p> <ul style="list-style-type: none"> • Implementing health improvement programs for employees and members of their families, voluntary health insurance is also provided. • Implementing current occupational safety measures. • Promoting a healthy lifestyle and responsible health behavior.
<p>4 QUALITY EDUCATION</p>  <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p>	<p>4.5. Increase the prevalence of knowledge and skills required for decent jobs and entrepreneurship among the population.</p>	<p>DTEK Group supports a number of projects aimed at improving access to education. Educational programs for external and internal stakeholders have been implemented. Employees, under the development of professional competencies, are given free education opportunities in the Academy DTEK.</p>
<p>5 GENDER EQUALITY</p>  <p>Achieve gender equality and empower all women and girls.</p>	<p>5.6. Expand economic opportunities for women.</p>	<p>DTEK Group provides a level playing field for all employees to reach their full potential and promotes career development regardless of gender.</p>
<p>8 DECENT WORK AND ECONOMIC GROWTH</p>  <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>	<p>8.3. Increase the employment. 8.5. Promote a safe and secure working environment for all workers, including by applying innovative health and industrial safety technologies.</p>	<p>The DTEK Group promotes full and productive employment and decent work for all employees, as well as the provision of reliable and safe working conditions.</p>

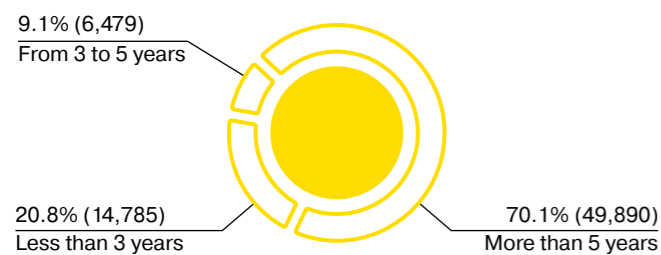
The table contains targets under the SDGs identified by Ukraine as the priorities in the "Sustainable Development Goals: Ukraine. National report 2017".



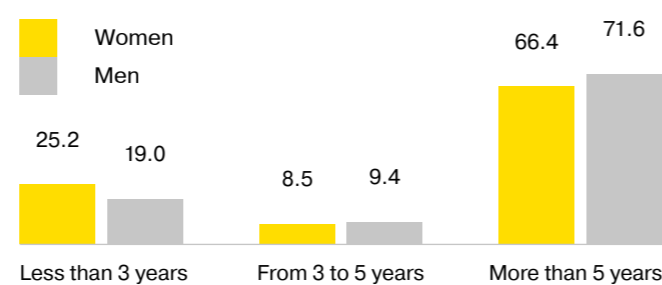
Total number of DTEK Group staff in 2019, persons



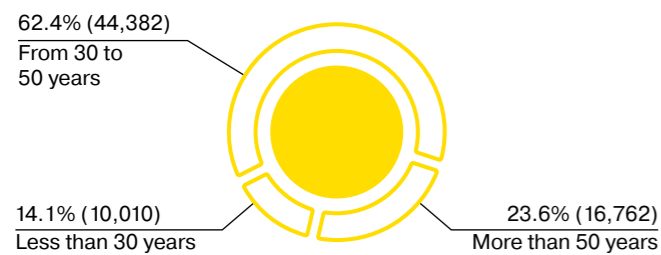
Professional experience in the DTEK Group, % of the total number (persons)



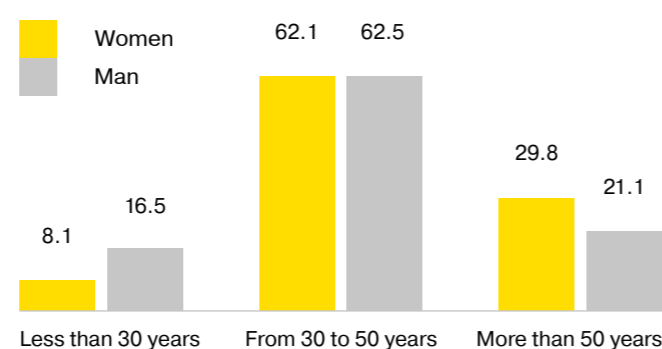
Gender aspect: experience in the DTEK Group, % to its gender



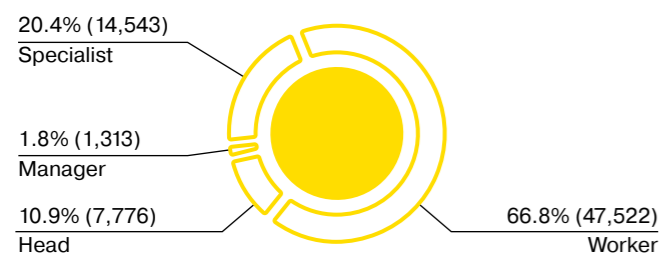
Age structure of staff, % of the total number (persons)



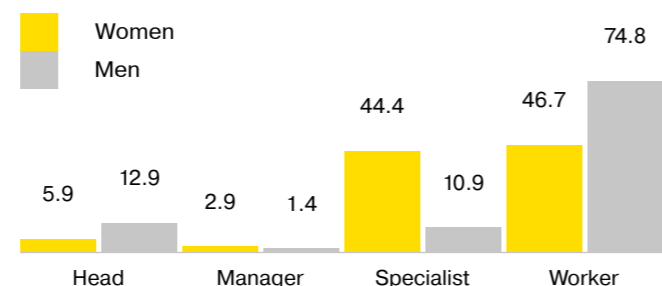
Gender aspect: age structure, % to its gender



Categories of staff, % of the total number (persons)



Gender aspect: organizational position, % to its gender



One third of DTEK Group employees obtained a higher education, of which 23 employees have a degree.



Approaches to HR management

DTEK Group's HR management system is harmonized with the legislation of Ukraine, industry regulations and internal rules.

The HR management strategy aims to:

- ensure equal opportunities for all employees;
- attract the best specialists in the labor market;
- ensure a decent level of remuneration and reward of employees;
- develop the potential of employees;
- cultivate a unified corporate culture.

A system built in this way is an effective tool that provides opportunities for employee initiative.

DTEK Group respects the right of employees to form trade unions and other associations representing their interests. Operating companies cooperate with these organisations and have an open dialogue with them. This ensures that potential problems are identified and resolved in a timely manner. Another guarantee of protection of the interests and rights of workers — collective agreements. The agreements contain provisions on remuneration, social benefits, benefits for non-working pensioners, and obligations in the field of labor protection and staff training. Each year, senior management reports on compliance with the terms of the agreements. To maintain a permanent bilateral dialogue, a number of mechanisms are used to convey the views of employees to senior management:

- interaction with trade unions and regular meetings with trade union leaders;
- meetings of enterprises' heads and profile directorates with labor collectives;
- meetings of company leaders with public opinion leaders;
- personal reception of employees by the enterprise director and HR-manager;
- HR days, where HR-managers meet with employees directly at the workplace and answer questions, inform about projects, initiatives, HR activities, as well as provide feedback on the status of issues received at previous meetings;
- sociological surveys of employees;
- organization of collection of appeals, comments and suggestions of employees.

Payment, remuneration and benefits

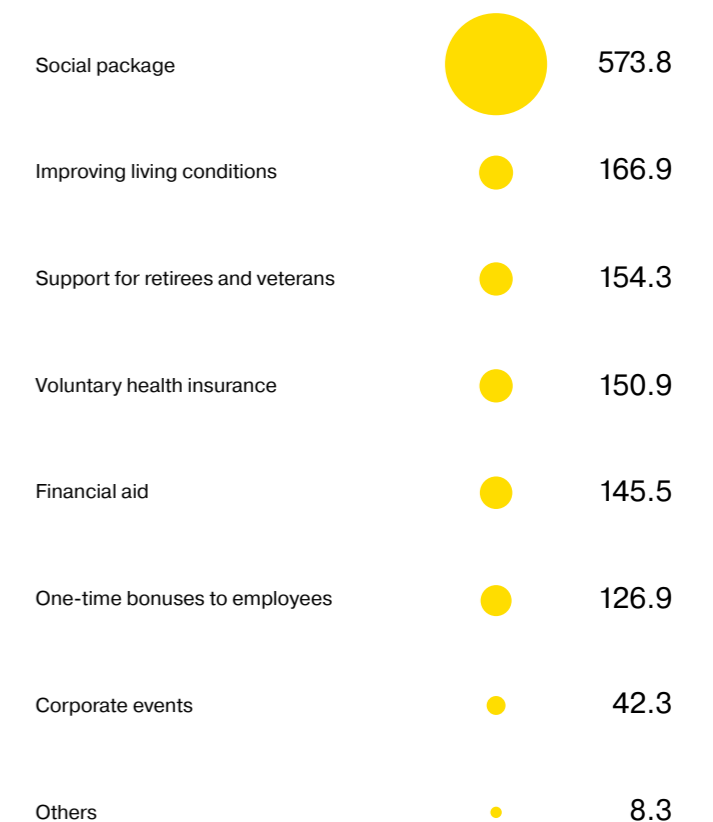
In the first quarter, employees undergo the Annual Performance Appraisal (APA), which determines the prospects for career growth and the amount of remuneration for the reporting period. In addition, the tasks, training and development program for the next year are being formed.

Since 2017, APA applies to employees of working professions. For a more objective assessment of employees of production enterprises, the coefficient of labor contribution (CLC) is used. CLC is a personal contribution of each employee to the overall result of the unit, on the basis of which an individual assessment is formed. Criteria for calculating CLC include performance of work duties, compliance with occupational safety and health requirements, as well as competence.

The Regulation on the Management of Employees' Remuneration unifies the basic benefits and the social package for staff.

In 2019, the salaries of all employees were increased and the social package was fully retained.

Social payments and benefits provided to DTEK Group employees in 2019, UAH mln



Involvement of employees

Need for employees planning, personnel recruitment, as well as personnel administration are carried out in accordance with the legislation of Ukraine, the collective agreement, provisions on personnel selection, internal labor regulations, the Code of Ethics and Business Conduct, instructions "On the procedure for issuing sick leaves" and "On the procedure vacation schedule and granting leave to employees". Primarily, internal recruitment is used for personnel search and re-

cruitment for the vacant position; employees are informed about open vacancies. Applicants can send their resume and interview for a vacancy according to qualification requirements and individual qualities. External staff selection is carried out through employment centers, online recruitment on specialized job search resources and other sites.

Approach to responsible restructuring and retirement of employees

In 2019, DTEK Group companies did not lay off staff due to a change in the organization of production and labor. Enterprises use the following mechanisms of personnel restructuring:

- derivation of non-core functions in outsourcing and insourcing;
- transfer of social facilities to communal ownership;
- natural reduction of staff (retirement, dismissal of their own volition or by agreement of the parties, etc.).

Collective agreements stipulate a minimum period within which employees must be notified of future changes. This period



Staff training and development

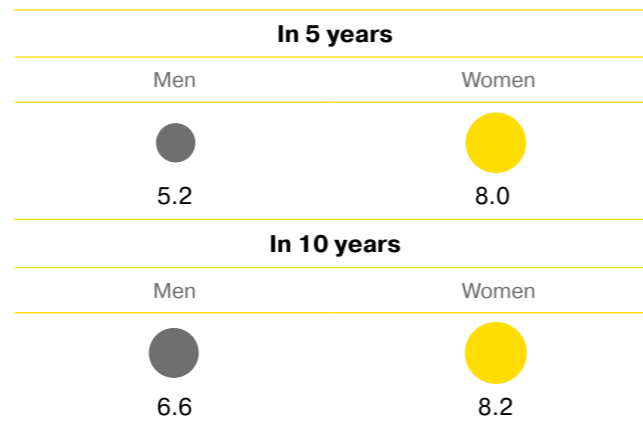
DTEK Group is focused on its growth and innovation. This requires professional and enterprising employees who are ready to learn and grow throughout their work. To provide this opportunity, DTEK Group has adopted a training system that covers all staff — all categories of employees, regardless of gender, age, specialization and organizational position are trained at the corporate university Academy DTEK or external providers. This approach ensures the development of competencies and knowledge of employees in accordance with business needs, and gives employees the opportunity to be realized in the profession and grow in their careers.

Training and development include:

- development and implementation of corporate standards for key production professions;
- compulsory professional training, including simulator training in certain specialties;
- promoting a culture of professional competence through skill competitions;

corresponds to the statutory two months, and for coal enterprises — three.

Forecast for retirement of employees, %



• development and planning of employees' career map — "Personnel Reserve" and D.Talent Managers;

• Executive MBA and Executive Development Programme to develop managerial and leadership skills of managers. The programs are developed and implemented by Academy DTEK in partnership with the following universities and business schools: Lviv Polytechnic (Ukraine), KSE (Ukraine), INSEAD (France), IE (Spain).

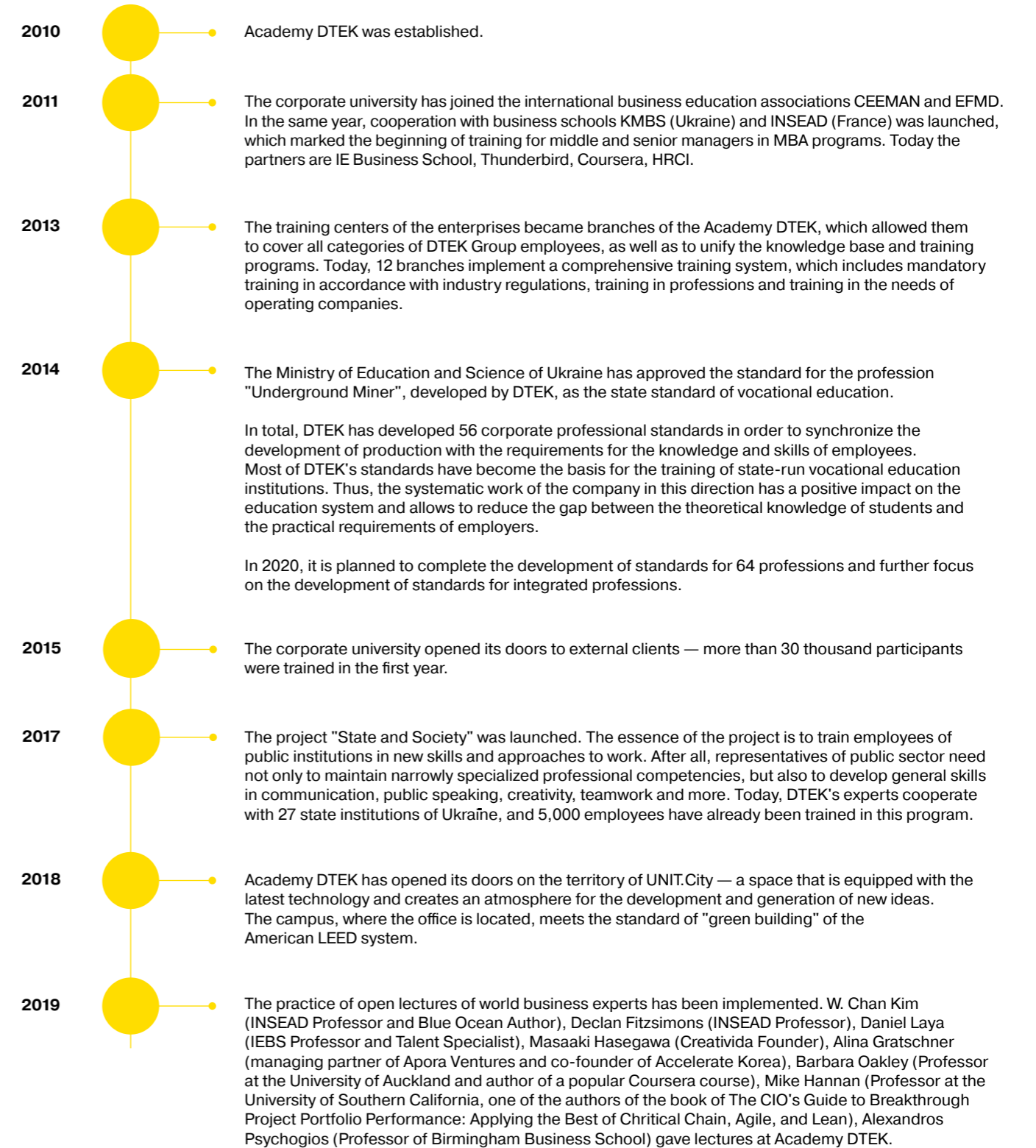
DTEK Group's investments in employees training and development, UAH mln



From a corporate university to an innovative educational business platform

The leading role in education and staff development belongs to the corporate university — Academy DTEK, which has become a tool

for managing talent, knowledge and change. Due to the desire to improve and attract the best international practices in corporate education, Academy DTEK is today an innovative educational business platform open to business, public sector and the public.



Industry standards by professions

The DTEK Group develops corporate standards for its enterprises in order to synchronize the development of production with the requirements for the knowledge and skills of employees. Most of these standards have become the basis for the preparation of state standards in vocational education, which will ensure curriculums taught in educational institutions matches the requirements of the business world. Thus, students acquire practical knowledge that will be needed in the profession.

To develop this line of work, DTEK has joined a permanent collegial body at the National Qualifications Agency, which is authorized to implement state policy in the field of professional qualifications and standards. As part of the agency, the Procedure for Accreditation of Qualification Centers was developed. This document has already been submitted for mandatory public consultation.

In addition, in 2019, representatives of the DTEK Group together with colleagues from the European Training Foundation (ETF) participated in the development of procedures and methods for the preparation of professional standards and standards for the assessment of professional qualifications, which will be applied at the state level. Under this project, trainings were organised and conducted and consultations were provided to employers, professional communities, educational and scientific institutions.

Profile schools for professional growth

DTEK Group's companies have specialized profile schools, whose main task is to give each employee the opportunity to realize their potential in the profession through professional development in accordance with the update of internal and external requirements. The education combines direct communication with teachers and modern distance formats: online courses, trainings, videos.

In addition, there is a permanent "workplace mentorship" program, under which young professionals receive practical skills from employees of enterprises and experts who have already retired.

Moreover, in 2018 DTEK Energy developed the Experience program aimed at disseminating and preserving the professional experience and technical expertise of specialists in scarce and narrow specializations. For the development of the program, a YouTube channel "Experience" was created, where educational videos on scarce professions are posted in free access. In 2019, this initiative was supported by DTEK Grids colleagues, who created the DTEK TV YouTube channel to develop industrial training. This channel also has free access to educational videos on scarce professions in the electric power industry and employees of narrow specialties share their experience.

DTEK Oil&Gas satisfies the need of employees in increasing the professional expertise by involving its best specialists in the creation of trainings and educational programs. The fact is that the Ukrainian market does not have specialists in the oil and gas industry with a level of qualification sufficient for the needs of the company. Today, DTEK Oil&Gas is the leading Ukrainian natural gas company in terms of equipment, technology and expertise. The company's specialists have become leading experts and share their experience at professional conferences and seminars to promote the development of the entire industry.

In 2019, the company began to create a knowledge base, which will include a series of trainings, video lessons, webinars with the participation of directors, heads of departments, heads of divisions.

In 2019, Academy DTEK launched a new flagship program Energy of Innovation: Executive MBA. This flagship program aims to

prepare DTEK Group's top managers for new challenges and develop breakthrough project skills to facilitate business innovation. Throughout the course, its participants will work on a team business project to implement a new idea and implement its prototype. Thus, the program is focused on practical training and obtaining the necessary knowledge in the process of working on the project. The uniqueness of the program also lies in the synergy of the experience of Ukrainian leading professors, DTEK experts-practitioners and representatives of reputable international business schools. The program modules cover a wide range of topics that managers need to understand how to manage the environment, organization, relationships and change. The modules explore cases from international and Ukrainian companies, including DTEK's industrial and post-industrial experience.

It is planned that in the future this program will be open to external participants, as the training of new leaders is one of the tasks of the DTEK Group for the progressive development of the country. In addition, in 2019 the ID.School project was launched. Its goal is to develop and train leaders in innovation transformation who will enter the technology community and be willing to take responsibility for both project implementation and the introduction of new technologies into business. This will reduce the way of implementing an innovative project by creating a favorable culture in the company to accept change and train leaders on whom business can rely in the implementation of innovative projects. The training consists of three modules and focuses on the development of employees involved in innovative or transformational projects, skills of development and integration into the business of such projects.

Professional contests and competitions

In order to promote high standards of skill among employees of manufacturing enterprises, operating companies annually hold competitions in key manufacturing specialties. The DTEK Energy Youth movement, which was launched in 2019, is building work in the following areas:

- social sector — participation of young workers in social programs;
- production sector — development of projects aimed at improving production, labor protection systems, etc .;
- sports sector — development of programs to engage young people in healthy lifestyle;
- cultural sector — organization of cultural events.

Employees of 26 enterprises — more than 800 activists — take part in the Youth Movement. Winners in the nomination "Best Leader of the Year" have the opportunity to receive higher education with the financial support of the company, if the chosen specialty is relevant to the needs of the company.

Work with Universities

Since 2009, the DTEK Group has been implementing a program of cooperation with higher education institutions. This program takes into account the staffing needs of enterprises in the short term and helps to prepare the necessary specialists. DTEK Group is formed in universities from promising third- to fourth-year students who are trained in additional programs that take into account the specifics of their future profession.

In 2019, the system of dual education was actively implemented, according to which the theoretical part of the training takes place on the basis of the educational organization, and the practical part — on the working place. This form of education is introduced in vocational, technical and higher education. As it gains popularity

among students, partner schools are tailoring their educational programs so that future energy professionals can combine study and work.

Six production enterprises of DTEK Group in partnership with nine educational institutions — Dobrotvirsk Lyceum №47, Lviv Lyceum №20, Pershotravensk Mining Lyceum, Burshtyn Energy College, Kyiv Electromechanical College, Kamiansk State Energy Technical School, NTU Dnipro Polytechnic, National University of Food Technologies, Pryazovskyi State Technical University — in 2019, taught 119 students in dual form.

In 2019, the Friedrich-Ebert-Stiftung in Ukraine noted DTEK Grids for assistance and active participation in the implementation of the dual education system.

The first projects showed a high interest of educators in cooperation in this area. Seven institutions — Donbass State Engineering Academy, NTU Dnipro Polytechnic, Odessa National Academy of Food Technologies, Nikopol Technical School of the National Metallurgical Academy of Ukraine, Kryvyi Rih National University Polytechnic College, Nemishayev Agrotechnical College and Kyiv Electromechanical College applied to DTEK Grids production facilities

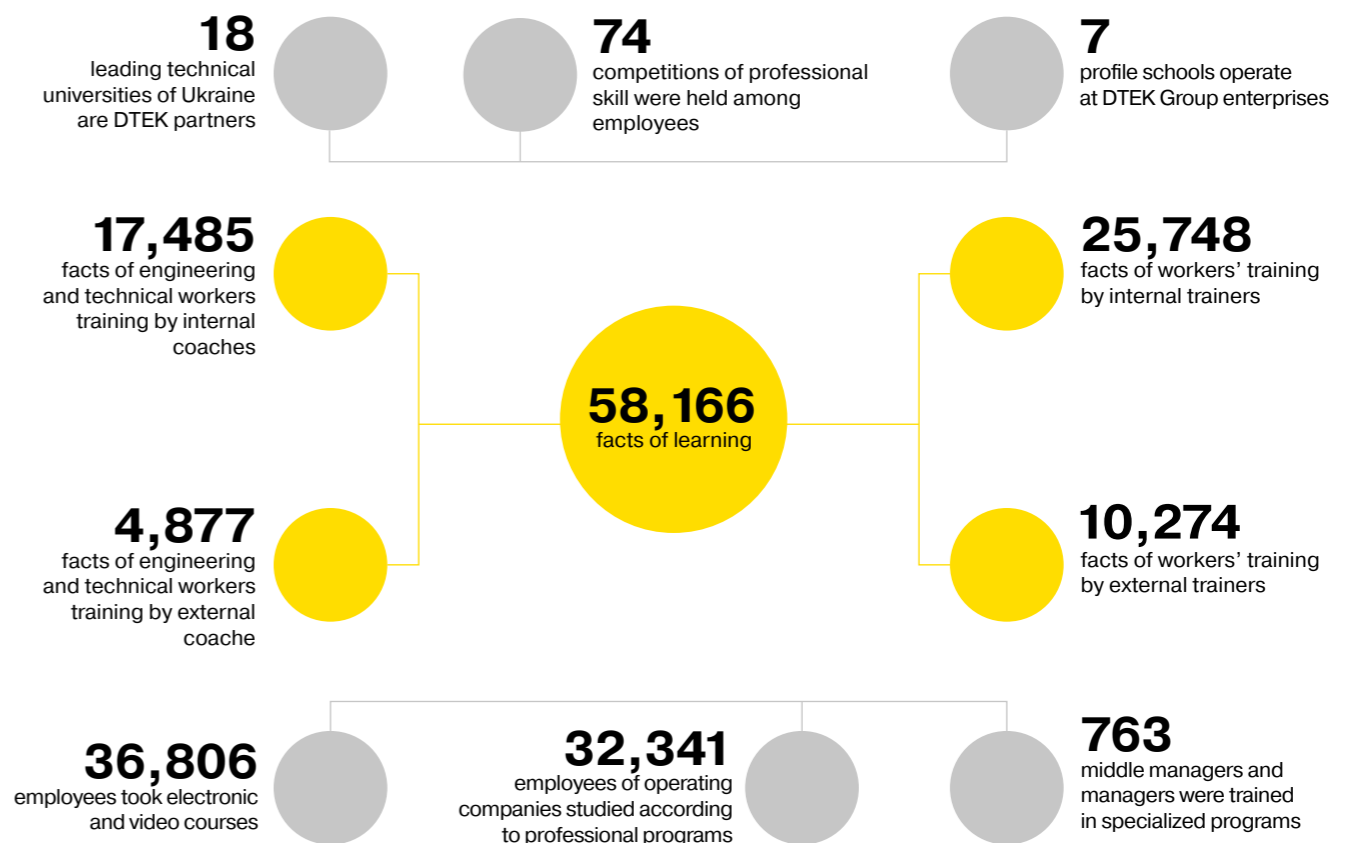
to join the project.

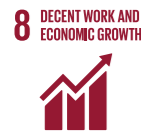
Two more educational institutions — Druzhkivka Professional Lyceum and West Donbass Mining Lyceum — in partnership with DTEK Energy will train highly qualified workers under dual programs. As students admitted to enterprises master the practical part of the curriculum with the help of specialists, it significantly increases the level of their training and opportunities for future employment.

DTEK Group companies actively use the transition to the dual form, which allows them to be experts and participate in the development of state acts such as the Regulations on the dual form of education in professional education and the Regulations on the dual form of education in professional pre-higher and higher education.

In addition, a representative of DTEK Energy was selected to the Sectoral Expert Council at the National Agency for Higher Education Quality Assurance in the field of Mechanical Engineering. Representatives of the DTEK Group also work in the Sectoral Expert Council in the field of Electricity.

Staff training and development in 2019 in numbers





Occupational safety, industrial safety and health care

In the field of labor protection and industrial safety, DTEK Group has built an organizational structure that covers all levels of government. Labour Safety and Environmental Protection committees under the Supervisory Boards are the main tool for analysing the existing management system. Sustainable Development committee of DTEK regularly evaluates the management system and prepares recommendations for improvement. In each area of business, health and safety functions have been created. They are responsible for the implementation of systemic approaches and the implementation of decisions.

Thus, the management system of labor protection and industrial safety (LP and IS) is integrated into the daily activities of all enterprises and is a prerequisite for defining and achieving strategic goals. Priority areas of investment in LP and IS:

- regular certification audits for compliance of the LP management system with national regulatory requirements and international standards ISO 45001 and OHSAS 18001;
- implementation of comprehensive measures to improve working conditions;
- continuous improvement of working places to increase occupational safety and improve the working environment;
- purchase of overalls, footwear, personal and collective protection equipment, fire protection equipment;
- compliance with regulatory requirements for sanitary conditions;
- conducting primary, periodic and extraordinary medical examinations of staff;
- training and raising the level of knowledge of staff in order to form a conscious attitude to personal safety and the safety of others;
- taking measures to prevent injuries among the population.

DTEK Group's investments in labor protection and industrial safety, UAH mln

2017		517.1
2018		556.3
2019		595.9

Certification in the field of LP and IS

At the DTEK Group's production facilities, the LP and IS management system operates or is implemented in accordance with international standards.

In 2019, DTEK Eastenergy, DTEK Dniproenergy, DTEK Westenergy, DTEK Service successfully passed a supervisory audit of the occupational health and safety management system for compliance with the requirements of OHSAS 18001:2007. In the future, electricity generation companies plan to pass a certification audit of the health and safety system for compliance with the requirements of the standard ISO 45001:2018.

In 2019, Wind Power passed the second supervisory audit for compliance with ISO 45001:2018. In addition, certification audits for compliance with ISO 45001:2018 were conducted in December at the new stations of DTEK Renewables – the Prymorska Wind Power Plant and the Prymorska Wind Power Plant-2; the Orlivska Wind Power Plant and the Nikopolska Solar Power Plant in accordance with this standard implemented an integrated management system with LP and IS.

Since 2015, Naftogazvydobuvannya has been conducting an annual supervisory audit for compliance with OHSAS 18001:2007. The company plans to move to the new ISO 45001 standard by 2021, and to this end, a recertification audit has already been passed and five employees have been trained in the field of "lead auditor".

DTEK Grids occupational safety specialists are certified members of the European Society of Occupational Safety and Health (ESOSH).

DTEK Donetsk Grids, DTEK Dnipro Grids, DTEK Kyiv Grids passed supervisory audits according to ISO 14001:2015 and certification audits for compliance with the requirements of the international standard ISO 45001:2015. Certification of new assets of Odesoblenergo and Kyivoblenergo is planned for 2020, in 2019 the new assets were integrated into the general system of LP and IS and their employees were trained according to the requirements of corporate standards.

According to the auditors' report, management systems in enterprises are fully effective. 100% of employees are in the scope of certification.

Comprehensive measures in the field of LP and IS

Fostering a culture of self-care and attention and the safety of the people around requires a correction in thinking, consistent implementation of knowledge and principles that underlie any production action. To this end, DTEK Group companies develop internal regulations, which are then agreed with trade unions and put into production practice.

The Occupational Safety and Health section is a mandatory clause in the collective agreements at all DTEK Group production facilities. This clause includes the obligations of the administration and trade



unions to fully implement the legislation in this area. According to the collective agreement, DTEK Group companies undertake:

- to carry out attestation of workplaces, including laboratory researches;
- provide employees with the necessary tools, overalls, footwear, personal and collective protection;
- not to invite minors to undertake hard work;
- to ensure stable operation of surface and underground health centers with constant staffing with medicines and equipment;
- conduct periodic medical examinations, provide emergency medical care;
- to compensate the damage caused to the employee as a result of an industrial injury or occupational disease;
- provide accident insurance to members of volunteer fire brigades and drivers;
- conduct professional training and education on labor protection and industrial safety;
- inform employees about occupational health risks and take measures to minimize and eliminate such risks;
- materially and intangibly encourage employees who take an active part in measures to improve the level of labor protection and industrial safety.

This section also outlines the responsibilities and responsibilities of employees for compliance with health and safety regulations.

DTEK Group has adopted zero tolerance for occupational injuries in order to preserve the life, health and ability to work of the employee in the course of all work activities. All enterprises perceive their activities in the field of labor protection as integral to production and mandatory in achieving strategic goals. In case of employee's injury at work, a commission, which involves representatives of control bodies, is set up and an external and internal investigation is conducted. Based on the results of the investigation, corrective measures are being developed to prevent similar cases in the future.

At the enterprises of coal mining and enrichment, as well as thermal generation in 2018, the Program of labor protection initiatives was adopted, the priority areas of which were:

- introduction and functioning of the algorithm of dangerous actions management with the use of the system of continuous improvement "Novator". The project created a system of motivation for submitting ideas for safe organization of work;
- compliance with the principle of application of the Cardinal Rules. The main purpose of introducing such rules is to increase the personal responsibility of each employee for compliance with safe working conditions. Failure to comply with the rules will necessarily raise the issue of dismissal;

- leadership and personal participation of the leader in ensuring occupational safety. To create a spirit of rivalry, a ranking system of enterprises based on the achieved results has been developed and implemented. In addition, the evaluation system of the first managers on labor protection continues to operate at enterprises. It is an effective tool for quantitative and qualitative evaluation of the effectiveness of work in this direction.

For the development of this program in 2019, the introduction of a risk-oriented approach was initiated, as well as the LOTO blocking system.

In order to implement a risk-oriented approach, coal production and processing enterprises have developed special training programs, which have been trained by pilot sites at enterprises. The program's provider, Tactise, conducted a "Risk Control" training for coal mining executives.

Contractors operating at DTEK Group's production facilities must also adhere to the adopted LP and IS approaches. Each of DTEK Group's operating companies has developed a provision on approaches to contractor safety that takes into account the specifics of the activity and unifies the requirements for occupational safety, industrial, fire and general safety. In case of violation of the requirements, appropriate measures are applied up to the prohibition of work and termination of the contract.

Training in the field of LP and IS

A training system has been developed to maintain the required level of qualification of employees and readiness to perform professional duties in compliance with safety requirements. Training and testing of knowledge is carried out on a regular basis by all production facilities of DTEK Group. Also, all employees during their work must be trained in occupational safety, fire safety, civil protection and technical operation, as well as trainings on LP and IS.

In 2019, 41 thousand employees underwent training in LP and IS, UAH 5.4 mln was invested in training. Basic approaches to labor protection and safety training:

- use of visualization tools during training sessions (demonstration of educational films and slides);
- conducting video briefings (introductory, initial and repeated, which are updated annually);
- differentiation of employees by level of qualification and specialization;
- involvement of all staff in the training process;
- multilevel control of knowledge.

To increase efficiency, procedures were developed for conducting briefings, training and testing of knowledge, which identified the types, frequency and procedure for organizing and conducting these activities. In addition, technical, organizational and training measures are taken to protect against natural disasters at the DTEK Group's enterprises: flood protection, lightning protection and fire automation, personal protective equipment and protective structures.

The second important area that supports the motivation for safe work is competitions of professional skills and profile conferences. For example, DTEK Oil&Gas annually organises a scientific and technical conference on labor protection, industrial and environ-

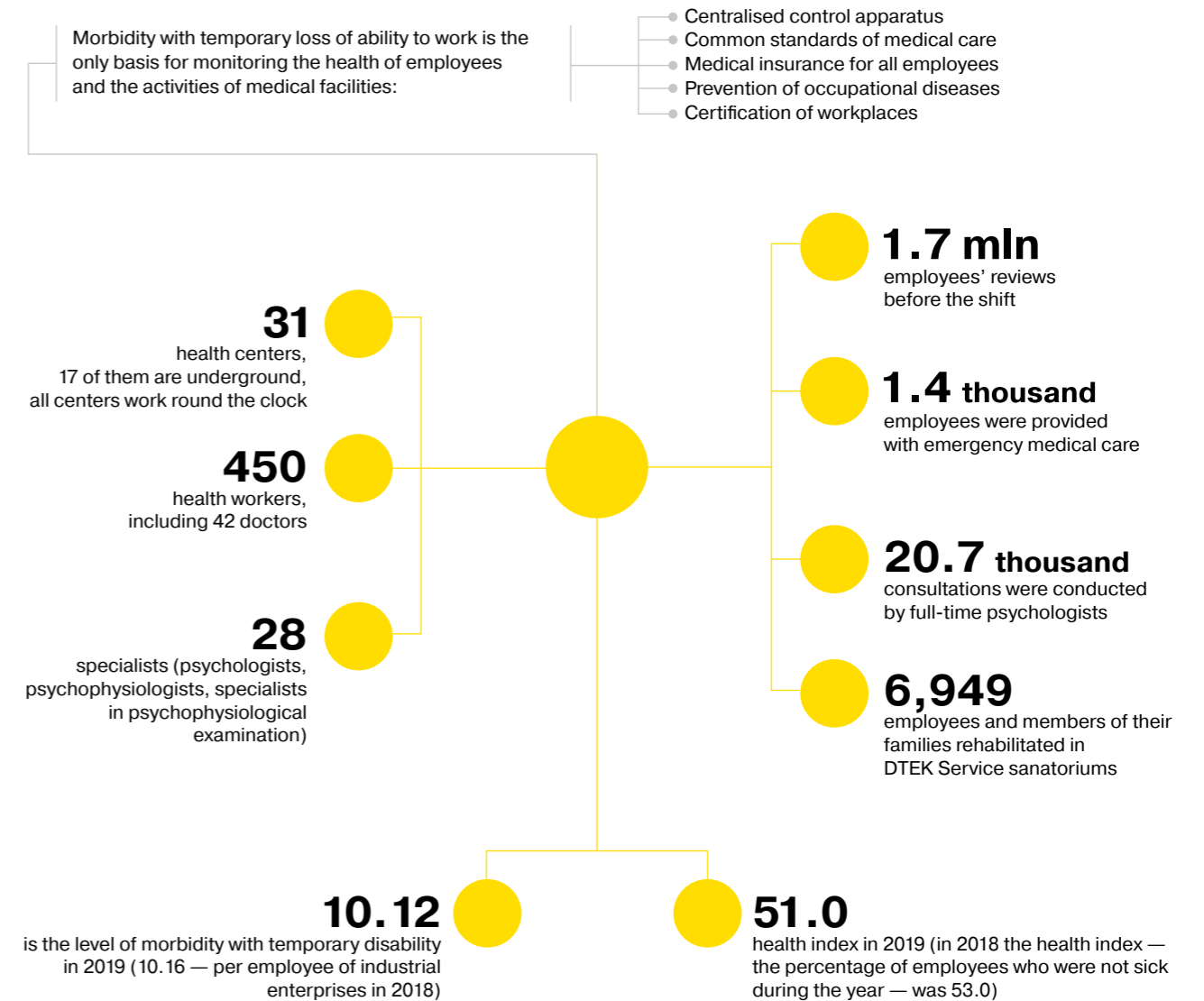
mental safety. In addition, in 2019 DTEK Grids took part in the VII International Conference "Industrial Safety. Best practices — 2019".

Occupational health and occupational medicine

DTEK Group implements comprehensive programs in the field of occupational medicine. They control the dynamics of two medical and social indicators: the incidence rate and the health index. This

allows to increase the productivity and reduce the financial losses of DTEK Group more effectively. The production facilities of DTEK Energy and DTEK Grids also include occupational health and safety programs in sanatoriums. The enterprises annually allocate and direct financial means for the organization of rest and improvement of both workers, and members of their families. The organization is held jointly with trade union committees.

Key facts about occupational health and occupational medicine



Annex 1

On the report and the process of non-financial reporting

This report, including the «Sustainability» section (hereinafter referred to as the “Report”), reflects material facts about the sustainable development activities of the DTEK Group in the 2019 calendar year (from January 1 to December 31), as well as some facts of 2020 which have a direct relationship with the activities conducted in 2019 by the DTEK Group or which are important from the point of view of understanding the sustainable development objectives.

The report is the seventh integrated report and the tenth report disclosing information about the DTEK Group’s activities in the field of sustainable development. The previous report was published in 2019 and contained information on activities in the 2018 calendar year.

The report was prepared using:

- indicators of the Global Reporting Initiative (GRI) in the field of sustainable development;
- content of the 17 UN Sustainable Development Goals.

GRI Compliance Level

	C	C+	B	B+	A	A+
Self-declaration			✓			
Third party verification						
GRI verification						

Boundaries and Scope of Reporting

The report reflects the scale of DTEK Group’s activities, approaches in the field of management and stakeholder engagement, performance indicators in the economic and environmental spheres, personnel management, interaction with society, customer-oriented activities.

The structure is presented in the “About the DTEK Group” section on page 16. Non-financial reporting includes quantitative and qualitative (descriptive) elements by the DTEK Group activities that have the most significant impact on the economy, ecology, and social aspects.

Organizational boundaries of non-financial reporting

1. Electricity generation: TPPs and CHPP	Pershotravneve Mine Office SIU
DTEK Skhidenergo LLC, including: DTEK Kurakhivska TPP DTEK Luhanska TPP	DTEK Dobropolyeugol LLC, including: Dobropilske Mine Office SIU Bilozerske Mine Office SIU
DTEK Dniproenergo JSC, including: DTEK Kryvorizhska TPP DTEK Zaporizhska TPP DTEK Prydniprovskia TPP	DTEK Dobropilska CEP PJSC CCM Pavlogradska LLC CCM Kurahivska LLC DTEK Oktyabrskia CEP PJSC
DTEK Westenergy JSC, including: DTEK Burshtynska TPP DTEK Dobrotvirskia TPP DTEK Ladyzhynska TPP	3. Electricity distribution DTEK Power Grid LLC DTEK Energougol ENE PrJSC DTEK Kyiv Grids PrJSC DTEK Donetsk Grids JSC DTEK Dnipro Grids JSC Odesaoblenergo JSC Kyivoblenergo PrJSC
DTEK Myronivka CHPP LLC	
2. Coal production and processing	
PrJSC DTEK Pavlogradcoal, including: Ternivske Mine Office SIU Pavlogradske Mine Office SIU Geroiv Kosmosu Mine Office SIU Dniprovskoe Mine Office SIU	4. Renewable energy: WPP and SPP Wind Power LLC Primorskaya WEP LLC

Primorskaya WEP-2 LLC
Orlovka WEP LLC
Wind Tech LLC
Tryfanovka Energy LLC
Solar Farm 1 LLC

Solar Farm 3 LLC

5. Gas production

Naftogazvydobuvannya PJSC

Grounds for excluding organizations from reporting scope

The reporting scope does not include companies whose impact is insignificant in terms of GRI indicators, companies and enterprises operating outside Ukraine, enterprises and assets of enterprises over which no operational management is carried out.

Essential topics

In assessing how essential the topics for non-financial reporting objectives are, the DTEK Group relies on the principles of expediency and relevance in the Ukrainian context. Following an audit of informational materials in the media, social climate research at DTEK Group enterprises, analysis of the content of non-financial reports of leading energy companies, content of dialogues with stakeholders, the following substantive topics were determined for the Report (based on the expert evaluation of DTEK management):

Context	Marginally essential	Moderately essential	Highly essential
International	<ul style="list-style-type: none"> • Benefits of various tariffs for consumers • Safety of network infrastructure for the population • Scientific R&D • Interaction with contractors 	<ul style="list-style-type: none"> • New philosophy: social and customer-oriented power industry • Promoting responsible energy consumption • Investment in new technologies • Interaction with customers 	<ul style="list-style-type: none"> • Modernization of power systems and restoration of fixed assets (Eastern Europe) • Combined use of fuels, renewable energy development • Energy efficiency and reduction of greenhouse gas emissions • Management of environmental impacts
Ukraine	<ul style="list-style-type: none"> • Conservation of biodiversity • Labor remuneration system at DTEK Group enterprises • Quality of education and health services • Development of social entrepreneurship 	<ul style="list-style-type: none"> • Risk of monopolization of the Ukrainian market • Improving the environmental monitoring system • The need for a national strategy for sustainable development • Waste management until full disposal 	<ul style="list-style-type: none"> • DTEK Group strategy and investment directions • Improving the standard of living of the population of the territories of enterprises • Miners work safety • Restructuring of the coal industry and the energy sector as a whole

Calculation of indicators

Data was taken from official reporting forms, which are submitted annually to the state statistical bodies. A number of indicators are collected and calculated in accordance with the forms of internal reporting, which are verified by the responsible representatives of companies as part of internal audit procedures. Data on greenhouse gas emissions include only direct greenhouse

gas emissions. At present, there is no calculation of the amount of indirect greenhouse gas emissions due to their extreme insignificance compared to the volumes of direct emissions. To calculate the turnover rate, the average number of full-time employees is used. A detailed description of the methodology for calculating indicators was presented in the “Report on the sustainable development activities of the DTEK Group for 2008-2009.”

Annex 2

DTEK Group Quantitative Performance Indicators

Economic

The DTEK Group economic performance indicators are given in the sections "An overview of Ukraine's industries and macroeconomic indicators", as well as in the section "Performance results" hereof.

Ecological

Gross greenhouse gas emissions, thousand tonnes

Year	Methane	Carbon dioxide (CO ₂)	Nitrous oxide (N ₂ O)	Total	CO ₂ equivalent, tonnes
2017	158.3	40,080.9	0.553	40,239.8	43,598,174.9
2018	139.0	35,586.0	0.544	35,725.6	38,763,963.4
2019	145.1	31,194.9	0.467	31,340.5	35,382,267.3

Emissions of ozone-depleting substances: N₂O, hexafluoride, tonnes

Year	Hydrochlorofluoro-carbons (HCC)	Chlorofluoro-carbons (CFC)	Trichloroethane (C ₂ Cl ₃ H ₃)	Halons	Carbon tetrachloride (tetrachloro-methane)
2017	10.5	0.0	0.0	0.0	0.018
2018	0.088	0.0	0.0	0.0	0.018
2019	0.079	0.0	0.0	0.0	0.018

The content of pollutants in wastewater, tonnes

Year	BOD*	Oil products	Suspended substances	Solid residue	Chlorides	Sulfates	Ammoniacal nitrogen	Iron total	Nitrates
2017	183.8	5.3	705.2	89,200.1	27,567.8	21,467.6	8.5	3.0	47.9
2018	202.3	6.1	762.0	109,976.0	38,262.0	22,990.0	8.8	3.4	64.9
2019	135.3	5.8	719.5	101,275.5	35,738.8	22,600.0	10.0	2.3	34.8

* Biochemical oxygen demand.

The total volume of water recycled and reused, thousand of cubic meters

Year	Indicator
2017	6,050,243.6
2018	5,209,024.5
2019	4,004,474.5

Total water consumption for own needs by source, thousand of cubic meters

Year	Surface water	Groundwater	Water supplied to utilities and other enterprises	Other sources	Total
2017	1,578,146.5	951.2	50,117.8	13,386.2	1,635,908.7
2018	1,298,518.0	594.3	5,888.5	5,751.8	1,307,477.9
2019	1,234,964.8	511.5	5,854.4	6,455.7	1,247,786.5

Waste treatment methods, tonnes

Year	Storage volume	Submitted by third parties	Volume of utilized, recycled waste	Total
2017	13,831,285.3	709,980.7	3,107,214.1	17,648,480.2
2018	9,938,133.1	509,963.6	3,363,227.5	13,811,324.2
2019	7,563,404.2	429,075.3	5,915,277.8	13,685,438.9

Land reclamation, ha

Year	Area of land to be reclaimed at the beginning of the year	Area of land to be reclaimed at the end of the year	Area of land reclaimed in the reporting year
2017	295.2	198.7	39.3
2018	480.5	480.5	10.9*
2019	645.5	713.9	20.1

* Completion of the technical stage of reclamation

Occupational Safety and Health

Injury rates

Indicator	2017	2018	2019
Lost Time Accident Frequency Rate (LTAFR)	0.570	0.580	0.516
Suffered non-lethal injuries, persons	285	246	286
Fatal Accident Frequency Rate (FAFR)	0.010	0.021	0.011
Suffered lethal injuries, persons	5	9	6

Personnel

The total number of personnel as of December 31, 2019, persons

Total	Permanent personnel	Temporary personnel	Full-time	Part-time	Women	Men	Percentage of employees who retire within 5 years		Percentage of employees who retire within 10 years	
							women	men	women	men
71,694	69,801	1,893	70,785	909	20,479	51,215	8.0	5.2	8.2	6.6

DTEK Group employees by gender, 2019

Women, persons

Age			Years spent in the company		
Less than 30 years	From 30 to 50 years	More than 50 years	Less than 3 years	From 3 to 5 years	More than 5 years
1,636	12,579	6,034	5,095	1,713	13,441

Educational background	
higher education	scientific degree
9,586	5

Position within organization				
Head	including from internally appointed candidates	Manager	Specialist	Worker
1,202	245	597	8,995	9,455

Men, persons

Age			Years spent in the company		
Less than 30 years	From 30 to 50 years	More than 50 years	Less than 3 years	From 3 to 5 years	More than 5 years
8,374	31,803	10,728	9,690	4,766	36,449

Educational background	
higher education	scientific degree
14,526	18

Position within organization				
Head	including from internally appointed candidates	Manager	Specialist	Worker
6,574	910	716	5,548	38,067

Basic tools of occupational health and industrial safety

Coal production and processing	<ul style="list-style-type: none"> Monitoring the psycho-physiological state of staff Video instruction before shifts Training and knowledge testing on the basis of the PROTEK program Registration and monitoring of critical risks Algorithm for managing hazardous activities using the Novator continuous improvement system Cardinal Rules Evaluation of senior managers on occupational health and industrial safety "Line of trust" on occupational health and industrial safety Incentives for the performance of occupational health and safety indicators: tangible and intangible rewards Professional skills contests
Electricity generation of TPPs and CHPP	<ul style="list-style-type: none"> Own training and production centers with the right to issue a state diploma Training and knowledge testing on the basis of the PROTEK program Training ground for the preparation of certified electric welders, certified in Paton Electric Welding Institute "Training ground of the power unit of 200, 300 MW" for testing operations which eliminate abnormal and emergency modes Virtual reality training module «Taking 6 kV switchgear cells out of service for repair», the operation of which is associated with an increased risk or with high costs Incentives for the performance of occupational health and safety indicators: tangible and intangible rewards Emergency and fire training Professional skills contests Annual occupational safety days including employees' family members
Renewable energy	<ul style="list-style-type: none"> Monitoring compliance with the requirements of occupational and industrial safety at wind and solar power plants Bringing fixed assets into compliance with the requirements of regulatory legal acts in the field of occupational and industrial safety Workshops and trainings on the provision of domestic medical care and readiness to respond and manage emergencies
Natural gas production	<ul style="list-style-type: none"> Twenty-four-hour monitoring of compliance with industrial safety requirements Automated emergency response and fire safety systems Control of production culture, technological discipline Incentives for the performance of occupational health and safety indicators: tangible and intangible rewards Emergency and fire prevention trainings First aid training Professional skills contests Annual conference on occupational safety, industrial safety and environmental protection
Electricity distribution	<ul style="list-style-type: none"> Providing crews with video recorders for recording workflows to monitor the quality of targeted briefings Remote access to video cameras control points Програма ЄСМ для обліку аудитів робочих місць Stimulation for the performance of occupational health and safety indicators: tangible and intangible rewards. A system of ratings based on occupational safety indicators has been introduced, which is used to rank structural units at companies. All employees of the structural units included in the top 3 are rewarded quarterly Fire and object training Professional skills contests Annual occupational safety days which include employees of medical institutions, traffic police, the MES

Annex 3

Table of Standard Reporting Elements and Indicators of the Global Reporting Initiative Guidelines and UN Global Compact

GRI, UN GA reporting element	Description	Page/references to additional information sources/direct answer
GRI 102-1	Name of the organization	10
GRI 102-2	Activities, brands, products, and services	10, 16
GRI 102-3	Location of headquarters	18-19
GRI 102-4	Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the sustainable development topics covered in the report	18-19
GRI 102-5	Nature of ownership and legal form	10, 16; Annex 1
GRI 102-6	Markets served (including a geographic locations where products and services are offered; sectors served; and types of customers and beneficiaries)	18-19
GRI 102-7	The scale of the organization, including: total number of employees; total number of operations; net sales (for private sector organizations) or net revenues (for public sector organizations); total capitalization (for private sector organizations) broken down in terms of debt and equity; quantity of products and services provided	16-17; 50; 72-73; 112
GRI 102-8	The reporting organization shall report the following information: a. total number of employees by employment contract (permanent and temporary), by gender; b. total number of employees by employment contract (permanent and temporary), by region; c. total number of employees by employment type (full-time and part-time), by gender; d. whether a significant portion of the organization's activities are performed by workers who have legal status of self-employed persons or private entrepreneurs, or persons who are not members of the company's permanent or temporary personnel, including permanent and temporary personnel of the company's subcontractors; e. an explain any significant variations in the numbers of personnel reported (such as seasonal variations in the tourism or agricultural industries); f. an explanation of how the data have been compiled, including any assumptions made	112, Annex 2
GRI 102-9	A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services	51-53; 57-61
GRI 102-10	Significant changes to the organization's size, structure, ownership, or supply chain, including: changes in the location of, or changes in, operations, including facility openings, closings, and expansions; changes in the share capital structure and other actions formation, maintenance and alteration operations (for private sector organizations); changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination	57-61; 72-73; Annex 1

GRI 102-11	Whether and how the organization applies the Precautionary Principle or approach (an organization's approach to risk management in operational planning, or when developing and introducing new products)	82-84
GRI 102-12	Externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	10; 89; 91; 116-117
GRI 102-13	A list of the main memberships of industry or other associations, and national or international advocacy organizations	91
GRI 102-14	A statement from the CEO about the relevance of sustainability to the organization and its strategy for addressing sustainability	4-7
GRI 102-15	A description of key impacts, risks, and opportunities	29-47
GRI 102-16	A description of the organization's values, principles, standards, and norms of behavior, such as codes of conduct and ethics	12-13; 14-15; 83-84
GRI 102-17	Mechanisms for advice and concerns about ethics: a. the internal and external mechanisms for seeking advice about ethical and lawful behavior, and organizational integrity; b. the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and organizational integrity	83-84
GRI 102-18	Governance structure of the organization, including committees of the highest governance body	76-77
GRI 102-19	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	80-81; 90; 118
GRI 102-20	Executive/executives, responsible for economic, environmental, and social topics	24-27; 77-79
GRI 102-21	Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics	90; 101; 113
GRI 102-22	Composition of the highest governance body and its committees, including: a. executive and non-executive; b. independence; c. tenure on the governance body; d. number of each individual's other significant positions and commitments, and the nature of the commitments; e. gender; f. membership of under-represented social groups; g. competencies relating to economic, environmental, and social topics; h. stakeholder representation	77-81
GRI 102-23	Whether the chair of the highest governance body is also an executive officer in the organization (and, if the chair is also an executive officer, describe his or her function within the organization's management and the reasons for this arrangement)	none
GRI 102-24	Nomination and selection processes for the highest governance body, including: a. whether and how stakeholders are involved; b. independence; c. gender; d. expertise and experience relating to economic, environmental, and social topics	76; 80-81; Annex 2. Guidelines for top management recruitment are in place in the DTEK Group
GRI 102-25	Conflicts of interest: a. processes for the highest governance body to ensure conflicts of interest are avoided and managed; b. were conflicts of interest disclosed to stakeholders or not?	84

GRI 102-26	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics	80-81 The development, approval, and updating of DTEK's purpose, value or mission statements of the company, strategies, policies, and goals related to economic, environmental and social impacts are made with the involvement of the Supervisory Boards
GRI 102-27	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics	90
GRI 102-28	Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics, including independence of evaluation and its frequency; actions taken in response to evaluation of the highest governance body's performance	CEO, Director of sustainable development and Regional Development Director have performance indexes established in respect of economical, environmental and social aspects. The performance is controlled by the Supervisory Boards
GRI 102-29	Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities; the use of stakeholder consultation	80-83; 90
GRI 102-30	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics	82
GRI 102-31	Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities	Within the scope of activities of committees under Supervisory Boards
GRI 102-32	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered	CEO
GRI 102-33	Process for communicating critical concerns to the highest governance body	76-82
GRI 102-34	Nature and total number of critical concerns: a. total number and nature of critical concerns that were communicated to the highest governance body; b. mechanism(s) used to address and resolve critical concerns	49-73
GRI 102-35	Remuneration policies: a. remuneration policies for the highest governance body and senior executives b. how performance criteria in the remuneration policies relate to the highest governance body's and senior executives' objectives for economic, environmental, and social topics	Process for determining remuneration is based on the evaluation of the approved strategic objectives and KPI

GRI 102-36	Process for determining remuneration, and whether remuneration consultants are involved in determining remuneration	81; 113-114 Process for determining remuneration is based on the evaluation of the approved strategic objectives and KPI
GRI 102-37	Stakeholders' involvement in the remuneration process: how stakeholders' views are sought and taken into account regarding remuneration; if applicable, the results of votes on remuneration policies and proposals	113-114 Process for determining remuneration is based on the evaluation of the approved strategic objectives and KPI
GRI 102-38	Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	No evaluation was performed during the reporting period
GRI 102-39	Ratio of the percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	No evaluation was performed during the reporting period
GRI 102-40	A list of stakeholder groups engaged by the organization	90
GRI 102-41	Percentage of total employees covered by collective bargaining agreements	No evaluation was performed during the reporting period
GRI 102-42	The basis for identifying and selecting stakeholders with whom to engage	90, Annex 1
GRI 102-43	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	90
GRI 102-44	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns	90; 100-108
GRI 102-45	Legal entities included in the organization's consolidated financial statements: a. legal entities included in the organization's consolidated financial statements or equivalent documents; b. whether or not any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	Annex 1
GRI 102-46	The process for defining the report content and the topic Boundaries	Annex 1
GRI 102-47	A list of the material topics identified in the process for defining report content	Annex 1
GRI 102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements	Standards update to GRI 4 version in accordance with https://www.globalreporting.org/standards/
GRI 102-49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries	Annex 1
GRI 102-50	Reporting period for the information provided	Annex 1
GRI 102-51	The date of the most recent previous report	Annex 1
GRI 102-52	Reporting cycle (such as annual, biennial)	Annex 1

GRI 102-53	The contact point for questions regarding the report or its contents	Director of sustainable development, Director of Corporate Communications, PolyakovaMG@dtek.com
GRI 102-54	The claim of report in accordance with the GRI Standards	The claim of report in accordance with the GRI Standards
GRI 102-55	Показчик змісту GRI	Annex 3
GRI 102-56	The organization's policy and current practice with regard to seeking external assurance for the report	This Integrated Report was prepared in accordance with GRI 4 Sustainability Reporting Guidelines — self-declaration of GRI 4 Comprehensive application. Non-financial reports of DTEK Group before 2012 were subject to the independent audit
GRI 103-1	An explanation of the material topic and its Boundary (an explanation of why the topic is material, where the impacts occur; the organization's involvement with the impacts), why each topic is material and topic Boundary	Annex 1
GRI 103-2	The topic management approach and its components: a. an explanation of how the organization manages the topic; b. a statement of the purpose of the management approach; c. policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, specific actions and initiatives included in the management approach	Annex 1
GRI 103-3	How the organization evaluates the management approach, including the mechanisms for evaluating the effectiveness of the management approach, the results of the evaluation of the management approach and any related adjustments to the management approach	Annex 1
GRI 201-1	Direct economic value generated and distributed	72-73
GRI 201-2	Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure (including a description of the risk or opportunity and its classification as either physical, regulatory, or other; a description of the impact associated with the risk or opportunity; the financial implications of the risk or opportunity; the costs of actions taken to manage the risk or opportunity)	No data is available
GRI 201-3	Coverage of the organization's defined benefit plan obligations and other retirement obligations	114
GRI 201-4	Financial assistance received by the organization from any government during the reporting period	The Company does not received any financial assistance from the government
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	No evaluation was performed during the reporting period
GRI 202-2	Proportion of senior management hired from the local community at significant locations of operation	No evaluation was performed during the reporting period
GRI 203-1	The development and impact of infrastructure investments and pro-bono services, including positive and negative impacts on local community and whether these investments are commercial or for the public good	100-108

GRI 203-2	Significant identified indirect economic impacts of the organization, including positive and negative impacts and significance of the indirect economic impacts in the context of stakeholder priorities	100-108
GRI 204-1	Proportion of spending on local suppliers	108
GRI 205-1	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	83-84
GRI 205-2	Communication and training about anti-corruption policies and procedures	84
GRI 205-3	Confirmed incidents of corruption and actions taken	None registered
GRI 206-1	Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant	None registered
GRI 301-1	Total weight or volume of materials that are used by non-renewable materials and renewable materials	Annex 2
GRI 301-2	Percentage of recycled input materials used to manufacture the organization's primary products and services	Annex 2
GRI 302-1	Energy consumption within the organization	No analysis was made
GRI 302-2	Energy consumption outside the organization	29-42
GRI 302-3	Energy intensity	No analysis was made
GRI 302-4	Reduction of energy consumption	68-69; 103; 106-107
GRI 302-5	Reductions in energy requirements of products and services	68-69; 103; 106-107
GRI 303-1	Total volume of water withdrawn, with a breakdown by sources	94-95; Annex 2
GRI 303-2	Water sources significantly affected by withdrawal of water by the organization	94-95; Annex 2
GRI 303-3	Total volume of water recycled and reused by the organization	Annex 2
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	97
GRI 304-2	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	98-99
GRI 304-3	Habitats protected or restored	98-99
GRI 304-4	Total number of the IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization	97
GRI 305-1	Direct (Scope 1) GHG emissions	96, Annex 2
GRI 305-2	Energy indirect (Scope 2) GHG emissions	96, Annex 2
GRI 305-3	Other indirect (Scope 3) GHG emissions	96, Annex 2
GRI 305-4	GHG emissions intensity	96, Annex 2
GRI 305-5	Reduction of GHG emissions	Annex 2
GRI 305-6	Emissions of ozone-depleting substances (ODS)	Annex 2
GRI 305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Annex 2
GRI 306-1	Total volume of discharges with indication of quality of water discharges and receiving facility, including planned and unplanned water discharges by destination and quality of water; whether the water was reused by another organization. Standards, methodologies, and assumptions used	94-95, Annex 2
GRI 306-2	Total weight of waste, with a breakdown by type and disposal methods, and how the waste disposal method has been determined	Annex 2
GRI 306-3	Total number and total volume of recorded significant spills	Irrelevant

GRI 306-4	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention, Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Irrelevant
GRI 306-5	Identity, size, protected area, and biodiversity value of water bodies and related habitats that are significantly affected by the organization's discharges of water and runoff	98-99
GRI 308-1	Percentage of new suppliers that were screened using environmental criteria	No analysis was made
GRI 308-2	Significant actual and potential negative environmental impacts identified in the supply chain and actions taken	No analysis was made
GRI 401-1	Total number and rate of new employee hires and total number and rate of employee turnover, by age group, gender and region	No analysis was made
GRI 401-2	Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation	No analysis was made
GRI 401-3	Total number and percentage of employees that returned to work after parental leave ended, and percentage of employees retained by the organization after parental leave ended, by gender; total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender; return to work and retention rates of employees that took parental leave, by gender	No analysis was made
GRI 402-1	Minimum notice periods regarding operational changes and whether the notice period is specified in collective agreements	114
GRI 403-1	Percentage of workers whose work, or workplace, is controlled by the organization, that are represented by formal joint management-worker health and safety committees	118-121; Annex 2
GRI 403-2	Type of injury and injury rates, occupational diseases rate, lost days rate, and absentee rate, and total number of work-related fatalities, by region and by gender	Annex 2
GRI 403-3	Workers with high incidence or high risk of diseases related to their occupation	118-121
GRI 403-4	Health and safety topics covered in formal agreements with trade unions	118-120
GRI 404-1	Average hours of training that the organization's employees have undertaken during the reporting period, by gender and employee category	117, Annex 2
GRI 404-2	Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment	114-117
GRI 404-3	Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period	113
GRI 405-1	Percentage of individuals within the organization's governance bodies and percentage of employees per employee category by gender, age group, and other indicators of diversity	Annex 2
GRI 405-2	Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation	No analysis was made
GRI 406-1	Non-discrimination	No data on such situations was received
GRI 407-1	Operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk, and measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining	The right to freedom of associations is set forth in collective bargaining agreements Employees have the right to strike Negotiation is the main dispute resolution method

GRI 408-1	Operations and suppliers considered to have significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor, including: a) operations and suppliers that employ child labor and young workers (under the age of 18 years) exposed to hazardous work; b) operations and suppliers that employ child labor by type of operation and supplier, and by countries or geographic areas of operations and suppliers	Irrelevant Child and forced labor are prohibited under Ukrainian law The Company does not operate in the countries exposed to risks of such violations of human rights
GRI 409-1	Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of type of operation and supplier; countries or geographic areas with operations and suppliers considered at risk; measures taken by the organization intended to contribute to the elimination of all forms of forced or compulsory labor	Irrelevant Child and forced labor are prohibited under Ukrainian law The Company does not operate in the countries exposed to risks of such violations of human rights
GRI 410-1	Percentage of security personnel trained in the organization's human rights policies or specific procedures that are relevant to operations	No analysis was made
GRI 411-1	Total number of identified incidents of violations involving the rights of indigenous peoples and actions taken	The Company does not operate within the territories of indigenous peoples
GRI 412-1	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	No analysis was made
GRI 412-2	Total number of hours devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations	No analysis was made
GRI 412-3	Total number and percentage of significant investment agreements and contracts that include	No analysis was made
GRI 413-1	human rights clauses or that underwent human rights screening	100-108
GRI 413-2	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Irrelevant
GRI 414-1	Operations with significant actual and potential negative impacts on local communities	No analysis was made
GRI 414-2	Percentage of new suppliers that were screened using social criteria	No analysis was made
GRI 415-1	Total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country and recipient/beneficiary	The Company does not provide aid to political parties
GRI 416-1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	103; 106-108
GRI 416-2	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	No such incidents were registered
GRI 417-1	Types of information required by the organization's procedures for product and service information and labeling, and percentage of significant product or service categories covered by and assessed for compliance with such procedures	Irrelevant Pursuant to the sanitary standards, electrical equipment under 220 KW does not provide for actions aimed at protection of consumers' health in connection with the effects of electromagnetic fields

GRI 417-2	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling, by type of outcomes	No such incidents were registered
GRI 417-3	Results of surveys measuring customer satisfaction	66
GRI 418-1	Total number of substantiated complaints received concerning breaches of customer privacy and losses of customer data	No such incidents were registered
GRI 419-1	Total monetary value of significant fines for non-compliance with laws and/or regulations concerning the provision and use of products and services	No analysis was made
MM1	Amount of land disturbed or rehabilitated/recultivated by the company in the reporting period	Annex 2
MM2	Area and percentage of lands where biodiversity reproduction is required, at the end of the year	713.9 hectares
MM3	Total amounts of overburden, rock, tailing at the beginning and at the end of the reporting period	Annex 2
MM4	Number of strikes and lock-outs exceeding one week's duration	No such incidents were registered The right to freedom of associations is set forth in collective bargaining agreements Employees have the right to strike Negotiation is the main dispute resolution method
MM5	Total number of operations taking place in or adjacent to indigenous peoples' territories, and number and percentage of operations or sites where there are formal agreements with indigenous peoples' communities	The Company does not operate within the territories of indigenous peoples
MM6	Whether there were disputes or situations where land use issues had to be discussed with the local communities (population, authorities)	The Company is engaged in a permanent dialog with population and authorities in the areas where the company operates No disputes have been registered
MM7	Which mechanisms relating to investigation of complaints related to land use are used by the company	The Company is engaged in a permanent dialog with population and authorities in the areas where the company operates No disputes have been registered
MM9	Any resettlements within the reporting period in connection with the mining works	No resettlements took place in connection with the allocation of objects

EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime	50-69
EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime	52-53
EU12	Transmission and distribution losses as a percentage of total energy	59
EU13	In which way biodiversity of offset habitats is compared to biodiversity of the affected areas	No analysis was made
EU15	Percentage of employees eligible to retire in the next 5 and 10 years, broken down by job category and regions	Annex 2
EU17	Days worked by contractor and subcontractor employees involved in construction, operation and maintenance of energy objects	No data is available
EU18	Percentage of contractor and subcontractor workers who took relevant health and safety training courses	No data is available
EU22	Number of people physically or economically displaced and compensation, broken down by type of project	No analysis was made
EU25	Number of injuries and fatalities, diseases to the public related to damage caused by company assets	No analysis was made
EU26	Percentage of population unserved in licensed distribution or service areas	No data is available
EU27	Number of residential disconnections for non-payment	No evaluation was done
EU28	Power outage frequency	67
EU29	Average power outage duration	67
EU30	Average plant availability factor by energy source and by regulatory regime	57