









**DTEK Energy B.V.**  
**Abbreviated Consolidated Balance Sheet**

	Note	31 December 2016	31 December 2015
<i>In millions of Ukrainian Hryvnia</i>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	64,124	68,191
Intangible assets	10	1,639	1,704
Goodwill	11	4,384	4,384
Financial investments	12	10,085	8,899
Income tax prepaid		118	49
Deferred income tax asset	32	1,011	608
Trade and other receivables	14	210	246
<b>Total non-current assets</b>		<b>81,571</b>	<b>84,081</b>
<b>Current assets</b>			
Inventories	13	4,686	6,364
Trade and other receivables	14	24,008	16,017
Current income tax		135	454
Financial investments	12	1,930	2,404
Cash and cash equivalents	15	7,545	706
<b>Total current assets</b>		<b>38,304</b>	<b>25,945</b>
<b>TOTAL ASSETS</b>		<b>119,875</b>	<b>110,026</b>
<b>EQUITY</b>			
Share capital	17	0	0
Share premium		9,909	9,909
Other reserves	18	19,017	20,900
Accumulated deficit		(27,742)	(29,237)
<b>Equity attributable to owners of the parent</b>		<b>1,184</b>	<b>1,572</b>
<b>Non-controlling interest in equity</b>	6	<b>4,530</b>	<b>3,959</b>
<b>TOTAL EQUITY</b>		<b>5,714</b>	<b>5,531</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	19	26,747	21,221
Other financial liabilities	20	14,101	5,358
Retirement benefit obligations	21	7,254	5,389
Provisions for other liabilities and charges	22	1,741	1,375
Deferred income tax liability	32	2,207	3,747
<b>Total non-current liabilities</b>		<b>52,050</b>	<b>37,090</b>
<b>Current liabilities</b>			
Borrowings	19	30,101	36,727
Other financial liabilities	20	1,186	6,319
Prepayments received		7,288	5,345
Trade and other payables	23	17,948	15,414
Current income tax payable		955	1,159
Other taxes payable	24	4,633	2,441
<b>Total current liabilities</b>		<b>62,111</b>	<b>67,405</b>
<b>TOTAL LIABILITIES</b>		<b>114,161</b>	<b>104,495</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>119,875</b>	<b>110,026</b>
Signed by entire Management Board on 12 April 2017		Approved for issue and signed by entire Supervisory Board on 10 April 2017	
DTEK Management B.V. Director		Oleg Popov	
SCM Management B.V. Director		Sergey Korovin	
		Irina Mykh	
		Robert Sheppard	
		Damir Akhmetov	
		Catherine Stalker	
		Johan Bastin	

**DTEK Energy B.V.**  
**Abbreviated Consolidated Income Statement**

<i>In millions of Ukrainian Hryvnia</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
Revenue	25	127,897	92,714
Heat tariff compensation	25	159	908
Cost of sales	26	(113,040)	(88,332)
<b>Gross profit</b>		<b>15,016</b>	<b>5,290</b>
Other operating income	27	680	461
Distribution costs	28	(1,216)	(1,256)
General and administrative expenses	29	(2,405)	(2,343)
Other operating expenses	30	(5,476)	(7,925)
Net operating foreign exchange loss		(847)	(130)
Loss of control over subsidiary	2	-	(1,470)
Reversal of impairment/(Impairment) of property, plant and equipment and goodwill	9,11	158	(5,336)
<b>Operating profit/(loss)</b>		<b>5,910</b>	<b>(12,709)</b>
Foreign exchange losses less gains on financing and investing activities		(7,038)	(13,146)
Finance income	31	3,156	3,543
Finance costs	31	(9,324)	(13,571)
<b>Loss before income tax</b>		<b>(7,296)</b>	<b>(35,883)</b>
Income tax benefit	32	601	149
<b>Loss for the year from continuing operations</b>		<b>(6,695)</b>	<b>(35,734)</b>
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	16	-	(1,665)
<b>Loss for the year</b>		<b>(6,695)</b>	<b>(37,399)</b>
<b>Loss is attributable to:</b>			
Equity holders of the Company		(7,302)	(33,214)
Non-controlling interest		607	(4,185)

**Consolidated Statement of Comprehensive Income**

<i>In millions of Ukrainian Hryvnia</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
Loss for the period		(6,695)	(37,399)
<b>Items that may be reclassified to profit or loss:</b>			
Recycling of cash flow hedge reserve to income statement	20	506	1,787
Currency translation reserve	18	(196)	836
Reclassification adjustment in relation to currency translation reserve of subsidiary where control was lost		-	135
<b>Items that will not be reclassified to profit or loss:</b>			
Property, plant and equipment:			
- Change in estimate for asset retirement obligation	18	(367)	(443)
- Income tax recorded on change in estimate for asset retirement obligation	32	66	80
- Increase in valuation of property, plant and equipment	9	-	34,279
- Decrease in valuation of property, plant and equipment	9	-	(10,936)
- Income tax recorded on revaluation of property, plant and equipment	32	-	(4,202)
Re-measurements of post-employment benefit obligations	18, 21	(1,624)	(289)
Income tax recorded on re-measurements of post-employment benefit obligations	32	292	55
<b>Other comprehensive income for the year</b>	18	<b>(1,323)</b>	<b>21,302</b>
<b>Total comprehensive loss for the period</b>		<b>(8,018)</b>	<b>(16,097)</b>
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Company		(8,589)	(14,286)
Non-controlling interest		571	(1,811)
<b>Total comprehensive loss for the period</b>		<b>(8,018)</b>	<b>(16,097)</b>
<b>Total comprehensive loss attributable to Equity holders of the Company from:</b>			
- Continuing operations		(8,018)	(12,621)
- Discontinued operations	16	-	(1,665)
<b>Total comprehensive loss attributable to Equity holders of the Company</b>		<b>(8,018)</b>	<b>(14,286)</b>

**DTEK Energy B.V.**  
**Abbreviated Consolidated Statement of Changes in Equity**

	Attributable to equity holders of the Company					Non-controlling interest	Total Equity
	Share capital	Share premium	Other reserves	Retained earnings/ (Accumulated Deficit)	Total		
<i>In millions of Ukrainian Hryvnia</i>							
<b>Balance at 1 January 2015</b>	<b>0</b>	<b>9,909</b>	<b>6,517</b>	<b>(2,519)</b>	<b>13,907</b>	<b>5,685</b>	<b>19,592</b>
Loss for 2015	-	-	-	(33,214)	(33,214)	(4,185)	(37,399)
Other comprehensive income for 2015 (Note 18)	-	-	19,146	(218)	18,928	2,374	21,302
<b>Total comprehensive income/(loss) for 2015</b>	<b>-</b>	<b>-</b>	<b>19,146</b>	<b>(33,432)</b>	<b>(14,286)</b>	<b>(1,811)</b>	<b>(16,097)</b>
Property, plant and equipment:							
- Realised revaluation reserve (Note 18)	-	-	(3,718)	3,718	-	-	-
- Deferred tax related to realised revaluation reserve	-	-	600	(600)	-	-	-
Demerger of subsidiaries (Note 16)	-	-	(1,645)	3,695	2,050	-	2,050
Loss of control over subsidiary	-	-	-	(99)	(99)	99	-
Dividends declared	-	-	-	-	-	(14)	(14)
<b>Balance at 31 December 2015</b>	<b>0</b>	<b>9,909</b>	<b>20,900</b>	<b>(29,237)</b>	<b>1,572</b>	<b>3,959</b>	<b>5,531</b>
Loss for 2016	-	-	-	(7,302)	(7,302)	607	(6,695)
Other comprehensive income for 2016 (Note 18)	-	-	10	(1,297)	(1,287)	(36)	(1,323)
<b>Total comprehensive income/(loss) for 2016</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>(8,599)</b>	<b>(8,589)</b>	<b>571</b>	<b>(8,018)</b>
Property, plant and equipment:							
- Realised revaluation reserve (Note 18)	-	-	(4,166)	4,166	-	-	-
- Deferred tax related to realised revaluation reserve (Note 18)	-	-	741	(741)	-	-	-
Deleveraging and restructuring (Note 19)	-	-	1,532	6,754	8,286	-	8,286
Demerger of subsidiaries	-	-	-	(85)	(85)	-	(85)
<b>Balance at 31 December 2016</b>	<b>0</b>	<b>9,909</b>	<b>19,017</b>	<b>(27,742)</b>	<b>1,184</b>	<b>4,530</b>	<b>5,714</b>

**DTEK Energy B.V.**  
**Abbreviated Consolidated Statement of Cash Flows**

<i>In millions of Ukrainian Hryvnia</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>			
Loss before income tax from continuing and discontinued operations		<b>(7,296)</b>	<b>(37,913)</b>
Adjustments for:			
Depreciation and impairment of property, plant and equipment and amortisation of intangible assets	9,10	8,748	13,794
Losses less gains on disposals of property, plant and equipment		97	80
Assets received free of charge	27	(16)	(23)
Net change in provision for trade and other receivables and prepayments made	30	985	3,385
Change in provisions for other liabilities and charges		53	79
Non-cash operating charge to retirement benefit obligation	21	198	(65)
Extinguishment of accounts payable	27	(108)	(31)
Impairment of goodwill	11	-	136
Unrealised foreign exchange loss on operating activity		650	625
Foreign exchange losses less gains on financing and investing activities		7,038	15,274
Finance costs, net	31	6,168	10,062
Loss of control over subsidiary	2	-	1,470
Other operating non-cash transactions		216	-
<b>Operating cash flows before working capital changes</b>		<b>16,733</b>	<b>6,873</b>
<b>Changes in:</b>			
Trade and other receivables		(10,136)	(3,165)
Inventories		1,638	(1,344)
Prepayments received		1,931	2,096
Trade and other payables		1,565	2,481
Repayment of restructured obligations		(882)	(1,120)
Other financial liabilities		2,723	(1,413)
Other taxes payable and tax provision, other than income tax		1,916	572
<b>Cash generated from operations</b>		<b>15,488</b>	<b>4,980</b>
Income taxes paid		(1,019)	286
Defined employee benefits paid	21	(648)	(517)
Interest paid		(682)	(4,799)
Interest received		197	532
Provisions utilised	22	(134)	(17)
<b>Net cash generated from operating activities</b>		<b>13,202</b>	<b>465</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(5,886)	(3,730)
(Placement)/withdrawal of restricted cash		(41)	315
Capitalised borrowings cost paid	9	(112)	(70)
Finance lease payments		-	(40)
Deposits placed		(165)	(2)
Repayment of loans granted to related party		-	1,600
Demerger of subsidiary, net of cash demerged	16	-	424
Cash disposed as a result of loss of control		-	(246)
Cash disposed as a result of demerger		(191)	-
Deferred consideration related to acquisitions paid		-	(154)
<b>Net cash used in investing activities</b>		<b>(6,395)</b>	<b>(1,903)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		29	2,355
Repayment of borrowings		(235)	(4,120)
Repayment of loan from related party		-	(1,466)
Dividends paid to non-controlling participants		-	(18)
<b>Net cash used in financing activities</b>		<b>(206)</b>	<b>(3,249)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,601</b>	<b>(4,687)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	15	690	5,371
Exchange gains on cash and cash equivalents		197	6
<b>Cash and cash equivalents at the end of the year</b>	<b>15</b>	<b>7,488</b>	<b>690</b>



## 1 The Organisation and its Operations

DTEK Energy B.V. (the “Company”) is a private limited liability company incorporated in the Netherlands on 16 April 2009. The Company was renamed on 19 September 2014 and its former name was DTEK Holdings B.V. The Company was formed through the contribution by System Capital Management Limited and InvestCom Services Limited of their 100% equity interest in DTEK Holding Limited, a Cyprus registered entity and predecessor to the Company. The Company and its subsidiaries (together referred to as “the Group” or “DTEK”) are beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management (“SCM”). Mr. Akhmetov has a number of other business interests outside of the Group. Related party transactions are detailed in Note 8. At 19 of September 2014 the Company’s immediate parent has changed, the new parent is DTEK B.V.

DTEK Energy B.V. is a vertically integrated power generating and distribution group. Its principal activities are coal mining for further supply to its power generating facilities and finally distribution of electricity to end customers primarily in Ukraine. The Group’s coal mines, power generation plants and distribution facilities are located in the Donetsk, Dnipropetrovsk, Lugansk, Lviv, Ivano-Frankivsk, Vinnitsya, Zaporizhzhya and Kyiv regions, and the City of Kyiv in Ukraine. In September 2016, as part of a deleveraging exercise, the company transferred its ownership in three mines located in the Rostov region of the Russian Federation to an entity wholly owned by DTEK B.V. The Group sells all, with the exception of the non-controlled territory (see Note 2), 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. The Group’s distribution entities then repurchase electricity for supply to final customers. The principal subsidiaries are presented below:

Name/Segment	% interest held as at 31 December		Country of incorporation
	2016	2015	
<b>Coal mining and power generation</b>			
DTEK Pavlogradugol PJSC	99.91	99.91	Ukraine
DTEK Mine Komsomolets Donbassa PJSC	95.31	95.31	Ukraine
DTEK Dobropolskaya CEP PJSC	60.06	60.06	Ukraine
DTEK Oktyabrskaya CEP PJSC	60.85	60.85	Ukraine
Bilozerska Mine ALC	95.44	95.44	Ukraine
Mospino CPE LLC	99.00	99.00	Ukraine
Pershotravensky RMZ LLC	99.00	99.00	Ukraine
Tehrempostavka LLC	100.00	100.00	Ukraine
CCM Kurahovskaya LLC	99.99	99.99	Ukraine
CCM Pavlogradskaya LLC	99.99	99.99	Ukraine
DTEK Dobropolyeugol LLC	100.00	100.00	Ukraine
DTEK Rovenkiantracyte LLC	100.00	100.00	Ukraine
DTEK Sverdlovantracyte LLC	100.00	100.00	Ukraine
Public company Don-Anthracite	-	100.00	Russian Federation
Public Mining Corporation Obukhovskaya	-	100.00	Russian Federation
Sulinathracite LLC	-	100.00	Russian Federation
DTEK Dniproenergo PJSC	73.54	73.54	Ukraine
DTEK Zakhidenergo PJSC	72.24	72.24	Ukraine
DTEK Skhidenergo LLC	100.00	100.00	Ukraine
DTEK Hungary Power Trade LLC	100.00	100.00	Hungary
DTEK Trading Limited	100.00	100.00	Cyprus
DTEK Trading SA	100.00	100.00	Switzerland
Power Trade LLC	-	100.00	Ukraine
Shakhtar-Agro LLC	-	100.00	Ukraine
Interenergoservis LLC	99.99	99.99	Ukraine
DTEK Scientific and Project Centre LLC	100.00	100.00	Ukraine
DTEK Trading LLC	100.00	100.00	Ukraine
<b>Electricity distribution</b>			
DTEK Energougol ENE PJSC	95.71	95.71	Ukraine
DTEK Donetskoblenergo PJSC	71.50	71.50	Ukraine
DTEK Power Grid LLC	100.00	100.00	Ukraine
DTEK Dniprooblenergo PJSC	51.66	51.66	Ukraine
DTEK Krymenergo PJSC	57.71	57.71	Ukraine
Kyivenergo PJSC	72.40	72.40	Ukraine
<b>Other</b>			
DTEK Finance B.V.	100.00	100.00	Netherlands
DTEK Finance PLC	100.00	100.00	United Kingdom
DTEK Investments Ltd	100.00	100.00	United Kingdom
DTEK Holdings Limited	100.00	100.00	Cyprus
DTEK Servis LLC	99.00	99.00	Ukraine
DTEK Energy LLC	99.00	100.00	Ukraine
Sotsis LLC	99.92	99.00	Ukraine
Elektronaladka LLC	95.31	99.00	Ukraine

## **1 The Organisation and its Operations (Continued)**

The Company is registered at Schiphol Boulevard 231 Tower B, 5<sup>th</sup> floor, 1118BH, Luchthaven Schiphol, the Netherlands. The address of Ukrainian's head office is 57 Lva Tolstogo str, 01032 Kyiv Ukraine.

As at 31 December 2016, the Group employed approximately 106 thousand people (31 December 2015: 117 thousand people).

In 2013 the Group initiated a reorganisation project aimed to separate the strategic functions (such as development of new businesses) from operational functions. According to the project, strategic functions should be concentrated on the level of strategic holding (DTEK BV) and the operational functions – on the level of three subholdings: DTEK Energy, DTEK Oil&Gas and DTEK Renewables. On 18 December 2013 the Supervisory board of DTEK Holdings B.V., approved the reorganisation plan. As at 31 December 2014, the Group has separated following companies: DTEK Oil&Gas BV, Naftogazvydobuvania PrJSC and DTEK Neftegaz LLC - into the Oil and gas holding, and DTEK Renewables BV, Orlovskaya WEP LLC and Primorskaya WEP LLC - into the Renewable energy holding, under control of the new Parent – DTEK BV. This reorganisation was subsequently completed by 31 December 2014, with the exception of the transfer of Wind Power LLC to DTEK Renewables BV on 9 March 2015. As discussed further in Note 19, in September 2016 three mines in the Rostov region of the Russian Federation were transferred to a new holding of DTEK BV. Also in 2016 Power Trade LLC was transferred to DTEK Oil & Gas BV.

## **2 Operating Environment of the Group**

The ongoing political and economic instability in Ukraine which commenced at the end of 2013 and led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and depreciation of the national currency against major foreign currencies has continued in 2016, though to a lesser extent as compared to 2014–2015.

The inflation rate in Ukraine during 2016 reduced to 12% (as compared to 43% in 2015), while GDP returned to growth of 1% (after 9% decline in 2015).

Devaluation during 2016 has been moderate. As at the date of this report the official exchange rate of Hryvnia against US dollar was UAH 26.89 per USD 1, compared to UAH 27.19 per USD 1 as at 31 December 2016 (31 December 2015: UAH 24.00 per USD 1). In 2016 the National Bank of Ukraine (“NBU”) has made certain steps to ease the currency control restrictions introduced in 2014–2015. In particular, the required share of foreign currency for mandatory sale was decreased from 75% to 65% starting from 9 June 2016 and to 50% starting from 5 April 2017 and the settlement period for export-import transactions in foreign currency was increased from 90 to 120 days starting from 28 July 2016. Also starting from 13 June 2016, the NBU allowed Ukrainian companies to pay dividends to non-residents with a limit of USD 5 million per month (equivalent of UAH 136 million applying exchange rate as at 31 December 2016).

The central bank of Ukraine prolonged these restrictions several times during 2015 – 2017 years and the current restrictions are effective until rescinded by the NBU (with minor exceptions, including mandatory conversion of foreign currency proceeds, which are set to expire on 16 June 2017). The IMF continued to support the Ukrainian government under the four-year Extended Fund Facility (“EFF”) Programme approved in March 2015, providing the third tranche of approximately USD 1 billion in September 2016. Further disbursements of IMF tranches depend on the continued implementation of Ukrainian government reforms, and other economic, legal and political factors.

The banking system remains fragile due to its weak level of capital, low asset quality caused by the economic situation, currency depreciation, changing regulations and other factors.

The Group had an electricity distribution business in Crimea and this was expropriated by the local authorities in January 2015, resulting in a loss of UAH 1,470 million recorded in the 2015 consolidated income statement as “Loss of control over subsidiary”.

The conflict in the parts of Eastern Ukraine which started in spring 2014 has not been resolved to date. The relationships between Ukraine and the Russian Federation remained strained.

On 1 January 2016, the agreement on the free trade area between Ukraine and the EU came into force. Just after that the Russian government implemented a trading embargo on many key Ukrainian export products. In response, the Ukrainian government implemented similar measures against Russian products.

The Group has a number of mines, generation plants and electricity distribution companies located in, or near to, the parts of the Donetsk and Lugansk regions where there has been armed conflict. These represent twelve out of thirty one mines (representing 13% of total property, plant and equipment), four out of twelve generation plants (representing 18% of total property, plant and equipment, 9% of revenue and 10% of trade receivables) and three of the six electricity distribution companies (representing 3% of total property, plant and equipment, 14% of revenue and 12% of trade receivables). While there has been no significant damage to the Group's assets as a result of military action, from mid-2014 volumes and activity at these assets has been negatively impacted by the situation which continues to date. However, as discussed further in this note, there were several significant post balance sheet events affecting the Group's business in these regions.

## **2 Operating Environment of the Group (Continued)**

The government of Ukraine issued a resolution whereby starting from 1 May 2015 the Energy market of Ukraine was divided into the controlled and non-controlled territory. From this date, the government takes no responsibility for the supply of electricity and settlement of debts between generation and distribution entities in the non-controlled territory. Such relationships are to be regulated by multilateral contracts.

Despite the challenges management still controlled these assets and oversaw their operations as of 31 December 2016.

The negative impact on volumes and activity has been caused primarily by disruptions in infrastructure (rail transportation inhibiting the movement of coal) and to a lesser extent the direct impact of military action. This has resulted in a reduction of electricity production (in particular, for the year ended 2015, electricity production of four power plants located in, or near to, the conflict regions, has decreased by 23% compared with the respective twelve months period ended 31 December 2014). Electricity production in 2016 was on the level of 2015 in these regions. Further, the situation has impacted the ability of some customers to pay resulting in increased allowance for impairment and also the general demand for electricity in these regions. In the same time following changes in legislation related to linkage of tariff for electricity to the cost of imported coal, revenue in the controlled territory has increased in 2016 (Note 25).

In early March 2017 a number of threats were reported in the Ukrainian and online media of the potential seizure by the self-proclaimed authorities of production assets located in the non-controlled territory in the Donbass region of Ukraine. Management took all available actions to retain control over the assets and the systems that permitted these assets to operate. Subsequently, on 15 March 2017 the self-proclaimed authorities took control of all of the Group's assets located in the non-controlled territory. The entities impacted include: DTEK Rovenkiantracyte LLC, DTEK Sverdlovantracyte LLC, DTEK Mine Komsomolets Donbassa PJSC, Mospino CPE LLC, one power plant (ZuTES) belonging to DTEK Skhidenergo LLC, DTEK Donetskoblenergo PJSC DTEK Energougol ENE PJSC and DTEK Power Grid LLC. The Group was forced to consider this as a theft of assets and informed the relevant Ukrainian law enforcement authorities. The Group can not make an estimate of the full financial impact yet. The following is a preliminary estimate of some possible consequences. Employees totalling approximately 36,000 at the impacted entities were terminated as the Group could no longer control the operations of the assets or ensure appropriate health and safety. These entities: had property, plant and equipment with an accounting carrying value of approximately UAH 12,959 million as of 31 December 2016; represented 2% of external sales in 2016; represented 26% of total coal production in 2016, represented 8% of electricity generated in 2016 and represented 8% of electricity distribution assets.

This is considered to be a non-adjusting balance sheet event and consequently, there has been no adjustment to the carrying values of assets or liabilities as of 31 December 2016. As discussed in Note 3, management has considered these events in their assessment of the going concern assumption. Further, this is not considered to be an event of default under the the Group's Eurobond (the "Second Scheme") and bank restructuring (the "Override Agreement") documentation. Throughout this time the Group has continued to conduct itself in accordance with the internationally recognised legal frameworks that its entities operate in.

Management have sought, and continue, to actively manage and limit the impact of these events on the Group's operations by utilising alternative transportation routes for coal to its generation stations.

As of 31 December 2016, the Group had significant balances receivable from and prepayments made to the State and entities dependent on the government financing, including prepaid income taxes of UAH 253 million, net VAT recoverable of UAH 2,427 million and receivables from Energorynok SE and various water and heat supply companies of UAH 6,068 million and UAH 1,423 million, respectively. The timing of settlement of these balances is uncertain and is dependent upon the availability of State funds 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 and amounts of future taxable profits of Group's subsidiaries. After the balance sheet date UAH 3,343 million from Energorynok SE amounts were settled.

These events in Ukraine increase uncertainties, including the Group's assessment of the revaluation of property, plant and equipment and the recoverable amount of property, plant and equipment and goodwill under impairment testing for assets located in the above mentioned eastern regions of Ukraine.

Despite certain improvements in 2016, the final resolution and the ongoing effects of the political and economic situation are difficult to predict but they may have further severe effects on the Ukrainian economy and the Group's business.

### **3 Summary of Significant Accounting Policies**

**Basis of preparation.** These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union using the historical cost convention, as modified by the revaluation of property, plant and equipment (revaluation model under IAS 16 *Property, plant and equipment*), and certain financial instruments measured in accordance with the requirements of IAS 39 *Financial instruments: recognition and measurement*. 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.

**Going concern.** As of 31 December 2016 the Group had Ukrainian Hryvnia (UAH) 56,848 million of borrowings denominated primarily in foreign currencies, these being: US Dollars (UAH 40,179 million, or 71%); Euros (UAH 7,737 million, or 14%); Russian Roubles (UAH 7,463 million, or 13%); and UAH (UAH 1,469 million, or 2%). As discussed in Note 2, the UAH devalued during 2016, resulting in devaluations of 13% against the US Dollar, 8% against the Euro and 37% against the Russian Rouble. After the year end the UAH has continued to decline against these currencies.

The Group’s business is concentrated in Ukraine, the majority of its revenue is generated in Ukraine and denominated in UAH (2016: 95%, 2015: 94%), although the Group receives foreign currencies from its export of electricity and coal. The vast majority of the Group’s borrowings have financial and non-financial covenants. Further, the majority of these borrowings have cross default clauses allowing lenders to demand repayment when covenants have been breached with respect to other loans above de-minimum amounts.

Due to the significant UAH devaluation during the period 2014 to 2016 management commenced discussions with lenders on both a bi-lateral and an all-party basis. However, the Group has not been able to finalise with all of its lenders its discussions or obtain a binding agreement to extend the terms of all of its debt as of the date of preparation of these consolidated financial statements. As further discussed in Note 19, in December 2016 the Group’s bonds (UAH 26,403 million as of 31 December 2016) were restructured and at 29 March 2017 a majority of the Group’s bank borrowings together with accrued but not paid interest (UAH 14,795 million as of 31 December 2016) were also restructured. The Group continues the work on implementation of the restructuring under all of the remaining facilities (UAH 14,320 million as of 31 December 2016) excluding sundry working capital loans on the basis of binding heads of terms accepted by all of the bank lenders under the Bank Exchange Offer.

Management has prepared monthly cash flow projections for periods throughout 2017 and the first six months of 2018. Judgments with regard to future electricity prices, coal volumes and the timing of settlements with various counterparties were required for the preparation of the cash flow projections. Management has estimated that the overall cash flows are positive, indicating that there is no liquidity gap in any months, based on the important assumptions in the cash flow projections, including: electricity tariffs increasing to offset the impact of cost inflation; improvement of the payment discipline of Energorynok SE; stabilisation of the UAH; the ability of the Group to export coal and electricity; and that lenders with whom the Group has yet to complete debt restructuring will not demand principal repayment. Management have also included the impact of the loss of control over the operations from 15 March 2017 in the non-controlled territory and have concluded that this loss of control does not reduce cash flows to an extent that the Group will not be able to perform its payment obligations in accordance with the restructured New Notes and bank borrowings.

However, management acknowledges that, prior to completion of the restructuring of the remaining debt obligations that were subject to restructuring, there is an uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

Taking into account ongoing restructuring process of some of the facilities 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.

**Use of estimates.** The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group’s accounting policies. The areas, involving a high degree of judgement, complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 4.

**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”). The consolidated financial statements are presented in Ukrainian Hryvnia (“UAH”), which is the Company’s functional and the Group’s presentation currency.

Transactions denominated in currencies 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 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.

### **3 Summary of Significant Accounting Policies (Continued)**

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale 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 on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on 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 on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale 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 consolidated income statement as "Foreign exchange losses less gains on financing and investing activities".

As at 31 December 2016, the exchange rates used for translating foreign currency balances were USD 1 = UAH 27.19 (31 December 2015: USD 1 = UAH 24.00); EUR 1 = UAH 28.42 (31 December 2015: EUR 1 = UAH 26.22); RUB 10 = UAH 4.51 (31 December 2015: RUB 10 = UAH 3.29). Exchange restrictions in Ukraine are limited to compulsory receipt of foreign receivables within 90 days of sales and to the compulsory conversion of 75% of proceeds in foreign currency to Ukrainian Hryvnia. In 2014 the National Bank of Ukraine implemented regulations that required foreign currency receipts to be converted to UAH and prohibited dividend payments for certain legal entities to foreign entities. The restriction was prolonged several times during 2015 and 2016 and was effective until 8 June 2016. From the 9 June 2016 the National Bank of Ukraine has imposed of restriction on the compulsory conversion of 65% of proceeds in foreign currency to Ukrainian Hryvnia and this restriction effective till 16 June 2017.

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; (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, which is stated at historical rates. The balancing figure goes to cumulative currency translation reserve in other reserves in equity.

**Consolidated financial statements.** Subsidiaries are those companies and other entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If a subsidiary is acquired in stages it is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date when the investment became an associate. Relative gain or loss from valuation of previously held interest is recognised in the income statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### **3 Summary of Significant Accounting Policies (Continued)**

**Transactions with non-controlling interests.** The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

**Common control business combinations.** Purchases of subsidiaries from parties under common control are recorded using the predecessor values, in a manner similar to the pooling of interests method. Under this method the financial statements of the entity are presented as if the businesses had been consolidated from the beginning of the earliest period presented (or the date that the entities were first under common control, if later). The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying values. The difference between the consideration given and the aggregate carrying value of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to equity. No additional goodwill is created by such purchases.

**Reorganisation.** The Group reorganisation whereby the entities or segments of the Group are demerged as separate legal entities, but remain under common control, are accounted for as follows: assets and liabilities are transferred at the carrying amount along with related fair value adjustments which were recognised on acquisition of such assets. Difference between any consideration received in exchange and the net assets transferred, inclusive of any fair value adjustments is recorded directly in equity. If entities transferred meet the criteria of discontinued operations, the results to the date of transfer and respective comparatives are presented accordingly as a single line in the income statement.

**Investments in associates.** Associates are entities over which the Group has significant influence but not control, generally presumed for shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

**Segment reporting.** Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. Segments falling below this threshold can be reported separately at management decision.

**Property, plant and equipment.** The Group uses the revaluation model to measure property, plant and equipment. Fair value was based on valuations by external independent valuers. The frequency of revaluation will depend upon the movements in the fair values of the assets being revalued. Subsequent additions to property plant and equipment are recorded at cost. Cost includes expenditure directly attributable to acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost of acquired and self-constructed qualifying assets includes borrowing costs.

Any increase in the carrying amounts resulting from revaluation are credited to other reserves in equity through other comprehensive income. Decreases that offset previously recognised increases of the same asset are charged against other reserves in equity through other comprehensive income; all other decreases are charged to the income statement. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

### **3 Summary of Significant Accounting Policies (Continued)**

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from other reserves to retained earnings. When an item of property, plant and equipment is revalued the accumulated depreciation is eliminated against the gross carrying amount of the asset.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset. Gains and losses on disposals determined by comparing proceeds with carrying amount of property, plant and equipment are recognised in the consolidated income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

**Depreciation.** Depreciation is charged to the consolidated income statement on a straight-line basis to allocate costs of individual assets to their residual value over their estimated useful lives. Depreciation commences on the date of acquisition or, in respect of self-constructed assets, from the time an asset is completed and ready for use.

Mining assets include mineral licences and mineral reserves, which were acquired by the Group and which have finite useful lives. Mineral licenses and mineral reserves are stated at cost less accumulated amortisation and accumulated impairment losses. Mining assets are amortised on a straight-line basis over the estimated useful life.

Other property, plant and equipment are depreciated on a straight line basis over its expected useful life. The typical useful lives of the group's other property, plant and equipment are as follows:

	<u>Useful lives in years</u>
Mining assets	from 20 to 60
Buildings and structures	from 10 to 50
Plant and machinery	from 2 to 30
Furniture, fittings and equipment	from 2 to 15

Construction in progress represents the cost of property, plant and equipment, including advances to suppliers, which has not yet been completed. No depreciation is charged on such assets until they are available for use.

**Leases.** Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

**Asset retirement obligations.** According to the Code on Mineral Resources, Land Code of Ukraine, Mining Law, Law on Protection of Land and other legislative documents, the Group is responsible for site restoration and soil rehabilitation upon abandoning of its mines. Estimated costs of dismantling and removing an item of property, plant and equipment are added to the cost of an item of property, plant and equipment when the item is acquired, and corresponding obligation is recognised. Changes in the measurement of an existing asset retirement obligation, that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate used for measurement, are recognised in the income statement or, to the extent of any revaluation balance existence in respect of the related asset, other reserves.

Provisions in respect of abandonment and site restoration are evaluated and re-estimated annually, and are included in the consolidated financial statements at each balance sheet date at their expected net present value, using discount rates which reflect the economic environment in which the Group operates.

### **3 Summary of Significant Accounting Policies (Continued)**

**Goodwill.** Goodwill represents the excess of the consideration transferred for an acquisition over the fair value of the acquirer's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of exchange. Goodwill on acquisitions of subsidiaries is included in intangible assets in the balance sheet. Goodwill on acquisitions of associates is included in the investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business to which the goodwill arose.

**Other intangible assets.** All of the Group's other intangible assets have definite useful lives and primarily include capitalised computer software and licenses. Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring them to use. Other intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal. "Burshtyn electricity island" intangible asset has a definite useful life of 13 years and is depreciated on a straight line basis over this period. Other intangibles assets is amortised on a straight-line basis over estimated useful life of 1-49 years.

**Impairment of non-financial assets.** Intangible assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost of disposal and value in use. For purposes of assessing impairment, assets are grouped to the lowest levels for which there are separately identifiable cash flows (cash generating unit). Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**Non-current assets (or disposal groups) held for distribution.** Non-current assets (or disposal groups) are classified as assets held for distribution when their carrying amount is to be recovered principally through a sale transaction/contribution of assets to owners and a sale/contribution is considered highly probable. They are stated at the lower of carrying amount and fair value less costs of disposal. The Group grossed up both continuing and discontinued operations, and add a supplementary presentation of intercompany transactions for discontinued operations is made in the notes.

**Discontinued operations.** A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, represents a separate major line of business, and is part of a single coordinated overall plan to dispose of a separate major line of business. The Group records intercompany operations on a gross basis in both continued and discontinued operations. Elimination entries against the discontinued operation is disclosed separately in the Note16. When an operation is classified as discontinued, the comparative statements of income and cash flows are re-presented as if the operation had been discontinued from the start of the comparative period.

**Classification of financial assets.** The Group classifies its financial assets into the following measurement categories: (a) loans and receivables; (b) available-for-sale financial assets.

Loans and receivables include financial receivables created by the Group by providing money, goods or services directly to a debtor, other than those receivables which are created with the intention to be sold immediately or in the short term, or which are quoted in an active market. Loans and receivables comprise primarily loans, trade and other accounts receivable including purchased loans and promissory notes. All other financial assets are included in the available-for-sale category.

**Initial recognition of financial instruments.** The Group's principal financial instruments comprise available-for-sale investments, loans and borrowings, cash and cash equivalents derivatives, financial liabilities designated at fair value through profit and loss, short-term deposits and financial guarantees. The Group has various other financial instruments, such as trade debtors and trade creditors, which arise directly from its operations.

Where available-for-sale investments are acquired from parties under the common control of the ultimate shareholder, and the difference between the amount paid to acquire the instrument and its fair value in substance represents a capital contribution or distribution, such difference is recorded as a debit or credit in other reserves in equity.

All purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial instrument. All other purchases and sales are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost, and recognised in equity for assets classified as available-for-sale.



### **3 Summary of Significant Accounting Policies (Continued)**

**Subsequent measurement of financial instruments.** Subsequent to initial recognition, the Group's financial liabilities, loans and receivables are measured at amortised cost. Derivative financial instruments and financial liabilities designated at fair value through profit and loss are measured at fair value. Amortised cost is calculated using the effective interest rate method and, for financial assets, it is determined net of any impairment losses. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Bank overdrafts are included into borrowings line item in the consolidated balance sheet.

The face values of financial assets and liabilities with a maturity of less than one year, less any estimated credit adjustments, are assumed to be their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised directly in equity. In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions based on market conditions existing at the balance sheet date.

When available-for-sale assets are sold or otherwise disposed of, the cumulative gain or loss recognised in equity is included in the determination of net profit. When a decline in fair value of available-for-sale assets has been recognised in equity and there is objective evidence that the assets are impaired, the loss recognised in equity is removed and included in the determination of net profit, even though the assets have not been derecognised.

Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payment is established and the inflow of economic benefits is probable. Impairment losses are recognised in the income statement when incurred as a result of one or more events that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an instrument below its cost is an indicator that it is impaired.

The cumulative impairment loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in the income statement, is removed from equity and recognised in the income statement.

Impairment losses on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through current period's income statement.

A provision for impairment of loans and accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered to be indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

**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 expenditure required to settle the obligation at the end of the reporting period.

**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 Summary of Significant 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 (Note 19). 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. If the exchange or modification of financial liability is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

**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 recognised in consolidated income statements in the period when incurred.

**Derivative financial instruments, including hedge accounting.** The Group enters, from time to time, into various derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. Starting from 1 January 2013 until 1 July 2014 the Group applied hedge accounting to such transactions.

Derivatives were initially recognised at fair value on the date a derivative contract was entered into and were subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designated certain derivatives as cash flow hedge – hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The Group documented at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group made an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments were expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge were within a range of 80% - 125%.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 37. Movements on the hedging reserve in other comprehensive income are shown in Note 18. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that were designated and qualify as cash flow hedges was recognised in other comprehensive income. The gain or loss relating to the ineffective portion were recognised immediately in the income statement within "Finance income/costs". Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

Starting from 1 July 2014 management decided to discontinue the hedge accounting application since does not expect the hedge will be highly effective in the future. The cumulative loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective (from 1 January 2013 to 30 June 2014) will remain separately in equity and will be reclassified to profit or loss in the periods when the forecast transaction occurs. Cash flow hedge was discontinued prospectively.

**Income taxes.** Income taxes have been provided for in the financial statements in accordance with Ukrainian, Russian, Hungarian, Dutch, Cypriot, Swiss or UK legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the income statement unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

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 provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

### **3 Summary of Significant Accounting Policies (Continued)**

Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post-acquisition retained earnings and other post-acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

**Inventories.** Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the first in first out basis for raw materials and spare parts, weighted average cost for coal and specific identification principle for goods for resale. The cost of work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

**Trade and other receivables.** Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**Prepayments.** Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group.

Other prepayments are charged to the income statement when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the income statement.

**Promissory notes.** Some purchases may be settled by promissory notes or bills of exchange, which are negotiable debt instruments. Purchases settled by promissory notes are recognised based on management's estimate of the fair value to be given up in such settlements. The fair value is determined with reference to observable market information.

Long-term promissory notes are issued by Group entities as payment instruments, which carry a fixed date of repayment and which the supplier can sell in the over-the-counter secondary market. Promissory notes issued by the Group are carried at amortised cost using the effective interest method.

Group entities also accept promissory notes from customers (both those issued by customers and third parties) as settlement of accounts receivable. Promissory notes issued by customers or issued by third parties are carried at amortised cost using the effective interest method. A provision for impairment of promissory notes is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

**Cash and cash equivalents.** Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with maturities of three months or less with insignificant change in fair value. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in other non-current assets.

The Group enters into cash pooling arrangements whereby the Group's subsidiary places a deposit and another subsidiary takes a loan in the same bank for the same amount. For the purposes of consolidated cash flow statement movement of such balances is excluded from financing and investing activities.

Amount of cash pledged under cash pooling arrangements is included in restricted cash balance in cash and cash equivalents or in restricted deposits in financial investments depending on maturity. Related loan balance is included in Borrowings in the consolidated balance sheet.

**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. Any excess of the fair value of consideration received over the par value of shares issued is presented in the notes as share premium.

**Dividends.** Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the consolidated financial statements are authorised for issue.

### **3 Summary of Significant Accounting Policies (Continued)**

**Value added tax (“VAT”).** In Ukraine VAT is levied at two rates: 20% on sales and imports of goods within the country, works and services and 0% on the export of goods and provision of works or services to be used outside Ukraine. A taxpayer’s VAT liability equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. A VAT credit is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. Rights to VAT credit arise when a VAT invoice is received, which is issued on the earlier of the date of payment to the supplier or the date goods are received. VAT related to sales and purchases is recognised in the consolidated balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

**Government grants.** Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Government grants relating to an expense item are recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

**Trade and other payables.** Trade and other payables are recognised and initially measured under the policy for financial instruments mentioned above. Subsequently, instruments with a fixed maturity are re-measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

**Prepayments received.** Prepayments received are carried at amounts originally received. Amounts of prepayments received are expected to be realised through the revenue received from usual activity of the Group.

**Provisions for liabilities and charges.** Provisions for liabilities and charges are provisions for environmental restoration, restructuring costs and legal claims which are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**Contingent assets and liabilities.** A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

**Revenue recognition.** The Group’s generating companies sells all electricity produced by its electricity generation plants to Energorynok SE, a state-owned electricity distribution monopoly, at prices determined based on the competitive pool model adopted by the National Electricity Regulatory Committee of Ukraine (“NERC”). The Group’s distribution companies buy electricity from Energorynok SE and sell it to the end-customers, at prices determined by NERC. Revenue from the sale of electricity is the value of units supplied during the year and includes an estimate of the value of units supplied to customers between the date of their last meter reading and the year end. Revenue from sale of electricity to end customers is recognised on a gross basis.

Revenues from sales of goods are recognised at the point of transfer of risks and rewards associated with ownership of goods. If the goods are transported to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. Revenues are measured at the fair value of consideration received or receivable, and are shown net of value added tax and discounts.

**Recognition of expenses.** Expenses are recorded on an accrual basis. The cost of goods sold comprises the purchase price, transportation costs, commissions relating to supply agreements and other related expenses.

**Finance income and costs.** Finance income and costs comprise interest expense on borrowings, losses on early repayment of loans, interest income on funds invested, income on origination of financial instruments, unwinding of interest of the pension obligation and asset retirement provision, and foreign exchange gains and losses.

Borrowing costs that relate to assets that take a substantial period of time to construct are capitalised as part of the cost of the asset. All other 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.

### **3 Summary of Significant Accounting Policies (Continued)**

**Employee benefits: Defined Contributions Plan.** The Group makes statutory unified social contributions to the Pension Fund of Ukraine in respect of its employees. The contributions are calculated as a percentage of current gross salary, and are expensed when incurred. Discretionary pensions and other post-employment benefits are included in labour costs in the consolidated income statement.

**Employee benefits: Defined Benefit Plan.** Certain entities within the Group participate in a mandatory State defined retirement benefit plan, which provides for early pension benefits for employees working in certain workplaces with hazardous and unhealthy working conditions. The Group also provides lump sum benefits upon retirement subject to certain conditions. The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by actuaries using the Projected Unit Credit Method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Remeasurement of liability resulting from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Current and past service costs are recognised immediately in the income statement.

**Income from non-core activity.** The Group undertakes, in the course of its ordinary activities, other transactions that do not generate revenue and are incidental to the main revenue-generating activities. When the Group acts as an agent the presentation of the transaction reflect the substance of the transaction by recording the net result through netting any income with related expenses arising on the same transaction. Accounts receivable and accounts payable are recognised on a gross basis and not offset.

### **4 Critical Accounting Estimates and Judgements**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Impairment of property, plant and equipment and goodwill.** The Group is required to perform impairment tests for its cash-generating units where goodwill was recognised and for those cash-generated units where impairment indicators are identified. One of the determining factors in identifying a cash-generating unit is the ability to measure independent cash flows for that unit. For many of the Group's identified cash-generating units a significant proportion of their output is input to another cash-generating unit.

The Group also determines whether goodwill is impaired at least on an annual basis. This requires estimation of the value in use/ fair value less costs of disposal of the cash-generating units to which goodwill is allocated. Estimating value in use/ fair value less costs of disposal requires the Group to make an estimate of expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. For detailed analysis of impairment and related sensitivities refer to Notes 9 and 11.

**Revaluation of property, plant and equipment.** On an annual basis management of the Group carries out an analysis to assess whether carrying amounts of items of property, plant and equipment differ materially from that which would be determined using fair value at the end of the reporting period. The analysis is based on price indices, developments in technology, movements in exchange rates since the date of latest revaluation, profitability of underlying businesses and other relevant factors. Where the analysis indicates that the fair values of items of property plant and equipment differ materially from the carrying amounts, further revaluation is performed involving independent valuers.

As most of the Group's property, plant and equipment is of specialised nature, its fair value is determined using depreciated replacement cost (Level 3). As at 1 July 2015, the Group's management decided to carry out a revaluation of property, plant and equipment based on changes in economic conditions of business environment and an increase of the inflation rate. Fair value of property, plant and equipment and remaining useful lives as at 1 July 2015 were determined by an independent appraiser. Management determined that there was no need to perform a revaluation of its property, plant and equipment as of 31 December 2016. Management determined that the following factors meant that a revaluation as at 31 December 2016 was not needed: relative low level of inflation in the period; no significant change in physical usage of assets; and no significant improvement or deterioration in the economic environment.

#### **4 Critical Accounting Estimates and Judgements (Continued)**

The carrying value and depreciation of property, plant and equipment are affected by the estimates of depreciated replacement cost and remaining useful life. Changes in these assumptions could have a material impact to the fair value of property, plant and equipment (Note 9).

When performing valuation using these methods, the key estimates and judgments applied by the independent valuers, in discussion with the Group's internal valuation team and technicians, are as follows:

- choice of information sources for construction costs analysis (actual costs recently incurred by the Group, specialised reference materials and handbooks, estimates for cost of construction of various equipment etc.);
- determination of comparatives for replacement cost of certain equipment, as well as corresponding adjustments required to take into account differences in technical characteristics and condition of new and existing equipment;
- selection of market data when determining market value where it is available; and
- determination of applicable cumulative price indices or changes in foreign exchange rates which would most reliably reflect the change in fair value of assets revalued using indexation of carrying amounts.

The fair values obtained using depreciated replacement cost are validated using discounted cash flow models (income approach, Level 3), and are adjusted if the values obtained using income approach are lower than those obtained using depreciated replacement cost or indexation of carrying amounts (i.e. there is economic obsolescence). Key inputs into discounted cash flow models are consistent with the assumptions used for goodwill impairment testing (Note 11).

Changes in the above estimates and judgments could have a material effect on the fair value of property, plant and equipment, which, however, is impracticable to quantify due to wide variety of assumptions and assets being valued. The estimates used to assess the fair value of property, plant and equipment are impacted by the uncertainty caused by events in Eastern Ukraine, including importantly future planned production (see discussion of operating environment in Note 2).

**Recognition of revenue and fair value of liabilities in the non-controlled territory.** As discussed in Note 2 the area of the non-controlled territory was separated from the Ukrainian energy market in May 2015. A series of multilateral contracts were set up between the two power generators in the area (one of which, ZuTES, is a subsidiary) and the power distributors (the largest of which is DTEK Donetskoblenenergo PJSC, also a subsidiary). These contracts state that the distributors need to pay to the generators for electricity purchased in the same proportion as that paid by end consumers of electricity. Management have assessed the requirements of IAS 18 for the recognition of revenue and IFRS 13 for the assessment of fair value of liabilities incurred.

With respect to revenue recognition management has recognised revenue for certain large and regular payers. Revenue is recognised with respect to other customers on a cash basis. Unrecognised revenue amounts to UAH 1,756 million for the year ended 31 December 2016 (2015: UAH 1,815 million).

In accordance with IFRS liabilities are initially recognised at their fair value. Management have determined that the fair value (contractually enforceable amount of payables) of liabilities with respect of purchases of electricity of the power distributors is substantially less than their nominal amount. In accordance with the existing contract the contractually enforceable amount is tied to the collections from the end customers being less than 20% of the nominal amount of the payable. Management have assessed the fair value of liabilities with respect to power purchases by the power distributors based on anticipated and factual collections from end customers.

Any increase or decrease in collections would have a similar impact on revenues, expenses, assets and liabilities. The basis for this accounting is with respect to the ability of the Group to enforce the multilateral contracts signed. Management are confident that these multilateral contracts are legally enforceable and they will be upheld if challenged. The difference between the nominal value and fair value is UAH 1,740 million (31 December 2015: UAH 821 million).

**Impairment of trade and other accounts receivable.** Management estimates the likelihood of the collection of trade and other accounts receivable based on an analysis of individual accounts. Factors taken into consideration include an ageing analysis of trade and other accounts receivable in comparison with the credit terms allowed to customers, and the financial position of and collection history with the customer. Should actual collections be less than management's estimates, the Group would be required to record an additional impairment expense.

The estimates used to assessment the impairment (if any) of trade and other accounts receivable for those entities located in Eastern Ukraine are impacted by greater uncertainty than in other areas (see discussion of operating environment in Note 2).

#### **4 Critical Accounting Estimates and Judgements (Continued)**

**Post-employment and other employee benefit obligations.** Management assesses post-employment and other employee benefit obligations using the Projected Unit Credit Method based on actuarial assumptions which represent management's best estimates of the variables that will determine the ultimate cost of providing post-employment and other employee benefits. Since the plan is administered by the State, the Group may not have full access to information and therefore assumptions regarding when, or if, an employee takes early retirement, whether the Group would need to fund pensions for ex-employees depending on whether that ex-employee continues working in hazardous conditions, the likelihood of employees transferring from State funded pension employment to Group funded pension employment could all have a significant impact on the pension obligation. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

The major assumptions used in determining the net cost (income) for pensions include the discount rate and expected salary increases. Any changes in these assumptions will impact the carrying amount of pension obligations. Since there are no long-term, high quality corporate bonds issued in Ukrainian Hryvnias, significant judgement is needed in assessing an appropriate discount rate. Key assumptions and sensitivities are presented in Note 21.

**Deferred tax asset recognition.** The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the balance sheet. Deferred tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimation based on historic taxable profits and expectations of future income that are believed to be reasonable under the circumstances.

**Tax legislation.** Ukrainian tax, currency and customs legislation continues to evolve. Conflicting regulations are subject to varying interpretations. Management believes its interpretations are appropriate and sustainable, but no guarantee can be provided against a challenge from the tax authorities.

**Prepayments for current income tax.** In accordance with the existing Tax Code in Ukraine, the current income tax is paid during the year based on the level of taxable profit received in the prior fiscal year, and subsequently corrected at the end of the current fiscal year when the annual income tax return is submitted to the tax authorities. As a result of this, the Group has significant current income tax prepaid. Management believes that it will be able to settle these prepayments in foreseeable future.

**Related party transactions.** In the normal course of business the Group enters into transactions with related parties. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions.

**Heat tariff compensation received by Kyivenergo JSC.** In accordance with existing legislation, Kyivenergo is entitled to claim heat tariff compensation which is computed as the difference between the heat tariff required to cover all production costs plus reasonable margin and that imposed by the National Electricity Regulatory Committee of Ukraine. Such claims are subject to additional Governmental, Budget and City approvals, prescribed by the state regulations. In October 2012 the Cabinet of Ministers of Ukraine approved Resolution #968 stating that the compensation of the difference between the "economically grounded" tariffs and that imposed by the State should be calculated by the companies entitled to such compensation and approved by the state regularly. Kyivenergo accounts for such heat tariff compensation as government grants and has recorded amounts of compensation receivable on an accrual basis starting from November 2012. The amount of compensation receivable as at 31 December 2016 is UAH 644 million (31 December 2015: UAH 485 million).

**Deleveraging transaction accounting.** As explained in Note 19, in September 2016 DTEK Energy B.V. completed a deleveraging plan with Sberbank of Russia. In accordance with this plan the Rostov mines were transferred to a new holding company (Fabcell Limited), owned by the Company's immediate parent DTEK B.V. According to the deleveraging plan a corporate governance structure was established that gave Sberbank of Russia certain protective rights, including the Board of Rostov mines requires unanimous consent of all four members to approve day-to-day operations, one of these four members is an independent director nominated by Sberbank. The sole purpose of the independent member is to make sure that Fabcell assets are appropriately managed, enabling the repayment of the Sberbank loan according to the agreed plan. There has been no sign that Sberbank has had any intention to block DTEK's business decision and/or to use the independent member for anything else than for protective purposes. Management assumes that the Sberbank loan will be repaid according to the schedule, and considers that Fabcell Limited has 100% economic interest in Rostov mines assets and bears full risks and rewards and after repayment of loan to Sberbank of Russia these protective rights will disappear.

Based on the above, management has concluded that control over the Rostov mines by DTEK B.V. via Fabcell Limited has been retained. Therefore, Group accounted for the disposal of Rostov Mines as a Group reorganisation, recording the difference between net assets derecognised and consideration received directly in equity.

## **5 Adoption of New or Revised Standards and Interpretations**

The following new standards and amendments to the standards, which are relevant to the Group's consolidated financial statements and have been adopted by European Union, are effective for the first time for financial periods beginning on or after 1 January 2016, but do not have a material impact on these consolidated financial statements:

- **Amendments to IAS 1: Disclosure Initiative** (issued on 18 December 2014 and effective for annual periods beginning on or after 1 January 2016);
- **Annual Improvements to IFRS 2012–2014 Cycle** (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation** (issued on 12 May 2014 and effective for annual periods beginning on or after 1 January 2016).

The following new standards which are relevant to the Group's consolidated financial statements, have been issued, but have not been adopted by European Union or have not been effective for financial periods beginning on or after 1 January 2016:

- **Amendments to IAS 7: Disclosure Initiative** (issued on 29 January 2016 and effective for annual periods on or after 1 January 2017);
- **Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses** (issued on 19 January 2016 and effective for annual periods on or after 1 January 2017);
- **Annual Improvements to IFRS Standards 2014-2016 Cycle** (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017);
- **IFRS 9, Financial Instruments** (issued on 24 July 2014 and effective for annual periods beginning on or after 1 January 2018);
- **IFRS 15 - Revenue from Contracts with Customers** (issued on 28 May 2014 and effective for annual periods beginning on or after 1 January 2018);
- **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration** (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018);
- **IFRS 16 Leases** (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).

The Group is still assessing the impact of the new standards on its financial statements, however, it does not expect them to have significant impact to the consolidated financial statements, except for IFRS 16 where it is expected that a number of leases currently accounted as operating leases will need to be capitalise. Management are in particularly assessing the potential impact of two new standards, being IFRS 15 and IFRS 9, impact for IFRS 16 will be assessed as at 31 December 2017 that will be comparative period subject to change when the standard will be adopted. The Group has carefully considered IFRS 15 and has initially concluded that there is no impact on the vast majority of its revenue transactions, being the sale of electricity to either the State (from its generation business) or to end customers (from its distribution business). The Group has also carefully considered IFRS 9 and also believes that the impact of this standard implementation is not significant.



**6 Subsidiaries with material non-controlling interest**

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

<i>In millions of Ukrainian Hryvnia</i>	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or (loss) attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year	
<b>Year ended 31 December 2016</b>							
	DTEK Krymenergo PJSC	Ukraine	42,30%	42,30%	(6)	(175)	-
	DTEK Dniiproblenergo PJSC	Ukraine	48,34%	48,34%	200	1,134	-
	DTEK Donetskoblenergo PJSC	Ukraine	28,50%	28,50%	(54)	(863)	-
	Kyivenergo JSC	Ukraine	27,61%	27,61%	(193)	659	-
	DTEK Dniiproenergo PJSC	Ukraine	26,46%	26,46%	641	2,714	-
	DTEK Zakhidenergo PJSC	Ukraine	27,76%	27,76%	(14)	604	-
	<b>Total</b>				<b>574</b>	<b>4,073</b>	<b>-</b>
<b>Year ended 31 December 2015</b>							
	DTEK Krymenergo PJSC	Ukraine	42,30%	42,30%	(671)	(169)	-
	DTEK Dniiproblenergo PJSC	Ukraine	48,34%	48,34%	(272)	935	9
	DTEK Donetskoblenergo PJSC	Ukraine	28,50%	28,50%	(1,031)	(770)	1
	Kyivenergo JSC	Ukraine	27,61%	27,61%	(370)	859	7
	DTEK Dniiproenergo PJSC	Ukraine	26,46%	26,46%	(1,104)	2,096	1
	DTEK Zakhidenergo PJSC	Ukraine	27,76%	27,76%	(748)	640	-
	<b>Total</b>				<b>(4,196)</b>	<b>3,591</b>	<b>18</b>

As disclosed in Note 2, the Group lost control over the Crimea branch of DTEK Krymenergo PJSC in January 2015. Consequently, the company has been derecognised starting from 21 January 2015 and 2015 numbers for DTEK Krymenergo PJSC represent its head office's figures. Loss of control over subsidiary in amount of UAH 1,470 million was allocated to DTEK Energy Group and non-controlling interest.

The summarised financial information of these subsidiaries was as follows at 31 December 2016:

<i>In millions of Ukrainian Hryvnia</i>	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit / Loss	Total comprehensive income	Cash flows
<b>Year ended 31 December 2016</b>								
	DTEK Krymenergo PJSC	-	5	419	-	(15)	(15)	-
	DTEK Dniiproblenergo PJSC	2,144	3,383	2,886	295	28,081	415	818
	DTEK Donetskoblenergo PJSC	854	736	3,185	1,432	3,890	(173)	7
	Kyivenergo JSC	7,089	4,834	9,425	110	23,516	(723)	37
	DTEK Dniiproenergo PJSC	10,239	10,202	8,902	1,282	14,137	2,381	356
	DTEK Zakhidenergo PJSC	6,604	6,976	9,311	2,094	16,142	(95)	116
	<b>Total</b>	<b>26,930</b>	<b>26,136</b>	<b>34,128</b>	<b>5,213</b>	<b>85,766</b>	<b>1,883</b>	<b>1,790</b>
<b>Year ended 31 December 2015</b>								
	DTEK Krymenergo PJSC	143	5	548	-	(1,586)	(1,586)	(246)
	DTEK Dniiproblenergo PJSC	1,751	2,797	2,250	364	22,305	395	21
	DTEK Donetskoblenergo PJSC	902	911	4,130	384	3,617	(3,617)	4
	Kyivenergo JSC	4,321	4,600	5,691	118	17,272	(270)	(134)
	DTEK Dniiproenergo PJSC	3,181	11,163	4,977	1,445	7,287	330	(897)
	DTEK Zakhidenergo PJSC	2,518	7,287	5,423	2,076	13,808	(1,349)	(260)
	<b>Total</b>	<b>12,816</b>	<b>26,763</b>	<b>23,019</b>	<b>4,387</b>	<b>64,289</b>	<b>(6,097)</b>	<b>(1,512)</b>

## **7 Segment Information**

The Management Board is the Group's chief operating decision-maker.

The management has determined the operating segments used for disclosure by the Group based on reports reviewed by the Management Board for the purposes of assessing performance. The Management Board considers the business from a product perspective taking into account the vertical integration of the Group.

The Management Board assesses the performance of the operating segments based on a measure of Adjusted EBIT. This measurement basis represents profit for the year after excluding the following income statement items: foreign exchange losses less gains, income tax expense, impairment of property, plant and equipment, charities to related parties, certain maintenance of social infrastructure costs, finance income and expenses except for gains/losses on initial recognition and early repayment of financial instruments from non-related parties, interest on bank deposits, unwinding of discount on the long-term restructured accounts receivable.

The following operating segments are analysed by the Management Board being also the reportable segments:

- Coal mining and power generation on thermal power plants, coal resale, electricity export;
- Electricity distribution;
- Kyivenergo; and
- Other.

In 2016 the composition of segments has changed. The financial information for "Coal and power generation" segment received by Management Board no longer includes gas resale to third parties. Revenues included in 'Other' segment in 2016 mainly include revenues from gas resale for third parties and sales of services. Comparative information for the year ended 31 December 2015 was adjusted respectively. Revenues from gas resale within the Group for the purpose of internal consumption are presented in 'Coal and power generation' segment. The 'Coal mining and power generation' segment includes also operations of JSC Mine Office Obukhovskaya, JSC Donskoy Anthracite and LLC Sulinantracite (together, the "Rostov Mines") for the eight months ended 31 August 2016. As at 01 September 2016 share capital of Rostov Mines was transferred to a new non-Group holding company, owned by its immediate parent DTEK B.V. - Fabcell Limited as a result of a deleveraging plan with Sberbank of Russia (Note 19).

The Group's mining and power generation operations are vertically integrated and while the operating businesses are organised and managed separately, with each segment offering different products and serving different markets, there remains significant inter-dependence between the segments. The primary reporting format, business segments, is based on the Group's management and internal reporting structure. Prices between the segments were set based on references to the market prices. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses. Segment revenue includes transfer between business segments. Those transfers are eliminated on consolidation.

The Group employed approximately 106 thousand people by the end of 2016, which are allocated by the next way within the Group's operating segments: coal and power generation – 79 thousand people; electricity distribution - 13 thousand people; Kyivenergo - 11 thousand people; other – 3 thousand people.

*Renewables segment that was an operating segment in 2014.*

As result of the demerger (Note 16), the operations of Renewables segment are presented as discontinued in the income statement for the year ended 31 December 2015 and not included into reportable segments.

## 7 Segment Information (Continued)

Segment information for the reportable business segments of the Group for the year ended 31 December 2016 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	Coal and power generation	Electricity distribution	Kyivenergo	Other	Elimination	Total
Sales – external	53,488	41,034	23,516	9,859	-	127,897
Sales to other segments	3,230	1,480	-	1,537	(6,247)	-
<b>Total revenue</b>	<b>56,718</b>	<b>42,514</b>	<b>23,516</b>	<b>11,396</b>	<b>(6,247)</b>	<b>127,897</b>
Heat tariff compensation	-	-	159	-	-	159
<b>Total revenue and heat tariff compensation</b>	<b>56,718</b>	<b>42,514</b>	<b>23,675</b>	<b>11,396</b>	<b>(6,247)</b>	<b>128,056</b>
<b>Segment result</b>	<b>9,373</b>	<b>(110)</b>	<b>(784)</b>	<b>(584)</b>	<b>541</b>	<b>8,436</b>
Net operating foreign exchange loss						(847)
Foreign exchange losses less gains on financing and investing activities						(7,038)
Charitable donations and sponsorship to related parties						(1,157)
Unallocated expenses						(32)
Finance costs not included in Segment result						(6,658)
<b>Loss before income tax</b>						<b>(7,296)</b>
<b>Material non cash item including in segment result:</b>						
Net movement in provision for impairment of trade and other receivables and prepayments made (Note 14)	(383)	(784)	176	6	-	(985)
Depreciation and amortisation	(8,021)	(555)	(751)	(99)	57	(9,369)
Non-recoverable VAT (Note 30)	(231)	(21)	(6)	(20)	-	(278)
Finance income and finance costs included in segment results	26	453	(184)	103	(101)	297
Capital expenditure	4,437	827	769	102	-	6,135

Segment information for the reportable business segments of the Group for the year ended 31 December 2015 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	Coal and power generation	Electricity distribution	Kyivenergo	Other	Elimination	Total
Sales – external	36,790	35,323	17,272	3,329	-	92,714
Sales to other segments	1,449	1,226	-	950	(3,625)	-
<b>Total revenue</b>	<b>38,239</b>	<b>36,549</b>	<b>17,272</b>	<b>4,279</b>	<b>(3,625)</b>	<b>92,714</b>
Heat tariff compensation	61		847			908
<b>Total revenue and Heat tariff compensation</b>	<b>38,300</b>	<b>36,549</b>	<b>18,119</b>	<b>4,279</b>	<b>(3,625)</b>	<b>93,622</b>
<b>Segment result</b>	<b>(276)</b>	<b>(3,487)</b>	<b>(40)</b>	<b>(745)</b>	<b>41</b>	<b>(4,507)</b>
Net operating foreign exchange gain						(130)
Foreign exchange losses less gains on financing activities						(13,146)
Impairment of property, plant and equipment and goodwill (Note 9)	(2,491)	(1,679)	(1,119)	(47)	-	(5,336)
Loss of control over subsidiary (Note 2)	-	(1,470)	-	-	-	(1,470)
Charitable donations and sponsorship to related parties						(394)
Unallocated expenses						(12)
Finance costs not included in Segment result						(10,888)
<b>Loss before income tax</b>						<b>(35,883)</b>
<b>Material non cash item including in segment result:</b>						
Depreciation and amortisation	(7,225)	(686)	(649)	(66)	32	(8,594)
Net movement in provision for impairment of trade and other receivables and prepayments made (Note 14)	(1,275)	(1,739)	(363)	(8)	-	(3,385)
Non-recoverable VAT (Note 30)	(519)	(466)	(3)	(10)	-	(998)
Finance income and finance costs included in segment results	33	318	42	-	14	407
Capital expenditure	2,926	418	644	73	-	4,061
Decrease in valuation of property plant and equipment	(10,771)	(125)	(40)	-	-	(10,936)

## 7 Segment Information (Continued)

Capital expenditure with respect to the Renewable power generation segment in the amount UAH 3 million for the year ended 31 December 2015 is not included in the above table.

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Ukraine is UAH 70,475 million (2015: UAH 73,141 million) and the total of such non-current assets located in other countries is UAH nil million (2015: UAH 1,433 million). Customers concentration, exceeding 10% of total revenues is presented below:

<i>In millions of Ukrainian Hryvnia</i>	Coal and power generation	Electricity distribution	Kyivenergo	Other	Total
<b>2016</b>					
Energorynok SE	41,782	-	3,594	-	45,376
Entities under common control of SCM	2,233	12,719	163	4,981	20,096
<b>Total</b>	<b>44,015</b>	<b>12,719</b>	<b>3,757</b>	<b>4,981</b>	<b>65,472</b>
<b>2015</b>					
Energorynok SE	29,187	-	3,461	-	32,648
Entities under common control of SCM	317	10,136	-	2,217	12,670
<b>Total</b>	<b>29,504</b>	<b>10,136</b>	<b>3,461</b>	<b>2,217</b>	<b>45,318</b>

### Geographical information

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
Ukraine	119,391	87,716
Other European countries	5,708	5,493
Other	2,957	413
<b>Total revenues and heat tariff compensation</b>	<b>128,056</b>	<b>93,622</b>

The Company's revenues are presented by legal address of the customer under direct sales contracts.

## 8 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, *Related Party Disclosures*. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Other related parties represent entities with significant concentration of transactions, but which are not under common control.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2016 are detailed below.

<i>In millions of Ukrainian Hryvnia</i>	2016			2015		
	Entities under common control of SCM	DTEK BV Group subsidiaries	Associates of SCM	Entities under common control of SCM	DTEK BV Group subsidiaries	Associates of SCM
Prepayments for property, plant and equipment	39	-	-	95	-	-
Loans receivable *	-	11,811	-	-	9,761	-
Trade and other receivables	2,058	1,684	-	1,441	1,329	52
Deposits placed	93	-	-	-	-	-
Cash and cash equivalents – current account	1,654	-	-	499	-	-
Guarantee under the borrowings of related parties	-	(1,379)	-	-	(49)	-
Other financial liabilities and interest accrual	-	(16)	-	-	(11)	-
Trade and other payables	(585)	(160)	-	(477)	(1,207)	-
Prepayments received	(1,210)	(12)	-	(777)	(1)	(9)

\* The increase in the loan receivable balance over the year is explained primarily by foreign exchange gain as a result of devaluation of Ukrainian Hryvnia.

## 8 Balances and Transactions with Related Parties (Continued)

The income and expense items with related parties for the years ended 31 December were as follows:

	2016			2015		
	Entities under common control of SCM	DTEK BV Group subsidiaries	Associates of SCM	Entities under common control of SCM	DTEK BV Group subsidiaries	Associates of SCM
<i>In millions of Ukrainian Hryvnia</i>						
Sales of electricity	14,098	-	30	10,136	-	2,129
Sales of gas	4,903	-	102	2,136	-	626
Sales of coking coal	-	-	-	80	-	-
Sales of steam coal	1,001	-	95	144	-	-
Sales of scrap metal and services	15	79	-	94	80	5
Purchase of raw materials and equipment	(910)	(550)	-	(1,116)	(78)	-
Purchase of gas	-	(12,056)	-	-	(3,695)	-
Purchase of non-current assets	(1,189)	-	-	(602)	-	-
Purchase of services	(3,453)	(268)	-	(3,016)	(108)	-
Charitable donations and sponsorship	(1,157)	-	-	(394)	-	-
Interest income on bank deposits	63	-	-	159	-	-
Interest expense on bank loans	-	-	-	(20)	-	-
Interest income on loans issued (Note 31)	-	728	-	-	561	-
Gain from modification of terms of a loan (Note 31)	-	-	-	-	1,347	-
Unwinding of discount on loans provided (Note 31)	-	95	-	-	202	-
Interest expense on loans provided (Note 31)	-	-	-	-	(29)	-
Gain on early repayment of loans provided (Note 31)	-	-	-	-	398	-
Loss on early repayment of loans received (Note 31)	-	-	-	-	(1,081)	-

After the transfer of the oil and gas business from DTEK Energy B.V. to a new sub-holding under the same parent DTEK B.V. at 19 September 2014, Wind Power LLC on 9 March 2015 and Rostov mines on 1 September 2016 all balances and transactions with the transferred companies are presented as transactions with DTEK B.V. subsidiaries. Deleveraging and restructuring of the group business to a fellow subsidiary in 2016 is described in Note 19.

### *Revenue, trade and other receivable*

The trade receivable balances as at 31 December 2016 due from entities under common control and associates are non-interest bearing. The balances outstanding from related parties as at 31 December 2016 and 2015 are unsecured and settlements are made either in cash, in the form of debt set-off or by means of exchanging promissory notes issued by the settling counterparties or third parties to the transaction. The Group created no provision for impairment of accounts receivable due from related parties as at 31 December 2016 and 2015.

### *Purchases, trade and other payables*

Purchases and outstanding trade and other payables as at 31 December 2016 and 2015 comprised mainly balances due to related parties for provision of railway services, supplies of gas, iron shoring for mines, raw materials and steaming coal. Balances payable are non-interest bearing and are repayable in the normal course of business.

### *Key management personnel compensation*

Key management personnel consist of eight top executives (2015: seven top executives). In 2016 total compensation to key management personnel included in administrative expenses amounted to UAH 138 million (2015: UAH 116 million). Compensation to the key management personnel consists of salary and bonus payments.

## 9 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

<i>In millions of Ukrainian Hryvnia</i>	Mining assets	Buildings and structures	Plant and machinery	Furniture, fittings and equipment	Con- struction in progress	Total
<b>At 1 January 2015</b>						
Cost or valuation	11,420	17,672	33,232	2,346	6,870	71,540
Accumulated depreciation	(832)	(2,926)	(5,820)	(1,100)	-	(10,678)
<b>NBV at 1 January 2015</b>	<b>10,588</b>	<b>14,746</b>	<b>27,412</b>	<b>1,246</b>	<b>6,870</b>	<b>60,862</b>
Additions	393	965	716	88	1,902	4,064
Disposals	-	(6)	(61)	(7)	(6)	(80)
Depreciation charge	(829)	(1,703)	(5,480)	(450)	-	(8,462)
Increase/(decrease) of valuation	4,364	7,570	10,298	838	273	23,343
Impairment of property, plant and equipment	(422)	(1,756)	(2,010)	(94)	(918)	(5,200)
Loss of control over subsidiary	-	(723)	(519)	(28)	(117)	(1,387)
Demerger of subsidiaries (Note 16)	-	(248)	(4,392)	(10)	(307)	(4,957)
Foreign exchange differences	30	(22)	6	(1)	(5)	8
Transfer	348	(72)	1,973	67	(2,316)	-
<b>NBV at 31 December 2015</b>	<b>14,472</b>	<b>18,751</b>	<b>27,943</b>	<b>1,649</b>	<b>5,376</b>	<b>68,191</b>
<b>At 31 December 2015</b>						
Cost or valuation	15,072	21,539	32,012	2,533	5,376	76,532
Accumulated depreciation	(600)	(2,788)	(4,069)	(884)	-	(8,341)
<b>NBV at 31 December 2015</b>	<b>14,472</b>	<b>18,751</b>	<b>27,943</b>	<b>1,649</b>	<b>5,376</b>	<b>68,191</b>
Additions	594	627	2,639	321	1,954	6,135
Disposals	(7)	(98)	(63)	(7)	(37)	(212)
Depreciation charge	(1,062)	(1,909)	(5,554)	(467)	-	(8,992)
Reversal of impairment of property, plant and equipment	-	22	(36)	4	168	158
Deleveraging (Note 19)	(438)	(326)	(485)	(19)	(75)	(1,343)
Foreign exchange differences	98	19	84	3	(17)	187
Transfer	341	494	793	787	(2,415)	-
<b>NBV at 31 December 2016</b>	<b>13,998</b>	<b>17,580</b>	<b>25,321</b>	<b>2,271</b>	<b>4,954</b>	<b>64,124</b>
<b>At 31 December 2016</b>						
Cost or valuation	15,577	22,123	33,862	3,451	4,954	79,967
Accumulated depreciation	(1,579)	(4,543)	(8,541)	(1,180)	-	(15,843)
<b>NBV at 31 December 2016</b>	<b>13,998</b>	<b>17,580</b>	<b>25,321</b>	<b>2,271</b>	<b>4,954</b>	<b>64,124</b>
<b>NBV without revaluation at 31 December 2015</b>	<b>7,476</b>	<b>7,099</b>	<b>14,883</b>	<b>1,067</b>	<b>4,276</b>	<b>34,801</b>
<b>NBV without revaluation at 31 December 2016</b>	<b>7,061</b>	<b>6,863</b>	<b>15,855</b>	<b>2,009</b>	<b>3,112</b>	<b>34,900</b>

In July 2015, the Group engaged independent appraisers to determine the fair value of its property, plant and equipment. Fair value was determined with reference to depreciated replacement cost or market-based evidence, in accordance with International Valuation Standards. As a result of the revaluation performed management reassessed the useful lives of the Group's property, plant and equipment. This change affected the depreciation charge for the second half of 2015 and will impact depreciation onwards. The Group makes use of the exemption as allowed by IAS 8 for not disclosing the estimated effect due to impracticability.

The majority of the structures, plant and machinery are specialised in nature and are rarely sold in the open market in Ukraine other than as part of a continuing business. The market for similar property, plant and equipment is not active in Ukraine and does not provide a sufficient number of sales of comparable assets to allow for using a market-based approach for determining fair value. Consequently, the fair value of structures, plant and machinery was primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economic depreciation, and obsolescence.

The depreciated replacement cost was estimated based on internal sources and analysis of Ukrainian and international markets for similar property, plant and equipment. Specifically, the depreciated replacement cost was based on the actual physical characteristics of assets (volume, length, etc) multiplied by the cost to replace (as based on price indices), this was then further adjusted by the remaining useful life and the economic ceiling as determined on each cash generating unit. Various market data was collected from published information, catalogues, statistical data etc, and industry experts and suppliers.

As discussed further in Note 4, management determined that as at 31 December 2016 the carrying amount of the fixed assets did not differ materially from their fair value, therefore a new revaluation was not necessary.

## **9 Property, Plant and Equipment (Continued)**

As at 31 December 2016 total net book value of property, plant and equipment under finance lease is UAH 458 million (31 December 2015: UAH 398 million).

As at 31 December 2016, no buildings, plant and machinery (31 December 2015: UAH 636 million) have been pledged to third parties as collateral for borrowings (Note 33).

In 2016, the depreciation expense of UAH 8,333 million (2015: UAH 7,874 million), was included in cost of sales, zero was included in discontinued operations (2015: UAH 44 million), UAH 245 million (2015: UAH 335 million) in other operating expenses, UAH 85 million (2015: UAH 115 million) in general and administrative expenses, UAH 28 million (2015: UAH 25 million) in distribution expenses and UAH 301 million was capitalised (2015: UAH 69 million).

During 2016 the Group continued the construction of qualifying assets. This construction is financed through special-purpose and other borrowings. Borrowing costs capitalised during 2016 were UAH 112 million (2015: UAH 70 million). The rate in the range between 15.25% and 17.49% was used to estimate borrowing costs subject to capitalisation (2015: between 11.16% and 13.67%).

### *Impairment assessment in 2016*

Management determined that as at 31 December 2016 there were indicators of impairment with respect to all its property, plant and equipment located in the non-controlled territory: mines, generation and distribution assets. Additionally, it determined that there were no indicators of impairment as with respect to the assets in the controlled territory of Ukraine: mines (pricing has improved when compared to 2015 cash flow assumptions); generation (tariff growth is in line with 2015 cash flow assumptions); and distribution (no significant change in assumptions when compared to 2015 cash flow assumptions).

As a consequence of continuing logistical issues impacting the volume of coal that can be transported and continued poor collection rates in its distribution business management performed impairment assessments as of 31 December 2016 for its assets located in the non-controlled territory. Management noted that following the separation of the energy market in May 2015 the payment discipline from certain categories of end customers has deteriorated. This poor payment discipline continued in 2016. Consequently, management performed impairment tests as of 31 December 2016 and 2015 using the fair value less cost of disposal model (Level 3) for its mine, distribution and generation assets in that area. No impairment tests were performed for the distribution segment as of 31 December 2016 because most distribution assets located in the area were written off during the prior year impairment assessment. In 2016 impairment tests were performed for the following CGUs: DTEK Rovenkiantracyte LLC, DTEK Sverdlovantacyte LLC and combined CGU of DTEK Mine Komsomolets Donbassa PJSC plus ZuTES power station. In performing its impairment tests management used post-tax cash flow projections based on financial budgets approved by management covering a five-year period, these were discounted using a post-tax weighted average cost of capital of 19.6% (2015: 21-24%). Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 3% (2015: 3%).

Management in 2015 have determined under current operating circumstances that it operates as a single cash generating unit with the coal mining entity DTEK Mine Komsomolets Donbassa PJSC and ZuTES power station being a part of DTEK Skhidenergo LLC (both located in the non-controlled territory), this is due to the inter-dependency on the movement of coal and a normal operating production level of electricity. These companies belong to the coal and power generation segment. Management believe this treatment as one cash generation unit is still appropriate for 2016. An important assumption for the impairment testing of this cash generating unit was that collection rates at ZuTES would average 61% in 2017 through 2020 (actual collection rates being 60% in 2016) and increase to 100% from 2021 onwards. Additionally, the impairment assessment included the assumption that the volume of electricity generated by ZuTES would increase by 42% in 2018 compared to 2016 and that subsequent incremental increases of on average 2% for the next three years would take place. Another significant assumption used in the calculation was the production and ability to despatch coal from DTEK Mine Komsomolets Donbassa PJSC. This was set at a sales level of 3.1 million tons for 2017 (an increase of 13% from 2016) with future development in following years.

If ZuTES and DTEK Mine Komsomolets Donbassa PJSC were to have been considered to be two separate cash generating units then the carrying value of ZuTES with a current carrying value of UAH 3,211 million would have been fully impaired while the carrying amount of DTEK Mine Komsomolets Donbassa PJSC would have been left without impairment.

As a result of the impairment testing performed at this cash generating unit no additional impairment was recognised in 2016. If collection rates at ZuTES were to remain flat at 60% for the whole projected period then the carrying amount of this cash generating unit would be completely impaired. The carrying amount of property, plant and equipment at this cash generating unit as of 31 December 2016 is UAH 5,488 million. If actual sale volume of coal at DTEK Mine Komsomolets Donbassa PJSC were to be 5% lower than projected by management for future periods then an additional impairment of UAH 389 million of this CGU would be recognised.

## **9 Property, Plant and Equipment (Continued)**

The volume of coal shipped from mines located in non-controlled territory being DTEK Rovenkiantracyte LLC and DTEK Sverdlovantracyte increased in 2016 by 32% as compared to 2015, with specifically a strong level of shipments in the second half of 2016. Despite these improvements logistical challenges persist and consequently management performed an impairment assessment for each of these cash generating units. Both are part of the coal and power generation segment. The main assumption used in the calculation was the production and ability to despatch coal. Actual 2016 despatch of coal was 2.0 million tons for DTEK Rovenkiantracyte LLC and 1.5 million tons for DTEK Sverdlovantracyte LLC. The actual volumes in 2016 were still lower than estimated by management in impairment models prepared for impairment assessment in 2015 year. Management estimated that in 2017 the production and movement of coal would continue to improve and that this would increase by 120% and 41% for DTEK Rovenkiantracyte LLC and DTEK Sverdlovantracyte LLC, respectively.

Further, management estimated that volumes would increase by 39% on average over the subsequent four years. As a result of the impairment testing performed no additional impairment was recognised in 2016. If projected sales volumes were to remain flat at 2016 levels in the future for the whole projected period, an additional impairment in amount of UAH 2,120 million for DTEK Rovenkiantracyte and UAH 2,305 million for DTEK Sverdlovantracyte respectively would be recognised.

As further discussed in this note, the Group's distribution assets in the non-controlled territory attributable to DTEK Donetskoblenergo PJSC and DTEK Energougol ENE PJSC were fully impaired in 2015. There were no indicators of impairment for the Group's other property, plant and equipment.

### *Impairment recognised in 2015*

As a result of the impairment assessment performed in 2015 management fully impaired goodwill and the property, plant and equipment of DTEK Donetskoblenergo PJSC and property, plant and equipment of DTEK Energougol ENE PJSC electricity distribution companies, located in the non-controlled territory that belong to the Electricity distribution segment. Property, plant and equipment of these entities located in the area under the control of the Ukrainian government were not impaired. In prior periods, each of these entities was considered as one cash generating unit (CGU). After 1 May 2015, when the energy market of the non-controlled territory was separated from the energy market of Ukraine management separated the assets and cash flows attributable to operations in the controlled and non-controlled areas as separate CGUs. The impairment assessment for distribution assets located in the non-controlled territory resulted in an impairment charge to the 2015 consolidated statement of income of UAH 727 million. The primary cause of the impairment is the low collection rates from end customers in the non-controlled territory.

As described above, in 2015 management determined that it operates as a single cash generating unit with the coal mining entity DTEK Mine Komsomolets Donbassa PJSC and ZuTES power station. As a result of the 2015 impairment assessment management reflected in 2015 an impairment charge of UAH 1,362 million with respect to the cash generating unit. The impairment assessment resulted in a reduction of revaluation reserve by UAH 1,329 million and an impairment charge to the consolidated statement of income of UAH 33 million. The primary cause of the impairment is the low collection rates in the non-controlled territory. As at 31 December 2015, the resulting carrying amount of property, plant and equipment attributable to this CGU was UAH 7,272 million.

The 2015 impairment was based on the assumption that the collection rates would on average be equal to 57% in 2016 and increasing onwards following better cash collections through improvements to the economic situation and the Group's customer base. If this plan is not successful and the collection rates were to be equal to 50% then the impairment charge would increase by UAH 2,029 million. Also, the volumes of electricity generation and tariffs have a significant impact on the carrying amount of this CGU. Management projected increase in generation volumes and tariffs over the period of 5 years. If actual volumes of electricity generation at ZuTES in 2016 were to be kept flat at 2015 levels, then the carrying amount of this CGU would reduce by UAH 274 million. If actual tariff for electricity at ZuTES were to be 5% lower than projected by management, then the carrying amount of this CGU would reduce by UAH 810 million.

Another significant assumption used in the calculation was the production and ability to despatch coal from DTEK Mine Komsomolets Donbassa PJSC. This was set at production level of 4 million tons for 2016 with future development in following years. If actual production of coal were to be 25% lower than projected by management for the year 2016 then the carrying amount of property, plant and equipment of this CGU would reduce by UAH 820 million. If ZuTES and DTEK Mine Komsomolets Donbassa PJSC were to have been considered to be two separate cash generating units then the carrying value of ZuTES with a current carrying value of UAH 4,271 million would have been fully impaired while the carrying amount of DTEK Mine Komsomolets Donbassa PJSC would have been left without impairment. As a result of the 2016 impairment assessment no additional impairment was required.



## 9 Property, Plant and Equipment (Continued)

Further, impairment of UAH 1,421 million was noted in DTEK Skhidenergo LLC and Tehrempostavka LLC, for the assets located in the area controlled by the Ukrainian government. The impairment assessment resulted in a reduction of revaluation reserve by UAH 1,287 million and an impairment charge to the consolidated statement of income of UAH 134 million. The key underlying reason for the impairment of property, plant and equipment is the estimated limited increase of output for DTEK Skhidenergo LLC and Tehrempostavka LLC's power stations. Management projected variability in generation volumes with an overall declining trend and increase tariffs over the period to 2030. If actual volumes of electricity generation at DTEK Skhidenergo LLC and Tehrempostavka LLC (controlled territory) in 2016 were to be kept flat at 2015 levels, then the carrying amount of this CGU would increase by UAH 158 million. If actual tariff for electricity at DTEK Skhidenergo LLC and Tehrempostavka LLC (controlled territory) were to be 5% lower than projected by management, then the carrying amount of this CGU would reduce by UAH 2,664 million.

Additionally, impairment tests were performed in 2015 for two mine complexes in the non-controlled territory, DTEK Rovenkiantracyte LLC and DTEK Sverdlovantracyte LLC. These impairment tests resulted in an impairment in 2015 of UAH 207 million for DTEK Sverdlovantracyte LLC. The impairment assessment resulted in a reduction of revaluation reserve by UAH 196 million and an impairment charge to the consolidated statement of income of UAH 11 million. The main assumption used in the calculation was the production and ability to despatch coal. For 2016 this was set at 4 million tons for DTEK Rovenkiantracyte LLC and 4.7 million tons for DTEK Sverdlovantracyte LLC with future development in following years. If actual production were to be 25% lower than projected by management for the year 2016 then the carrying amount of property, plant and equipment for DTEK Sverdlovantracyte LLC would be UAH 711 million lower while the carrying amount of DTEK Rovenkiantracyte LLC would have been left without impairment.

Also, impairment assessment for all other entities resulted in a reduction of revaluation reserve by UAH 803 million and an impairment charge to the consolidated statement of income for 2015 of UAH 592 million.

The remaining impairment charge to the consolidated statement of income for 2015 of UAH 3,703 million is a consequence of the impact of the revaluation exercise. Specifically, sundry reductions in the fair value of individual assets were as a result of the comprehensive assessment of the depreciated replacement cost of the assets. These assets relate to a number of the Group's subsidiaries all located in the territory controlled by the Ukrainian government.

## 10 Intangible Assets

As at 31 December, intangible assets comprise:

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
Burshtyn electricity island	1,125	1,265
Other intangible assets	514	439
<b>Total</b>	<b>1,639</b>	<b>1,704</b>

Intangible asset "Burshtyn electricity island" is a unique technological capability of DTEK Zakhidenergo PJSC related to supply of electricity to the European Union.

The movements of other intangible assets were as follows:

<i>In millions of Ukrainian Hryvnia</i>	Cost	Accumulated amortisation and impairment	Net book value
<b>As at 1 January 2015</b>	<b>2,499</b>	<b>(626)</b>	<b>1,873</b>
Additions / (Charge) for the year	37	(196)	(159)
Demerger of subsidiaries (Note 16)	(12)	2	(10)
<b>As at 31 December 2015</b>	<b>2,524</b>	<b>(820)</b>	<b>1,704</b>
Additions / (Charge) for the year	190	(215)	(25)
Deleveraging	(40)	-	(40)
<b>As at 31 December 2016</b>	<b>2,674</b>	<b>(1,035)</b>	<b>1,639</b>

In 2016, the amortisation expense of UAH 180 million (2015: UAH 185 million), was included in cost of sales, and UAH 28 million (2015: UAH 16 million) in general and administrative expenses and UAH 7 million was included in other operating expenses.

As at 31 December 2016 the remaining useful life of "Burshtyn electricity island" intangible asset was 8 years (31 December 2015: 9 years).

## 11 Goodwill

The movements of goodwill were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
<b>Book amount as at 1 January</b>	<b>4,384</b>	<b>4,520</b>
Impairment of DTEK Donetskoblenergo PJSC Goodwill	-	(136)
<b>Book amount as at 31 December</b>	<b>4,384</b>	<b>4,384</b>

### Goodwill Impairment Test

Goodwill is allocated to cash-generating units (“CGUs”) which represent the lowest level within the Group at which goodwill is monitored by management.

Management allocated goodwill to five main CGUs:

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
Coal and power generation:		
- DTEK Dniproenergo PJSC	1,999	1,999
- DTEK Zakhidenergo PJSC	1,265	1,265
- DTEK Pavlogradugol PJSC	590	590
Energy distribution:		
- Kyivenergo JSC	483	483
- DTEK Dniiproblenergo PJSC	47	47
<b>Total</b>	<b>4,384</b>	<b>4,384</b>

The recoverable amount has been determined based on fair value less cost of disposal calculations. Cash flow projections, based on strategic model approved by senior management covering the period until 2030 year. Management believes that the assumptions used reflect market participant’s expectations.

The following table summarises key assumptions for major components on the management has based its cash flow projections to undertake the impairment testing of goodwill.

	2016	2015
<b>Coal and power generation – DTEK Dniproenergo PJSC</b>		
Post-tax discount rate per annum, %	17.4%	19,1%
Volumes growth rate per annum, %	(9)%-22%	(3)%-17%
Gross margin per annum, %	From 11% to 19% in 2017 - 2030	From 11% to 21% in 2016 - 2030
<b>Coal and power generation – DTEK Zakhidenergo PJSC</b>		
Post-tax discount rate per annum, %	17.4%	19,1%
Volumes growth rate per annum, %	(6)%-13%	(6)%-24%
Gross margin per annum, %	From 11% to 16% in 2017 - 2030	From (1)% to 20% in 2016 – 2030
<b>Coal and power generation - DTEK Pavlogradugol PJSC</b>		
Post-tax discount rate per annum, %	17.4%	19,1%
Volumes growth rate per annum, %	(16)%-7%	(9)%-2%
Gross margin per annum, %	From 55% to 59% in 2017 – 2030	From 49% to 51% in 2016 – 2030
<b>Electricity distribution – DTEK Kyivenergo PJSC</b>		
Post-tax discount rate per annum, %	17.4%	19,1%
Volumes growth rate per annum, %	1.2%-1.4%	1%-2%
Gross margin per annum, %	From 14.1% to 14.4% in 2017 - 2030	From 5% to 8% in 2016 - 2030
Period of transition to RAB	1Q 2017	2017
<b>Electricity distribution – DTEK Dniiproblenergo PJSC</b>		
Post-tax discount rate per annum, %	17.4%	19,1%
Volumes growth rate per annum, %	1%-2%	0%-7%
Gross margin per annum, %	From 9% to 16% in 2017 – 2030	From 6% to 23% in 2016 – 2030
Period of transition to RAB	1Q 2017	2Q 2016

The approach used in the impairment testing models for the long term forecast of electricity generation tariff was based on the assumption that tariff correlates with the general consumer price index in Ukraine.

## **11 Goodwill (Continued)**

The assumptions used in the impairment testing models for external coal sales prices in the period from 2017 to 2018 are based on the most recent API2 index forecasts adjusted for freight costs. For the period from 2019 to 2030 the price trend was based on forecast USD inflation based on the data from IHS global insight.

The assumptions used in the impairment testing models for electricity distribution entities were based on the assumption of switching to the model of "return on asset base" in respective periods which implies gradual growth in the margin.

Projected volumes of electricity distribution ranged from 8,708 million kWh for Kyivenergo and 21,488 million kWh for Dneproblenergo in 2017 to 10,398 million kWh for Kyivenergo and 25,142 million kWh for Dneproblenergo in 2030 (31 December 2015: 8,717 million kWh for Kyivenergo and 21,490 million kWh for Dneproblenergo in 2016 to 10,389 million kWh for Kyivenergo and 26,435 million kWh for Dneproblenergo in 2030). Actual electricity distribution volumes in 2016 amounted to 8,754 million kWh for Kyivenergo and 21,704 million kWh for Dneproblenergo (2015: 8,518 million kWh for Kyivenergo and 20,805 million kWh for Dneproblenergo).

Forecasted volumes of electricity generation for Dniproenergo and Zakhidenergo (being volumes of Ladyzhyn and Dobrotvor power generation stations) ranged from 10,257 million kWh and 5,135 million kWh in 2017 to 17,629 million kWh and 6,700 million kWh in 2030 respectively (31 December 2015: 9,935 million kWh and 5,088 million kWh in 2016 to 15,656 million kWh and 7,788 million kWh in 2030 respectively). Forecasts from industry experts and other external reputable sources, as well as internal analysis were used by management to determine price levels used in the impairment test. Actual electricity generation volumes in 2016 amounted to 11,676 million kWh for Dniproenergo and 5,743 million kWh for Zakhidenergo (2015: 9,202 million kWh for Dniproenergo and 4,276 million kWh for Zakhidenergo).

In June 2012, changes were implemented into the Law of Ukraine on Natural Monopolies (#4998-VI dated 21 June 2012). Such changes introduced new provisions concerning implementation of the incentive regulation for tariffs of natural monopolists, such as the definition of the incentive regulation, regulatory assets base ("RAB") and rate of return and the major tariff elements to be included by the state authorities when setting tariffs. Also a one-time assets revaluation is envisaged for the determination of the regulatory asset base. The State Property Fund developed methodology for the valuation of assets of the natural monopolists in October 2012, which was subsequently approved. Management expects transition to regulatory assets base tariff in 2017 for Dniproblenergo and Kyivenergo (distribution segment). The estimated recoverable amount will be equal to its carrying value if the periods of transition to the incentive regulation will not be as suggested above.

Management expects that the following rates of returns will be introduced after implementation of incentive regulation: 19.11% for all assets (2015: 14.8% for new regulatory assets base and 5% for old assets). If the expected RAB rates will be lower, this will result in certain impairment of PPE and related goodwill on distribution companies.

In assessing goodwill impairment management applied a post-tax discount rate of 17.4% for post-tax cash flows. The discount rate was calculated based on weighted average cost of capital for the Company.

The values assigned to the key assumptions represent management's best assessment of future trends in the business and are based on both external and internal sources. The Management believes that the assumptions used reflect market participant's expectations.

For the purposes of impairment testing, goodwill on Kyivenergo acquisition is allocated to electricity distribution activity. This unit represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

## 11 Goodwill (Continued)

The following tables illustrate the headroom derived from the impairment test using the assumptions disclosed above, and, for reasonably possible changes, the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to equal its carrying value:

CGU	Headroom (In millions of Ukrainian Hryvnia)	Increase of discount rate by (p.p.)	Decrease in selling tariff / coal prices growth by (p.p.)	Decrease in volume growth by (p.p.)	Decrease in gross margin by (p.p.)
<b>At 31 December 2016</b>					
DTEK Pavlogradugol PJSC	33,778	24.2	4.4	7.6	20.9
DTEK Dniproenergo PJSC	2,198	1.9	0.2	0.6	1.5
DTEK Zakhidenergo PJSC	217	0.7	0.1	0.1	0.3
Kyivenergo JSC	2,214	8.7	0.3	0.5	1.8
DTEK Dniprooblenergo PJSC	1,665	6.2	1.4	0.6	1.1
<b>At 31 December 2015</b>					
DTEK Pavlogradugol PJSC	9,043	9.0	1.8	3.2	8.5
DTEK Dniproenergo PJSC	856	0.8	0.1	0.5	0.8
DTEK Zakhidenergo PJSC	458	1.1	0.1	0.8	0.8
Kyivenergo JSC	80	0.3	0.02	0.1	0.1
DTEK Dniprooblenergo PJSC	71	0.4	0.06	0.1	0.1

Based on the above assumptions, management determined that the fair value less cost of disposal exceeds the carrying value of goodwill as at 31 December 2016. No impairment of goodwill was recognised as at 31 December 2016.

Impairment of goodwill at DTEK Donetskoblenergo PJSC in 2015 was largely driven by decreases in the underlying collection rate from end users located in the non-controlled territory.

## 12 Financial Investments

As at 31 December, non-current financial investments comprised:

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
Loans provided to related parties (Note 8)	10,046	8,859
Equity securities:		
- quoted	37	40
Deposits placed	2	-
<b>Total</b>	<b>10,085</b>	<b>8,899</b>

As at 31 December, current financial investments were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
Restricted deposits	165	1,500
Loans provided to related parties (Note 8)	1,765	902
Deposits placed	-	2
<b>Total</b>	<b>1,930</b>	<b>2,404</b>

Non-current financial investments are neither past due nor impaired. The carrying amounts of deposits and loans approximate their fair values.

The loans are provided to the Group's related party DTEK Oil&Gas Group. DTEK Oil&Gas B.V. is a subsidiary of DTEK B.V. incorporated in the Netherlands that has the majority of its assets in Ukraine outside of non-controlled territory. The loans are due in 2023 and 2024. The loans were initially recognised at fair value and accounted for under an effective interest rate of 8%. As at 31 December 2016 UAH 7,955 million were denominated in US dollars (31 December 2015: UAH 6,949 million) and UAH 2,091 million were denominated in Euro (31 December 2015: UAH 1,910 million). The loans provided to related parties are pledged under the new senior Notes (Note 19).

## 12 Financial Investments (Continued)

In 2015 as a result of negotiations, future contractual cash flow under loans provided to related parties were increased due to increase of nominal interest rate from 4% to 7%. This change was not treated as a substantial modification to the term of original loan and a gain of UAH 1,347 million was recognised in the consolidated income statement for the year ended 31 December 2015 (Note 31). There were no such changes regarding the loans provided to related parties in 2016.

During the year ended 31 December 2015, the Group terminated derivative instruments which were collateralised by bank deposits. See Note 20 for detailed discussion of these transactions.

As at 31 December 2016 restricted deposits in the amount of UAH 165 million were presented by deposits placed under letter of credit (31 December 2015: nil).

As at 31 December 2016 no restricted deposits were pledged under cash pooling arrangements as a collateral for borrowings (31 December 2015: UAH 1,500 million). For the purposes of cash flow statement movement of deposits under cash pooling arrangements is not included in investing activity and is offset with increase of related borrowings.

As at 31 December 2016, restricted deposits in the amount of UAH 72 million were denominated in US dollars (31 December 2015: nil), UAH 26 million were denominated in EUR (31 December 2015: nil) and UAH 67 million - in UAH (31 December 2015: UAH 1,500 million).

Current financial investments are neither past due nor impaired. The carrying amounts of deposits and loans approximate their fair values.

<i>In millions of Ukrainian Hryvnia</i>		<b>2016</b>		<b>2015</b>
	<b>Deposits</b>	<b>Loans provided to related parties</b>	<b>Deposits</b>	<b>Loans provided to related parties</b>
<i>Rating by Moody's Investors Service</i>				
- Ba2 rated	72	-	2	-
- Ca rated	-	-	1,500	-
<i>Non-rated</i>	95	1,765	-	902
<b>Total</b>	<b>167</b>	<b>1,765</b>	<b>1,502</b>	<b>902</b>

## 13 Inventories

As at 31 December, inventories were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Coal	1,697	2,731
Raw materials	1,254	1,054
Spare parts	506	490
Work in progress	478	720
Gas	404	1,251
Goods for resale	347	118
<b>Total inventories</b>	<b>4,686</b>	<b>6,364</b>

As at 31 December 2016 a balance of coal in the amount of 138 UAH million is located in the conflict zone in the East of Ukraine (31 December 2015: UAH 715 million). The ability to move this coal to end customers is subject to events in the conflict zone, as discussed in Note 2, and some export restrictions.

## 14 Trade and Other Receivables

As at 31 December, non-current trade and other receivables were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Restructured trade receivables (less discounting effect of UAH 280 million) (2015: UAH 52 million)	203	182
Other financial receivables (less discounting effect) (2015: nil)	7	64
<b>Total non-current trade and other receivables</b>	<b>210</b>	<b>246</b>

As at 31 December 2016, restructured accounts receivable of UAH 203 million (31 December 2015: UAH 182 million) were represented by balances renegotiated with State owned and other customers, these balances were neither past due nor impaired.

As at 31 December, current trade and other receivables were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Trade receivables (less provision of UAH 7,686 million) (2015: UAH 6,657 million)	15,746	10,844
Restructured trade receivables (less discounting effect of UAH 17 million (2015: UAH 28 million)	150	299
Other financial receivables (less provision of UAH 703 million) (2015: UAH 913 million)	2,606	1,144
<b>Total financial receivables</b>	<b>18,502</b>	<b>12,287</b>
VAT recoverable (less provision of UAH 85 million) (2015: UAH 85 million)	2,427	903
Prepayments to suppliers (less provision of UAH 1,004 million) (2015: UAH 1,034 million)	2,109	2,099
Heat tariff compensation receivable	644	485
Other (less provision of UAH 43 million) (2015: UAH 37 million)	326	243
<b>Total non-financial receivables</b>	<b>5,506</b>	<b>3,730</b>
<b>Total current trade and other receivables</b>	<b>24,008</b>	<b>16,017</b>

As at 31 December 2016 trade and other receivables in amount of UAH 21,234 million (31 December 2015: UAH 15,328 million) are due from customers located in the controlled territory and UAH 2,984 million (31 December 2015: UAH 935 million) are due from those located in the non-controlled territory of Ukraine.

As at 31 December 2016, 9% of trade and other receivables are denominated in currency, other than UAH (31 December 2015: 11%).

As at 31 December 2016, prepayments included UAH 1,004 million of prepayments for coal (31 December 2015: UAH 1,034 million). Due to non-shipment of goods the prepayments balance was impaired. The remaining prepayments include prepayments for electricity, gas, transportation and other services, and inventories.

During 2015 as result of loss of control over subsidiary the Group derecognised UAH 255 million of trade and other receivables.

During 2015 and 2016 the Group entered into restructuring agreements with water supply companies and formally deferred repayment from immediately to an agreed repayment schedule from 2015 to 2048. The terms of this restructuring did not include any interest. A loss of UAH 290 million was reflected in finance costs (Note 31) as a result of this restructuring (31 December 2015: UAH 113 million).

## 14 Trade and Other Receivables (Continued)

Movements in the impairment provision for trade and other receivables were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
<b>Provision for impairment at 1 January</b>	<b>8,726</b>	<b>5,617</b>
Provision for impairment during the year	1,894	3,833
Reversal of provision	(909)	(448)
Exchange rate difference	40	97
Deleveraging (Note 19)	(8)	-
Amounts written off during the year as uncollectible	(222)	(373)
<b>Provision for impairment at 31 December</b>	<b>9,521</b>	<b>8,726</b>

Provision for impairment during the year was recognised due to financial difficulties of the customers. Reversal of provision was recognised due to payments received from customers.

Analysis by credit quality of current financial trade and other receivables is as follows:

<i>In millions of Ukrainian Hryvnia</i>	2016		2015	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
<i>Current and not impaired – exposure to</i>				
- Energorynok SE	3,439	-	1,644	-
- Large Ukrainian corporates	192	9	557	5
- Medium sized companies	1,591	1,692	1,566	398
- Households	1,902	-	827	5
- Restructured balances of State owned and other customers	150	-	299	-
<b>Total current and not impaired</b>	<b>7,274</b>	<b>1,701</b>	<b>4,893</b>	<b>408</b>
<i>Past due and individually impaired (gross)</i>				
- less than 30 days overdue	2,125	108	447	35
- 30 to 90 days overdue	1,465	155	793	48
- 90 to 180 days overdue	500	282	1,623	628
- 180 to 360 days overdue	1,654	293	5,066	53
- over 360 days overdue	10,564	770	4,978	885
<b>Total past due and individually impaired</b>	<b>16,308</b>	<b>1,608</b>	<b>12,907</b>	<b>1,649</b>
<b>Less impairment provision</b>	<b>(7,686)</b>	<b>(703)</b>	<b>(6,657)</b>	<b>(913)</b>
<b>Total</b>	<b>15,896</b>	<b>2,606</b>	<b>11,143</b>	<b>1,144</b>

Increase in impairment allowance for trade accounts receivables is mainly driven by decreased cash collection in the non-controlled territory and impairment of receivables prior to introducing the new legislation in that area in May 2015. Majority of accounts overdue receivable past due relate to the state entity and are expected to be settled in 2017-2019. In 2016 impairment loss amounting UAH 321 million was recognised for these receivables based on time value of money assessment.

## 15 Cash and Cash Equivalents

As at 31 December, cash and cash equivalents were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
Bank balances payable on demand	5,499	681
Term deposits with maturity of less than three months	1,989	9
Restricted cash	57	16
<b>Total cash and cash equivalents</b>	<b>7,545</b>	<b>706</b>

## 15 Cash and Cash Equivalents (Continued)

As at 31 December 2016, cash and cash equivalents of UAH 4,769 million were denominated in US dollars (31 December 2015: UAH 108 million), UAH 553 million were denominated in EUR (31 December 2015: UAH 3 million), none were denominated in RUB (31 December 2015: UAH 9 million).

As at 31 December 2016 and 2015, no term deposits with original maturity of less than three months were pledged as collateral for borrowings or bank guarantees received.

As result of deleveraging of Rostov mines in 2016 the Group derecognised UAH 191 million of cash and cash equivalents. As result of loss of control over a subsidiary in 2015 the Group derecognised UAH 246 million of cash and cash equivalents.

As at 31 December 2016 there were no restricted cash pledged under cash pooling arrangements as a collateral for borrowings (31 December 2015: nil). For the purposes of cash flow statement movement of restricted cash under cash pooling arrangements in amount of UAH million is not included in investing activity and is offset with increase of related borrowings.

As at 31 December 2016, restricted cash in the amount of UAH 11 million used to cover letter of credit for purchase of equipment (31 December 2015: UAH 16 million used to cover letter of credit for purchase of equipment). For the purposes of the cash-flow statements this amount is not included in cash and cash equivalents balance.

The bank balances and term deposits are neither past due nor impaired. Analysis by credit quality of bank balances and term deposits is as follows:

<i>In millions of Ukrainian Hryvnia</i>	2016			2015		
	Bank balances payable on demand	Term deposits	Restricted cash	Bank balances payable on demand	Restricted cash	Term deposits
<i>Rating by Moody's Investors Service</i>						
- A3 rated	705	-	-	63	-	-
- Ba2 rated	2	-	-	1	-	8
- Baa3 rated	2	-	-	-	-	-
- Ca rated	413	17	-	125	5	1
- CCC	-	-	-	1	-	-
- Caa2 rated	2,733	1,871	11	-	-	-
- Non-rated*	1,644	101	46	491	11	-
<b>Total</b>	<b>5,499</b>	<b>1,989</b>	<b>57</b>	<b>681</b>	<b>16</b>	<b>9</b>

\* Non-rated banks rank in the top 10 Ukrainian banks by size of total assets and capital (per National Bank of Ukraine).

## 16 Discontinued operations

In March 2015, following a reorganisation plan, the Group has separated DTEK Oil&Gas BV, Naftogazvydobuvania PrJSC and DTEK Neftgaz LLC – into a separate Oil and Gas sub-holding, and DTEK Renewables BV, Wind Power LLC, Orlovskaya WEP LLC and Primorskaya WEP LLC - into a separate Renewable energy sub-holding. All are under the control of the new Parent – DTEK BV. The completion date for the transfer of Oil and gas sub-holding was on 19 September 2014 and the completion date for the transfer of Wind Power LLC being part of Renewable energy sub-holding was 9 March 2015. Separation of Wind Power LLC was part of mandatory approval and the plan was formalised in March 2015. In 2015 the Group obtained a cash consideration of UAH 434 million resulting from demerger of Wind Power LLC. Both demergers were accounted for as a reorganisation of entities under common control. The differences between carrying amounts of the assets transferred and consideration received from the demerger of subsidiaries were accounted for directly in equity. As all entities mentioned above were part of a single reorganisation plan to separate these lines of business, the result of all such operations is separated in the income statement and presented as discontinued operations.



**16 Discontinued Operations (Continued)**

<i>In millions of Ukrainian Hryvnia</i>	<b>Note</b>	<b>Wind Power LLC March 2015</b>
Property, plant and equipment	9	4,957
Intangible assets	10	10
Deferred income tax assets		627
Trade and other receivables		131
Loans provided to related parties		1,146
Inventories		1
Cash and cash equivalents		10
Non-current borrowings	19	(4,905)
Non-current loans from related parties		(2,724)
Provisions for other liabilities and charges	22	(2)
Current borrowings	19	(644)
Current loans from related parties		(121)
Trade and other payables		(132)
Other taxes payable		(22)
<b>Total carrying amount of net assets demerged</b>		<b>(1,668)</b>
<b>Total carrying amount of net assets demerged attributable to Equity holders of the Company</b>		<b>(1,668)</b>

There was an intragroup guarantee provided by a subsidiary of DTEK Energy Group to the Wind Power LLC which was eliminated at consolidation in previous periods. Upon Wind Power LLC demerger in 2015 the Group recognised a liability for a party outside of the Group being the fair value of this guarantee in amount of UAH 49 million. The guarantee was derecognised during 2016 (Note 31) due to it being cancelled.

As discussed in Note 3, the Group has recorded the loss on demerger of the subsidiaries being the difference between the net assets derecognised fair value of recognised guarantee and consideration received directly in equity.

Analysis of the result of discontinued operations is as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2015</b>
Revenue	271
Cost of sales	(114)
Other income and expenses, including foreign exchange loss, net	(2,187)
<b>Loss before tax from discontinued operations</b>	<b>(2,030)</b>
Income tax	365
<b>Loss after tax from discontinued operations</b>	<b>(1,665)</b>
<b>Loss is attributable to:</b>	
Equity holders of the Company	(1,665)

Analysis of the cash flows of discontinued operations is as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2015</b>
Net cash generated from operating activities	285
Net cash used in investing activities	(1,020)
Net cash generated from financing activities	734
<b>Net decrease in cash and cash equivalents</b>	<b>(1)</b>

**17 Share Capital**

The authorised share capital of DTEK Energy B.V. equals to fully paid share capital and comprises 3,000 ordinary shares with a par value of Euro 10.0 per share in total amount of Euro 30,000. All shares carry one vote.

**18 Other Reserves**

<i>In millions of Ukrainian Hryvnia</i>	<b>Additional paid in capital</b>	<b>Hedge reserve</b>	<b>Revaluation reserve</b>	<b>AFS reserve</b>	<b>Currency translation reserve</b>	<b>Total</b>
<b>Balance at 1 January 2015</b>	<b>(4,199)</b>	<b>(2,672)</b>	<b>12,785</b>	<b>(25)</b>	<b>628</b>	<b>6,517</b>
Property, plant and equipment:						
-- Increase in valuation of property plant and equipment	-	-	30,379	-	-	<b>30,379</b>
- Decrease in valuation of property plant and equipment	-	-	(9,950)	-	-	<b>(9,950)</b>
-Income tax recorded on revaluation of property plant and equipment	-	-	(3,678)	-	-	<b>(3,678)</b>
- Change in estimate relating to asset retirement provision recorded in equity	-	-	(443)	-	-	<b>(443)</b>
- Income tax recorded on change in estimate for asset retirement obligation	-	-	80	-	-	<b>80</b>
- Realised revaluation reserve	-	-	(3,718)	-	-	<b>(3,718)</b>
- Realised income tax recorded in equity	-	-	600	-	-	<b>600</b>
Reclassification adjustment in relation to cash flow hedges	-	1,787	-	-	-	<b>1,787</b>
Demerger of subsidiaries	-	-	(1,645)	-	-	<b>(1,645)</b>
Loss of control over subsidiary	-	-	-	-	135	<b>135</b>
Currency translation reserve	-	-	-	-	836	<b>836</b>
<b>Balance at 31 December 2015</b>	<b>(4,199)</b>	<b>(885)</b>	<b>24,410</b>	<b>(25)</b>	<b>1,599</b>	<b>20,900</b>
Property, plant and equipment:						
- Change in estimate relating to asset retirement provision recorded in equity	-	-	(366)	-	-	<b>(366)</b>
-Income tax recorded on change in estimate for asset retirement obligation	-	-	66	-	-	<b>66</b>
- Realised revaluation reserve	-	-	(4,166)	-	-	<b>(4,166)</b>
- Realised income tax recorded in equity	-	-	741	-	-	<b>741</b>
Reclassification adjustment in relation to cash flow hedges	-	506	-	-	-	<b>506</b>
Deleveraging (Note 19)	-	-	-	-	1,532	<b>1,532</b>
Currency translation reserve	-	-	-	-	(196)	<b>(196)</b>
<b>Balance at 31 December 2016</b>	<b>(4,199)</b>	<b>(379)</b>	<b>20,685</b>	<b>(25)</b>	<b>2,935</b>	<b>19,017</b>

The revaluation reserve, hedge reserve, AFS reserve and currency translation reserve are not distributable to the shareholders until they are transferred to retained earnings.

Retained earnings of the Group represent the earnings of the Group entities from the date they have been established or acquired by the entities under common control. Group subsidiaries distribute profits as dividends or transfer them to reserves on the basis of their statutory financial statements prepared in accordance with local GAAP as appropriate. Ukrainian legislation identifies the basis of distribution as retained earnings only, however this legislation and other statutory laws and regulations are open to legal interpretation and, accordingly, management believes at present it would not be appropriate to disclose the amount of distributable reserves in these consolidated financial statements.

**18 Other Reserves (Continued)**

Other comprehensive income, net of tax, is as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>Revaluation reserves</b>	<b>Hedge reserve</b>	<b>Currency translation reserve</b>	<b>Retained earnings</b>	<b>Total other comprehensive income</b>
<b>2015</b>					
Transfer to income statement related to cash flow hedges	-	1,787	-	-	<b>1,787</b>
Re-measurements of post-employment benefit obligations	-	-	-	(289)	<b>(289)</b>
Income tax recorded on re-measurements of post-employment benefit obligations	-	-	-	55	<b>55</b>
Increase in valuation of property plant and equipment, net of tax	28,110	-	-	-	<b>28,110</b>
Decrease in valuation of property plant and equipment, net of tax	(8,969)	-	-	-	<b>(8,969)</b>
Change in estimate for asset retirement obligation	(363)	-	-	-	<b>(363)</b>
Loss of control over subsidiary	-	-	135	-	<b>135</b>
Currency translation reserve	-	-	836	-	<b>836</b>
<b>Total</b>	<b>18,778</b>	<b>1,787</b>	<b>971</b>	<b>(234)</b>	<b>21,302</b>
<b>2016</b>					
Transfer to income statement related to cash flow hedges	-	506	-	-	<b>506</b>
Re-measurements of post-employment benefit obligations	-	-	-	(1,624)	<b>(1,624)</b>
Income tax recorded on re-measurements of post-employment benefit obligations	-	-	-	292	<b>292</b>
Change in estimate for asset retirement obligation	(301)	-	-	-	<b>(301)</b>
Currency translation reserve	-	-	(196)	-	<b>(196)</b>
<b>Total</b>	<b>(301)</b>	<b>506</b>	<b>(196)</b>	<b>(1,332)</b>	<b>(1,323)</b>

## 19 Borrowings

As at 31 December, borrowings were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
<b>Non-current</b>		
Eurobonds	26,403	21,221
Bank borrowings	344	-
	<b>26,747</b>	<b>21,221</b>
<b>Current</b>		
Bank borrowings	27,035	34,724
Interest accrual	3,066	2,003
	<b>30,101</b>	<b>36,727</b>
<b>Total borrowings</b>	<b>56,848</b>	<b>57,948</b>

Movements in borrowings during the period are as follows:

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
<b>Opening balance as at 1 January</b>	<b>57,948</b>	<b>47,965</b>
Extinguishment of Eurobonds	(26,089)	(3,316)
Redemption of Eurobonds	-	(811)
New Eurobonds recognised	26,057	3,316
Interest capitalised on Eurobonds*	1,813	-
Repayment of borrowings	(235)	(3,309)
New borrowings	29	2,355
Decrease in borrowings due to cash pooling arrangements	(1,500)	(1,423)
Loans recognised at termination of gross-settled derivatives	-	923
Interest accrued during the period	3,799	6,163
Interest paid during the period	(794)	(4,870)
Foreign exchange loss including currency translation difference	8,743	16,584
Recognition of discount (Note 31)	(397)	(80)
Release of interest accrued	(78)	-
Disposal of subsidiary (Note 16)	-	(5,549)
Deleveraging	(11,380)	-
Reclassification to other financial liabilities upon deleveraging	(808)	-
Offset with other accounts receivables upon deleveraging	(260)	-
<b>Closing balance as at 31 December</b>	<b>56,848</b>	<b>57,948</b>

\* Interest capitalised on Eurobonds includes interest, which was capitalised to the old senior Notes prior to restructuring in accordance with the terms of the Standstill arrangement.

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

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
Borrowings denominated in:		
- UAH	1,469	2,907
- US Dollars	40,179	33,732
- Euros	7,737	11,108
- Roubles	7,463	10,201
<b>Total borrowings</b>	<b>56,848</b>	<b>57,948</b>

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

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
Loans and borrowings due:		
- within 1 year	30,101	36,727
- between 1 and 5 years	-	21,221
- after 5 years	26,747	-
<b>Total borrowings</b>	<b>56,848</b>	<b>57,948</b>

## 19 Borrowings (Continued)

The effective interest rates and currency denomination of loans and borrowings as at the balance sheet date were as follows:

In % per annum	2016				2015			
	UAH	USD	EUR	RUB	UAH	USD	EUR	RUB
	19% - 25%	Libor 3m + 3.25% - 10.75%	Euribor 6m + 1.45% - Euribor 3m +8%+2%	Mosprime 3m + 4.45% - Mosprime 3m + 5.2%	15% - 25%	Libor 3m + 3.25% - 10.38%	Euribor 6m + 1.45% - Euribor 3m +8%	Mosprime e 3m + 4.45% - Mosprime e 3m + 5.2%
<b>Total borrowings</b>	<b>1,469</b>	<b>40,179</b>	<b>7,737</b>	<b>7,463</b>	<b>2,907</b>	<b>33,732</b>	<b>11,108</b>	<b>10,201</b>

**Eurobonds.** In April 2016, DTEK Finance PLC (the "Issuer") launched a Scheme of Arrangement (the "First Scheme") in relation to its USD 750 million 7.875% senior Notes due 4 April 2018 issued pursuant to an indenture dated 4 April 2013 and supplemental indenture dated 30 April 2013 (the "2013 Notes"), and its USD 160 million 10.375% senior Notes due 28 March 2018 issued pursuant to an indenture dated 28 April 2015 (the "2015 Notes") and, together with the 2013 Notes, the "Scheme Notes"). The purpose of the First Scheme was to manage the liquidity of the Group and achieve a standstill with the holders of the Scheme Notes (the "Scheme Noteholders") in order to create a stable platform during the period in which the Group could seek to negotiate with its creditors and finalise a full-scale restructuring of its capital structure. The First Scheme became effective on 26 April 2016 upon receipt of a sanction order of the High Court of Justice of England and Wales (the "Court"). The First Scheme provided for a moratorium which prevented the Scheme Noteholders from taking enforcement action in accordance with the terms of the Scheme Notes during the standstill period, which commenced on 26 April 2016 and expired on 28 October 2016 (the "Standstill Period").

In connection with a second Scheme of Arrangement launched by the Issuer in respect of the Scheme Notes in December 2016 (the "Second Scheme"), on 18 November 2016, the Group entered into a Lock-up agreement with a number of the Scheme Noteholders pursuant to which they agreed to support the key terms of the future restructuring, as specified therein. Under the Lock-up agreement, the Group paid in cash to Scheme Noteholders USD 13 million (UAH 351 million) of lock-up and restructuring fees, as included in 'loss on restructuring of borrowings' (Note 31). On 21 December 2016, the Court issued a sanction order sanctioning the Second Scheme under which the Scheme Notes were cancelled and replaced with a single new issue of Senior PIK Toggle Notes (the "New Notes") in an aggregate principal amount of USD 1,275 million (UAH 34,289 million), calculated as follows: (1) the nominal amount of USD 894.8 million (being the aggregate nominal amount of the Scheme Notes outstanding as at the date of cancellation), plus (2) all deferred and unpaid interest of USD 70.2 million that accrued during the Standstill Period in accordance with the terms of the First Scheme, plus (3) all accrued and unpaid interest under the Scheme Notes for the period between 29 October 2016 and 29 December 2016, being USD 10.2 million, plus (4) USD 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 terms of the bank debt exchange offer authorised under Second Scheme (the "Bank Exchange Offer"). As at 31 December 2016, USD 300 million of bank loans which are subject to exchange for New Notes are classified as bank borrowings.

Fifty percent of the principal amount of the New Notes outstanding on 29 December 2023 will be redeemed by the Issuer on such date. The remaining principal amount of the New Notes will be repaid on 31 December 2024. Interest is payable on the New Notes in cash or PIK from 21 December 2016 until maturity at a rate of 10.75% payable quarterly, provided that the minimum amount of such interest that must be paid in cash is: 5.5 percent per annum until the end of 2018, 6.5 percent per annum in 2019, 7.5 percent per annum in 2020, 8.5 percent per annum in 2021, 9.5 percent per annum in 2022, and 10.75 percent per annum thereafter. The effective interest rate under the new senior Notes is 11.387%. Any previous events of default under the Scheme Notes were waived under the Second Scheme.

The New Notes are secured by (i) the assignment by the Company in favour of the trustee for the New Notes (the "New Notes Trustee") on behalf of the holders of the New Notes (the "Noteholders") of all its rights in respect of two loans provided to the Group's related party DTEK Oil&Gas Group, which loans are due in 31 December 2023 and 31 December 2024, respectively (the "DTEK Oil&Gas Loans") (Note 12); and (ii) a pledge in favour of the New Notes Trustee, on behalf of the Noteholders, over the bank account (and all amounts credited thereto from time to time) established and maintained to receive all proceeds from the DTEK Oil&Gas Loans. The New Notes indenture contains specific covenants, including restrictions on the distribution of dividends (which are subject to certain restricted payment conditions, restrictions on permissible business activities, requirements for arm's length affiliate transactions, financial disclosure requirements and a maximum permissible level of additional incurred financial indebtedness. Events of default are comprehensive and include cross-default provisions related to other debt and certain events of default under DTEK Oil&Gas Loans.

## **19 Borrowings (Continued)**

The differences between the terms of the Scheme Notes and the terms of the New Notes are considered substantial by management based on combination of qualitative and quantitative factors, including the new conversion element of up to USD 300 million of bank loans to New Notes, providing of security over the receivables under the DTEK Oil&Gas Loans, and the changes in the covenants and in the repayment schedule. Consequently, the transaction was accounted as an extinguishment of the Scheme Notes and the recognition of the New Notes.

**Bank borrowings.** On 21 September 2016, the Group entered into a Standstill Agreement with its main bank lenders. The duration of the Standstill Agreement was automatically extended to 28 January 2017 in accordance with its terms. The Standstill Agreement was signed by lenders representing 76% of the Group's total aggregate bank indebtedness (with such signatory bank lenders holding UAH 28,793 million outstanding amount out of UAH 37,815 million of total bank borrowings outstanding amount as of the date of the Standstill Agreement). The Standstill Agreement established a moratorium on all claims or actions under the underlying bank debt documentation during the term of the Standstill Agreement. During such standstill period, the Group paid UAH 125 million of standstill-fee, which is included in 'loss on restructuring of borrowings' (Note 31). Discussions with banks were conducted with a view to agree on rescheduling plans, including repayment extension and adjustment to other terms.

On 29 March 2017, the Group restructured a significant portion of its bank borrowings totalling UAH 14,795 million as at 31 December 2016 (the "Restructured Bank Debt") by way of signing an Override agreement (the "Override Agreement"). The Override Agreement resulted in the modification of certain of the key terms and conditions of the documentation in respect of the Restructured Bank Debt (the "Restructured Bank Debt Documentation"), as outlined further. The maturity dates of the Restructured Bank Debt were all extended to 2023. All events of default under the Restructured Bank Debt Documentation were waived and any default interest accrued up to and including the effective date of the Override Agreement was irrevocably released and discharged. Approximately 50 percent of the interest accrued and not paid on the Restructured Bank Debt was capitalised and included into the main loan balance due in 2023. Further, the interest rates for the Restructured Bank Debt was amended to either Euribor+5% or Libor+5%. A cash sweep mechanism was introduced that establishes that any excessive cash balance over a threshold of USD 110 million shall be used to prepay the principal of the Restructured Bank Debt. The Override Agreement includes a number of covenants, including but not limited to, limitations on payments to shareholders, 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. Events of default are comprehensive and include cross-default provisions related to other debt.

Management believe that remaining unstructured bank borrowings (UAH 14,320 million as at 31 December 2016) will be subject to separate new restructuring agreements with similar terms and conditions as the Override Agreement. Prior to the signing of these new agreements, the borrowings, with the exception of UAH 880 million as at 31 December 2016 (sundry working capital loans), remain in default.

As at 31 December 2016, no borrowings (31 December 2015: UAH 150 million) were secured with property, plant and equipment (Note 33).

**Deleveraging and restructuring.** In 2016, the Group and its parent company DTEK B.V. entered into and completed a deleveraging transaction with Sberbank of Russia ("Sberbank"), one of the Group's lenders, pursuant to which it agreed to transfer the ownership of JSC Mine Office Obukhovskaya, JSC Donskoy Anthracite and LLC Sulianthracite (together, the "Rostov Mines") to a new holding company ("Fabcell Limited"), owned by its immediate parent DTEK B.V. (the "Deleveraging Transaction"). The carrying value of the net liabilities of Rostov Mines in the consolidated financial statements of the Group as at the date of transfer was UAH 4,161 million. The ownership of the Rostov Mines was transferred to Fabcell Limited on 1 September 2016.

As part of the Deleveraging Transaction, in August-September 2016, the Group transferred to Fabcell Limited loans and interest on loans receivable from the Rostov Mines in the amount of UAH 3,681 million (as at 22 September 2016: UAH 3,751 million) and promissory notes receivable from the Rostov Mines in the amount of UAH 1,164 million (as at 22 September 2016: UAH 1,186 million) that were previously eliminated on consolidation. In consideration for the above transfers, UAH 10,390 million of the Group's bank borrowings from Sberbank were extinguished and transferred to Fabcell Limited and JSC Mine Office Obukhovskaya, whose transfer became effective on 22 September 2016.

The Deleveraging Transaction was structured to ensure that there would be no significant impact on the financial results of the Group and that Fabcell Limited would have sufficient resources to repay the transferred borrowings. At the time of the Deleveraging Transaction, management performed an independent business valuation of the fair value of Rostov Mines. Consequently, mine assets with a business value of approximately USD 210 million together with receivable balances of approximately USD 190 million (UAH 3,751 million and UAH 1,186 million) were exchanged for borrowings of approximately USD 400 million.

## 19 Borrowings (Continued)

Pursuant to the Deleveraging Transaction, of the UAH 12,338 million of total indebtedness owing to Sberbank as at 22 September 2016, UAH 10,390 million was transferred to Fabcell, UAH 808 million was reclassified as 'other financial liabilities' (Note 20) and UAH 260 million was offset with accounts receivable from Sberbank. The remaining balance of UAH 808 million was reclassified as 'non-current bank borrowings' in accordance with the terms of the Deleveraging Transaction and recognised at fair value using an effective interest rate of 8.21%. A corresponding gain was recognised in 'finance income' as a gain on the initial recognition of renegotiated borrowings whose terms were changed at the time of the Deleveraging Transaction (Note 31). Additionally, the net assets of the Rostov Mines, which were transferred on 1 September 2016, included UAH 990 million of bank borrowings.

Additionally, the Group issued a guarantee to Sberbank with respect to the loan transferred to Fabcell. This guarantee is subject to a limit of USD 100 million (31 December 2016: UAH 2,719 million). The fair value of this guarantee was estimated to be UAH 1,298 million.

The Group accounted for the disposal of the Rostov Mines as a common control transaction, recognising the surplus directly in retained earnings. A surplus arose as the IFRS carrying value did not reflect the inherent business value of the Rostov Mines. This surplus was calculated as: the accounting value of the loan transferred (UAH 10,390 million); plus the net liabilities of the Rostov mines derecognised (UAH 4,161 million, consisting of net assets of Rostov mines in the amount of UAH 776 million, and loans and promissory notes in the amount of UAH 4,937 million recognised on deconsolidation of the Rostov mines); less the transferred loans, interest receivable and promissory notes (UAH 4,937 million); less the fair value of the guarantees (UAH 1,328 million), amounting to the total surplus recorded in retained earnings in the amount of UAH 8,286 million. In addition, the currency translation reserve related to the Rostov mines (UAH 1,532 million of negative reserve) was transferred to retained earnings. Had the business value, rather than accounting value, of the Rostov mines been used then the above surplus recognised in retained earnings would have been eliminated. Rostov mines are not accounted as discontinued operations due to their insignificance to Group operations.

**Covenants.** The New Notes indenture and the loan agreements with respect to bank borrowings contain specific covenants. As at 31 December 2016 the Group was in compliance with the covenants for the New Notes, but not for bank borrowings. Following the signing of the Override Agreement the Group is in compliance with the covenants relating to this debt. Covenants on the remaining unstructured bank borrowings remain not in compliance.

Events of default are comprehensive and include cross-default to other debt of the Group. However, the cross-default clauses in the New Notes and the debt covered by the Override Agreement excludes existing cross default in relation to the remaining unstructured bank borrowings.

As at 31 December 2015, the Group was in breach (as a result of the remeasurement of borrowings using the year end exchange rate) of certain financial covenants on a number of loans related to the ratio of indebtedness to EBITDA. Additionally, covenants as at 31 December 2015 in relation to tangible net worth for some loans were also breached. As a consequence of these loan covenant breaches, some other loans covenants were also breached. Throughout 2016, the Group continued to be in breach of bank financial covenants and therefore all bank borrowings are classified as current.

## 20 Other Financial Liabilities

As at 31 December, non-current financial liabilities comprised:

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
Financial liability designated at fair value through profit or loss	6,462	-
Deferred consideration for acquisition	4,205	4,112
Restructured trade payables	1,723	666
Payable for finance lease	280	424
Guarantee under the borrowings of related parties	1,379	49
Restructured taxes payable	8	8
Loans payable to related parties (Note 8)	12	-
Other long-term financial liabilities	32	99
<b>Total non-current other financial liabilities</b>	<b>14,101</b>	<b>5,358</b>

**20 Other Financial Liabilities (Continued)**

As discussed in Note 19, in 2016 the Group entered into and completed a deleveraging plan with Sberbank of Russia. As part of this transaction the amount of outstanding liability under a gross-settled derivative of USD 237 million (UAH 6,162 million applying exchange rate at the date of transaction) including accrued interest was converted to a financial instrument that has a conversion option and cap/floor features. According to the arrangement with Sberbank of Russia, the derivative financial instrument was extinguished and the repayment of the outstanding liability was deferred for a 18 months period after transaction date being 22 September 2016. Sberbank may elect to convert the outstanding amount into a loan, if DTEK will restructure its credit portfolio on the terms agreed as part of restructuring with interest determined with a reference to 8.2%. If there is no restructuring 18 months after the date of transaction, Sberbank may elect to convert the outstanding amount into a loan with 8.2% interests, but regardless starting 18 months after the date of the transaction DTEK should start to accrue 8.2% interest on the outstanding amount of the financial instrument. The liability is repayable in full on demand of Sberbank from the 18 months after transaction date. Conversion to a loan is possible only if necessary corporate approvals will be obtained. The Group has designated the whole financial liability at fair value through profit and loss subject to floor and cap features until the final conversion will take place. Based on the cap and floor features, the fair value of the instrument at any time cannot be higher than USD 242 million (equivalent of UAH 6,579 million applying exchange rate as at 31 December 2016) or lower than USD 237 million (equivalent of UAH 6,444 million applying exchange rate as at 31 December 2016).

Deferred consideration for acquisition relates primarily to acquisition of coal mines. It is carried at amortised cost at an effective discount rate of 16.8% per annum and matures in 2060. In 2016 estimated cash flows for the deferred consideration were remeasured in accordance with inflation in Ukraine. During 2016 the Group's subsidiaries entered into additional agreements with the State Property Fund that resulted in decrease of deferred consideration for acquisition of mines and payable for finance lease by UAH 788 million. This amount is presented as a gain on change in legislation on deferred consideration related to acquisition in finance income (Note 31).

Restructured trade payables include UAH 2,358 million (31 December 2015: UAH 1,298 million) of restructured payable to the energy seller monopolist Energorynok SE which sells the energy to distribution companies of the Group, UAH 118 million of restructured trade payable for state-owned Vugillya Ukrayiny (31 December 2015: 188 UAH million). Restructured trade payables are recognised at fair value and subsequently carried at amortised cost at effective interest rate ranging between 14.8% and 21.1%. During 2016, UAH 2,174 million of trade payables to Energorynok SE were restructured with maturity up to 2018-2019 based on court decisions. As a result of restructuring, gain on initial recognition of restructured trade payables in amount UAH 520 million was recognised in finance income (Note 31).

In 2015 upon the demerger of Wind Power LLC the Group recognised a loan receivable which was previously eliminated in the consolidated financial statements. Subsequently after the transfer date, this loan receivable in the amount of UAH 2,521 million was offset with a loan payable to a related party denominated in Euro and being an equivalent of UAH 2,895 million at the date of transaction. The remaining portion of loan payable, being UAH 374 million, was extinguished with no effect on the Group's cash liquidity position as a result of instantaneous repayment of the related party loan receivable by the Group in the same amount of UAH 374 million.

As part of acquisition of the mining assets in 2011, the Group assumed certain restructured tax obligations that are due between 2013 and 2030. The obligations have been discounted at implied rates in a range from 16.6% to 18.6%.

As at 31 December, current financial liabilities of the Group comprised:

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Gross-settled derivative financial instruments	-	5,458
Current portion of restructured trade payable	809	732
Current portion of deferred consideration	296	98
Restructured taxes payable	77	20
Loans payable to related parties	4	11
<b>Total current other financial liabilities</b>	<b>1,186</b>	<b>6,319</b>

As disclosed above, the gross-settled derivative financial instrument outstanding as at 31 December 2015 was extinguished in 2016 year as part of deleveraging transaction with Sberbank of Russia.

During 2011 - 2013 DTEK concluded agreements for a swap of RUB denominated loans with floating rate for a USD and EUR denominated loans with fixed rate. As described in Note 3, the Group adopted hedge accounting for these transactions starting from 1 January 2013. Starting from 1 July 2014 management decided to discontinue the hedge accounting application since they did not expect the hedge will be highly effective in the future. Cash flow hedge was discontinued prospectively. The cumulative loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective (from 1 January 2013 to 30 June 2014) will remain separately in equity and reclassified to profit or loss in the periods when the forecast transaction occurs.



## 20 Other Financial Liabilities (Continued)

A portion of accumulated loss in hedge reserve in equity for the period when the hedge accounting was applied (from 1 January 2013 to 30 June 2014) in amount of UAH 506 million (2015: UAH 1,787 million) was reclassified to profit and loss mainly to net operating forex exchange losses. The remaining part of cumulative loss on the hedging instrument that has been recognised in other comprehensive income and attributable to export sales proceeds will remain separately in equity and reclassified to profit or loss in the periods when the forecast sales transaction occurs.

In March and July 2015 agreements with Barclays and VTB on early termination of swap derivatives were signed. As a consequence, the derivative financial instrument in the amount of UAH 4,196 million was terminated and settled with related deposits in the amount of UAH 3,317 million.

## 21 Retirement Benefit Obligations

The Group's production companies have a legal obligation to compensate the Ukrainian state pension fund for additional pensions paid to certain categories of former employees of the Group. There are also lump sum benefits payable upon retirement and post-retirement benefit programs.

In 2016 the defined benefit plan covers 119,762 people and 19,412 pensioners (2015: 119,784 and 20,350 respectively).

None of the employee benefits plans stated below are funded.

The defined employee benefit liability as at 31 December originated as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Retirement benefits	4,898	3,843
Retirement benefits - coal support	1,671	1,019
Lump sum payments	685	527
<b>Present value of Retirement benefit obligation</b>	<b>7,254</b>	<b>5,389</b>

The amounts recognised in the income statement were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Current service cost	168	162
Interest cost (Note 31)	774	707
Past service cost (gain)	30	(227)
<b>Total</b>	<b>972</b>	<b>642</b>

Changes in the present value of the defined benefit obligation were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
<b>Defined benefit obligation as at 1 January</b>	<b>5,389</b>	<b>4,969</b>
Current service cost	168	162
Interest cost (Note 31)	774	707
Recognised past service cost (gain)	30	(227)
Foreign exchange losses	16	6
Benefits paid	(648)	(517)
Re-measurements of the defined benefit liability resulting from:		
- changes in financial assumptions	988	144
- changes in demographic assumptions	(6)	15
- experience adjustments	642	130
Deleveraging (note 19)	(99)	-
<b>Defined benefit obligation as at 31 December</b>	<b>7,254</b>	<b>5,389</b>

Increase in amount of experience adjustment mainly attributable to increase in coal cost per ton and volumes of coal supply to the participants.

Because of several changes made to the Ukrainian pension legislation in 2016 year, list of professions with privileged retirement was reduced. Effect of these changes recognised immediately as negative past service cost. This was mitigated by the change in collective agreements of the certain Group's components leading to additional past service cost being recognised.

## 21 Retirement Benefit Obligations (Continued)

The estimate of pension obligations requires significant judgement (see Note 4). The principal actuarial assumptions used were as follows:

	<b>2016</b>	<b>2015</b>
Nominal discount rate	14.4%	16.04%
Nominal salary increase	5.00%-13.00%	5.00%-10.00%
Pension indexation rate	3.60%	3.60%

Since there are no long-term high quality corporate bonds in Ukraine, the Group applies market rates on Ukrainian government bonds of appropriate maturity to discount post-employment benefit obligations.

The sensitivity of the defined benefit obligation to changes in the principal assumptions is as follows:

	<b>2016</b>	<b>2015</b>
Nominal discount rate increase/decrease by 1%	(6,43%)/7,22%	(5.74%)/6.41%
Nominal salary increase/decrease by 1%	2,77%/(2,57%)	2.35%/(2.18%)
Pension indexation rate increase/decrease by 1%	1,87%/(1,84%)	2.00%/(1.97%)

As at 31 December 2016, the weighted average maturity of the Group's defined benefit obligations is 7.5 years and it varies across different Group's subsidiaries from 5.2 to 8.7 years (31 December 2015: 7.1 years, varying from 6 to 11.66 years). Payments in respect of defined benefit obligations expected to be made during the year ending 31 December 2017 are UAH 1,085 million (2016: UAH 894 million).

## 22 Provisions for Other Liabilities and Charges

Movements in provisions for liabilities and charges are as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>Asset retirement provision</b>	<b>Provision for legal claims</b>	<b>Total</b>
<b>At 1 January 2015</b>	<b>670</b>	<b>25</b>	<b>695</b>
Change in estimates	544	-	544
Arising during the year	-	92	92
Unwinding of discount (Note 31)	76	-	76
Reversal of provision	-	(13)	(13)
Utilised	(13)	(4)	(17)
Demerger of subsidiaries (Note 16)	-	(2)	(2)
<b>At 31 December 2015</b>	<b>1,277</b>	<b>98</b>	<b>1,375</b>
Change in estimates	377	-	377
Arising during the year	-	57	57
Unwinding of discount (Note 31)	124	-	124
Reversal of provision	-	(4)	(4)
Utilised	(14)	(120)	(134)
Deleveraging (Note 19)	(46)	(8)	(54)
<b>At 31 December 2016</b>	<b>1,718</b>	<b>23</b>	<b>1,741</b>

The asset retirement provision is attributable to the mining and energy generating activities of the Group resulting from the obligation to dismantle and remove the mines and remediate soils disturbed by the underground works and ash dumps to the extent of existing revaluation reserve. The increase of the asset retirement obligation was recorded in other reserves as the Group uses the fair value model to measure property, plant and equipment.

Key assumptions used to calculate asset retirement provision were as follows:

	<b>2016</b>	<b>2015</b>
Pre-tax nominal discount rate	14.4%	16.04%
Inflation long-term	5.0%	5.00%
Inflation middle-term	7.0%	7.00%

## 23 Trade and Other Payables

As at 31 December trade and other payables were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
Trade payables	11,784	11,931
Liabilities for purchased property, plant and equipment	1,034	1,073
Dividends payable	57	58
Liabilities for purchased securities	12	12
Other creditors	3,340	778
<b>Total financial payables</b>	<b>16,227</b>	<b>13,852</b>
Accruals for employees' unused vacations	773	696
Wages and salaries payable	948	866
<b>Total non-financial payables</b>	<b>1,721</b>	<b>1,562</b>
<b>Total</b>	<b>17,948</b>	<b>15,414</b>

Analysis by currency and future undiscounted cash flows of financial trade and other payables is as follows:

### 31 December 2016

<i>In millions of Ukrainian Hryvnia</i>	Trade payables	Liabilities for purchased securities	Liabilities for purchased property, plant and equipment	Dividends payable	Other creditors
<i>Currency analysis:</i>					
UAH denominated	11,446	12	973	57	2,740
USD denominated	136	-	-	-	396
EUR denominated	179	-	54	-	196
RUB denominated	20	-	7	-	3
GBP denominated	1	-	-	-	2
CHF denominated	-	-	-	-	2
HUF denominated	-	-	-	-	1
PLN denominated	2	-	-	-	-
<b>Total</b>	<b>11,784</b>	<b>12</b>	<b>1,034</b>	<b>57</b>	<b>3,340</b>

### *Future undiscounted cash flow analysis:*

Up to 3 months	10,672	3	1,014	57	3,328
From 3 to 6 months	13	-	6	-	-
From 6 to 12 months	1,099	9	14	-	12
<b>Total</b>	<b>11,784</b>	<b>12</b>	<b>1,034</b>	<b>57</b>	<b>3,340</b>

### 31 December 2015

<i>In millions of Ukrainian Hryvnia</i>	Trade payables	Liabilities for purchased securities	Liabilities for purchased property, plant and equipment	Dividends payable	Other creditors
<i>Currency analysis:</i>					
UAH denominated	11,658	12	900	58	767
USD denominated	21	-	-	-	6
EUR denominated	42	-	139	-	5
RUB denominated	209	-	34	-	-
GBP denominated	1	-	-	-	-
<b>Total</b>	<b>11,931</b>	<b>12</b>	<b>1,073</b>	<b>58</b>	<b>778</b>

### *Future undiscounted cash flow analysis:*

Up to 3 months	11,693	12	1,009	58	758
From 3 to 6 months	97	-	23	-	-
From 6 to 12 months	141	-	41	-	20
<b>Total</b>	<b>11,931</b>	<b>12</b>	<b>1,073</b>	<b>58</b>	<b>778</b>

## 24 Other Taxes Payable

As at 31 December other taxes payable were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
Value-added tax	3,223	397
Payroll taxes	451	608
Other taxes	959	1,436
<b>Total other taxes payable</b>	<b>4,633</b>	<b>2,441</b>

Increase in value-added tax (VAT) in 2016 was caused by changes in tax legislation from 1 January 2016 under which VAT for the companies in the energy sector of Ukraine are recognised on a cash basis. As the majority of resources to produce electricity are sold on prepayment basis, the Group subsidiaries recognised VAT in 2016 at the date of prepayments received, including intra-group prepayments that were eliminated for the purpose of these consolidated financial statements.

## 25 Revenue and Heat Tariff Compensation

Analysis of revenue by category is as follows:

<i>In millions of Ukrainian Hryvnia</i>	2016	2015
Sale of electricity to final customers	53,548	43,600
Sale of electricity to electricity pool	45,376	32,648
Sale of gas	9,742	3,160
Heat generation	8,799	5,611
Sale of steaming and coking coal	5,715	4,149
Sale of electricity abroad	4,359	3,230
Other sales	358	316
<b>Total</b>	<b>127,897</b>	<b>92,714</b>

In April 2015 the General Prosecutor's Office of Ukraine arrested the shares of the main gas supplier PrJSC Naftogazvydobuvannya's, a subsidiary of the parent DTEK B.V., together with its assets and prevented the sale of extracted gas. Starting from June 2015 the Group ceased purchases of gas from PrJSC Naftogazvydobuvannya. In December 2015, after successful resolution of the case in favour of DTEK, the arrest over the shares of PrJSC Naftogazvydobuvannya's together with its assets was lifted. Following the lifting of the assets arrest the Group immediately initiated the sale of gas produced in 2015 and this was sold subsequently in 2016 causing increase of revenue for sale of gas from UAH 3,160 million in 2015 to UAH 9,742 million in 2016.

Geographical analysis of revenue is presented in Note 7.

### **Heat tariff compensation**

Heat tariff compensation is a government grant and represents the difference between heat tariff required to cover all production costs plus reasonable margin and that imposed by the State, compensated to the Group regularly. The amount of the difference to be compensated to the Group by the State for 2016 was UAH 159 million (2015: UAH 908 million). After the changes in legislation starting from 1 June 2014 heat tariff was revised and increased to an economically grounded tariff. After these changes direct revenue of the Company from heat supply is increased simultaneously with decrease of heat tariff compensation. However, due to dynamic changes in operating environment the costs of the Company are still higher than heat tariffs which lead to recognition of receivables for heat tariff compensation as at 31 December 2016 which was proved by State authorities.

Following this change, the Group anticipates that settlement for accounts receivable for supplied heat will be faster as cash will be received directly from the customers but it also expects higher level of bad debts due to higher tariffs.

**26 Cost of Sales**

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Cost of electricity purchased for resale	53,732	43,161
Raw materials	19,694	13,375
Staff cost, including payroll taxes	10,211	10,476
Cost of gas purchased for resale	9,643	3,267
Depreciation of property, plant and equipment and amortisation of intangible assets	8,513	8,059
Transportation services and utilities	5,576	7,031
Taxes, other than income tax	2,282	1,434
Production overheads	1,414	1,047
Change in finished goods and work in progress	1,332	(54)
Equipment maintenance and repairs	612	444
Other costs	31	92
<b>Total</b>	<b>113,040</b>	<b>88,332</b>

As at 31 December 2016, staff costs include payroll in the amount of UAH 6,959 million (31 December 2015: UAH 6,565 million), payroll related taxes in the amount of UAH 1,758 million (31 December 2015: UAH 2,708 million), unused vacation and bonuses provisions in the amount of UAH 1,276 million (31 December 2015: UAH 1,259 million), pensions in the amount of UAH 185 million (31 December 2015: income of UAH 85 million), other personnel costs in the amount of UAH 33 million (31 December 2015: UAH 29 million).

**27 Other Operating Income**

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Penalties	289	100
Gain on sales of inventory	166	34
Income from extinguishment of accounts payable	108	31
Assets received free of charge	16	23
Insurance compensation	-	203
Income from recovery on previously written off trade receivables	-	5
Other	101	65
<b>Total</b>	<b>680</b>	<b>461</b>

**28 Distribution Costs**

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Transportation	1,021	1,063
Staff cost, including payroll taxes	42	45
Depreciation	28	25
Other costs	125	123
<b>Total</b>	<b>1,216</b>	<b>1,256</b>

As at 31 December 2016, staff costs include payroll in the amount of UAH 13 million (31 December 2015: UAH 29 million), payroll related taxes in the amount of UAH 8 million (31 December 2015: UAH 11 million), unused vacation and bonuses provisions in the amount of UAH 21 million (31 December 2015: UAH 4 million), other personnel costs in the amount of UAH nil million (31 December 2015: UAH 1 million).

**29 General and Administrative Expenses**

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Staff cost, including payroll taxes	1,486	1,522
Professional fees	453	338
Office costs	177	208
Depreciation of property, plant and equipment and amortisation of intangible assets	113	131
Taxes, other than income tax	41	18
Transportation	23	28
Other costs	112	98
<b>Total</b>	<b>2,405</b>	<b>2,343</b>

As at 31 December 2016, staff costs include payroll in the amount of UAH 946 million (31 December 2015: UAH 948 million), payroll related taxes in the amount of UAH 168 million (31 December 2015: UAH 228 million), unused vacation and bonuses provisions in the amount of UAH 342 million (31 December 2015: UAH 303 million), other personnel costs in the amount of UAH 30 million (31 December 2015: UAH 43 million).

**30 Other Operating Expenses**

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Charitable donations and sponsorship	1,217	445
Expenses on idle capacity	1,092	1,770
Net movement in provision for impairment of trade and other receivables and prepayments made (Note 14)	985	3,385
Social payments	576	273
Penalties	572	87
Maintenance of social infrastructure	307	153
Non-recoverable VAT	278	998
Loss from sales of services	76	122
Taxes, other than VAT	29	240
Other	344	452
<b>Total</b>	<b>5,476</b>	<b>7,925</b>

Expenses on idle capacity represents payroll, depreciation and other costs incurred at mines being not operating at full capacity due to inability to transport produced coal, and maintenance of mines with suspended extraction. These mines are mainly located at non-controlled territory.

**31 Finance Income and Finance Costs**

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Gain on change in legislation on deferred consideration related to acquisition (Note 20)	788	-
Interest income on loans issued to related parties (Note 8)	728	561
Gain on initial recognition of long term accounts payable	520	165
Gain on initial recognition of renegotiated borrowings whose terms were changed at the time of the deleveraging transaction (Note 19)	397	-
Change in fair value of derivative financial instruments (Note 20)	218	-
Interest income on bank deposits	193	452
Unwinding of discount on loans provided to related parties (Note 8)	95	202
Unwinding of discount on long-term restructured accounts receivable	75	201
Gain on derecognition of guarantee provided to related party	49	-
Gain from modification of terms of a loan with related party (Note 8,12)	-	1,347
Gain on early repayment of loans provided to related parties (Note 8)	-	398
Gain on early repayment of long-term accounts receivable	-	190
Other finance income	93	27
<b>Total finance income</b>	<b>3,156</b>	<b>3,543</b>
Interest expense		
- bank borrowings	3,442	3,976
- Eurobonds issued	2,135	1,863
- loans provided to related parties	-	29
Loss on restructuring of borrowings	932	-
Unwinding of discounts on deferred consideration related to acquisition	798	581
Unwinding of discounts on pension obligations (Note 21)	774	707
Interest on restructured taxes	327	366
Loss on initial recognition of long-term restructured accounts receivable	290	113
Unwinding of discounts on long term accounts payable	229	344
Loss on change in estimates on deferred consideration related to acquisition (Note 20)	136	1,183
Unwinding of discounts on assets retirement provision (Note 22)	124	76
Professional fees	116	-
Loss on early repayment of long-term payables	9	58
Change in fair value of derivative financial instruments (Note 20)	-	3,176
Loss on early repayment of loans received from related parties (Note 8, 20)*	-	1,081
Other finance costs	12	18
<b>Total finance costs</b>	<b>9,324</b>	<b>13,571</b>

\*The loans payable to related parties were recognised at fair value and accounted for under amortised cost at effective interest of 8%. The loans were obtained from DTEK B.V. subsidiary in the Netherlands having majority of its assets in Ukraine outside of non-controlled territory are due in 2023 and 2025, however were repaid in 2015 before the final maturity date. Respective loss on early repayment was recognised in the income statement (Note 20).

## 32 Income Taxes

Income tax expense comprises the following:

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Current tax	1,065	1,264
Deferred tax	(1,666)	(1,413)
<b>Income tax benefit</b>	<b>(601)</b>	<b>(149)</b>

Deferred income tax related to items recognised in other comprehensive income:

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Re-measurement of post-employment benefit obligations	292	55
Change in estimate relating to asset retirement provision recorded in equity	66	80
Revaluation of property, plant and equipment	-	(4,202)
<b>Income tax reported in equity</b>	<b>358</b>	<b>(4,067)</b>

The Group is subject to taxation in several tax jurisdictions, depending on the residence of its subsidiaries (primarily in Ukraine).

Reconciliation between the expected and the actual taxation charge is provided below.

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
<b>Loss before income tax, including</b>	<b>(7,296)</b>	<b>(35,883)</b>
Loss before income tax of Ukrainian companies	(1,091)	(30,572)
(Loss)/profit before income tax of non-Ukrainian companies	(6,205)	(5,311)
Income tax at statutory rates of 18% (Ukrainian operations)	(196)	(5,503)
Profit taxed at different rates 25% (Dutch operations)	452	845
Profit taxed at different rates 12,5% (Cyprus operations)	(738)	(452)
Profit taxed at different rates 20% (Russian operations)	(108)	(131)
Profit taxed at different rates 12% (Switzerland operations)	(102)	(445)
Profit taxed at different rates 20% (UK operations)	(158)	(146)
Profit taxed at different rates 19% (Hungary operations)	14	4
Effect of changes in Tax legislation in Ukraine	(1,804)	-
Tax effect of items not deductible or assessable for taxation purposes:		
- non-deductible expenses	1,608	2,305
- non-taxable income	(228)	(130)
Utilization of previously unrecognised tax losses	(619)	-
Recognition of previously unrecognised deferred tax on tax losses carried forward	(244)	-
Unrecognised deferred tax on tax losses carried forward	162	3,306
Tax effect of non-taxable forex losses/(gains) on foreign subsidiaries, net	73	(267)
Loss of control over subsidiary	-	288
Write-down of deferred tax assets	1,287	177
<b>Income tax benefit</b>	<b>(601)</b>	<b>(149)</b>

The parent and its subsidiaries are separate tax payers and therefore the deferred tax assets and liabilities are presented on an individual basis. The deferred tax liabilities and assets reflected in the consolidated balance sheets as at 31 December are as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Deferred tax asset	1,011	608
Deferred tax liability	(2,207)	(3,747)
<b>Net deferred tax liability</b>	<b>(1,196)</b>	<b>(3,139)</b>



**32 Income Taxes (Continued)**

<i>In millions of Ukrainian Hryvnia</i>	1 January 2016	Transfer related to demerge	Credited/ (charged) to income	Charged to OCI	31 December 2016
<b>Tax effect of deductible temporary differences</b>					
Retirement benefit obligations	966	(10)	(145)	292	1,103
Trade and other receivables	87	3	702	-	792
Deferred consideration	576	-	5	-	581
Tax losses	224	(9)	75	-	290
Provisions for other liabilities and charges	239	(13)	(33)	66	259
Financial investments	189	15	(16)	-	188
Trade and other payables	66	(4)	(1)	-	61
Inventories	41	(1)	24	-	64
Prepayments received	4	-	3	-	7
<b>Gross deferred tax asset</b>	<b>2,392</b>	<b>(19)</b>	<b>614</b>	<b>358</b>	<b>3,345</b>
Less offsetting with deferred tax liabilities	(1,784)	-	(550)	-	(2,334)
<b>Recognised deferred tax asset</b>	<b>608</b>	<b>(19)</b>	<b>64</b>	<b>358</b>	<b>1,011</b>
Property, plant and equipment	(5,438)	(62)	959	-	(4,541)
Prepayments made	(24)	-	24	-	-
Other financial liabilities	(69)	-	69	-	-
<b>Gross deferred tax liability</b>	<b>(5,531)</b>	<b>(62)</b>	<b>1,052</b>	<b>-</b>	<b>(4,541)</b>
Less offsetting with deferred tax assets	1,784	-	550	-	2,334
<b>Recognised deferred tax liability</b>	<b>(3,747)</b>	<b>(62)</b>	<b>1,602</b>	<b>-</b>	<b>(2,207)</b>
<b>Recognised net deferred tax liability</b>	<b>(3,139)</b>	<b>(81)</b>	<b>1,666</b>	<b>358</b>	<b>(1,196)</b>

<i>In millions of Ukrainian Hryvnia</i>	1 January 2015	Transfer related to deleveraging	Credited/ (charged) to income	Charged to OCI	31 December 2015
<b>Tax effect of deductible temporary differences</b>					
Retirement benefit obligations	878	-	33	55	966
Deferred consideration	403	-	173	-	576
Provisions for other liabilities and charges	139	(8)	28	80	239
Tax losses	529	(465)	160	-	224
Financial investments	340	-	(151)	-	189
Trade and other receivables	-	-	87	-	87
Trade and other payables	294	(2)	(226)	-	66
Inventories	120	-	(79)	-	41
Prepayments received	20	-	(16)	-	4
<b>Gross deferred tax asset</b>	<b>2,723</b>	<b>(475)</b>	<b>9</b>	<b>135</b>	<b>2,392</b>
Less offsetting with deferred tax liabilities	(1,666)	-	(118)	-	(1,784)
<b>Recognised deferred tax asset</b>	<b>1,057</b>	<b>(475)</b>	<b>(109)</b>	<b>135</b>	<b>608</b>
<b>Tax effect of taxable temporary differences</b>					
Property, plant and equipment	(2,671)	209	1,226	(4,202)	(5,438)
Other financial liabilities	(157)	-	88	-	(69)
Prepayments made	(23)	-	(1)	-	(24)
Trade and other receivables	(91)	-	91	-	-
<b>Gross deferred tax liability</b>	<b>(2,942)</b>	<b>209</b>	<b>1,404</b>	<b>(4,202)</b>	<b>(5,531)</b>
Less offsetting with deferred tax assets	1,666	-	118	-	1,784
<b>Recognised deferred tax liability</b>	<b>(1,276)</b>	<b>209</b>	<b>1,522</b>	<b>(4,202)</b>	<b>(3,747)</b>
<b>Recognised net deferred tax liability</b>	<b>(219)</b>	<b>(266)</b>	<b>1,413</b>	<b>(4,067)</b>	<b>(3,139)</b>

Revisions were introduced to the Tax Code of Ukraine from 1 January 2015. Further revisions were introduced in December 2016 when the Parliament of Ukraine passed a law that introduced certain changes to the Tax Code effective 1 January 2017. These changes were considered to be substantially enacted with respect of calculation of deferred taxes as at 31 December 2015 and 31 December 2016, respectively. The most significant changes that are expected to impact the Group relate to deductibility of accounts receivable write-off expenses through bad debt allowance for corporate income tax calculation that have been considered as non-deductible as a result of Tax Code revisions in 2015.

### **32 Income Taxes (Continued)**

As at 31 December 2016, the Group has not recorded a deferred tax liability in respect of taxable temporary differences of UAH 1,041 million (31 December 2015: UAH 1,101 million) associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

As at 31 December 2016, net recognised deferred tax liability of UAH 486 million is expected to be recovered or settled within twelve months after the reporting period (31 December 2015: UAH 789 million).

The deferred tax asset on unused tax losses not recognised as at 31 December 2016 comprised UAH 5,074 million (31 December 2015: UAH 5,775 million).

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

### **33 Contingencies, Commitments and Operating Risks**

**Tax legislation.** Ukrainian tax and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Group conducts intercompany transactions. It is possible with evolution of the interpretation of tax law in Ukraine and changes in the approach of tax authorities under the new Tax Code, that such transactions could be challenged in the future. The impact of any such challenge cannot be estimated; however, management believes that it should not be significant.

The Group has income tax liabilities in various countries. The ultimate tax consequences of many transactions and calculations are uncertain, partly because of uncertainty concerning their timing. The Group continually assesses such matters and where final tax sums differ from the estimates such differences are recognised as income tax provisions in the period in which the differences become apparent. As at 31 December 2016 the Group's contingent liabilities in relation to uncertain tax positions are equal to UAH 300 million.

On 1 September 2013 the Law "On Changes to the Tax Code of Ukraine in respect of transfer pricing rules" came into effect. These transfer pricing rules were much more detailed than previous legislation and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), if the transaction price is not arm's length and not supported by relevant documentation. Since 1 January 2015, the transfer pricing rules were amended so that transactions between Ukrainian companies (irrespective whether they are related parties or not) ceased to be treated as controlled transactions.

Management believes it is taking appropriate measures to ensure compliance with the new transfer pricing legislation.

**Legal proceedings and tax litigations.** From time to time and in the normal course of business, claims against the Group are received. Management believes that it has provided for all material losses in these financial statements. As at 31 December 2016 the Group's contingent liabilities in relation to legal claims on the Group's contractual obligations are equal to UAH 3,684 million (31 December 2015: UAH 2,824 million) and contingent liabilities in relation to tax litigations equal to UAH 278 million (31 December 2015: UAH 467 million).

During 2016 the Group's subsidiaries entered into additional agreements with the State Property Fund based on the changes in lease legislation related to non-controlled territory. Due to possible interpretations of the new legislation and additional agreements, management assessed that possible increase in deferred consideration for acquisition of mines and payable for finance lease may be increased by UAH 271 million.

**Capital expenditure commitments.** Following the acquisition of mining assets in 2011, the Group is committed to fund their investment programmes totalling UAH 7,727 million during the period 2011 through 2016. As at 31 December 2016 the outstanding commitment equals UAH 2,148 million (31 December 2015: UAH 2,719 million).

**Purchase commitments.** As at 31 December 2016 the Group has purchase commitments for the property, plant and equipment purchase in the amount of UAH 98 million (31 December 2015: UAH 102 million).

### 33 Contingencies, Commitments and Operating Risks (Continued)

**Assets pledged and restricted.** At 31 December the Group has the following assets pledged as collateral:

<i>In millions of Ukrainian Hryvnia</i>	Asset pledged	2016 Related liability	Asset pledged	2015 Related liability
Financial investments (Note 12)	11,976	26,403	1,500	1,500
Property, plant and equipment (Note 9)	-	-	636	150
Cash and cash equivalents (Note 15)	57	57	16	16
<b>Total</b>	<b>12,033</b>	<b>26,460</b>	<b>2,152</b>	<b>1,666</b>

Following the terms of restructuring of the new senior Notes (Eurobonds) in December 2016, any proceeds obtained from the loan issued to related party as disclosed in Note 12 are restricted and should be used for repayment of the new senior Notes (Note 19).

The Group has pledged proceeds from future sales of electricity and part of future volume of electricity as security for certain borrowings. Total amount of the pledge is set in the pledge agreements, and the maximum exposure of the group is limited to the outstanding loan balance and related liabilities. As at 31 December 2016 future sales proceeds and the volume of electricity production in amount of UAH 952 million were pledged as security for borrowings amounting UAH 781 million (31 December 2015: future sales proceeds and production of electricity totalling UAH 960 million were pledged as security for the borrowings of UAH 800 million).

The Group has pledged proceeds from future export sales of coal as security for its borrowings. As at 31 December 2016 future sales proceeds of coal in amount of UAH 21,237 million were pledged as security for borrowings amounting UAH 9,169 million (31 December 2015: UAH 18,771 million for UAH 8,197 million borrowings).

As at 31 December 2016 the movable and immovable property of the Group having value of UAH 126 million is encumbered with a tax lien (2015: UAH 85 million).

**Environmental matters.** The enforcement of environmental regulation in Ukraine is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. Management believes that there are no significant liabilities for environmental damage.

**Compliance with covenants.** The Group is subject to certain covenants related primarily to its Eurobonds and bank borrowings. Non-compliance with such covenants may result in negative consequences for the Group, including increase in the cost of borrowings, declaration of default and demand for immediate repayment of borrowings.

As at 31 December 2016 the Group has breached certain covenants under a number of bank borrowings agreements. The Group has approached its creditors and signed a stand-still agreement under which breach of financial and non-financial covenants was waived up to 28 January 2017 being anticipated date of signing long-term restructuring agreement (Notes 19).

**Insurance.** The insurance industry in Ukraine is developing and many forms of insurance protection common in other parts of the world are not yet generally available. At present, Group's insurance policy incorporates "All Risks" Property Damage and Business Interruption coverage for generation and several mining companies. In particular, the policy covers losses resulting from loss or damage of property, plant and equipment, loss of profit resulting from business interruption and loss or damage of wagons of third party transportation provider. The Group does not have full coverage for third party liability in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have an adverse effect on the Group's operations.

**Cancellation of DTEK Dniproenergo PJSC and DTEK Dniprooblenergo PJSC privatisation.** On 30 July 2015 the court of first instance ruled in favour of the claim by the office of the general prosecutor against the 2012 privatisation of a 25% interest in Dniproenergo. The basis for the claim being that the privatisation was approved by the Cabinet of Ministers of Ukraine in excess of its power, and, as a consequence, the privatisation by the State Property Fund was in contradiction with applicable laws. The Appeal Court and the Supreme Court of Ukraine ruled in favour of DTEK. In addition, the claims from several legal entities against privatisation of 25% of interest in DTEK Dniproenergo PJSC (Coal and power generation segment) and 50% of interest in DTEK Dniprooblenergo PJSC (Electricity distribution segment) were registered. The first level court has ruled in favour of DTEK. The Group believes that it has complied with applicable legislation, regulations with respect to share purchases and the acquisition of the relevant assets. The Group is of the view that there are strong legal grounds to support these cases. Management intends to take all necessary legal actions to retain its ownership rights over the interests in DTEK Dniproenergo PJSC and DTEK Dniprooblenergo PJSC. The assets and revenues of these entities are disclosed in Note 6.

### **33 Contingencies, Commitments and Operating Risks (Continued)**

**Operating lease commitments.** Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2016</b>	<b>2015</b>
Not later than 1 year	9	4
Later than 1 year and not later than 5 years	28	34
<b>Total operating lease commitments</b>	<b>37</b>	<b>38</b>

**Lease of land.** The Group leases the land on which its assets are located. The annual lease payment in 2016 amounted to UAH 275 million (2015: UAH 194 million). Those payments are cancellable lease commitments.

### **34 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. The Group's overall risk management policies seek to minimise the potential adverse effects on the Group's financial performance for those risks that are manageable or noncore to the power generating business.

Risk management is carried out by a centralised treasury department working closely with the operating units, under policies approved by the supervisory board. The Group treasury identifies, evaluates and proposes risk management techniques to minimise these exposures.

**Credit risk.** The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

Credit risk is managed on an entity by entity basis with oversight by the Group. Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions. For Banks only upper tier Ukrainian or international banks are accepted, which are considered at time of deposit to have minimal risk of default. Customers can be analysed between Energorynok SE, which buys 100% of electricity generated, industrial consumers and other. Due to the monopolistic nature of electricity supply by region, the Group cannot choose its customers, and instead must supply all customers within its distribution network. Sales are metered and management monitors ageing of receivables for industrial customers on a regular basis and ultimately may cut off supply for delinquent customers. For supply to municipal and the general populous, due to the low tariff structure and the political nature of disrupting supply management will continue to supply in the event non-payment and will use non-payment as justification for higher tariff increases for industrial customers. The exposure to credit risk for other customers is approved and monitored on an ongoing basis individually for all significant customers. The Group does not require collateral in respect of trade and other receivables.

The Group establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this provision are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss provision is determined based on historical data of payment statistics for similar financial assets. The Group does not create provision for receivables from related parties.

The maximum exposure to credit risk at the reporting date is UAH 41,326 million (2015: UAH 30,696 million) being carrying value of financial investments, trade and other receivables, guarantee provided to related parties and cash. The Group does not hold any collateral as security.

### 34 Financial Risk Management (Continued)

**Credit risks concentration.** The Group is exposed to concentrations of credit risk.

The table below shows the balance of the major counterparties at the balance sheet date.

Counterparty	Classification in balance sheet	31 December 2016	31 December 2015
Bank of Cyprus PC Ltd	Cash and cash equivalents	4,615	-
First Ukrainian International Bank (FUIB)*	Cash and cash equivalents	1,654	499
Deutsche Bank AG Amsterdam	Cash and cash equivalents	544	63
State Savings Bank of Ukraine PJSC*	Cash and cash equivalents	430	126
Ukrsibbank PJSC*	Cash and cash equivalents	109	-
Sberbank of Russia JSC*	Cash and cash equivalents	-	14
DTEK Oil and Gas Group	Financial investments	11,749	9,701
First Ukrainian International Bank (FUIB)*	Financial investments	93	-
Sberbank of Russia JSC	Financial investments	72	1,500
Energorynok SE	Trade and other receivables	5,966	5,111
Enakievo Metallurgical Plant	Trade and other receivables	1,260	530
State Company Voda Donbassu	Trade and other receivables	999	677
Department of Housing and Utility Infrastructure	Trade and other receivables	644	-
AMBERTOWN LLP	Trade and other receivables	595	-
GRANT INVEST LLP	Trade and other receivables	244	-
Corum Group	Trade and other receivables	212	-
PJSC "Dniprovskiy Metallurgical Plant"	Trade and other receivables	130	-
LLC Vostochnaya Kompaniya	Trade and other receivables	117	-
PrJSC "Krasnodonugol"	Trade and other receivables	105	-
Komenergосervis	Trade and other receivables	103	195
Kievvodokanal OJSC	Trade and other receivables	51	211
DTEK Oil and Gas Group	Trade and other receivables	10	1,178
State Coal Company	Trade and other receivables	-	179

\* These banks rank in the top 12 Ukrainian banks by size of total assets and capital (per National Bank of Ukraine).

In September 2016 the Group recognised a guarantee provided to related party in the amount of UAH 1,379 million (2015: UAH 49 million) (Note 20). In case the related party fails to meet its obligation, the Group's exposure to the credit risk would be UAH 3,054 million (31 December 2015: UAH 6,154 million).

**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 primarily operates within Ukraine 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 USD, 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. While management monitors this exchange exposure, the Group hedges some of its RUB currency positions. Substantial changes in currency rates crucially impact the Group's earning to debt ratio used for covenants. The following table presents 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 of the respective Group entities, with all other variables held constant:

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

<i>In millions of Ukrainian Hryvnia</i>	At 31 December 2016		At 31 December 2015	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD strengthening by 50% (2015: 50%)	(16,394)	(16,394)	(15,006)	(15,006)
USD weakening by 50% (2015: 50%)	16,394	16,394	15,006	15,006
Euro strengthening by 50% (2015: 50%)	(2,600)	(2,600)	(4,609)	(4,609)
Euro weakening by 50% (2015: 50%)	2,600	2,600	4,609	4,609
RUB strengthening by 50% (2015: 50%)	(3,746)	(3,746)	(5,204)	(5,204)
RUB weakening by 50% (2015: 50%)	3,746	3,746	5,204	5,204

### 34 Financial Risk Management (Continued)

**Interest rate risk.** As the Group has substantially more interest bearing liabilities than assets, the Group's income and operating cash flows are substantially dependent of changes in market interest rate. The Group's interest rate risk arises from long-term and short-term borrowings and loans provided to related parties. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings at fixed rate expose the Group to fair value interest rate risk.

At 31 December 2016 and 2015, the majority of the Group's variable interest debt is USD, RUB and EUR denominated. As at 31 December 2016, 43% of the total borrowings was provided to the Group at floating rates (31 December 2015: 58 %).

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 favourable to the Group over the expected period until maturity. The risk of increase in market interest rates is monitored by the Corporate Finance Department of the Company together with the Treasury Department. The Corporate Finance Department is responsible for planning the financing structure (levels of leverage) and borrowing activities. The key objectives to financing is reduction of borrowing costs, matching currency of borrowings with currency of proceeds from operating activities, and agreeing maturity profile of borrowings with liquidity needs.

The borrowing activities are reviewed on a 12-month budget. Long-term investing activities and associated funding are considered separately.

The maturity dates and effective interest rates of borrowings are disclosed in Note 19. Re-pricing for fixed rate financial instruments occurs at maturity. Re-pricing of floating rate financial instruments occurs continually.

At 31 December 2016, if interest rates on USD, EUR and RUB denominated borrowings had been 200 basis points higher (2015: 200 basis points higher) with all other variables held constant, post-tax loss for the year would have been UAH 379 million higher (2015: UAH 600 million higher).

At 31 December 2016, the fixed interest rates vary from 19% to 25% (2015: 15% to 25%). As described in Note 19, borrowings of the Group are at different floating rates which are not hedged as at 31 December 2016 and 31 December 2015.

**Other price risk.** The Group has no exposure to price risk related to financial instruments.

**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. Management monitors liquidity on a daily basis, management incentive programs use key performance indicators such as EBITDA, free cash flow and cash collections to ensure liquidity targets are actively monitored. Prepayments are commonly used to manage both liquidity and credit risks. The Group has capital construction programs which can be funded through existing business cash flows. To this end, the Group is in discussions with financial institutions with respect to long-term financing. Also refer to Note 3 for further details on this matter.

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 at 31 December 2016 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>Up to 6 months</b>	<b>6 -12 months</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Liabilities</b>						
Bank borrowings	23,662	-	-	-	752	<b>24,414</b>
Eurobonds	960	987	2,052	9,158	54,055	<b>67,212</b>
Guarantee under the borrowings of related parties	3,054	-	-	-	-	<b>3,054</b>
Other financial liabilities (Note 20)	753	623	8,002	3,025	85,130	<b>97,533</b>
Trade and other payables (Note 23)	15,213	1,134	-	-	-	<b>16,347</b>
<b>Total future payments, including future principal and interest payments</b>	<b>43,642</b>	<b>2,744</b>	<b>10,054</b>	<b>12,183</b>	<b>139,937</b>	<b>208,560</b>

### 34 Financial Risk Management (Continued)

The maturity analysis of financial liabilities at 31 December 2015 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>Up to 6 months</b>	<b>6 -12 months</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Liabilities</b>						
Bank borrowings (Note 19)	36,363	10	-	-	-	<b>36,373</b>
Eurobonds (Note 19)	890	860	3,451	20,512	-	<b>25,713</b>
Gross settled derivative financial instruments – outflows	7,927	-	-	-	-	<b>7,927</b>
Gross settled derivative financial instruments – inflows	(3,711)	-	-	-	-	<b>(3,711)</b>
Guarantee under the borrowings of related parties	6,154	-	-	-	-	<b>6,154</b>
Other financial liabilities (Note 20)	384	699	825	2,209	86,305	<b>90,422</b>
Trade and other payables (Note 23)	13,390	462	-	-	-	<b>13,852</b>
<b>Total future payments, including future principal and interest payments</b>	<b>61,397</b>	<b>2,031</b>	<b>4,276</b>	<b>22,721</b>	<b>86,305</b>	<b>176,730</b>

Other financial liability external represents undiscounted future cash flows for deferred consideration payable related to acquisition, finance lease liability and other balances.

### 35 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. Currently there is a restriction imposed on dividends payments currencies based on agreement with the lenders and according to the limitations based by Ukrainian legislation (Note 2). Additionally, management may defer certain capital spending to enhance its debt position.

Consistent with others in the industry, 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 borrowing (current and long-term as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital under management equals equity as shown in the consolidated balance sheet.

The Group has yet to determine its optimum gearing ratio. As at 31 December 2016 approximately 50% of debt is classified as current due to the terms of stand-still agreement with bank lenders and the Group is actively pursuing mechanisms to extend the credit terms to match its long-term investment strategy.

As at 31 December 2016 the total net debt and total equity of the Group were UAH 49,303 million and UAH 5,714 million respectively (31 December 2015: UAH 57,242 million and UAH 5,531 million), the net debt to equity ratio was 863% (31 December 2015: 1,035%).

### 36 Fair Value of Assets and Liabilities

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. Ukraine continues to display some characteristics of an emerging market, and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

**Financial instruments carried at fair value.** Trading, available-for-sale investments and financial derivatives are carried in the balance sheet at their fair value. Fair values were determined based on quoted market prices or third party valuations using discounted cash flows techniques.

**36 Fair Value of Assets and Liabilities (Continued)**

**Financial assets carried at amortised cost.** The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows, expected to be received, discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Cash and cash equivalents are carried at amortised cost which approximates current fair value.

**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.

**a) Recurring fair value measurements**

**Financial instruments carried at fair value**

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

Trading and available-for-sale investments and financial derivatives are carried in the statement of financial position at their fair value. The gross-settled derivative financial instrument is measured using market-to-market pricing model (MTM).

Financial liability measured at fair value through profit and loss is subject to floor and cap features. Based on the cap and floor features, the fair value of the instrument at any time cannot be higher than USD 242 million (equivalent of UAH 6,579 million applying exchange rate as at 31 December 2016) or lower than USD 237 million (equivalent of UAH 6,444 million applying exchange rate as at 31 December 2016).

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 1</b>	<b>Level 2</b>
<b>FINANCIAL ASSETS</b>				
<b>Financial investments</b>				
- Securities quoted on Ukrainian stock market (Note 12)	37	-	40	-
<b>TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS</b>	<b>37</b>	<b>-</b>	<b>40</b>	<b>-</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Other financial liabilities</b>				
Gross-settled derivative financial instruments (Note 20)	-	-	-	5,458
Financial liability designated at FVTPL (Note 20)	-	6,462	-	-
<b>TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS</b>	<b>-</b>	<b>6,462</b>	<b>-</b>	<b>5,458</b>

**Property, plant and equipment at fair value.** Property, plant and equipment are carried in the statement of financial position at their fair value.

The valuers use different approaches for valuing different asset groups. Where the fair value of an asset is able to be determined by reference to market based evidence, such as sales of comparable assets, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market based evidence, discounted cash flows or optimised depreciated replacement cost is used to determine fair value.

The Group's property, plant and equipment are all categorised as Level 3 in the fair value hierarchy. During the year there were no transfers between the levels of the fair value hierarchy.



**36 Fair Value of Assets and Liabilities (Continued)**

Current market prices for acquiring or constructing a similar assets, as adjusted for the age and condition of the asset were used to assess the fair value. For coal assets the following major assumptions were used. Prices for underground excavations were based on a per kilometre measure with reference to recent actual cost of extending the mine. Buildings were assessed using a cost per cubic metre ranging from UAH 460 per cubic metre to UAH 1,980 per cubic metre. For power generation assets the following major assumptions were used. Turbines equipment were assessed using a cost per 100 MVt, with a range from UAH 114 million to UAH 151 million. Boilers equipment were assessed using a cost per ton of steam per hour with a range from UAH 314 thousands to UAH 659 thousands. Buildings were assessed using a cost per cubic metre ranging from UAH 410 per cubic metre to UAH 2,920 per cubic metre. For electricity distribution assets the following major assumptions were used. Overhead power lines were assessed on a per kilometer basis ranging from UAH 248 thousand to UAH 2,172 thousand per kilometer. Land high-voltage lines and low-voltage lines were also assessed on a per kilometer basis ranging from UAH 9,530 thousand to UAH 18,595 thousand and UAH 200 thousand to UAH 2,992 thousand respectively. Transformer sub stations were assessed based on their capacity with a price range from UAH 4 million to UAH 16 million.

Inputs used for 2016 fair value measurement were in the same range as for 2015.

**b) Fair value of financial assets and liabilities carried at amortised cost.**

*In millions of Ukrainian Hryvnia*

	31 December 2016				31 December 2015			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
<b>FINANCIAL ASSETS</b>								
<b>Cash and cash equivalents (Note 15)</b>								
- Bank balances payable on demand	-	5,499	-	5,499	-	681	-	681
- Term deposits	-	1,989	-	1,989	-	9	-	9
- Restricted cash	-	57	-	57	-	16	-	16
<b>Trade and other receivables (Note 14)</b>								
- Trade receivables	-	15,746	-	15,746	-	10,844	-	10,844
- Restructured trade receivables	-	150	-	150	-	299	-	299
- Other financial receivables	-	2,606	-	2,606	-	1,144	-	1,144
<b>Other non-current assets</b>								
Trade and other receivables - non-current	-	211	-	210	-	223	-	246
<b>Financial investments (Note 12)</b>								
- Deposits placed with the maturity more than three months	-	2	-	2	-	2	-	2
- Restricted deposits	-	165	-	165	-	1,500	-	1,500
- Loans receivable	-	11,811	-	11,811	-	9,761	-	9,761
<b>TOTAL ASSETS</b>	<b>-</b>	<b>38,236</b>	<b>-</b>	<b>38,235</b>	<b>-</b>	<b>24,479</b>	<b>-</b>	<b>24,502</b>
<b>FINANCIAL LIABILITIES</b>								
Eurobonds (Note 19)	24,636	-	-	26,403	9,507	-	-	21,221
Bank borrowings – current (Note 19)*	-	25,226	-	27,035	-	-	-	34,724
Bank borrowings – non-current (Note 19)*	-	344	-	344	-	-	-	-
Interest accrual on borrowings (Note 19)*	-	3,066	-	3,066	-	-	-	2,003
Other financial liabilities (Note 20)	-	4,185	-	4,324	-	1,755	-	2,009
Deferred consideration (Note 20)	-	3,435	-	4,501	-	2,857	-	4,210
Trade and other payables (Note 23)	-	16,227	-	16,227	-	13,852	-	13,852
<b>TOTAL LIABILITIES</b>	<b>24,636</b>	<b>52,483</b>	<b>-</b>	<b>81,900</b>	<b>9,507</b>	<b>18,464</b>	<b>-</b>	<b>78,019</b>

\* As of 31 December 2015, the Group's bonds maturing in 2017 and 2018 were traded on open markets with discount in a range of 43-46% to their nominal value. However, as trading volumes are low, these trades may not represent the fair value of bonds. Further, given the current default status on loans and borrowings and the uncertainties on the timing of cash flows on their repayment, management considers it is impracticable to estimate a fair value of the borrowings and other financial liabilities as at 31 December 2015.

**36 Fair Value of Assets and Liabilities (Continued)**

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

<i>In millions of Ukrainian Hryvnia</i>	Fair value		Valuation technique	Inputs used
	2016	2015		
<b>FAIR VALUE OF FINANCIAL ASSETS</b>				
<b>FINANCIAL ASSETS</b>				
<i>Trading securities</i>				
<i>Cash and cash equivalents (Note 15)</i>				
- Bank balances payable on demand	5,499	681	Current cost accounting	
- Term deposits	1,989	9	Current cost accounting	
- Restricted cash	57	16	Current cost accounting	
<i>Trade and other receivables (Note 14)</i>				
- Trade receivables	15,746	10,844	Current cost accounting	
- Restructured trade receivables	150	299	Current cost accounting	
- Other financial receivables	2,606	1,144	Current cost accounting	
<i>Other non-current assets</i>				
Trade and other receivables - non-current	211	223	Discounted cash flows	Interest on loans pursuant to statistical data of Ukrainian banks
<i>Financial investments (Note 12)</i>				
- Deposits placed with the maturity more than three months	2	2	Current cost accounting	
- Restricted deposits	165	1,500	Current cost accounting	
- Loans receivable	11,811	9,761	Current cost accounting	
<b>FAIR VALUE OF FINANCIAL LIABILITIES</b>				
Bank borrowings – current (Note 19)	25,226	-	Current market approach	Market quotes on DTEK Eurobonds
Bank borrowings – non-current (Note 19)	344	-	Current cost accounting	
Interest accrual on borrowings (Note 19)	3,066	-	Current cost accounting	
Other financial liabilities (Note 20)	4,185	1,755	Discounted cash flows	Interest on loans pursuant to statistical data of Ukrainian banks
Financial liability designated at FVTPL (Note 20)	6,462	-	Futures pricing models - MTM	Forward exchange rates
Gross-settled derivative financial instruments (Note 20)	-	5,458	Futures pricing models - MTM	Forward exchange and interest rates
Deferred consideration (Note 20)	3,435	2,857	Discounted cash flows	Interest on loans pursuant to statistical data of Ukrainian banks
Trade and other payables (Note 23)	16,227	13,852	Current cost accounting	

In 2016 and 2015 there were no changes in valuation technique for level 2 recurring fair value measurements.

### 37 Reconciliation of Classes of Financial Instruments with Measurement Categories

The following table provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2016:

<i>In millions of Ukrainian Hryvnia</i>	Loans and receivables	Available- for-sale assets	Total
<b>ASSETS</b>			
<b>Cash and cash equivalents (Note 15)</b>			
- Bank balances payable on demand	5,499	-	5,499
- Term deposits	1,989	-	1,989
- Restricted cash	57	-	57
<b>Trade and other receivables (Note 14)</b>			
- Trade receivables	15,896	-	15,896
- Other financial receivables	2,606	-	2,606
<b>Other non-current assets (Note 14)</b>			
- Trade and other receivables - non-current	210	-	210
<b>Financial investments (Note 12)</b>			
- Equity securities	-	37	37
- Deposits placed with the maturity more than three months	2	-	2
- Loans receivable	11,811	-	11,811
- Restricted deposits	165	-	165
<b>TOTAL FINANCIAL ASSETS</b>	<b>38,235</b>	<b>37</b>	<b>38,272</b>
<b>NON-FINANCIAL ASSETS</b>			<b>81,603</b>
<b>TOTAL ASSETS</b>			<b>119,875</b>

The following table provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2015:

<i>In millions of Ukrainian Hryvnia</i>	Loans and receivables	Available- for-sale assets	Total
<b>ASSETS</b>			
<b>Cash and cash equivalents (Note 15)</b>			
- Bank balances payable on demand	681	-	681
- Term deposits	9	-	9
- Restricted cash	16	-	16
<b>Trade and other receivables (Note 14)</b>			
- Trade receivables	11,143	-	11,143
- Other financial receivables	1,144	-	1,144
<b>Other non-current assets (Note 14)</b>			
- Trade and other receivables - non-current	246	-	246
<b>Financial investments (Note 12)</b>			
- Equity securities	-	40	40
- Deposits placed with the maturity more than three months	2	-	2
- Loans receivable	9,761	-	9,761
- Restricted deposits	1,500	-	1,500
<b>TOTAL FINANCIAL ASSETS</b>	<b>24,502</b>	<b>40</b>	<b>24,542</b>
<b>NON-FINANCIAL ASSETS</b>			<b>85,484</b>
<b>TOTAL ASSETS</b>			<b>110,026</b>

**37 Reconciliation of Classes of Financial Instruments with Measurement Categories (Continued)**

The following table provides a reconciliation of classes of financial liabilities with these measurement categories as at 31 December 2016:

<i>In millions of Ukrainian Hryvnia</i>	<b>Liabilities at fair value through profit and loss</b>	<b>Other financial liabilities at amortised cost</b>	<b>Total</b>
<b>LIABILITIES</b>			
Borrowings and Eurobonds (Note 19)	-	56,848	56,848
Restructured financial liabilities (Note 20)	-	2,617	2,617
Trade and other payables excluding non-financial liabilities (Note 23)	-	16,227	16,227
Financial liability measured at FVTPL (Note 20)	6,462	-	6,462
Other financial liabilities	-	6,208	6,208
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>6,462</b>	<b>81,900</b>	<b>88,362</b>
<b>NON-FINANCIAL LIABILITIES</b>			<b>25,799</b>
<b>TOTAL LIABILITIES</b>			<b>114,161</b>

The following table provides a reconciliation of classes of financial liabilities with these measurement categories as at 31 December 2015:

<i>In millions of Ukrainian Hryvnia</i>	<b>Liabilities at fair value through profit and loss</b>	<b>Other financial liabilities at amortised cost</b>	<b>Total</b>
<b>LIABILITIES</b>			
Borrowings and Eurobonds (Note 19)	-	57,948	57,948
Restructured financial liabilities (Note 20)	-	1,426	1,426
Trade and other payables excluding non-financial liabilities (Note 23)	-	13,852	13,852
Derivative financial instruments (Note 20)	5,458	-	5,458
Other financial liabilities		4,793	4,793
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>5,458</b>	<b>78,019</b>	<b>83,477</b>
<b>NON-FINANCIAL LIABILITIES</b>			<b>21,018</b>
<b>TOTAL LIABILITIES</b>			<b>104,495</b>

**38 Subsequent events**

The developments after the balance sheet date which are related to the operating environment and the debt restructuring are disclosed in the Notes 2, 3 and 19.