


Donbas **energo**

ANNUAL REPORT

2019



The image features a white circuit board design on a dark orange background. The circuit traces form a rectangular frame around a central text area. At the top and bottom of the frame, there are horizontal traces with four connection points each, leading to a complex mesh of diagonal lines. On the left and right sides, there are vertical traces with four connection points each, also leading to a complex mesh of diagonal lines. Four battery symbols are placed at the corners of the circuit: top-left, top-right, bottom-left, and bottom-right. The central text is white and consists of two paragraphs.

We are glad to present you this image publication
of Donbasenergo Public Joint Stock Company,
its 2019 Annual Report.

The goal of this document is to describe in detail
the Company's performance results and prospects
for its further development. The Annual Report pays
particular attention to significant production-related,
financial and economic information,
as well as the questions of social responsibility.

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Dear Shareholders,

I am pleased to present to you the Annual Report of Donbasenergo for 2019.

The key event of the previous year was the full-scale launch of a new model of the electricity market. We passed an important milestone in implementing the largest reform of Ukraine's energy sector. The transition to the new model was not easy and required considerable effort from Donbasenergo. However, the new competitive market showed that our Company is its full-fledged player.

Indeed, the current model of the wholesale electricity market is not perfect, but the transition from a "single buyer" model to a competitive mechanism involving bilateral contracts between producers and large consumers, suppliers, the introduction of a balancing market, the day-ahead market and the intraday market, contributed to the market's demonopolisation and promotion of sound competition between traders.

In the overall structure of Ukraine's electricity production for 2019, Donbasenergo occupies **2.2%** of the market and **7.5%** in the structure of thermal electricity generation.

Last year, the electricity production by Donbasenergo's main structural unit, Slovyanska thermal power plant (TPP), was profit-making, its profitability amounting to **1.21%**. We increased the production output to **3,372** gigawatt-hours (GWh), which is **5.5%** above the planned target approved by the Company's Supervisory Board.

The Company fully fulfilled its obligations to the State. During the reporting period, mandatory payments to the state budget and funds of Ukraine exceeded UAH **717** million, which is almost UAH **110** million more than previous year.

In addition, during 2019, despite the reduction in settlements from Energorynok State Enterprise (SE) for the supplied electricity, Donbasenergo ensured repayment of all the received advance payments and taken loans to the amount of UAH **443** million.

The implementation of the Priority Steps Program to expand the fuel base of Slovyanska TPP, involving domestic coal of gaseous grade, provided for the cost reduction of electricity production and reduced the risks associated with the shortage of solid fuel supplies to Slovyanska power plant.

Overall, the Company's expenses for 2019 were down by UAH **679** million, but the loss of more than UAH **886** million in revenues due to tariff cutting did not make it possible for it to reach the approved profitability level of **6.25%**, which led to the commercial products' selling at a loss.

Last year, Donbasenergo made its first major step towards the establishment of a common integrated corporate management system. Representatives of the South Korean G-CERTI certification authority made an integrated supervisory audit of three management systems at the same time – occupational health and safety, environmental protection and quality assurance, also expanding the scope of their certification.

In 2019, a landmark event for Donbasenergo was the 65th anniversary of Slovyanska TPP. During its jubilee year, the power plant performed at the peak of its capabilities and showed high performance results, which became achievable thanks to the input from each of its employees to the common cause.

The Company's personnel were and remain its main asset. The human resources management policy is an absolute priority of our activity. We

create conditions for implementation of professional and creative potential and talent of each employee as much as possible, ensuring a decent level of remuneration and social guarantees.

Donbasenergo always was and remains a socially oriented company. The Company continues to cooperate closely with the community of Mykolayivka, the town where our main structural unit is located. All our implemented projects help local residents of Mykolayivka cope with the current economic situation in the East and contribute to the revival of the Donbas.

In 2020, Donbasenergo has new ambitious tasks on its agenda. We are getting ready for the first implementation stage of the project to build the 6th power unit of Slovyanska TPP. We will continue our efforts to improve the reliability of heat supplies in the region of our presence and to ensure the further growth in production and financial indicators. Our top priorities for the short term are to increase the efficiency of our operations and the investment attractiveness of the Company.

Donbasenergo remains a reliable constituent element of the United Energy System of Ukraine and contributes to its smooth and uninterrupted operation.

The Company's 90th anniversary, which we are going to celebrate in 2020, is a landmark event. It commits us not only to assess the journey we have travelled, to review our successes, but also to build new plans. We have a broad expertise and we are capable of doing a lot. A certain amount of reserved strength and capacity have been created in recent years. This empowers us to look forward with optimism and to be sure that Donbasenergo will be a successful and prosperous Company!

**Respectfully,
Chairman of the Board
Donbasenergo PJSC**



E.M. Bondarenko

KEY FIGURES AND EVENTS OF 2019

The key event of the year for the country's energy industry was the timely launch of a new market model on 1 July 2019. The transition to the new energy market model showed the readiness of the country and the industry to fulfil their commitments within the framework of the energy sector's reform and international agreements. Donbasenergo showed high performance results during the first six months of the market's operation.

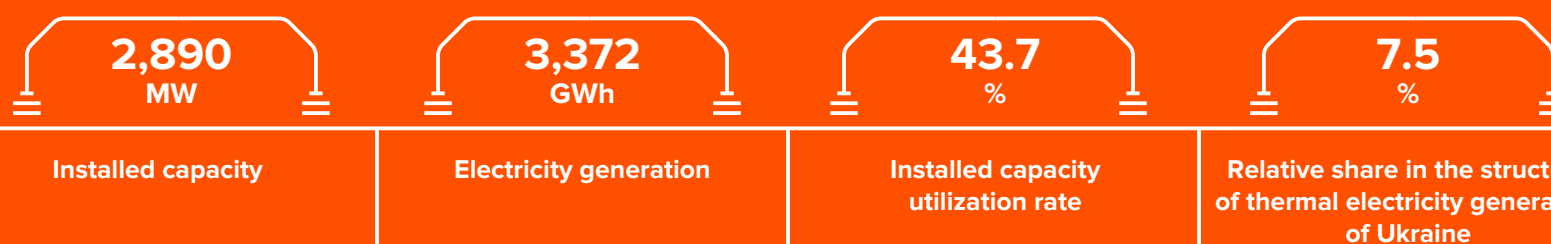
The retrofitting of power unit no.6 of Slovyanska TPP is a top priority project for the Company. Negotiations with Chinese bankers took place during their April visit to Kyiv. Meetings with representatives of relevant ministries and the Embassy of China in Ukraine are ongoing. Preparation of a package of documents for the partner country's financial institutions, including the development of a banking feasibility study for the project, is finalized. It is made by an independent consultant – the “Big Four” auditing company Ernst&Young.

This year, Donbasenergo made the first major step towards the establishment of a common integrated corporate management system: representatives of the South Korean G-CERTI certification authority made integrated supervisory audits of three management systems simultaneously – occupational health and safety, environmental protection and quality assurance, including the extension in the scope of certification to cover environmental management systems of Road Transport Enterprise and Elektroremont (structural units of Donbasenergo).

In 2019, the Company won 19 court cases in disputes with tax authorities to a total amount of over UAH 800 million. Those were fines, penalties and additional tax charges for the period of 2015-2016. Donbasenergo's lawyers managed to prove the incorrectness of the additional financial burden during the period when the Company operated in the area of anti-terrorist operation.

The Company introduced "Teplo Mykolayivky" (Mykolayivka's Heating) on-line service, which is a convenient payment tool for heat supply service's consumers. The on-line service enables local residents of Mykolayivka town to check the status of their personal accounts, to enter readings of their heat and hot water meters, to monitor the terms of payments. The on-line resource also contains up-to-date regulatory information for individuals and legal entities.

Donbasenergo completed the first stage of the Enterprise Asset Management (EAM) project.



KEY FIGURES AND EVENTS OF 2019

On 28 November 2019, Donbasenergo received a merger approval from the Antimonopoly Committee under the concession agreement concluded with Mykolayivka Town Council. Thus, the last stage of the procedures to transfer Mykolayivka town's heat supply networks to concession was completed. Next year, the Company will begin implementing a large-scale investment program for the development of urban infrastructure to improve the efficiency and reliability of heat supplies, to raise the quality level of services rendered to consumers.

Donbasenergo received a permit for the construction of a residential block of five multi-storeyed buildings with developed infrastructure in Mykolayivka town. The modern residential block on Myru street will occupy an area of 7.5 thousand square meters. The housing stock in the town of energy sector's workers will be expanded by 198 apartments.

By the time of the autumn-winter seasonal peak operations and the preparation for the heating season, the Company fully implemented the program of fuel replenishment in the warehouses and prepared its generation capacities for high-load operating conditions in a timely manner.

Slovyanska TPP marked its 65th anniversary. On 26 September 1954, at 10:47, the first 100 MW generator was connected to the power grid.

In November, Donbasenergo participated in the key industry event – the XVII International Forum “Fuel and Energy Sector of Ukraine: The Present and the Future”. On its promotional exhibition stand, the Company presented a joint project with the Chinese Dongfang Electric International Corporation for the retrofitting of power unit no.6, which is one of a kind in the domestic market.

Elektroremont – one the first repair services enterprises in the energy industry of Ukraine – marked its 85th anniversary.

2,132.34
UAH/MWh

Electricity supply tariff

UAH –63.9
million

EBITDA

2,435
people

Average number of
registered personnel

24,076
UAH

Average monthly salary

KEY FIGURES AND EVENTS OF 2019

The team of Slovyanska TPP won the competition among volunteer fire brigades of thermal electricity generation sector of Ukraine, where 10 teams took part. The competition consisted of two stages: theory and practice. Thorough mastering and drilling of firefighting skills during regular training ensured the victory for our team.

The Company's communication projects became the winners of two Grand Prix of 2019 Corporate Media Competition of Ukraine in the Corporate Calendar and Corporate Souvenir contest categories. The Company's corporate projects in the categories Corporate Book (comic book "Bon and the mysteries of the alien crystal"), Corporate Movie ("Energy is us"), and Corporate Annual Report also found acknowledgment and recognition. 102 projects, created by leading domestic and international companies, were submitted to the 14th Corporate Media Competition of Ukraine.

Energetyk sports and recreation centre (structural unit of EnergoSotsInvest) received the banner of the Olympic Committee of Ukraine as a reward for its contribution to promotion of healthy lifestyles and the development of sports.

Donbasenergo Football Club closed the season in the amateur Street Football Challenge Kyiv tournament and received the winner's cup.

In September, Donbasenergo was a partner of the International Education Forum, Facing the Future, organized by the MIM Business School and BookChef publishing house.

Within the framework of the development program implemented jointly with Mykolayivka town's community, design works for reconstruction of the stadium and the central square of Mykolayivka, Sveshnikov Square, were performed.

UAH 717.3
million

Paid to the budget as taxes
and other mandatory payments

UAH 429.1
million without VAT

Expenditures on the
repair campaign

UAH 195
million with VAT

Capital investments

UAH 182
million

Environmental protection
costs





1

COMPANY ON THE ENERGY MARKET OF UKRAINE

- | | |
|-----|---|
| 1.1 | Electricity consumption structure |
| 1.2 | Operation of the united energy system |
| 1.3 | Electricity output by thermal electricity generating companies |
| 1.4 | Tariff for the supplied electricity of thermal electricity generating companies |

ELECTRICITY CONSUMPTION STRUCTURE

1.1

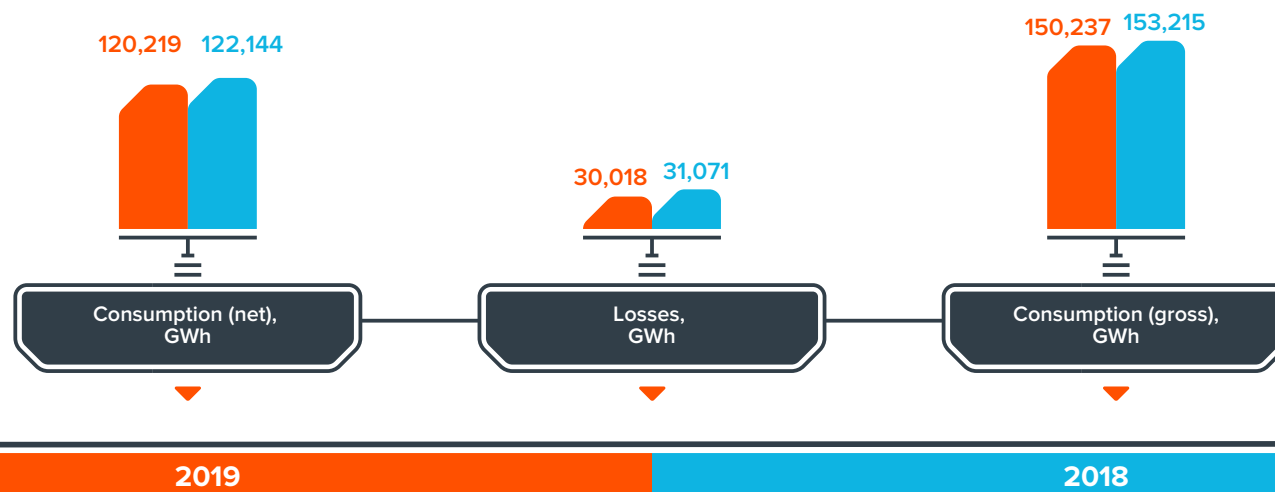
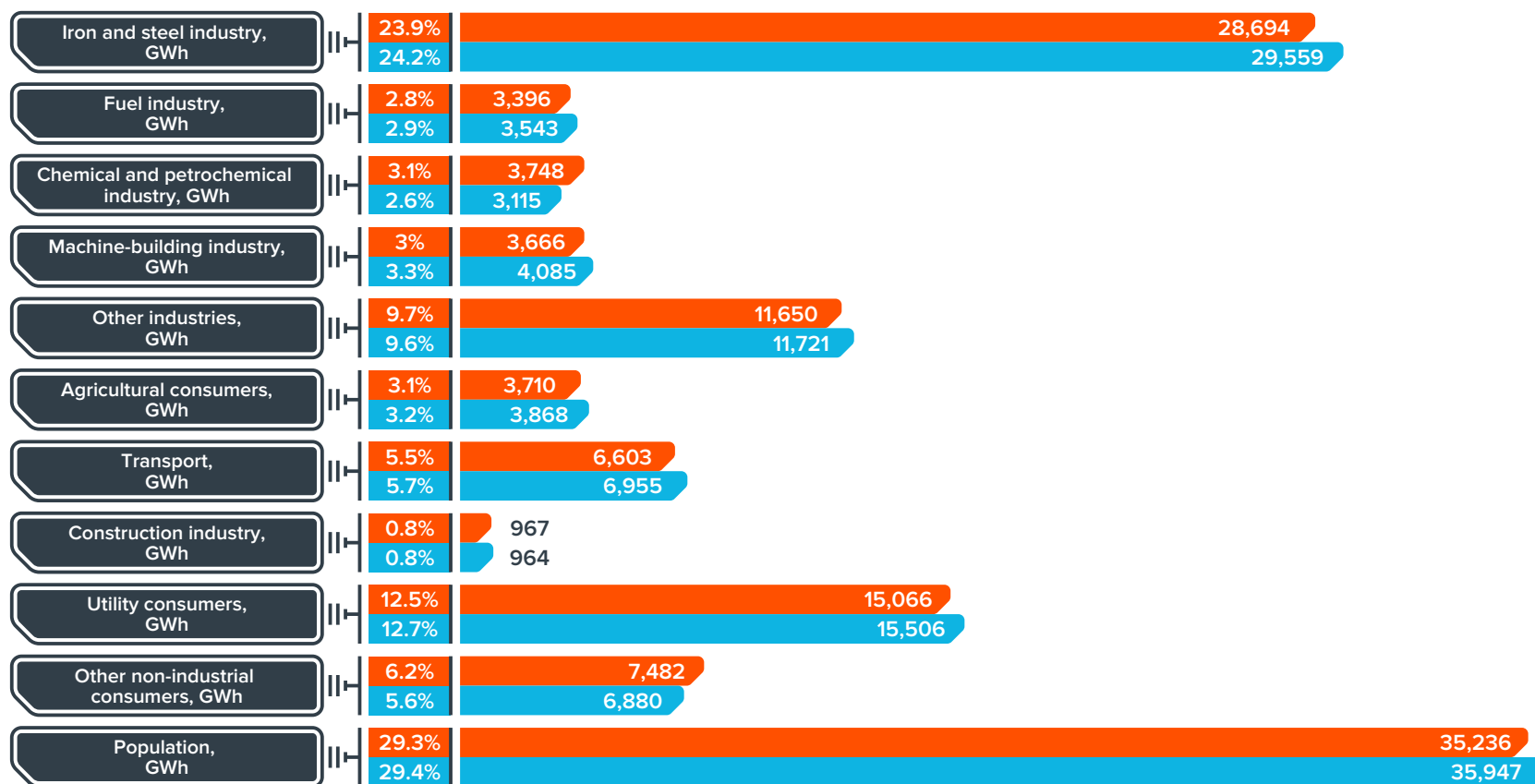
The goal of Donbasenergo's activity on the market is to meet the needs of the state for electricity by ensuring efficient operations of the Company's generating capacities.

In 2019, gross electricity consumption in Ukraine decreased to **150,237** GWh compared to **153,215** GWh in 2018, and consumption by end customers – to **120,219** GWh in 2019 against **122,144** GWh in 2018.

Until 30 June 2019, according to the Law of Ukraine "On Electric Energy Industry", electricity produced by generating companies

was sold to the wholesale electricity market of the country operated by Energorynok, a state-owned enterprise (SE).

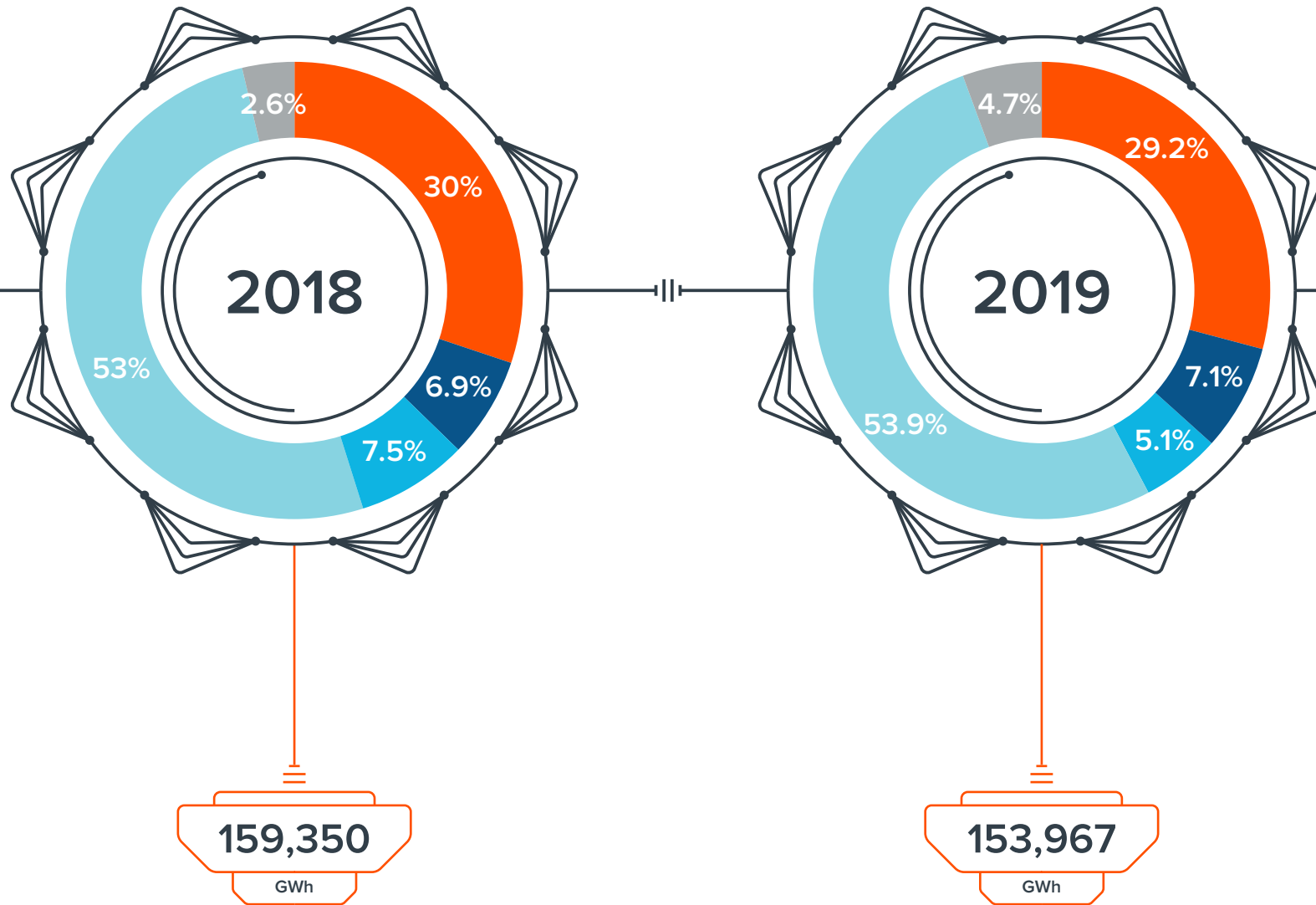
On 1 July 2019, the Law "On the Electricity Market" came into force, according to which the relations between the participants, the market players, should be competitively based in various market segments.



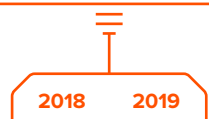
OPERATION OF THE UNITED ENERGY SYSTEM

1.2

Electricity production in the united energy system of Ukraine decreased by **3.4%** compared to 2018 – to **153,967** GWh.

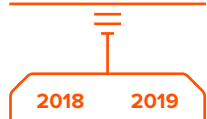


47,792 ▼ 44,915



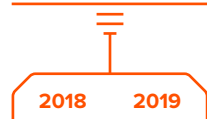
TPPs

11,016 ▼ 10,870



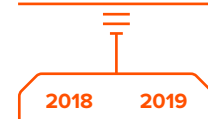
CHPPs

12,008 ▼ 7,869



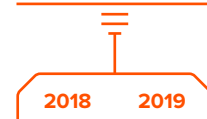
HPPs and PSPPs

84,398 ▼ 83,003



NPPs

4,136 ▲ 7,311



Other

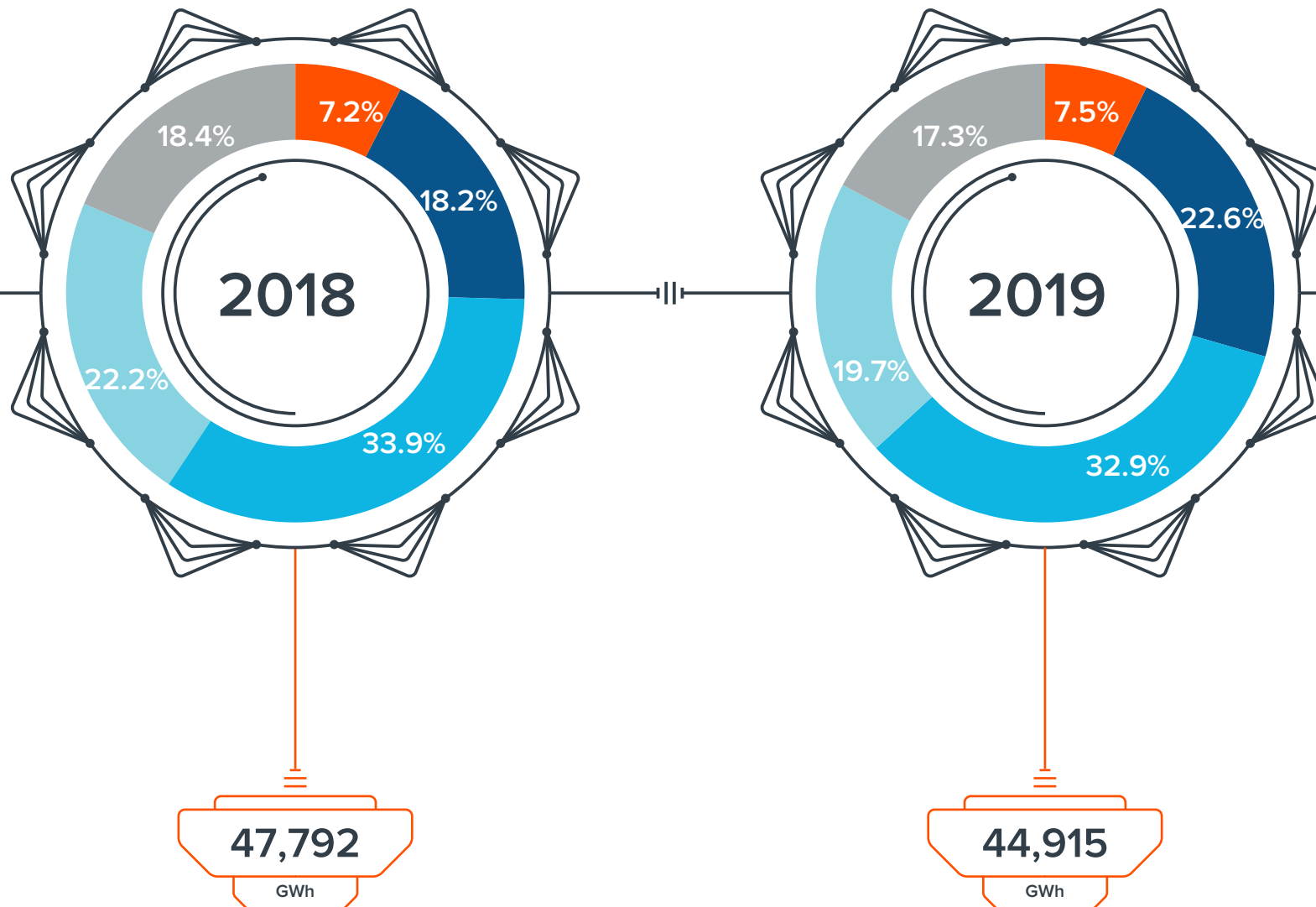
ELECTRICITY OUTPUT BY THERMAL ELECTRICITY GENERATING COMPANIES

1.3

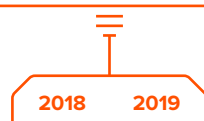
The Ukrainian thermal electricity generation is represented by five generating companies – Donbasenergo, Centrenergo, DTEK Zakhidenergo, DTEK Skhidenergo and DTEK Dniproenergo.

In 2019, Donbasenergo's share in the overall structure of electricity production in Ukraine was 2.2%, and **7.5%** – in the structure of thermal electricity generation.

In 2019, the share of thermal electricity generating companies in the overall structure of electricity production was **29.2%**.

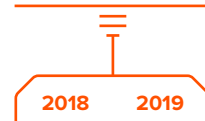


3,456 ▼ 3,371



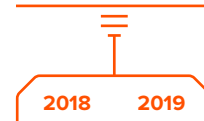
Donbasenergo

8,685 ▲ 10,154



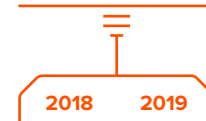
Centrenergo

16,225 ▼ 14,767



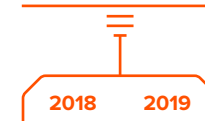
Zakhidenergo

10,628 ▼ 8,863



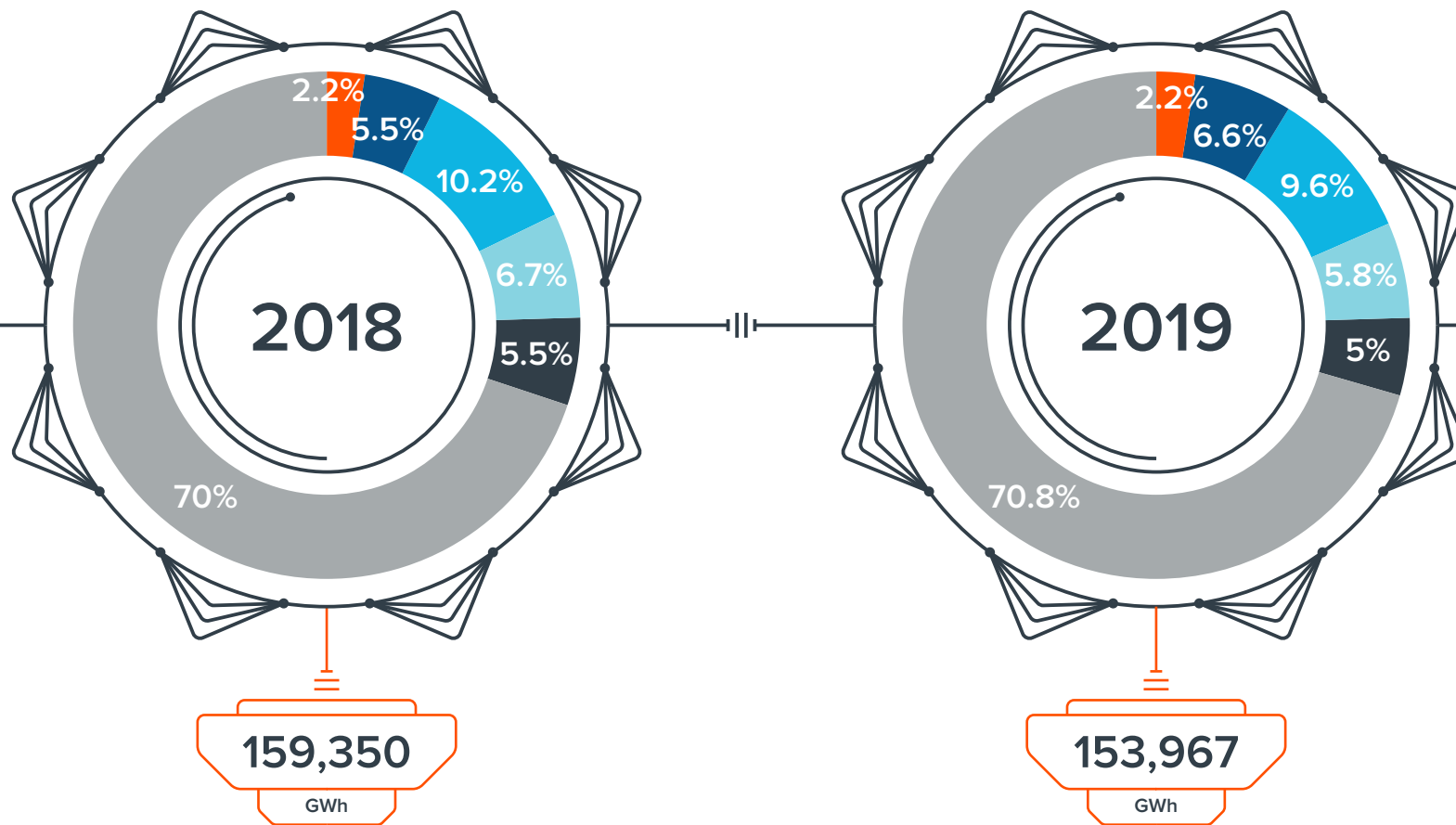
Dniproenergo

8,799 ▼ 7,760



Skhidenergo

The share of electricity output by thermal electricity generating companies in the United Energy System of Ukraine in 2018-2019, GWh



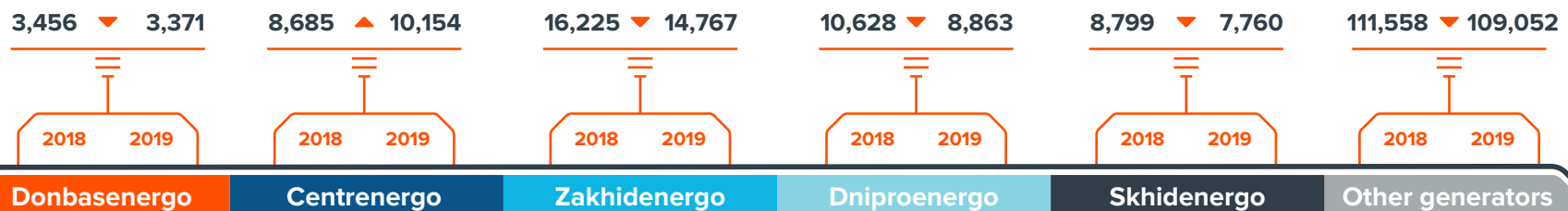
Until 30 June 2019, power generating companies running TPPs operated on the wholesale electricity market on a competitive basis: power units from the lowest specific cost to the highest one were selected to the pool for a planned day to cover the maximum consumption. Hourly electricity prices were determined by the most expensive cycling power unit. Prices for working capacity and manoeuvrability (cyclic-load capability) were determined based on ratios calculated by Energorynok SE. For all other electricity producers, NKREKP (NERC)* set supply rates/tariffs for the planned month.

Starting from 1 July 2019, all market participants must operate on a competitive basis. However, under the effective legislation, the state guarantees the purchase of all electricity produced by

alternative energy sources (RES) at a “green tariff” that is much higher than the market tariff. In order to compensate for “green tariffs” of renewable energy sources and to subsidize tariffs for individual consumers (population), the Cabinet of Ministers of Ukraine applied a PSO mechanism whereby 90% of NPPs' electricity and 35% of HPPs' electricity are sold at special (low) tariffs to the Guaranteed Buyer SE. Therefore, despite the opening of the new electricity market, it still remains over-regulated.

This over-regulation of the market is a constraining factor to both the efficient use of TPPs' capacity and the expansion of the share of thermal electricity generation in the overall structure of Ukraine's installed electricity capacity.

* NKREKP (NERC) - National Energy and Utilities Regulatory Commission of Ukraine (national regulator)

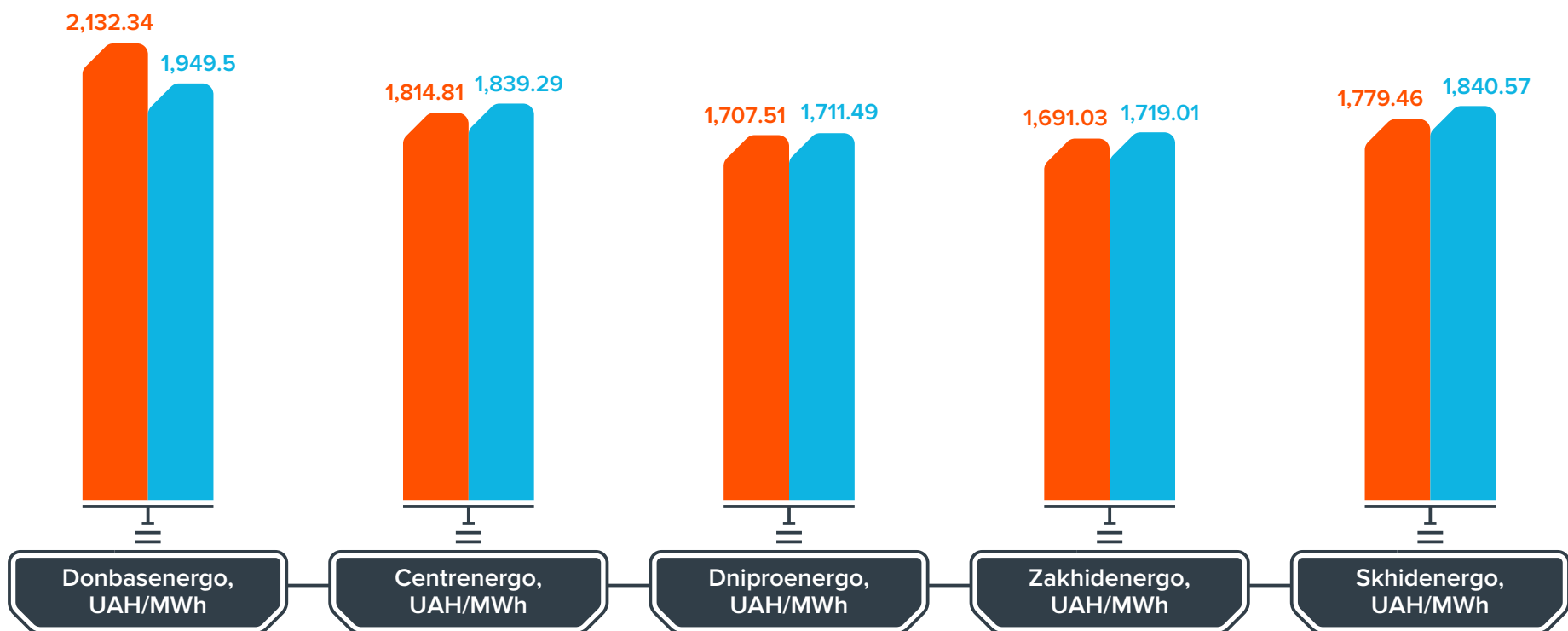


TARIFF FOR THE SUPPLIED ELECTRICITY OF THERMAL ELECTRICITY GENERATING COMPANIES

1.4

During the first half of 2019, the Wholesale Electricity Market of Ukraine saw a stable situation with tariffs of thermal electricity generating companies due to the stable wholesale market price (WMP), prices for the supplied electricity, working capacity and manoeuvrability (cyclic-load capability).

In the conditions of market over-regulation, prices in various segments of the new electricity market (bilateral contracts, balancing market, day-ahead market, intraday market) often did not make it possible to cover the costs of electricity production, which resulted in the lack of funds for modernization and development of thermal electricity generation, not to mention profitable operation.



The only export supplies destination for the Company in 2019 was Hungary. The volume of electricity supplied to this country amounted to 11.9 GWh.

6 months of 2019

2018

2

OVERVIEW OF OPERATING RESULTS

- | | |
|-----|---|
| 2.1 | Cost structure of commercial output |
| 2.2 | Fulfilment of key technical and economic indicators |
| 2.3 | Fuel supplies |
| 2.4 | Repair campaign |
| 2.5 | Capital investments |
| 2.6 | Material and technical support |

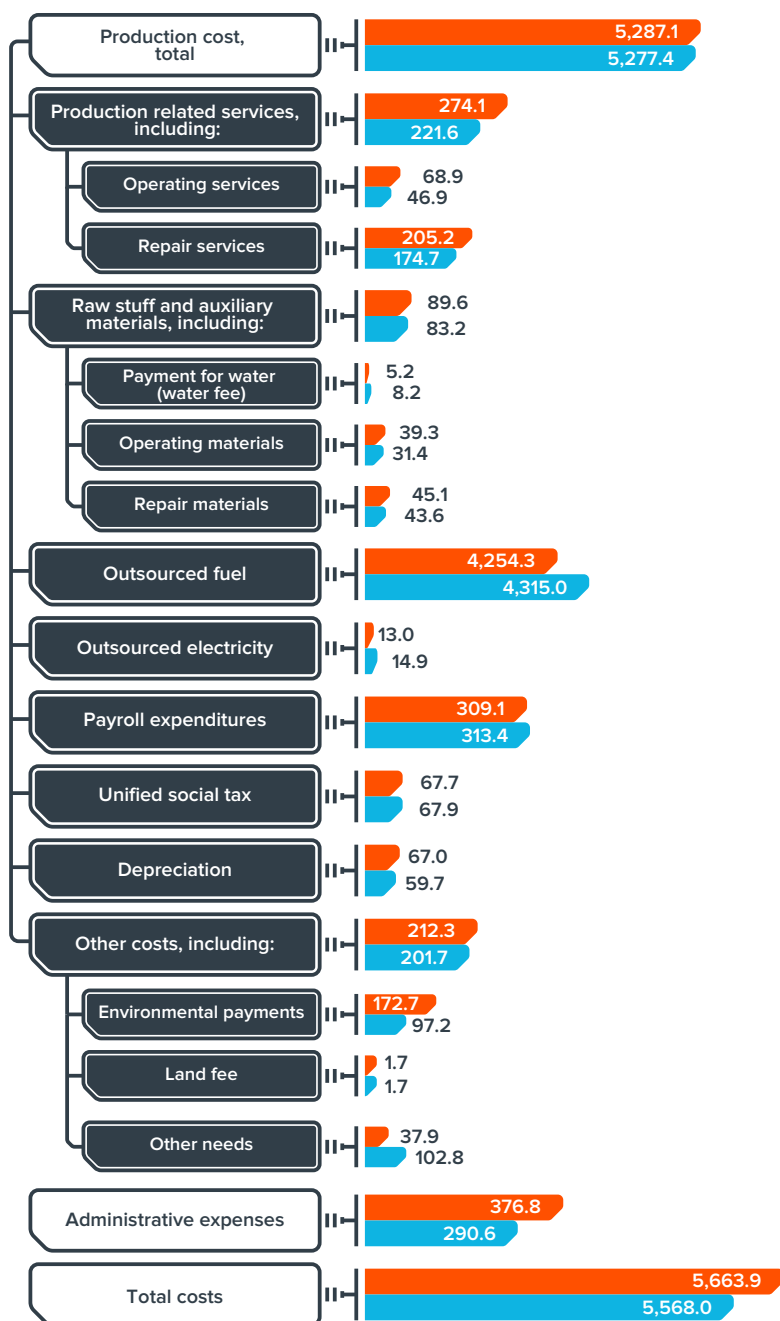
COST STRUCTURE OF COMMERCIAL OUTPUT

2.1

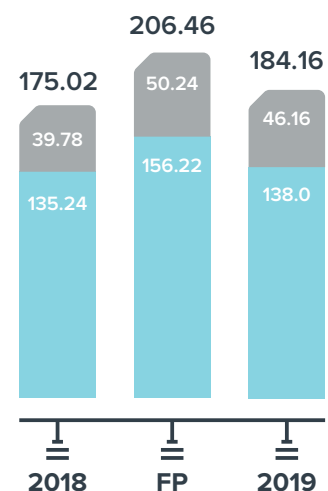
The main element in the overall cost structure of 2019 is fuel costs – **75.1%**, which decreased by **3.1%** compared to that of 2018. The actual payroll costs, including a unified social tax, within the production cost of 2019 went down by **1.5%** compared to 2018. The actual share of payroll in the production cost was also lower against the planned indicators by **6.3%** due to the delay in raising

payment rates and base salaries in pursuance of decisions of the Company’s Executive Board no.2019/04-03 of 25 April 2019, no.2019/06-02 of 13 June 2019 and no.2019/10-02 of 21 October 2019 in accordance with the requirements of the Law of Ukraine "On labour remuneration" (for the period of overcoming financial difficulties, up to 6 months).

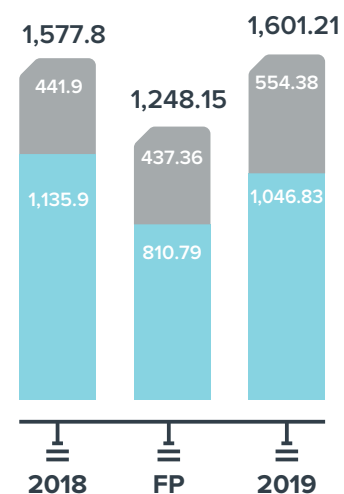
Cost structure of commercial output



Prime cost, kopyka/kWh



Prime cost, UAH/Gcal



Legend:
■ Fuel component
■ Semi-fixed costs
 FP – 2019 financial plan

Annex 6.1

2019

2018

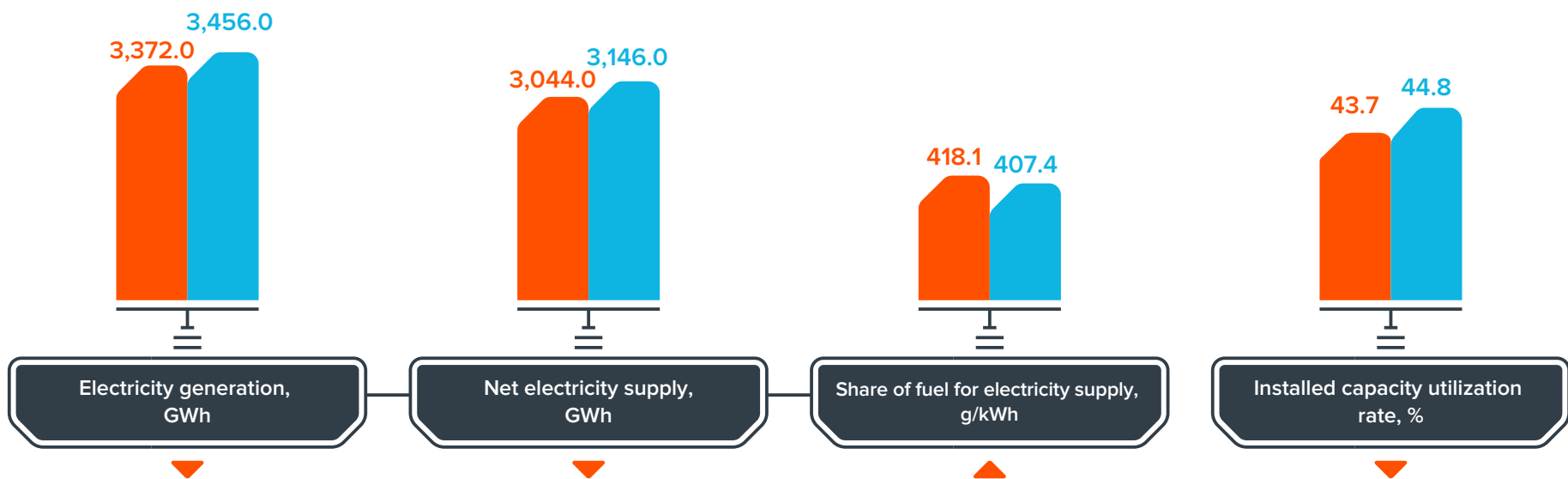
FULFILMENT OF KEY TECHNICAL AND ECONOMIC INDICATORS

2.2

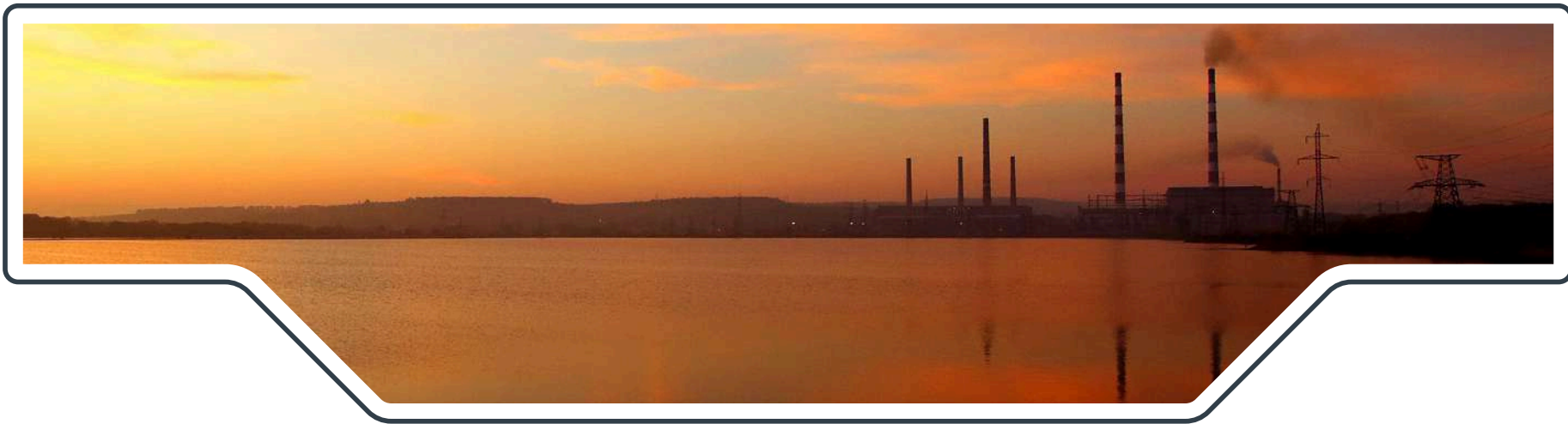
Electricity generation in 2019 amounted to **3,371.675** GWh, which is **176.675** GWh higher than the financial plan's figure (3,195 GWh according to the financial plan). The rise was mainly due to the average load of power unit no.7 increased from **402** MW to **428** MW, with operation time reduced by **64** hours (from **7,944** to **7,880** hours). The increase in electricity generation by Slovyanska TPP in 2019 resulted in **43.7%** higher installed capacity utilization rate, which is **2.3%** higher than the figure of the financial plan.

Compared to 2018, electricity generation at Slovyanska TPP dropped by **84.553** GWh (actual in 2018 – **3,456.228** GWh) mainly due to a decrease in average load by **23** MW (actual in 2018 – **451** MW) with operating time reduced by **223** hours (actual in 2018 – **7,657** hours).

Fulfilment of key technical and economic indicators



Annex 6.2



2019

2018

FUEL SUPPLIES

2.3

General characteristics of fuel supplies. Fuel supplies by types and grades. Give and take (customer-furnished) fuel

The supplies of fuel to the Company's power plant in 2019 were made on the basis of the annual Projected Electricity Balance of the United Energy System of Ukraine approved by the Ministry of Energy and Coal Industry and the forecasted (indicative) composition of the power units for electricity generation in the planned volumes and creating the required stocked coal reserves.

Coal was supplied under contracts with coal suppliers ensuring compliance with the uniform requirements to coal quality, in accordance with the specifications established by the national standard DSTU 4083-2012 "Coal and anthracite for dust combustion at thermal power plants. Specifications".

As at 1 January 2020, Slovyanska power plant stockpiled:

- coal — **172.1** thousand tonnes, (**10.5** thousand tonnes as at 1 January 2019)
- raw petroleum coke — **0.0** thousand tonnes (**3.6** thousand tonnes as at 1 January 2019)

- fuel oil — **1.2** thousand tonnes (**1.2** thousand tonnes as at 1 January 2018).

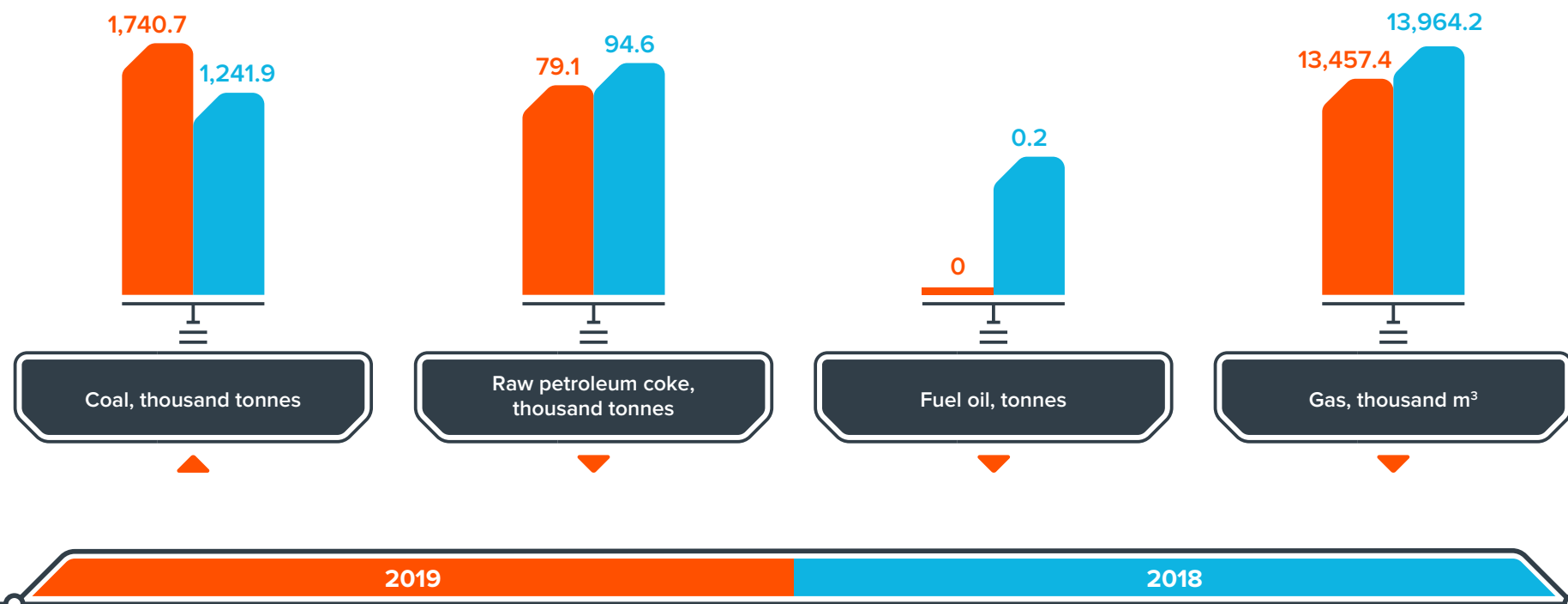
In 2019, the payments for the supplied solid fuel amounted to UAH **4,030.5** million.

Natural gas in 2019 was supplied to Donbasenergo's structural unit, Slovyanska TPP, in a centralized way from GAZINVEST-TRADING LLC gas supplier.

In 2019, Donbasenergo purchased gas from GAZINVEST-TRADING for its Slovyanska TPP in the amount of **13.5** million cubic meters worth UAH **116.8** million, which ensured the plant's uninterrupted production process.

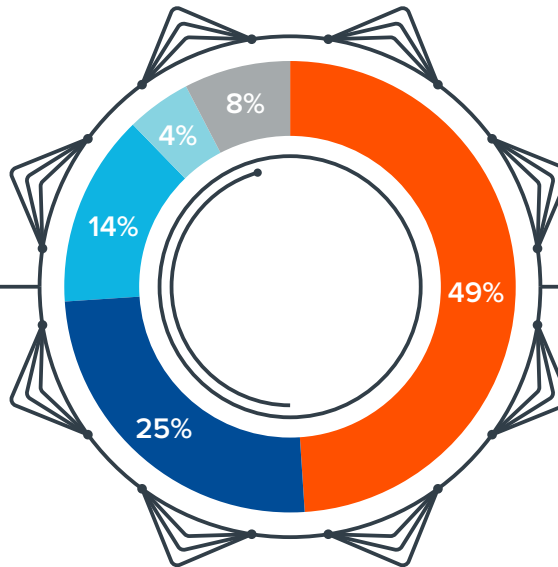
The payment to GAZINVEST-TRADING amounted to UAH **127.1** million, taking into account the debt of UAH **22.5** million as at 1 January 2019, which is **108.8%** of the value of natural gas purchased in 2019. As at 1 January 2020, the debt is UAH **11.9** million.

Supplies of fuel to Slovyanska TPP in 2019, by types of fuel:

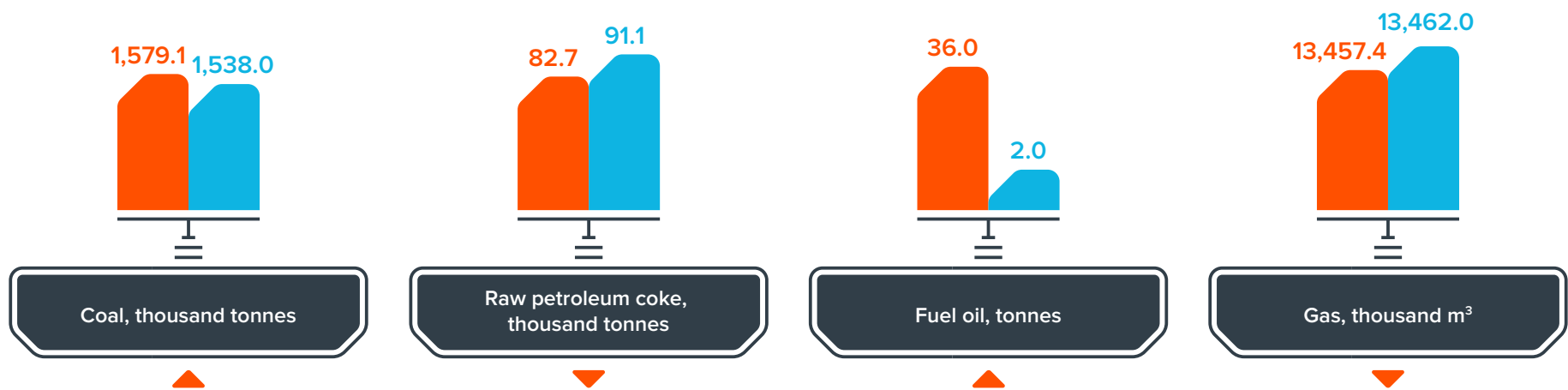


Solid fuel received by Slovyanska TPP, by grades

A grade coal 894.8 thousand tonnes	T grade coal 457.6 thousand tonnes	G grade coal 243.8 thousand tonnes	raw petroleum coke 79.1 thousand tonnes	other coal 144.5 thousand tonnes
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Consumption of natural fuel for the production of electricity and heat by Slovyanska TPP:

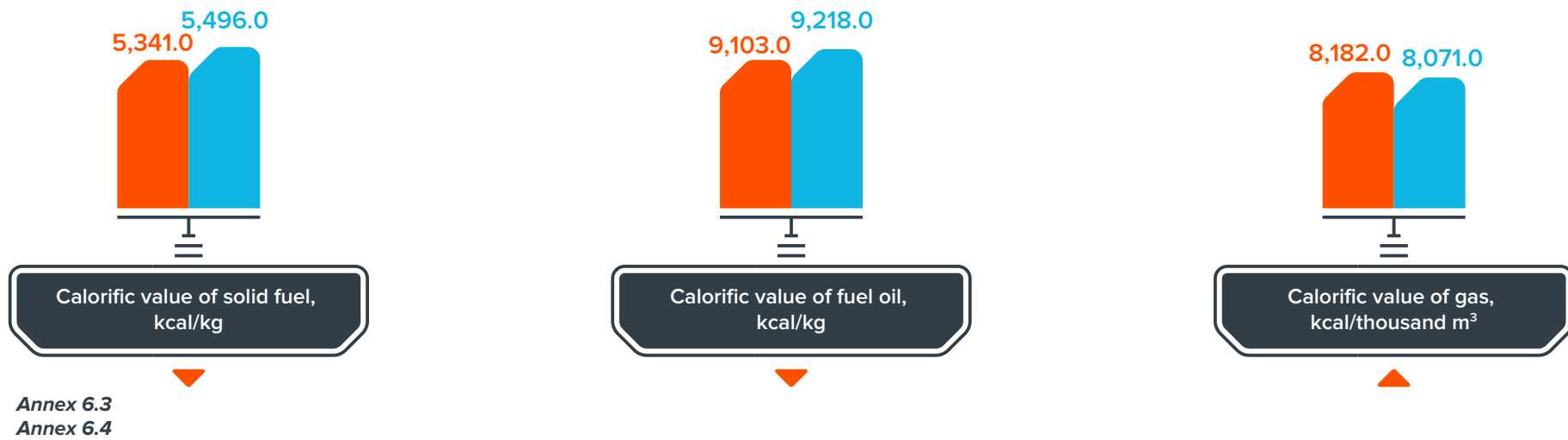


The fuel consumed for operation of the Company's power plant in 2019 meets the boiler equipment's specifications and the standards.

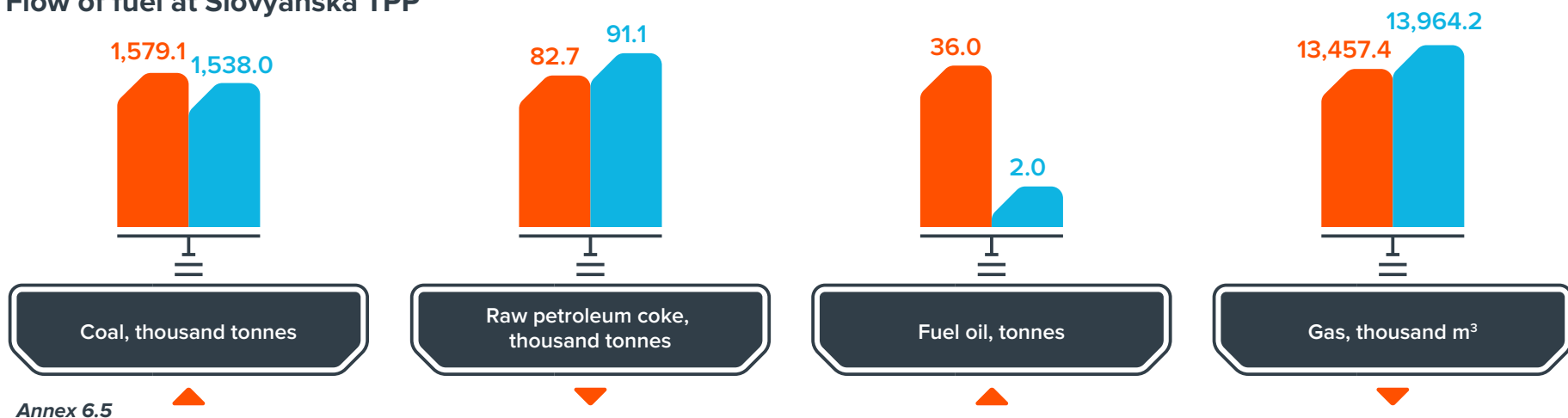




Change in the calorific value of fuel in consumption by Slovyanska TPP



Flow of fuel at Slovyanska TPP



2019

2018

REPAIR CAMPAIGN

2.4

In 2019, Donbasenergo implemented major overhauls and current repairs of its power plant's main equipment in the scopes and within the time limits aligned with the orders of the Ministry of Energy and Coal Industry of Ukraine:

- order no.611 of 3 December 2018 “On the preparation of equipment of power plants and heating networks for reliable and efficient operation in 2019 and in the autumn-winter period of 2019/2020”
- order no.167 of 9 April 2019 “On amendments to order no.611 of the Ministry of Energy and Coal Industry of 3 December 2018”
- order no.427 of 21 October 2019 “On amendments to order no.611 of the Ministry of Energy and Coal Industry Of 3 December 2018”.

In 2019, according to order no.611 of the Ministry of Energy and Coal Industry of Ukraine dated 3 December 2018 “On preparation of equipment of power plants and heating networks for reliable and efficient operation in 2019 and in the autumn-winter period of 2019/2020”, in order to ensure the reliable performance during the autumn-winter period, and in accordance with the capacity balance of the United Energy System of Ukraine, it was necessary to make available and operational the main equipment of Slovyanska TPP to a total capacity of **880** MW. To that end, it was planned to repair

6 units of the main equipment of Slovyanska TPP, in particular to perform the following:

- major overhaul of **1** equipment unit (boiler no.6 – 1st phase)
- current repair of **5** equipment units (turbine unit no.7, sections 7A and 7B of power unit no.7, turbine unit no.3, boiler no.7 – 1st phase).

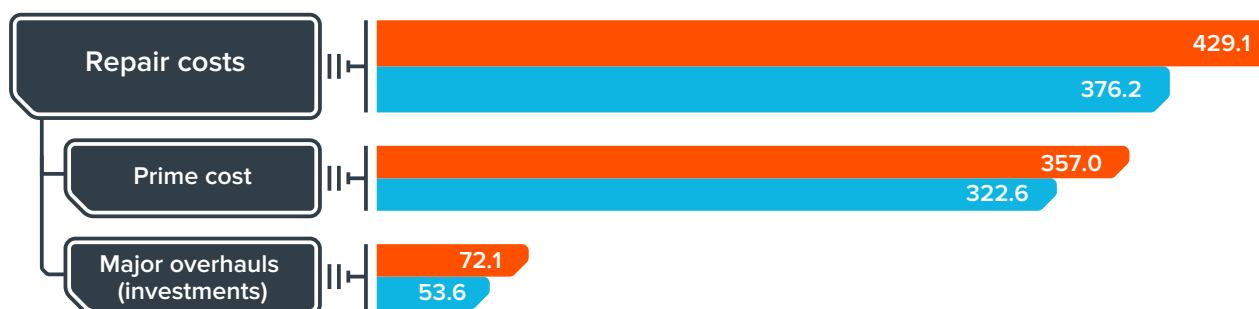
Repair of heat supply networks — **0.105** km.

In fact, in 2019, under the schedule of repairs, as approved and adjusted based on the protocol decisions of Commission meetings of the Ministry of Energy and Coal Industry “on consideration, approval and adjustment of the planned annual and future schedules for repairs of power plants’ equipment”, **6** units of the main equipment of Slovyanska TPP to a total capacity of **880** MW were repaired, in particular:

- major overhaul of **1** equipment unit (boiler no.6 – 1st phase)
- current repair of **5** equipment units (turbine unit no.7, sections 7A and 7B of power unit no.7, turbine unit no.3, boiler no.7 – 1st phase).

Repair of heat supply networks — **0.225** km.

Costs on repair campaign of Slovyanska TPP



The scopes of repair performed in 2019 made it possible to ensure the reliable operation of the main equipment of Slovyanska TPP in the autumn-winter period of 2019/2020.

2019

2018

The following operations were performed on the main and auxiliary turbine equipment:

- || Replacement of a section of steam supply pipeline to PVT-6 high-pressure heater of groups 1 and 2.
- || Major overhaul of TsEN-8 circulating electric pump of BNS no.2A on-shore pumping station.
- || Replacement of water drain dampers in condensers of turbine feed pumps no.1 and 2 Du800 Ru0.25.
- || Installation of additional M-540 oil cooler on turbine unit no.7.
- || Replacement of the wastegates of the starting vessel of power unit no.7 – 2 pcs.

The following operations were performed on the main and auxiliary boiler equipment:

- || Replacement of ball T-valves/joints on hot reheat pipelines of AB and CD flows – 4 pcs.
- || Replacement of damper of steam discharge to condensers from hot reheat duct (Du400, Ru10 MPa – 1 pc.), medium discharge dampers after D-2 valve, A-B flows (Du150, Ru25.2 MPa – 4 pcs.) on section 7A.
- || Replacement of a section of the main steam pipeline of CD flow, section 7A.
- || Replacement of dredging pump no.1.
- || Replacement of impellers of axial-flow induced-draft fans OD-1B, OD-2A, OD-2B of sections 7A and 7B.
- || Metal monitoring/testing of by-pass pipelines and headers within the boiler (sections 7A and 7B), metal testing of the main steam pipelines (T-bends and joints on 7B section).
- || Repair of valves, repair of igniters of sections 7A and 7B, including replacement of heat-resistant nozzles, detection of defects and repair of ash protection systems, parts of fastenings of heating surfaces, repair of the hydraulic ash removal system, repair of regenerative rotating air-heaters (ROP), repair of gas-air duct, etc.

The following operations were performed on the main and auxiliary equipment of the off-unit part:

- || Replacement of MP-37 oil cooler on turbine unit no.3.
- || Major overhaul of TsEN-2 circulating electric pump of BNS-1 on-shore pumping station.
- || Replacement of sections of the second-stage air heater of boiler no.6.

The following operations were performed on the equipment of fuel pulverizing shop:

- || Replacement of PGN-11 pneumatic screw pump with a new design pump.
- || Major overhaul of KM-3 ball mill (100% replacement of cylindrical armour, face armour).
- || Repair of panel steam dryer no.2, including replacement of straight and T-shaped panels.
- || Repair of panel steam dryer no.3, including replacement of smaller, straight and T-shaped panels.

The following operations were performed on common auxiliaries (general equipment) of the power plant:

- || Replacement of battery no.3 and charger no.3 of DC board no.2.
- || Replacement of air separation of VRP-110 kV outdoor switchgear.
- || Replacement of 330 kV current transformers (3 sets).
- || Major overhaul of 330 kV outdoor switchgear portals.
- || Replacement of switches of VRP-110 kV outdoor switchgear (Slovyansk 1 and Slovyansk 2 connections).
- || Repair of electrical equipment of the gantry crane of the electric precipitators, power unit no.7.
- || Major overhaul of VRS-2 wagon tipper – "A" line/track.

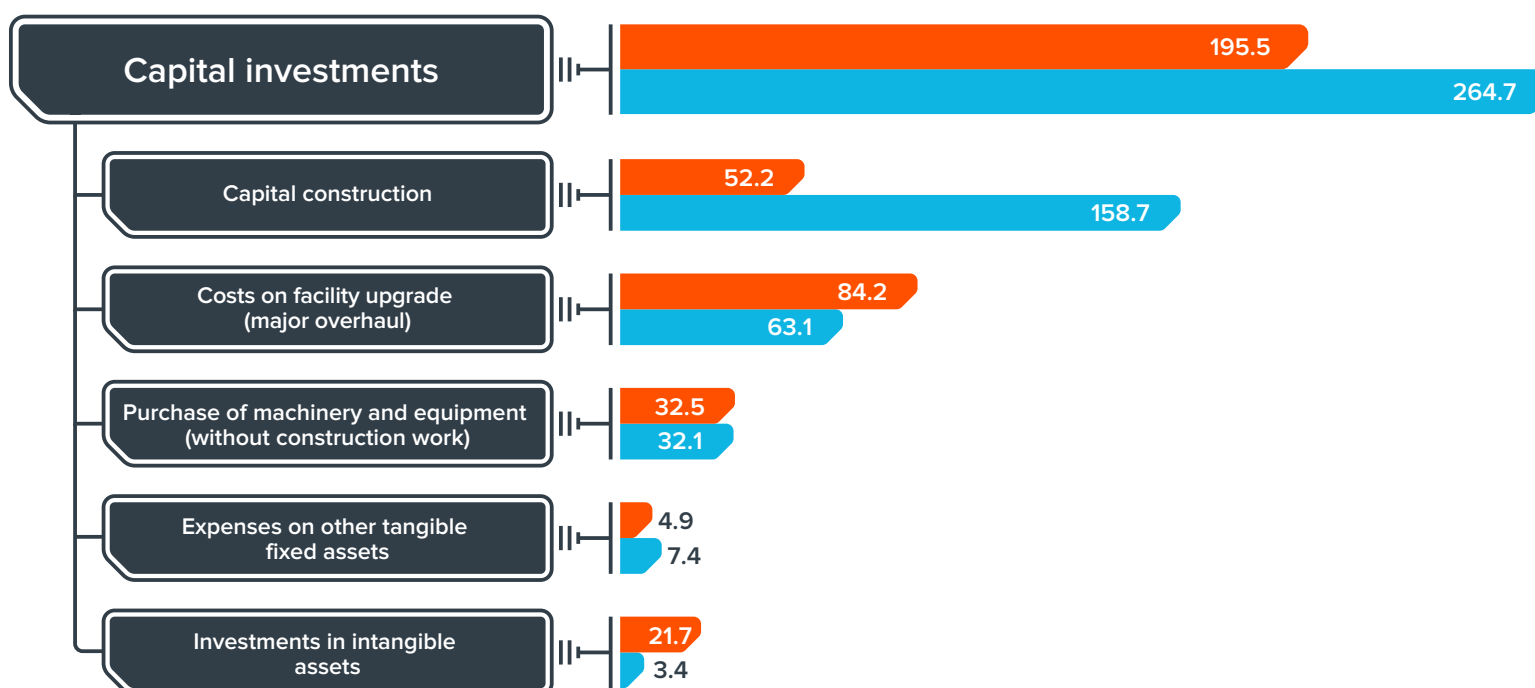
The following operations/works were performed on buildings and structures:

- || Repair of the roof rainwater drainage system of buildings (on-shore pumping station no.2, first-stage power house and power units no.7 and no.6).
- || Erection of enclosure walls in the induced-draft fans' compartment.
- || Installation of fire extinguishing system in building of off-unit part of boiler room and boilers no.6 and no.7.
- || Major overhaul of the Main Control Room (MCR) premises and connecting gangway.
- || Repair of roofs of process buildings (turbine house, on-shore pumping stations 1–4, buildings of fuel oil pumping station 1, pumping and filtering station (NFS), crushing and grading unit DSU-1, DSU-2, bulldozer pool, weighing station, etc.).
- || Repair of hydraulic ash removal channels/ducts (GZV), including replacement of gutters of rotary-type slag removal unit (RUMSh).
- || Repair of roofs, inter-panel joints, repair of facades of buildings of the demineralizing plant (ZUD) and chemical water treatment plant (KhVO).
- || Repair of roof, inter-panel joints, concreting of buildings of compressor station no.1, no.2 and electrolysis unit.

CAPITAL INVESTMENTS

2.5

Capital expenditures, UAH million including VAT



Retrofitting of power unit no.7 of Slovyanska TPP

In 2018–2019, preparations were underway for the third stage of retrofitting scheduled for 2021. The Company concluded some contracts and financed some equipment to be manufactured for the physical implementation of the third construction stage. Part of the equipment was manufactured and delivered to Slovyanska TPP.

Since the beginning of the power unit's retrofitting and as at 1 January 2020:

- the scope of work performed and equipment delivered were worth UAH **843.5** million including VAT
- financed – UAH **1,445.7** million including VAT.

Further longer-term plans:

- to have the accrual of the investment component renewed in the new electricity market
- to make contracting for the third (final) stage of the retrofitting, which will take place in 2020, in accordance with the power plants' schedule of retrofitting as approved by the Ministry of Energy and Coal
- to make advance payments and place orders for manufacture of equipment, where the main scope is the manufacture of a turbine unit
- to perform the retrofitting in 2021 and to put the facility into operation.

2019

2018

Retrofitting of power unit no.6 of Slovyanska TPP

In the framework of implementing the project “Retrofitting of power unit no.6 of Slovyanska TPP, including its division into power units 6B and 6A of 330 MW each”:

- the feasibility study of the investment project was approved (by Resolution no.377-p of the Cabinet of Ministers of Ukraine dated 5 June 2013)
- preparatory work on the construction site of Slovyanska TPP was completed in full
- the design and cost estimate documentation for the project’s general design stage, with anthracite coal as a design fuel, was fully developed
- the design ToR were adjusted for the use of gaseous grade coal as a design fuel, and were considered at a section meeting of Elektroenergetyka Scientific and Technical Board (STB) of the Ministry of Energy and Coal. The technical solutions under the project were approved in accordance with the STB protocol of 13 June 2017
- the project was included in the list of longer-range projects for joint implementation by the Government of Ukraine and the Government of the People's Republic of China.

With a view to further obtain a state guarantee for the project in order to ensure the discharge of the debt obligations under the loans, the following was fulfilled:

- on 5 September 2017, positive opinion no.3 was received based on the results of the governmental examination of investment projects by the Ministry of Energy and Coal Industry of Ukraine, as well as positive expert opinion no.91-2017 from the Ministry of Economic Development and Trade of Ukraine (21 June 2017)
- self-recoupment (financial viability) of the investment project was confirmed by an independent expert from KPMG-Ukraine in the report dated 25 May 2018
- on 8 October 2018, a positive opinion of the Ministry of Finance of Ukraine was received based on the results of identification and assessment of risks associated with the implementation of the investment project. According to the opinion, the provision of a loan to Donbasenergo under the state guarantee, in order to finance the investment project, is feasible and well-justified.

In April-October 2018, Donbasenergo, together with VPC GmbH as a technical consultant and CMS Cameron McKenna as a legal consultant, produced the tender documentation to select the contractor for the turnkey contract (design, equipment purchases and testing).

On 1 November 2018, a tender for the procurement of these works/services was announced using ProZorro electronic

procurement system (www.prozorro.gov.ua), subject to the rules and procedures established by the Procurement Procedure.

On 3 December 2018, an auction was held, which resulted in the lowest registered bid price of UAH **19,089** million. The bid was submitted by Dongfang Electric International Corporation.

On 20 December 2018, a contract was concluded between Donbasenergo PJSC and Dongfang Electric International Corporation.

To date, Donbasenergo has held some rounds of negotiations and submitted some of the required documents to the Bank of China (PRC, Chengdu).

On 16 August 2019, a contract was concluded between Donbasenergo PJSC and an independent consultant, Ernst&Young international auditing company, to develop a bank feasibility study for the project, which is an essential condition of the Bank. After reviewing the feasibility study, the Bank will complete a comprehensive assessment (due diligence) of the investment project and will provide the final financing conditions.

At the same time, Donbasenergo PJSC concluded a professional services contract with the representation of Mayer Brown JSM in Beijing to make a legal audit (legal due diligence) of the potential borrower and prepare a draft loan agreement, in its role as an independent consultant. The involvement of an international law firm, providing advice on English law, PRC law and Ukrainian law, was also an essential requirement of the Bank.

Further short-term plans are as follows:

- to complete the procedure of obtaining a state guarantee in order to ensure the discharge of debt obligations under the borrowings (to participate and give approval in the tender for the provision of a state guarantee run by the Ministry of Energy and Coal, to coordinate the provision of state support with the Antimonopoly Committee, to receive approval from the Cabinet of Ministers of Ukraine)
- to receive project approval from Sinosure (China Export & Credit Insurance Corporation) and the Bank of China
- approval and provision of credit by the Bank of China.

Reconstruction of Zorya cafe

On 19 December 2019, Zorya cafe was first opened in Mykolayivka town. Stylish interior design, relaxing atmosphere, European cuisine, live music – the cafe offers a cosy space. Its every smallest detail is well-thought-out here (two banquet halls designed to accommodate 72 guests). Coffee-break and catering services are offered both inside the cafe (in the conference room) and off-premise.

During the reconstruction phase of Zorya cafe, the scope of works performed and equipment delivered were worth UAH **20.6** million, including VAT, where UAH **11.7** million – spent in 2019.

Residential building

The long-term plans of Donbasenergo include the construction of a block of residential buildings in Mykolayivka town. The Company plans to build a whole block of residential buildings on Myru street to a total area of **7.5** thousand square meters, comprising 198 apartments. It will be a truly comfortable “town inside the town” residence consisting of five four-storey buildings. The residential block will also have its own infrastructure. The ground floors of the buildings will accommodate commercial premises – shops, offices, and service centres. The area of the residential block will host children's playgrounds, recreation zones for adults and children, and sports grounds. It is also planned to make green landscaping of the area.

Expenses on reconstruction and major overhaul of social infrastructure facilities and implementation of social and corporate programs of Donbasenergo

In 2018–2019, Donbasenergo together with Mykolayivka Town Council performed the following activities:

- completed design and survey in order to develop detailed designs (including expert assessment) for the major overhaul of facades and thermal modernization of social infrastructure facilities of Mykolayivka Town Council – schools, kindergartens, gymnasium, art school and boarding school
- completed detailed designs for repair of roads of Mykolayivka amalgamated territorial community – stages 1, 2, 3 and 4
- completed detailed designs for repair of the lighting network in Mykolayivka town
- completed detailed design for the reconstruction of the park in Mykolayivka town
- prepared design and cost estimate documentation for construction and then constructed a sports ground for mini-football on the territory of Mykolayivka secondary school no.3.

In 2018, the design project for the construction of St. Spiridon church was developed. In 2019, the foundation was laid and the walls of the basement were erected. Further construction and installation are planned for 2020-2022.



MATERIAL AND TECHNICAL SUPPORT

2.6

The main focus of the Procurement and Tendering Directorate is timely provision of the Company with inventory by determining the optimal offer against the price/quality parameters. To do this, employees of the Directorate need to study the market, to process a huge number of proposals from suppliers, to evaluate the appropriateness of terms of reference from the point of view of market participants.

Relying on the latest trends in the field of procurement, the Company introduced an electronic trading platform, the B2B Portal. Thanks to this resource, potential suppliers can participate in tenders and bid at any time from anywhere in the world. Thanks to the integration with ProZorro, we are covering the largest supplier base in Ukraine.

PROCUREMENT PROCESS

1

Procurement request. The first stage of the process is the processing of a procurement request by specialists of a structural unit. At this stage, the correctness of the terms of reference is verified and the estimated value of the purchase is established by

requesting commercial proposals. The prepared package of documents is sent for processing to the material and technical support (procurement) section of the Company's management office.

2

Preliminary market monitoring is made by the Procurement and Tendering Directorate. Specialists of the Directorate carry out market analysis, check the correctness of terms of reference, expand the range of potential suppliers through negotiations. In addition, personnel of the Procurement and Tendering Directorate follow up on all purchases of the management office.

For 2019:

1,062 monitoring reports were produced by procurement specialists.

2,085 commercial proposals from suppliers were received at this stage.

Break down by structural units:

Slovyanska TPP — **523** monitoring reports and **1,054** commercial proposals (CPs).

Elektroremont — **78** monitoring reports and **207** CPs.

DESR — **194** monitoring reports and **404** CPs.

PAT — **25** monitoring reports and **41** CPs.

DonTEP — **29** monitoring reports and **36** CPs.

EnergoSotsInvest — **83** monitoring reports and **139** CPs.

Management Office — **130** monitoring reports and **204** CPs.

3

Preparation for tendering. After processing the received information, a package of tender documentation is produced and a tender announcement is published on the web site of the trading platform (tender.de.com.ua). When a tender announcement is published, invitations are sent to all the registered members automatically

For 2019:

572 — number of tenders announced.

226,340 — number of invitations to tender sent to tenderers.

4

Call centre. Using the resources of the Internet and their own databases, specialists of the Directorate additionally invite potential participants to bidding. They use e-mail correspondence, mobile and fixed telephony, resources of the trading platform and other possibilities. Each participant receives maximum amount of information and technical support from the Directorate's personnel.

For 2019:

1,099 — number of processed applications for accreditation from participants.

853 — number of accredited suppliers (665 new contractors, 188 – credentials changed).

2,319 responses from participants to the invitation to tender.

4 — average number of bidders per one tender.

5

Auction. Open bidding. To submit a tender proposal (a bid) during the bidding process, it is sufficient for the bidders to fill in an on-line form specifying the price, terms and conditions of delivery, the guarantee and other information, if desired. At the same time, if

one of the participants changes the price, all other participants receive a notification about the price reduction and can respond promptly. The time for such a response is set by the bidding program and can be extended automatically if needed.

6

Collection of commercial proposals. In order to confirm the commitment, as well as to exclude the thrill of the bidding in case of price cutting, and therefore to minimize the possibility of price

dumping by participants, updated commercial proposals are collected after the bidding is completed.

7

Evaluation and determination of the best tender proposal (bid). A comprehensive approach to selection of the best price offer includes a review of technical and legal aspects, verification of the

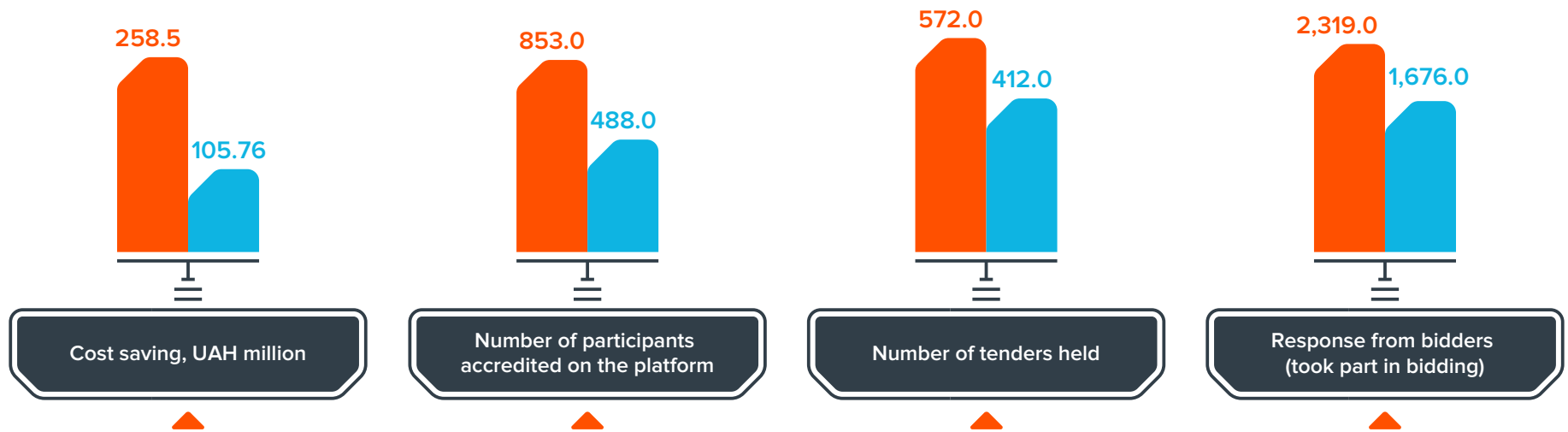
counterparty's reliability, which, in turn, makes it possible to choose the best option for the minimum price and the most favourable terms of delivery.

8

Communication of results of tendering. The information on the results of the bidding (tender) is automatically sent to e-mail

addresses of all bidders and the procurement initiator for the conclusion of the contract.

Effectiveness



14

Maximum number of bidders per one tender

44

Maximum number of lots in one tender

4,079

Maximum number of bid steps to reduce the price made by participants during one tender



2019

2018



3

ANALYSIS OF FINANCIAL RESULTS OF OPERATIONS

3.1	Revenues and income
3.2	Net profit. Key financial indicators
3.3	EBITDA
3.4	Cash flow
3.5	Credit portfolio
3.6	Analytical metrics reflecting the financial condition

All information presented in the Analysis of Financial Results of Operations section is based on the consolidated financial statements of Donbasenergo audited and confirmed by an independent auditor.

REVENUES AND INCOME

3.1

Financial indicators and performance results are one of the most essential markers and indexes of the Company's activity. Their analysis reveals the influence of internal, production-related and external economic factors on the main indicators of the Company's financial condition. The indicators presented in this section characterize Donbasenergo's ability to maintain control over its financial and economic condition, to fulfil obligations to creditors, employees and budgets of all levels. They also make it possible to assess the Company's past and current financial position with a view to future business conditions.

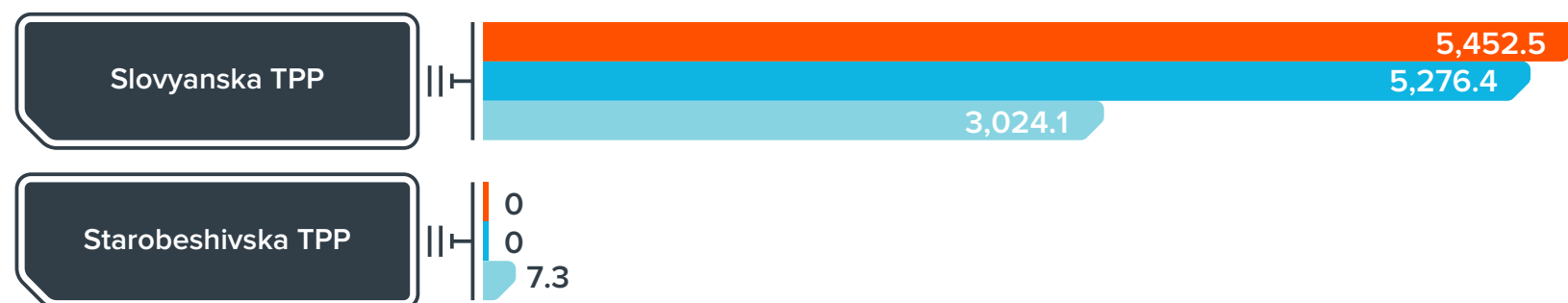
The calculations of the key operating and financial indicators do not take into account the performance results of the structural units the production facilities of which are located in the temporarily uncontrolled territory, due to the loss of control over them in March 2017.

The 2019 financial statements were compiled in accordance with the International Financial Reporting Standards (IFRS).

Revenue from sales of marketable products, UAH million



Prime cost of marketable products sold, UAH million



The prime cost of marketable products sold in 2019 amounted to UAH **5,452.5** million and rose compared to the previous year due to a **12.5%** growth in semi-fixed costs resulting from an increase in repair costs to improve equipment efficiency; from fulfilment of steps stipulated by the Collective Bargaining Agreement and legislative regulations on raising the level of salaries; and from a rise in the environmental tax rates.

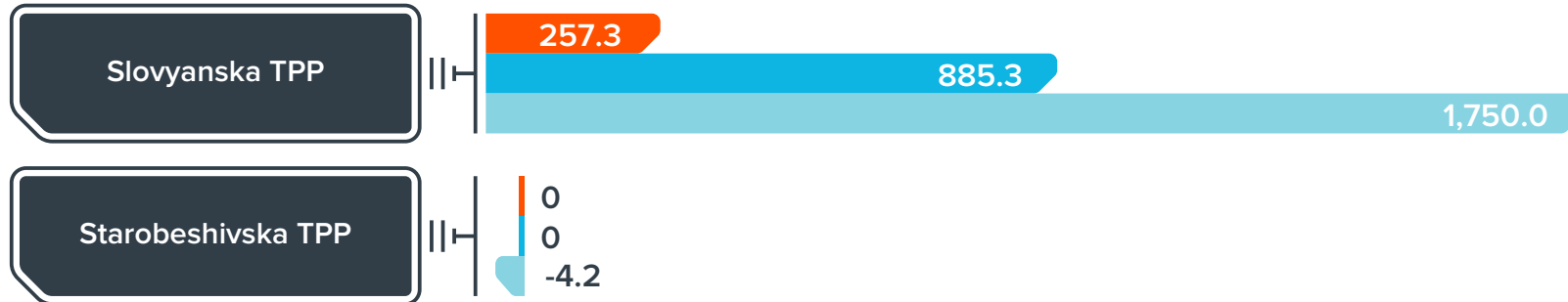
The implementation of the Priority Steps Program to expand the fuel base of Slovyanska TPP involving domestic coal of gaseous grade provided for reduction in the prime cost of marketable product sold and reduced the risks associated with the shortage of solid fuel supplies to Slovyanska power plant. In addition, the positive impact on the fuel component was caused by the decrease in prices for process fuel: natural gas – by **29.9%**, coal – by **2.4%**.

2019

2018

2017

Operating profit (gross profit), UAH million



Revenue from the sales of marketable products for 2019 amounted to UAH **257.3** million and was mainly generated from electricity supplied by Slovyanska TPP, as well as from operations of buying/selling electricity in the regulated market segments¹: the bilateral contracts market, the day-ahead market, the intraday market, and the balancing market.

The main reason for lower result compared to 2018 was the loss of revenues due to a decrease in the electricity sales tariff caused by some restrictions set by the NKREKP (NERC).

¹From 1 July 2019, a new model of the electricity market was introduced pursuant to the requirements of the Law of Ukraine "On the Electricity Market".

Annex 6.6



2019

2018

2017

NET PROFIT, KEY FINANCIAL INDICATORS

3.2

Key financial indicators for 2017-2019, UAH million

Cost/profit item	2019	2018	2017
Operating income	257.3	885.3	1,745.8
Administrative costs	448.2	363.2	287.3
Distribution costs	15.0	10.6	8.0
Other operating income, other income	614.9	257.4	1,024.1
Other operating expenses, other expenses	434.6	580.6	2,006.4
Financial income	11.8	26.1	18.9
Financial expenses	68.3	85.2	110.3
EBT²	-82.0	129.2	376.8

² EBT – Earnings Before Tax

The decrease in EBT in 2019 compared to 2018 was mainly due to the discrepancy between the rate/pace of decrease in the electricity tariff and the cost of electricity generation.



2019

2018

2017

Structure of the financial result, UAH million

Indicator	Actual	Actual	Actual	Deviation 2019 actual/ 2018 actual		Deviation 2019 actual/ 2017 actual	
	2019	2018	2017	+/-	%	+/-	%
Net income from sales of electricity, heat, including:	5,709.8	6,161.7	4,777.2	-451.9	-7.3%	932.5	19.5%
(+) investment component in the electricity tariff	86.6	135.2	562.5	-48.6	-35.9%	-475.9	-84.6%
(-) Cost of sold electricity, heat	5,452.5	5,276.4	3,031.4	176.0	3.3%	2,421.0	79.9%
(=) Operating income	257.3	885.3	1,745.8	-628	-70.9%	-1,488.5	-85.3%
(-) Administrative costs	448.2	363.2	287.3	85.0	23.4%	161.0	56.0%
(-) Distribution costs	15.0	10.6	8.0	4.4	41.8%	6.9	86.5%
(+) Other operating income, other income	614.9	257.4	1,024.1	357.5	138.9%	-409.2	-40.0%
(-) Other operating expenses, other expenses	434.6	580.6	2,006.4	-146.0	-25.1%	-1,571.8	-78.3%
(+) Financial income	11.8	26.1	18.9	-14.2	-54.6%	-7.1	-37.4%
(-) Financial expenses	68.3	85.2	110.3	-17.0	-19.9%	-42.1	-38.1%
(=) Earnings before tax	-82.0	129.2	376.8	-211.2	-163.5%	-458.8	-121.8%
(-) Income tax accrued under f. 2	-13.0	25.1	319.5	-38.1	-151.9%	-332.5	-104.1%
(=) Net profit	-69.0	104.1	57.3	-173.1	-166.3%	-126.3	-220.4%

Taking into account the declared 2019 earning from the income tax in the amount of UAH 13.0 million, the financial and business performance result of Donbasenergo for 2019 is a net loss of UAH 69.0 million.

2019

2018

2017

Changes in financial results, UAH million

-69.0

-173.1

104.1

57.3



2019

2018

2017

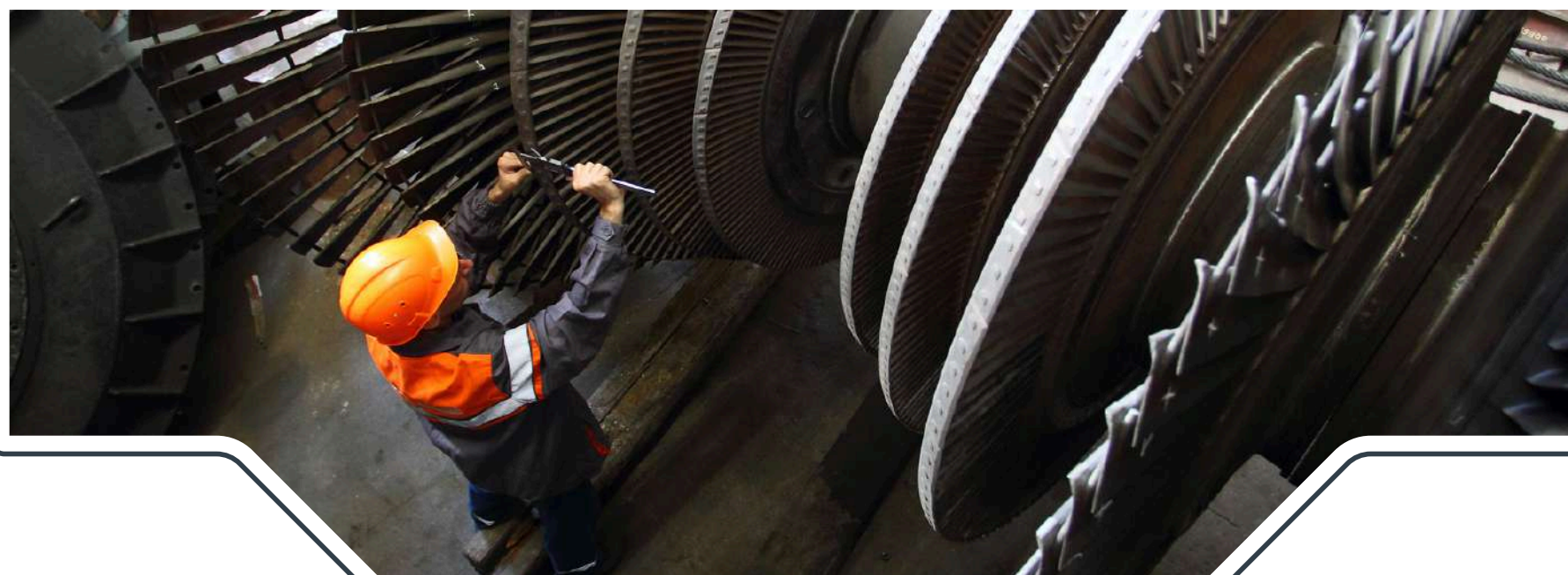
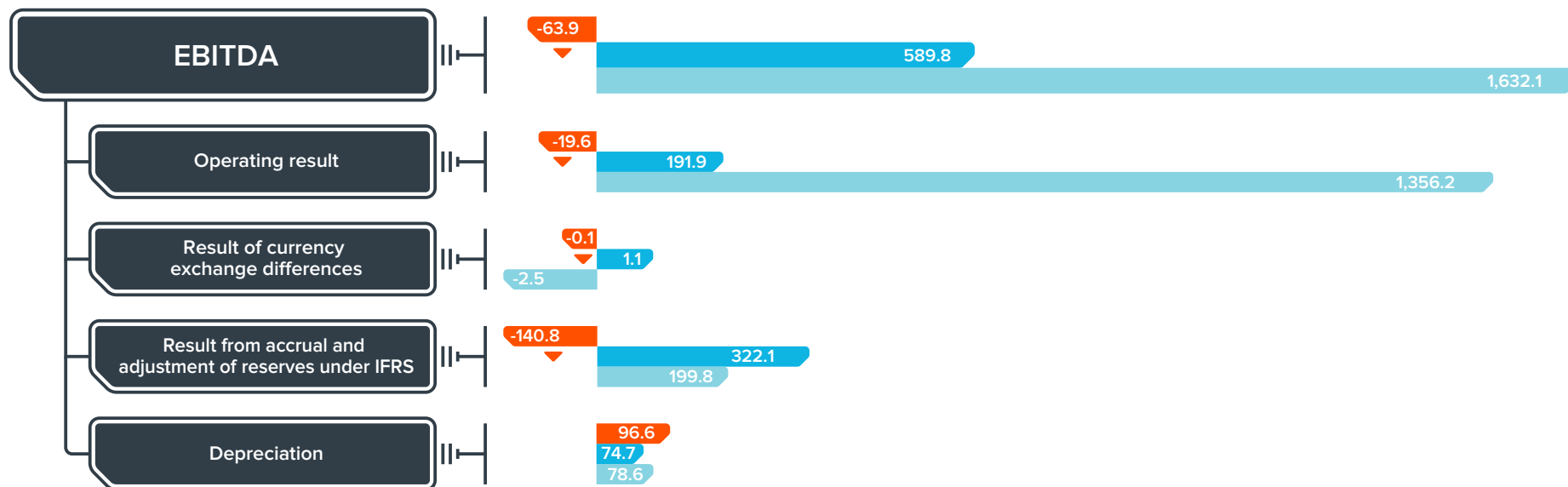
EBITDA

3.3

EBITDA for 2019 amounted to UAH (-)63.9 million, which was caused by the deterioration of the operating results and simultaneous positive

adjustment of the expense and security reserves, as well as the increase in depreciation allowances.

EBITDA structure, UAH million



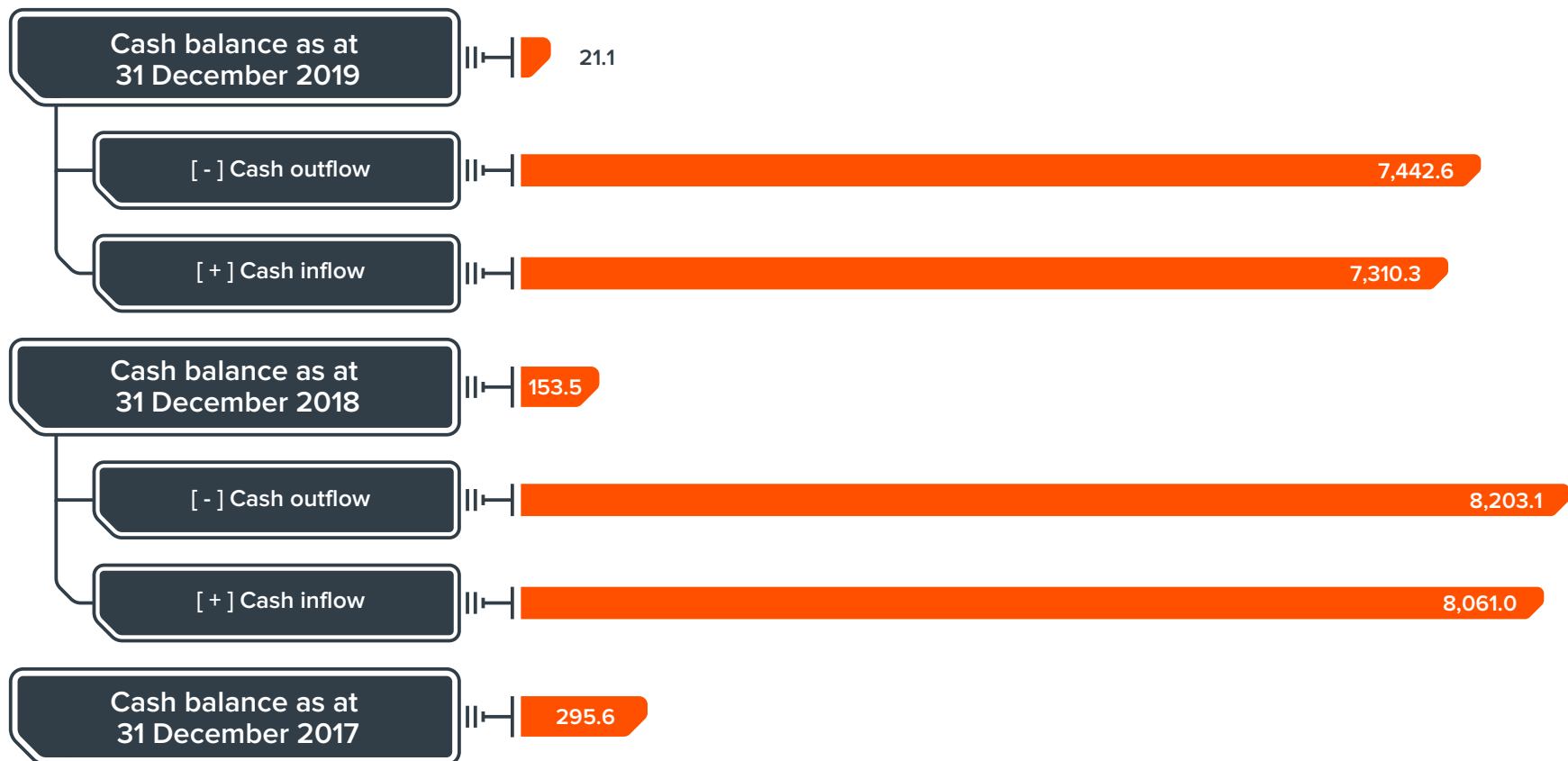
2019

2018

2017

CASH FLOW

3.4



In 2019, cash inflows were by UAH **750.7** million lower than the actual figure for 2018, and amounted to UAH **7,310.3** million.

The share of cash inflows for electricity in the structure of total revenues in 2019 numbered **94.48%**, as compared to **89.86%** in 2018.

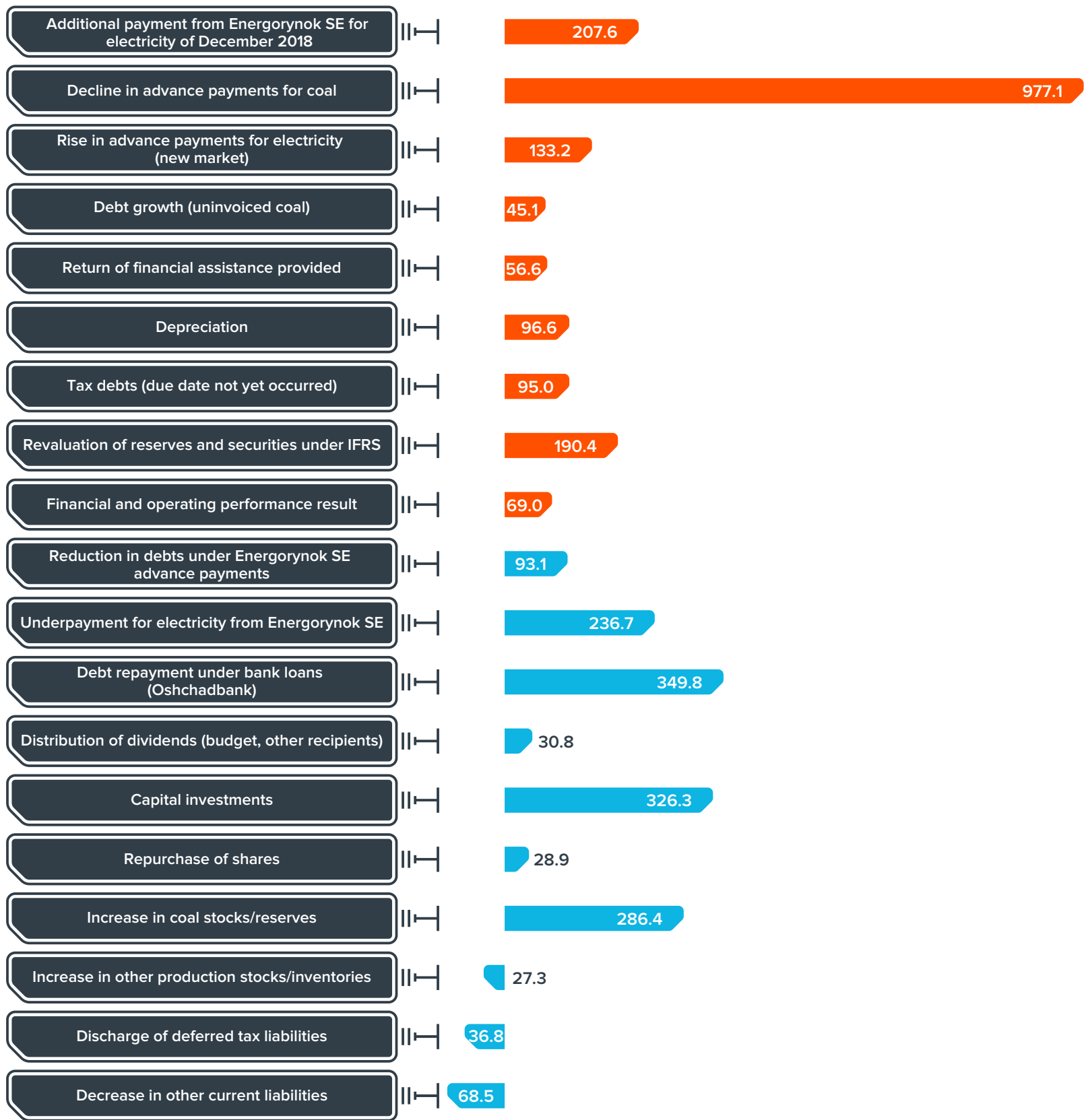
The decreased cash inflow from the core business activities was caused by the following negative factors:

Decrease in the level of payments from Energorynok SE for the supplied electricity: **97.0%** – for January, **92.0%** – for March, **89%** – for May, **28.9%** – for June, which at 30 June 2019 resulted in UAH **236.7** million growth in accounts receivable.

Repayment of Energorynok SE advances in the amount of UAH **93.1** million. As at 31 December 2019, Donbasenergo did not have any debt to Energorynok SE.

Repayment of short-term loans, earlier received from Oshchadbank JSC, in the amount of UAH **349.8** million.

2019 net cash flow of UAH (-)132.4 million was formed due to the following factors:



UAH (+)1,351.9 million

UAH (-)1,484.3 million

Factors that increase the cash flow

Factors that reduce the cash flow

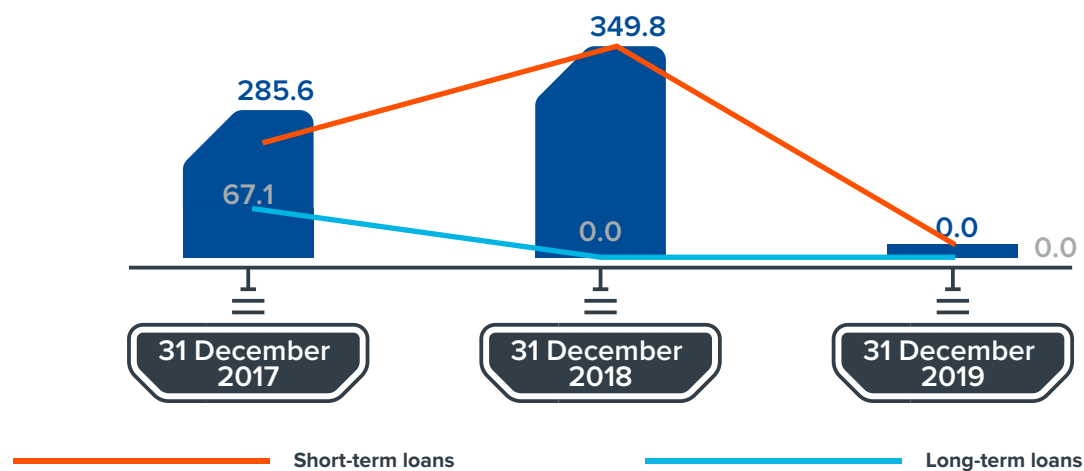
CREDIT PORTFOLIO

3.5

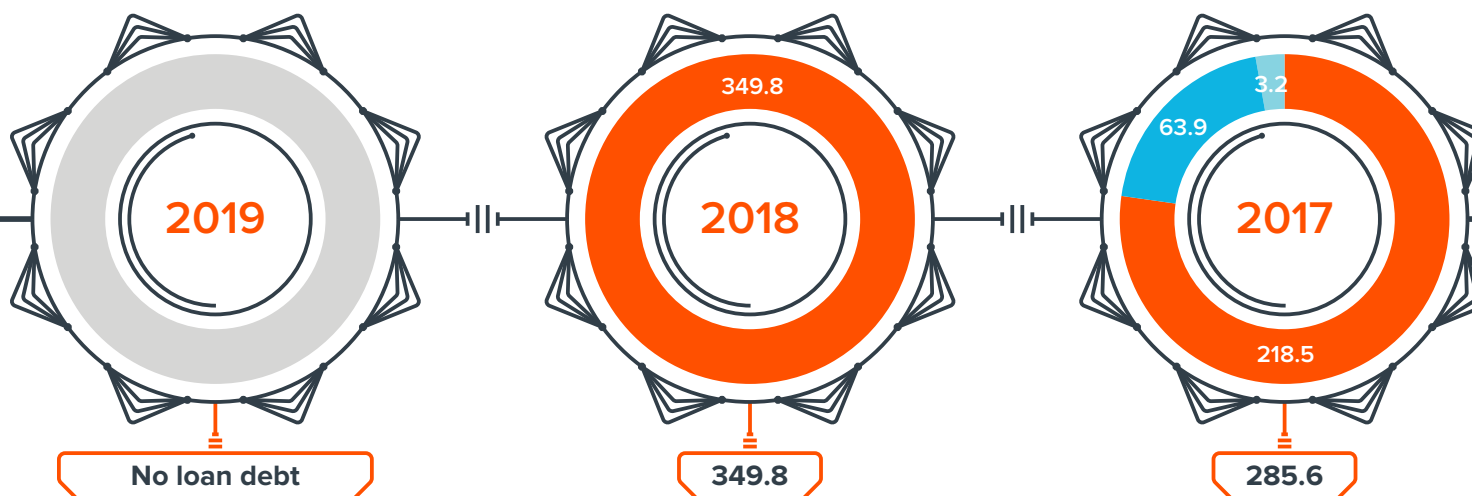
With the purpose to replenish the working capital needed, in particular, in order to ensure smooth and reliable operation during 2018-2019 autumn and winter season, the Company drew in some credit resources. Donbasenergo's credit portfolio is denominated in Ukrainian hryvnias (UAH), with a fixed interest rate and commission fees.

As at 31 December 2019, Donbasenergo did not have any debt on borrowed funds, as well as on interest and commission fees charged for the use of the provided credits.

Changes in loan debt, UAH million



Structure of loan debt, UAH million



Solvency ratios

The actual estimated value of the current solvency ratio is in line with the standard/normative ($N > 1$). The value of this ratio improved due to the receipt of advance payment for electricity from 1 July 2019

and settlement of the situation with payment for the supplied process fuel.

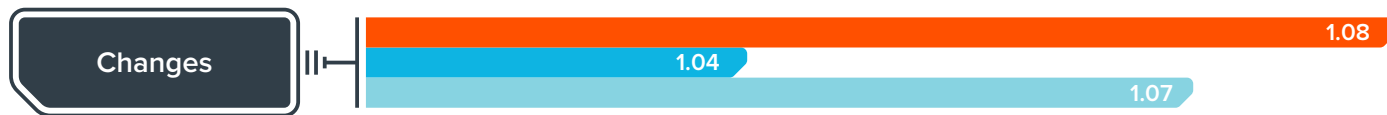
Annex 6.7
Annex 6.8

Short-term loans

Long-term loans – Oshchadbank

Long-term loans – "FC ARTFIN" LLC

Current solvency ratio



Ratio of cash flow adequacy to cover liabilities



In 2019, full repayment of liabilities to creditors (Oshchadbank JSC, Energorynok SE) had a positive effect on the value of the coverage ratio – 0.7 (N>1).

Interest coverage ratio



In 2019, the Company ensured 100% coverage for interest payable to creditors.



2019

2018

2017

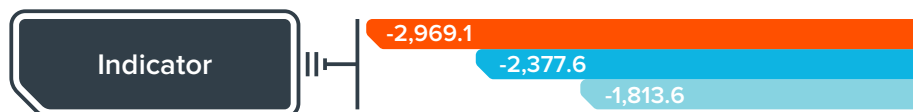
ANALYTICAL METRICS REFLECTING THE FINANCIAL CONDITION

3.6

In the short term, the criterion for assessment of a company's financial condition is its liquidity, that is the ability of a company to convert its assets into payment funds to pay off short-term liabilities.

Donbasenergo's liquidity was assessed using a system of financial ratios for 2019–2017, which allow comparing the value of current assets, having various liquidity levels, with the amount of current liabilities.

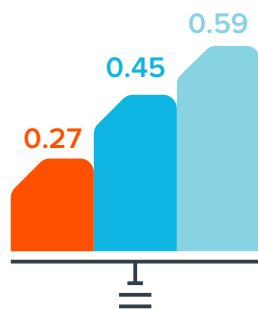
Changes in NWC indicator, UAH million



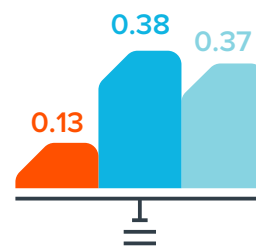
In 2019, the net working capital (NWC) indicator went down and amounted to UAH **(-2,969.1)** million. This resulted from the decline in payments made by Energorynok SE for electricity

supplied until 30 June 2019, as well as from the repayment of loans and advance payments of Oshchadbank JSC and Energorynok SE to the total amount of UAH **442.9** million.

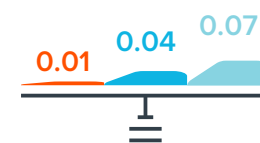
Liquidity ratios



Current liquidity ratio
(normative standard >1)



Instant liquidity ratio
(normative standard 0.6...0.8)



Absolute liquidity ratio
(normative standard 0.2...0.5)

In 2019, liquidity ratios ($N > 1$) were positive, but below the normative standard level and they decreased compared to the previous reporting period due to the revaluation of assets according to the IFRS.

Reduction in the amount of free working capital balance on current accounts indicates that there is a need for working capital replenishment.

2019

2018

2017

The economic efficiency of utilisation of the Company's assets is determined by the profitability ratios. They characterize the possibility to obtain economic benefits from using the production resources, capital, assets and investment funds.

The decrease in the **operating profitability ratio** for 2019 compared to 2018 and its negative value is a consequence of the

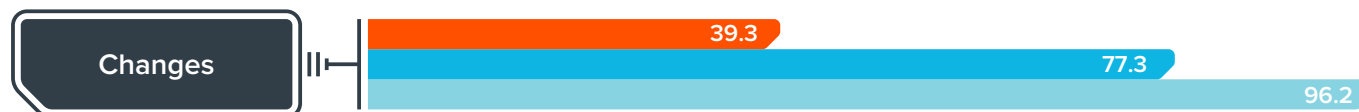
Operating profitability ratio



ROE ratio



Receivables turnover ratio



The estimated value of the receivables turnover ratio for 2019 tends to go down compared to 2018, which is mainly due to the

Ratio of current profitability of the stock

In the reporting period, in pursuance of the requirements of Article 68 of the Law of Ukraine "On Joint Stock Companies", the issuer made a mandatory repurchase of shares at the request of the shareholders following the results of their voting on some agenda items at the Annual and Extraordinary General Meetings.

The Extraordinary General Meeting, held in December 2019, decided to sell the repurchased treasury shares during 2019. In

decrease in electricity prices in all regulated market segments.

The value of the **Return on Equity (ROE) ratio** for 2019 reduced to **(-)0.18**, which shows a negative trend compared to 2018 figure – **0.23**, and is mainly the result of unprofitable activity with unchanged authorized capital.

decrease in advance payments for coal.

fact, the shares redeemed by the issuer were not sold until 31 December 2019, which is not in violation of the current legislation and the decision of the General Meeting. Taking into consideration Donbasenergo's performance result for 2019 – net loss of UAH **69.0** million, the estimated adjusted net loss per one ordinary registered share (EPS – Earnings Per Share) amounted to UAH **(-)2.97**.

Thus, taking into consideration the estimated value and changes in some financial indicators, the Company's financial standing in 2019 remains difficult and depends on external and general governmental decisions.

2019

2018

2017



4

CORPORATE GOVERNANCE

- | | |
|-----|-------------------------------------|
| 4.1 | Key corporate governance principles |
| 4.2 | Corporate governance structure |
| 4.3 | General Meeting of Shareholders |
| 4.4 | Supervisory Board |
| 4.5 | Revision Committee |
| 4.6 | Executive Body |
| 4.7 | Structure of equity capital |

KEY CORPORATE GOVERNANCE PRINCIPLES

4.1

The corporate governance system of Donbasenergo is regulated by the Economic and Civil Codes of Ukraine, the Laws “On Joint Stock Companies”, “On Securities and Stock Market”, regulations of the National Securities and Stock Market Commission, the Company's Articles of Association and its internal regulations, decisions of the General Meetings, the Supervisory Board and

the Executive Board.

In accordance with Donbasenergo's Corporate Code, approved in its new version by the General Meeting of Shareholders on 24 April 2019, the Company's corporate governance system is based on the following principles:

due attention to interests of shareholders

ensured balance of influence and balance of interests of corporate players/stakeholders

ensured financial transparency

implementation of efficient management and proper monitoring rules



CORPORATE GOVERNANCE STRUCTURE

4.2

The highest body of the Company is the General Meeting of Shareholders.

The protection of shareholders' rights, monitoring and regulation of the Company's operations are made by the Supervisory Board. To ensure the efficient functioning of the Supervisory Board, two committees were established from among its members: an audit committee and nomination and remuneration committee. They are headed by independent members of the Supervisory Board (independent directors). The Committees of the Supervisory Board are advisory bodies by their nature. The Supervisory Board includes a representative of the State Property Fund of Ukraine, elected by the Deputy Chairman of the Supervisory Board through a single vote.

The collective, collegial executive body – the Executive Board, which is accountable to the General Meeting and the Supervisory Board, is responsible for all matters related to the Company's current operations. The members of the Executive Board are elected by the Supervisory Board. According to the Articles of Association approved by the annual General Meeting of 24 April 2019, the Directorate (Board of Directors) remains the executive body of Donbasenergo until 22 May 2019, and starting from 23 May 2019, its executive body is the Executive Board.

The audit of the Company's financial and economic activity is made by the Revision Committee. One of the members of this Committee is the State Property Fund of Ukraine.

GENERAL MEETING OF SHAREHOLDERS

Executive body – Executive Board

Supervisory Board

Revision Committee

Audit Committee of the Supervisory Board

Nomination and Remuneration Committee of the Supervisory Board

Thus, the corporate governance structure of Donbasenergo meets the current requirements enshrined in the legislative framework.



GENERAL MEETING OF SHAREHOLDERS

4.3

In 2019, the General Meeting of Donbasenergo's Shareholders was convened three times.

24 April

Annual General Meeting of Shareholders – 24 April

Key decisions:

- || Reports of the Executive Body, the Supervisory Board and the Revision Committee for 2018 were approved.
- || Results of Donbasenergo's financial and economic activity for 2018 were approved.
- || The Company's net profit received from its performance in 2018 was distributed.
- || The amount of year-end dividends for 2018 and the procedure for their payment were approved.
- || The main business activity lines/areas of Donbasenergo for 2019 were determined.
- || The regulation on the remuneration of the members of the Supervisory Board was approved.
- || The report on the remuneration of the members of the Supervisory Board was approved.
- || Changes and additions to the Company's Articles of Association were made by setting them out in a new version, according to which the executive body of the Company changed from the Directorate (Board of Directors) to the Executive Board.
- || Changes and additions to the internal regulations of the Company were made by setting them out in new editions.
- || Members of the Company's Supervisory Board and the Revision Committee were re-elected; the terms of their contracts were approved and their remuneration was determined.
- || Consent to commit a significant transaction of interest for the Company was given.
- || The functions of the Audit Committee established by the Law of Ukraine "On Audit of Financial Reporting and Auditing Activities" Ref.2258-VIII dated 21 December 2017 were assigned to the Revision Committee of Donbasenergo.
- || Changes to the Principles (the Code) of Corporate Governance of Donbasenergo were made by setting them out in a new version.

26 July

Extraordinary General Meeting of Shareholders

Key decisions:

- || A significant transaction (legal deed) for the sale of electricity, which was of interest for the Company, was approved.

4 December

Extraordinary General Meeting of Shareholders

Key decisions:

- || An auditing agency to provide mandatory audit services for Donbasenergo's financial statements was appointed.
- || Decision on the sale of own shares repurchased by Donbasenergo in accordance with Article 68 of the Law of Ukraine "On Joint Stock Companies" was made.



SUPERVISORY BOARD

4.4

The Supervisory Board numbers 5 members, of which:

- **independent directors** – 2 persons
- **representatives of shareholders** – 3 persons.

The composition of the Supervisory Board in the reporting year meets the requirements of Article 53 of the Law of Ukraine “On Joint Stock Companies”.

On 24 April 2019, the General Meeting of Shareholders elected the following members of the Supervisory Board (term of tenure – 3 years according to the Articles of Association):

- **Lyudmyla Yesypenko**, a representative of the shareholder – the State Property Fund of Ukraine
- **Yevhen Opykhaylenko**, a representative of the shareholder – Energoinvest Holding Private Joint Stock Company

- **Andriy Sergiyenko**, a representative of the shareholder – Energoinvest Holding Private Joint Stock Company
- **Yuriy Sakva**, an independent director
- **Serhiy Titenko**, an independent director.

The Supervisory Board, at its meeting on 26 April 2019, elected **Yevhen Opykhaylenko** as the Chairman of the Supervisory Board, and **Lyudmyla Yesypenko** as the Deputy Head of the Supervisory Board.

In 2019, 20 meetings of the Supervisory Board were held and more than 100 questions were considered.

Key decisions:

- The planned technical and economic performance indicators, capital investments, the financial plan of the Company were approved, the progress of their implementation was considered and changes to them were approved.
- The organizational structure of Donbasenergo was agreed upon, taking into account changes to it.
- The Company's property appraisers were selected.
- The Regulation on the remuneration of the members of the executive body and the report on the remuneration of the executive body for 2018 were approved.
- Questions of convening annual and two extraordinary general meetings were considered and other decisions related to convening and holding annual and extraordinary general meetings were made.
- The market value of Donbasenergo's ordinary registered shares was approved as at 19 March 2019, 20 June 2019 and 3 December 2019, and the procedure for notifying the shareholders of the right to request mandatory repurchase of shares was established.
- Consent to making significant/material transactions was given and such transactions, of interest for the Company, were approved.
- The committees of the Supervisory Board were established; their quantitative composition was determined and their members and chairpersons were elected.
- The powers of the members of the executive body were discontinued, new members of the executive body were elected; other issues related to the termination of powers of the executive body members and their election were considered.
- Appointment of the director of Donbasenergo's structural unit, Energotorg PRP, was approved.

- || The term for payment of dividends following the Company's performance results in 2018 was determined and the decisions necessary for their payment were made.
- || The Corporate Ethics Code of Donbasenergo was approved.
- || The Regulation on Donbasenergo's Compliance Policy was approved.
- || The procedure for committing significant/material transactions and transactions of interest for Donbasenergo was approved.
- || The Regulation on Donbasenergo's structural unit, EnergoSotsInvest, was approved in a new version.
- || The procedure for selection of auditing agencies that could be appointed for the provision of mandatory audit of Donbasenergo's financial statements was approved.
- || Proposals and recommendations to the General Meeting on the appointment of the auditor to provide the mandatory audit of financial statements as at and for the year ending on 31 December 2019 were approved.
- || Auditors for review of the interim condensed financial statements and provision of assurance were selected; and other questions related to the election of auditors were considered.

At the initiative of the Supervisory Board, an extraordinary shareholders meeting was convened two times during the year in order to approve a significant transaction of interest for the Company and to appoint an auditing agency for mandatory audit of Donbasenergo's financial statements.



REVISION COMMITTEE

4.5

The current composition of the Revision Committee was elected by the Annual General Meeting of Shareholders on 24 April 2019 (term of office is 5 years according to the Articles of Association):

- **Alla Bogatryova**, Head of the Revision Committee
- **Oleh Naumenko**, a member of the Revision Committee
- **a representative of the State Property Fund of Ukraine** (hereinafter – SPFU), a member of the Revision Committee.

At the meeting of the Revision Committee on 14 May 2019, **Alla Bogatryova** was elected the Head of the Revision Committee, and **Oleh Naumenko** was appointed a responsible contact person of the Committee.

By the decision of the Annual General Meeting of Donbasenergo held on 24 April 2019, the Revision Committee was entrusted with the functions of the audit committee, which are established by the Law of Ukraine “On Audit of Financial Reporting and Auditing Activities” Ref.2258-VIII of 21 December 2017, and the functions of the head of the audit committee were put on the Head of the Revision Committee.

In 2019, the Revision Committee held 6 meetings, where:

- The reports on the implementation of the financial plan and the capital investment plan were considered.
- Information about payments to the state budget and special-purpose funds was considered.
- Information about receiving, using and repaying credits in 2018 and in 1-3 quarters of 2019 was heard.
- The procedure for selection of auditing agencies that could be appointed for the mandatory audit of Donbasenergo's financial statements was approved.
- Other questions within the competence of the Revision Committee were considered.



EXECUTIVE BODY

4.6

According to the Company's Articles of Association, the executive body of Donbasenergo approved by the annual General Meeting on 24 April 2019 is the Directorate (Board of Directors) – from the beginning of the year till 22 May 2019, and the Executive Board – from 23 May 2019.

The composition of the executive body as at 31 December 2019 was as follows:

- Chairman of the Executive Board – **Eduard Bondarenko**
- Secretary of the Executive Board – **Valentyna Marchenko** (Director for Economy, Finance and Corporate Governance of Donbasenergo)
- a member of the Executive Board – **Oleksandr Boyenko** (Chief Legal Officer of Donbasenergo)

- a member of the Executive Board – **Oleh Larionov** (Chief Commercial Officer of Donbasenergo)
- a member of the Executive Board – **Yuriy Vlasenko** (does not hold other position at Donbasenergo)
- a member of the Executive Board – **Viktor Ruppa** (Chief Technical Officer of Donbasenergo)
- a member of the Executive Board – **Oleksandr Miroshnichenko** (Director for Logistics, Procurement and Tendering of Donbasenergo, and from 1 August 2019, acting Director for Investment Projects and Long-Term Development of Donbasenergo).

In 2019, 29 meetings of the executive body were held, and over 90 questions were considered and decisions on them were made.

Key decisions on production operations and economic activity:

- The planned technical and economic indicators, capital investments, the financial plan of the Company were agreed upon; the progress of their implementation was considered and changes to them were approved.
- The report of the executive body (the Directorate) for 2018 was approved and submitted for approval by the Supervisory Board and the Annual General Meeting.
- The 2018 financial statements were approved.
- Consent was granted for committing transactions, including the conclusion of credit agreements, contracts for electricity sales and the purchase of fuel, and the decision to amend the terms of transactions was made.
- The decision to amend the terms and conditions of the transactions of interest for the Company was made.
- Changes to the organizational structure of Donbasenergo and its structural units were made.
- The Development and Technical Re-equipment Program of Donbasenergo till 2020 was approved.
- The term of the Memorandum of Understanding and Cooperation with Mykolayivka Town Council of Slovyanskyi district, Donetsk region, was extended.
- A representative to participate in the Annual General Meeting of Members of the Wholesale Electricity Market of Ukraine was nominated.
- The decision on paying remuneration to the staff based on 2018 performance and increasing the minimum salary rate (monthly base salary) of employees in accordance with the requirements of the effective Sectoral Agreement was made.

During the reporting period, other decisions that contributed to the Company's ongoing operations were also made.

Key decisions on social activities were related to the following:

- || Provision of financial assistance to the Company's employees.
- || Provision of charitable assistance.
- || Amendments to collective agreements of the management office and structural units of the Company for 2019-2021.
- || Payments of social and labour benefits to retirees as stipulated by the terms of the effective collective agreements.

In 2019, the Company's Executive Board provided for the following:

- || Stable operations during the autumn-winter period of 2019-2020.
- || Timely payment of dividends to shareholders based on Donbasenergo's 2018 performance results.
- || Timely fulfilment of current obligations to employees and budgets of all levels.
- || Adherence to schedules for repayment of deferred value added tax debt.
- || Compliance with the terms of effective collective agreements.
- || Steps to recover overdue accounts receivable.
- || Steps to ensure the occupational safety of the Company's employees and preserve integrity of the Company's property.
- || Timely submission of progress reports to the Supervisory Board and reports on disclosure (publication) of information on the Company's performance in accordance with the legislation.

STRUCTURE OF EQUITY CAPITAL

4.7

Total number of issued shares of Donbasenergo

23,644,301
shares

Nominal value

UAH 10

Authorized fund

UAH
236,443,010

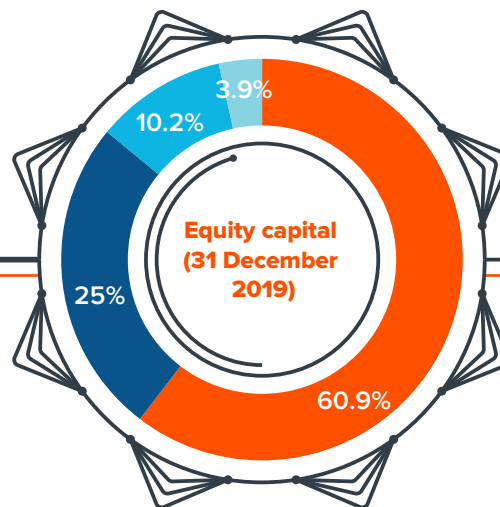
During the reporting year, Donbasenergo's securities were on the following stock exchanges as unlisted/off-listing securities: UKRAINIAN STOCK EXCHANGE PJSC, "FB PERSPEKTIVA" PJS, "PFTS STOCK EXCHANGE" PJC.

As at 31 December 2019, the State represented by the State Property Fund of Ukraine owned **25% + 1** share in the Company's authorized capital, and Energoinvest Holding PJSC owned **60.9%** of the authorized capital. The rest of Donbasenergo's ordinary registered shares, as at 31 December 2019, were distributed as follows:

■ **932,526** shares (**3.9%**) – were repurchased by Donbasenergo from shareholders during 2019 in accordance with Article 68 of the Law of Ukraine "On Joint Stock Companies"

■ **2,411,012** shares (**10.2%**) – owned by minority shareholders – individuals and legal entities (residents of Ukraine and non-residents) in the total number of more than **6,000** persons.

On 24 April 2019, the General Meeting of Shareholders decided to pay dividends based on the Company's 2018 performance results through the depository system of Ukraine and approved the amount of annual dividends, UAH **31.2** million, which is **30%** of the Company's net profit for 2018. Dividends for 2018 were paid through the depository system within the term set by the Supervisory Board.



ENERGOINVEST HOLDING PJSC
(60.9%)

The State represented by the State Property Fund
(25%+1 share)

Other minority shareholders
(10.2%)

Shares repurchased by Donbasenergo from shareholders during 2019 in accordance with Article 68 of the Law of Ukraine "On Joint Stock Companies" (3.9%)



5

SUSTAINABLE DEVELOPMENT

- | | |
|-----|------------------------------------|
| 5.1 | Structure and number of personnel |
| 5.2 | Motivation and social projects |
| 5.3 | Personnel training and development |
| 5.4 | Health and safety responsibility |
| 5.5 | Environmental responsibility |
| 5.6 | Quality management system |

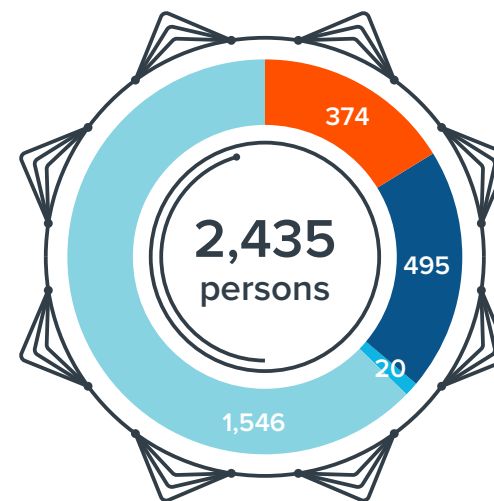
STRUCTURE AND NUMBER OF PERSONNEL

5.1

Management of personnel is a key function of the Company's senior leadership that is aimed at better efficiency of its performance by optimizing the number and improving the quality of the human resources.

The average number of registered personnel of Donbasenergo in 2019 was **2,435** persons, which is **1%** or by **25** persons fewer than in 2018.

The structure of the average number of registered personnel by categories:



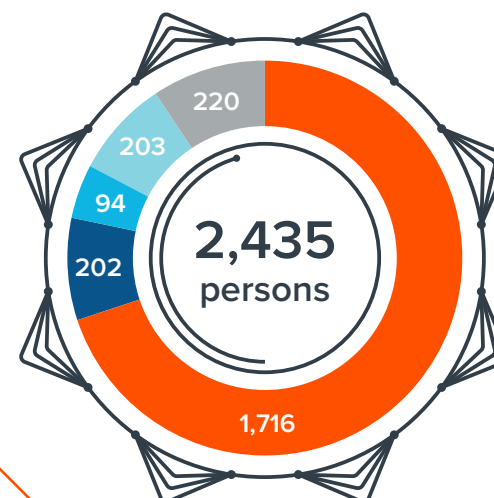
Management staff

Specialists and professionals

Technical staff

Workers

The structure of the average number of registered personnel broken down by structural units of Donbasenergo for 12 months of 2019, persons:



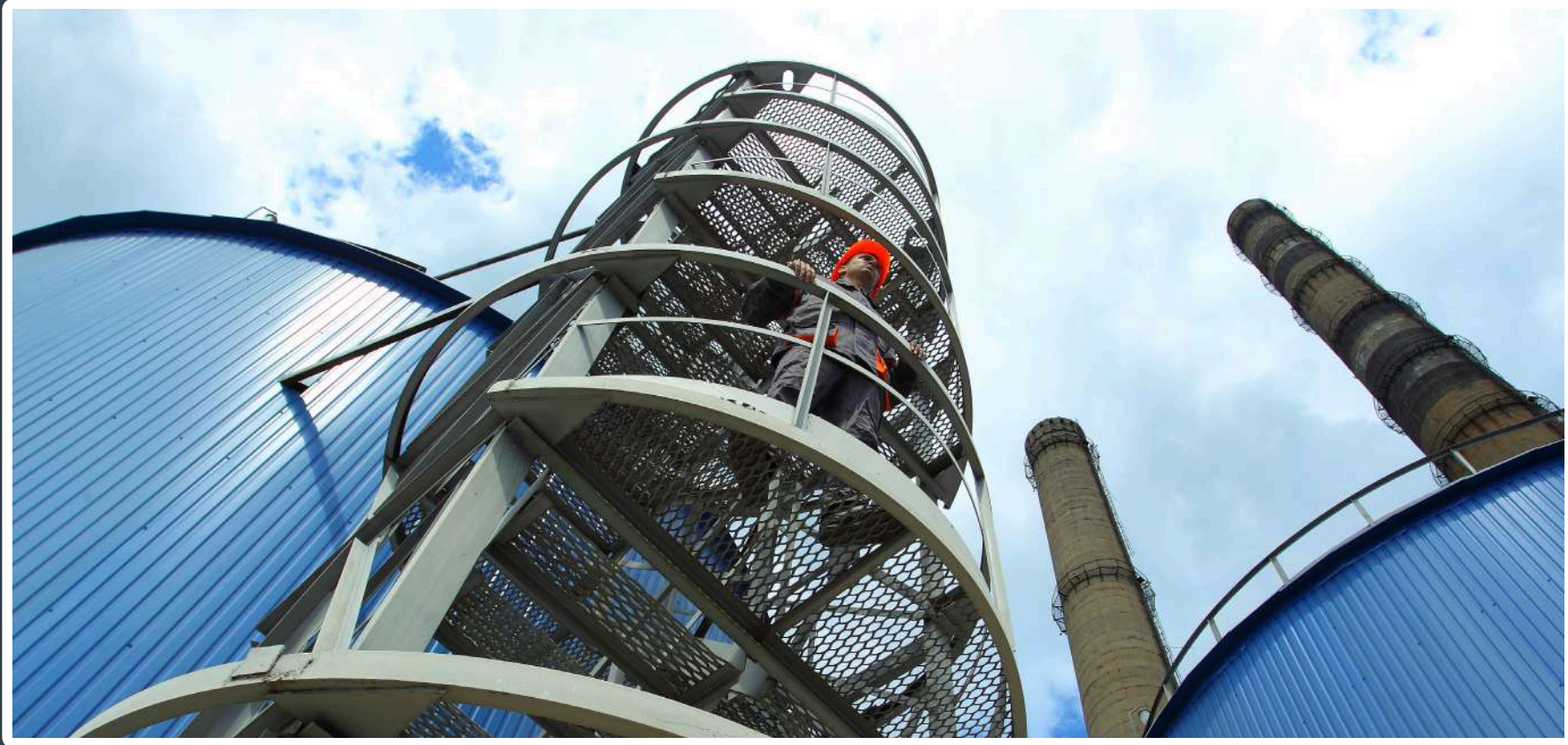
Slovianska TPP

Management office

DonTEP

Repair and maintenance companies

Other structural units



The minor increase in the number of industrial-production personnel and the unaltered installed capacity of Donbasenergo did not lead to any significant changes in the staffing ratio for industrial production personnel, which in 2019 changed to **0.779** persons per 1 MW of installed capacity (**-0.7%**) from **0.773** in 2018.

At the same time, the staffing ratio at Slovyanska TPP remained at the level of 2018.

Specific number of industrial-production personnel of the power plant per 1 MW of installed capacity (IPP staffing ratio), persons/MW



12 months 2019

12 months 2018

MOTIVATION AND SOCIAL PROJECTS

5.2

Compared to 2018, the Company's payroll fund grew up by **27%** and amounted to UAH **729.1** million. The growth in the payroll fund is related to the increase in remuneration rates (basic salaries) starting from 1 May 2019 and from 1 November 2019, as well as to the payment of remuneration for the previous year's performance results.

In 2019, the average monthly wage numbered UAH **24,076**, which is UAH **5,012** or **26%** more than in 2018.



Social guarantees were provided in accordance with the effective Collective Bargaining Agreement of Donbasenergo.

In 2019:

- the amount of financial assistance to the Company's employees totalled UAH **46.1** million (including financial assistance for employees' rest and recuperation leaves amounting to UAH **43.8** million) and the amount to retirees – UAH **1.8** million
- the amount of one-time rewards and bonuses for anniversary and commemorative dates (including awards and gratitude payments) was UAH **1.9** million.

The amount of payments to the trade union committee was UAH 4.0 million, which is 0.5% of the payroll fund.

These funds were used for the following activities:

- social and cultural activities (UAH **1.2** million)
- health promotion and improvement initiatives (UAH **2.8** million).

The total amount of funds for payment of social and labour benefits in 2019 made up UAH **81.4** million, which is UAH **5.9** million or **7.8%** more than in 2018, where: for employees – UAH **79.2** million, for retirees – UAH **2.2** million.



2019

2018

2017

PERSONNEL TRAINING AND DEVELOPMENT

5.3

Personnel training and development remains one of the priority areas of Donbasenergo's HR policy and the most important condition for quality operation in the new electricity market. The goals and principles of employee training, types of training, forecasting of training needs, responsibility for organization of the training process, delivery of training and assessment of its quality are determined by Donbasenergo's Personnel Training Regulation.

Donbasenergo values every employee and strives to provide as

many opportunities as possible for development and career growth of everyone who, through their achievements and constant desire for improvement, confirms the willingness to develop inside the company.

In the field of training, retraining (skill conversion) and advanced training of personnel, Donbasenergo cooperates with the following educational and training institutions:

- || **State Enterprise "Main Training and Methodological Centre of the State Labour Service of Ukraine"**
- || **Private Higher Educational Institution "International Institute of Management (MIM-Kyiv)"**
- || **"INTEGRA SOFT" PRIVATE ENTERPRISE**
- || **Training and Methodical Centre of Civil Defence and Safety of Donetsk region**
- || **CONSULT Agency LLC**
- || **"ACCOUNTANCY TUITION CENTRE, UKRAINE" Subsidiary Enterprise**
- || **IT Distribution LLC**
- || **Training centre based on "Metalomontazh" LLC**
- || **"TransLink-Ukraina-Osvita" LLC**
- || **"Ekosystemy Online" LLC**
- || **"Institute for Local Development" LLC**
- || **"Navchannia ta Servisy" (Training and Services) LLC**
- || **Editorial Board of "Okhorona Pratsi" (Occupational Safety) magazine LLC**
- || **PECB Ukraine LLC**
- || **Online Media Group LLC**
- || **"Ukrainian Institute of Corporate Governance" LLC**
- || **"Knowledge Management" Business Club LLC**
- || **"Legal portal "Ratio Decidendi" LLC**
- || **"Smart Training" LLC**
- || **High School of Advocacy of the National Bar Association of Ukraine**
- || **"Korteks" LLC.**



During 2019, 759 employees of the Company underwent training and qualification upgrade (advanced training), of which 739 specialists and professionals underwent training, at the Company's cost, at advanced training institutes/centres and other educational and training institutions having the appropriate licenses and accreditation. 105 employees of the Company attended distance-learning courses at educational and training institutions. Managers responsible for establishment and implementation of the Company's strategy in the new competitive electricity market completed a business training course, having received the Master of Business Administration diplomas (Master's Degree) from the most prestigious business school of Ukraine "MIM-Kyiv". UAH 4.1 million was spent on personnel training and development in 2019.

The Company built its personnel training and development process based on a combination of diverse tools and methods, each of which successfully solves production-related tasks – distance learning, the use of specially designed training manuals for annual on-the-job technical training courses, which made it possible to ensure high efficiency and a significant reduction in operating costs.

Donbasenergo actively uses the system of cascade training, which enables the Company not only to optimize the costs, but also to train its in-house mentors and coaches, helps team building, finding new talents, development of leadership and more.

Slovyanska TPP continues to successfully implement the School of

Professionals (school of excellence) project, which helps to make the most efficient use of the Company's resources and achieve its goals in a timely manner.

In order to incentivise the employees' initiatives to raise the efficiency in various activity areas of the Company within the framework of the "POWER OF EXCELLENCE" idea management system, a competition of proposals for improvements in the production system runs quarterly among the employees of Slovyanska TPP.

Onboarding and induction measures were developed and are being successfully implemented for new employees, which help them master a new position as quickly as possible and successfully pass the probation period. The Company also runs its "Talent Pool" program, which is aimed at the development of employees' management skills.

Continuous professional training was and remains one of the priority areas of the HR policy of Donbasenergo's structural units. From 2 October 2019, the annual production training (on-the-job training) of employees of the Company's structural units began for the 2019-2020 academic year. Thanks to the re-training (conversion training) of the teaching staff and the introduction of new formats of learning, such as interactive lectures, group discussions, case studies (training assignments), video analysis, simulation and brain storming, the system of the on-the-job training was brought up to a whole new level.

Based on the bilateral agreements between the Company and some educational and training institutions, students underwent on-the-job internship or practical training at Donbasenergo. In total, 27 students of educational institutions underwent internships at Slovyanska TPP in 2019, in particular:

- **Slovyansk Power Engineering College** – 15 persons
- **Slovyansk Chemical and Mechanical College** – 4 persons
- **Slovyansk College of the National Aviation University** – 2 persons
- **other educational institutions** – 6 persons.

Supervisors/mentors were appointed from among experienced staff members to supervise and mentor the students during their practical training. In addition, for the purpose of professional career guidance, students from two educational institutions visited the Company, namely:

- **Slovyansk Power Engineering College** (19 November 2019) – 28 persons
- **Slovyansk Chemical and Mechanical College** (20 November 2019) – 25 persons.

A tour of the power plant was organized for them. They also took part in the lecture on the work of the power plant and received information on the most popular professions at the Company.

In 2019, consultations were held and training courses were delivered in the framework of project activities, in particular: compliance of the environmental management system with the requirements of ISO 14001:2015; building and implementation of the quality management system in accordance with ISO 9001:2015, compliance of the information security management system with ISO/IEC 27001:2013, training to ensure the necessary level of competence of the Company's employees in accordance with the requirements of ISO 45001:2018.

In the framework of cultural, promotional and awareness raising initiatives, on 23 August, the joint team of Slovyanska TPP and ESI took part in "Pan Borshch" (Mr Borshch) festival. The team became the prize winner of the festival, having impressed the residents of the town and its guests with a delicious borshch and a brilliant dish service performance.

On 31 August 2019, "Energoryba-2019" competition on fishing from the shore and from the boat was held. A total of 150 people took part in the event.

In 2019, representatives of the Company also took part in 3 job fairs, 2 round table meetings, 2 working meetings with representatives of the State Employment Service of Slovyansk town. They also participated in the work of the Employers Coordination Board of Donetsk Regional State Administration focusing on local inhabitants' employment topics.



HEALTH AND SAFETY RESPONSIBILITY

5.4

To achieve positive results, a comprehensive approach is applied in the occupational health and safety management system: planning of goals, tasks and respective activities, clear distribution of responsibilities and powers, detailed work with documentation, comprehensive audits, implementation of programs ensuring safe work performance by the Company's employees. Risk management remains one of the priority areas in the field of occupational safety. The main task is to reduce the number of risks of unacceptable level. Involvement of staff in risk assessment made it possible to develop a responsible attitude to workplace safety and safe behaviour at work among the Company's employees.

In June 2019, for the first time, an integrated supervisory audit of

three management systems for compliance with the requirements of ISO 9001:2015, OHSAS 18001:2007, ISO 14001:2015 was made by auditors of MS Consulting LLC, who are official representatives of the international G-CERTI Company in Ukraine based on the partnership agreement.

According to the results of the integrated supervisory audit, the auditors of MS Consulting LLC issued certificate Ref.GIUA-0013-OHC dated 15 July 2019, which certifies that the occupational safety management system of Donbasenergo meets the requirements of OHSAS 18001:2007, and that it does not have system-related inconsistencies and demonstrates the ability to achieve the intended results.

2019 KEY RESULTS

Succeeded:

- to prevent and avoid cases of fatal injuries
- to develop and proceed with implementation of the "Program of Donbasenergo safety management system's transition from OHSAS 18001:2007 to ISO 45001:2018"
- to successfully pass the integrated supervisory audit for compliance with the requirements of OHSAS 18001:2007.

Failed:

- to achieve the planned indicators of reduction in the level and severity of occupational injuries
- to implement all the planned occupational safety measures.

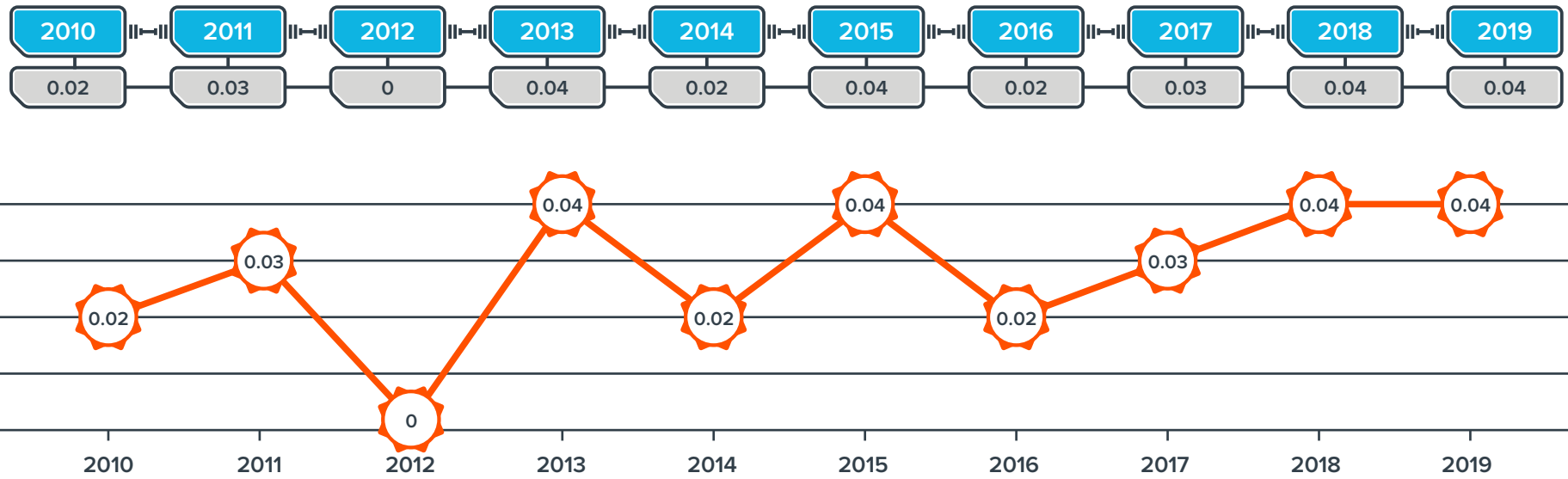
THE MAIN REASON FOR FAILURE TO COMPLY WITH THE TASK

Postponement of deadlines for implementation of 8 comprehensive occupational safety measures of Donbasenergo's Slovyanska TPP to 2020 due to objective reasons. At the same time, the implementation of 6 initiatives was started in 2019. Equipment and services worth UAH **5.2** million were purchased, which was not included in the 2019 expenditures.

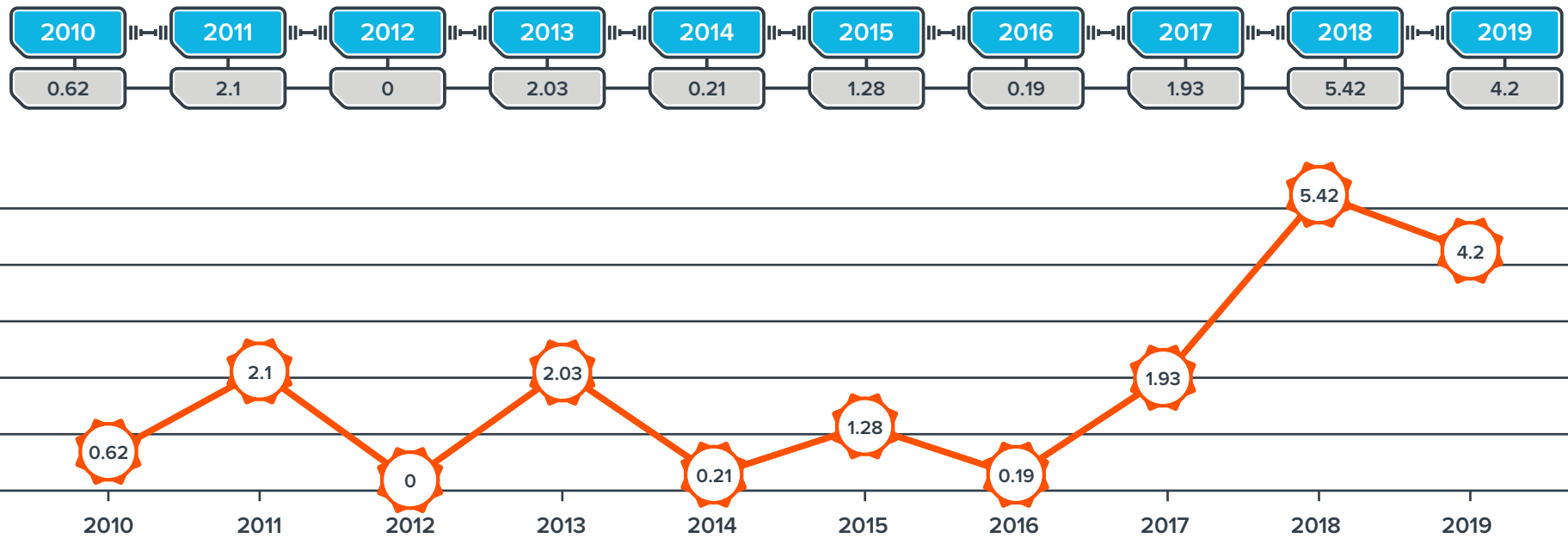
WHAT WE ARE WORKING ON IN 2020

- Implementation of the Roadmap to make Donbasenergo ready for the 1st supervisory consolidated audit, taking into account the transition of the occupational safety management system from OHSAS 18001 to ISO 45001 and the expansion of the scope of certification.
- Successful completion of the 1st supervisory consolidated audit for compliance of Donbasenergo's occupational safety management system with the requirements of ISO 45001.

Changes (trends) in the occupational injuries frequency rate, FR



Changes (trends) in the occupational injuries severity rate, SR



Annex 6.11

Costs, UAH million



Annex 6.12

Annex 6.14

Annex 6.13

Annex 6.15



ENVIRONMENTAL RESPONSIBILITY

5.5

Environmental management system

In their activities Donbasenergo and its structural units are guided by the environmental policy, which sets out the Company's priorities and obligations to the society and future generations in terms of preserving the natural potential of the territory where the Company's production assets are present, in particular through the following:

- identification and assessment of environmental aspects, risks and opportunities, development of respective management solutions
- cooperation with and account of views and interests of stakeholders in the field of environmental protection
- consistent improvement of the Company's infrastructure and operation processes in order to reduce emissions and discharges of pollutants, to cut waste generation, as well as the consumption of environmental resources
- taking precautionary measures to prevent adverse effects on the environment, which means that precautionary measures receive priority over remedial actions
- ensuring that the Company's employees are involved in activities to reduce the environmental impact

- increasing the competence level and awareness of the role of the Company's employees in resolving environmental protection issues.

In 2019, the Company continued its efforts on the implementation and further improvement of the environmental management system. Within the framework of the supervisory audit, the scope of the environmental management system was expanded to the Company's structural units: Elektroremont, Donbasenergospetsremont and Road Transport Enterprise, and the general certification for compliance with ISO 14001:2015 was successfully passed, which is confirmed by MS Consulting LLC auditing company, a representative of G-CERTI (Seoul, South Korea) in Ukraine, and compliance certificate ref. GIUA-0013-EC dated 15 July 2019.

For implementation of the Policy, respective goals and objectives are determined annually, as well as a detailed plan of environmental measures required to achieve the established environmental goals and address priority tasks is devised. The following activities were planned and implemented within the annual program:

Activity

Effect from implementation

Repair of Slovyanska TPP's 13T and 13AT power transformers

The implementation of this measure made it possible to avoid and prevent the leakage of transformer oil, which could adversely affect the soil, as well as to avoid the risk of an emergency situation that could lead to some man-caused consequences for the environment

Implementation of a project for the construction of an automated water consumption monitoring system at on-shore pumping station no.2a:

- procurement of equipment
- construction and installation works
- start-up and adjustment (pre-commissioning) works

The introduction of an automated industrial water monitoring system will make it possible to obtain promptly accurate information on the costs and volumes of water collected by on-shore pumping station no.2a. This information will further be the input data for the program to reduce the amount of water intake and analyse possible losses of natural resources

Replacement and putting into operation of a new fish protection device for process water intake at on-shore pumping station no.1 of Slovyanska TPP

The installation of the fish protection system eliminated the risk of the impact on biological resources resulting from operational activities of Slovyanska TPP

Reduction of anthropogenic (man-caused) impact on the environment during the operational activities of Slovyanska TPP

Landscape improvements and planting of greenery on production sites and adjacent territories were made; participation of the Company's employees in the annual nationwide campaign "For clean environment" was organized. During the reporting year, 120 seedlings of trees were planted in the community area of Mykolayivka town

Ensuring the implementation and efficient functioning of the environmental management system in accordance with the requirements of ISO 14001:2015 at Donbasenergo's structural units: Donbasenergospetsremont, Elektroremont and Road Transport Enterprise

The functioning and further improvement of the environmental management system as the main tool for managing environmental aspects, risks and opportunities were ensured, as well as the regular assessment of the system and its effectiveness throughout the Company

Implementation of non-scheduled repairs of gas cleaning equipment, when necessary, in a prompt manner

The result of prompt repair of gas cleaning systems' equipment at Slovyanska TPP is the compliance of environmental facilities with technical characteristics and prevention of negative impact on the environment. In particular, the leakage and formation of new sources of dust emissions on gas-air ducts were eliminated and prevented

The Company carries out its production operations based on the received permits, which reflect the requirements of the environmental legislation to the Company's business activity.

Donbasenergo's structural units perform monitoring of their environmental impact in accordance with the requirements of the effective environmental legislation. In particular, the following is made: laboratory monitoring of emissions and discharges, mobile sources, monitoring of impact from waste accumulation sites on soil, air and groundwater, monitoring of atmospheric air at the boundary of the sanitary-protective zone of the enterprises, technical condition of environmental protection objects and treatment/cleaning equipment, radiation monitoring of ash and slag waste. The data of the environmental monitoring are provided to controlling organizations and enable the Company to determine the level of the environmental impact from its production processes and to respond to possible adverse changes in a timely manner.

In pursuance of the requirements of Directive 2003/87/EC on establishing a scheme for greenhouse gas emission allowance trading, cooperation with the World Bank was started within the framework of the Partnership for Market Readiness project. The

goal of the project is to make Donbasenergo ready for participation in the national greenhouse gas emissions trading system. With the technical support from the World Bank, the Company's staff underwent a training for further participation in the system of monitoring, reporting and verification of greenhouse gas emissions. Based on the information received at the training, internal procedures for the organization and monitoring of greenhouse gases at Slovyanska TPP were developed.

Donbasenergo continued to implement environmental modernization measures in compliance with Directive 2001/80/EC on the limitation of emissions of certain pollutants into the atmosphere by large combustion plants, and Directive 2010/75/EC on industrial pollution. In the framework of the project "Slovyanska TPP. Retrofitting of power unit no.7 with a capacity of 800 MW", terms of reference were developed and a tender was held for a package of works on "Retrofitting of the gas cleaning unit of section 7B of TPP-200-1 boiler unit". Based on the consideration and review of bidders' tender proposals under tender no.01339, the bid of Dongfang Electric International Corporation was determined to be the most economically and technically advantageous one. It is planned to conclude a contract and begin the contract work in 2020.

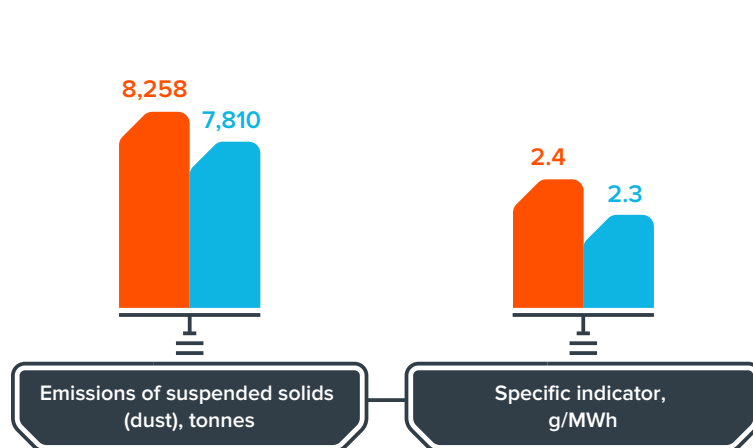
Trends of impact

Emissions of suspended solids (dust)

In 2019, the gross emissions of suspended solids grew up by **448 tonnes**, which is **5.7%** over the previous year. The gross emissions increased due to the following:

- ▮ increase in the ash content of the combusted coal mix from **21.4** to **23.4%**
- ▮ increase in natural fuel consumption due to a decrease in the calorific value of the mix from **5,496** (2018) to **5,341** (annual average figure).

As a consequence, the specific indicator of suspended solids emissions per 1 MWh of electricity rose by **4.3%**.

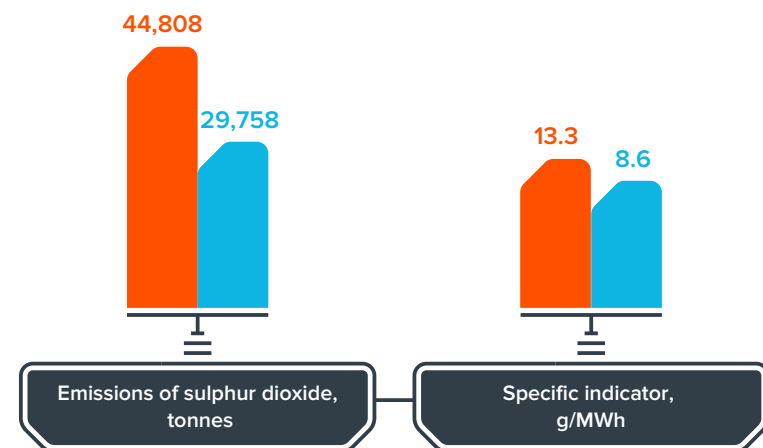


Emissions of sulphur dioxide

The 2019 gross emissions of sulphur dioxide went up by **15,050 tonnes**, which is **50.6%** more than last year.

The gross emissions were higher due to increased sulphur content in the consumed coal – from **0.96** to **1.42%**.

As a result, the specific value of sulphur dioxide emissions per 1 MWh of electricity increased by **54.7%**.



2019

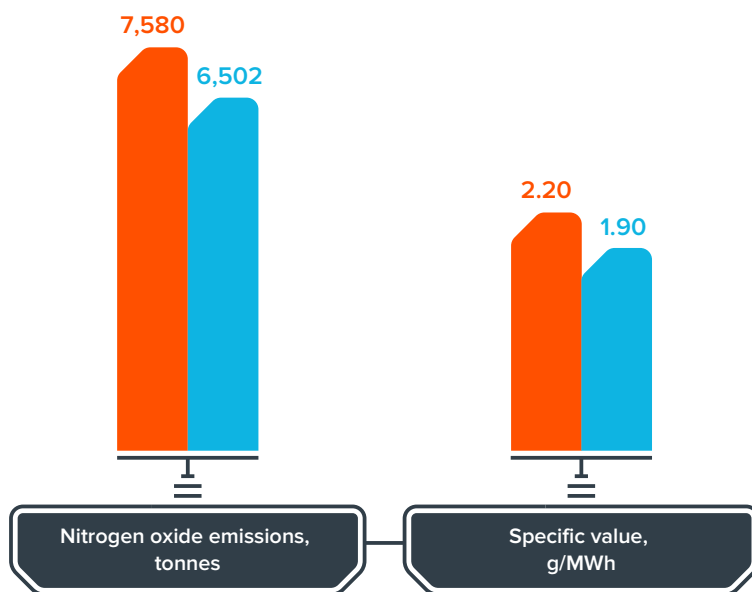
2018



Emissions of nitrogen oxides

The gross emissions of nitrogen oxides in 2019 increased by **1,088** tonnes, which is **16.6%** more than last year. The gross emissions grew up due to the use of more reactive coal, which led to an increased amount of volatile substances and increased fuel combustion rate, thereby increasing the emissions of nitrogen oxides in the flame core.

As a result, the specific value of nitrogen oxides emissions per **1 MWh** of electricity rose by **15.8%**.

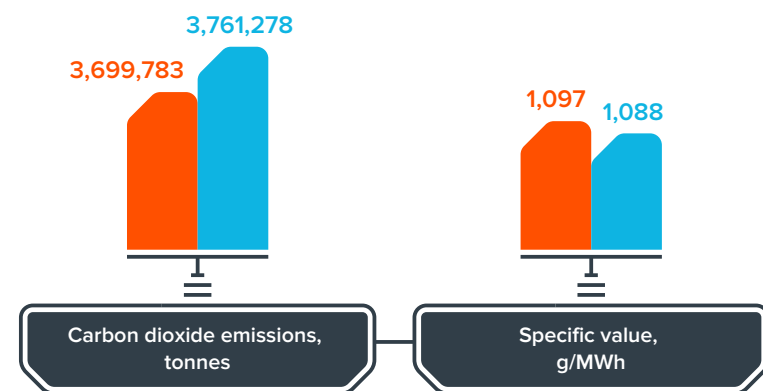


Carbon dioxide emissions

The gross emissions of carbon dioxide in 2019 decreased by **61,495** tonnes, which is **1.6%** less than last year. The gross emissions reduced due to changes in the structure of the consumed fuel.

As a result, the specific value of carbon dioxide emissions per **1 MWh** of electricity rose by **0.8%**.

In accordance with the requirements of resolution of the National Commission for State Regulation of Energy and Utilities, ref.642 "On approval of the Procedure for publishing information on the share of each energy source used for electricity production and the environmental impact caused by electricity production" (hereinafter referred to as NKREKP (NERC) Resolution no.642), dated 26 April 2019, Donbasenergo, as a producer of electricity, discloses information on its environmental impact caused by electricity production by publishing such information on its own website.



2019

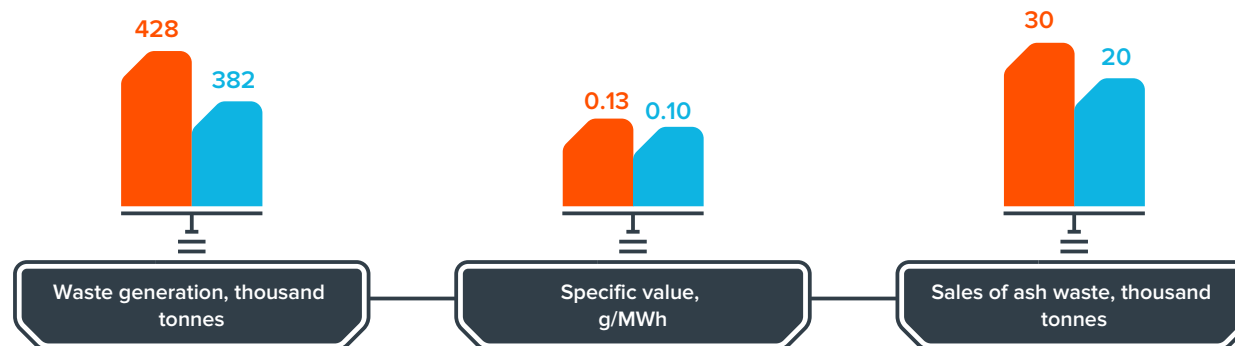
2018

Generation of ash and slag waste

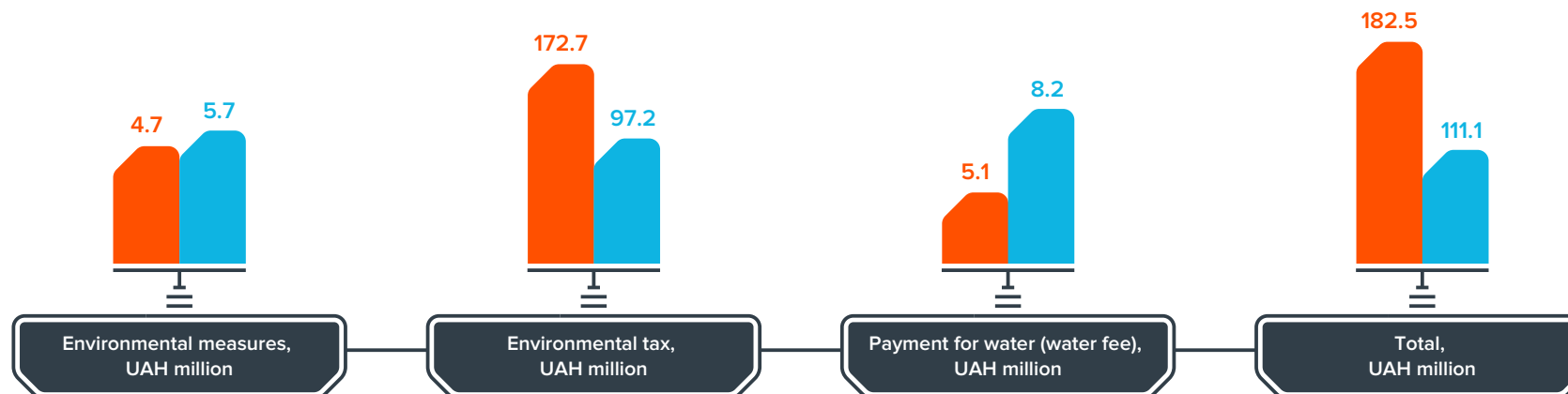
Ash generation in 2019 amounted to **428** thousand tonnes, which is **12%** more than last year. The increase was due to the following:

- ▀ increase in ash content of coal from **21.4** to **23.4%**
- ▀ decrease in the calorific value of coal from **5,496** to **5,341** kcal/kg.

In 2019, positive trends related to the sales of dry ash were observed. The sales volumes went up by **47%** compared to previous year.



Environmental costs, UAH million



Expenditures on environmental protection in 2019 amounted to UAH **182.5** million.

Compared to 2018, these expenditures grew up by UAH **71.4** million (60.0%).

Factors that influenced the environmental expenditure figures:

- ▀ the environmental tax rose by UAH **76** million due to the increase in the tax rates and due to the worsened quality of fuel that was combusted
- ▀ the rent for special water use (water fee) decreased due to the

application of a reduction factor for the direct-flow water use system, to which Slovyanska TPP switched from the second half of 2019, despite the increase in water intake volumes

- ▀ expenses on implementation of environmental protection measures decreased by UAH **1** million compared to the previous year.

Specific environmental costs per **1** MWh of generated electricity grew up by **60%**, mainly due to the increased costs on the environmental tax.

2019

2018

QUALITY MANAGEMENT SYSTEM

5.6

In June 2019, Donbasenergo successfully completed the certification audit of its quality management system in accordance with the requirements of ISO 9001:2015. Based on its results, the Company received a respective certificate.

Donbasenergo's structural units, Donbasenergospetsremont and Teploelektroproekt, also received their separate certificates.

The certificate was issued by representatives of G-CERTI, one of the largest certification authorities. The company has offices in 37 countries, is recognized worldwide and has accreditations recognized by IAF and IAS.

To ensure successful certification, Donbasenergo made consolidated internal audits of the implemented management systems. Effectiveness of the internal audits in 2019 was ensured by respective training delivered to 42 specialists of the Company.

Thanks to the implemented quality management system, in 2019 steps were taken to formalize/institutionalize the process of selling heat, while the process of selling electricity was rebuilt in accordance with the new rules of the energy market.

Following the process-based approach and risk-oriented thinking, the Company's specialists took further efforts during the year for consolidation of Donbasenergo's management systems.

Due to the high qualification level gained during the years of supporting the previously implemented management systems, these operations were carried out without involving third-party consulting organizations. The Company developed and approved a Roadmap that sets out the scope and sequence of steps for the consolidation of management, processes and documentation of the implemented management systems.

During the year, the Guidelines on Management Systems of

Donbasenergo were developed, new Regulations were issued and 9 existing Regulations were revised. Internal and external factors influencing the Company's activities, which are common for the implemented management systems, were established, and a draft common policy in the field of management systems was submitted for discussion.

To further develop and support the quality management system in 2020, the following measures are planned:

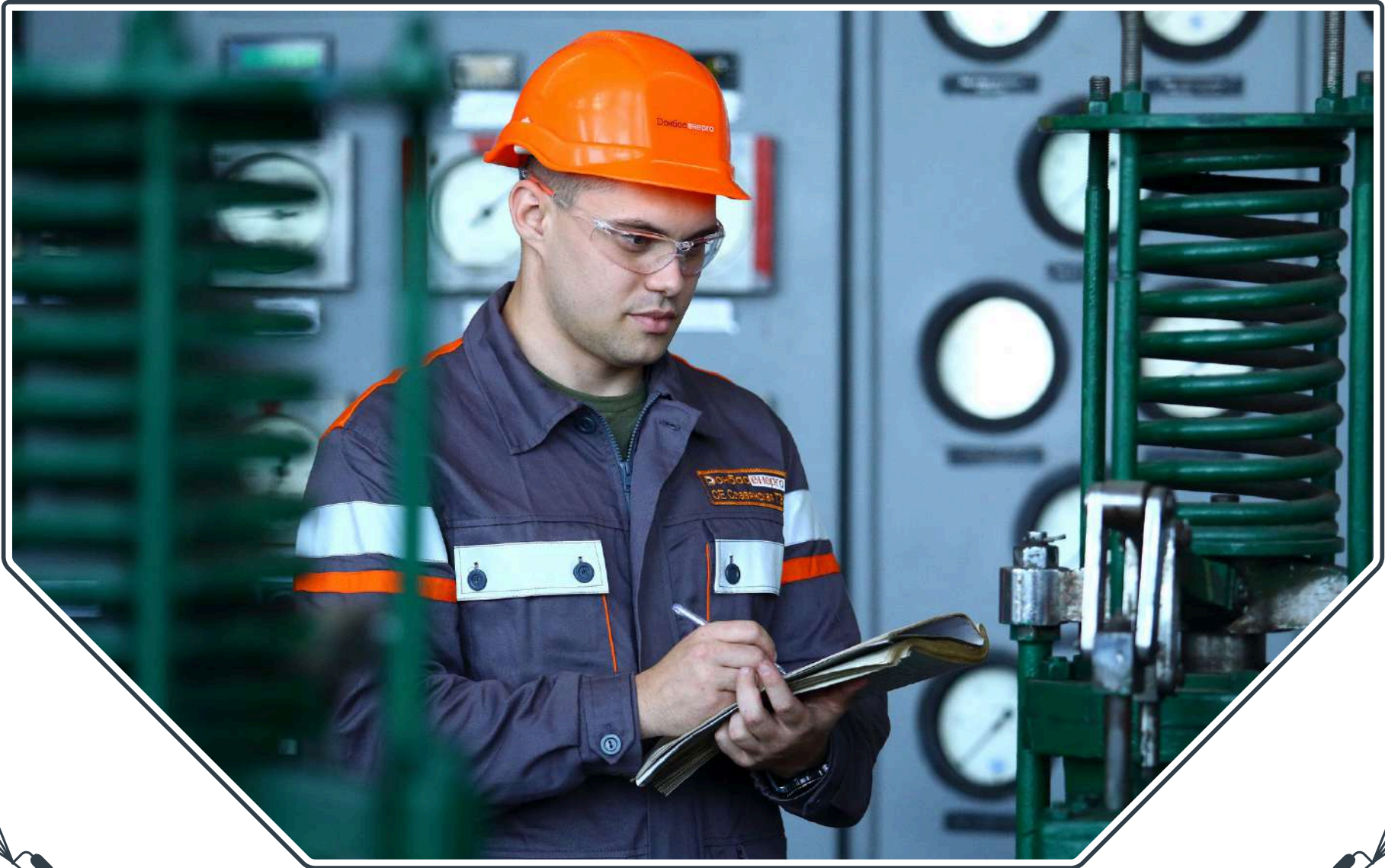
- implementation of the consolidated Management Systems Policy of Donbasenergo
- regular monitoring of quality objectives and quality-oriented activities
- formalization/institutionalisation of the process of repairing electrical and thermal-mechanical equipment
- successful completion of the first consolidated audit of the management systems
- continued steps to prepare for accreditation of the testing and equipment maintenance laboratory of Donbasenergo's structural unit, Elektroremont, in accordance with the requirements of ISO 17025:2017 "General requirements for the competence, impartiality and consistent operation of laboratories".

Further steps on the consolidation of the management systems will continue in 2020.

In addition, work is underway to expand the scope of the quality management system's certification to cover Elektroremont structural unit of Donbasenergo.

Subject to the implementation of the planned measures, the existing quality management system, which meets the requirements of ISO 9001:2015, will be able to ensure the effective functioning of Donbasenergo's business processes.





6

ANNEXES

6.1	Cost structure of commercial output for 2019
6.2	Fulfilment of key technical and economic indicators
6.3	Fuel for energy production
6.4	Fuel
6.5	Fuel flow at Slovyanska TPP in 2019
6.6	Fulfilment of 2019 Financial Plan indicators
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6.10	Financial results
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6.12	Occupational injury rates
6.13	Health and safety costs
6.14	Fire safety costs
6.15	Civilian protection and security costs

COST STRUCTURE OF COMMERCIAL OUTPUT FOR 2019

6.1

Cost item	2018 actual		2019 FP		2019 actual		Deviation from actual of 2018		Deviation from FP of 2019	
	UAH million	%	UAH million	%	UAH million	%	UAH million	%	UAH million	%
1. Production cost, total	5,277.4	94.8	5,695.1	94.4	5,287.1	93.3	9.7	0.2	-408	-7.2
Production-related services, including:	221.6	4.0	298.3	4.9	274.1	4.8	52.5	23.7	-24.2	-8.1
services related to operations	46.9	0.9	61.5	1.0	68.9	1.2	22.0	46.9	7.4	12.0
repair services	174.7	3.1	236.8	3.9	205.2	3.6	30.5	17.5	-31.6	-13.3
Raw stuff and auxiliary materials, including:	83.2	1.5	100.0	1.7	89.6	1.6	6.4	7.7	-10.4	-10.4
payment for water	8.2	0.1	6.0	0.1	5.2	0.1	-3.0	-36.6	-0.8	-13.3
related to operations	31.4	0.6	48.9	0.8	39.3	0.7	7.9	25.2	-9.6	-19.6
related to repairs	43.6	0.8	45.1	0.8	45.1	0.8	1.5	3.4	0.0	0.0
Fuel from third parties (outsourced fuel)	4,315.0	77.5	4,578.0	75.9	4,254.3	75.1	-60.7	-1.4	-323.7	-7.1
Power from third parties (outsourced)	14.9	0.3	8.9	0.1	13.0	0.2	-1.9	-12.8	4.1	46.1
Payroll costs	313.4	5.6	356.5	5.9	309.1	5.5	-4.3	-1.4	-47.4	-13.3
Unified social tax	67.9	1.2	78.4	1.3	67.7	1.2	-0.2	-0.3	-10.7	-13.6
Depreciation	59.7	1.1	60.0	1.0	67.0	1.2	7.3	12.2	7.0	11.7
Other costs, including:	201.7	3.6	215.0	3.6	212.3	3.7	10.6	5.3	-2.7	-1.3
environmental fee	97.2	1.7	169.5	2.8	172.7	3.0	75.5	77.7	3.2	1.9
land fee	1.7	0.0	1.9	0.0	1.7	0.0	0.0	0.0	-0.2	-10.5
other needs	102.8	1.9	43.6	0.8	37.9	0.7	-64.9	-63.1	-5.7	-13.1

Cost item	2018 actual		2019 FP		2019 actual		Deviation from actual of 2018		Deviation from FP of 2019	
	UAH million	%	UAH million	%	UAH million	%	UAH million	%	UAH million	%
2. Administrative costs	290.6	5.2	337.2	5.6	376.8	6.7	86.2	29.7	39.6	11.7
Total costs	5,568.0	100.0	6,032.3	100.0	5,663.9	100.0	95.9	1.7	-368.4	-6.1
For reference										
Prime cost of electricity, kop./kWh	175.02	100.0	206.46	100.0	184.16	100.0	9.14	5.2	-22.3	-10.8
fuel component, kop./kWh	135.24	77.3	156.22	75.7	138.00	74.9	2.8	2.1	-18.2	-11.7
semi-fixed costs, kop./kWh	39.78	22.7	50.24	24.3	46.16	25.1	6.4	16.1	-4.1	-8.2
Prime cost of heat, UAH/Gcal	1,577.80	100.0	1,248.15	100.0	1,601.21	100.0	23.41	1.5	353.06	28.3
fuel component, UAH/Gcal	1,135.90	72.0	810.79	65.0	1,046.83	65.4	-89.1	-7.8	236.0	29.1
semi-fixed costs, UAH/Gcal	441.90	28.0	437.36	35.0	554.38	34.6	112.5	25.5	117.0	26.8



FULFILMENT OF KEY TECHNICAL AND ECONOMIC INDICATORS

6.2

Indicator	Meas. unit	2018 actual	2019 FP	2019 actual	Deviation 2019 actual/2018 actual		Deviation 2019 actual/2019 FP	
					+ / -	%	+ / -	%
Electricity generation: Slovyanska TPP	GWh	3,456	3,195	3,372	-85	-2.4	177	5.5
Net electricity supply: Slovyanska TPP	GWh	3,146	2,889	3,044	-101	-3.2	155	5.4
Electricity supply structure of the structural unit: Slovyanska TPP	%	100.0	100.0	100.0	0	0.0	0,0	0,0
Specific fuel consumption for electricity supply: Slovyanska TPP	g/kWh	407.4	416.3	418.1	10.7	2.6	1.8	0.4
Installed capacity utilization rate: Slovyanska TPP	%	44.8	41.4	43.7	-1.1	-2.4	2.3	5.5



FUEL FOR ENERGY PRODUCTION

6.3

Type of fuel	Meas. unit	2018 actual	2019 FP	2019 actual
Solid fuel				
Calorific value	kcal/kg	5,496	5,500.00	5,341
Share in the structure	%	98.8	98.9	98.8
Gas				
Calorific value	kcal/kg	8,071	8,150	8,182
Share in the structure	%	1.2	1.1	1.2
Fuel oil				
Calorific value	kcal/kg	9,218	9,501	9,103
Share in the structure	%	0.0	0.0	0.0

FUEL

6.4

Type of fuel	Meas. unit	2018 actual	2019 FP	2019 actual	Δ actual to 2019 FP
Coal	thousand tonnes of natural fuel	1,629.1	1,529.4	1,661.8	132.4
Gas	million m ³	13.5	11.0	13.5	2.5
Fuel oil	tonnes of natural fuel	2.0	105.3	36.0	-64.3

FUEL FLOW AT SLOVYANSKA TPP IN 2019

6.5

Coal flow, thousand tonnes

Structural unit	Balance as at 1 January 2019	Received	Consumption, including			Balance as at 1 January 2020
			TOTAL:	for production of electricity and heat	auxiliary consumption	
Slovyanska TPP	10.5	1,774.1	1,579.1	1,579.1	–	205.4
including storage		33.4			–	33.4

Flow of raw petroleum coke, thousand tonnes

Structural unit	Balance as at 1 January 2019	Received	Consumption, including			Balance as at 1 January 2020
			TOTAL:	for production of electricity and heat	auxiliary consumption	
Slovyanska TPP	3.6	79.1	82.7	82.7	–	0.0

Flow of fuel oil, t

Structural unit	Balance as at 1 January 2019	Received	Consumption, including			Balance as at 1 January 2020
			TOTAL:	for production of electricity and heat	auxiliary consumption	
Slovyanska TPP	1,233	0.0	36.0	36.0	–	1,197.0

Flow of natural gas, thousand m³

Structural unit	Balance as at 1 January 2019	Received	Consumption, including			Balance as at 1 January 2020
			TOTAL:	for production of electricity and heat	auxiliary consumption	
Slovyanska TPP	0.0	13,457.4	13,457.4	13,457.4	–	0.0

FULFILMENT OF 2019 FINANCIAL PLAN INDICATORS, UAH MILLION

6.6

Indicator	2018 actual	2019 plan	2019 actual	(2019 actual - 2019 plan) (+/-)	(2019 actual/2019 plan), %	(2019 actual - 2018 actual), (+/-)	(2019 actual/2018 actual), %
I. Formation of the company's profit							
Revenue							
Product sales income (revenue)	7,394.0	7,689.4	6,961.2	-728.2	90.5%	-432.8	94.1%
Excise duty on the sale of produced electricity		0.0	91.3	91.3	—	91.3	—
Value added tax	1,232.3	1,281.6	1,160.2	-121.4	90.5%	-72.1	94.1%
Net product sales income (revenue)	6,161.7	6,407.8	5,709.8	-698.1	89.1%	-451.9	92.7%
Electricity generation by thermal power plants	6,132.4	6,356.7	5,470.5	-886.1	86.1%	-661.8	89.2%
Purchase/sales of electricity	0.0	0.0	212.2	212.2	—	212.2	—
Production and distribution of thermal energy (heat)	29.3	51.2	27.1	-24.1	52.9%	-2.3	92.3%
Other operating income	255.8	250.8	611.2	360.4	243.7%	355.4	238.9%
Financial income	26.1	28.7	11.8	-16.9	41.2%	-14.2	45.4%
Other income	1.6	0.0	3.7	3.7	—	2.1	231.2%
Total income	6,445.2	6,687.4	6,336.5	-350.9	94.8%	-108.7	98.3%
Cost of products sold	5,276.4	5,693.4	5,452.5	-240.9	95.8%	176.0	103.3%
Electricity generation by thermal power plants	5,215.9	5,629.3	5,230.5	-398.8	92.9%	14.6	100.3%
Purchase/sales of electricity	0.0	0.0	166.7	166.7	—	166.7	—
Production and distribution of thermal energy (heat)	60.5	64.1	55.3	-8.8	86.3%	-5.2	91.4%
Administrative costs (total), including:	363.2	411.4	448.2	36.8	108.9%	85.0	123.4%
payroll costs	198.7	230.0	296.1	66.1	128.7%	97.4	149.0%

Indicator	2018 actual	2019 plan	2019 actual	(2019 actual - 2019 plan) (+/-)	(2019 actual/2019 plan), %	(2019 actual - 2018 actual), (+/-)	(2019 actual/2018 actual), %
social insurance costs	37.9	50.6	39.9	-10.7	78.8%	2.0	105.3%
material costs	4.4	4.9	4.3	-0.6	88.2%	-0.1	97.7%
stationery		3.0	0.6	-2.4	18.7%	0.6	—
business travel costs	8.0	7.9	5.1	-2.8	64.3%	-2.9	63.4%
settlement and cash service costs	4.8	2.8	4.0	1.2	141.1%	-0.8	84.2%
building maintenance costs	6.9	5.4	3.6	-1.8	66.3%	-3.3	51.8%
other administrative costs	102.5	106.8	94.7	-12.1	88.7%	-7.8	92.3%
Distribution costs	10.6	16.4	15.0	-1.5	91.2%	4.4	141.8%
Other operating costs	575.4	311.7	424.9	113.2	136.3%	-150.5	73.9%
Financial costs	85.2	178.8	68.3	-110.6	38.2%	-17.0	80.1%
Other costs	5.2	7.6	9.6	2.1	127.3%	4.5	186.4%
Tax on profit from ordinary activities (recognized profit)	25.1	6.1	-13.0	-19.1	-212.8%	-38.1	-51.9%
Total expenses	6,341.0	6,625.4	6,405.5	-219.9	96.7%	64.4	101.0%
Gross profit (loss)	885.3	714.5	257.3	-457.1	36.0%	-628.0	29.1%
Electricity generation by thermal power plants	916.5	727.4	240.0	-487.3	33.0%	-676.4	26.2%
Purchase/sales of electricity	0.0	0.0	45.5	45.5	—	45.5	—
Production and distribution of thermal energy (heat)	-31.2	-12.9	-28.2	-15.3	218.6%	3.0	90.5%
Financial result from operating activities	191.9	225.7	-19.6	-245.4	-8.7%	-211.5	-10.2%
Financial result from ordinary activities before taxation	129.2	68.1	-82.0	-150.1	-120.4%	-211.2	-63.5%

Indicator	2018 actual	2019 plan	2019 actual	(2019 actual - 2019 plan) (+/-)	(2019 actual/2019 plan), %	(2019 actual - 2018 actual), (+/-)	(2019 actual/2018 actual), %
Net profit (loss)	104.1	62.0	-69.0	-131.0	-111.3%	-173.1	-66.3%
EBITDA	589.8	343.3	-63.9	-407.2	-18.6%	-653.7	-10.8%
EBITDA margin	9.6	5.4	-1.1	-6.5	-20.4%	-10.7	-11.5%
II. Distribution of net profit							
Balance of undistributed earnings at the beginning of the reporting period	-236.0	-287.9	-287.9	0.0	100.0%	-51.9	122.0%
Fund for payment of dividends to economic operators according to the standard parameter set in the current year based on the results of financial and economic activity for the previous year, including:	43.0	20.4	0.0	-20.4	0.0%	-43.0	0.0%
on the state-owned part of shares	10.7	5.1	7.8	2.7	152.9%	-2.9	72.7%
Production development fund	11.5	0.0	72.9	72.9	—	61.4	635.8%
Reserve fund	2.9	0.0	0.0	0.0	—	-2.9	0.0%
Other purposes, including adjustments due to changed accounting policy	98.7	0.0	8.2	8.2	—	-90.4	8.4%
Balance of undistributed earnings at the end of the reporting period	-287.9	-246.4	-421.6	-175.2	171.1%	-133.7	146.4%
III. Mandatory payments to the budget and state target funds							
Payment of current taxes and mandatory payments to the budget, including:	454.8	374.4	524.6	150.2	140.1%	69.8	115.4%
tax on profit	116.9	21.7	0.0	-21.7	0.0%	-116.9	0.0%
excise tax	0.6	0.0	81.0	81.0	—	80.3	12,828.8%
VAT	192.6	42.0	146.1	104.1	348.1%	-46.5	75.8%
payments for natural resources	9.8	5.1	5.4	0.3	105.3%	-4.4	55.1%
environmental tax	74.1	159.2	159.8	0.6	100.4%	85.6	215.5%

Indicator	2018 actual	2019 plan	2019 actual	(2019 actual - 2019 plan) (+/-)	(2019 actual/2019 plan), %	(2019 actual - 2018 actual), (+/-)	(2019 actual/2018 actual), %
tax on physical persons' income	108.7	130.2	131.3	1.1	100.8%	22.6	120.8%
dividends on the state-owned part of shares	10.7	5.1	7.8	2.7	152.9%	-2.9	72.7%
other tax and mandatory payments to the budget	-58.8	11.1	-6.7	-17.8	-60.5%	52.1	11.4%
Discharge of tax debt	17.1	0.0	36.8	36.8	—	19.7	215.4%
Contributions to the state target funds, including:	132.5	163.9	149.0	-14.9	90.9%	16.5	112.5%
settlements on Unified Social Tax	118.2	149.5	133.7	-15.8	89.4%	15.5	113.1%
Benefits and subsidies	-9.8	0.0	-3.3	-3.3	—	6.6	33.3%
Other mandatory payments, including:	4.9	4.2	6.8	2.6	160.7%	1.9	138.8%
land fee	3.1	3.1	2.8	-0.3	90.0%	-0.2	92.2%



STRUCTURE OF ACCOUNTS RECEIVABLE AS AT 31 DECEMBER 2019

6.7

#	Product name	Amount, UAH thousand as at 31 December 2018	Amount, UAH thousand as at 31 December 2019	Deviation, UAH thousand	Deviation, %
1	Works	2,644	3,599	955	36
2	Materials	588	486	-102	-17
3	Services	16,174	24,896	8,722	54
4	Electricity, including:	316,109	143,298	-172,811	-55
	electricity of Energorynok SE	287,599	79,973	-207,626	-72
	electricity – new market	0	40,777	40,777	
	electricity to uncontrolled territory	22,548	22,548	0	0
	electricity for export	5,962	0	-5,962	-100
5	Heat	20,577	23,471	2,894	14
6	Advances paid	1,180,032	364,697	-815,335	-69
7	Settlements with the budget and social funds	68,814	49,624	-19,190	-28
8	Other current debts	70,884	11,042	-59,842	-84
9	Long-term debt	281,527	526,547	245,020	87
	Total:	1,957,349	1,147,660	-809,689	-41
	including doubtful debt reserve:	-652,807	-533,505	119,302	-18

STRUCTURE OF ACCOUNTS PAYABLE AS AT 31 DECEMBER 2019

6.8

#	Product name	Amount, UAH thousand as at 31 December 2018	Amount, UAH thousand as at 31 December 2019	Deviation, UAH thousand	Deviation, %
1	Fuel, including:	1,387,995	1,410,245	22,250	2
	domestic coal	1,286,813	1,255,751	-31,062	-2
	imported coal	78,654	142,120	63,466	81
	gas	22,528	12,374	-10,154	-45
2	Works, services	1,024,619	1,006,708	-17,911	-2
3	Materials, spare parts, equipment	17,386	14,012	-3,374	-19
4	Electricity – new market	0	89,438		
5	Advances received, including:	79,518	112,054	32,536	41
	electricity of Energorynok SE	77,570	0	-77,570	-100
	electricity – new market	0	111,035		
6	Settlements with the budget and social funds	180,132	159,993	-20,139	-11
7	Payroll settlements	23,900	41,764	17,864	75
8	Current debt on long-term liabilities, including:	131,941	259,615	127,674	97
	rent	0	8,974	8,974	
	% under credit	5,750	0	-5,750	-100
	deferred tax liabilities	126,191	250,641	124,450	99
9	Other current liabilities	45,419	31,658	-13,761	-30
10	Long-term liabilities	264,744	143,855	-120,889	-46
	Total:	3,155,654	3,269,342	113,688	4

FINANCIAL STANDING

6.9

Enterprise:	Donbasenergo PJSC
Territory:	Ukraine
Organizational and legal form of business activity:	Joint Stock Company
Type of economic activity:	Electricity production
Average number of employees:	2,539
Address, phone:	34A, Predslavynska street, Kyiv
Unit of measurement:	UAH thousand

Codes:	
Date (year, month, day)	2019/12/31
according to EDRPOU	23343582
according to KOATUU	8038200000
according to KOPFG	230
according to KVED	35.11

Prepared according to the international financial reporting standards

Code according to DKUD: 1801001

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ASSET	At the beginning of the reporting period	At the end of the reporting period
I. NON-CURRENT ASSETS		
Intangible assets:		
Residual value	7,419	5,573
Initial value	32,038	30,103
Accumulated depreciation	24,619	24,530
Capital investments in progress	2,057,490	2,183,886
Fixed assets:		
Residual value	856,751	960,236
Initial value	4,214,621	4,409,969
Depreciation	3,357,870	3,449,733

ASSET	At the beginning of the reporting period	At the end of the reporting period
Investment property:		
Fair (residual) value of investment property	944	913
Initial value of investment property	5,276	5,283
Depreciation	4,332	4,370
Long-term biological assets		
Long-term financial investments:		
accounted by participation in capital of other enterprises		
Other financial investments		
Long-term accounts receivable	154,364	317,016
Deferred tax assets	393,720	398,699
Other non-current assets		
Total for section I	3,470,688	3,866,323
II. CURRENT ASSETS		
Inventories:	278,230	596,037
Production inventories	271,623	585,261
Current biological assets		
Work in progress	1,456	5,381
Finished products	1,178	924
Goods	3,973	4,471
Promissory notes received		

ASSET	At the beginning of the reporting period	At the end of the reporting period
Accounts receivable for goods, works and services:		
Net sales value	237,858	71,378
Accounts receivable on settlements:		
On advances paid	784,000	154,776
Budgetary payments	50,928	47,990
Including from income tax	39,290	39,290
From internal settlements		
Other current accounts receivable	77,392	22,995
Current financial investments		
Cash and equivalents thereof:		
Cash and equivalents thereof:	153,481	21,105
including cash	382	364
Accounts in banks	153,099	20,741
Deferred expenses		
Other current assets	328,197	200,623
Total for section II	1,910,086	1,114,904
III. NON-CURRENT ASSETS AND DISPOSAL GROUPS		
BALANCE	5,380,774	4,981,227

LIABILITY	At the beginning of the reporting period	At the end of the reporting period
I. EQUITY CAPITAL		
Registered capital	236,443	236,443
Additional capital	443,894	516,771
Paid-in capital (share premium)	1,212	1,212
Reserve capital	38,122	38,122
Retained earnings (uncovered loss)	-287,942	-421,569
Unpaid capital		
Withdrawn capital		-30,999
Total for section I	430,517	338,768
II. LONG-TERM LIABILITIES AND PROVISIONS		
Deferred tax liabilities		
Pension liabilities	337,882	344,913
Long-term bank loans		
Other long-term liabilities	264,744	143,855
Long-term collateral	58,521	69,652
including long-term provision of staff costs		
Target financing	1,396	
Total for section II	662,543	558,420
III. CURRENT LIABILITIES AND PROVISIONS		
Short-term bank loans	349,793	0

LIABILITY	At the beginning of the reporting period	At the end of the reporting period
Promissory notes issued		
Current accounts payable for: long-term liabilities	131,941	259,615
goods, works and services	2,475,164	2,551,762
payments to the budget	100,462	135,894
Including from income tax		
settlements for insurance payments	6,161	8,659
settlements of salary payments	23,900	41,764
under received advances	79,518	112,054
settlements with participants	32,269	43
under internal settlements		
Current provisions	1,047,010	958,552
Deferred income	1	
Other current liabilities	41,495	15,696
Total for section III	4,287,714	4,084,039
IV. LIABILITIES RELATING TO NON-CURRENT ASSETS AND DISPOSAL GROUPS RESERVED FOR SALE, AND DISPOSAL GROUPS		
BALANCE	5,380,774	4,981,227

FINANCIAL RESULTS

6.10

Enterprise: Donbasenergo PJSC

Territory: Ukraine

Date (year, month, day) according to EDRPOU	Codes: 2020.01.01 23343582
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Code according to DKUD: 1801003

I. FINANCIAL RESULTS

ITEM	For the reporting period	For the previous period
Net profit (revenue) from sales of products (goods, works, services)	5,709,764	6,161,697
Cost of products (goods, works, services) sold	5,452,457	5,276,434
Gross:		
revenue	257,307	885,263
loss	0	0
Other operating income	520,669	130,778
Administrative costs	448,230	363,226
Distribution costs	14,959	10,551
Other operating expenses	334,424	450,382
Financial results from operating activity:		
revenue	0	191,882
loss	19,637	0

ITEM	For the reporting period	For the previous period
Equity income		
Other financial income	11,834	26,070
Other income	3,686	1,594
Financial costs	68,256	85,207
Expenses from participation in equity		
Other costs	9,632	5,166
Financial results from ordinary activity before tax:		
revenue	0	129,173
loss	82,005	0
Expenses (profit) from income tax	-13,008	25,062
Net:		
revenue	0	104,111
loss	68,997	0
II. CONSOLIDATED INCOME		
ITEM	For the reporting period	For the previous period
Revaluation/increase in value (write-down) of fixed assets		
Revaluation/increase in value (write-down) of financial instruments		
Accumulated exchange rate differences		
Share of other consolidated income of associated and joint ventures		

ITEM	For the reporting period	For the previous period
Other consolidated income	16,276	-46,547
Other consolidated income prior to taxation	16,276	-46,547
Profit tax related to other consolidated income	8,029	-8,379
Other consolidated income after taxation	8,247	-38,169
Consolidated income*	-60,750	65,942

* The amount of net profit, net loss and other comprehensive income after tax.

III. ITEMS OF OPERATING EXPENSES

ITEM	For the reporting period	For the previous period
Material expenses	4,605,563	4,609,027
Payroll expenditures	684,176	586,382
Social contributions	124,796	120,976
Depreciation	96,614	74,651
Other operating expenditures	601,348	725,713
TOTAL	6,112,497	6,116,749

IV. CALCULATION OF SHARE PROFITABILITY INDICATORS

ITEM	For the reporting period	For the previous period
Average yearly number of ordinary shares	23,188,605	23,641,985
Corrected average yearly number of ordinary shares	23,188,605	23,641,985
Net profit per one ordinary share	-2.98	4.40
Corrected net profit per one ordinary share	-2.98	4.40
Dividends per one ordinary share		

INJURY AND OCCUPATIONAL HEALTH SITUATION

6.11

#	Company name	Number of cases of occupational injuries (N-1/P form)				Number of non-work related incidents (N-1/NP form)				Number of non-work related injury cases (NT form)				Number of cases of occupational diseases				Number of cases of injuries to third parties on Company's electrical equipment			
		Total		of them fatalities		Total		of them fatalities		Total		of them fatalities		Total		of them fatalities		Total		of them fatalities	
		2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
1	SLOVYANSKA TPP OF DONBASENERGO	1	1	0	0	0	1	0	1	109	134	0	0	0	0	0	0	0	0	0	0
2	ELEKTROREMONT, STRUCTURAL UNIT OF DONBASENERGO	0	0	0	0	0	0	0	0	2	2	0	0	0	0	0	0	0	0	0	0
3	DESR, STRUCTURAL UNIT OF DONBASENERGO	0	0	0	0	0	0	0	0	9	20	0	0	0	0	0	0	0	0	0	0
4	TEPLOELEKTROPROEKT, STRUCTURAL UNIT OF DONBASENERGO	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0
5	DONBASENERGO STRUCTURAL UNIT	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0
6	PRS ENERGETORG, STRUCTURAL UNIT OF DONBASENERGO	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0
7	ENERGOSOTSINVEST, STRUCTURAL UNIT OF DONBASENERGO	0	0	0	0	0	0	0	0	2	2	0	0	0	0	0	0	0	0	0	0
8	MANAGEMENT HQ	0	0	0	0	1	0	0	0	1	3	0	0	0	0	0	0	0	0	0	0
	DONBASENERGO PJSC	1	1	0	0	1	1	0	1	125	165	0	0	0	0	0	0	0	0	0	0

OCCUPATIONAL INJURY RATES

6.12

	2012	2013	2014	2015	2016	2017	2018	2019
Number of registered fatalities	1	0	0	0	0	0	0	0
Number of registered injury cases	0	2	1	2	1	1	1	1
Average number of registered personnel	6,270	6,055	5,652	5,352	5,299	3,019	2,410	2,435
Number of man-hours worked	11,128,965	10,819,078	9,686,800	9,379,097	9,521,390	5,279,771	4,348,528	4,380,047
Number of days of disability	0	110	10	60	9	51	118	92
FR (occupational injuries frequency rate)	0	0.04	0.02	0.04	0.02	0.03	0.04	0.04
SR (occupational injuries severity rate)	0	2.03	0.21	1.28	0.19	1.93	5.42	4.2



HEALTH AND SAFETY COSTS

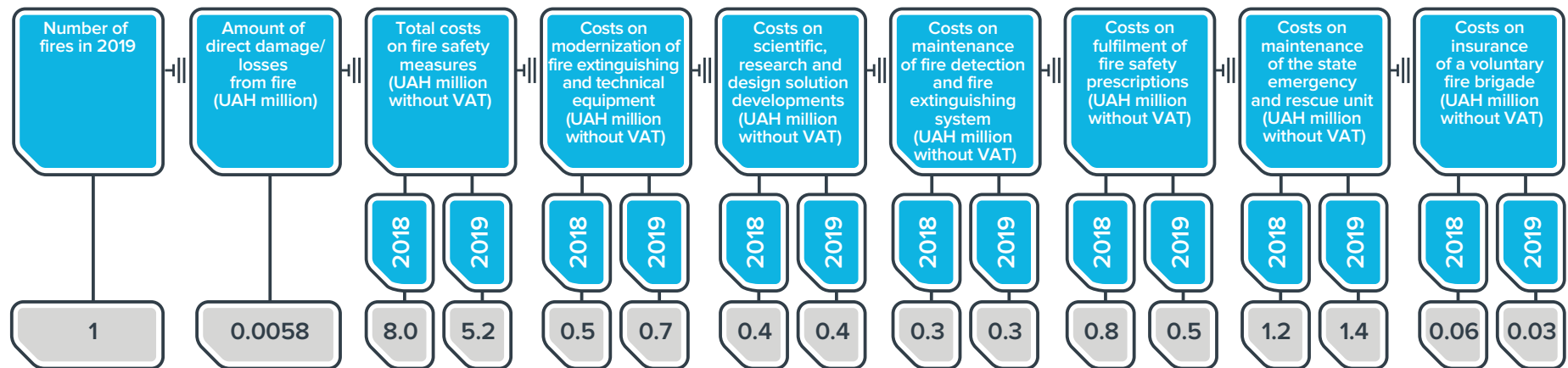
6.13

Company name	Payroll fund		Occupational safety costs (excluding VAT)			Share of occupational safety costs relative to the payroll fund	
	2018	2019	2019 plan	2019 actual	2019 performance	2018	2019
	UAH million	UAH million	UAH million	UAH million	%	%	%
DONBASENERGO	572.7	729.1	22.5	11.69	51.9	2.9	2.0

#	Cost items on occupational safety (actual)	Amount, UAH million (excluding VAT)	Share in total amount of occupational safety costs (%)
1	Bringing of fixed assets to compliance with requirements of health and safety regulations	2.03	17.3
2	Elimination of hazardous and harmful production factors' impact on employees or bringing their levels in the workplace to compliance with requirements of health and safety regulations	0.21	1.8
3	Attestation of workplaces for compliance with occupational safety regulations, setting up stands, equipping of offices, information boards, purchase of copies of regulations, posters, software on occupational safety, etc.	0.22	1.9
4	Training of employees and testing their knowledge on safety issues, delivering lectures, seminars and consultations on safety issues	0.11	1
5	Provision of employees with special outfit, footwear and other individual protection equipment in accordance with the standards established by the occupational safety legislation, including the provision with detergents/cleaning agents and agents neutralizing negative impact of harmful substances on human organism or skin	7.23	61.8
6	Provision of employees, those engaged in work under hazardous working conditions, with milk or equivalent foods, carbonated salted water	0.75	6.4
7	Carrying out preliminary and periodic medical examination of workers engaged in heavy work, work under hazardous or harmful working conditions or those where professional selection is needed	1.14	9.8
	TOTAL	11.69	100

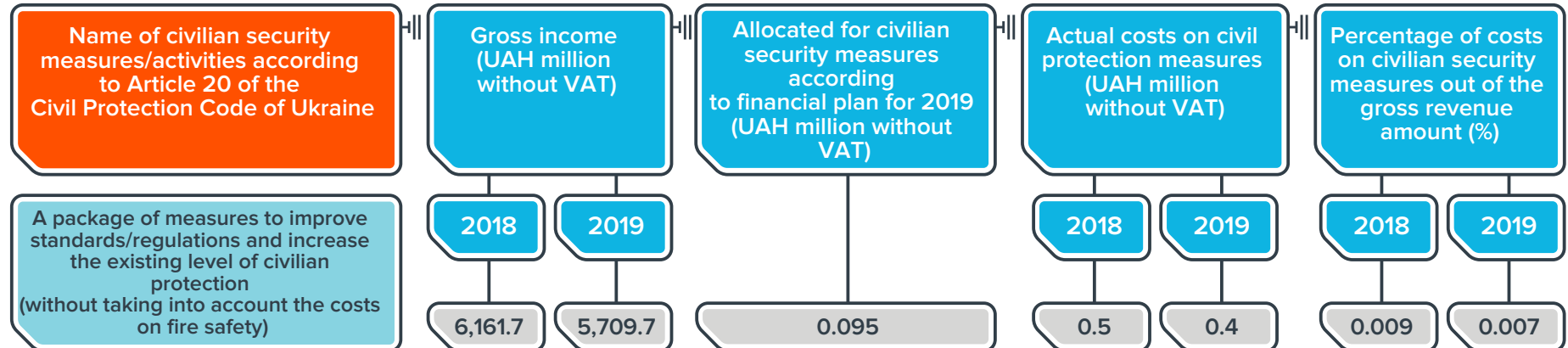
FIRE SAFETY COSTS

6.14



CIVILIAN PROTECTION AND SECURITY COSTS

6.15







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