DTEK Investments Limited

Annual Report and Financial Statements

For the year ended 31 December 2016

Company Number: 08422516

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COMPANY INFORMATION

DIRECTORS	Maksym Timchenko Accomplish Corporate Services Ltd
COMPANY SECRETARY	Accomplish Secretaries Limited
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
REGISTERED OFFICE	3rd Floor 11-12 St. James's Square London United Kingdom SW1Y 4LB

STRATEGIC REPORT

The directors of DTEK Investments Limited (the "Company") present their report in order to disclose the results of the activity of the Company for the year ended 31 December 2016 and the likely future development of the Company.

Principal activities and business review

The principal activity of the Company is to serve as a finance vehicle for DTEK Energy Group (the "Group" or "DTEK").

The Group 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, the City of Kyiv in Ukraine and the Rostov region of the Russian Federation. The Group sells all 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 Electricity Regulatory Committee of Ukraine. The Group's distribution entities then repurchase electricity for supply to final customers.

The profit for the year ended 31 December 2016 amounted to US$ 168,532 thousand (for the year ended 31 December 2015: profit US$ 447,826 thousand). At 31 December 2016 the Company had an equity position of US$ 934,011 thousand (31 December 2015: equity of US$ 996,804 thousand).

In April 2016 the Company declared a dividend of US$ 54,203 thousand, that was partly paid in amount of US$ 48,034 thousand by 31 December 2016, in December 2016 the Company declared a dividend of US$ 58,693 thousand, that was not paid 31 December 2016 (2015: dividend of US$ 56,006 thousand, that was fully paid by 31 December 2015).

Principal risks and uncertainties

The operations of the Group are mainly in Ukraine. The recent political and economic instability in Ukraine has continued in 2016 and has led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the national currency against major foreign currencies (though the devaluation of the national currency and inflation were less in 2016 when compared to 2014 and 2015). It had a significant impact on the Group's financial performance in 2016 as further disclosed in Note 1.

The financing activity of the Company is managed centrally by DTEK's Corporate Finance department together with the Treasury department. The overall risk management policies seek to minimise the potential adverse effects on the Company's financial performance for those risks that are manageable.

The Company'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.

Exposure of the Company to different financial risks is disclosed in Note 18 of the financial statements.

Risk management and internal control

The Management Board of the Group (the "Board") has overall responsibility for the Group's system of internal control and for monitoring its effectiveness. The Board has established a continuous process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the effectiveness of the Group's internal controls, which have been in place from the start of the year to the date of approval of this report.

Financial risk management is carried out by a centralised Treasury department working closely with the operating units, under policies approved by the Supervisory Board. The Treasury department identifies, evaluates and proposes risk management techniques to minimise these exposures.

Additionally, Group developed a compliance function to monitor and analyse financial, reputation or legal risks connected with its business activities.

During 2016 the Group concentrated on management following main risks:

Strategic risks:

- In a view of declining electricity demand and export markets pressure on coal prices, maintain balanced vertical integration model through optimum levels in coal mining, electricity production and third party coal sales;
- To minimise risks of economically unjustified tariffs for power generation, support implementation of the best practices for tariffs setting through cooperation with regulatory authorities, other electricity market players, public and international organisations.

Operational risks:

Loss of control over assets located on non-controlled territory. 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.

Financial risks:

- Management of payment collections by distribution companies in declining economy and tariffs growth for industry and population.

IT risks:

- To prevent errors in technological processes functioning and external interference to key operational processes, were introduced systems to prevent network intrusions (IPS), security information and event management (SIEM) and security vulnerability management system (VMS).

Compliance risk:

- The Group takes appropriate measures to mitigate any compliance risk (risk of non compliance with laws and regulations, including but not limited to the financial reporting, health and safety related regulations).

Key performance indicators

There are no specific key performance indicators set for the Company.

Future development

The Management Board does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future. The Company follows the same development strategy as the Group.

Environmental issues

The Group's activities are tightly connected with production cycles impacting the environment heavily. That is why maintaining high ecological compliance standards is a crucial point for the business development of the Group both in Ukraine and European markets.

Social responsibility

A balance is a necessary condition for developing the Group's business, for increasing its competitiveness in the European energy market and for the performing of its obligations in the area of corporate social responsibility (CSR). That is why sustainable growth in economic and environment protection areas is an important part of the Group's strategy. The Group systematically develops its activity in CSR, and strives to work in accordance with international CSR standards, while remaining a domestic employer and social investor, aiding the social and economic development of the regions where it operates, and not replacing the functions of the State.

The Group supports various initiatives to protect the environment, such as the Declaration on Responsible Business Partnership, initiated by the Centre for Corporate Social Responsibility Development with the support of the Royal Norwegian Embassy in Ukraine. DTEK is also committed to the Declaration on Responsible Business Partnership to ensure compliance with environmental protection and health and safety standards in our operations with suppliers and partners. DTEK continues reporting on social corporate responsibility and sustainable growth.

Maksym Timchenko, Director

Accomplish Corporate Services Ltd, Director

Approved by the directors on 27 April 2017

DIRECTORS' REPORT

The directors present their report and the audited financial statements of DTEK Investments Limited for the year ended 31 December 2016.

Incorporation

DTEK Investments Limited (the "Company") is a private limited liability company incorporated on 27 February 2013 in England and Wales through the contribution by DTEK Finance PLC of 100% of its equity interest. Its registered office is 3rd Floor 11-12 St. James's Square, London, United Kingdom, SW1Y 4LB.

DTEK Finance PLC, a company registered in England and Wales, is the immediate parent company (the "Parent Company"). DTEK Energy B.V. is the ultimate parent company. DTEK Energy B.V. and its subsidiaries are together referred to as "the Group" or "DTEK".

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

Future outlook

The DTEK Group continues the work towards restructuring under all of the remaining facilities, including the facility with VTB Capital PLC (Note 10), on the basis of binding heads of terms accepted by all of the bank lenders under the Bank Exchange Offer.

Going concern

The Company's ability to continue as a going concern is highly dependent on the continued servicing of the interest payable on the loans issued to fellow subsidiaries of DTEK Energy B.V. ("DTEK") and repayment of principal on the loan on or before their due.

The Croup's business is concentrated in Ukraine, which continues to face ongoing political and economic uncertainty. This has led to a deterioration of state finances, volatility in the local financial market, illiquidity in capital markets, elevated inflation levels, and depreciation of the national currency against major foreign currencies. The situation has continued in 2016, albeit, to a lesser extent than in prior years.

This volatile political and economic environment has already impacted the Group's operations, but depending on developments, there could potentially be significant future implications for the wider Ukrainian economy as well as the Group's business.

The relationship between Ukraine and the Russian Federation remains strained. This has also contributed to the volatility in the Donbass region. Conflict in parts of Eastern Ukraine, which began in spring 2014, has not been resolved to date. An embargo on many key Ukrainian export products has been implemented by the Russian government. In response, the Ukrainian government implemented similar measures against Russian products. Furthermore, self-proclaimed authorities seized assets in the Donbass region of Ukraine in early March 2017. On 15 March 2017, management announced that they lost control over the assets in the conflict area. DTEK was forced to consider this as a theft of assets and informed the relevant Ukrainian law enforcement authorities.

The vast majority of the Group's borrowings have financial and non-financial covenants. 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 DTEK commenced discussions with lenders on both a bi-lateral and an all-party basis. However, DTEK 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. In December 2016 the Group's bonds were restructured. Existing all bonds with a value of US$ 910 million, due in 2018, were cancelled and replaced with new bonds with a value of value US$ 1,275 million; 50% of the new bonds are to be paid in December 2023 and the remaining 50% in December 2024. Additionally, on 29 March 2017 a majority of DTEK's bank borrowings together with accrued but not paid interest were also restructured. DTEK continues the work on implementation of the restructuring under the all remaining facilities excluding sundry working capital loans on the basis of binding terms accepted by all of the bank lenders under the Bank Exchange Offer.

The Group's 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. The Group's 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. The Group's 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 restructuring of the remaining debt obligations that were subject to restructuring, there is a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Taking into account the ongoing restructuring process of some of the facilities and based on the cash flow projections performed, the Directors of the Group consider that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate as disclosed in Note 1.

Results and dividends

The profit for the year ended 31 December 2016 amounted to US$ 168,532 thousand (2015: profit US$ 447,826 thousand). In April 2016 DTEK Investments Limited declared a dividend of US$ 54,203 thousand, that was partly paid for an amount of US$ 48,034 thousand by 31 December 2016; in December 2016 DTEK Investments Limited declared a dividend of US$ 58,693 thousand, that was not paid 31 December 2016 (2015: dividend of US$ 56,006 thousand, that was fully paid by 31 December 2015). Based on 2016 results the directors propose to pay dividends for the amount of US$ 168,352 thousand.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Maksym Timchenko ; and
Accomplish Corporate Services Ltd

Independent auditors and disclosure information to them

PricewaterhouseCoopers LLP have been appointed as auditors of DTEK Investments Limited for the financial year ended 31 December 2016.

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Maksym Timchenko, Director

Accomplish Corporate Services Ltd, Director

Approved by the directors on 27 April 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the financial statements, Article 4 of the IAS Regulation.

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

Maksym Timchenko, Director

Accomplish Corporate Services Ltd, Director

Approved by the Directors on 27 April 2017

Independent auditors' report to the members of DTEK Investments Limited

Report on the financial statements

Our opinion

In our opinion, DTEK Investments Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

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

As a result of continuing political and economic uncertainties in Ukraine, which affect the operations of the ultimate parent company and fellow DTEK Group companies, the ability of fellow DTEK Group companies to repay the interest and principal is uncertain. In addition DTEK Group companies were negatively affected by the devaluation of the national currency of Ukraine. This resulted in a breach of certain bank covenants and thus gave a number of the Group's lenders the ability to legally require repayment of the respective debt on demand.

In December 2016 the Group's bonds were restructured. Existing bonds with a value of $910m, due in 2018, were cancelled and replaced with new bonds with a value of $1,275m; 50% of the new bonds are to be paid in December 2023 and the remaining 50% in December 2024. Furthermore, in March 2017 a majority of DTEK Group companies' bank borrowings were also restructured. The Group continues having discussions with the goal of restructuring its debt with the majority of the remaining lenders. In order for the Group as a whole to achieve its positive cash flow estimates for periods throughout 2017 and the first six months of 2018, the Group is dependent on the willingness of the remaining lenders not to demand repayment of principal, and to continue their support of the Group by postponing the payment of due interest in future periods.

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

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

Independent auditors' report to the members of DTEK Investments Limited

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

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

27 April 2017

DTEK Investments Limited

Statement of Comprehensive Income

In thousands of US$	Note	Year ended 31 December 2016	Year ended 31 December 2015
Interest income	4	75,964	85,428
Finance costs	4	(12,408)	(13,150)
General and administrative expenses	5	(204)	(172)
Other finance income		36	-
Other income		23	-
Net foreign exchange gain		102,747	378,677
Profit before income tax		**166,158**	**450,783**
Income tax (credit)/expense	15	2,374	(2,957)
Profit for the year		**168,532**	**447,826**
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to profit or loss			
Reclassification adjustment in relation to cash flow hedges		-	440
Foreign currency translation		(118,429)	(368,263)
Total other comprehensive expense		**(118,429)**	**(367,823)**
Total comprehensive income for the year		**50,103**	**80,003**

DTEK Investments Limited

Statement of Financial Position

In thousands of US$	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Loans receivable	6	387,394	302,620
Total non-current assets		**387,394**	**302,620**
Current assets			
Loans receivable	6	471,277	540,759
Interest receivable	6	30,582	26,125
Trade and other receivables	8	206,025	206,025
Cash and cash equivalents	7	2,366	27
Total current assets		**710,250**	**772,936**
TOTAL ASSETS		**1,097,644**	**1,075,556**
EQUITY			
Share capital	8	942,601	942,601
Other reserves		(1,116)	(1,116)
Effect of foreign currency translation		(1,110,626)	(992,197)
Retained earnings		1,103,152	1,047,516
TOTAL EQUITY		**934,011**	**996,804**
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	15	-	2,662
Total non-current liabilities		**-**	**2,662**
Current liabilities			
Borrowings	10	80,837	70,011
Interest payable	10	17,208	5,060
Dividends		64,861	-
Trade and other payables		621	960
Current income tax payable	15	106	59
Total current liabilities		**163,633**	**76,090**
TOTAL LIABILITIES		**163,633**	**78,752**
TOTAL LIABILITIES AND EQUITY		**1,097,644**	**1,075,556**

The financial statements on pages 10 to 24 were approved and signed by the Directors on 27 April 2017

Company Registration Number: 08422516

Maksym Timchenko, Director

Accomplish Corporate Services Ltd, Director

DTEK Investments Limited

Statement of Changes in Equity

In thousands of US$	Share capital	Other reserves	Effect of foreign currency translation	Retained earnings	Total equity
At 1 January 2015	**942,601**	**(1,556)**	**(623,934)**	**655,696**	**972,807**
Comprehensive income					
Profit for the year	-	-	-	447,826	**447,826**
Other comprehensive income/ (expense)					
Items that may be subsequently reclassified to profit or loss:					
Reclassification adjustment in relation to cash flow hedges	-	440	-	-	**440**
Foreign currency translation	-	-	(368,263)	-	**(368,263)**
Total other comprehensive expense	**-**	**440**	**(368,263)**	**-**	**(367,823)**
Total comprehensive income for the year	**-**	**440**	**(368,263)**	**447,826**	**80,003**
Transactions with owners					
Dividends	-	-	-	(56,006)	(56,006)
Total transactions with owners	**-**	**-**	**-**	**(56,006)**	**(56,006)**
At 31 December 2015	**942,601**	**(1,116)**	**(992,197)**	**1,047,516**	**996,804**
Comprehensive income					
Profit for the year	-	-	-	168,532	**168,532**
Other comprehensive expense					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation	-	-	(118,429)	-	**(118,429)**
Total other comprehensive expense	**-**	**-**	**(118,429)**	**-**	**(118,429)**
Total comprehensive income for the year	**-**	**-**	**(118,429)**	**168,532**	**50,103**
Transactions with owners					
Dividends	-	-	-	(112,896)	(112,896)
Total transactions with owners	**-**	**-**	**-**	**(112,896)**	**(112,896)**
At 31 December 2016	**942,601**	**(1,116)**	**(1,110,626)**	**1,103,152**	**934,011**

DTEK Investments Limited

Statement of Cash Flows

In thousands of US$	Note	Year ended 31 December 2016	Year ended 31 December 2015
Cash flows from operating activities			
Profit before tax		**166,158**	**450,783**
Adjustments for:			
Interest income	4	(75,964)	(85,428)
Finance costs	4	12,408	13,150
Net foreign exchange gains		(102,747)	(378,947)
Operating cash flows before working capital changes		**(145)**	**(442)**
(Decrease)/Increase in trade and other payables		(339)	911
Increase in income tax payable		298	-
Cash (used in)/generated from operations		**(186)**	**469**
Interest received		71,062	71,479
Interest paid		(1,707)	(13,096)
Income taxes paid		(251)	(284)
Net cash generated from operating activities		**68,918**	**58,568**
Cash flows from investing activities			
Deposits placed		-	17,650
Loans granted		(123,123)	(237,625)
Repayment of loans granted		104,574	399,185
Net cash (used in)/generated from investing activities		**(18,549)**	**179,210**
Cash flows from financing activities			
Borrowings received, net of commission paid		-	20,800
Repayment of borrowings		-	(206,569)
Dividends paid		(48,034)	(56,006)
Net cash used in financing activities		**(48,034)**	**(241,775)**
Net increase /(decrease)in cash and cash equivalents		**2,335**	**(3,997)**
Cash and cash equivalents at beginning of year		**27**	**5,223**
Exchange gains/(losses) on cash and cash equivalents		4	(1,199)
Cash and cash equivalents at end of the year		**2,366**	**27**

1 The Organisation and its Operations

General

The principal activity of the DTEK Investments Limited is to serve as a finance vehicle for DTEK Energy Group.

DTEK Investments Limited (the "Company") is a private limited liability company incorporated on 27 February 2013 in England and Wales through the contribution by DTEK Finance PLC of 100% of its equity interest. It was registered and domicile office is 3rd Floor 11-12 St. James's Square, London, United Kingdom, SW1Y 4LB.

Group structure

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Going concern

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The Croup's business is concentrated in Ukraine, which continues to face ongoing political and economic uncertainty. This has led to a deterioration of state finances, volatility in the local financial market, illiquidity in capital markets, elevated inflation levels, and depreciation of the national currency against major foreign currencies. The situation has continued in 2016, albeit, to a lesser extent than in prior years.

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The relationship between Ukraine and the Russian Federation remains strained. This has also contributed to the volatility in the Donbass region. Conflict in parts of Eastern Ukraine, which began in spring 2014, has not been resolved to date. An embargo on many key Ukrainian export products has been implemented by the Russian government. In response, the Ukrainian government implemented similar measures against Russian products. Furthermore, self-proclaimed authorities seized assets in the Donbass region of Ukraine in early March 2017. On 15 March 2017, management announced that they lost control over the assets in the conflict area. DTEK was forced to consider this as a theft of assets and informed the relevant Ukrainian law enforcement authorities.

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Due to the significant UAH devaluation during the period 2014 to 2016 DTEK commenced discussions with lenders on both a bi-lateral and an all-party basis. However, DTEK 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. In December 2016 the Group's bonds were restructured. Existing all bonds with a value of US$ 910 million, due in 2018, were cancelled and replaced with new bonds with a value of value US$ 1,275 million; 50% of the new bonds are to be paid in December 2023 and the remaining 50% in December 2024. Additionally, on 29 March 2017 a majority of DTEK's bank borrowings together with accrued but not paid interest were also restructured. DTEK continues the work on implementation of the restructuring under the all remaining facilities excluding sundry working capital loans on the basis of binding terms accepted by all of the bank lenders under the Bank Exchange Offer.

1 The Organisation and its Operations (Continued)

The Group's 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. The Group's 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. The Group's 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 restructuring of the remaining debt obligations that were subject to restructuring, there is a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Taking into account the ongoing restructuring process of some of the facilities and based on the cash flow projections performed, the Directors of the Group consider that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

2 Critical accounting estimates and judgments

The Company performs an analysis of risk factors, which, if any should realise, would materially and adversely affect the results and financial position of the Company.

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

The key accounting estimates and significant judgements relate to the valuation of the loans.

Management estimates the likelihood of the collection of loans receivable based on an impairment analysis on the consolidated net assets of DTEK.

DTEK 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 DTEK's identified cash-generating units a significant proportion of their output is input to another cash-generating unit.

DTEK 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 DTEK 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.

3 Accounting policies

Basis of preparation.

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

Related-party transactions

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

3 Accounting policies (Continued)

Notes to the cash flow statement

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

Functional and presentation currency

Items included in the financial statements of group companies are measured using the currency of the primary economic environment in which the respective group company operates (the functional currency). The functional currency of the Company is Ukrainian Hryvnia. The Company is a treasury centre and is effectively an extension of the treasury department of the parent company, located in Ukraine.

The annual financial statements are presented in thousands of United States dollars ("US$"). Management has determined the US dollar as a presentation currency that provides the best appropriate presentation of the Company's financial statements for investors and other intended users of financial statements.

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 results and financial position are translated from the functional into the presentation currency as follows:
(a) assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
(b) income and expenses for each income statement are translated at 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 rate on the dates of the transactions); and
(c) all resulting exchange differences are recognised in other comprehensive income.

The exchange rate used for the revaluation of the Statement of financial position from functional to presentation currency was 27.191 UAH/USD and 1.0453 EUR/USD as at 31 December 2016 (31 December 2015: 24.000 UAH/USD and 1.0926 EUR/USD). Average exchange rate for 2016 was 25,547 UAH/USD and 1.1069 EUR/USD (2015: 21.829 UAH/USD and 1.1089 EUR/USD).

Receivables

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

Cash and cash equivalents

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

Income taxes

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

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

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.

3 Accounting policies (Continued)

Derivative financial instruments, including hedge accounting

The Company enters into various derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk and applies hedge accounting to such transactions.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are 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 Company designates certain derivatives as cash flow hedges - hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The Company documents 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 Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are 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 are within a range of 80% - 125%.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining 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 are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is 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. The cumulative loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective will remain separately in equity and reclassified to profit or loss in the periods when the forecast transaction occurs.

Changes in the fair value of the derivatives after the date when the hedge accounting is discontinued are recognised in the income statement in finance income or expense.

Borrowings

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

Finance income and costs

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

Financial guarantees

Financial guarantees are initially recognised at fair value and are subsequently measured at the higher of (a) the amount determined in accordance with IAS 37 and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18.

New and amended standards mandatory for the first time for the financial year beginning 1 January 2016 relevant to the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11;
- Investment entities: Applying the consolidation exception – Amendments to IFRS 10, IFRS 12 and IAS 28;
- Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38;
- Annual improvements to IFRSs 2012 – 2014 cycle, and
- Disclosure initiative – amendments to IAS 1.

3 Accounting policies (Continued)

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

New Standards and revisions to existing standards issued that are not yet effective

IFRS 15 Revenue from Contracts with Customers: In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods beginning on or after 1 January 2017 with earlier application permitted. There is no an impact of adopting this standart on the Company's financial statements.

IFRS 9 *Financial Instruments: Classification and Measurement*: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IRFS 9 would be annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company currently assessing the impact of adopting IFRS 9 on our financial statements.

IFRS 16 Leases: In January 2016 International Accounting Standards Board (IASB) issued IFRS 16 Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. There is no an impact of adopting this standart on the Company's financial statements.

4 Interest income and Finance costs

In thousands of US$	**Year ended 31 December 2016**	**Year ended 31 December 2015**
Finance income		
Interest income on loans receivable	75,964	71,866
Change in fair value of derivative financial instruments	-	13,562
Total finance income	**75,964**	**85,428**
Interest expense on bank borrowings	12,408	9,470
Bank commitment fees	-	95
Interest expense on loans from related parties	-	3,585
Total finance expenses	**12,408**	**13,150**
Total finance income, net	**63,556**	**72,278**

5 General and administrative expenses

In thousands of US$	**Year ended 31 December 2016**	**Year ended 31 December 2015**
Professional fees	90	120
Auditor's remuneration	88	45
Bank charges	26	7
Total	**204**	**172**

Auditor's remuneration comprise on statutory audit fee only.

6 Loans and interest receivable

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

In thousands of US$	**31 December 2016**	**31 December 2015**
Non-current		
Loans granted to related parties	387,394	302,620
Total non-current loans receivable	**387,394**	**302,620**
Current		
Loans granted to related parties	471,277	540,759
Interest receivable	30,582	26,125
Total current loans and interest receivable	**501,859**	**566,884**

6 Loans and interest receivable (Continued)

The current receivables are all due within one year. As at 31 December 2016 the current loans are EUR 24,141 thousand (equivalent to US$ 25,235 thousand) and the current loans are US$ 446,042 thousand issued to the companies of the DTEK Group and carry interest of 9% per annum. As at 31 December 2015 the current loans were EUR 25,526 thousand (equivalent to US$ 27,889 thousand) and US$ 512,870 thousand issued to the companies of the DTEK Group, carrying interest ranging from 8 % to 9% per annum.

As at 31 December 2016 the non-current loans are EUR 43,937 thousand (equivalent to US$ 45,927 thousand) and US$ 341,467 thousand issued to the companies of the DTEK Group and repayable in the years from 2018 to 2026 and carry interest ranging from 7% to 9% per annum. As at 31 December 2015 the non-current loans are EUR 40,335 thousand (equivalent to US$ 44,070 thousand) and US$ 258,550 thousand issued to the companies of the DTEK Group and repayable in the years from 2018 to 2026 and carry interest ranging from 7% to 9% per annum. The principal and interest amounts are payable at any time before the cut-off date at the behest of the borrower. For some contracts the interest is repayable on a quarterly basis.

7 Cash and Cash Equivalents

As at 31 December 2016 cash and cash equivalents of US$ 2,348 thousand were denominated in US dollars, US$ 10 thousand were denominated in EUR, US$ 6 thousand were denominated in GBR, US$ 2 thousand were denominated in RUB. As at 31 December 2015 cash and cash equivalents of US$ 15 thousand were denominated in US dollars, US$ 1 thousand were denominated in EUR, US$ 10 thousand were denominated in GBR, US$ 1 thousand were denominated in RUB. As at 31 December 2016 no cash and cash equivalents were restricted in use.

8 Equity

As at 31 December 2016 the authorised share capital of DTEK Investments Limited comprises 94,260,115 ordinary shares of US$ 10 each. (As at 31 December 2015: 94,260,115 ordinary shares of US$ 10 each). Issued shares in the amount 20,602,500 are not paid on 31 December 2016 (20,602,500 are not paid on 31 December 2015) and presented as other accounts receivable in the amount US$ 206,025 thousand. All shares rank equally and have equal voting rights. In April 2016 DTEK Investments Limited declared a dividend of US$ 54,203 thousand, that was partly paid for an amount of US$ 48,034 thousand by 31 December 2016.

Other reserves comprise movements on the hedging reserve in other comprehensive income as described in Note 3.

9 Derivatives

During 2013 DTEK Investments Limited concluded agreements for a swap of RUB loans with a floating rate for EUR loans with a fixed rate. As described in Note 3, the Company adopted hedge accounting for these transactions. The Company designated these swap agreements as cash flow hedges and in 2014 recognised a net loss of US$ 5,230 thousand in other comprehensive income, that was reclassified to foreign exchange gains from borrowings for an amount of US$ 3,480 thousand and finance costs for an amount of US$ 21 thousand.

Starting from 1 July 2014 management decided to discontinue the hedge accounting application since it 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 will remain as a separate component reclassified to profit or loss in the periods when the forecast transaction occurs. The cash flow hedge was discontinued prospectively.

From January to July 2015 the Company recorded a decrease in the derivative liability of US$ 10,709 thousand due to the change in fair value of derivative financial instruments recognised in finance income for the amount of US$ 13,562 thousand as offset by US$ 2,853 thousand realised portion of the swap.

In July 2015 an agreement to early terminate the swap derivative was signed. As a consequence, the derivative financial instrument of US$ 35,125 thousand was offset with a related deposit for the amount of US$ 19,750 thousand. The remaining portion of the liability amounting to US$ 15,375 thousand is expected to be repaid by 7 August 2018 and was included in bank borrowings in the statement of financial position.

The derivative liability at 31 December 2016 was US$ nil (at 31 December 2015 was US$ nil).

10 Borrowings and interest accrual

In thousands of US$	31 December 2016	31 December 2015
Bank borrowings	80,837	70,011
Interest accrual on bank borrowings	16,311	4,143
Interest accrual on loans from related parties	897	917
Total current borrowings and interest accrual	**98,045**	**75,071**

In September 2013 the Group entered into a credit line agreement with VTB Capital PLC for the total amount RUB 5.4 billion, RUB 4 billion of which was drawn down at 31 December 2016 (US$ 66,356 thousand). The availability of the undrawn facility expired in 2014. The loan is unsecured and carries interest charged at MOSPRIME rate plus 4.5% payable on a quarterly basis. The loan agreement contains specific covenants, including restrictions on permissible business activities, financial disclosure requirements and maximum permissible level of leverage. Events of default among others include cross-default to other DTEK debt.

At 31 December 2015 the bank borrowings include US$ 15,375 thousand, which was reclassified from the derivative financial instrument in July 2015. The loan is unsecured and carries interest charged at Euribor rate plus 8% payable on a quarterly basis.

The Group continued to pay interest until October 2015. After October 2015 the Group did not pay interest on its bank borrowings. Discussions with banks are conducted with a view to agreeing a rescheduling plan, including repayment extension and adjustment to other terms.

The Group have performed an assessment of DTEK's compliance with certain financial covenants and have noted noncompliance with certain covenants. When financial covenants are calculated in UAH terms DTEK breached (as a result of the remeasurement of borrowings using the year end exchange rate) certain financial covenants on a number of loans related to the ratio of indebtedness to EBITDA. Additionally, covenants in relation to tangible net worth for some loans were also breached. Furthermore, as a consequence of these loan covenant breaches, some other loan covenants were also breached. As a consequence, at 31 December 2015 borrowings of US$ 70,011 thousand were reclassified from non-current to current liabilities.

As at 15 December 2016 the loan was transferred from VTB Capital PCL to Eastal Holdings Ltd and at 31 December 2016 amount of this borrowing was US$ 14,472 thousand.

11 Management of Capital

The Companies' objectives when managing capital are to safeguard the Company'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 Company may adjust the amount of dividends paid to shareholders, retum on capital to shareholders, issue new shares or sell assets to reduce debt.

The Company 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 statement of financial position) less cash and cash equivalents. Total capital under management equals equity as shown in the statement of financial position.

DTEK 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 DTEK 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 Company were US$ 95,679 thousand and US$ 934,011 thousand respectively (31 December 2015: US$ 75,044 thousand and US$ 996,804 thousand), the net debt to equity ratio was 10.243 % (31 December 2015: 7.528%).

12 Related party transactions

At 31 December 2016 the outstanding balances, income and expense items with related parties were as follows:

In thousands of US$	2016	2015
Interest income (Note 4)	75,964	71,866
Interest expense (Note 4)	-	3,585
Trade and other receivables	206,025	206,025
Loans granted and interest accrued (Note 6)	889,253	869,504
Trade and other payables	583	927
Loans received and interest accrued (Note 10)	897	917

13 Ultimate controlling parties

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

14 Personnel

The Company has no employees (2015:nil).

15 Income tax

In thousands of US$	Year ended 31 December 2016	Year ended 31 December 2015
Current income tax expense	288	295
Deferred income tax (credited)/expense	(2,662)	2,662
Income tax (credit)/expense	**(2,374)**	**2,957**

The following table reconciles the expected income tax at the statutory income tax rate to the amounts recognised in the Statement of Comprehensive Income:

In thousands of US$	Year ended 31 December 2016	Year ended 31 December 2015
Profit before income taxes	166,158	450,783
Income tax rate	20%	20.25%
Income tax at statutory rates	33,232	91,284
Tax effect of items not deductible or assessable for taxation purposes	(35,606)	(88,157)
Adjustments in respect of prior periods	-	(170)
Income tax (credit)/expense	**(2,374)**	**2,957**

There was a change in the UK main corporation tax rate from 21% to 20%, effective from 1 April 2015. Further changes in the UK tax rates were substantively enacted. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred tax balances at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The Company manages its tax affairs under Advanced Pricing Agreement signed with HMRC (APA). The APA stipulates the interest spread between the loans given and loans received of 11-15 bps.

The deferred income tax liability of US$ 2,662 thousand reflected in the Statement of Financial Position as of 31 December 2015 and written-off 31 December 2016 is attributable to the following items:

In thousands of US$	1 January 2015	Charged to Income tax expense	31 December 2015
Tax effect of deductible temporary differences			
Derivative liability (Note 9)	-	2,662	**2,662**
Recognised deferred tax liability	**-**	**2,662**	**2,662**

In thousands of US$	1 January 2016	Credited to Income tax expense	31 December 2016
Tax effect of deductible temporary differences			
Derivative liability (Note 9)	**2,662**	(2,662)	**-**
Recognised deferred tax liability	**2,662**	**(2,662)**	**-**

16 Directors remuneration

During 2016, the remuneration of the directors was US$ 2 thousand represented by short-term employee benefits (2015: US$ 3 thousand).

Mr Timchenko provides management services to both the ultimate parent and DTEK Investments Limited. The remuneration of Mr Timchenko is paid by other Group companies and it is not possible to make an accurate apportionment of his remuneration in respect of each of the companies. Accordingly, the above details include no remuneration in respect of Mr Timchenko. His total remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of the ultimate parent company.

17 Contingent liabilities

The Company together with other subsidiaries of the DTEK Group have given guarantees in respect of the bank borrowings and available credit limits of fellow subsidiaries and affiliates, which amounted to EUR 412,656 thousand, US$ 339,442 thousand and UAH 707,150 thousand at 31 December 2016 (at 31 December 2015: EUR 620,566 thousand, US$ 36,744 thousand, RUB 17,184,581 thousand and UAH 571,399 thousand). The actual borrowings, including interest due, of fellow subsidiaries amounted to US$ 796,797 thousand at 31 December 2016 (at 31 December 2015: US$ 973,953 thousand).

The Company has given a guarantee in respect of payments on Eurobonds of a fellow subsidiary and Parent Company as at 31 December 2016 (at 31 December 2015: in respect of payments on Eurobonds of a fellow subsidiary and Parent Company). The Eurobonds liability of the Parent Company amounted to US$ 945,114 thousand at 31 December 2016. The Eurobonds liability of the Parent Company amounted to US$ 910,000 thousand at 31 December 2015.

18 Financial Risk Management

The Company'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.

Risk management is carried out by a centralised treasury department of the Group 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. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

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

In thousands of US$	**31 December 2016**	**31 December 2015**
Loans receivable (Note 6)	858,671	843,379
Interest receivable (Note 6)	30,582	26,125
Cash and cash equivalents (Note 7)	2,366	27
Total	**891,619**	**869,531**

All the loans receivable are neither past due nor impaired. As at 31 December 2016 cash and cash equivalents of US$ 2,361 were placed in banks rated by Moody's Investors Service as A3, of US$ 5 were placed in banks rated by Moody's Investors Service as Caa2.

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

The following 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.

18 Financial Risk Management (Continued)

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

In thousands of US$	At 31 December 2016 Impact on profit or loss	At 31 December 2016 Impact on profit or loss	At 31 December 2015 Impact on profit or loss	At 31 December 2015 Impact on profit or loss
US$ strengthening by 50% (2015: 50%)	505,098	505,098	395,060	395,060
US$ weakening by 50% (2015: 50%)	(505,098)	(505,098)	(395,060)	(395,060)
Euro strengthening by 50%(2015: 50%)	31,115	31,115	31,373	31,373
Euro weakening by 50% (2015: 50%)	(31,115)	(31,115)	(31,373)	(31,373)
RUB strengthening by 50% (2015: 50%)	(39,629)	(39,629)	(29,208)	(29,208)
RUB weakening by 50% (2015: 50%)	39,629	39,629	29,208	29,208
GBP strengthening by 50% (2015: 50%)	(126)	(126)	-	-
GBP weakening by 50% (2015: 50%)	126	126	-	-

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

The Company's exposure to fixed or variable rates is determined at the time of issuing new debt. Management uses its judgment to decide whether fixed or variable rate would be more favorable to the DTEK Group over the expected period until maturity. The risk of increase in market interest rates is monitored by the DTEK Corporate Finance Department 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 maturity dates and interest rates of financial instruments are disclosed in Note 10. Re-pricing for fixed rate financial instruments occurs at maturity of fixed rate financial instruments. Re-pricing of floating rate financial instruments occurs continually.

At 31 December 2016, if interest rates on 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 US$ 1,618 thousand higher (2015: US$ 1,110 thousand higher).

Liquidity risk. Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding to meet existing obligations as they fall due.
The following table analyses the Company'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:

In thousands of US$	Up to 6 months	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Bank borrowings	40,056	47,556	-	-	-	87,612
Loans from related parties	-	897	-	-	-	897
Trade and other payables	37	584	-	-	-	621
Dividends	64,861	-	-	-	-	64,861
Total future payments, including future principal and interest payments	**104,954**	**49,037**	**-**	**-**	**-**	**153,991**

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

In thousands of US$	Up to 6 months	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Bank borrowings	77,806	-	-	-	-	77,806
Loans from related parties	-	917	-	-	-	917
Trade and other payables	119	841	-	-	-	960
Total future payments, including future principal and interest payments	**77,925**	**1,758**	**-**	**-**	**-**	**79,683**

19 Fair value of Financial Instruments

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

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

Financial instruments carried at fair value.

Fair values were determined based on quoted market prices or third party valuations using discounted cash flows techniques.

Financial assets carried at amortised cost. 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.

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 Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

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

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

	31 December 2016		**31 December 2015**	
In thousands of US$	**Level 2**	**Carrying value**	**Level 2**	**Carrying value**
Financial assets				
Loans and interest receivable(Note 6)	585,047	889,253	640,885	869,504
TOTAL ASSETS	**585,047**	**889,253**	**640,885**	**869,504**
Financial liabilities				
Borrowings and interest accrual (Note 10)	98,045	98,045	75,071	75,071
TOTAL LIABILITIES	**98,045**	**98,045**	**75,071**	**75,071**

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

	Fair value Level 2		
In thousands of US$	**2016**	**2015**	**Valuation technique**
Financial assets			
Loans and interest receivable (Note 6)	585,047	640,885	Current cost accounting adjusted
Total assets	**585,047**	**640,885**	
Financial liabilities			
Borrowings and interest accrual (Note 10)	98,045	75,071	Current cost accounting
Total liabilities	**98,045**	**75,071**	