DTEK Finance PLC

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2019

Company Number: 08422508

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COMPANY INFORMATION

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STRATEGIC REPORT

The directors of DTEK Finance PLC (the "Company") present their annual report and consolidated financial statements in order to disclose the results of the activities of the Company and its subsidiary DTEK Investments Limited (together the "Group") for the year ended 31 December 2019 and their likely future development.

Principal activities and business overview

The Company is a fully owned subsidiary of DTEK Energy B.V. (together with all of its subsidiary operating companies "DTEK Energy") and was established with the sole purpose to serve as the finance vehicle of DTEK Energy, with its activity focused on the administration of the servicing of DTEK Energy's debt

DTEK Energy Update

DTEK Energy is a vertically integrated coal mining, power generating and trading group. It consists of a multitude of operating companies the vast majority of which are incorporated under the laws of Ukraine and have their assets and activities in Ukraine. DTEK Energy's principal activities are the mining of coal, mainly for supply as fuel stock to its thermal power generating facilities, and the final sale of electricity to the electricity market. DTEK Energy's coal mines and power generation plants are located in the Donetsk (controlled territory), Lugansk (controlled territory), Dnipropetrovsk, Lviv, Ivano-Frankivsk, Vinnitsya and Zaporizhzhya regions in Ukraine. During the first half of 2019 DTEK Energy sold the majority of its electricity generated to Energorynok SE, the state-owned electricity metering and distribution pool, at prices determined based on the competitive pool model adopted by the National Commission for State Regulation of Energy and Public Utilities in Ukraine.

On 1 July 2019, after some political wavering and several postponements, Ukraine fulfilled one of its obligations as a Contracting Party to the EU's Energy Community Treaty by replacing the single buyer model of the wholesale electricity market with a market model based on bilateral, day-ahead and intraday markets, as well as a balancing market and a market of ancillary services where participants can trade electricity freely. From that date on, DTEK Energy sold the majority of the electricity it generated on this new, liberalised electricity market. The impact on DTEK Energy's financial and operational performance of the introduction of, what in principle is intended to be a free and competitive market, is described in the regulatory risk section below. By extension, it had an adverse financial impact on the Group through the reduction in cash flows it received from the Group's intercompany debtors.

On 18 November 2019, DTEK Energy completed the restructuring of its remaining bank debt of US$ 242 million. The restructuring it agreed with the remaining bank debt holders was on terms and conditions substantially similar to the restructured bank debt documentation (please refer to Note 10 for further information). Following the restructuring agreement with the holders of the remaining bank debt, DTEK Energy no longer was in default on any of its debt service obligations borrowings. Subsequently, Fitch Ratings upgraded DTEK Energy's long-term foreign currency issuer rating from 'RD' (Restricted Default) to 'B-'. As per 31 December 2019, the Group was in full compliance with the covenants relating to its debt.

Group Update

In December 2016, the Group restructured all of its existing Eurobonds and exchanged them for new Eurobonds (the "New Notes") with an aggregate principal value of US$ 1,275 million. The transaction was accounted for as an extinguishment of existing Eurobonds and recognition of New Notes. The amount included US$ 300 million, being the amount of bank debt that the Group's bank lenders elected to exchange for New Notes at par in accordance with the debt exchange offer (the "Bank Exchange Offer"). As a consequence, in March 2017 the bank debt for the amount of US$ 133 million was exchanged for the New Notes. On 20 September 2018 and on 18 November 2019 as a result of the restructuring a part of these loans, for the amount of US$ 67 million and US$ 100 million respectively, were converted to the New Notes.

In 2019 the Company partially repaid its payables on demand for financial investments to its subsidiary, DTEK Investments Limited (UK) for the amount of US$ 2,800 thousand (Note 11).

Results

The results of the Group show a profit for the year ended 31 December 2019, amounting to US$ 27,686 thousand (for the year ended 31 December 2018: loss US$ 69,280 thousand). The results of the Company show a profit for the year ended 31 December 2019 amounting to US$ 84,191 thousand (for the year ended 31 December 2018: loss US$ 111,968 thousand). At 31 December 2019 the Group had an equity deficit of US$ 187,564 thousand (31 December 2018: deficit US$ 182,881 thousand) and the Company had an equity deficit of US$ 814,902 thousand (31 December 2018: deficit US$ 769,151 thousand).

Principal risks and uncertainties

As the finance vehicle of DTEK Energy, the principal risks and uncertainties of the Group are intrinsically linked to the operations and financial performance of DTEK Energy. Consequently, the Group's financial performance depends highly, if not entirely, on that of DTEK Energy.

In 2019, the Ukrainian economy showed encouraging signs of stabilisation and recovery after years of geo-political vulnerability and economic instability. The gathering of macro-economic strength, improvement of the country's balance of payments, growth in export earnings, increasing trade with the EU, and sound monetary policies, which resulted in a steady decline in the rate of inflation and the strengthening of the national currency, combined to restore international investor interest in Ukraine. This positive momentum was reinforced by the outcome of first the Presidential election and followed by the national parliamentary elections. A new President was elected on an anti-establishment and anti-corruption platform. He received a strong popular mandate to reform and modemise the political and economic system. For the first time in Ukraine's modern history as an independent nation state, the President's political party had a robust and controlling majority in Parliament. Rapidly growing investor confidence in Ukraine was reflected in a narrowing of spreads on sovereign debt and, in early 2020, on the country's access to international capital markets at highly favourable terms.

The electorate's expectations of a new era in Ukraine's politics thus were high and international investor sentiment grew increasingly positive. In the second half of 2019, however, some early signs emerged of difficulties that the Presidential Administration and Government faced in the formulation and implementation of a coherent, cogent and workable economic policy agenda. Especially in the energy sector, inconsistent and piece-meal reform created market disruptions and dysfunctionalities, including price caps on electricity supply since July 2019, triggering and exacerbating an already looming liquidity crisis in Ukraine's electricity system. Then, in November 2019, the Government amended market rules with as (unintended) consequence the emergence of uncovered speculative trading.

Due to the deepening liquidity crisis in the electricity sector, as of 31 December 2019, DTEK Energy had significant amounts of accounts receivable balances from state-owned entities as well as prepayments made to government and entities dependant on government financing. These included prepaid income taxes of US$ 5.1 million, VAT recoverable of US$ 157 million, and the gross carrying amount of trade receivables from and advances made to Energorynok SE of US$ 290 million. It is yet uncertain when and to what extent debt owed to DTEK Energy by government and state-owned entities will be settled. This will depend on a variety of factors including the availability of funds from the State budget, amounts of future taxable profits of DTEK Energy's subsidiaries and, as regards the entities located in the area not controlled by Ukraine government, the ability and willingness of the Ukraine government to provide financing to these regions.

Whether and, if so, when the energy sector crisis will be resolved depends on a number of factors including the political will and parliamentary support to restore the long-term financial viability and economic sustainability of Ukraine's energy sector.

The Group's activities expose it to a variety of financial risks: market risk (indirectly via DTEK Energy), credit risk and liquidity risk. Exposure of the Group to these different financial risks is disclosed in Note 19.

Risk management and internal control

DTEK Energy implemented the Internal Control and Risk Management system, which is based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. It is fully integrated into strategic and tactical planning, including but not limited to business planning and budgeting processes, investment projects, etc. The risk management function covers all levels of business and production units (risk managers and coordinators). The risk management approach and processes are unified across all units, iterative bottom-up and top-down approaches are in place for identification, and for the assessment of risks and opportunities, the three-lines of defence principle is used. The Group follows and implements the risk management procedures integrated on a DTEK Energy level.

DTEK Energy's Executive Board is responsible in general for the development of strategic and operational targets and for the identification, assessment and mitigation of associated risks. The Executive Board established the Risk Management Committee, which tackles risk management issues on a regular basis. For the identified risks deemed to be material, comprehensive mitigating action plans are developed and reviewed on a regular basis to ensure that the risks' levels remain at acceptable levels. Management is kept informed via regular risk reports and understands how risks influence the achievement of business targets, so management's decisions are made based on existent/potential risks and opportunities. DTEK Energy strives to implement the necessary internal controls into the business processes based on performed risk assessments; preference is given to automated controls that are embedded into IT systems (e.g. SAP ERP). DTEK Energy also makes use of insurance programs in order to safeguard its most important assets and activities from low-probability/high-impact risks.

During 2019 DTEK Energy concentrated on the management of the following main risks:

Political, macroeconomic and geopolitical risks:

As mentioned earlier, the continued rebounding of Ukraine's economy and the outcomes respectively of the Presidential and Parliamentary elections, followed by an ambitious new government coming to power, very much marked 2019. Sound monetary policy brought inflation under control and inflows of capital strengthened the local currency, the hryvnia. Labour migration to the European Union (Poland, Germany) put pressure on wages.

The political risk associated with dependency on supply of anthracite coal from the Russian Federation materialized in August-December 2019 with supplies interrupted by the Russian authorities. These affected operations of the anthracite-fired thermal power plant ("TPP") in Lugansk (and forced fuel switching to much more expensive natural gas. The following measures were implemented to manage these risks: negotiations with the Russian Federation on the allocation of quotas for the supply of anthracite coal; purchase of a third-party import resource; negotiations with the National Energy and Utilities Regulatory Commission of Ukraine (NEURC) on the compensation for higher operating costs due to the use of natural gas as fuel stock. DTEK Energy will continue its efforts to provide a stable coal supply to Luganska TPP in the future.

Regulatory risks:

As mandated by Ukraine's obligations under the Energy Community Treaty, which aims to extend the EU's energy markets to neighboring countries, a new Electricity Market was launched on 1 July 2019. In line with applicable EU directives and regulation, the market regulations prior to launch of the new market required the unbundling of distribution from generation and supply (sales to the end-consumer). DTEK Energy had already prepared for this in previous years—unbundling distribution and supply was finalized in December 2018-and, at the start of 2019, was ready for market liberalization originally planned for 1 January. Due to political opposition, the launch of a liberalized electricity market operating under new, EU compliant rules was delayed several times but finally occurred on 1 July 2019.

While DTEK Energy welcomes the transparency, stability and predictability that market liberalization is intended to bring, the government and the regulator introduced the reforms in a way that in directors' view was flawed by the restrictions on prices described before, by the import of electricity from Belarus and Russia at dumping prices, by the arbitrary levy of charges and by ill-informed "electricity-equity" considerations that kept household electricity prices at their lowest level in Europe. All this led to increasing market dysfunctionality and the resulting liquidity crisis where the energy sector as a whole did not generate enough income from user charges to meet the financial needs of all sector participants (conventional power generation; renewables; transmission and distribution).

Despite the launch of the New Electricity Market in July 2019, therefore, DTEK Energy remains highly exposed to the risks described above. In addition, the rapid rise in installed renewable energy capacity and its priority ranking in the order of dispatch, has come at the expense of a decreasing market share of thermal power generation (as residual generator).

During 2019, DTEK Energy faced problems in respect of recovering its debts from the regulator "The State Company "Energorynok" (Energorynok SE). The following measures were implemented in order to manage this risk - negotiation with the Cabinet of Ministers of Ukraine (CMU) on the repayment or offset of the debt of Energorynok SE; joint participation with the NEURC on the development of regulatory documents to reduce cash gaps for distribution companies and suppliers in case of unbundling.

Commodity price risks

In order to mitigate commodity price risks DTEK Energy regularly re-assessed its open positions, developed and implemented risk mitigation strategies - principles of distribution of export commodities (electricity and coal) between short-term and long term positions, price projections, etc.

Financial risks and market risks:

With regards to currency risk, the national currency of Ukraine hryvnia has had high volatility during the recent years, but has strengthened in 2019. As a result, DTEK Energy suffered forex losses on export electricity, which, however, were compensated by forex income on financing and investing activities. DTEK Energy strives to reduce short open foreign currency balance sheet positions arisen as a result of the imbalance between a loan portfolio in foreign currency and income in local currency. The following measures are implemented in order to manage these risks: foreign exchange flow planning was carried out and the need for hedging currency positions was evaluated.

In order to manage liquidity risk and ensure timely repayment of debt, DTEK Energy diligently plans and monitors cash inflows and outflows on a daily basis, takes measures to optimize its working capital structure, keeps short communication lines with lenders in order to restructure its loan portfolio and eliminate possible liquidity gaps in future. Management monitors liquidity on a daily basis, management incentive programs use key performance indicators such as EBIT, EBITDA, operating and free cash flow and cash collections to ensure liquidity targets are actively monitored.

Credit risk management is based on an internal scoring system, which assigns internal ratings and limits to counterparties based on their financial performance, payment discipline and other aspects. The debtors with a high credit rating can expect better payment terms, and vice versa for the ones with low.

DTEK Energy paid special attention to the market risks, mostly related to market competition and expansion. DTEK Energy actively worked to minimize the risks related to the liberalization of the Ukrainian electricity market and deal with increased competition from local and international supply. It does so by strengthening its capacity to analyse the market, predict demand and identify supply opportunities. DTEK Energy uses market models that allow it to simulate the distribution of supply depending on the load of TPPs, number of requests, etc.; when the average annual tariff and/or supply of DTEK Energy TPPs decreases, DTEK Energy substitutes revenue sources, i.e. sells an excess of coal to third parties.

Energy Transition risks:

This category of risks is unique to the electricity sector and includes the combined impact of decarbonisation policies, market liberalisation and technological advances on traditional forms of power generation and, specifically, coal-fired power generation. The Directors of the Company and the Management of DTEK Energy are acutely aware that:

- decarbonisation policies-including the imposition of greenhouse gas emission charges and the promotion of renewable energy—irreversibly and structurally erodes the role of thermal power generation in electricity supply;
- ongoing market liberalisation is transforming the terms of supply—essentially driving down the market price of electricity; and
- technological advances lead to increased energy efficiency—and, by implication, reduce demand relative to GDP growth, eventually bring the levelised cost of renewable energy generation close to or below grid parity prices and fundamentally change the commercial relations between supply and consumption.

To mitigate these risks, the management of DTEK Energy has engaged international energy sector advisors to conduct an in-depth review of its operations. It has asked these advisors to recommend measures to improve operational performance including strengthening operational efficiency by increasing the capacity factor of DTEK Energy's TPPs and decreasing heat rates; improving flexibility allowing TPPs to better respond to market opportunities; and generally streamline its operations.

It also engages actively with the regulator and the government to implement market liberalization fully, which is likely to create ancillary services opportunities for thermal power generation and to manage better the introduction of renewable energy to avoid electricity system disruptions.

While, over the mid- to long-term, energy transition inevitably and adversely will affect DTEK Energy's operational and financial performance, DTEK Energy management believes that there will be a continued role for thermal power generation provided that the sector is regulated and managed in a transparent and rational way. Management will continue to monitor the energy transition risks and continue identifying and implementing measures relentlessly to improve the cost-efficiency of its operations.

Reputational Risks:

DTEK Energy actively manages its reputational risks by performing a regular assessment of its reputation, and of changes in the social climate both in the internal and external environment. DTEK Energy executes proactive and reactive communications at a local and international level in order to minimize the impact of reputational risks.

Corporate Governance and Compliance Risks:

In order to manage compliance risks, such as conflict of interest, deals with untrustworthy counterparties, risks of bribery of decision-making personnel, DTEK Energy follows the restrictions of current sanction regimes and acts in accordance with international legislation, executing KYC procedures and compliance checks while working with its counterparties. DTEK Energy also implements anti-corruption and anti-bribery programs and has a Compliance Policy and Code of Ethics & Business conduct policy; it regularly provides employees with appropriate compliance trainings and monitors the internal compliance rules being in place.

IT risks:

Technical malfunction, virus attacks, data loss or downtime of IT systems can have a significant negative impact on DTEK Energy's activities, taking into account the high level of integration of information and communicational systems into the Group's business processes. The following tools were implemented in order to manage these risks: control over unauthorized software (SCCM, etc.), the Intrusion Prevention System (IPS), DLP policies, the MDM system, group policies of the EMET tool, antivirus control, anti-SPAM systems, etc.

The potential impact of COVID-19 on our business

As explained in Note 1 in the consolidated financial statements, the COVID-19 outbreak and resulting measures taken by the Government to contain the virus have already negatively affected DTEK Energy's business in the first nine months of 2020. In addition to the already known effects, the macroeconomic uncertainty causes disruption to economic activity and it is unknown what the longer-term impact on our business may be. The scale and duration of this pandemic remain uncertain but are expected to further impact our business. The main risks that result from the current uncertain situation regarding COVID-19 is the inability of DTEK Energy to meet its obligations when they fall due, followed by the consequential impact on the Group.

The Group specific risk: impact on the United Kingdom's exit from the European Union

Having formally left the European Union on 31 January 2020, the UK is now in a transition period scheduled to last until 31 December 2020, pending further negotiations with the EU over the future trading relationship and security co-operation.

During the transition period, EU law will (for the most part) continue to apply in the UK as before. The Group's directors closely monitor the developments in this area and considers further how to minimize the impact of Brexit on its business going forward, as further information becomes available.

Key performance indicators

The key performance indicators for management are focused on compliance with covenants on its bank loan and bond debt. The New Notes and Restructured Bank Debt contain specific covenants, including but not limited to limitations on distribution to shareholders (unless such distribution is made pursuant to mandatory requirements of the law), limits on capital expenditure, restrictions on permissible business activities, requirement to perform transactions on an arm's length basis, requirement to make periodic disclosure of financial information, permissible levels of additional financial indebtedness and cash interest cover.

As mentioned earlier, at the end of 2019, DTEK Energy and the Group were in full compliance with the covenants of the Restructured Bank Debt and the New Notes.

Section 172(1) of Companies Act 2006 statement

The financial and operational performance of DTEK Energy and the Group depends on the ability to engage effectively with their stakeholders and protect their respective interests. The Company Directors consider, both individually and collectively, that during the reporting year, they have discharged their statutory duties faithfully, diligently and responsibly; and that they have acted in a way they consider in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to matters set out in section 172(1)(a) to (f) of the Companies Act in the decisions taken during the financial year ending December 31, 2019. In particular, we refer to:

- ***Likely consequences of any decision in the long term:*** the Company and the Group are entirely dependent on the operational and financial performance of both its parent DTEK Energy B.V. and DTEK Energy. DTEK Energy operates within an increasingly competitive environment and is subject to the eroding forces of energy transition described above that on the longer term irreversibly marginalize its role in the electricity system. In addition, the past year (2019) accentuated the vulnerabilities of an industry that is subject to political decision making, is seen by some as providing a service that is social in nature and should be affordable, and that depends on the strength, rationality and integrity of market regulation.

- ***Interests of employees:*** each of DTEK Energy's employees is critical to delivering the strategy of the company and contributing to its success. DTEK Energy's management is committed to the welfare and wellbeing of its employees.

- ***Fostering relationships with suppliers, customers, and others:*** in line with DTEK Energy's aspiration to develop business relationships with business partners who are guided by a similar set of principles of business conduct, it is company policy to share DTEK Energy's Code of Business Conduct with its business partners and explain the conduct expected from its partners.

- ***Maintaining a reputation for high standards of business conduct:*** DTEK Energy's Code of Business Conduct is built on the principles of safety, integrity, quality, respect, and sustainability, and provides directors and employees, a common language and guidance for decisions and actions in line with DTEK Energy's core values.

- ***Impact of operations on the community and the environment:*** central to DTEK Energy's business conduct is respect for the environment. The management of DTEK Energy believes that its environmental responsibilities require it to operate in a manner that minimizes the environmental impact of its operations, and reduce the carbon intensity of its production.

Future developments

In 2018-2019, the Group considerably strengthened DTEK Finance PLC's office in London with the addition of senior executives in 2018, including one of the Directors, and back- and mid-office staff with a view to further strengthening DTEK's interaction with capital markets and its understanding of investor expectations and requirements. DTEK's London office is the vehicle through which the Group and DTEK Energy interact with private and public international capital markets.

The Group remains the finance vehicle of DTEK Energy, with its activity focused on the administration of the servicing of DTEK Energy's debt.

The Group's performance is fully linked to the success and financial and operational performance of DTEK Energy and therefore the changes in its development strategy are entirely dependent on the latter.

Taking into account trends and uncertainties in 2019 (including but not limited to the Donbass military conflict; the introduction of a new electricity market; further global decarbonization and digitalization etc), DTEK Energy will focus on the following key areas in 2020:

- Strengthen its capacity to monitor, analyse and respond to the short- and long-term challenges of energy transition;
- Further improve operational efficiency;
- Optimize DTEK Energy's liquidity management;

- Decrease level of coal consumption for electricity production;
- Support the ongoing transformation of Ukraine's electricity market and engage with the Government of Ukraine, the electricity sector regulator and the National Parliament to promote the establishment of a liberalized, competitive market that operates in a rational, transparent and predictable manner without undue political interference and in accordance with the requirements of applicable EU directives and regulation;

Post reporting period events with a potentially material impact on DTEK Energy's 2020 financial performance

In the period between 31 December 2019 and the filing of DTEK Finance Plc's Annual Report for 2019, a number of events occurred that impact the operations and financial performance of DTEK Energy in 2020:

1. COVID-19. Late in 2019 news first emerged from China about COVID-19 (Coronavirus). In the first few months of 2020 the virus spread globally causing disruptions to business and economic activity. In March 2020 the World Health Organization recognised the coronavirus as a pandemic. The spread of the virus has had a significant negative impact on the economic activity in the world, including a drop in capital markets and a sharp decrease of commodity prices. Resulting from this Ukrainian sovereign credit default swaps increased in March 2020 by more than twice compared to 31 December 2019 and more than three times from its five year historical minimum reached in February 2020.

   From the second half of March 2020, most European governments as well as Government of Ukraine started to take restrictive measures to prevent the spread of the virus in the countries. In particular, restrictions were imposed on public transportation (including intercity), air traffic between majority of countries, work of public institutions and events.

   The Group considers this outbreak to be a non-adjusting post balance sheet event. The situation is fluid and rapidly evolving and thus the impact of the virus and the aforementioned measures are difficult to predict and quantify. As such management does not consider it practical to provide a quantitative estimate of the potential impact of this outbreak on the Group.

2. The electricity market. The dysfunctionalities of Ukraine's electricity market continued and were aggravated during the first nine months of 2020:
   (i) Tariff-setting rules – the price restrictions ("Price Caps") were not cancelled
   (ii) Manipulation of the day-ahead market by non-bona fide traders continued resulting in sharp price decreases.

3. Decrease in volumes and price of electricity generation. A prolonged spell of unseasonably warm and sunny weather reduced overall demand while electricity generated from renewables energy sources grew exponentially. As mentioned before, due to its priority in the dispatch merit order, electricity from renewable energy was dispatched ahead of thermal power thus reducing supply from TPPs.

4. Default on debt service obligations. DTEK Energy B.V. did not pay interest on bank debt due on 31 March 2020, constituting a payment default. It also defaulted on its payment obligations on the Eurobond due on 1 April 2020. DTEK Energy announced that it is in the process of developing a restructuring proposal and proposing a standstill agreement (Refer to Note 1). It is expected that DTEK Energy's financial performance in 2020 will further deteriorate due to lower generated volumes and lower electricity prices, mild weather conditions, electricity market dysfunctionalities as well as the adverse economic impact from the COVID-19 pandemic.

Environmental issues

DTEK Energy recognises that climate change is a growing global risk and acknowledges that it is directly influenced by human and business activity that requires decisive global planning. DTEK Energy invests in upgrades of equipment and modemization of production processes in order to mitigate the negative environmental impact of its production activities. The key areas of DTEK's focus are air protection (retrofit of electrostatic precipitators at TPPs), protection and sustainable use of water resources, protection of land and waste management (building ash dump dikes, promoting the utilization of coal combustion products, reclaiming waste dumps, etc.), optimized use of hazardous substances and materials, conservation of biodiversity, and the others.

DTEK Energy implemented an environmental management system according to ISO 14001 standard and the system is recertified every 3 years. DTEK Energy is a leading company in Ukraine's energy sector and accordingly, the limitation of emissions by DTEK Energy's TTPs is among its environmental protection priorities. DTEK Energy takes part in working groups coordinating measures to reduce environmental pollution and implementing the requirements of European Directives 2001/80/EC and 2010/75/EU. These efforts include performance of the National Emission Reduction Plan. Please refer to https://energo.dtek.com/en/sustainable_development/environment/ for more information.

Social responsibility

Social responsibility and commitment to the principles of sustainable development are key values and an integral part of the strategy of DTEK Energy. That is why DTEK Energy invests significant funds in improving the safety, efficiency and environmental friendliness of its enterprises, labour protection, health improvement and professional development of employees, the development of local communities and improving the quality of life of people in the regions of activity.

DTEK Energy systematically develops its activities in the field of sustainable development and strives to work in accordance with international standards for sustainable development, remaining an internal employer and social investor, participating in the socio-economic development of the regions in which it operates, while not replacing the functions of the State.

DTEK Energy's main principle is to maintain partnership between the authorities, business and society, for the implementation of which DTEK Energy implements the Social Partnership Programme. The programme is developed on the basis of international standards for sustainable development and aims to improve energy efficiency in the public sector, improve the quality of health services, and business development. In the long term, DTEK Energy considers the development of the regions in which it operates as a competitive advantage. DTEK Energy is a member of the UN Global Compact Network and in its activities follows the principles and goals of sustainable development proclaimed by the UN. DTEK Energy strives to protect the environment, improve production and management processes, and invest in environmental activities in all areas of its enterprises. Environmental activities are an integral part of DTEK Energy's successful business and are based on DTEK's Environmental Policy, developed in accordance with the international standard ISO 14001: 2015.

The unconditional priority of DTEK Energy's activities is the conduct of ethical, legal and open business. DTEK Energy openly declares its anti-corruption standards and adheres to the principle of zero tolerance for corruption. The DTEK Group's internal control and risk management system was formed in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission, COSO. It is fully integrated into all stages of planning: strategy, business-planning, investment projects, budgeting and so on. DTEK Energy continues to report on social corporate responsibility and sustainable development. The report on sustainable development for 2019 is expected by the middle of 2020.

On behalf of the board

Maksym Timchenko, Director
____ September 2020

Dr. Johan Frans Jozef Maria Bastin, Director

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements of DTEK Finance PLC and its subsidiary (the "Group") for the year ended 31 December 2019.

Incorporation

DTEK Finance PLC (the "Company") is a public limited company incorporated on 27 February 2013 in England and Wales (United Kingdom) through the contribution by DTEK Energy B.V. of 100% of its equity interest. Its registered office is Fifth Floor, 25 Park Lane, London, United Kingdom W1K 1RA.

DTEK Finance PLC owns 100% of the issued share capital of DTEK Investments Limited, a company incorporated in England and Wales (United Kingdom). The total amount of the investment as of 31 December 2019 was US$ 330,557 thousand (31 December 2018: US$ 282,778 thousand). The increase has occurred as a result of foreign exchange movement from converting the carrying value of the investment from UAH (the underlying functional currency) to US$ (the presentational currency).

DTEK Energy B.V. (the "Parent Company") is a private limited liability company incorporated in the Netherlands on 16 April 2009. The Parent Company was formed through the contribution by System Capital Management Limited (SCM ltd.) and InvestCom Services Limited of their 100% equity interest in DTEK Holdings Limited, a Cyprus registered entity and predecessor to the Parent Company. On 19 September 2014 the Parent Company changed its ultimate parent company to DTEK B.V. (the "Ultimate Parent Company"). The Ultimate Parent Company and its subsidiaries ("DTEK Energy Group") are beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management ("SCM").

The principal activity of the Company and its subsidiary (together referred to as the "Group") is to serve as a finance vehicle for the DTEK Energy Group ("DTEK Energy").

Outlook

Events that incurred after the 2019 reporting period and that are expected to have a material impact on DTEK Energy's financial and operational performance in 2020 have been identified and described above under "Post reporting period events with a potentially material impact on DTEK Energy's 2020 financial performance". Taken together, the economic impact of the COVID-19 pandemic; substantive flaws in the functioning of Ukraine's electricity market and the resulting endemic electricity sector liquidity crisis; as well as the decrease in the volumes of thermal power generation due to lower overall electricity demand and higher supply from renewables, portend challenging times ahead. None of these are under the control of DTEK Energy.

As mentioned above, DTEK Energy, as the main guarantor of the Group's debt, defaulted in March and April 2020 on its payment obligations to the holders of bank loans and Eurobonds respectively. The Directors of the Group consider it unlikely that DTEK Energy's finances will be restored to a level where it can resume meeting its debt service obligation related to the bank debt and the Eurobonds in full and sustainably on current terms and conditions. DTEK Energy's debt will have to be restructured on terms and conditions that reflect Ukraine's longer term macro-economic outlook; projections of demand, supply and electricity generation mix; and the realities of Ukraine's electricity market. The Management of the Group is currently actively working with the DTEK Energy group companies and guarantors on restructuring of the bank loan facilities and the Eurobond notes and is in the process of negotiations with the Group's creditors.

Going concern

The Group had an equity deficit of US$ 187,564 thousand and the Company had an equity deficit of US$ 814,902 thousand as at 31 December 2019. The Group's ability to continue as a going concern entirely depends on the continued ability of DTEK Energy to meet debt service obligations fully and on time in accordance with the terms and conditions of the bank and bond debt.

As at 31 December 2019, DTEK Energy had an excess of current assets over current liabilities of US$ 22,712 thousand (in 2018 current liabilities exceeded current assets of US$ 72,430 thousand). DTEK Energy's business is concentrated in Ukraine, the majority of its revenue is generated in Ukraine and denominated in UAH (2019: 85% and 2018: 87 %), although DTEK Energy also receives some foreign currencies from its export of electricity and in the past through the export of coal. The majority of DTEK Energy's debt is denominated in currencies other than the UAH (mainly US$ and EUR).

Due to the significant UAH devaluation during the period of 2014 to 2016 management of DTEK Energy commenced discussions with lenders on both a bi-lateral and an all-party basis During 2016-2018 a major part of Group's debt was restructured and in November 2019 the Group and DTEK Energy finalized restructuring of all of its borrowings (Note 10).

Following the implementation of a new energy market in Ukraine and the downturn of electricity tariffs, the profitability of DTEK Energy's operations substantially deteriorated in the fourth quarter of 2019 but still allowed DTEK Energy to be in compliance with financial covenants placed by the Override agreement and Eurobonds indenture as at 31 December 2019.

As mentioned above, on 27 March 2020, DTEK Energy announced that it could not fulfil its debt payment obligations due to (i) the economic impact of the COVID-19 pandemic; (ii) the liquidity crisis in the electricity sector; (iii) the sharp drop in demand for electricity generated by DTEK Energy as a result of lower overall electricity demand owing to the COVID-19 induced economic slowdown, unseasonably warm weather and part-dislocation of thermal power by renewable energy; and (iv) unsustainably low electricity prices caused by electricity market dysfunctionalities. On 31 March 2020 and 1 April 2020 DTEK Energy did not make a scheduled payment of interest on its bank borrowings and interest coupon due on the Eurobonds, thus entering into a default on the bank borrowings and the Eurobonds. DTEK Energy is in the process of developing a standstill and debt restructuring proposal (the "Proposal") with respect to its Eurobonds and certain bank indebtedness as of the date of these financial statements.

Further from 1 April 2020 as a result of the decrease of the demand for electricity, DTEK Energy suspended operations at its Bilozerska Mine and Dobropolyeugol LLC mine and Oktyabrska enrichment plant. From 20 April 2020 DTEK Energy also suspended operations at DTEK Pavlogradugol PJSC, the biggest coal mine in Ukraine, and suspended the operations of its three enrichment plants – CCM Kurahovskaya LLC, CCM Pavlogradskaya LLC, DTEK Dobropolskaya CEP PJSC. All coal mining, enrichment and mine working developments were suspended, and the entities were operating in support mode only during the suspension period. On 16 May 2020, following the increase in electricity tariffs, the Group resumed operations of DTEK Pavlogradugol and on 13 July 2020 Dobropolyeugol LLC mine resumed its operations as a result of signing of coal supply agreement with state enterprise "Centerenergo", one of the largest electricity generation producers in Ukraine.

Management has prepared monthly budget and cash flow projections for DTEK Energy for periods throughout the remainder of 2020 and the first nine months of 2021. These projections include significant judgments with regards to future electricity volumes and prices, coal extraction volumes and costs and the timing of settlements with various counterparties. Management has estimated that the overall cash flows are positive, indicating that there is no liquidity gap in any month. The budgeted cash flows assume:

- that the lenders shall not demand accelerated and scheduled repayment of borrowings; all interest due will be deferred and capitalized until new restructuring takes place;
- further positive developments in government regulations of the electricity market, including cancellation of existing price caps, as well as continuation of limitation of net imports of electricity and coal from abroad;
- electricity generation volumes will start to recover in the second half of 2020, and on average output over the second half of 2020 year will be circa 25% higher than average actual output during the first half of 2020 (this will still be 21% lower than levels achieved in 2019) and in 2021 will increase by ca. 11% on average compared to expected levels in 2020;
- increasing electricity prices following the developments in regulations. The average tariffs for the second half of 2020 are expected to increase by 11% compared to January-June 2020 following the anticipated developments on the energy market, recovery of consumption and weakening of local currency (this will still be 16% lower than average actual tariff for 2019) and on average by ca. 19% in 2021 compared to expected tariff in 2020.

DTEK Energy's management applied sensitivities based on available internal and external data, including a review of DTEK Energy's recent coal mining and electricity generation levels and review of macroeconomic forecasts. This data was aggregated and used as inputs (assumptions) to model downside scenario sensitivities for the potential impact of COVID-19 on DTEK Energy and to analyze upside opportunities. The following sensitivity analyses were carried out by DTEK Energy's management:

- Reduction of energy tariffs;
- Reduction of electricity volumes with respective reduction in direct costs and overheads.

The sensitivity analysis of cash flows indicated that a reduction by up to 8% of each of these two factors during the next 12 months till 30 September 2021 would not result in liquidity gaps for DTEK Energy in any of the months. At the same time, a greater reduction in tariffs or a decrease in volumes may lead to certain difficulties in maintaining current operating activities.

DTEK Energy's management has further ascertained that even in the case of no positive developments in the electricity market as compared to December 2019 – April 2020 levels and assuming no demand from lenders for the repayment of borrowings, the Group shall still maintain positive net cash flows in all the periods by applying certain cost cutting measures:

- putting some of the TPPs to a stand-by mode in the periods of low demand for electricity. As it was noted above during March-April 2020 DTEK Energy suspended operations of its mines and coal enrichment plants, which resulted in savings of some payroll and mine running costs.
- temporarily minimising spending on capex in both mining (where there is sufficient preparatory work performed to be able to extract with no substantial development capex for about a year) and electricity generation assets;
- temporarily minimising consulting development and maintenance costs;
- extending the payment period terms with suppliers.

Consequently, under the current conditions prevailing in the energy market, the economic impact of the COVID-19 pandemic and implementation of mitigating actions identified by management, DTEK Energy, as well as the Group, is expected to have sufficient liquidity to meet the operating needs of the business and thus preserve its longer term technical ability to generate electricity and meet market demand. However it does not generate sufficient free cash flow to make any repayment of loan principal in accordance with the current terms and conditions of the bank loans and nor to make full interest payments due in 2020. The situation continues to evolve and its consequences are currently highly uncertain. The management of DTEK Energy and the Group will continue to monitor closely events in the economy and the electricity market, assess the potential impact of adverse developments and take all necessary and possible measures to mitigate any negative effects.

DTEK Energy's management believes it is reasonable to assume that (i) the rate of contraction of Ukraine's economy will slow down once the Government of Ukraine relaxes quarantine measures; (ii) the Government will improve regulation and oversight of the electricity market, put an end to price manipulation and adopt adequate electricity price related measures aimed at resolving the liquidity crisis in the sector; and (iii) the lenders will be willing to support the restructuring process of the debt obligations. However, uncertainties resulting from the electricity market dysfunctionality, the short- and medium term economic impact of the COVID-19 pandemic together with other factors described above add up to a material uncertainty which may cast significant doubt over DTEK Energy's ability to continue as a going concern. Consequently, DTEK Energy may not be able to realize its assets and discharge its liabilities in the normal course of business.

As of the date of issuance of these financial statements, the bond holders and lenders did not use their right to demand from DTEK Energy the accelerated repayment of borrowings and have entered into negotiations with DTEK Energy regarding a Standstill agreement. Taking into account the ongoing restructuring process, no request from the lenders for the accelerated repayment of debts and the recent electricity market developments, and based on cash flow projections performed, management considers that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

The Directors have issued the consolidated financial statements of DTEK Energy including disclosure noting that these matters indicate a material uncertainty which may cast significant doubt about DTEK Energy's ability to continue as a going concern. As a result of the Company's and the Group's reliance on DTEK Energy to service interest and make repayments of loans due this therefore in turn creates the existence of a material uncertainty that may cast significant doubt about the Company's and the Group's ability to continue as a going concern. However, the Directors of the Company and the Group consider that the Company and the Group have access to adequate resources to continue their operations in their current capacity for the foreseeable future and that the preparation of these financial statements under the going concern basis is appropriate and accordingly they will be able to realize their assets and discharge their liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Company and the Group were unable to continue as a going concern.

At the end of the 2019 financial reporting period the Company and the Group was a going concern. However, adverse events and extraneous factors as described in the Directors' report that occurred after the reporting period and that are outside the control of the Company's, Group's or DTEK Energy's management, have negatively affected the Company's and the Group's financial outlook and created a material uncertainty in respect of going concern.

Financial risk management

Financial risk management is the responsibility of the Company and the Company's parent entity, DTEK Energy BV. There have been no significant changes to any risk exposures from the previous year except for the outbreak of the COVID-19 as described in Strategic report and Note 1 of the financial statements and as such no changes in the processes for managing risk.

Results and dividends

The consolidated profit of DTEK Finance PLC and its subsidiary (the "Group") for the year ended 31 December 2019 amounted to US$ 27,686 thousand (for the year ended 31 December 2018: loss US$ 69,280 thousand).

Subsequent events

Refer to note 21 of the financial statements.

Corporate governance statement

The information on risk management and internal control is provided on page 3 of the Strategic Report.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:
Maksym Timchenko and Johan Frans Jozef Maria Bastin.

Independent auditors and disclosure of information to them

PricewaterhouseCoopers LLP have been appointed as auditors of the Group for the financial year ended 31 December 2019.

In so far as the directors are aware:

- there is no relevant audit information of which the Group's auditors are unaware;
- and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information;
- the auditors, PricewaterhouseCoopers LLP, having indicated their willingness to continue in office and will be deemed to be re-appointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

On behalf of the board

Maksym Timchenko, Director

Dr. Johan Frans Jozef Maria Bastin, Director

__ September 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group's and Company's financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

On behalf of the board

Maksym Timchenko, Director

____ September 2020

Dr. Johan Frans Jozef Maria Bastin, Director

Independent auditors' report to the members of DTEK Finance PLC

Report on the audit of the financial statements

Opinion

In our opinion, DTEK Finance PLC's Consolidated financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's and the Company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2019; the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. The Group is highly dependent on the continued servicing of the interest payable on the loans issued to fellow subsidiaries of the DTEK Energy B.V. Group (together "DTEK Energy") (and for the Company, on dividends from its subsidiary DTEK Investments Limited) and the repayment of the principal of the loans by those Group companies on or before their due dates.

DTEK Energy's profitability declined during the second half of 2019 due to unfavourable developments in Ukraine's energy market and with the further uncertainties caused by the COVID-19 (coronavirus) pandemic in early 2020, this resulted in DTEK Energy's default on interest payments on the major part of its borrowings since March 2020 and caused the borrowings to become due on demand. DTEK Energy is currently in negotiations with its lenders and bondholders on the restructuring of its borrowings; accordingly, the Group's and the Company's ability to service the interest and make repayments of the loans due is crucially dependent on the finalisation of these negotiations.

These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

Explanation of material uncertainty

Refer to page 9 (Directors' report) and page 27 (note 1 to the financial statements).

As a result of the implementation of a new energy market in Ukraine and the reduction in electricity tariffs, the profitability of DTEK Energy's operations substantially deteriorated in the fourth quarter of 2019 but still allowed the Group to be in compliance with financial covenants placed on the Group by the Override agreement and the Eurobonds indenture as at 31 December 2019. Subsequent to 31 December 2019, the world's and the Ukrainian economy has been affected by COVID-19 (Coronavirus). This has substantially increased the level of uncertainties in future cash flow projections regarding, among others, volumes of electricity consumption in Ukraine which may substantially drop following the downshift in the retail, entertainment, transport, and other industries resulting from quarantine and/or the spreading of the virus in Ukraine. Both factors resulted in the Group's and the Company's default on interest payments on major part of its borrowings since March 2020 and caused the borrowings to become due on demand.

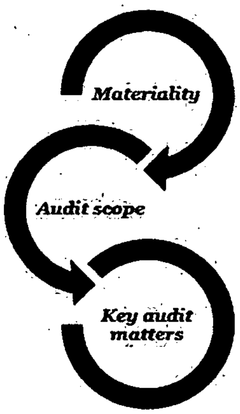
The directors of DTEK Energy have prepared cash flow forecasts for the remainder of 2020 and for the first nine months of 2021 and concluded that there is a material uncertainty, which may cast significant doubt on DTEK Energy's ability to continue as a going concern. Accordingly the directors of the Group and the Company have reviewed the cash flow forecasts prepared by the directors of DTEK Energy, evaluated the impact on the Group and the Company and concluded that there is also a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

What audit procedures we performed

We obtained the directors' evaluation of the cash flow forecasts for DTEK Energy for the remainder of 2020 and for the first nine months of 2021, which supports their use of the going concern basis of accounting for the Group and the Company. We tested the integrity of the forecast model, including the mathematical accuracy. The model includes a number of key assumptions. We held extensive discussions with management and reviewed key assumptions, such as forecast electricity tariffs and volumes. We traced electricity tariffs and volumes to industry data and approved business plans as well as to the actual realised tariffs and volumes during 2019 and the first six months of 2020. We also considered the historical accuracy of management's forecasting. Any material differences were investigated. We critically evaluated management's downside sensitivities and agreed that these represented severe but plausible scenarios. We also reviewed the disclosure provided in note 1 to the financial statements and concur that it is sufficient to inform members about the directors' going concern assessment.

Our audit approach

Overview



- Overall Group materiality: US$12.0 million (2018: US$11.1 million), based on 1% of total assets.
- Overall Company materiality: US$7.2 million (2018: US$6.7 million), based on 1% of total assets.

- The Group consists of two entities: DTEK Finance PLC and DTEK Investments Limited. We performed full scope audits for both entities.

- Going concern (Group and Company) - refer to 'Material uncertainty relating to going concern' section above
- Management's consideration of the potential impact of the COVID-19 pandemic (Group and Company)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the 'Material uncertainty relating to going concern' section above, we determined the matter described below to be the key audit matter to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Management's consideration of the potential impact of the COVID-19 pandemic (Group and Company) Refer to note 1 to the Consolidated and Company's financial statements for the disclosures related to the impact of the COVID-19 pandemic. The extent of the potential impact of the pandemic on future trading performance is unclear and measurement of the impact on the Consolidated and Company's financial statements entails a significant degree of estimation uncertainty. Management concluded that the COVID-19 pandemic is a non-adjusting subsequent event and considered its impact on the going concern status of the Group and the Company. As part of this assessment, management have modelled possible downside scenarios to their base case budgets taking into account the possible effects of COVID-19 on the Group and the Company's operations. This includes a reduction of the energy tariffs and volumes by 8% in isolation. Having taken into account these scenarios and a robust assessment of planned and possible mitigating actions, management have concluded that a material uncertainty exists which may cast significant doubt about the ability of the Group and the Company to continue as a going concern, as described in the 'Material uncertainty relating to going concern' section above.	In assessing management's consideration of the potential impact of COVID-19, our audit procedures included: • Testing management's going concern assessment and related disclosures in the financial statements, as explained in the 'Material uncertainty relating to going concern' section above. • Examining management's 'Impact of COVID-19 pandemic' disclosure in note 1 to the Consolidated and Company's financial statements. We agreed with their conclusion that the impact of COVID-19 is a non-adjusting event. We also agreed with management's assertion that it is not possible to quantify the impact. Based on the results of the procedures performed, and on the information available as of the date of the approval of the financial statements and of our auditors' report, we consider the assessment by management in relation to COVID-19 to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group consists of two entities: DTEK Finance Plc and DTEK Investments Limited. We performed full scope audits for both entities.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Company financial statements***
Overall materiality	US$12.0 million (2018: US$11.1 million).	US$7.2 million (2018: US$6.7 million).
How we determined it	1% of total assets.	1% of total assets.
Rationale for benchmark applied	Considering the nature of the Group's operations, a total assets benchmark is considered to be the most appropriate measure in assessing its performance.	Considering the nature of the Company's operations, a total assets benchmark is considered to be the most appropriate measure in assessing its performance.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between US$7.2 million for DTEK Finance PLC and US$10.1 million for DTEK Investments Limited.

We agreed with the directors that we would report to them misstatements identified during our audit above US$600,000 (Group audit) (2018: US$557,000) and US$360,000 (Company audit) (2018: US$335,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 13, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

25 September 2020

Consolidated Statement of Comprehensive Income

In thousands of US$	Note	Year ended 31 December 2019	Year ended 31 December 2018
Finance income	4	120,443	119,804
Finance costs	4	(147,791)	(149,145)
Change in expected credit losses	7	25,681	(35,309)
Other (loss)/income		(28)	820
General and administrative expenses	5	(2,668)	(2,779)
Net foreign exchange gain/(loss)		32,314	(2,373)
Profit/(Loss) before income tax		**27,951**	**(68,982)**
Income tax expense	15	(265)	(298)
Profit/(Loss) for the year		**27,686**	**(69,280)**
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss:			
Reclassification adjustment in relation to cash flow hedges		-	348
Foreign currency translation		(32,369)	(2,110)
Total other comprehensive loss		**(32,369)**	**(1,762)**
Total comprehensive loss for the year		**(4,683)**	**(71,042)**

The accompanying notes on pages 27-47 are an integral part of these financial statements

Company Statement of Comprehensive Income

In thousands of US$	Note	Year ended 31 December 2019	Year ended 31 December 2018
Finance income	4	40,259	32,306
Finance costs	4	(143,992)	(145,394)
Change in expected credit losses	7	10,225	(11,776)
Other income		-	127
General and administrative expenses	5	(600)	(1,289)
Net foreign exchange gain		178,299	14,058
Profit/(Loss) before income tax		**84,191**	**(111,968)**
Income tax expense		-	-
Profit/(Loss) for the year		**84,191**	**(111,968)**
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation		(129,942)	(10,010)
Total other comprehensive loss		**(129,942)**	**(10,010)**
Total comprehensive loss for the year		**(45,751)**	**(121,978)**

Consolidated Statement of Financial Position

In thousands of US$	Note	As at 31 December 2019	As at 31 December 2018
ASSETS			
Non-current assets			
Furniture, fittings and equipment		15	21
Loans receivable	7	937,828	754,304
Total non-current assets		**937,843**	**754,325**
Current assets			
Loans receivable	7	214,943	231,515
Interest receivable	7	50,102	127,870
Other receivable		14	16
Cash and cash equivalents	8	724	465
Total current assets		**265,783**	**359,866**
TOTAL ASSETS		**1,203,626**	**1,114,191**
EQUITY			
Share capital	9	78	78
Currency translation reserve		(41,114)	(8,745)
Accumulated losses		(146,528)	(174,214)
TOTAL EQUITY		**(187,564)**	**(182,881)**
LIABILITIES			
Non-current liabilities			
Borrowings	10	1,387,580	1,294,757
Total non-current liabilities		**1,387,580**	**1,294,757**
Current liabilities			
Borrowings	10	1,961	-
Interest payable	10	495	988
Trade and other payables	11	886	998
Current income tax payable		268	329
Total current liabilities		**3,610**	**2,315**
TOTAL LIABILITIES		**1,391,190**	**1,297,072**
TOTAL LIABILITIES AND EQUITY		**1,203,626**	**1,114,191**

The financial statements on pages 19 to 47 were approved by the Board of Directors on ___ September 2020 and signed on its behalf by

Maksym Timchenko, Director

Dr. Johan Frans Jozef Maria Bastin, Director

Company Statement of Financial Position

In thousands of US$	Note	As at 31 December 2019	As at 31 December 2018
ASSETS			
Non-current assets			
Furniture, fittings and equipment		1	1
Investments in subsidiary	6	330,557	282,778
Loans receivable	7	391,414	322,194
Total non-current assets		**721,972**	**604,973**
Current assets			
Interest receivable	7	4,245	4,601
Dividends, trade and other receivables		14	64,926
Cash and cash equivalents		678	34
Total current assets		**4,937**	**69,561**
TOTAL ASSETS		**726,909**	**674,534**
EQUITY			
Share capital	9	78	78
Currency translation reserve		324,233	454,175
Accumulated losses		(1,139,213)	(1,223,404)
TOTAL EQUITY		**(814,902)**	**(769,151)**
LIABILITIES			
Non-current liabilities			
Borrowings	10	1,338,342	1,237,394
Total non-current liabilities		**1,338,342**	**1,237,394**
Current liabilities			
Other payables	11	203,469	206,291
Total current liabilities		**203,469**	**206,291**
TOTAL LIABILITIES		**1,541,811**	**1,443,685**
TOTAL LIABILITIES AND EQUITY		**726,909**	**674,534**

Maksym Timchenko, Director

Dr. Johan Frans Jozef Maria Bastin, Director

The accompanying notes on pages 27-47 are an integral part of these financial statements

Consolidated Statement of Changes in Equity

In thousands of US$	**Share capital**	**Other reserves**	**Currency translatio n reserve**	**Accumulated losses**	**Total equity**
Balance at 1 January 2018	**78**	**(348)**	**(6,635)**	**(104,934)**	**(111,839)**
Loss for 2018	-	-	-	(69,280)	**(69,280)**
Other comprehensive income/(loss) for 2018					
Items that may be subsequently reclassified to profit or loss:					
Reclassification adjustment in relation to cash flow hedges	-	348	-	-	**348**
Foreign currency translation	-	-	(2,110)	-	**(2,110)**
Total other comprehensive loss for 2018	**-**	**348**	**(2,110)**	**-**	**(1,762)**
Total comprehensive loss for 2018	**-**	**348**	**(2,110)**	**(69,280)**	**(71,042)**
Balance at 31 December 2018	**78**	**-**	**(8,745)**	**(174,214)**	**(182,881)**
Profit for 2019	-	-	-	27,686	**27,686**
Other comprehensive loss for 2019					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation	-	-	(32,369)	-	**(32,369)**
Total other comprehensive loss for 2019	**-**	**-**	**(32,369)**	**-**	**(32,369)**
Total comprehensive income/(loss) for 2019	**-**	**-**	**(32,369)**	**27,686**	**(4,683)**
Balance at 31 December 2019	**78**	**-**	**(41,114)**	**(146,528)**	**(187,564)**

Company Statement of Changes in Equity

In thousands of US$	Share capital	Currency translation reserve	Accumulated losses	Total equity
Balance at 1 January 2018	**78**	**464,185**	**(1,111,436)**	**(647,173)**
Comprehensive loss				
Loss for 2018	-	-	(111,968)	**(111,968)**
Other comprehensive loss				
Foreign currency translation	-	(10,010)	-	**(10,010)**
Total other comprehensive loss	**-**	**(10,010)**	**-**	**(10,010)**
Total comprehensive loss for 2018	**-**	**(10,010)**	**(111,968)**	**(121,978)**
Balance at 31 December 2018	**78**	**454,175**	**(1,223,404)**	**(769,151)**
Comprehensive income				
Profit for 2019	-	-	84,191	**84,191**
Other comprehensive loss				
Foreign currency translation	-	(129,942)	-	**(129,942)**
Total other comprehensive loss	**-**	**(129,942)**	**-**	**(129,942)**
Total comprehensive income/(loss) for 2019	**-**	**(129,942)**	**84,191**	**(45,751)**
Balance at 31 December 2019	**78**	**324,233**	**(1,139,213)**	**(814,902)**

Consolidated Statement of Cash Flows

In thousands of US$	Not e	Year ended 31 December 2019	Year ended 31 December 2018
Cash flows from operating activities			
Profit/(Loss) before income tax		**27,951**	**(68,982)**
Adjustments for:			
Interest income	4	(120,443)	(119,804)
Finance costs	4	147,791	149,145
Other loss/(income)		28	(820)
Net change in expected credit loss for loans receivable	7	(25,681)	35,309
Net foreign exchange (gain)/loss		(32,314)	2,373
Operating cash flows before working capital changes		**(2,668)**	**(2,779)**
Change in other payables and receivables		(110)	(6)
Change in income tax payable		260	128
Cash used in operations		**(2,518)**	**(2,657)**
Interest received		151,620	63,198
Interest paid	10	(146,171)	(149,704)
Interest received from Escrow account converted in Eurobonds	10	23,510	-
Income tax paid		(320)	(216)
Net cash generated from /(used in) operating activities		**26,121**	**(89,379)**
Cash flows from investing activities			
Loans granted		(134,178)	(57,710)
Repayment of loans receivable		114,392	238,508
Net cash (used in)/generated from investing activities		**(19,786)**	**180,798**
Cash flows from financing activities			
Repayment of borrowings	10	(6,164)	(22,602)
Repayment of liability for the transferred borrowings		-	(68,484)
Net cash used in financing activities		**(6,164)**	**(91,086)**
Net increase in cash and cash equivalents		**171**	**333**
Cash and cash equivalents at beginning of the year		**465**	**207**
Exchange gain/(loss) on cash and cash equivalents		88	(75)
Cash and cash equivalents at end of the year		**724**	**465**

Company Statement of Cash Flows

In thousands of US$	Note	Year ended 31 December 2019	Year ended 31 December 2018
Cash flows from operating activities			
Profit/(Loss) before income tax		84,191	(111,968)
Adjustments for:			
Interest income	4	(40,259)	(32,306)
Finance costs	4	143,992	145,394
Net change in expected credit loss for loans receivable	7	(10,225)	11,776
Other income		-	(127)
Net foreign exchange loss		(178,299)	(14,058)
Operating cash flows before working capital changes		**(600)**	**(1,289)**
Change in other payables and receivables		(21)	51
Cash used in operations		**(621)**	**(1,238)**
Interest received		17,716	52,310
Interest paid	10	(142,372)	(144,452)
Interest received from Escrow account converted in Eurobonds	10	23,510	-
Net cash used in operating activities		**(101,767)**	**(93,380)**
Cash flows from investing activities			
Repayment of payables on demand for investment in subsidiary	11	(2,800)	-
Repayment of loans receivable		35,786	-
Dividends received from subsidiary		69,400	93,373
Net cash generated from investing activities		**102,386**	**93,373**
Net increase/(decrease) in cash and cash equivalents		**619**	**(7)**
Cash and cash equivalents at beginning of the year		**34**	**67**
Exchange gain/(loss) on cash and cash equivalents		25	(26)
Cash and cash equivalents at end of the year		**678**	**34**

1 The Organisation and its Operations

General

The principal activity of DTEK Finance PLC and its subsidiary (the "Group") is to serve as a finance vehicle for DTEK Energy Group ("DTEK Energy").

DTEK Finance PLC is a public limited company incorporated on 27 February 2013 in England and Wales (United Kingdom) through the contribution by DTEK Energy B.V. of 100% of its equity interest. Its registered office is Fifth Floor, 25 Park Lane, London, United Kingdom, W1K 1RA. The Company is limited by shares.

DTEK Finance PLC owns 100% of the issued share capital of DTEK Investments Limited (its registered and domicile office is Fifth Floor, 25 Park Lane, London, United Kingdom, W1K 1RA), a company incorporated in England and Wales (United Kingdom). The total amount of the investment as of 31 December 2019 was US$ 330,557 thousand (31 December 2018: US$ 282,778 thousand).

Group structure

The parent company - DTEK Energy B.V. (the "Parent Company") is a private limited liability company incorporated in the Netherlands on 16 April 2009. The Parent Company was formed through the contribution by System Capital Management Limited (SCM ltd.) and InvestCom Services Limited of their 100% equity interest in DTEK Holding Limited, a Cyprus registered entity and predecessor to the Parent Company. On 19 September 2014 the Parent Company changed its ultimate parent company to DTEK B.V. (the "Ultimate Parent Company"). The Ultimate Parent Company and its subsidiaries ("DTEK Group") are beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management ("SCM").

Going concern

The Group had an equity deficit of US$ 187,564 thousand and the Company had an equity deficit of US$ 814,902 thousand as at 31 December 2019. The Group's ability to continue as a going concern entirely depends on the continued ability of DTEK Energy to meet debt service obligations fully and on time in accordance with the terms and conditions of the bank and bond debt.

As at 31 December 2019, DTEK Energy had an excess of current assets over current liabilities of US$ 22,712 thousand (in 2018 current liabilities exceeded current assets of US$ 72,430 thousand). DTEK Energy's business is concentrated in Ukraine, the majority of its revenue is generated in Ukraine and denominated in UAH (2019: 85% and 2018: 87 %), although DTEK Energy also receives some foreign currencies from its export of electricity and in the past through the export of coal. The majority of DTEK Energy's debt is denominated in currencies other than the UAH (mainly US$ and EUR).

Due to the significant UAH devaluation during the period of 2014 to 2016 management of DTEK Energy commenced discussions with lenders on both a bi-lateral and an all-party basis During 2016-2018 a major part of Group's debt was restructured and in November 2019 the Group and DTEK Energy finalized restructuring of all of its borrowings (Note10).

Following the implementation of a new energy market in Ukraine and the downturn of electricity tariffs, the profitability of DTEK Energy's operations substantially deteriorated in the fourth quarter of 2019 but still allowed DTEK Energy to be in compliance with financial covenants placed by the Override agreement and Eurobonds indenture as at 31 December 2019.

As mentioned above, on 27 March 2020, DTEK Energy announced that it could not fulfil its debt payment obligations due to (i) the economic impact of the COVID-19 pandemic; (ii) the liquidity crisis in the electricity sector; (iii) the sharp drop in demand for electricity generated by DTEK Energy as a result of lower overall electricity demand owing to the COVID-19 induced economic slowdown, unseasonably warm weather and part-dislocation of thermal power by renewable energy; and (iv) unsustainably low electricity prices caused by electricity market dysfunctionalities. On 31 March 2020 and 1 April 2020 DTEK Energy did not make a scheduled payment of interest on its bank borrowings and interest coupon due on the Eurobonds, thus entering into a default on the bank borrowings and the Eurobonds. DTEK Energy is in the process of developing a standstill and debt restructuring proposal (the "Proposal") with respect to its Eurobonds and certain bank indebtedness as of the date of these financial statements.

Further from 1 April 2020 as a result of the decrease of the demand for electricity, DTEK Energy suspended operations at its Bilozerska Mine and Dobropolyeugol LLC mine and Oktyabrska enrichment plant. From 20 April 2020 the Group also suspended operations at DTEK Pavlogradugol PJSC, the biggest coal mine in Ukraine, and suspended the operations of its three enrichment plants – CCM Kurahovskaya LLC, CCM Pavlogradskaya LLC, DTEK Dobropolskaya CEP PJSC. All coal mining, enrichment and mine working developments were suspended, and the entities were operating in support mode only during the suspension period. On 16 May 2020, following the increase in electricity tariffs, the Group resumed operations of DTEK Pavlogradugol and on 13 July 2020 Dobropolyeugol LLC mine resumed its operations as a result of signing of coal supply agreement with "Centerenergo", one of the largest electricity generation producers in Ukraine.

1 The Organisation and its Operations (Continued)

Management has prepared monthly budget and cash flow projections for DTEK Energy for periods throughout the remainder of 2020 and the first nine months of 2021. These projections include significant judgments with regards to future electricity volumes and prices, coal extraction volumes and costs and the timing of settlements with various counterparties. Management has estimated that the overall cash flows are positive, indicating that there is no liquidity gap in any month. The budgeted cash flows assume:

- that the lenders shall not demand accelerated and scheduled repayment of borrowings; all interest due will be deferred and capitalized until new restructuring takes place;
- further positive developments in government regulations of the electricity market, including cancellation of existing price caps, as well as continuation of limitation of net imports of electricity and coal from abroad;
- electricity generation volumes will start to recover in the second half of 2020, and on average output over the second half of 2020 year will be circa 25% higher than average actual output during the first half of 2020 (this will still be 21% lower than levels achieved in 2019) and in 2021 will increase by ca. 11% on average compared to expected levels in 2020;
- increasing electricity prices following the developments in regulations. The average tariffs for the second half of 2020 are expected to increase by 11% compared to January-June 2020 following the anticipated developments on the energy market, recovery of consumption and weakening of local currency (this will still be 16% lower than average actual tariff for 2019) and on average by ca. 19% in 2021 compared to expected tariff in 2020.

DTEK Energy's management applied sensitivities based on available internal and external data, including a review of DTEK Energy's recent coal mining and electricity generation levels and review of macroeconomic forecasts. This data was aggregated and used as inputs (assumptions) to model downside scenario sensitivities for the potential impact of COVID-19 on DTEK Energy and to analyze upside opportunities. The following sensitivity analyses were carried out by DTEK Energy's management:

- Reduction of energy tariffs;
- Reduction of electricity volumes with respective reduction in direct costs and overheads.

The sensitivity analysis of cash flows indicated that a reduction by up to 8% of each of these two factors during the next 12 months till 30 September 2021 would not result in liquidity gaps for DTEK Energy in any of the months. At the same time, a greater reduction in tariffs or a decrease in volumes may lead to certain difficulties in maintaining current operating activities.

DTEK Energy's management has further ascertained that even in the case of no positive developments in the electricity market as compared to December 2019 – April 2020 levels and assuming no demand from lenders for the repayment of borrowings, the Group shall still maintain positive net cash flows in all the periods by applying certain cost cutting measures:

- putting some of the TPPs to a stand-by mode in the periods of low demand for electricity. As it was noted above during March-April 2020 DTEK Energy suspended operations of its mines and coal enrichment plants, which results in savings of some payroll and mine running costs.
- temporarily minimising spending on capex in both mining (where there is sufficient preparatory work performed to be able to extract with no substantial development capex for about a year) and electricity generation assets;
- temporarily minimising consulting development and maintenance costs;
- extending the payment period terms with suppliers.

Consequently, under the current conditions prevailing in the energy market, the economic impact of of the COVID-19 pandemic and implementation of mitigating actions identified by management, DTEK Energy, as well as the Group, is expected to have sufficient liquidity to meet the operating needs of the business and thus preserve its longer term technical ability to generate electricity and meet market demand. However it does not generate sufficient free cash flow to make any repayment of loan principal in accordance with the current terms and conditions of the bank loans and nor to make full interest payments due in 2020. The situation continues to evolve and its consequences are currently highly uncertain. The management of DTEK Energy and the Group will continue to monitor closely events in the economy and the electricity market, assess the potential impact of adverse developments and take all necessary and possible measures to mitigate any negative effects.

DTEK Energy's management believes it is reasonable to assume that (i) the rate of contraction of Ukraine's economy will slow down once the Government of Ukraine relaxes quarantine measures; (ii) the Government will improve regulation and oversight of the electricity market, put an end to price manipulation and adopt adequate electricity price related measures aimed at resolving the liquidity crisis in the sector; and (iii) the lenders will be willing to support the restructuring process of the debt obligations. However, uncertainties resulting from the electricity market dysfunctionality, the short- and medium term economic impact of the COVID-19 pandemic together with other factors described above add up to a material uncertainty which may cast significant doubt over DTEK Energy's ability to continue as a going concern. Consequently, DTEK Energy may not be able to realize its assets and discharge its liabilities in the normal course of business.

As of the date of issuance of these financial statements, the bond holders and lenders did not use their right to demand from DTEK Energy the accelerated repayment of borrowings and have entered into negotiations with DTEK Energy regarding a Standstill agreement. Taking into account the ongoing restructuring process, no request from the lenders for the accelerated repayment of debts and the recent electricity market developments, and based on cash flow

1 The Organisation and its Operations (Continued)

projections performed, management considers that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

The Directors have issued the consolidated financial statements of DTEK Energy including disclosure noting that these matters indicate a material uncertainty which may cast significant doubt about DTEK Energy's ability to continue as a going concern. As a result of the Company's and the Group's reliance on DTEK Energy to service interest and make repayments of loans due this therefore in turn creates the existence of a material uncertainty that may cast significant doubt about the Company's and the Group's ability to continue as a going concern. However, the Directors of the Company and the Group consider that the Company and the Group have access to adequate resources to continue their operations in their current capacity for the foreseeable future and that the preparation of these financial statements under the going concern basis is appropriate and accordingly they will be able to realize their assets and discharge their liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Company and the Group were unable to continue as a going concern.

Impact of COVID-19 pandemic

Late in 2019 news first emerged from China about the COVID-19 (Coronavirus). In the first few months of 2020 the virus spread globally causing disruptions to business and economic activity. In March 2020 The World Health Organization recognised the coronavirus as a pandemic. The spread of the virus has had a significant negative impact on the economic activity in the world, including a drop in capital markets and a sharp decrease of commodity prices. Resulting from this Ukrainian sovereign credit default swaps increased in March 2020 by more than twice compared to 31 December 2019 and more than three times from its five year historical minimum reached in February 2020.

In the beginning of the second half of March 2020, the Government of Ukraine started to take restrictive measures to prevent the spread of the virus in the country. In particular, restrictions were imposed on public transportation (including intercity), air traffic between majority of countries, work of public institutions and events. The government has also encouraged businesses to switch to a work from home regime for their employees. Further, on 17 March 2020, the Ukrainian Parliament passed new laws aimed of mitigating the effects of novel coronavirus. The regulations lift some tax requirements in order to provide financial relief for businesses, employees and pensioners hit by the economic slowdown. Among other changes, the Law suggests exemption from penalties for tax legislation violations during the period from 1 March 2020 to 31 May 2020. The law also bans tax audits for businesses over the same period. Further, in response to the COVID-19 pandemic, on 25 March 2020 the Government of Ukraine instituted an emergency regime situation across the entire territory of Ukraine and extended quarantine measures until 11 May 2020. Starting from 11 May 2020 quarantine restrictions were partially reduced.

To ensure the continuity of electricity generation and business processes to provide the business and the population of Ukraine with an uninterrupted supply of electricity and heat, DTEK Energy has established a task force office which monitors the situation at the production facilities and offices and promptly responds to the emergency situations. Also, generation plants were transitioned to a special operating regime where all critical staff have been isolated in quarantine zones of the plants to reduce the risk of COVID-19 spreading. Further, since 18 March 2020, a special quarantine work schedule was implemented at some of the Group's plants and management instructed majority of the employees to work remotely.

The restrictive measures applied by the Ukrainian Government while addressing the pandemic, are likely to negatively affect the overall Ukrainian economy and therefore may have a negative effect on the Group through decrease of demand for electricity, delays in the settlement of debts due from the state entities (including SE Energorynok), local currency devaluation, etc. The electricity consumption in Ukraine in April 2020 is ca 8% lower than in April 2019. According to the approved the national energy balance on 28 April 2020 by the Ministry of Energy and Environment of Ukraine, the total forecasted production of electricity in Ukraine will be 7.1% lower than in 2019, including 30% lower production of electricity from thermal power generation. To stabilise the energy system, the Ukrainian Government decided to transfer certain blocks of nuclear power stations to the idle mode for up to 3 months which was expected to increase the utilisation of thermal power generation and its share in the total production of electricity in Ukraine. In 2020, Ukrainian Parliament has also partially adopted set of laws required for settlement of receivables from SE Energorynok.

The Group considers COVID-19 outbreak to be a non-adjusting post balance sheet event. The situation is fluid and rapidly evolving and thus the impact of the virus and the aforementioned measures are difficult to predict and quantify. As such management does not consider it practical to provide a quantitative estimate of the potential impact of this outbreak on the Group.

2 Critical accounting estimates and judgments

DTEK Energy and the Group perform an analysis of risk factors, which, if any should realise, would materially and adversely affect the results and financial position of DTEK Energy and therefore of the Group.

The preparation of financial statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses for the year. These estimates and assumptions are based on management's knowledge of the relevant facts and awareness of circumstances, having regard to prior experience.

Critical accounting estimates:

Impairment assessment of loans receivable (Group and Company) and the investment in subsidiary (Company)

All Group's loan receivables are within DTEK Energy subsidiaries. The impairment assessment of the loans receivable and the investment in subsidiary of Group and Company is linked with the financial position of the entities of DTEK Energy as liquidity management implies maintaining sufficient cash and the flexibility of funding among the entities of DTEK Energy to meet existing external obligations as they fall due. Accordingly the assessment of the financial position of the borrowers within DTEK Energy was performed. Management has noted that the overall cash flows of DTEK Energy entities are positive, based on the key assumptions in the cash flow projections, including further positive developments in government regulations of the electricity market, recovery of generation volumes and the continued stabilisation of the UAH. This evidenced the absence of impairment triggers in the loans receivable (Note 7) and investment in subsidiary (Note 6).

Expected credit losses (ECL) measurement

In addition to the impairment assessment described above the Group recognizes ECLs for financial assets (loans receivable) based on their amortized cost and ECL rates. For all significant debtors and related parties, the calculation of expected credit losses is carried out on the credit spread implicit in the average yield on bonds of similar credit risk companies and adjusted for maturity, risk free rate and liquidity premium. The rates used to estimate the ECL are presented in Note 7.

Critical accounting judgement:

Identification of the functional currency

The functional currency of the Company and its subsidiary is UAH. The Group represents the finance vehicle of DTEK Energy, whose primary economic environment is Ukraine. As noted above DTEK Energy is highly vulnerable to the volatility of the UAH since the majority of its operating and investing cash flows are denominated in the local currency with financing cash flows denominated in foreign currencies. Therefore, the operations of the Group and the Company are predominantly influenced by the UAH. Note 19 provides the sensitivity of the Group and the Company to the volatility of foreign exchange rates.

3 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS using the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Segment reporting

The Company and its subsidiary operate in a single segment and are created to serve as a finance vehicle for DTEK Energy.

Related party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the Company and are under common control are considered a related party. In addition, statutory directors, other key management of DTEK Finance PLC or the Ultimate Parent Company and close relatives are regarded as related parties.

Notes to the cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items which are disclosed in the cash flow statement are comprised of cash and cash equivalents. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Transactions not resulting in the inflow or outflow of cash are not recognised in the cash flow statement. In the statement of cash flows, proceeds from and repayment of borrowings are presented within financing activity and the loans granted to fellow DTEK Energy companies are presented within investing activity. Interest associated with loans and borrowings is presented within operating activity.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"), which is Ukrainian Hryvnia (UAH). The consolidated financial statements are presented in US Dollars (US$, "the presentation currency"). Transactions denominated in currencies (EUR, GBP, RUB, CHF, others) other than the relevant functional currency are translated into the functional currency, using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities at year end, are recognised in the income statement. Translation at year end does not apply to non-monetary items
including equity investments. The effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

Changes in the fair value of monetary securities denominated in foreign currency are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences in non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences in non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences in non-monetary financial assets such as equities are included in the reserve in equity.

Foreign exchange differences classification. Foreign exchange transaction differences on accounts receivable, accounts payable, cash and cash equivalents and deposits placed are classified in consolidated income statement as "Net operating foreign exchange gains and losses". In addition, a cumulative gain or loss on hedges which relate to operating activity is reclassified in the same line item when a forecast transaction occurs. Transaction differences recognised on other monetary assets and liabilities are classified in the consolidated income statement as "Foreign exchange losses less gains on financing and investing activities".

The results and financial position of each consolidated entity are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;

3 Accounting policies (Continued)

(ii) income and expenses for each income statement are translated at monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity. All the components of consolidated equity are translated at the closing rate of that balance sheet date, except for retained earnings and share capital, which are stated at historical rates.

The exchange rate used for the revaluation of the Statement of financial position from functional to presentation currency was 23.686 UAH/USD and 1.1155 EUR/USD as at 31 December 2019 (31 December 2018: 27.69 UAH/USD and 1.1454 EUR/USD). Average exchange rate for 2019 was 25.837 UAH/USD and 1.1201 EUR/USD (2018: 27,202 UAH/USD and 1.1811 EUR/USD).

Investments in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Company carries the investments in subsidiaries at cost less any impairment in its separate financial statements.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected cash flows. Interest gains are recognised using the effective interest method. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 3 months. Cash and cash equivalents are stated at face value.

Financial instruments

Classification of financial assets. The Group classifies financial assets in the following measurement categories: fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVOCI) and at amortized cost (AC). The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or

(ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

The business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Initial recognition of financial instruments. The Group's principal financial instruments comprise loans and borrowings, cash and cash equivalents, financial liabilities designated at fair value through profit and loss, short-term deposits and financial guarantees.

3 Accounting policies (Continued)

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an expected credit losses (ECL) allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

Reclassification of financial assets. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

Impairment financial asset (credit loss allowance for ECL). The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises expected credit loss at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition.

1) A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity ("12 Months ECL").

2) If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments ("Lifetime ECL").

3) If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

Modification of financial assets. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial. If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Measurement categories of financial liabilities. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Derecognition of financial assets. The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

3 Accounting policies (Continued)

Derecognition of financial liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. While assessing if modification is substantial, management considers both quantitative and qualitative factors. Qualitative factors include change of form of the instrument, interest rate, change in covenants and guarantors. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognised in profit or loss.

Gains and losses on loans provided to related parties. Gains and losses on initial recognition and early repayment as well as unwinding of discount and foreign exchange differences on loans provided to related parties are recognized in consolidated income statements in the period when incurred.

Income taxes

Income taxes have been provided for in the financial statements in accordance with United Kingdom legislation enacted or substantively enacted by the reporting date. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity or other comprehensive income. In this case, the tax is also recognised directly in equity or other comprehensive income.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled or the related deferred income tax asset is realised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Leases

The Group rents the office premises. These lease contracts are made for 1 year. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Due to the short term of existing lease contracts of Group and Company, payments associated with them are recognized on a straight-line basis as an expense in profit or loss.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Borrowings

Borrowings comprise Eurobonds and bank borrowings and are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method.

Finance income and costs

Finance income and costs comprise interest expense on borrowings, and interest income on loans receivable. All interest and other costs incurred in connection with borrowings are expensed using the effective interest rate method. Interest income is recognised as it accrues, taking into account the effective yield on the asset.

Financial guarantees

Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expected credit losses under IFRS 9.

3 Accounting policies (Continued)

The following new standards, which are not relevant or immaterial to the Group's financial statements, have been issued and endorsed by European Union:

- ***IFRIC 23 Uncertainty over Income Tax Treatments*** (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019);
- ***Annual Improvements to IFRS Standards 2015-2017 Cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*** (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019);
- ***Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*** (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019);
- ***IFRS 16 – Leases*** (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019) – due to the short term of existing lease contracts of Group and Company, payments associated with them are recognized on a straight-line basis as an expense in profit or loss.

4 Finance income and costs

Finance income and finance costs of the Group for the year were as follows:

In thousands of US$	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Finance income		
Interest income on loans receivable	120,364	119,469
Interest income on deposit placed	79	335
Total finance income	**120,443**	**119,804**
Interest expense		
- Eurobonds issued	143,041	144,668
- bank borrowings	3,799	3,751
Amortized cost expenses on Eurobonds issue	951	726
Total finance costs	**147,791**	**149,145**
Total finance costs, net	**(27,348)**	**(29,341)**

Finance income and finance costs of the Company for the year were as follows:

In thousands of US$	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Finance income		
Interest income on loans receivable	40,259	32,306
Total finance income	**40,259**	**32,306**
Interest expense		
- Eurobonds issued	143,041	144,668
Amortized cost expenses on Eurobonds issue	951	726
Total finance costs	**143,992**	**145,394**
Total finance costs, net	**(103,733)**	**(113,088)**

5 General and administrative expenses

General and administrative expenses of the Group for the year were as follows:

In thousands of US$	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Professional fees	700	1,390
Staff costs, including:	1,432	753
Wages and salaries	*723*	*416*
Social security costs	*650*	*303*
Other pension costs	*59*	*34*
Related parties fees*	409	516
Audit fees	98	97
Bank charges	15	16
Depreciation	14	7
Total	**2,668**	**2,779**

*The related parties fees consist of the office rent to an entity under common control of SCM. As this is a short term contract, and the amount considered to be immaterial, management decided not to apply IFRS 16 to it.

General and administrative expenses of the Company for the year were as follows:

In thousands of US$	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Professional fees	431	1,136
Audit fees	64	38
Staff costs, including	53	54
Wages and salaries	*32*	*30*
Social security costs	*21*	*24*
Related parties fees*	47	55
Bank charges	5	6
Total	**600**	**1,289**

*The related parties fees consist of the office rent to an entity under common control of SCM. As this is a short term contract, and the amount considered to be immaterial, management decided not to apply IFRS 16 to it.

During the year the Group obtained the following services from the Company's auditors:

In thousands of US$	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Fees payable to the Company's auditors for the audit of the Company and consolidated financial statements	64	38
Fees payable to the Company's auditors for other services:		
The audit of the Company's subsidiary	34	59
Total audit services	**98**	**97**
Tax advisory services	104	116
Total tax advisory services	**104**	**116**
Total	**202**	**213**

6 Investments in subsidiaries

The Company owns 100% of the issued share capital of DTEK Investments Limited, a company incorporated in England and Wales (United Kingdom). As at 31 December 2019 the total amount of the investment was US$ 330,557 thousand (as at 31 December 2018: US$ 282,778 thousand). There were no factors evidencing the presence of impairment triggers of investment in subsidiary.

In thousands of US$	**2019**	**2018**
Opening balance as at 1 January	**282,778**	**278,960**
Foreign currency translation	47,779	3,818
Closing balance as at 31 December	**330,557**	**282,778**

7 Loans and interest receivable

As at 31 December, loans and interest receivable of the Group were as follows:

In thousands of US$	**2019**	**2018**
Non-current		
Loans granted to related parties	937,828	754,304
Total non-current loans receivable	**937,828**	**754,304**
Current		
Loans granted to related parties	214,943	231,515
Interest receivable	50,102	127,870
Total current loans and interest receivable	**265,045**	**359,385**

The current loans receivables are all due within one year and carried at amortized cost. As at 31 December 2019 the current loans amounting to US$ 214,943 thousand are issued to the companies of DTEK Energy and carry interest at 10.9% per annum. As at 31 December 2018 the current loans in the amount of US$ 231,515 thousand were issued to the companies of DTEK Energy and carried interest ranging from 9% to 9.8% per annum.

As at 31 December 2019 non-current loans are EUR 22,096 thousand (equivalent to US$ 24,510 thousand) and US$ 913,318 thousand issued to companies of DTEK Energy and repayable in the years from 2021 to 2027 and carrying interest ranging from 8% to 11.1% per annum. As at 31 December 2018 the non-current loans were EUR 17,448 thousand (equivalent to US$ 19,985 thousand) and US$ 734,319 thousand issued to the companies of DTEK Energy and repayable between 2018 and 2026 and carried interest ranging from 5.5% to 10.89% per annum. The principal and interest amounts are payable at any time before the cut-off date at the behest of the borrower. For some contracts the interest is repayable on a quarterly basis.

As at 31 December, loans and interest receivable of the Company were as follows:

In thousands of US$	**2019**	**2018**
Non-current		
Loans granted to related parties	391,414	322,194
Total non-current loans receivable	**391,414**	**322,194**
Current		
Interest receivable	4,245	4,601
Total current loans and interest receivable	**4,245**	**4,601**

As for the 12 months to 31 December 2019, the Group and the Company applied an expected loss rate of 4.09% for the financial receivables from related parties, which are the only financial instruments represented in the Company's balance sheet. The loss allowances are measured on the basis of 12-month ECLs. As for the 12 months to 31 December 2018, the Company applied an expected loss rate of 6.47%. The Group has revised ECL as compared to 31 December 2018 due to changes in the credit spread on corporate bonds used as a basis for IFRS 9 expected credit losses measurement.

7 Loans and interest receivable (Continued)

The table below represents the influence on different factors which caused the change of ECL for the Group:

In thousand of US$	**Financial receivables as of 2019**	**Financial receivables as of 2018**
Provision for impairment at 01 January	**77,040**	**41,492**
Changes for the year resulted from:		
ECL Rate (decrease)/growth	(29,766)	37,860
Balance sheet changes	4,085	(2,551)
Total changes for non-forex factors	*(25,681)*	*35,309*
Exchange rate difference	(65)	239
Total changes for the year	**(25,746)**	**35,548**
Provision for impairment at 31 December	**51,294**	**77,040**

The table below represents the influence on different factors which caused the change of ECL for the Company:

In thousand of US$	**Financial receivables as of 2019**	**Financial receivables as of 2018**
Provision for impairment at 01 January	**27,096**	**15,315**
Changes for the year resulted from:		
ECL Rate (decrease)/growth	(9,794)	13,313
Balance sheet changes	(431)	(1,537)
Total changes for non-forex factors	*(10,225)*	*11,776*
Exchange rate difference	-	5
Total changes for the year	**(10,225)**	**11,781**
Provision for impairment at 31 December	**16,871**	**27,096**

Had the ECL rate increased/(decreased) by 1% the ECL would be US$ 12,531 thousand (for Group) and US$ 4,115 thousand (for Company) higher (lower).

8 Cash and Cash Equivalents

As at 31 December cash and cash equivalents of the Group were denominated in currencies as follows:

In thousands of US$	**2019**	**2018**
US$	41	370
EUR	674	75
GBP	9	19
RUB	0	1
Total cash and cash equivalents	**724**	**465**

As at 31 December cash and cash equivalents of the Company were denominated in currencies as follows:

In thousands of US$	**2019**	**2018**
US$	10	32
EUR	667	1
GBP	1	1
Total cash and cash equivalents	**678**	**34**

Cash and cash equivalents represent the cash in bank accounts. As at 31 December 2019 and at 31 December 2018 no cash and cash equivalents were restricted in use.

9 Share capital

The authorised share capital of the Company comprises fifty thousand ordinary shares with a nominal value of GBP 1.00 per share (US$1.55086 per share). All issued shares are fully paid. All shares rank equally and have equal voting rights.

10 Borrowings and interest payable

As at 31 December, borrowings of the Group were as follows:

In thousands of US$	**2019**	**2018**
Non-current		
Eurobonds– nominal value	1,343,717	1,243,717
Amortized organizational fees	(5,375)	(6,323)
Bank borrowings	49,238	57,363
Total non-current borrowings	**1,387,580**	**1,294,757**
Current		
Bank borrowings	1,961	-
Interest payable on bank borrowings	48	48
Interest payable on loans from related parties	447	940
Total current borrowings and interest accrual	**2,456**	**988**

As at 31 December, borrowings of the Company were as follows:

In thousands of US$	**2019**	**2018**
Non-current		
Eurobonds– nominal value	1,343,717	1,243,717
Amortized organizational fees	(5,375)	(6,323)
Total non-current borrowings	**1,338,342**	**1,237,394**

Cash and non-cash movements in borrowings of the Group during the financial year were as follows:

In thousands of US$	**2019 Total**	**2019 Eurobonds**	**2019 Bank and other borrowings**	**2018 Total**
Opening balance as at 1 January	**1,295,745**	**1,237,394**	**58,351**	**1,341,021**
Cash movements				
Repayment of borrowings	(6,164)	-	(6,164)	(22,602)
Interest paid during the year	(146,171)	(142,372)	(3,799)	(149,704)
Interest received from Escrow account converted in Eurobonds	23,510	23,510		
Repayment of liability for the transferred borrowings to the subsidiary of DTEK Energy BV	-	-	-	(68,484)
Non-cash movements				
Interest accrued during the year	146,771	142,972	3,799	153,704
Write-off the overcharged interest accrued	-	-	-	(5,285)
Amortized organizational fees for Eurobonds	951	951	-	726
Recognition of Eurobonds upon restructuring	76,490	76,490	-	66,656
Extinguishment of Bank Borrowings due to conversion to Eurobonds			-	(19,313)
Foreign exchange loss/(gain)	(1,096)	(603)	(493)	(918)
Other movements	-	-	-	(56)
Closing balance as at 31 December	**1,390,036**	**1,338,342**	**51,694**	**1,295,745**

10 Borrowings and interest payable (Continued)

Cash and non-cash movements in borrowings of the Company during the year were as follows

In thousands of US$	2019*	2018*
Opening balance as at 1 January	**1,237,394**	**1,170,069**
Cash movements		
Interest paid during the year	(142,372)	(144,452)
Interest received from Escrow account converted in Eurobonds	23,510	
Non-cash movements		
Interest accrued during the year	142,972	144,668
Amortized organizational fees for Eurobonds	951	726
Recognition of Eurobonds upon restructuring	76,490	66,656
Foreign exchange (gain)/loss	(603)	(217)
Other movements	-	(56)
Closing balance as at 31 December	**1,338,342**	**1,237,394**

**all of the movements are related to Eurobonds*

As at 31 December, the Group's borrowings were denominated in the following currencies:

In thousands of US$	2019	2018
US$	1,390,036	1,295,252
EUR	-	493
Total borrowings	**1,390,036**	**1,295,745**

As at 31 December, the maturity of the Group's loans and borrowings were as follows:

In thousands of US$	2019	2018
Loans and borrowings due:		
- within 1 year	2,456	988
- between 1 and 5 years	1,387,580	834,059
- after 5 years	-	460,698
Total borrowings	**1,390,036**	**1,295,745**

Eurobonds. In December 2016, the Group restructured all of its existing Eurobonds and exchanged them for new Eurobonds (the "New Notes") with an aggregate principal amount of US$ 1,275 million. In March 2017 bank debt of DTEK Energy of US$ 133 million was exchanged for the New Notes. Further, on 20 September 2018 as a result of restructuring part of the loans an amount of US$ 67 million was converted to the New Notes.

On 18 November 2019 as a result of the restructuring the remaining part of the loans the in amount of US$ 100 million was converted into the New Notes (31 December 2018: the remaining portion of the Bank Exchange Offer totaling US$ 100 million has not been converted to the New Notes and was classified as current bank borrowings of DTEK Energy). The restructured US$ 100 million consists of US$ 76 million of recognized Eurobonds upon restructuring and US$ 24 million of cash received from escrow account – the Eurobonds interest recently paid to this account, but not demanded by creditors from escrow agent.

The maturity of New Notes was extended to 31 December 2024. The nominal interest rate under the New Notes is 10.75%.

10 Borrowings and interest payable (Continued)

Bank borrowings. On 29 March 2017, DTEK Energy restructured a significant portion of its bank borrowing (the "Restructured Bank Debt") by way of signing the Override Agreement. As part of the credit portfolio of the Group, bank borrowings of US$ 18 million were restructured according to the Override Agreement and then in 2017 transferred to the New Notes as part of the US$ 133 million as described above.

On 21 September 2018, the Group restructured the bank borrowings that were accounted originally in RUB by the way of amendment and restatement of the existing facility agreements, with the key terms and conditions substantially the same to the Override Agreement (including all amendments to the Override Agreement made since its effective date). As a result of restructuring, bank borrowings denominated in RUB for the amount of US$ 90 million (as at date of the transaction) were converted into EUR. In addition, at the date of restructuring, the overcharged balance of interest accrued in amount of US$ 5 million was written-off. Further, the restructured bank borrowings for the amount of US$ 19 million were converted into the New Notes as described above. The remaining part of the restructured bank borrowings for the amount of US$ 70 million was transferred to a subsidiary of DTEK Energy BV (DTEK Holdings Limited, Cyprus). The Group repaid the liability for the transferred bank borrowings to the subsidiary of DTEK Energy BV in full by 31 December 2018.

As at 31 December 2019 the long-term bank loans mature on 30 June 2023. Their nominal interest rate is Libor 1m+5.0%.

Covenants. The New Notes and restructured bank debt contain specific covenants, including but not limited to limitations on distribution to shareholders (unless such distribution is made pursuant to mandatory requirements of the law), limits on capital expenditure, restrictions on permissible business activities, requirement to perform transactions on an arm's length basis, requirement to make periodic disclosure of financial information, permissible levels of additional financial indebtedness and cash interest cover.

Following the restructuring, the Group and the Company is in compliance with the covenants relating to the New Notes and Restructured Bank Debt.

11 Trade and other payables

As at 31 December, other payables of the Group were as follows:

In thousands of US$	**31 December 2019**	**31 December 2018**
Other payables to related parties	691	668
Other payables	195	330
Total	**886**	**998**

As at 31 December, trade and other payables of the Company were as follows:

In thousands of US$	**31 December 2019**	**31 December 2018**
Payables on demand for investments in subsidiary*	203,225	206,025
Other payables to related parties	10	9
Other payables	234	257
Total	**203,469**	**206,291**

** represents outstanding statutory capital payable to its subsidiary, DTEK Investments Limited (UK)*

12 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return on capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net liabilities divided by total capital under management. Net debt is calculated as total borrowings (current and long-term as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital under management equals equity as shown in the consolidated statement of financial position.

As at 31 December 2019 the total net debt and total equity deficit of the Group were US$ 1,389,312 thousand and US$ 187,564 thousand respectively (31 December 2018: US$ 1,295,280 thousand and US$ 182,881 thousand), the net debt to equity ratio was (740) % (31 December 2018: (708) %).

13 Related party balances and transactions

At 31 December the outstanding balances, income and expense items with related parties of the Group were as follows:

In thousands of US$	2019	2018
Interest income (Note 4)	120,364	119,469
Loans granted and interest accrued (Note 7)	1,202,873	1,113,689
Loans received and interest accrued (Note 10)	447	940
Trade and other payables (Note 11)	691	668
Related parties fees (Note 5)	409	516

At 31 December the outstanding balances, income and expense items with related parties of the Company were as follows:

In thousands of US$	2019	2018
Interest income (Note 4)	40,259	32,306
Loans granted and interest accrued (Note 7), including:	395,659	326,795
balance with subsidiary, DTEK Investments Limited (UK)	10,904	35,198
Trade and other payables (Note 11), including:	203,225	206,034
balance with subsidiary, DTEK Investments Limited (UK)	*203,225*	*206,034*
Related parties fees (Note 5)	47	55

Please refer to Note 17 for key management personal remuneration.

14 Ultimate controlling parties

DTEK Energy B.V., a company registered in the Netherlands, is the immediate parent company and DTEK B.V., a company registered in the Netherlands, is the ultimate parent company, which is beneficially owned by Mr. Rinat Akhmetov. DTEK Energy B.V. is the parent undertaking of the largest and the smallest group of undertakings to consolidate these financial statements.

15 Income tax expense

The Group tax expense were as follows:

In thousands of US$	2019	2018
Current income tax expense	265	298
Income tax expense	**265**	**298**

For 2019, the Group has calculated a tax liability in accordance with the terms of the Advanced Thin Capitalization Agreement (ATCA) effective until 1 January 2019. Therefore tax expense for the year is lower (2018: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). Currently the Group is not intending to request the signing of ATCA (Advance Thin Capitalization Agreement) with HMRC which would be applied since 1 January 2019 and planning to justify the congruence of operations with the arm's length principle by preparation of the Transfer Price Documentation. According to preliminary analysis, it is expected that the Company and DTEK Investments will jointly be in a tax payable position from CIT standpoint similarly as it was in previous years. In either case the Group and the Company is eligible to apply thin capitalization amendment and to accrue a CT in the amount of GBP 68,312 (US$ 88,805).

The differences are explained below:

In thousands of US$	2019	2018
Profit/(Loss) before income tax	27,951	(68,982)
Income tax rate	19%	19%
Income tax at statutory rates	5,311	(13,107)
Tax effect of:		
- Items not deductible or assessable for taxation purposes	(5,046)	13,405
Income tax expense	**265**	**298**

15 Income tax expense (Continued)

The differences for Company are explained below:

In thousands of US$	2019	2018
Profit/(Loss) before income tax	84,191	(111,968)
Income tax rate	19%	19%
Income tax at statutory rates	15,996	(21,274)
Tax effect of:		
- Items not deductible or assessable for taxation purposes	(15,996)	21,274
Income tax expense	-	-

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17%. This announcement did not constituted substantive enactment The corporation tax rate remained at 19% after 1 April 2020, which is considered by Company management as the non-adjusting post-balance sheet event.

As of January 1st, 2019, the Group had no tax losses brought carried forward from prior years. The reason is that during the period since 1 January 2013 to 31 December 2018, calculation of Corporate income tax for Group was regulated by Agreement signed with the HMRC. According to this Agreement, the combined return for DTEK Investments and Company was expected to be approximately 13 bps on the amount of the loan principal. This margin (net profit before corporation tax) of 13 bps was on a 'net' basis after deducting all relevant expenses. This remuneration was based on estimated expenses which could not be foreseen and in order to allow the possible variances in the amount of actual expenditure, it was agreed that the margin could be within the range of 11-15 bps without further adjustment. It was also agreed that should an adjustment be required to achieve the above level of remuneration, this would be in the form of a tax only adjustment through the corporation tax return of DTEK Investments Limited. As a result, DTEK Investments Limited and DTEK Finance PLC jointly generated taxable profit during the years 2013-2018 and were in a tax payable position.

16 Personnel

The monthly average number of employees of the Group and the Company in 2019 were 6 and 3 respectively. (2018: 6 and 3 respectively). All of the employees belong to administrative staff. The amount of salary and taxes paid to personnel is disclosed in Note 5.

17 Directors' remuneration

During 2019, the remuneration of the directors consisted of 2 parts: 1) the salary of key personnel, for the amount of US$ 335 thousand (2018: US$ 276 thousand); 2) US$ 6 thousand represented by short-term employee benefits (2018: US$ 4 thousand). Mr Timchenko provides management services to both the ultimate parent and DTEK Finance PLC. The remuneration of Mr Timchenko is paid by other DTEK companies and it is not possible to make an accurate apportionment of his remuneration in respect of each of the companies. Accordingly, the above details include no remuneration in respect of Mr Timchenko. His total remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of the ultimate parent company.

18 Contingent liabilities

The Group together with other subsidiaries of DTEK Energy have given guarantees in respect of the bank borrowings and available credit limits of fellow subsidiaries and affiliates, which amounted to EUR 73,242 thousand, US$ 103,199 thousand, CHF 20,317 thousand and UAH 365,421 thousand at 31 December 2019 (at 31 December 2018: EUR 216,967 thousand, US$ 138,026 thousand and UAH 438,836 thousand). The actual borrowings, including interest due, of fellow subsidiaries amounted to US$ 169,242 thousand at 31 December 2019 (at 31 December 2018: US$ 331,491 thousand).

19 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

Credit risk. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The maximum consolidated exposure of credit risk of Group is shown in the table below:

In thousands of US$	31 December 2019	31 December 2018
Loans receivable (Note 7)	1,152,771	985,819
Interest receivable (Note 7)	50,102	127,870
Cash and cash equivalents (Note 8)	724	465
Total	**1,203,597**	**1,114,154**

The maximum consolidated exposure of credit risk of Company is shown in the table below:

In thousands of US$	31 December 2019	31 December 2018
Loans receivable (Note 7)	391,414	322,194
Interest receivable (Note 7)	4,245	4,601
Cash and cash equivalents (Note 8)	678	34
Total	**396,337**	**326,825**

All the loans receivable are neither past due nor impaired.

As at 31 December 2019 cash and cash equivalents of the Group of US$ 720 thousand were placed in banks rated by Moody's Investors Service as A3, US$ 4 thousand were placed in banks rated by Moody's Investors Service as Caa1.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity investments, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The Group's functional currency is Ukrainian Hryvnia and accordingly its exposure to foreign currency risk is determined mainly by borrowings, gross settled derivative financial instruments, cash balances and deposits, which are denominated in or linked to US$, EUR and RUB. Increasing domestic uncertainty, led to volatility in the currency exchange market and resulted in significant downward pressure on the Ukrainian Hryvnia relative to major foreign currencies.

The following tables present sensitivities of profit or loss and equity before tax to reasonably possible changes in exchange rates applied at the balance sheet date relative to the functional currency. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Group.

	At 31 December 2019		At 31 December 2018	
In thousands of US$	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US$ strengthening by 25% (2018: 25%)	(53,551)	(53,551)	(54,246)	(54,246)
US$ weakening by 25% (2018: 25%)	53,551	53,551	54,246	54,246
Euro strengthening by 25% (2018: 25%)	6,272	6,272	15,028	15,028
Euro weakening by 25% (2018: 25%)	(6,272)	(6,272)	(15,028)	(15,028)
GBP strengthening by 25% (2018: 25%)	(112)	(112)	(200)	(200)
GBP weakening by 25% (2018: 25%)	112	112	200	200

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Company.

	At 31 December 2019		At 31 December 2018	
In thousands of US$	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US$ strengthening by 25% (2018: 25%)	(203,884)	(203,884)	(208,512)	(208,512)
US$ weakening by 25% (2018: 25%)	203,884	203,884	208,512	208,512
EUR strengthening by 25% (2018: 25%)	167	167	-	-
EUR weakening by 25% (2018: 25%)	(167)	(167)	-	-
GBP strengthening by 25% (2018: 25%)	(12)	(12)	(8)	(8)
GBP weakening by 25% (2018: 25%)	12	12	8	8

19 Financial risk management (Continued)

Interest rate risk. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable interest rates expose the Group to interest rate risk. Borrowings at fixed rate expose the Group to fair value interest rate risk.

The Group's exposure to fixed or variable rates is determined at the time of issuing new debt. Management uses its judgment to decide whether fixed or variable rate would be more favorable to the Group over the expected period until maturity. The key objectives to financing is a reduction of borrowing costs, matching the currency of borrowings with the currency of proceeds from operating activities, and agreeing the maturity profile of borrowings with liquidity needs.

The maturity dates and interest rates of financial instruments are disclosed in Note 10. Re-pricing for fixed rate financial instruments occurs at maturity of fixed rate financial instruments. Re-pricing of floating rate financial instruments occurs continually.

At 31 December 2019, if interest rates on EUR and RUB denominated borrowings had been 200 basis points higher (2018: 200 basis points higher) with all other variables held constant, post-tax loss for the year would have been US$ 840 million higher (2018: US$ 942 million higher).

Liquidity risk. Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding to meet existing obligations as they fall due.
The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are undiscounted cash flows.

The maturity analysis of financial liabilities of the Group at 31 December 2019 is as follows:

In thousands of US$	**Up to 6 months and on demand**	**6 -12 months**	**1 - 2 years**	**2 - 5 years**	**Over 5 years**	**Total**
Liabilities						
Eurobonds	72,225	72,225	144,450	1,704,645	-	1,993,545
Bank borrowings	3,596	3,413	6,452	48,387	-	61,848
Loans from related parties	-	447	-	-	-	447
Trade and other payables (Note 11)	886	-	-	-	-	886
Total future payments, including future principal and interest payments	**76,707**	**76,085**	**150,902**	**1,753,032**	**-**	**2,056,726**

The maturity analysis of financial liabilities of the Group at 31 December 2018 is as follows:

In thousands of US$	**Up to 6 months and on demand**	**6 -12 months**	**1 - 2 years**	**2 - 5 years**	**Over 5 years**	**Total**
Liabilities						
Eurobonds	43,918	44,857	106,435	1,116,719	847,832	2,159,761
Bank borrowings	4,023	3,824	7,226	57,370	-	72,443
Loans from related parties	-	940	-	-	-	940
Trade and other payables (Note 11)	998	-	-	-	-	998
Total future payments, including future principal and interest payments	**48,939**	**49,621**	**113,661**	**1,174,089**	**847,832**	**2,234,142**

19 Financial risk management (Continued)

The maturity analysis of financial liabilities of the Company at 31 December 2019 is as follows:

In thousands of US$	Up to 6 months and on demand	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Eurobonds	72,225	72,225	144,450	1,704,645	-	1,993,545
Trade and other payables (Note 11)	203,469	-	-	-	-	203,469
Total future payments, including future principal and interest payments	**275,694**	**72,225**	**144,450**	**1,704,645**	**-**	**2,197,014**

The maturity analysis of financial liabilities of the Company at 31 December 2018 is as follows:

In thousands of US$	Up to 6 months and on demand	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Eurobonds	43,918	44,857	106,435	1,116,719	847,832	2,159,761
Trade and other payables (Note 11)	206,291	-	-	-	-	206,291
Total future payments, including future principal and interest payments	**250,209**	**44,857**	**106,435**	**1,116,719**	**847,832**	**2,366,052**

20 Fair value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Fair values were determined based on quoted market prices or third party valuations using discounted cash flows techniques.

Financial assets carried at amortised cost. All of the Group's financial assets are carried at amortised cost using the effective interest method. These assets are not measured at fair value in the balance sheet, but for these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable is either close to current market rates or the instruments are short-term in nature.

Liabilities carried at amortised cost. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. The estimated fair values of the financial liabilities are summarised in the table below. Carrying amounts of trade and other payables approximate fair values.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

20 Fair value of Financial Instruments (Continued)

Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy of liabilities of the Group not measured at fair value are as follows:

	31 December 2019			31 December 2018		
In thousands of US$	**Level 1**	**Level 2**	**Carrying value**	**Level 1**	**Level 2**	**Carrying value**
Financial liabilities						
Eurobonds (Note 10)	1,372,594	-	1,338,342	1,101,934	-	1,237,394
Borrowings and interest accrual (Note 10)	-	53,017	51,694	-	51,963	58,351
TOTAL LIABILITIES	**1,372,594**	**53,017**	**1,390,036**	**1,101,934**	**51,963**	**1,295,745**

Fair values analysed by level in the fair value hierarchy of assets and liabilities of the Company not measured at fair value are as follows:

	31 December 2019			31 December 2018		
In thousands of US$	**Level 1**	**Level 2**	**Carrying value**	**Level 1**	**Level 2**	**Carrying value**
Financial liabilities						
Eurobonds (Note 10)	1,372,594	-	1,338,342	1,101,934	-	1,237,394
TOTAL LIABILITIES	**1,372,594**	**-**	**1,338,342**	**1,101,934**	**-**	**1,237,394**

The description of valuation technique used in the fair value measurement for level 2 measurements:

	Fair value level 2		
In thousands of US$	**2019**	**2018**	**Valuation technique**
Financial liabilities			
Borrowings and interest accrual (Note 10)	53,017	51,963	Current cost accounting
Total liabilities	**53,017**	**51,963**	

21 Subsequent events

There were no significant events subsequent to the year end apart those described in Note 1.