



# ANNUAL REPORT 2017

Donbas **energo**



**WE ARE PLEASED TO PRESENT OUR ANNUAL IMAGE-BUILDING PUBLICATION OF DONBASENERGO PUBLIC JOINT-STOCK COMPANY — ANNUAL REPORT FOR THE YEAR 2017**

The purpose of this publication is to describe in detail the Company, its performance results and its prospects for further development. The annual report pays special attention to significant operational, financial and economic information, as well as questions of social responsibility of the Company.

We draw the attention of the shareholders to the fact that in terms of the main operational, technical and economic indicators Annual Report of Donbasenergo for 2017 reflects the results of the Company's performance excluding Starobeshivska TPP and part of the structural subdivisions located in the territory temporarily not controlled by the Ukrainian authorities because of the loss of control over them in March 2017.

The publication makes use of some photographs from the corporate calendar for 2018 — "Generation of the XXI Century: MUST HAVE", which reflect major upward trend that is the humanization of business. Domestic power generation today is a business oriented to global standards in the sphere of production, management and social responsibility. Over the past three years, the Company was implementing management systems for its major processes, some of which were certified and re-certified in 2017 in accordance with international standards: OHSAS 18001:2007, ISO 9001:2015, ISO 14001:2015. The Company's employees were involved in creating the calendar since they are the main driving force for the implementation of Donbasenergo's development strategy.



*Natalia Apanasenko,  
Production and Technical Directorate*

OHSAS 18001:2007

ISO 9001:2015

2017

ISO 14001:2015





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*Dear Shareholders,*

*In front of you is the Annual Report of Donbasenergo for 2017, which contains exhaustive statistical and analytical information about the technical and economic indicators of the Company's performance.*

Assessing the Company's performance in 2017, it is necessary to take into account the key political and economic trends that are changing the configuration of the market and the operating conditions of the industry and have a determining influence on business management and power generation processes.

For Donbasenergo the year passed under the sign of new challenges and new experience in crisis management. We can name the continued control over internal processes and management of the Company's position in the Wholesale Electricity Market as the main result. Optimum and timely solutions levelled down the risk of destabilization and unwanted changes in Donbasenergo's development vector.

At the beginning of the year, blocking of supplies of coal that Ukrainian companies mined in the temporarily uncontrolled territory of Donbass led to a forced change in the operating mode of Slovyanska TPP: generation of electricity by power unit no. 7 was stopped due to the temporary lack of possibility to replenish the fuel stocks.

At the same time, a stable heating season was ensured in Mykolayivka town.

Decision to import solid fuel, based on a comprehensive analysis of the correlation between price and quality, risks and opportunities, made it possible to resume and ensure the electricity generation in line with the planned volumes, to create the necessary stocks of coal in accordance with the Annual Forecast of Electricity Balance for the UES of Ukraine and the Forecast (indicative) composition of power units approved by the Ministry of Energy and Coal Industry.

In the first half of 2017, Slovyanska TPP did not operate in the electricity generation mode for more than 2,000 hours. At the same time, the annual output exceeded 2.3 million kWh. And although the final figure is lower than the corresponding figure for 2016, we were able to reduce the difference between them by cutting down the repair period while performing the required scopes and increasing the average load of the power unit. In addition, in 2017, the power plant curtailed its specific consumption of standard fuel for electricity supply both compared with the last year and compared with the plan for the current year. This result was achieved due to an increase in the average load, a reduction in the auxiliary electricity consumption and an increase in the calorific

value of solid fuel in relation to the indicators provided for in the plan.

In March, Donbasenergo lost control over Starobeshivska TPP and other structural units, the production facilities of which are located in the temporarily uncontrolled territory of Ukraine. Nevertheless, we managed to avoid a significant reduction in the market share in the sector of generating companies' TPPs: in 2016, this figure was 6%, and at the end of 2017, it is 5.2%.

In the course of the year, the Company's specialists worked on solutions to improve technical and economic performance and optimize cost, which made it possible for Donbasenergo to avoid unwanted proportions in the changes of cost and tariff for the main product, i.e. electricity. We also started to fulfil the key tasks to increase the economic efficiency of production and to supply heat to consumers of Mykolayivka town. In particular, Donbasenergo financed and implemented the first phase of the investment program to equip the town's housing stock with commercial heat metering devices.

Simultaneously with ensuring the operational effectiveness, a number of strategic issues were successfully resolved. In 2017, Donbasenergo's quality management system and environmental management system

were certified in accordance with ISO 9001:2015 and ISO 14001:2015. Consistent efforts to improve production and management processes ensure sustainable growth of the Company's attractiveness for business partnership, particularly in the investment market. One of the important wins of 2017 was the inclusion of the project for retrofitting of power unit no. 6 of Slovyanska TPP in the list of 10 priority projects for joint implementation as part of bilateral cooperation between Ukraine and China.

Last year was to a great extent pivotal for power generation companies and the industry as a whole: Ukraine signed an agreement on the synchronization of the national energy system with the continental Europe's energy system; the Law of Ukraine "On the Electricity Market" was adopted and entered into force, which will ensure the establishment of a free, competitive market; the National Emission Reduction Plan, which in fact, is the program for upgrading the capacities of domestic energy sector, was adopted. These decisions have shaped up a new system of coordinates, in which the industry will be developing from now on. The development strategy of thermal electricity generation operators should be aligned with it. In 2017, we laid the foundation for the efficient operation of Donbasenergo in new market conditions: we began to develop the Company's market strategy and structural changes needed to

implement it. Together with other market players, we are working on creation of efficient mechanisms for reforming the industry. With support from foreign partners, we are studying algorithms, the phased implementation of which is stipulated by the implementation of provisions of international agreements in the Ukrainian legislation.

*Donbasenergo's 2017 results attest to the Company's sustainability to risks, which is ensured by flexible management, professionalism of the team, high level of individual and collective adaptability. Thanks to this, while levelling down the consequences of recessive trends, at the same time we successfully solved a number of key tasks to ensure the successful transformation of Donbasenergo into a new type of company that meets the requirements of time.*

Respectfully, CEO

E. N. Bondarenko



# KEY DATES, FIGURES

**21 MARCH:** THE COMPANY LOST CONTROL OVER STAROBESHIVSKA TPP AND SOME STRUCTURAL UNITS, WHICH PRODUCTION CAPACITIES ARE LOCATED IN THE TEMPORARILY UNCONTROLLED TERRITORY OF UKRAINE

INSTALLED CAPACITY	2,890 MW
ELECTRICITY GENERATION	2,342 MILLION KWH
PRODUCTIVE SUPPLY OF ELECTRICITY	2,121 MILLION KWH
INSTALLED CAPACITY UTILIZATION RATE	30.4%

## I QUARTER JANUARY

- The best electrician of Slovyanska TPP was determined. Mark Kravchenko, an electrician of the 6th category for repair and installation of electrical cable lines, became the winner of this professional competition.

## FEBRUARY

- Slovyanska TPP suspended generation of electricity due to critically low fuel stocks and transport blockade, and switched to the heat generation mode.
- The Company acted as one of the main partners of the Ukrainian Energy Forum, which brought together senior delegates from ministries and parliamentary committees, NCSEPUR (NERC), representatives of the Energy Community, international energy and

consulting companies, experts from the Oxford Institute for Energy Studies and from the Support Group for Ukraine of the European Commission.

- Donbasenergo's specialists completed a corporate program training course from Ukraine's most prestigious business school, MIM-Kiev.

## MARCH

- Donbasenergo, as a management company, lost control over Starobeshivska TPP and part of the structural units operating in the temporarily uncontrolled territories.
- The Company introduced its Quality Policy and the new Environmental Protection Policy.

- The best electric welder was determined at Slovyanska TPP. Sergey Kutovoy, a specialist of the welding section, became the winner in the professional skill competition.



# AND EVENTS OF 2017

**23 JUNE ISO 9001:2015:** INDEPENDENT AUDITORS CONFIRMED SUCCESSFUL CERTIFICATION AUDIT PASSED BY THE COMPANY'S QUALITY MANAGEMENT SYSTEM. DONBASENERGO BECAME THE FIRST COMPANY IN UKRAINIAN THERMAL ELECTRICITY GENERATION THAT RECEIVED ISO 9001:2015 CERTIFICATE IN THE FIELD OF QUALITY MANAGEMENT (CERTIFICATE RECEIVED ON 28 SEPTEMBER 2017).

SPECIFIC WEIGHT IN THE GENERAL STRUCTURE OF ELECTRICITY GENERATION	1.5%
SPECIFIC WEIGHT IN THE STRUCTURE OF THERMAL ELECTRICITY GENERATION	5.2%
ELECTRICITY SUPPLY TARIFF	2,240.26 UAH/MWH
FUEL COSTS	UAH 3,067.8 MILLION

## II QUARTER APRIL

- The annual General Meeting of Shareholders of Donbasenergo took place, where the Company's performance results for 2016 were approved.
- Employees of the Company took part in the large-scale Kyiv Half Marathon and took the 29th place among 202 teams.

## MAY

- Donbasenergo was an official partner of the second ENERGOVESNA-2017 Energy Congress, a prestigious international energy forum.
- The first scientific and technical conference Thermal Energy: the Modern Dimension was held on the basis of Slovyanska TPP. Donbasenergo's specialists, representatives of universities and companies developing

equipment and components for TPPs became its participants.

- In Mykolayivka, the first Spring Bike Ride initiated by the Youth Union of Donbasenergo took place.

## JUNE

- Donbasenergo was the first among Ukrainian thermal electricity generators to have its quality management system certified in accordance with ISO 9001:2015.
- Ukraine signed an agreement on synchronization of the domestic United Energy System with the continental Europe's energy system.
- The Law of Ukraine "On the Electricity Market" came into force.
- Delegation of Donbasenergo took part in Astana EXPO-2017 International Exhibition (Kazakhstan). Within the

framework of the exhibition, 115 countries and more than 20 international organizations presented their showrooms. The key goal of the exhibition was defined by the organizers as to encourage discussions and generation of knowledge that would enable people to plan and control energy consumption, minimizing damage to the environment.

- Bright celebrations of the International Children's Day and Youth Day, organized by the Youth Union of the Company, took place in Mykolayivka.
- A football field with a modern artificial cover (44.22 m) was opened in school no.3 of Mykolayivka, within the framework of a joint program between Mykolayivka town's community and Donbasenergo for the reconstruction and renovation of social infrastructure facilities.



## KEY DATES, FIGURES

**07 JULY** ISO 14001:2015  
INDEPENDENT AUDITORS CONFIRMED THE SUCCESSFUL CERTIFICATION AUDIT OF THE COMPANY'S ENVIRONMENTAL MANAGEMENT SYSTEM (CERTIFICATE RECEIVED ON 28 SEPTEMBER 2017).

EBITDA	UAH 497.8 MILLION
TAXES AND OTHER MANDATORY PAYMENTS PAID TO THE BUDGET	UAH 1,092.4 MILLION
AVERAGE NUMBER OF PERSONNEL	3,019 PERSONS
AVERAGE MONTHLY WAGE	UAH 12,579

### III QUARTER

- JULY**
- Slovianska TPP resumed the generation of electricity.
  - Donbasenergo's environmental management system was certified in accordance with ISO 14001:2015.

### AUGUST

- Specialists of Elektroremont (Donbasenergo's structural unit) performed major repairs of the transformer supplying electricity to one of the districts of Mariupol city.
- Energoryba-2017, a traditional sports fishing corporate tournament was held.

### SEPTEMBER

- Polish experts in the sphere of the electricity market's reform and liberalization began to work in Donbasenergo.
- MFC Donbasenergo football team became the winner of the Super League in the largest amateur mini-football tournament in Ukraine, V9KU Kyiv.
- The team of Slovianska TPP showed the second result in the largest regional marathon, which annually takes place in Kramatorsk.



## AND EVENTS OF 2017

**08 DECEMBER** OHSAS 18001:2007  
RE-CERTIFICATION AUDIT OF THE HEALTH AND SAFETY MANAGEMENT SYSTEM FOR COMPLIANCE WITH REQUIREMENTS OF INTERNATIONAL STANDARD WAS COMPLETED. INDEPENDENT AUDITORS POSITIVELY ASSESSED THE CURRENT HEALTH AND SAFETY MANAGEMENT SYSTEM OF THE COMPANY (CERTIFICATE RECEIVED ON 27 FEBRUARY 2018).

COSTS FOR REPAIR CAMPAIGN	UAH 227.8 MILLION
CAPITAL INVESTMENTS	UAH 172 MILLION
LABOUR SAFETY COSTS	UAH 8.9 MILLION
ENVIRONMENTAL PROTECTION COSTS	UAH 66.7 MILLION

### IV QUARTER

### OCTOBER

- 2017–2018 heating season started: Slovianska TPP completed the preparations for the autumn and winter maximum (cold weather) in full.
- The first phase of Donbasenergo's investment program to equip the housing sector of Mykolayivka with commercial metering devices was completed. Heat meters were installed in all apartment buildings in the town.
- Project of retrofitting of power unit no. 6 of Slovianska TPP was presented in the program of the Open Energy Week international energy forum in the context of the investment policy in the industry.
- Employees of the Company took part in the large-scale Kyiv Half Marathon and took the 3rd place in the Power Engineering category and the 33rd place among 178 teams.



### NOVEMBER

- Donbasenergo presented an eco-style stand at POWER ENGINEERING FOR INDUSTRY-2017 XV International Exhibition.
- Our Generation* newspaper and For Warm Days corporate souvenir won the Grand Prix of The Best Corporate Media of Ukraine-2017 contest.
- Environmental protection measures implemented for Slovianska TPP resulted in the expert award in the Environmental Excellence category granted to the Company.
- The Cabinet of Ministers of Ukraine approved the National Emission Reduction Plan. Donbasenergo was one of the initiators of its development and adoption.

### DECEMBER

- A re-certification audit of the health and safety management system for compliance with OHSAS 18001:2007 was successfully completed at Slovianska TPP.

- Zarya Hotel, a worthy social object in the town's infrastructure, was put into operation after refurbishment.
- Roman Chebotarev, a senior supervisor of the rotating mechanisms' section of the fuel pulverizing shop at Slovianska TPP, was awarded with the Champion of the Ukrainian Power Engineering badge on the occasion of the Power Engineer's Day, our professional holiday. Vladimir Ralitnyi, a repairman of category 6 of the fuel pulverizing shop from Slovianska TPP received a Diploma of Merit from the Ministry of Energy and Coal Industry of Ukraine. Six employees of the Company were honoured with gratitude from the Ministry of Energy and Coal Industry of Ukraine. Two other Company's employees received Diplomas of Merit from Donetsk Regional Military-Civilian Administration. Diplomas of Merit from Donbasenergo were awarded to 40 employees of the Company.



# COMPANY IN THE ENERGY MARKET OF UKRAINE

1.1

STRUCTURE OF ELECTRICITY CONSUMPTION

1.2

ELECTRICITY OUTPUT OF THE UNITED ENERGY SYSTEM

1.3

ELECTRICITY OUTPUT OF THERMAL POWER PLANTS

1.4

ELECTRICITY SUPPLY TARIFF

1.5

ELECTRICITY EXPORTS

149,726 million kWh

+380 million kWh



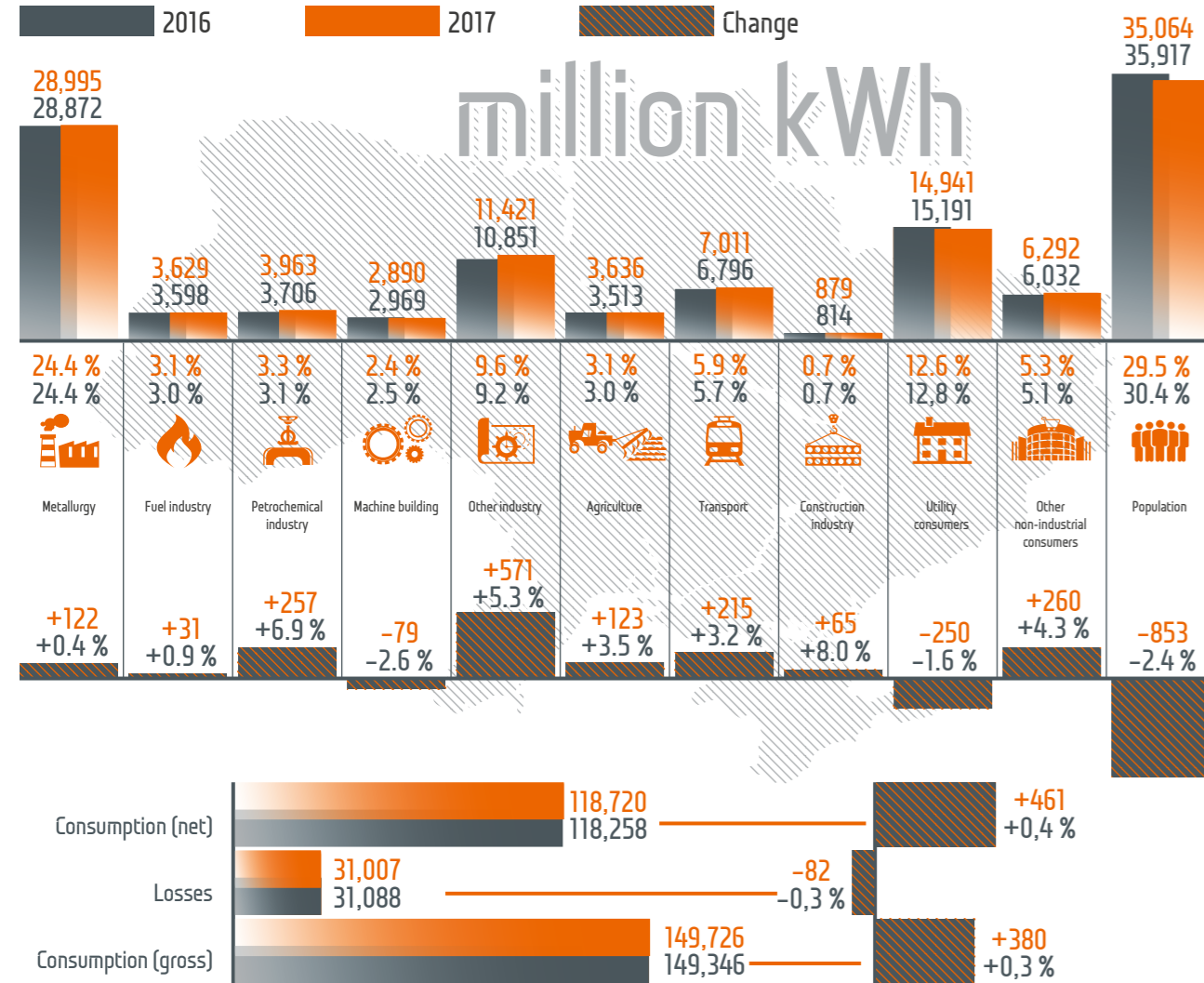
The basis of the electric power industry of Ukraine is the United Energy System (UES) of the country. It provides centralized electricity supply to consumers, interacts with the energy systems of neighbouring countries and ensures the export, import and transit of electricity. The UES unites the power generating capacities and distribution networks of the regions of Ukraine, which are interconnected by the system's electricity transmission lines.

In accordance with the Law of Ukraine "On Energy Industry", electricity produced by generating companies shall be sold to the Wholesale Electricity Market (WEM) of the country, which is operated by Energorynok, a state-owned enterprise.

The existing model of the single buyer market is a constraining factor both for the efficient use of the TPPs' capacities and for expanding the share of thermal electricity generation in the overall structure of the installed capacity of the Ukrainian electric power industry. Within the framework of the concept for operation and development of the Wholesale Electricity Market, Ukraine intends to move to a model that would include a market of bilateral contracts, a balancing market, a day ahead market, an auxiliary services market, etc.

*Adoption of the Law "On the Electricity Market" on 13 April 2017, in which the transition of Ukraine's electric power industry to market mechanisms is stipulated in accordance with international agreements, became an important step forward on the way to the new electricity market.*



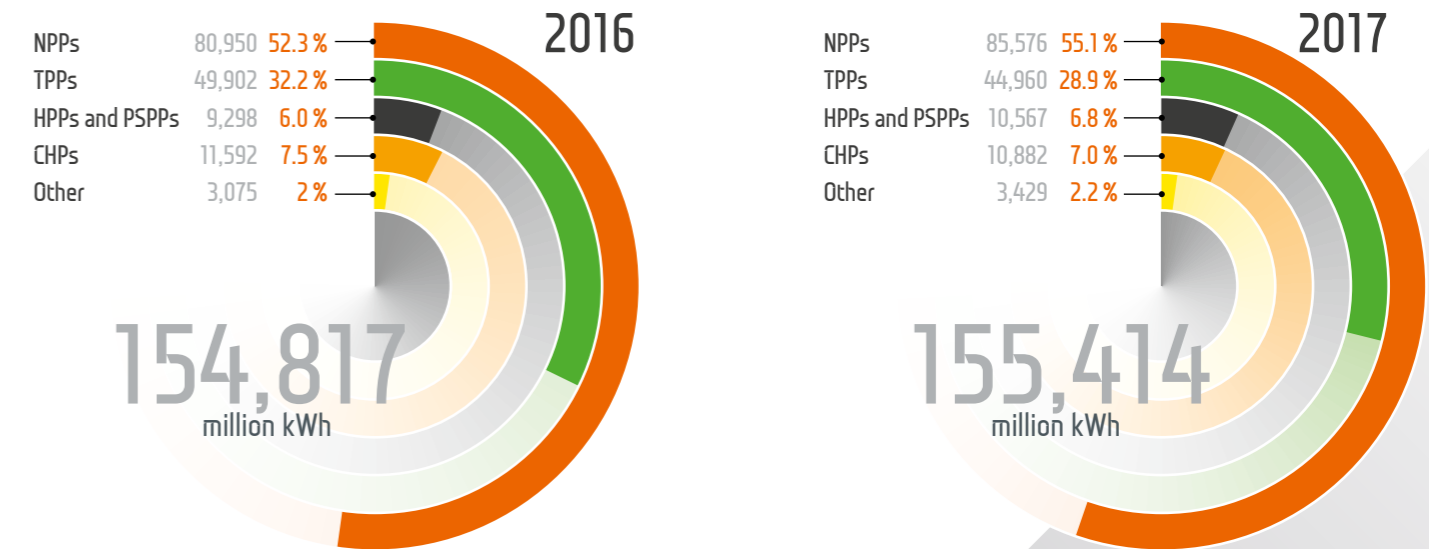


### 1.1 STRUCTURE OF ELECTRICITY CONSUMPTION IN UKRAINE IN 2016–2017

In 2017, the gross electricity consumption in Ukraine increased to 149,726 compared to 149,346 million kWh, and consumption by end consumers — to 118,720 million kWh against 118,258 million kWh in 2016.

149,726 million kWh

### 1.2 ELECTRICITY OUTPUT OF THE UNITED ENERGY SYSTEM OF UKRAINE IN 2016–2017



Electricity generation in the United Energy System of Ukraine increased by 0.4% compared to 2016, up to 155,414 million kWh. The share of thermal power plants in the total structure of 2017 electricity generation amounted to 28.9%.

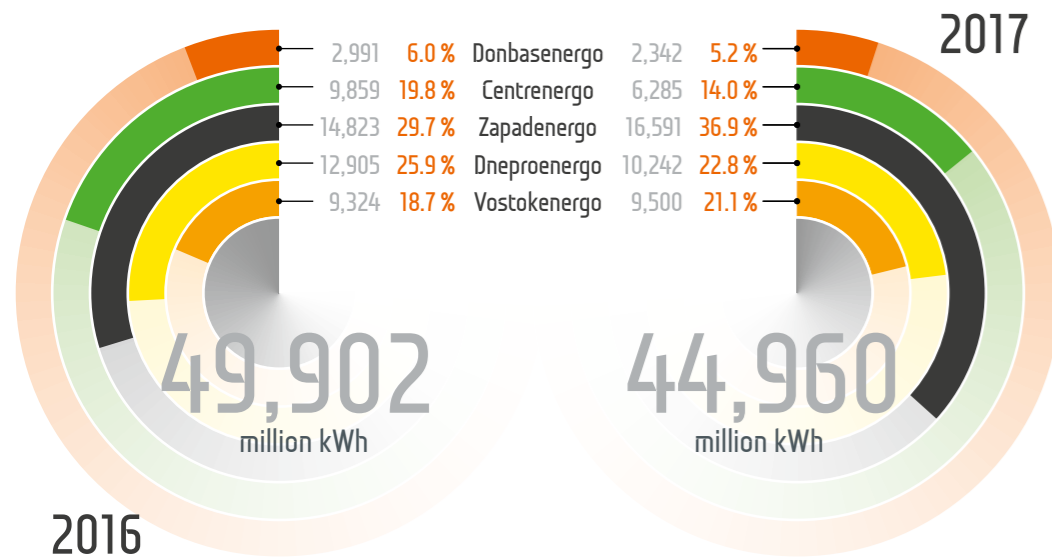
155,414 million kWh



### 1.3 ELECTRICITY OUTPUT OF THERMAL POWER PLANTS

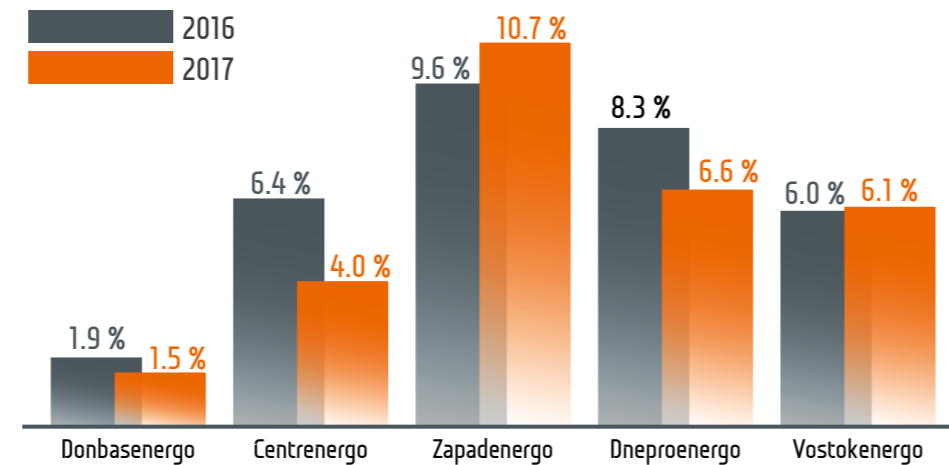
Ukrainian thermal electricity generation is represented by five power generating companies: Donbasenergo, Centrenergo, DTEK Zapadenergo, DTEK Vostokenergo and DTEK Dneproenergo.

Electricity output of generating companies' TPPs



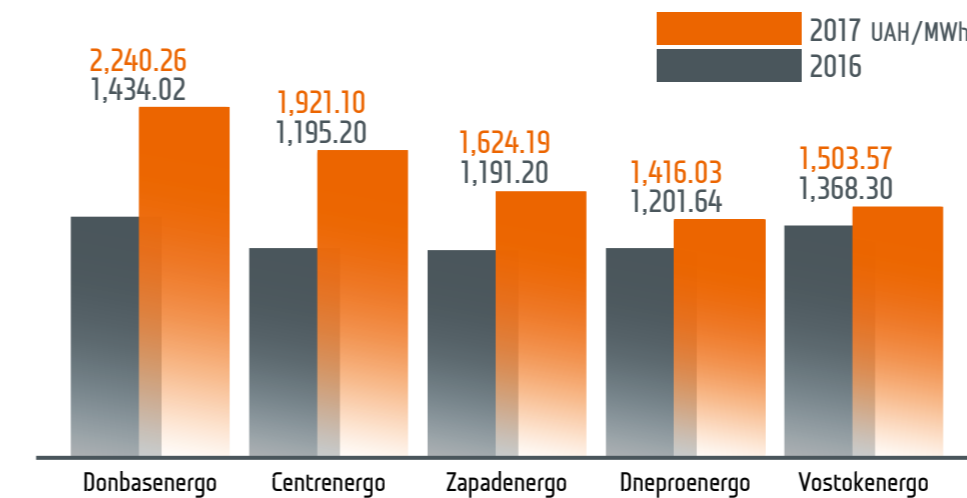
Generating companies of thermal power plants operate in the Wholesale Electricity Market on a competitive basis: within a set schedule for day ahead, selection is made from among a range of power generating units with the lowest to the highest unit cost to cover the maximum electricity consumption.

Specific weight of generating companies' thermal power plants in the overall structure of electricity output in Ukraine



The most expensive manoeuvrable power unit determines the hourly prices for electricity. The prices for working capacity and manoeuvrability are determined on the basis of the ratios calculated by Energorynok state enterprise. For all other producers, NCSEPUR (NERC) establishes sales tariffs for a planned month.

### 1.4 ELECTRICITY SUPPLY TARIFF



Throughout 2017, a positive trend towards the growth in TPPs' tariffs was observed in the WEM of Ukraine — due to the increase in the wholesale market price (WMP), in prices for supplied electricity and prices for working capacity and manoeuvrability. The tariff for electricity supplied by TPPs in 2017 was 1,595.70 UAH/MWh, which is 353.41 UAH/MWh more than in the previous year. The tariff of Donbasenergo amounted to 2,240.26 UAH/MWh (+806.24 UAH/MWh), which is 56.2% more than in the previous year.

The growth in tariffs of thermal electricity generation companies averaged 28.4%, mainly due to the rise in price for low-volatile fuel (anthracite and meagre coal), which has been imported since March-April 2017. At the same time, in 2017, settlements of Energorynok with generating companies' TPPs for the supplied electricity only stood at 98% of the TPPs' commercial output.

### 1.5 ELECTRICITY EXPORTS

43.3 million kWh

Donbasenergo is one of the few electricity exporters to the countries that are members of the European ENTSO-E system.

On 28 March 2017, NERC adopted Resolution no.426 "On Approval of the Electronic Auction Procedure for Distribution of the Cross-Section Capacity of Interstate Electricity Networks", which made it possible to remove regulatory and technical restrictions in access to the interstate cross-section capacity and opened a platform for the purchase of cross-section capacities at daily auctions. Due to this, the Company reached a higher quality level of participation in electronic auctions for the purchase of cross-section capacities to export electricity to the ENTSO-E countries.

Starting from June 2017, in addition to annual and monthly auctions, the Company has also been taking an active part in daily auctions, which enables it to increase the volume of exported electricity and take a competitive place in the export market of Ukraine.

Since 2015, Donbasenergo has been exporting electricity in the following directions:

- Hungary
- Romania
- Slovakia.

The volume of exports to the above countries in 2017 amounted to 43.3 million kWh, which is 3.7 times higher than in 2016. The most efficient destinations in terms of exports were and are countries such as Hungary and Romania due to a significant difference between the indices of European prices and the wholesale market price for electricity in Ukraine.

*In 2018, it is expected to continue the development of the electricity exports, the search for new companies for mutually beneficial cooperation and the development of new destinations, in particular, Poland and Moldova.*



# OVERVIEW OF OPERATIONAL RESULTS

## 2.1

COST STRUCTURE  
OF COMMERCIAL  
OUTPUT

## 2.2

FULFILMENT  
OF KEY TECHNICAL  
AND ECONOMIC  
INDICATORS

## 2.3

FUEL  
SUPPLY

## 2.4

REPAIR  
CAMPAIGN

## 2.5

CAPITAL  
INVESTMENTS

## 2.6

PROCUREMENT  
AND LOGISTICS

227.8

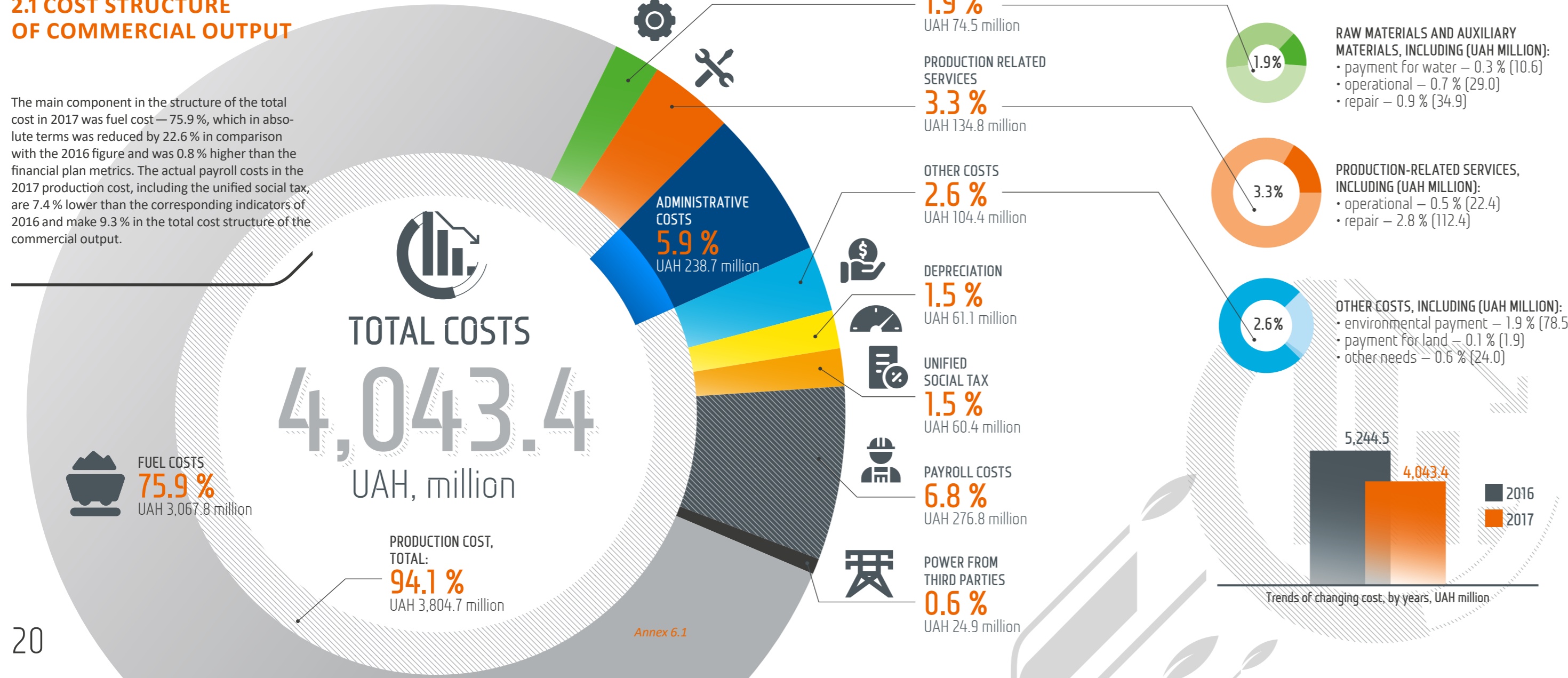


*The Company operates in the UES of Ukraine taking into account the complex political and economic situation and the specifics of operation of each TPP. On 21 March 2017, Donbasenergo lost control over Starobeshivska TPP and some structural units, which production facilities are located in the temporarily uncontrolled territory of Ukraine. Overview of the Company's operational results and a comparative analysis of the main technical and economic indicators are given taking into account these factors.*

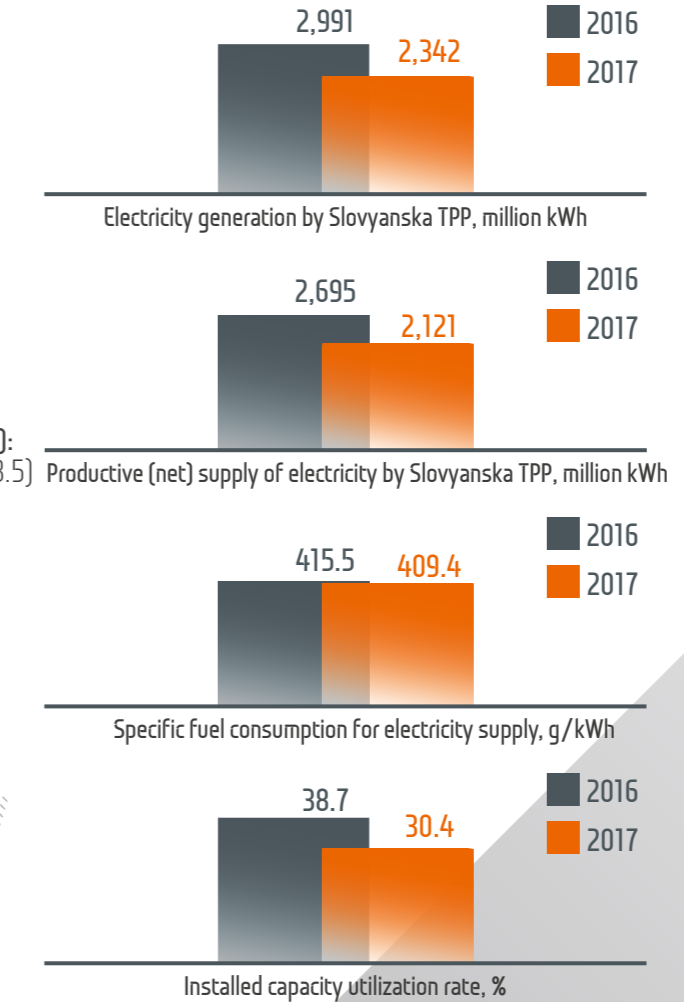


## 2.1 COST STRUCTURE OF COMMERCIAL OUTPUT

The main component in the structure of the total cost in 2017 was fuel cost — 75.9%, which in absolute terms was reduced by 22.6% in comparison with the 2016 figure and was 0.8% higher than the financial plan metrics. The actual payroll costs in the 2017 production cost, including the unified social tax, are 7.4% lower than the corresponding indicators of 2016 and make 9.3% in the total cost structure of the commercial output.



## 2.2 FULFILMENT OF THE KEY TECHNICAL AND ECONOMIC INDICATORS



The electricity output by Slovyanska TPP over 12 months of 2017 amounted to 2,342 million kWh, which is 649 million kWh less than in the same period of 2016. The decrease in the electricity generation by Slovyanska TPP of Donbasenergo in 2017 influenced the reduction in the installed capacity utilization rate to 30.4%, which is 8.3% lower than the figure of 2016, although 1.4% higher than that in the financial plan.

### FACTORS THAT INFLUENCED THE CHANGE IN PRODUCTION INDICATORS RELATIVE TO 2016:

- reduction of the operation time (up time) by 2,163 hours
- increase in the back-up time by 6,255 hours.

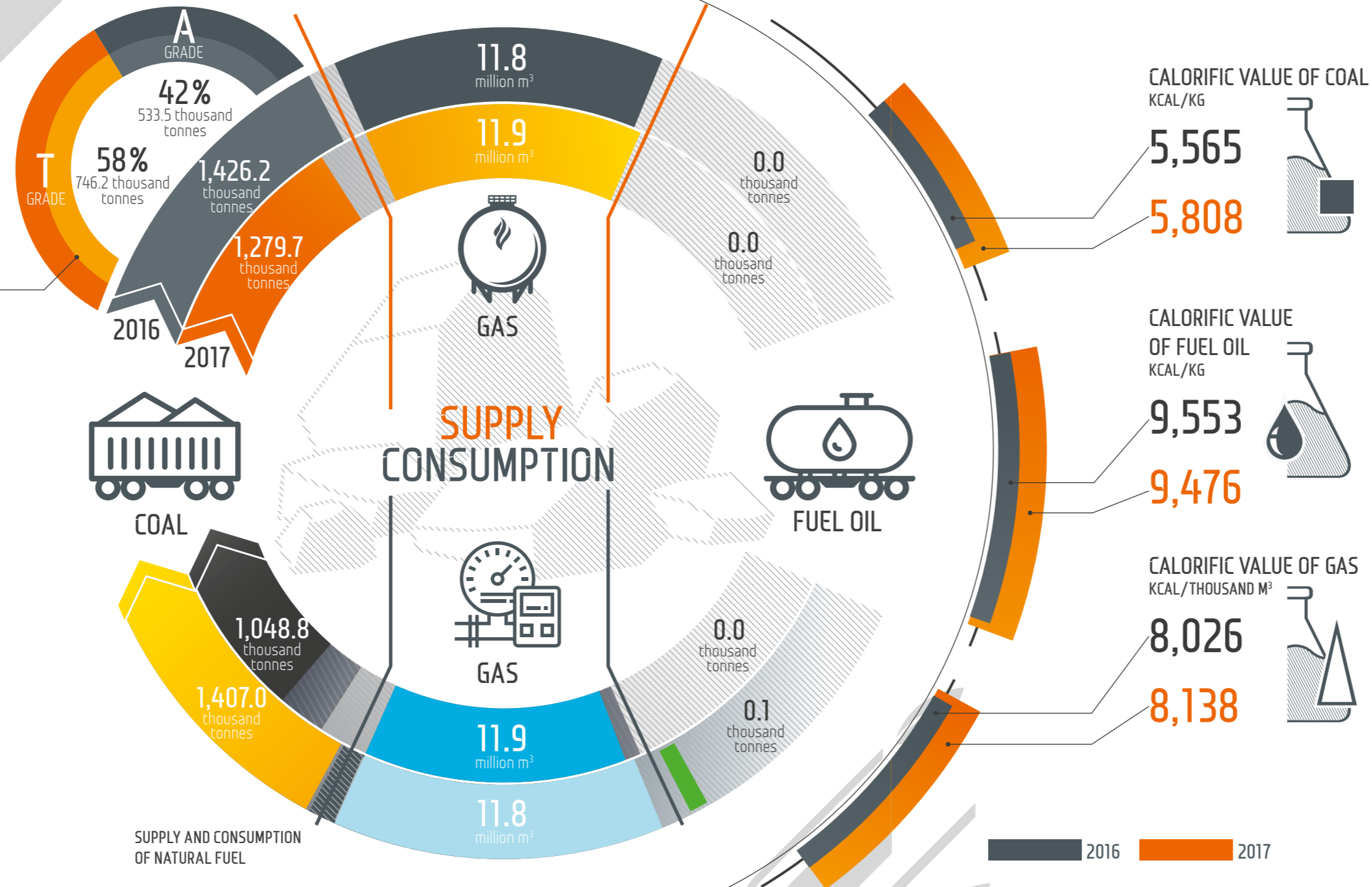


SUPPLY OF OPERATION COAL BY GRADES IN 2017

1,279.7 thousand tonnes

2.3 FUEL SUPPLY

The supply of fuel to the Company's power plants in 2017 was based on the Annual Projected Electricity Balance of the Ukrainian UES and the Projected (indicative) set of power units, both approved by the Ministry of Energy and Coal Industry, to ensure generation of the planned amount of electricity and creation of the necessary stocks of coal.



Coal was supplied under contracts stipulating compliance with uniform requirements to coal quality, in accordance with the specifications established by state standard DSTU 4083-2012 "Hard coal and anthracite for pulverized combustion at thermal power plants. Technical conditions."

Natural gas in 2017 was supplied to Slovyanska TPP of Donbasenergo centrally, from Naftogaz of Ukraine and Gazinvest-trading.

In 2017, the Company purchased natural gas for Slovyanska TPP from Naftogaz of Ukraine in the amount of 0.6 million m<sup>3</sup> for UAH 5.5 million and from Gazinvest-trading LLC in the amount of 11.3 million m<sup>3</sup> for UAH 110.0 million, which ensured an uninterrupted production process.

Settlements with Naftogaz of Ukraine in 2017 totalled UAH 4.7 million, which is 84.6%, taking into account prepayment in the amount of UAH 1.1 million for January 2017 made in December 2016. The prepayment as of 1 January 2018 is UAH 0.8 million.

Settlements with Gazinvest-trading LLC amounted to UAH 97.9 million, including arrears in the amount of UAH 12.6 million as of 1 January 2017, which is 89.0% of the cost of natural gas purchased in 2017. The debt as of 1 January 2018 is UAH 8.7 million.

In 2017, payment for the supplied coal amounted to UAH 3,690.6 million.

In 2017, the Company's power plant wrote off losses of solid fuel at the level of natural loss. The losses were written off in accordance with the Rules for Accounting of Fuel at Power Plants, 1995.

The fuel used for the operation of the Company's power plant in 2017 complies with the standards and is suitable for boiler equipment (Annex 6.3).

Specific consumption of standard fuel for electricity supply by Slovyanska TPP in 2017 decreased by 17.7 g/kWh compared to the financial plan's figure. The decrease was due to a growth in the average load, a reduction in the auxiliary electricity consumption, an increase in the calorific value of solid fuel relative to the indicators of the financial plan. In comparison with 2016, the specific consumption of standard fuel for electricity supply by Slovyanska TPP in 2017 decreased by 6.1 g/kWh (Annex 6.4).



## 2.4 REPAIR CAMPAIGN

According to order of the Ministry of Energy and Coal Industry of Ukraine no. 684 "On the preparation of equipment of power plants and heating networks for their reliable and efficient operation in 2017 and in the autumn-winter period of 2017/2018" dated 31 October 2016, the repair campaign of 2017 was to include repair and retrofitting of 6 equipment units of Slovyanska TPP, in particular:

- retrofitting of 2 units (turbogenerator no. 7, building 7B of power unit no. 7)
- current repair of 4 units (building 7A of power unit no. 7, turbogenerator no. 3, boiler units no. 6 and no. 7 (1st stage) of Slovyanska TPP).
- repair of heating networks — 0.15 km.

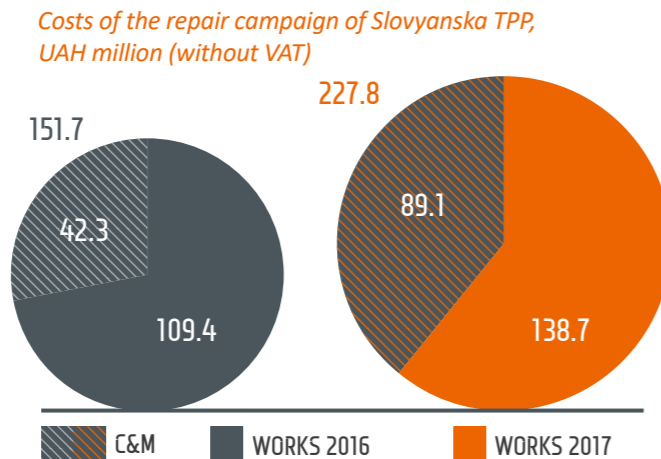
### 6 UNITS OF EQUIPMENT WERE REPAIRED:

- current repairs of turbogenerator no. 7, buildings 7A and 7B of power unit no. 7 from 27 April 2017 to 5 May 2017 (order of the Ministry of Energy and Coal Industry of Ukraine no. 469 of 18 July 2017)
- current repair of turbogenerator no. 3 from 2 September 2017 to 14 September 2017
- current repair of boiler no. 6 from 1 July 2017 to 1 September 2017

- current repairs of boiler no. 7 from 2 September 2017 to 15 October 2017.

The timing of the current repairs of TG no. 3, boilers no. 6 and no. 7 (1st stage) of Slovyanska TPP were approved by order no. 587 of the Ministry of Energy and Coal Industry of Ukraine dated 5 September 2017.

- repair of heating networks: 0.84 km actually done against 0.15 km planned.



Annex 6.5

Within the framework of implementing the Plan for the retrofitting and modernization of thermal power plants and combined heat and power plants, approved by resolution of the Cabinet of Ministers of Ukraine no. 648-r of 8 September 2004, Donbasenergo is implementing the project of retrofitting of power unit no. 7 at Slovyanska TPP.

In view of the current economic and political situation in the region where the Company's production facilities are located, retrofitting of turbogenerator no. 7, section 7B of power unit no. 7 was not completed in 2017. In 2017, the current repair of turbogenerator no. 7, section 7B, was carried out.

Retrofitting of power unit no. 7 of Slovyanska TPP (TG no. 7, 7A and 7B sections) was postponed to 2018. The time period for execution of the retrofitting is from 1 May 2018 till 30 June 2018 (order of the Ministry of Energy and Coal Industry of Ukraine no. 622 "On the preparation of equipment of power plants and heating networks for their reliable and efficient operation in 2018 and in the autumn-winter period of 2018/2019" dated 25 September 2017).

## 2.5 CAPITAL INVESTMENTS

### Retrofitting of power unit no. 7 of Slovyanska TPP

In 2017, preparations were made for the III phase of the retrofitting, which is planned for 2019. A number of contracts have been concluded and advance payments have been made for equipment that is to be manufactured for physical implementation of the III construction phase. Part of the equipment was manufactured and delivered to Slovyanska TPP.

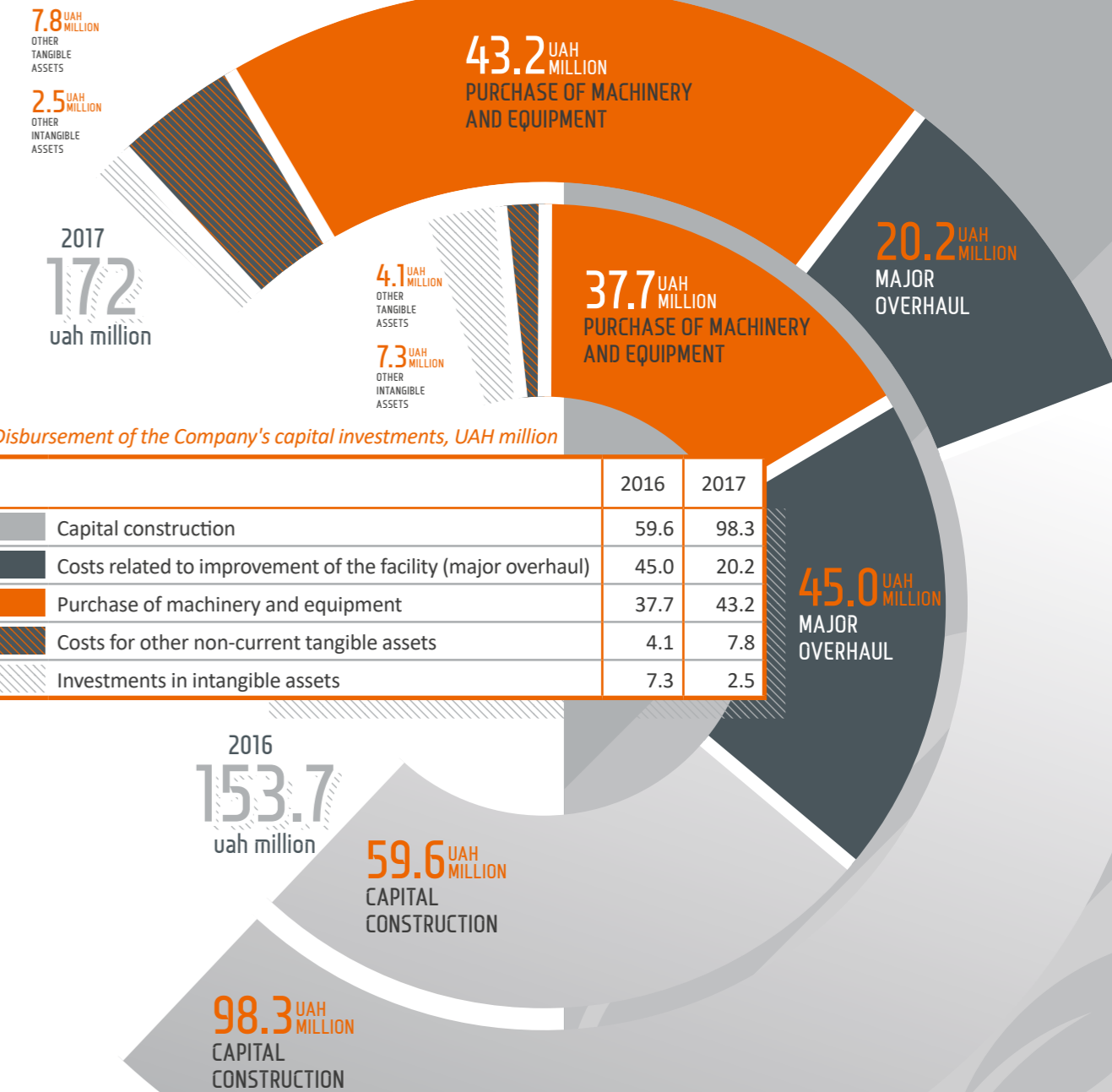
### Retrofitting of power unit no. 6 of Slovyanska TPP

Within the framework of the project's implementation:

- preparatory work on the construction site of Slovyanska TPP was fully completed
- 2 turbines with condensers (no. 6B and no. 6A) were manufactured in full by Turboatom
- documentation of the basic design stage was developed in full for the project Slovyanska TPP. Retrofitting of power unit no. 6, including its division into power units no. 6B and no. 6A with a capacity of 330 MW each, using anthracite coal as a design fuel. In connection with the requirements of the central executive authorities to use gaseous coal at Ukrainian power plants, the terms of reference for design have been adjusted taking into account the change of the design fuel to gaseous coal grade. Currently, the project's amendment is underway.

Disbursement of the Company's capital investments, UAH million

	2016	2017
Capital construction	59.6	98.3
Costs related to improvement of the facility (major overhaul)	45.0	20.2
Purchase of machinery and equipment	37.7	43.2
Costs for other non-current tangible assets	4.1	7.8
Investments in intangible assets	7.3	2.5





## 2.6 PROCUREMENT AND LOGISTICS

During 2017, procurement in Donbasenergo was made in accordance with the Company's internal regulations and in compliance with the principles established by the Law of Ukraine "On public procurement". The procurement process includes the procedures for a comprehensive study of the market for goods, works and services for the most efficient selection of proposals. One of the tools for the optimal choice of vendors is the electronic trading platform.

To carry out electronic procurement and publish information on the results of conducted tenders, the Company's own B2B-portal procurement service was launched. Now, any accredited company worldwide can see the Company's tenders and can take part in them. In addition, efforts were taken to have Donbasenergo's tenders displayed on Smart-tender.biz electronic trading platform, a participant in ProZorro, the all-Ukrainian system of electronic procurement.

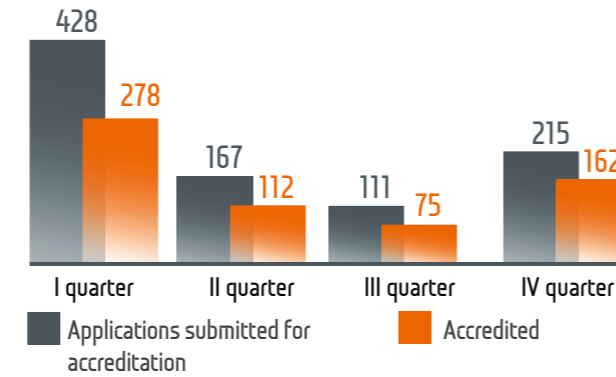
The main directions for increasing the efficiency of the electronic trading platform, for which efforts were taken in 2017:

- increase in the number of registered vendors
- improving the convenience of the service for bidders
- optimization of the electronic trading platform to simplify announcing of tenders
- development of a procurement accounting system.

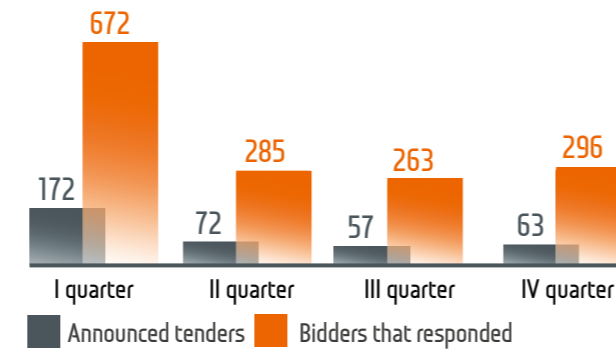
### RESULTS FOR 2017:

- in the course of 2017, bidders participated in tenders announced by the Company 1,516 times
- 84,449 vendors were invited to participate in 364 tenders in 2017
- 627 companies were added to the vendor database in 2017 (since the launch of the platform (1 June 2016) 1,131 vendors have been registered)
- decrease in the price of purchased goods, works and services in the procurement procedures in 2017 reached 7.8% of the total procurement amount approved by the Procurement and Tendering Directorate.

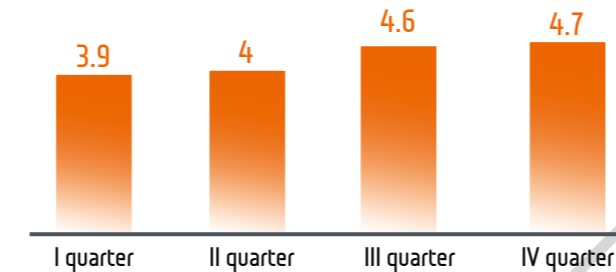
The results of the platform's performance for 2017:



Number of bidders



Average number of bidders per tender



Sergey Petukhov,  
HR Directorate



# ANALYSIS OF FINANCIAL RESULTS

3.1

REVENUES AND INCOME

3.2

NET PROFIT, KEY FINANCIAL INDICATORS

3.3

EBITDA

57.3

3.4

CASH FLOWS

3.5

CREDIT PORTFOLIO

3.6

LIQUIDITY MANAGEMENT

3.7

ANALYTICAL RATIOS REFLECTING THE FINANCIAL CONDITION

ROE 0.12

295.6

UAH million

All the information contained in the Analysis of Financial Results sub-section is provided on the basis of Donbasenergo's audited consolidated statements.

Financial results are one of the most important indicators of the Company's performance. Their analysis reveals the impact of internal production factors and external economic factors on the main metrics of the power generating Company's financial position. Despite the force majeure in March 2017 due to the loss of control over the production assets located in the temporarily uncontrolled territory, indicators of this section characterize Donbasenergo's ability to retain control over the financial and economic situation, to fulfil its obligations to creditors, as well as make it possible to assess the past and current financial position of the Company relative to the future conditions of its existence. The financial statements for 2017 were made in accordance with the requirements of the International Financial Reporting Standards (IFRS).

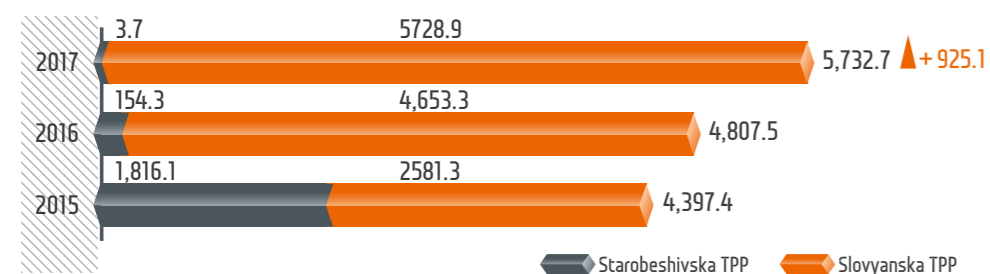
Viktoriya Porokhnya,  
Administrative Department

UAH million  
497.8

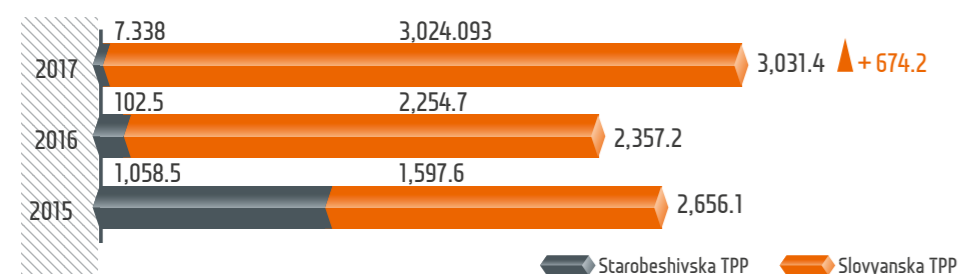


### 3.1 REVENUES AND INCOME

Proceeds from the sale of electricity and heat, UAH million

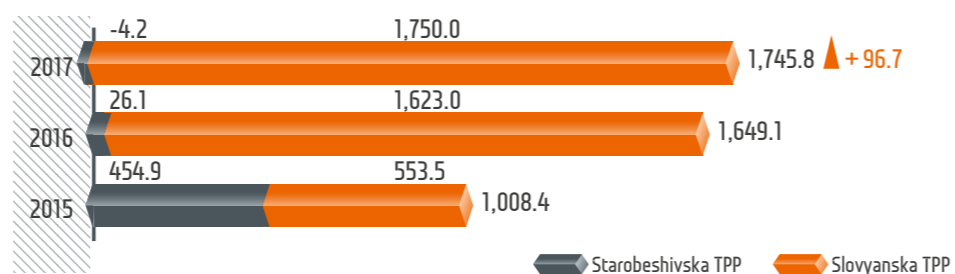


Cost of sold electricity and heat, UAH million



The cost price of electricity and heat sold in 2017 amounted to UAH 3,031.4 million and increased compared to 2015–2014 due to the growth in prices for technological fuel (coal — by 87.5 %, gas — by 18.8 %) and re-classification of costs for electricity generation at Starobeshivska TPP.

Gross profit from sold electricity and heat energy, UAH million



The gross profit from the sale of electricity and heat in 2017 amounted to UAH 1,745.8 million and was mainly made by electricity supplied to EnergorynokSE by Slovyanska TPP. The main criteria for improving the performance results at Slovyanska TPP are:

- 44.9 % growth rates of electricity tariffs, excluding the investment component, outstripping 30.4 % growth rate of the cost of electricity generation
- return of the investment component in the tariff for completed investment projects of Starobeshivska TPP, which was suspended in 2014, totalling UAH 449.2 million.

3,031.4  
UAH million

COST OF SOLD ELECTRICITY AND HEAT

1,745.8  
UAH million

GROSS PROFIT FROM SALES OF ELECTRICITY AND HEAT

376.8  
UAH million

EBT

### 3.2 NET PROFIT, KEY FINANCIAL INDICATORS

Key financial indicators for 2017–2015, UAH million

	2015	2016	2017
Operating profit	1,008.4	1,649.1	1,745.8
Administrative costs	196.7	236.7	287.3
Distribution costs	11.5	11.1	8.0
Other operating income, other income	1,196.5	1,687.4	1,024.1
Other operating expenses, other expenses	2,453.2	3,268.3	2,006.4
Financial income	7.3	15.8	18.9
Financial expenses	138.8	122.3	110.3
EBT <sup>2</sup>	-588.0	-286.2	376.8

<sup>2</sup> EBT — Earnings Before Tax

EBT trends for 2017–2015, UAH million



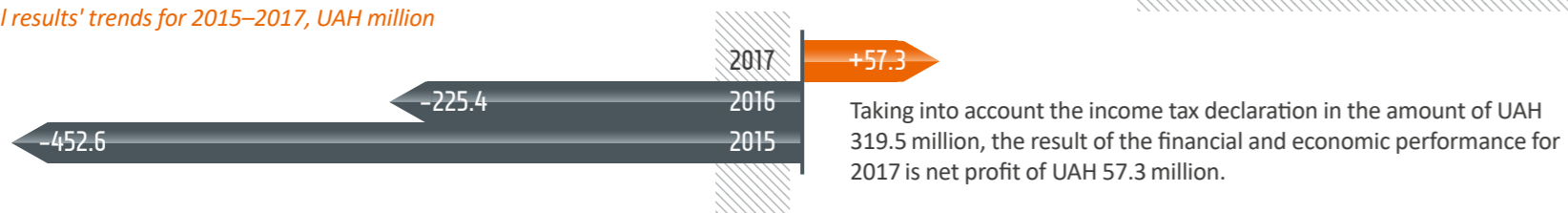
The increase in EBT in 2017 compared to 2016 was mainly due to the improvement of economic performance of Slovyanska TPP's operations by UAH 126.9 million, which had a positive impact on its profitability.



Structure of the financial result for 2017–2015, UAH million

Indicator	Actual	Actual	Actual	Deviation of 2017 actual / 2016 actual		Deviation of 2017 actual / 2015 actual	
	2015	2016	2017	+/-	%	+/-	%
(+) Net income (revenue) from the sale of electricity, heat, including: investment component in the electricity tariff	3,664.5	4,006.3	4,777.2	770.9	19.2 %	1,112.7	30.4 %
(-) Cost of sold electricity and heat	2,656.1	2,357.2	3,031.4	674.2	28.6 %	375.3	14.1 %
(=) Operating profit	1,008.4	1,649.1	1,745.8	96.7	5.9 %	737.4	73.1 %
(-) Administrative costs	196.7	236.7	287.3	50.5	21.4 %	90.5	46.0 %
(-) Distribution costs	11.5	11.1	8.0	-3.1	-27.8 %	-3.5	-30.4 %
(+) Other operating income, other income	1,196.5	1,687.4	1,024.1	-663.3	-39.3 %	-172.4	-14.4 %
(-) Other operating expenses, other expenses	2,453.2	3,268.3	2,006.4	-1,261.9	-38.6 %	-446.8	-18.2 %
(+) Financial income	7.3	15.8	18.9	3.1	19.7 %	11.6	158.4 %
(-) Financial expenses	138.8	122.3	110.3	-12.0	-9.8 %	-28.5	-20.5 %
(=) Profit before tax	-588.0	-286.2	376.8	662.9	-231.7 %	964.8	-164.1 %
(-) Profit tax accrued according to form 2	-135.5	-60.8	319.5	380.3	-625.4 %	454.9	-335.8 %
(=) Net profit	-452.6	-225.4	57.3	282.7	-125.4 %	509.9	-112.7 %

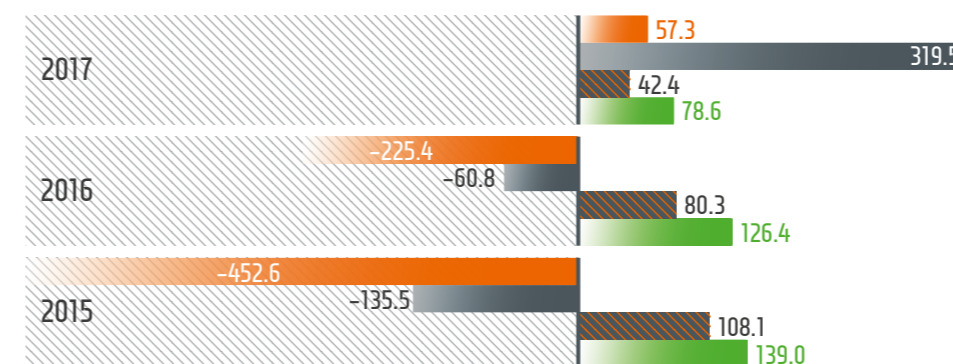
Financial results' trends for 2015–2017, UAH million



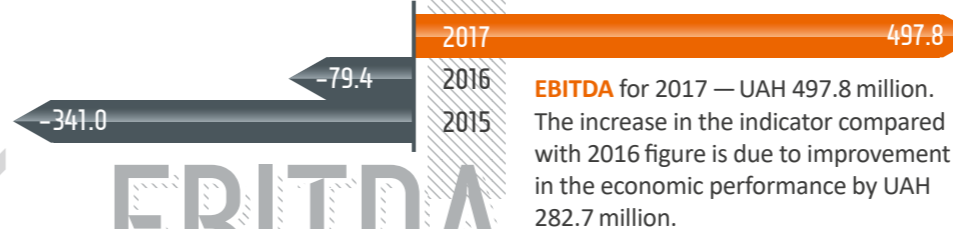
3.3 EBITDA

497.8  
UAH million

EBITDA structure for 2017–2015, UAH million

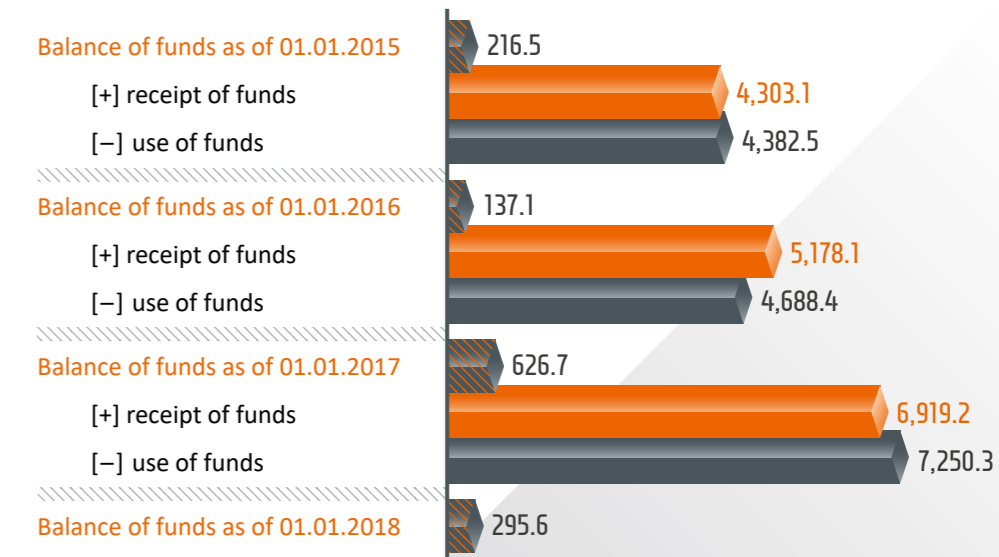


	2015	2016	2017	
Net profit from economic activities	-452.6	-225.4	57.3	
Income tax expense	[+]	-135.5	-60.8	319.5
Interest paid	[+]	115.4	96.1	61.3
Interest received	[-]	7.3	15.8	18.9
Depreciation	[+]	139.0	126.4	78.6
<b>EBITDA</b>	<b>-341.0</b>	<b>-79.4</b>	<b>497.8</b>	



3.4 CASH FLOW

Cash flow structure in 2017–2015, UAH million



The growth of cash inflows in 2017 compared with 2016 is UAH 1,741.1 million due to the influence of the following factors:

[+] UAH 851.3 million — increase in the cost of the supplied electricity of Slovyanska TPP due to the accrual of additional payments for unloading power unit no. 7 below the minimum allowable level, improvement in the pricing mechanism for producers that operate under price bids in accordance with resolution no. 1766 of NCSEPUR (NERC) of Ukraine of 30 September 2016, which ensured the growth in the tariff for Slovyanska TPP by 61.18 kopeks/kWh

[+] UAH 415.1 million — return of the investment component in the electricity tariff for completed investment projects of Starobeshivska TPP, in accordance with NCSEPUR's (NERC) resolution no. 455 of 30 March 2017 and resolution no. 939 of 25 July 2017 (payment of the investment component was suspended in 2014).



**[+] UAH 218.5 million** — attraction of short-term loan funds from Oschadbank in order to accumulate stocks of technological fuel to efficiently pass through 2017/2018 heating season

**[+] UAH 179.5 million** — increase in the receipt of funds from operations of electricity exports to Hungary, Slovakia and Romania

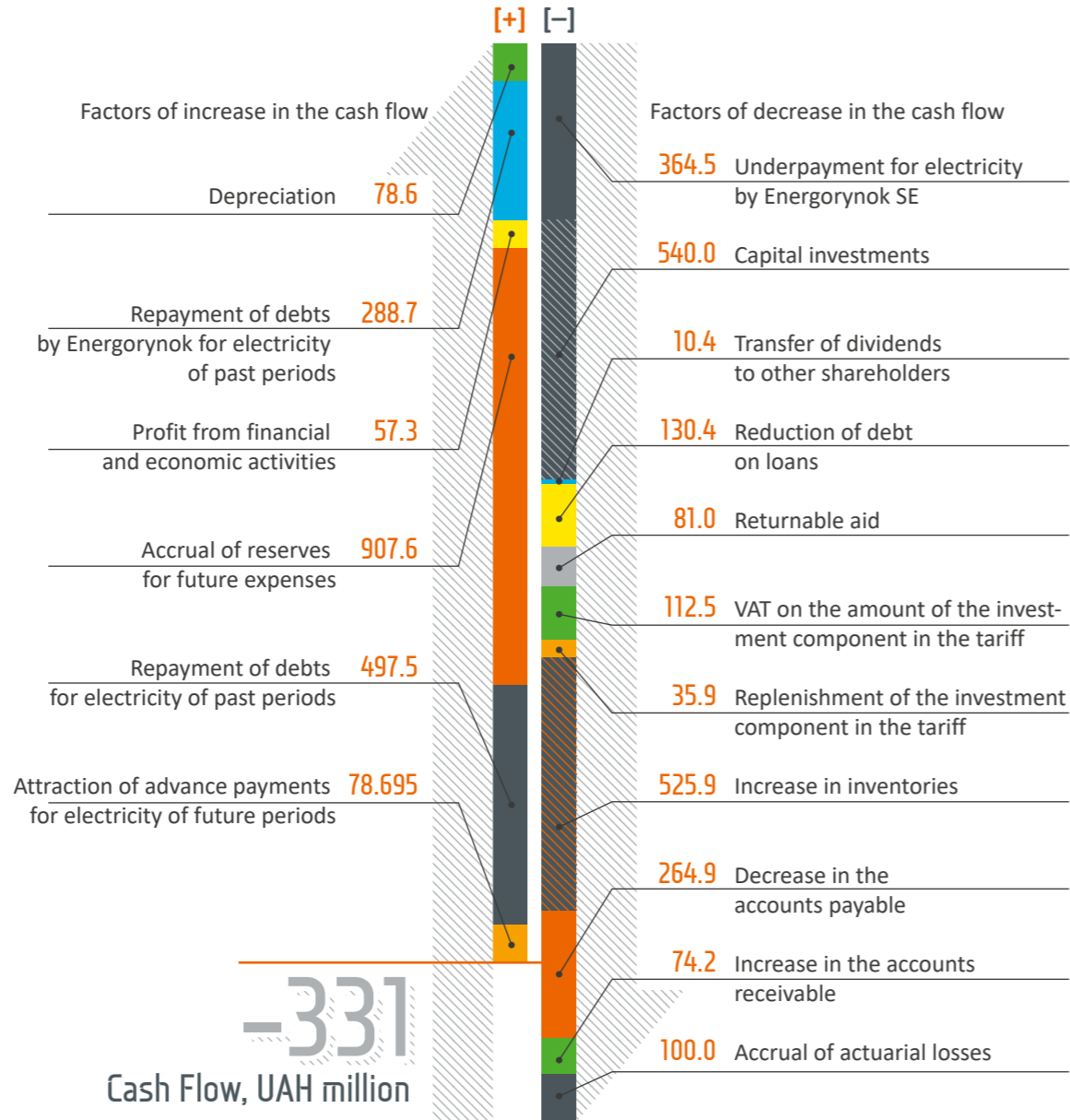
**[+] UAH 497.5 million** — repayment of debt for electricity supplied in October 2000 — August 2015 due to the execution of settlements in December 2017 in accordance with Resolution no. 971 of the Cabinet of Ministers of Ukraine of 6 December 2017.

**The decrease in the cash flow was significantly influenced by:**

**[-] UAH 525.9 million** — increase in technological fuel stocks (coal in the warehouse of Slovyanska TPP) for efficient 2017/2018 heating season

**[-] UAH 373.5 million** — reduction of accounts payable to the State budget for taxes and other mandatory payments, on mutual settlements with counterparties.

**UAH 331.1 million was formed due to the following factors:**



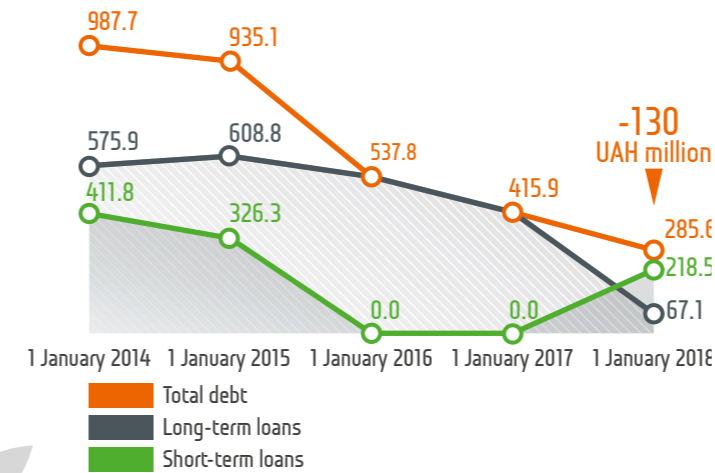
↑ 1,908.4 UAH million

↓ 2,239.5 UAH million

### 3.5 CREDIT PORTFOLIO

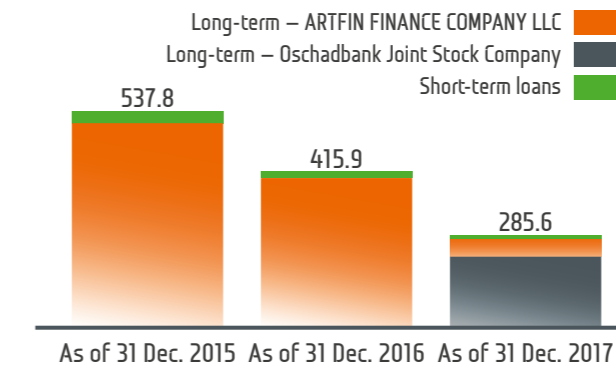
The Company attracts credit resources for timely payments for fuel and the necessary retrofitting of its equipment. The current credit portfolio of Donbasenergo is denominated in the Ukrainian hryvnias (UAH), with a fixed interest rate for the use of funds.

Credit debt trends, UAH million



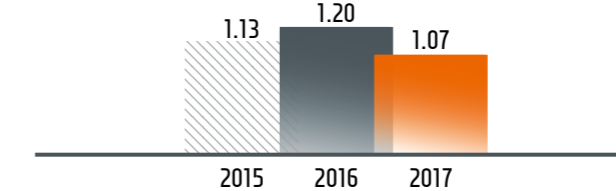
Debt on borrowed credit funds as of 31 December 2017 amounted to UAH 285.6 million and decreased by UAH 130.3 million compared with 2016.

Structure of credit debt, UAH million



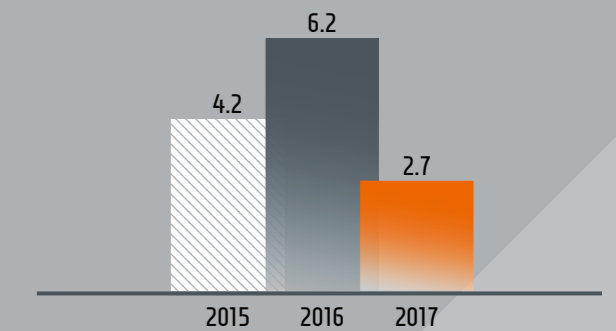
The change in the credit debt structure in 2017 was due to repayment of debts in accordance with the schedules under long-term credit lines with Oschadbank JSC to an amount of UAH 348.8 million, as well as due to attraction of short-term credit resources from Oschadbank to an amount of UAH 218.5 million to ensure purchase of technological fuel for Slovyanska TPP.

Current solvency ratio



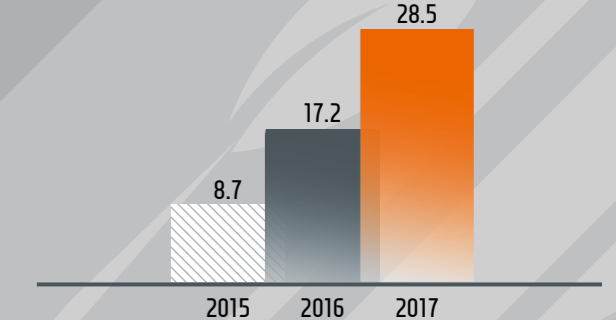
The actual calculated value of the solvency ratio corresponds to the normative one (N > 1). The ratio was influenced by, on the one hand, the repayment of the accounts receivable for electricity supplied in October 2000 — August 2015, and, on the other hand, the reduction in the accounts payable under settlements with the State budget for tax and other mandatory payments.

Ratio of cash flow sufficiency for settlement of obligations (cash flow adequacy ratio)



The decrease in the calculated value of the liabilities repayment ratio to 2.7 in 2017, where the normative value is (N > 1), is a consequence of the increase, compared to 2016, in expenses for implementation and financing of long-term investment projects for Slovyanska TPP.

Interest coverage ratio



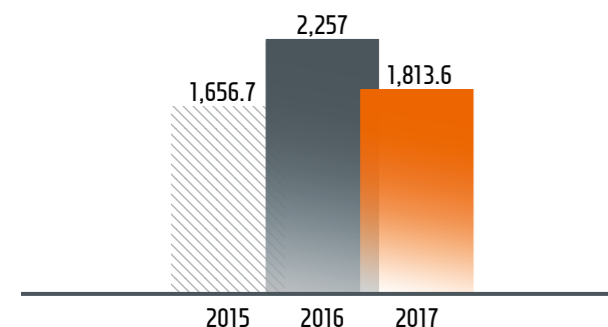
The level of credits' protection against non-payment of interest, in accordance with the interest coverage ratio, for 2017 showed that the Company fully covered the interest obligations to creditors.



### 3.6 LIQUIDITY MANAGEMENT

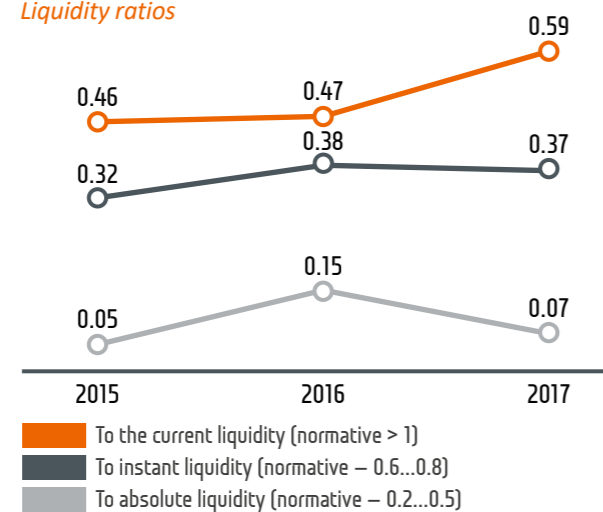
In order to assess the liquidity of the Company, calculations of the ratios that characterize the ability of Donbasenergo to make timely and complete settlements on short-term debt obligations were carried out.

Trends of NWC indicator, UAH million



According to the 2017 performance results, the net working capital (NWC) grew up and amounted to UAH 1,813.6 million, due to an increase in the level of settlements by Energorynok for supplied electricity, compared with 2016, (+7.55% of marketable product), as well as repayment of debt of past periods. As a result, the accounts payable to the State budget on tax and other mandatory payments and to vendor companies were repaid.

Liquidity ratios



As the above calculations show, the indicator of current (N > 1) liquidity for 2017 is below the normative value. At the same time, the value of the indicator is improved in comparison with previous reporting periods, and this is due to the repayment of the accounts payable (+UAH 373.5 million) in mutual settlements with counterparties and the State Budget of Ukraine, with a decline in highly liquid assets by UAH 546.2 million.

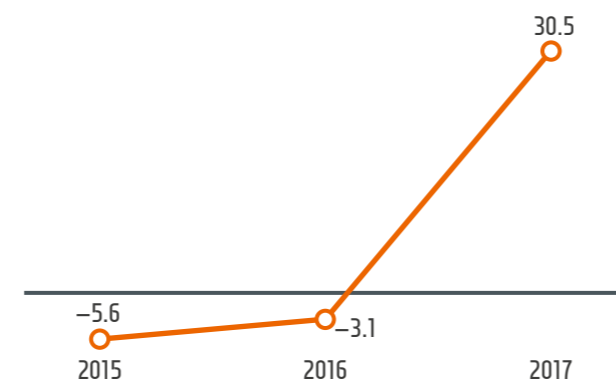
The decrease in the absolute liquidity ratio (N from 0.2 to 0.5) is associated with a decrease in the free balance of funds by UAH 341.8 million as compared to 2016 and 2015.

Thus, the overall change in the liquidity indicators over the reporting period indicates the preservation of the Company's dependence on borrowed funds.

### 3.7 ANALYTICAL RATIOS REFLECTING THE FINANCIAL CONDITION

The economic efficiency of using the Company's assets is expressed by the profitability ratios that characterize the possibility of obtaining economic benefits from the use of production resources, capital, assets and investment funds.

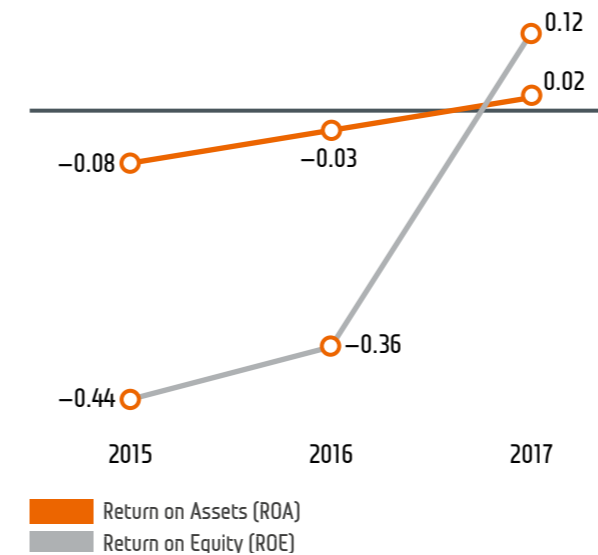
Operating activity's profitability ratio



The growth in the operating activity's profitability ratio for 2017, as compared to 2016, resulted from an increase in the profitability of other operating activities by UAH 1,448.4 million as the performance results for Starobeshivska TPP for March-December 2017 were not recorded and accounted; due to the amendment of amounts of provisions and impairment under the IFRS, as well as re-classification of the amounts of costs for electricity generation by Starobeshivska TPP in accordance with requirements of the Company's Accounting Policy.

# EPS 2.43 UAH

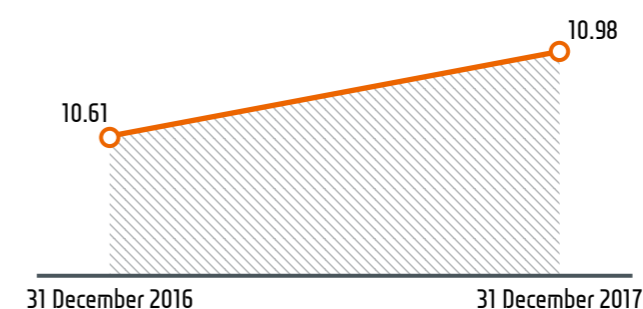
ROA and ROE trends



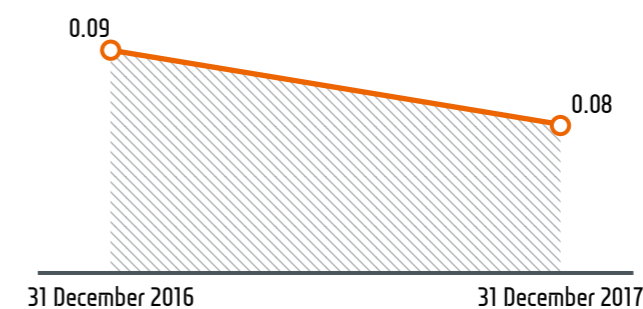
Improvement in the return on assets (ROA) in 2017 was due to the continued reconstruction and technical re-equipment of the main production assets of Slovyanska TPP.

The value of the return on equity (ROE) for 2017 demonstrates a positive trend, which is a consequence of profitable performance with a virtually unchanged equity.

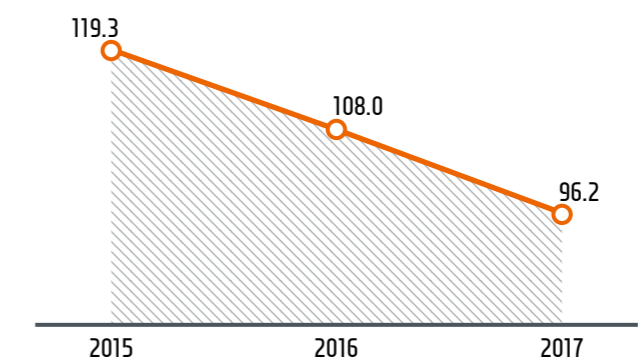
Solvency ratio (Rsl), >0.5



Capital structure ratio (Rcs), <1



Trend of the receivables turnover ratio



The value of the solvency ratio for 2017 remains below the normative one due to the increase in liabilities (reserves) for future cash outflows resulting from past events by UAH 95.5 million with a simultaneous, albeit insignificant, decrease in equity due to adjustment of past periods' losses by [-] UAH 10.3 million.

The estimated value of the receivable turnover ratio for 2017 shows a descending trend compared to 2016, which is mainly due to advance payments in December 2017 to ensure the shipment of imported coal, as well as the continued implementation and financing of long-term investment projects for Slovyanska TPP.

Earnings per share ratio

During the reporting period, in pursuance with requirements of Article 68 of the Law of Ukraine "On Joint Stock Companies", the issuer purchased common registered shares from shareholders who voted "against" at the annual General Meeting of Shareholders on issues of granting prior consent for conclusion of material transactions. The bought out shares were sold in January 2018. Taking into account Donbasenergo's performance results for 2017, in particular net profit amounting to UAH 57.3 million, the calculated value of earnings per one common registered share (Earnings Per Share) totalled UAH 2.43.

Thus, despite the improvement of certain financial indicators for 2017, the financial position of the Company remains complicated and depends on the adoption of external, governmental decisions.



# CORPORATE GOVERNANCE

## 4.1

BASIC PRINCIPLES OF CORPORATE GOVERNANCE

## 4.2

CORPORATE GOVERNANCE STRUCTURE

## 4.3

GENERAL MEETING OF SHAREHOLDERS

## 4.4

SUPERVISORY BOARD

## 4.5

DIRECTORATE (BOARD OF DIRECTORS)

## 4.6

REVISION COMMITTEE

## 4.7

STRUCTURE OF EQUITY CAPITAL

The corporate governance of Donbasenergo PJSC is regulated by the Economic and Civil Codes of Ukraine, the Laws "On Joint Stock Companies", "On Securities and Stock Market" and other regulatory and legal acts of the National Securities and Stock Market Commission, the Articles of Association of the Company and its internal Regulations, resolutions of the General Meeting, the Supervisory Board and the Directorate (Board of Directors).

OHSAS 18001:2007

Vitaliy Lobanov,  
Occupational Health and Safety Directorate



## 4.1 BASIC PRINCIPLES OF CORPORATE GOVERNANCE

In accordance with the Company's corporate code, approved by the extraordinary General Meeting of Shareholders of 6 September 2016, the corporate governance is based on the following principles:

- due attention to interests of shareholders
- ensuring balance of influence and balance of interests of participants in corporate relations
- ensuring financial transparency
- introduction of rules for efficient management and proper control

## 4.2 CORPORATE GOVERNANCE STRUCTURE

**THE SUPREME GOVERNING BODY OF THE COMPANY IS THE GENERAL MEETING OF SHAREHOLDERS**

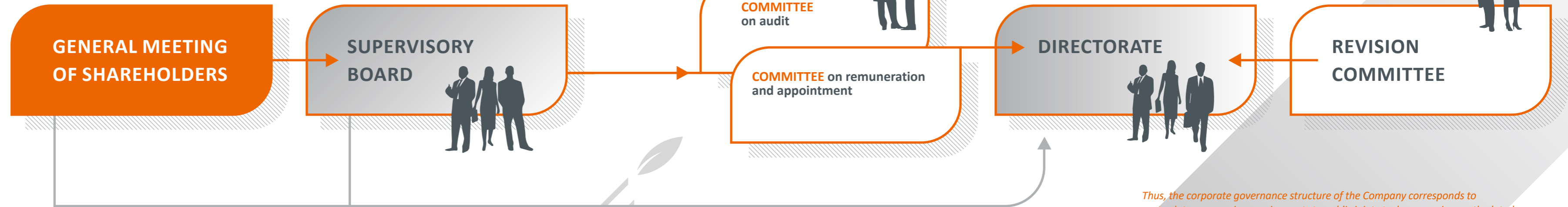


The protection of the shareholders' rights, control and regulation of the Company's activities are exercised by the *Supervisory Board*. To ensure more efficient work of the Supervisory Board, its members established two committees: *auditing committee and remuneration and appointment committee, which are headed by independent members of the Supervisory Board (Independent Directors)*. The Supervisory Board's committees are advisory bodies.

In compliance with the requirements of the current legislation, a representative of the State, *the State Property Fund of Ukraine, in particular, was elected to the Supervisory Board*. It was also unanimously *elected as the Deputy Chair of the Supervisory Board*.

Resolution of all issues related to the Company's day-to-day activities is put on the collegial executive body, the *Directorate of the Company*, which reports to *the General Meeting of Shareholders and the Supervisory Board* and ensures implementation of their decisions. In Donbasenergo, *members of the Directorate are elected by the Supervisory Board*.

The audit of the Company's financial and economic activities is carried out by the *Revision Committee* on a quarterly basis. One of the members of *the Revision Committee is the State Property Fund of Ukraine*.



*Thus, the corporate governance structure of the Company corresponds to up-to-date progressive requirements to public joint-stock companies as stipulated by the Ukrainian legislation.*



### 4.3 GENERAL MEETING OF SHAREHOLDERS

In 2017, three General Meetings of Donbasenergo's Shareholders were held.

*An extraordinary General Meeting of Shareholders was held on 18 January.*

**Key decisions:**

- material transactions and related party transactions were approved.

*The annual General Meeting of Shareholders was held on 20 April.*

**Key decisions:**

- reports of the Directorate, the Supervisory Board and the Revision Committee for 2016 were approved
- results of Donbasenergo's financial and economic activities for 2016 were approved
- key activity areas for 2017 were determined
- members of the Company's Supervisory Board were re-elected, terms and conditions of contracts with them were approved and their remuneration levels were established
- material transactions were preliminarily approved, decision was made about further approval of material transactions and related party transactions.

*An extraordinary General Meeting of Shareholders was held on 20 November.*

**Key decisions:**

- the new version of the Company's Articles of Association, the Regulation "On the General Meeting of Shareholders", "On the Supervisory Board" and "On the Executive Body" were approved.

### 4.4 SUPERVISORY BOARD

The following members of the Supervisory Board were elected at the annual General Meeting of Shareholders on 20 April 2017:

- Aleksandr Kheilo (representative of the shareholder — Energoinvest Holding Private Joint Stock Company)
- Liudmila Yesipenko (representative of the shareholder — the State Property Fund of Ukraine)
- Yevgeniy Opikhaylenko (representative of the shareholder — Energoinvest Holding Private Joint-Stock Company)
- Yuriy Vlasenko — an independent director
- Yuriy Sakva — an independent director.

On 11 May 2017, the Supervisory Board elected A. Kheilo as the Chair of the Supervisory Board, and L. Yesipenko — as the Deputy Chair of the Supervisory Board. On 12 February 2018, the majority shareholder of Donbasenergo, Energoinvest Holding, replaced the member of the Supervisory Board Aleksandr Kheilo with Andrey Sergienko. On 20 February 2018, a new Chair of the Supervisory Board, Yevgeniy Opikhaylenko, was elected by a decision of the Supervisory Board.

*In 2017, 19 meetings of the Supervisory Board were held.*

**Key decisions:**

- plans for the Company's financial and economic activities were approved, their performance reports were considered
- a decision to amend the terms of loan agreements with Oschadbank was made
- the dividend policy of Donbasenergo was approved
- decision was made to create a structural unit of Donbasenergo — Energosotsinvest, a respective provision on it was approved
- two committees were established: the audit committee of Donbasenergo's Supervisory Board and the remuneration and appointment committee of Donbasenergo's Supervisory Board

- an auditor for auditing of the Company's financial statements was determined
- a decision was made to sell the repurchased shares of the Company, their market value and the selling price were approved
- related party transactions were reviewed and agreed.

Special attention was paid to proper fulfilment of the terms and conditions of the contract for purchase and sale of Donbasenergo's shares no. KPP-624 of 27 August 2013, concluded between the State Property Fund of Ukraine and ENERGOINVEST HOLDING. Information about the fulfilment of these conditions was considered on a quarterly basis.

The Supervisory Board supports the initiatives of the executive body that are related to the Company's participation in social programs and development activities in Mykolayivka town, Donetsk region, where the production facilities of Slovyanska TPP are located. A new version of the program of joint activities of Mykolayivka municipality and Donbasenergo on reconstruction and renovation of social infrastructure facilities in the town for 2016–2018 was considered and approved.

*At the initiative of the Supervisory Board, in October 2017, it was decided to convene a meeting of shareholders, which was held in November 2017 and which approved the new version of the Articles of Association, the Regulation on the General Meeting of Shareholders, the Supervisory Board and the Executive Body. Members of the Supervisory Board actively participated in drafting the Articles of Association and internal regulations of the Company.*

### 4.5 REVISION COMMITTEE

The current members of the Revision Committee were elected by the annual General Meeting of Shareholders on 26 April 2014 (their term of office is 5 years according to the Articles of Association):

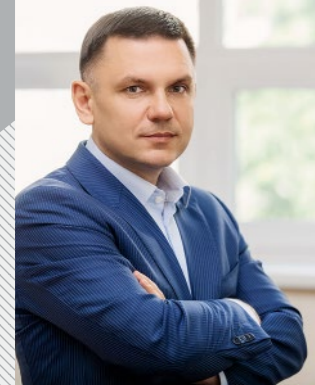
- the chair of the Revision Committee is Alla Bogatyriova
- a member of the Revision Committee is the State Property Fund of Ukraine
- a member of the Revision Committee is Oleg Naumenko.

*In 2017, four meetings of the Revision Committee were held.*

At the meetings, reports on the fulfilment of the financial plan and the capital investment plan were considered. The information on settlements with the budget and dedicated funds was considered; the information on the receipt, use and return of loan funds in 2016 and in 1–3 quarters of 2017 was heard.



## 4.6 DIRECTORATE



*Chief Executive Officer*  
**Eduard Bondarenko**

Mr. Bondarenko received his higher education in finance and business education in the field of management of foreign economic activity. He joined Donbasenergo in 2011, having a substantial experience of successful management in the coal industry and industrial production. Mr. Bondarenko has been the Chief Executive Officer of the Company since 2012.



*Member of the Directorate*  
**Viktor Rупpa**  
*(Chief Technical Officer)*

A Champion of the energy sector of Ukraine. All his professional activities are associated with power generation: he started at Zaporizhzhya NPP, and joined the thermal energy sector as an inspection engineer/operator and eventually headed one of the major thermal power plants of Donbass — Kurakhovska TPP. Mr. Rупpa has been working in Donbasenergo since 2013.



*Member of the Directorate*  
**Aleksandr Boyenko**  
*(Chief Legal Officer)*

A lawyer and an arbitration manager. He has been working in Donbasenergo's group since 1998, and has been in the position of the legal support director since 2011. His team was recognized as one of the best experts in the domestic energy industry a number of times. At the end of 2015, he became one of the three leading Ukrainian lawyers who defend the interests of the Company in the courts.



*Member of the Directorate*  
**Valeriy Cherepiy**  
*(Director of Slovyanska TPP)*

Mr. Cherepiy graduated from the Kiev Higher Military Engineering School of Communications and the Kiev Polytechnic Institute. His professional career is closely associated with Donbasenergo and Slovyanska TPP, where he dealt with communications, fuel, transport, logistics and other important areas of production. He headed Slovyanska TPP in 2012.



*Secretary of the Directorate*  
**Valentina Marchenko**  
*(Director for Economy, Finance and Corporate Governance)*

An Honoured Power Engineer of Ukraine. She is qualified as a thermal engineer and an engineer-economist. Her professional development is associated with Luganska TPP, where she went the way from the turbine equipment inspection engineer to the deputy director of the power plant. Ms Marchenko has been a member of the team of Donbasenergo's top managers for more than 10 years.



*Member of the Directorate*  
**Oleg Larionov**  
*(Chief Commercial Officer)*

Master's degree in "Thermal Power Plants", graduate of the International Business School, MIM-Kiev, in the Executive MBA program. Before assuming the post of the Chief Commercial Officer of Donbasenergo in 2015, he had been working as an adviser to the Chief Executive Officer of the Company for more than two years. Mr. Larionov has many years of successful experience in the field of electricity distribution and regulatory policy.



*Member of the Directorate*  
**Aleksandr Maksimenko**  
*(Adviser to the CEO)*

An Honoured Power Engineer of Ukraine. He received the qualification of an electrical engineer. Mr. Maksimenko started his work in Donbasenergo's group as an assistant to a supervisor of the energy equipment repairs sub-division. He worked as a senior engineer for repair of boiler equipment in Mongolia, and as a deputy director and a chief engineer at Kurakhovska TPP. He assumed the leadership of Starobeshivska TPP in 2010.



**In 2017, 38 meetings of the Directorate (Board of Directors) were held.**

*Key decisions on production and economic activities:*

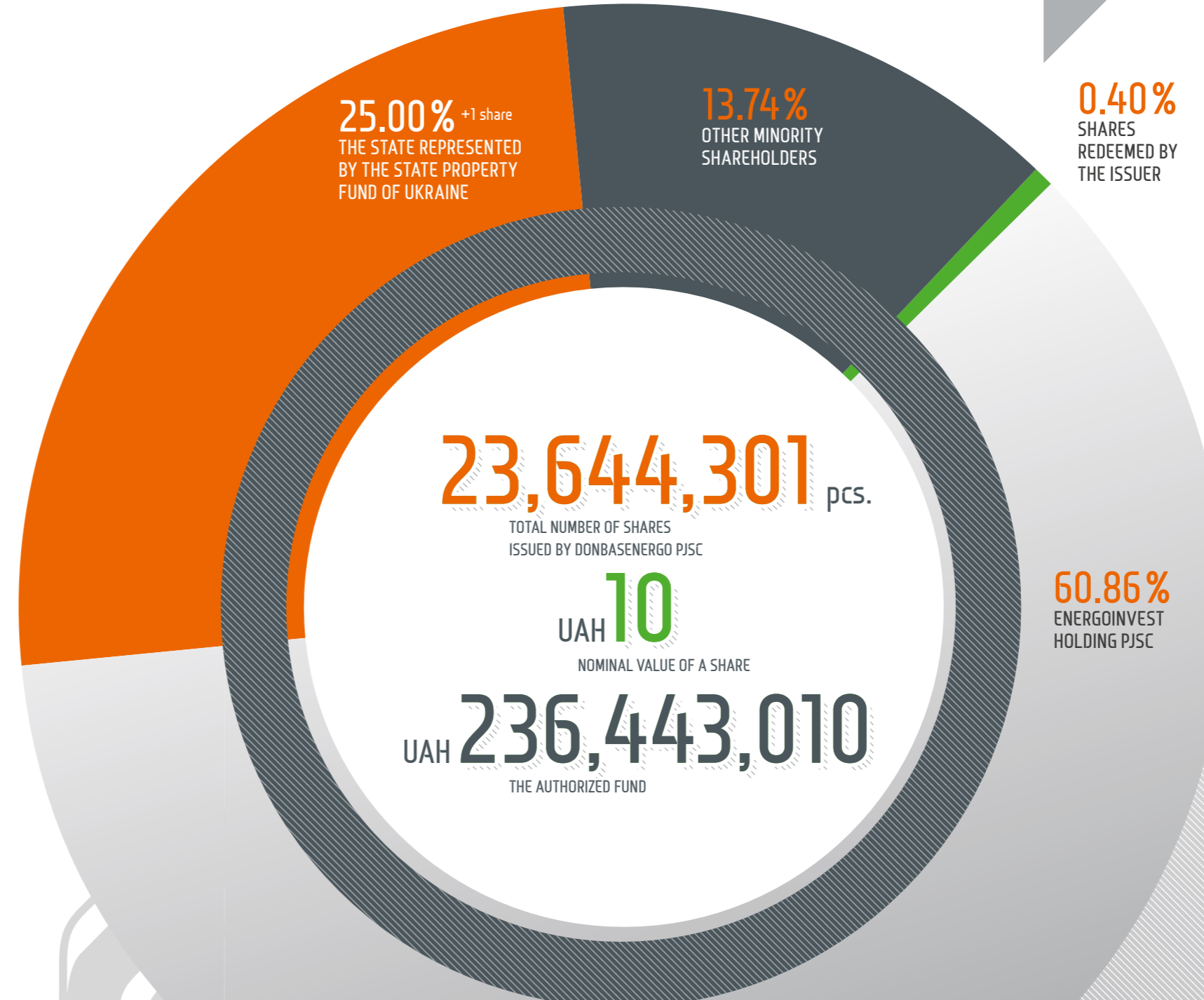
- technical and economic performance indicators, financial and investment plans of the Company were developed and agreed, progress of their implementation was considered
- decisions on the terms of work remuneration were taken
- changes to the organizational structures of Donbasenergo's structural units were made
- decisions were made on peculiarities of accounting property, which is located in the temporarily uncontrolled territory
- decisions on crediting, disposal of the Company's property were taken
- measures to reduce the Company's scarcity of funds (cash deficit) were taken
- the concept of budgeting as an instrument for implementing the strategy and management of the Company's development was approved
- the Regulation on the Anti-Crisis Board was developed and approved, decisions of this Board were regularly reviewed and agreed upon.

*Key decisions related to social activities:*

- financing was approved within the framework of the joint activities of Mykolayivka municipality and Donbasenergo on reconstruction and renovation of social infrastructure facilities in the town for 2016–2018
- decisions were made to provide material aid to employees of Donbasenergo
- model terms and conditions of collective agreements for 2017–2018 were determined for structural units and management office of Donbasenergo.

## 4.7 STRUCTURE OF EQUITY CAPITAL

- **25.00% +1 share**  
the State represented by the State Property Fund of Ukraine
- **13.74%**  
Other minority shareholders
- **60.86%**  
ENERGOINVEST HOLDING PJSC
- **0.40%**  
Shares redeemed by the issuer



*As of 1 January 2018, ENERGOINVEST HOLDING private joint-stock company owns 60.86 % shares in Donbasenergo. The State, represented by the State Property Fund of Ukraine, owns 25 % + 1 share.*

Pursuant to order no. 71 of the State Property Fund of Ukraine dated 20 January 2017 and Decree no. 271 of the Cabinet of Ministers of Ukraine dated 12 May 2015, Donbasenergo was included in the list of enterprises, which shares are subject to sale in 2017.

In August 2017, at the initiative of the State Property Fund of Ukraine, two auctions were held to sell a 25 % stake in Donbasenergo.

The auctions failed due to lack of bids. According to order no. 1839 of the State Property Fund of Ukraine of 5 December 2017, Donbasenergo's stake was included in the list of assets, which are subject to sale in 2018.

Since 2013, Donbasenergo's shares have been at the second level of the listing of Exchange Register of the Ukrainian Stock Exchange PJSC and are included in the off-the-listing roster of PFTS Stock Exchange and Perspektiva Stock Exchange.

In the course of 2017, based on the shareholders' requests, dividends accrued following the results of 2013–2014 in the amount of UAH 10,877.70 thousand were paid.



# CORPORATE SOCIAL RESPONSIBILITY

5.1

PERSONNEL  
STRUCTURE AND  
HEADCOUNT

5.2

REMUNERATION

5.3

SOCIAL BENEFITS  
AND GUARANTEES

5.4

PERSONNEL  
TRAINING AND  
DEVELOPMENT

5.5

CORPORATE  
CULTURE

5.6

HEALTH  
AND SAFETY  
RESPONSIBILITY

5.7

ENVIRONMENTAL  
RESPONSIBILITY

5.8

QUALITY  
MANAGEMENT  
SYSTEM

OHSAS 18001:2007  
Safety Management System

ISO 14001:2015  
Environmental Management System

ISO 9001:2015  
Quality Management System

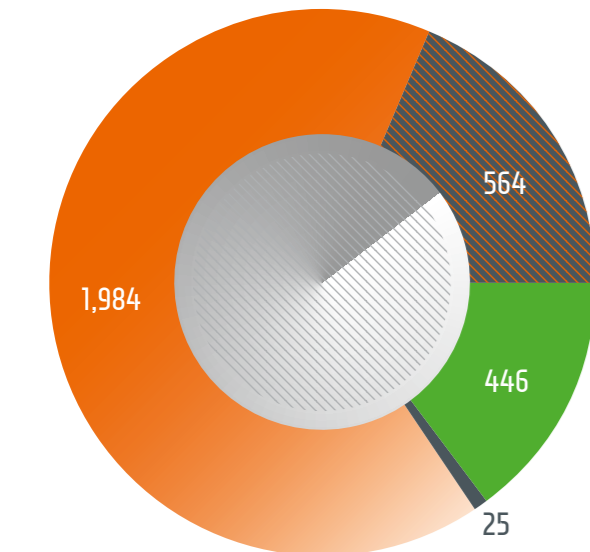


## 5.1 PERSONNEL STRUCTURE AND HEADCOUNT

Human resource management is a key function of the Company's management. It is aimed at improving the efficiency of operations by optimizing the headcount and improving the quality of human resource.

The average number of Donbasenergo's registered personnel for 2017 is 3,019 persons, which is 43 % or 2,280 persons less than in 2016.

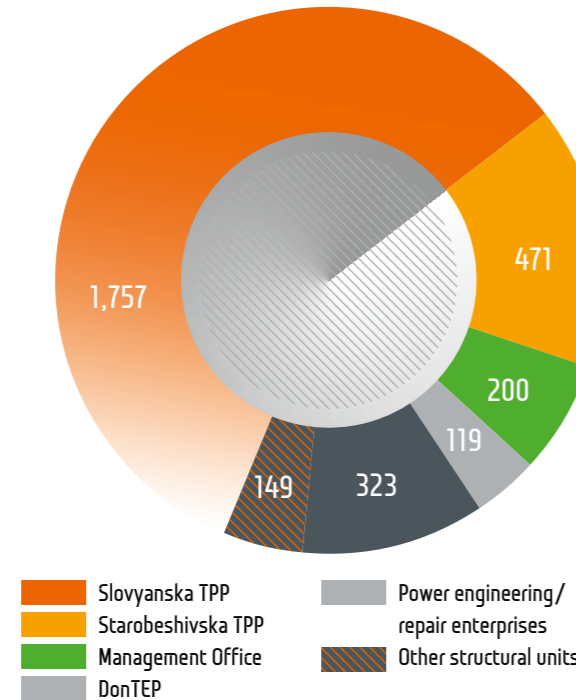
Including by categories:



Workers  
Professionals and specialists  
Executives  
Technical employees

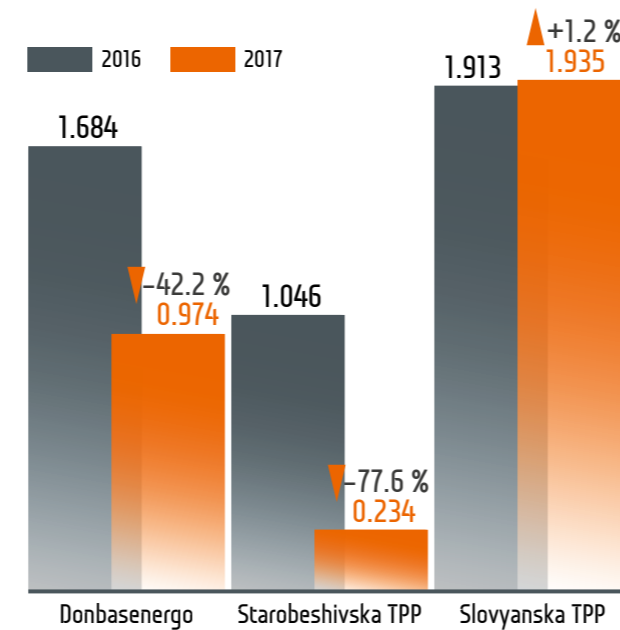
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The structure of the average number of Donbasenergo's registered personnel for 12 months of 2017, persons:



3,019  
persons

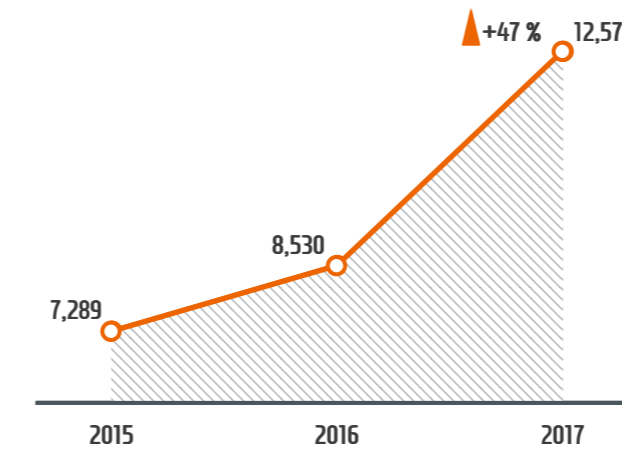
Specific number of production/operation staff of TPPs per 1 MW of installed capacity (staff ratio of production/operation staff), persons/MW



Staff reduction has led to a decrease in the staff ratio of production/operation personnel in 2017 compared to 2016 from 1.684 to 0.974 persons/MW of installed capacity (-42.2%). At the same time, Starobeshivska TPP saw a decrease in the staff ratio (-77.6%), and Slovyanska TPP had a 1.2% increase.

## 5.2 LABOUR REMUNERATION

The payroll fund decreased by 12.7% and amounted to UAH 479.0 million, compared with 2016. The decrease in the payroll fund is connected with the dismissal of the personnel of Starobeshivska TPP, DonbasEnergoNaladka and a significant reduction in the number of staff in ElektroRemont, DonbasEnergoSpetsRemont and EnergoTorg. Therefore, despite the increase in tariff rates and salaries since 1 September 2017 and 1 December 2017, the payroll fund for 2017 did not exceed the level of the 2016 payroll fund.



In 2017, the average monthly salary was UAH 12,579, which is UAH 4,049 or 47% more than in 2016.

## 5.3 SOCIAL BENEFITS AND GUARANTEES

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

In 2017:

- the amount of the material aid to the Company's employees totalled UAH 52.4 million, including UAH 29.2 million for employees' health recovery holidays, UAH 17.8 million for rental of housing and UAH 2.3 million for the needs of non-working pensioners
- the amount of one-time bonus/reward payments for commemorative and memorable dates (including awards and premiums/bonuses) totalled UAH 2.0 million.

The transfers to the trade union committee amounted to UAH 2.4 million, which is 0.5% of the payroll fund.

These funds were used for the following activities:

- social and cultural activities (UAH 1.0 million)
- sports (UAH 0.05 million)
- wellness/health improvement (UAH 1.4 million).

The total amount of funds for 2017 social benefits almost reached UAH 66.5 million, which is UAH 9.7 million or 12.7% less than in 2016, including:

- for employees — UAH 63.8 million
- for non-working pensioners — UAH 2.7 million.

## 5.4 PERSONNEL TRAINING AND DEVELOPMENT

The main task of the corporate system of personnel training and development is the continuous development of professional skills and open access to the necessary information.

When developing training programs, modern techniques and methods, successfully tested both in Ukraine and internationally, are used. In Donbasenergo, various tools and methods for maximum efficiency and effectiveness of training processes are competently combined: business cases, games and distance learning.

The Company effectively operates the personnel training system. It has developed and is regularly delivering training courses to improve such skills as effectiveness in communications, teamwork and individual efficiency. In 2017, managers and line staff of structural units completed training under these programs. The key practical outcome of this type of training is the transformation of unconscious experience into conscious technologies, which allows the purpose-oriented use of advanced management and communication techniques in the organization of the work process. Training sessions are delivered by certified corporate trainers.

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Continuous professional training was and remains one of the priorities in Donbasenergo's human resource management policy.

Since October 2017, the next annual production training of operation personnel has been started in the Company's structural units. Proficient re-training of the training staff and the use of new formats of knowledge sharing made it possible to improve the system of production training and bring it to a whole new level. In November 2017, a training program was launched at Slovyanska TPP to train line managers in the framework of the School of Experts project. The goal is to improve the efficiency of the way activities are organized in the production areas of the enterprise.

In the process of training, line managers develop their managerial skills that include communications, task setting, management of resources and ensuring the implementation of no-waste policy.

Within the framework of training, re-training and qualification improvement of personnel, Donbasenergo cooperates with leading educational institutions, among them: MIM-Kiev Business School, PRICEWATERHOUSECOOPERS LLC, Ukrainian Corporate Management Institute LLC, Inna and Vladimir Konovalov Training Workshop, state enterprise "The Main Educational and Methodological Centre of the GosGorPromNadzor of Ukraine" and others. In 2017, 727 employees of the Company were trained under the training and professional development programs. 514 of them were trained in the institutes of advanced training and other educational institutions with appropriate accreditation.

727  
people

2,404.5  
UAH thousand

30 specialists from Donbasenergo were trained in the best Ukrainian Business School, MIM-Kiev. They successfully defended their consulting projects. During the reporting period, the Company invested UAH 2,404.5 thousand in personnel training and development. Donbasenergo collaborates with leading higher educational institutions, among which is the Donetsk National Technical University, Donbas State Machine-Building Academy and the Ukrainian Engineering Pedagogics Academy. Multi-year partnership has established and now makes it possible to maintain a common platform of the relevant practical knowledge, to share experiences and integrate advanced solutions into production process.

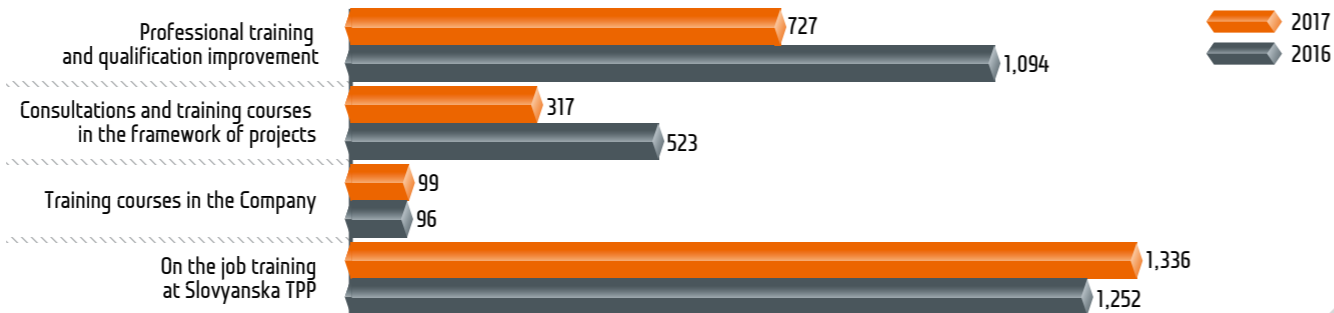
A popular tool for self-learning and self-development of the Company's employees is a corporate e-library, which is updated on a permanent basis.

In 2017, Slovyanska TPP and other structural units of the Company held traditional contests of professional skills that form avant-garde of Donbasenergo represented by the best specialists in each of the production areas.

Also last year, the first scientific and technical conference Thermal Electricity Generation: the Modern Dimension was organized and held on the basis of Slovyanska TPP. Its format made it possible to comprehensively consider such issues as improvement of technological processes and organization of management at thermal electricity generation companies.

Efficient work in the field of personnel management and development enables Donbasenergo to successfully solve business tasks and function as an active participant in the industry reform processes and development of the territories of its presence.

Personnel training and development, persons



5.5 CORPORATE CULTURE

The corporate culture is a strategically significant sphere where personnel management specialists and the team of Donbasenergo in general apply their efforts. The code of rules, which is continuously improved under the influence of determining economic, political and socio-cultural trends, is based on the following constants:

- ensuring full support of teams of structural units and the management office of Donbasenergo, local communities in the territories of presence
- maintenance and development of industrial and business culture stimulating professional growth of employees and equality of opportunities
- fulfilment of obligations to preserve natural potential in the territories of presence
- fulfilment of obligations to the state, local communities, partners and customers.

The level of professional and individual development of employees, as well as the level of their responsibility build up the image of Donbasenergo as a socially oriented Company, integrated into the processes of changes in the territories of its presence.

Power engineering specialists take an active part in sports, cultural and social events of municipal, regional and national scale. In 2017, employees of Donbasenergo acted as organizers and participants of events in

the framework of promotion of sports and healthy lifestyles in the towns of Mykolayivka and Kramatorsk in Donetsk region, as well as in the city of Kiev. Power engineering specialists show high results in such sports as mini-football, marathon running, cycling, which allows maintaining the physical and emotional tone of employees and becomes an important component of the Company's overall image.

During the reporting period, specialists of Slovyanska TPP and Donbasenergo took efforts to organize and implement a town-wide celebration of the International Children's Day in Mykolayivka town, which included a presentation of the cultural and educational initiatives of the Company. The Youth Union of Donbasenergo also organizes sports, social and cultural activities, in which not only the Company's employees, but also residents of the places where the Company is present are involved. This strengthens the ties between the business and local communities, promotes harmonized transformation and development.

An integral part of the corporate culture of Donbasenergo is promotion and enhancement of prestige of power engineering jobs. This involves broad awareness raising among the public about the peculiarities and prospects of thermal electricity generation: Slovyanska TPP organizes regular study visits for final year pupils of schools from Mykolayivka town and students of higher educational institutions.

For several years, Donbasenergo has been holding the first place in corporate communications. Following the results of the All-Ukrainian competition The Best Corporate Media of Ukraine-2017, the Company's products received the Grand Prix in the Corporate Newspaper and the Corporate Souvenir categories, and also entered the top three in the Corporate Web Site, Corporate Calendar and Corporate Souvenir nominations.

Continuous internal dialogue, unity of values and common goals enable the Company to build successful activities even in times of crisis. In 2017, Donbasenergo jointly with local government authorities commenced the implementation of a program for the development of the amalgamated territorial community of Mykolayivka town, having laid the foundation for future quality changes of the territory where the Company is present.



## 5.6 HEALTH AND SAFETY RESPONSIBILITY

To achieve positive results in the health and safety management system, an integrated approach is used: planning of goals, tasks and activities for them, clear division of responsibilities and authority, detailed work with documentation, comprehensive inspections, and implementation of programs to ensure safe work performance by the Company's employees. Risk management remains one of the priorities in health and safety management. The main task is to reduce the risks of unacceptable level. Involvement of staff in the work on risk assessment enabled them to realize their responsibility for problems and appropriate decision-making.

A successful re-certification audit for compliance with OHSAS 18001:2007, which took place on 5–8 December 2017 at Slovyanska TPP, once again confirmed the development of the health and safety management system in the Company. Independent auditors noted the absence of system-deep inconsistencies, and an increase in the work culture at all levels in the Company. It is recommended to further expand management mechanisms in the field of occupational safety and health, to improve risk management activities and raise employees' awareness in the field of occupational safety and health.

*The certificate of compliance with the requirements of OHSAS 18001 is planned to be presented by representatives of SOCOTEC in March 2018.*

### Main results of 2017

#### Succeeded:

- to achieve zero cases of fatal occupational injuries
- to implement Autoexamination, Unified System for Monitoring and Management of Safety in the Workplace software products
- to implement PPE Accounting program based on 1C in order to increase efficiency and effectiveness in planning, purchasing and issuing personal protective equipment (PPE), as well as to exclude unnecessary/unjustified purchase of PPE
- to successfully complete the re-certification audit of the safety management system for compliance with OHSAS 18001:2007
- to integrate the occupational health and safety management system meeting the requirements of OHSAS 18001:2007 and the quality management system conforming to the requirements of ISO 9001.

#### Failed:

- to achieve the planned indicators for reducing the level and severity of occupational injuries
- to maintain the provision of workers with special footwear and personal protective equipment at an acceptable level.

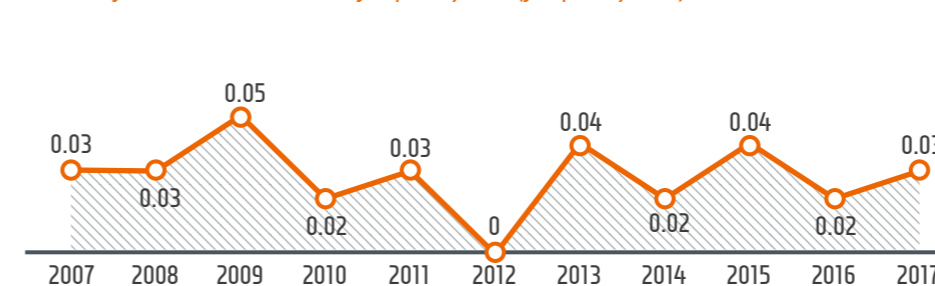
### Major reasons for failure to fully meet the objectives set for 2017:

- loss of control over structural units located in the territory not controlled by the government authorities
- violation of the schedule for delivery of overalls, special footwear and other personal protective equipment by the vendor
- impossibility of timely issue of special clothing, special footwear and other PPE due to their bulk supply to the warehouses of the structural units in December 2017.

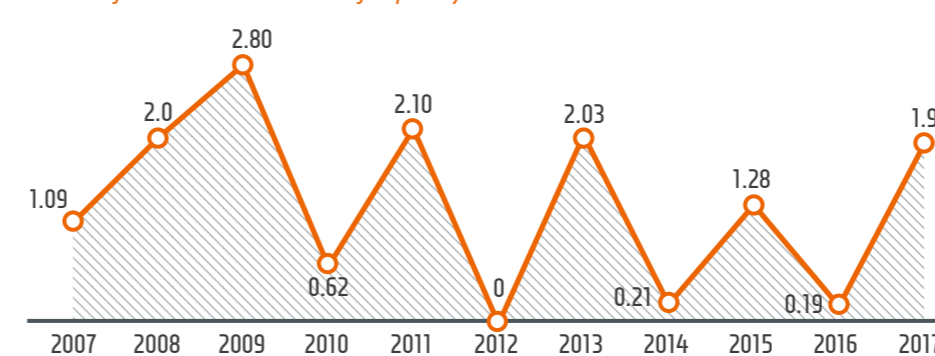
### What we are working on in 2018:

- implementation of the Incidents module of the Unified System for Monitoring and Management of Safety in the Workplace software suite
- implementation of the Noise program
- successful compliance audit of the occupational health and safety system for compliance with OHSAS 18001.

Trends of the last time accident frequency rate (frequency rate)

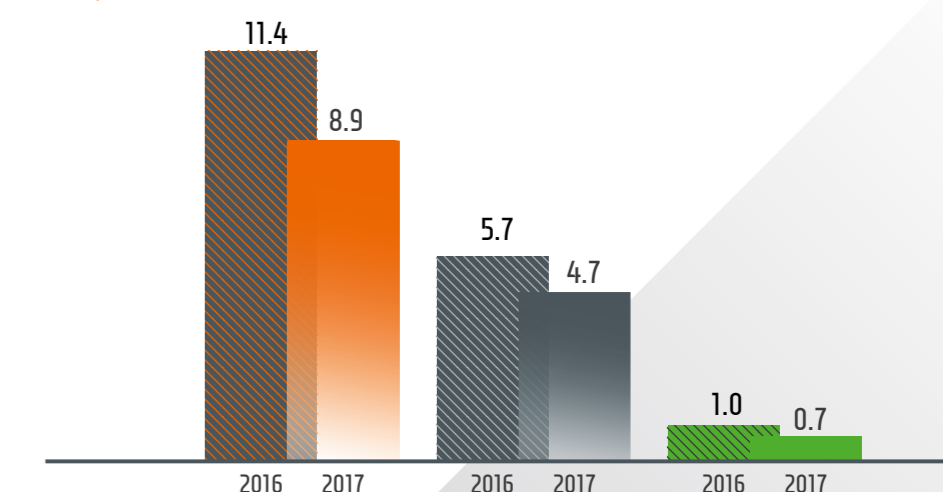


Trends of the last time accident frequency rate



Annex 6.12

Costs, UAH million



Description of costs	2016	2017
Labour safety costs	11.4	8.9
Fire safety costs	5.7	4.7
Civilian security costs	1	0.7

Annexes 6.13, 6.14, 6.15, 6.16



## 5.7 ENVIRONMENTAL RESPONSIBILITY

In 2016, the Company's management decided to implement the environmental management system in accordance with ISO 14001:2015.

In 2017, Donbasenergo implemented and is now efficiently operating and continuously improving the environmental management system in accordance with the requirements of ISO 14001:2015. The implemented environmental management system is based on the streamlining and improvement of previously developed internal procedures, existing external regulatory requirements, requirements and expectations of internal and external stakeholders.

*The Company has developed and implemented the Environmental Protection Policy (Order of DONBASENERGO no. 37 of 23 March 2017 "On the Enactment of the Environmental Protection Policy"). Its implementation allows the following:*

- to ensure functioning and improvement of the environmental management system as a key tool for management of environmental aspects, risks and opportunities, to make regular assessment of its effectiveness
- to guarantee compliance with mandatory environmental requirements adopted by the Company
- to interact and take into account the opinions and interests of stakeholders in the field of environmental protection
- to consistently improve infrastructure and processes functioning in the Company with the aim to reduce emissions, discharge of pollutants, generation of waste as well as consumption of natural resources
- to perform preventive measures to prevent negative environmental impact, which means prioritizing preventive efforts over steps to eliminate consequences of such impact

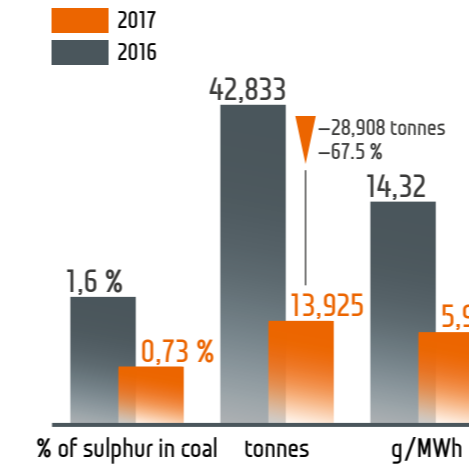
- to ensure involvement and motivation of the Company's employees in efforts to reduce the environmental impact, to improve the environmental management system and environmental performance indicators on a continuous basis
- to raise the competence and awareness of the role of the Company's employees in addressing issues related to environmental protection, as well as to raise the interest and join efforts of all employees.

*The Policy enshrined the priorities and obligations of DONBASENERGO in preserving the natural potential of the territory of its presence to the public/communities and future generations.*

To implement the Policy, the goals and objectives were defined and a plan of activities necessary to achieve the established environmental goals and objectives was devised. Information on the achieved environmental protection goals and objectives and the results of the implemented activities for 2017 is given in Annex 6.17.

### TRENDS OF PRODUCTION ACTIVITY'S IMPACT ON THE ENVIRONMENT

Emissions of sulphur dioxide

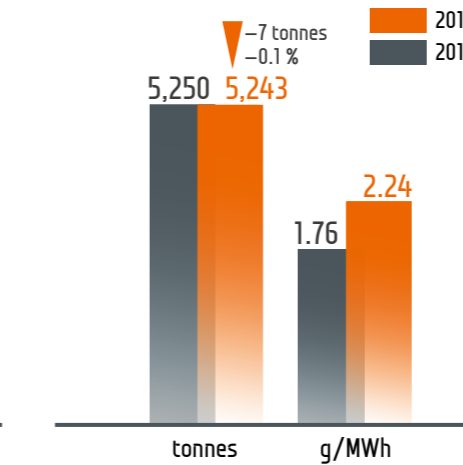


The gross sulphur dioxide emissions in 2017 amounted to 13.9 thousand tonnes, which is 68 % less than in the previous year. The gross emissions were reduced due to:

- reduction in electricity generation
- reduction in the amount of sulphur contained in the used coal from 1.6 to 0.73 %.

As a result, the specific indicator of sulphur dioxide emissions per 1 MWh of electricity was reduced by 58 %. In addition, reduction in the gross emissions made it possible to curtail the amount of environmental tax by UAH 38.6 million.

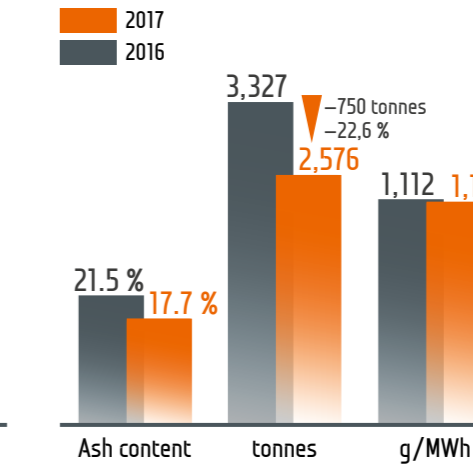
Emissions of nitrogen oxides



With a 22% reduction in the electricity generation, the gross emissions of nitrogen oxides practically did not decrease (-0.1%).

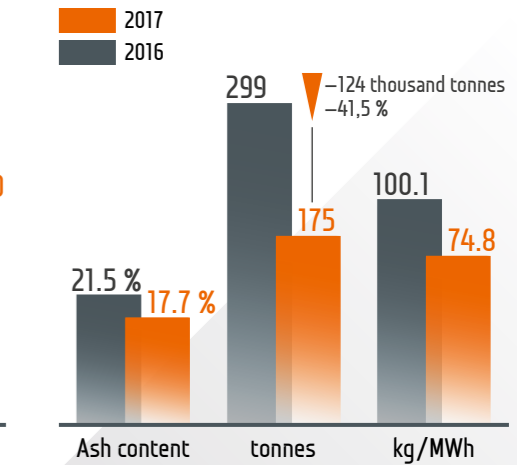
The specific indicator of nitrogen oxides' emissions per 1 MWh of electricity generated in 2017 grew from 1.76 to 2.24 due to the increase in the average load and increase of the combustion process temperature.

Emissions of carbon dioxide



The gross emissions of carbon dioxide in 2017 amounted to 2,576 thousand tonnes, which is 22.6% less compared to the previous year. The gross emissions decreased due to the reduced generation of electricity. The specific indicator of CO2 emissions per 1 MWh of generated electricity decreased by 1.1%.

Ash content



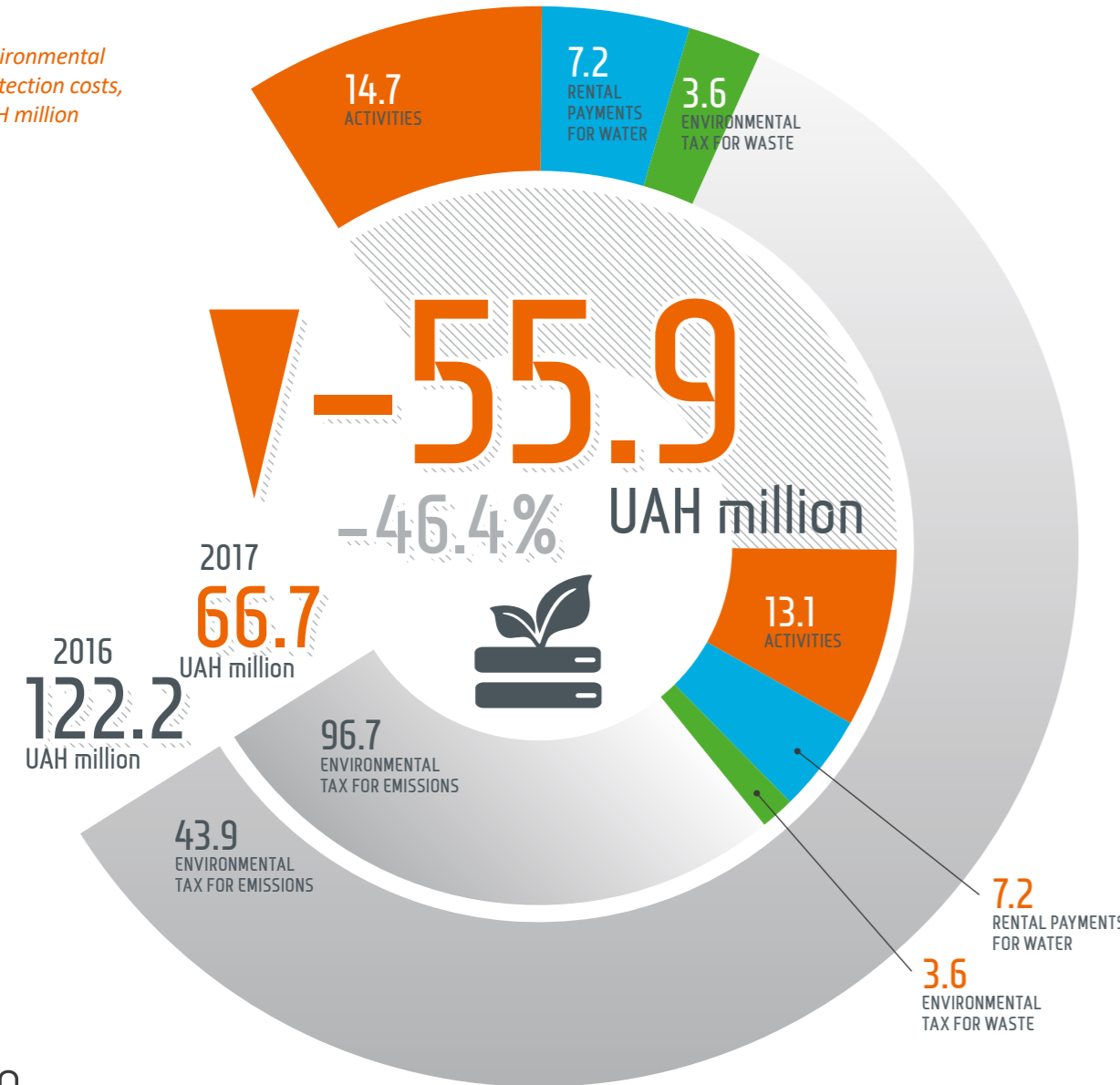
The volume of ash generation decreased by 38% due to:

- reduction in electricity generation by 22%
- reduction in the amount of ash contained in coal from 21.5% to 17.7%
- reduction of specific consumption of standard fuel by 6.0 g/kWh (from 415.5 to 409.4 g/kWh)
- increase in the calorific value of coal (from 5,566 to 5,808 kcal/kg).

As a result, the specific indicator of ash generation and content per 1 MWh of electricity decreased from 100.1 to 74.8 kg/MWh, or by 21%.



Environmental protection costs, UAH million



Environmental protection expenses in 2017 amounted to UAH 66.67 million. In comparison with 2016, these expenses decreased by UAH 55.9 million (-46.4 %).

*Factors that influenced the change in costs:*

- the environmental tax decreased by UAH 53.9 million due to a decrease in electricity generation and due to a reduction in the specific consumption of standard fuel
- the rent for special water use increased due to the increase in tariffs and due to the increase in the amount of water taken for technological needs of the first stage of Slovyanska TPP
- the costs on implementation of environmental activities reduced.

The specific environmental costs in terms of 1 kWh of generated electricity were reduced by 32 % (from 4.0 to 2.8 kopeks/kWh), mainly due to a reduction in the environmental tax costs.

## 5.8 QUALITY MANAGEMENT SYSTEM

As a result of the successful certification audit of the quality management system that took place last summer, on 28 September 2017, Donbasenergo received certificate no. CN/17315IQ confirming compliance of the implemented quality management system with ISO 9001:2015. The scope of the certification: production and supply of electricity; production, transport and supply of thermal energy (heat).

*The certificate was issued by SOCOTEC, a company that was founded in 1953 and is accredited in UKAS, the national system of Great Britain. It retains the status of one of the most respected certification organizations in the world.*

In April 2017, the Company's management made a decision to expand the scope of the QMS implementation to cover Teploelektroproekt Scientific and Research Institute. Continuing the effective implementation of the QMS at Slovyanska TPP and in the management headquarters, the Roadmap for implementing the QMS in Teploelektroproekt Scientific and Research Institute was developed and approved. To provide methodological support, a contract was made with MS Consulting Company, which earlier demonstrated its successful experience in implementing such systems.

In December 2017, representatives of SOCOTEC carried out a certification audit.

The results of the audit confirmed the next successful implementation of the quality management system. In spring of 2018, Teploelektroproekt Scientific and Research Institute will receive a certificate confirming compliance with ISO 9001:2015.

The conducted analysis of the quality management system's functioning for 2017 confirmed the necessity and effectiveness of the system.

*The implemented quality management system enabled the Company:*

- to plan, monitor and achieve objectives in the field of quality. Thus, in 2017, 69 % of the planned quality-related objectives were achieved.
- to define the key and auxiliary processes, as well as the management processes. Performance indicators were defined for each process. In 2017, the effectiveness of the processes was assessed. 17 processes out of 19 achieved their indicators.
- to apply a risk-oriented approach. For each of the processes, risks were identified and assessed. In the course of risks assessment, measures were planned to reduce the level of risks. Most of the activities were implemented according to planned dates.
- to determine the unified procedure for the establishment of the documentation system of Donbasenergo. The established rosters of internal and external regulations applied to the Company's activity allow continuous monitoring and updating of these documents.
- to establish and ensure successful operation of a group of internal auditors. Periodic audits by internal auditors enable us to identify and eliminate in due time deficiencies in the management system.

- to involve personnel, which expanded the process of awareness raising and information exchange, contributed to a better understanding of processes, opportunities for their improvement and enhancement.

At the end of 2017, implementation of the quality management system in DonbasenergoSpetsRemont commenced. The planned date of the certification audit is June 2018. The scope of the certification will be extended to cover one more service: construction and installation works, general repair and engineering infrastructure's repairs.

The Company will have to annually, during the period of the certificates' validity, confirm compliance of the existing quality management system with requirements of the international standard by passing through external supervisory audits.

*In addition to the above, the following activities have been planned for the development and maintenance of the QMS in 2018:*

- in connection with the expansion in the scope of the Company's QMS, to issue a new version of the Policy
- to monitor and implement quality-related objectives in 2018
- to improve risk management processes, to monitor process effectiveness and to manage the quality-related objectives
- to carry out internal audits
- to successfully complete supervisory audits.



# ANNEXES

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ACHIEVEMENT OF ENVIRONMENTAL PROTECTION GOALS AND OBJECTIVES, RESULTS OF THE IMPLEMENTED ACTIVITIES





### 6.1 Cost structure of commercial output

Description of costs	2016 actual		2017 financial plan		2017 actual		Deviation from actual of 2016		Deviation from 2017 financial plan	
	UAH mln.	%	UAH mln.	%	UAH mln.	%	UAH mln.	%	UAH mln.	%
1. Production cost, total	5,057.1	96.4	3,875.4	94.4	3,804.7	94.1	-1,252.4	-24.8	-70.7	-1.8
Production-related services, including:	118.9	2.3	112.0	2.7	134.8	3.3	15.9	13.4	22.8	20.4
• services related to operation	25.1	0.5	21.4	0.5	22.4	0.5	-2.7	-10.8	1.0	4.7
• repair services	93.8	1.8	90.6	2.2	112.4	2.8	18.6	19.8	21.8	24.1
Raw materials and auxiliary materials, including:	157.8	3.0	115.4	2.8	74.5	1.9	-83.3	-52.8	-40.9	-35.4
• payment for water	27.3	0.5	12.3	0.3	10.6	0.3	-16.7	-61.2	-1.7	-13.8
• services related to operation	43.6	0.8	35.5	0.9	29.0	0.7	-14.6	-33.5	-6.5	-18.3
• repair services	86.9	1.7	67.6	1.6	34.9	0.9	-52.0	-59.8	-32.7	-48.4
Fuel from third parties	3,962.3	75.5	3,044.6	74.2	3,067.8	75.9	-894.5	-22.6	23.2	0.8
Power from third parties	12.5	0.2	29.5	0.7	24.9	0.6	12.4	99.2	-4.6	-15.6
Payroll costs	334.3	6.4	265.7	6.5	276.8	6.8	-57.5	-17.2	11.1	4.2
Unified social tax	73.0	1.4	58.4	1.4	60.4	1.5	-12.6	-17.3	2.0	3.4
Depreciation	104.2	2.0	74.5	1.8	61.1	1.5	-43.1	-41.4	-13.4	-18.0
Other costs, including:	294.1	5.6	175.3	4.3	104.4	2.6	-189.7	-64.5	-70.9	-40.4
• environmental fee	260.2	5.0	146.0	3.6	78.5	1.9	-181.7	-69.8	-67.5	-46.2
• payment for land	1.9	0.0	2.2	0.0	1.9	0.1	0.0	0.0	-0.3	-13.6
• other needs	32.0	0.6	27.1	0.7	24.0	0.6	-8.0	-25.0	-3.1	-11.4
2. Administrative costs	187.4	3.6	227.8	5.6	238.7	5.9	51.3	27.4	10.9	4.8
Total costs	5,244.5	100.0	4,103.2	100.0	4,043.4	100.0	-1,201.1	-22.9	-59.8	-1.5

### 6.2 Fulfilment of key technical and economic indicators

Indicator	meas. unit	2016 actual	2017 financial plan	2017 actual	Deviations of 17 actual/16 actual		Deviations of 17 actual/17 FP	
					+ / -	%	+ / -	%
Electricity generation	million kWh							
Slovyanska TPP		2,991	2,238	2,342	-649	-21.7	104	4.6
Productive supply of electricity	million kWh							
Slovyanska TPP		2,695	1,999	2,121	-574	-21.3	122	6.1
Electricity supply structure of the structural unit	%							
Slovyanska TPP		37.2	100.0	100.0	63	168.8	0.0	0.0
Specific fuel consumption for electricity supply	g/kWh							
Slovyanska TPP		415.5	427.1	409.4	-6.1	-1.5	-17.7	-4.1
Installed capacity utilization rate	%							
Slovyanska TPP		38.7	29.0	30.4	-8.3	-21.4	1.4	4.8

### 6.3 Fuel for electricity generation

Type of fuel	meas. unit	2016 actual	2017 FP	2017 actual
Coal				
• Calorific value	kcal/kg	5,565	5,456	5,808
• Share in the structure	%	99.3	98.4	98.7
Gas				
• Calorific value	kcal/kg	8,138	8,062	8,137
• Share in the structure	%	0.7	1.6	1.3
Fuel oil				
• Calorific value	kcal/kg	9,553	9,500	9,476
• Share in the structure	%	0.0	0.0	0.0

### 6.4 Consumption of burned fuel by type

Type of fuel	meas. unit	2016 actual	2017 FP	2017 actual	Δ to 2017 FP
Coal	thousand tonnes of natural fuel	3,591.6	1,077.8	1,031.7	-46.1
Gas	million m <sup>3</sup>	16.2	11.9	9.8	-2.1
Fuel oil	tonnes of natural fuel	0.1	149.0	31.0	-118.0



### 6.5 Actual fulfilment of the repair campaign

No. of power unit	Power, MW Productivity, t/h	Type of repair	Costs, UAH million (w/o VAT)	Main scope of work
Power unit No. 7				
TG-7	800	current	29.4	Inspection of the metal of the external and internal casing of high-pressure cylinder was made, including elimination of defects, control of the metal of high-pressure rotor was carried out. <i>Repaired:</i> <ul style="list-style-type: none"> <li>high-pressure cylinder, including the centring of the steam path and replacement of working blades</li> <li>power fittings within the scope of maintenance</li> <li>a turbine feed pump (TPN-1)</li> <li>steam path of OK-18PU TPN-2 turbine, including replacement of the rotor.</li> </ul>
K-7A	1,250	current	32.6	Scheduled repair of boiler heating surfaces. Replacement and repair of power fittings. Manufacture of spare impellers of DO-31.5 smoke exhauster, repair of burners no. 1–12, repair of RVP 1,5 reducer. Replacement of OD-1A smoke exhauster's shaft.
K-7B	1,250	current	40.1	Scheduled repair of boiler heating surfaces. Replacement and repair of power fittings. Manufacture of spare impellers of DO-31.5 smoke exhauster, repair of RVP no. 6–10 — repair of rims and replacement of drive sprockets. Replacement of built-in flow gate valves B, C, D.
PFS/CPC-2		current / major	18.1	Replacement of KEN-1 condensate electric pump. Current repair of EVK-1÷6, ShM no. 1–6, replacement of VO PS-2 suction fan.
Plant's general equipment, including stage one:			77.9	Repair of equipment in chemical shop, electrical shop and fuel-transport shop
TG-3	80	current	6.2	Repair of oil cooler no. 3, 4. Repair of bearings no. 2, 3, and 5. Repair and replacement of fittings. Replacement of PEN-6 pump's piping for oil and cooling water.
Boiler 6	230	current	12.9	Repair of cyclones, separators and a bunker of raw coal. Replacement of IPU no. 1, 2 pilot-operated safety valves. Replacement of pipes in sections no. 2 and no. 5 of II stage air heater. Repair of 6A and 6B mill fans.
Boiler 7	230	current	10.4	Repair of cyclones, separators and a bunker of raw coal. Replacement of IPU no. 1, 2 pilot-operated valves. Replacement of pipes in 4 sections of the second tier of the I stage air heater. Repair of 7A and 7B mill fans.
Buildings and structures			29.7	Typical scope of work. Repair of the chimney of power unit no. 7 with adjacent gas ducts.
Total for Slovyanska TPP			227.8	

### 6.6 Finished product/work (services) sales volumes of the Company's structural units

No.	Name of structural unit	Finished product/work (services) sales volumes, including					
		Sales to third parties			Sales to own structural units		
		2016 actual	2017 FP	2017 actual	2016 actual	2017 FP	2017 actual
1	Elektroremont, total	16,218	16,410	7,621	36,489	17,668	12,854
including:							
1.1	finished products	11,807	14,935	6,504	20,181	6,933	4,892
1.2	repair of electromechanical equipment	95			1,360	2,560	1,491
1.3	repair of electrotechnical equipment	4,015	1,300	1,091	14,948	8,175	6,471
1.4	other activities	301	175	26			
2	DESR, total	406	116	281	42,996	35,438	33,867
including:							
2.1	finished products				982	329	51
2.2	bricking and isolation of equipment				20,614	18,513	12,981
2.3	transport services	10	9	148	810	420	320
2.4	construction and repair work	2		2	19,923	15,882	20,212
2.5	other activities	394	107	131	667	294	303
3	DEN, total	1,191	81	166	6,288	2,291	2,021
including:							
3.1	finished products				3		
3.2	adjustment and alignment	913	24	122	6,255	2,279	2,016
3.3	other activities	278	57	44	30	12	5



Table 6.6 Finished product/work (services) sales volumes of the Company's structural units (ended)

No.	Name of structural unit	Finished product/work (services) sales volumes, including					
		Sales to third parties			Sales to own structural units		
		2016 actual	2017 FP	2017 actual	2016 actual	2017 FP	2017 actual
4	DonTEP, total	1,033	4,555	7,127	41,877	17,294	12,610
	including:						
4.1	design works	992	4,503	7,079	40,653	16,954	12,357
4.2	operating lease of assets	39	52	11			
4.3	other activities	2		37	1,224	340	253
5	PAT, total	161	90	92	9,900	12,020	12,868
	including:						
5.1	transport services				9,900	12,020	12,868
5.2	other activities	161	90	92			
6	Energotorg, total	36,569	40,981	40,417	22,293	5,792	3,980
	including:						
6.1	sales of goods	34,480	39,639	39,196	21,541	5,580	3,786
6.2	market fee						
6.3	trading service	9		2	680	169	122
6.4	operating lease of assets	1,564	892	887			
6.5	other activities	516	450	332	72	43	72

6.7 Fulfilment of financial plan indicators

Indicators	Line code	Plan	Actual	(+/-)	%
<b>I. Formation of the Company's profit</b>					
<b>Revenue</b>					
Product sales income (revenue)	001	5,304.7	5,732.7	428.0	108.1 %
Value added tax	002	884.1	955.4	71.3	108.1 %
Net product sales income (revenue):	003	4,420.6	4,777.2	356.7	108.1 %
• electricity generation by thermal power plants	003/1	4,386.6	4,751.5	364.9	108.3 %
• production and distribution of heat	003/2	33.9	25.7	-8.2	75.8 %
Other operating income	004	1,037.1	1,018.1	-19.0	98.2 %
Financial income	005	40.4	18.9	-21.5	46.8 %
Other income	006	3.0	6.0	3.0	202.0 %
<b>Total income</b>	<b>012</b>	<b>5,501.0</b>	<b>5,820.2</b>	<b>319.2</b>	<b>105.8 %</b>
<b>Cost of goods sold:</b>	<b>013</b>	<b>3,517.2</b>	<b>3,031.4</b>	<b>-485.8</b>	<b>86.2 %</b>
• electricity generation by thermal power plants	013/1	3,459.7	2,938.5	-521.2	84.9 %
• production and distribution of heat	013/2	57.5	92.9	35.4	161.7 %
<b>Administrative costs (total), including:</b>	<b>014</b>	<b>270.2</b>	<b>287.3</b>	<b>17.1</b>	<b>106.3 %</b>
• labour remuneration cost	014/1	145.5	164.3	18.8	112.9 %
• social insurance cost	014/2	32.4	31.2	-1.2	96.4 %
• material costs	014/3	1.9	2.0	0.0	100.5 %
• stationery	014/4	1.0	1.4	0.4	141.2 %
• business travel costs	014/5	11.1	6.9	-4.2	62.3 %
• settlement and cash service cost	014/6	3.6	5.0	1.4	139.3 %
• building maintenance costs	014/7	1.7	0.7	-1.0	38.5 %
• other administrative costs	014/8	73.0	75.9	2.8	103.9 %



Table 6.7 Fulfilment of financial plan indicators (continued)

Indicators	Line code	Plan	Actual	(+/-)	%
Distribution costs	015	8.5	8.0	-0.5	94.2 %
Other operating costs	016	786.6	1,112.5	325.9	141.4 %
Financial costs	017	65.8	110.3	44.6	167.8 %
Other costs	018	900.5	893.9	-6.6	99.3 %
Tax on profit from ordinary activities (acknowledged profit)	019	34.6	319.5	284.9	923.6 %
Total expenses	022	5,583.4	5,762.9	179.6	103.2 %
Gross profit (loss):	023	903.4	1,745.8	842.4	193.3 %
• electricity generation by thermal power plants	023/1	926.9	1,813.0	886.1	195.6 %
• production and distribution of heat	023/4	(23.5)	(67.2)	-43.6	285.4 %
Financial result from operating activities	024	875.1	1,356.2	481.0	155.0 %
Financial result from ordinary activities before taxation	025	(47.7)	(376.8)	424.5	-789.1 %
Net profit (loss)	027	(82.3)	57.3	139.6	-69.6 %
<b>II. Net profit distribution</b>					
Fund for payment of dividends to economic entities according to the standard set in the current year based on the results of financial and economic activity for the last year, including (30%):	28	0.0	0.0	0.0	0.0 %
• on the state-owned part of shares	028/1	0.0	0.0	0.0	0.0 %
Balance of undistributed earnings at the beginning of the reporting period	031	173.9	(226.9)	-400.7	-130.5 %
Development of production:	032	0.0	0.0	0.0	—
• production development fund	032/1	0.0	0.0	0.0	—
• reserve fund	033	0.0	0.0	0.0	—
Adjustment of balance sheet items by recognized actuarial profit/loss	034	0.0	66.5	66.5	—
Balance of undistributed earnings at the end of the reporting period	036	91.515	(236.0)	-327.6	-257.9 %

Table 6.7 Fulfilment of financial plan indicators (ended)

Indicators	Line code	Plan	Actual	(+/-)	%
<b>III. Mandatory payments to the budget and state target funds</b>					
Payment of current taxes and mandatory payments to the budget, including:	037	312.9	335.7	22.8	107.3 %
• tax on profit	037/1	0.0	-22.9	-22.9	—
• excise tax	037/2	—	0.4	—	—
• VAT	037/3	213.2	259.9	46.7	122 %
• payments for natural resources	037/4	7.8	9.4	1.5	120 %
• payment for environmental pollution	037/5	73.8	60.4	-13.4	82 %
Dividends on the state-owned part of shares	037/6	0.0	0.0	0.0	—
Other tax and mandatory payments to the budget	037/7	18.0	28.5	10.5	158 %
Repayment of tax debt	037/8	127.5	543.9	416.3	427 %
Payments to the state target funds, including:	038	119.2	116.2	-3.0	97.5 %
• settlements on Unified Social Tax	038/1	107.0	101.2	-5.8	95 %
Other mandatory payments to the budget, including:	040	92.0	96.4	4.4	104.8 %
• tax on physical persons' income	040/1	91.5	95.9	4.4	105 %



### 6.8 Structure of accounts receivable as of 31 December 2017

No.	Product name	Amount, UAH thousand as of 31.12.2016	Amount, UAH thousand as of 31.12.2017	Deviation, UAH thousand	Deviation, %
1	Fuel	57,416	56,998	-418	-1 %
2	Works	2,398	3,554	1,156	48 %
3	Materials	689	614	-75	-11 %
4	Services	17,349	18,216	867	5 %
5	Electricity, including:	504,937	652,816	147,879	29 %
	• WEM's electricity	475,052	625,511	150,459	32 %
	• buyer of electricity generated by Sb TPP	24,548	22,548	-2,000	-8 %
	• electricity for export	5,337	4,757	-580	-11 %
6	Heat	13,888	15,194	1,306	9 %
7	Advances paid	117,783	391,313	273,530	232 %
8	Settlement operations	238,272	112,021	-126,251	-53 %
9	Other current debts	8,427	6,518	-1,909	-23 %
10	Long-term liabilities	817,390	245,195	-572,195	-70 %
	<b>Total:</b>	<b>1,778,549</b>	<b>1,502,439</b>	<b>-276,110</b>	<b>-16 %</b>
	• including the reserve of doubtful debts:	-593,063	-242,750	350,313	-59 %

### 6.9 Structure of accounts payable as of 31 December 2017

No.	Product name	Amount, UAH thousand as of 31.12.2016	Amount, UAH thousand as of 31.12.2017	Deviation, UAH thousand	Deviation, %
1	Fuel, including:	1,322,576	1,376,350	53,774	4 %
	• coal	1,309,968	1,113,475	-196,493	-15 %
	• imported coal	0	248,040	248,040	
	• gas	12,608	14,835	2,227	18 %
2	Works, services	651,806	995,069	343,263	53 %
3	Materials, spare parts, equipment	22,238	15,638	-6,600	-30 %
4	Advances received, including:	400,376	465,411	65,035	16 %
	• Energorynok	392,917	458,496	65,579	17 %
5	Settlements with the budget and social funds	542,003	252,188	-289,815	-53 %
6	Staff salary settlements	30,697	20,161	-10,536	-34 %
7	Current debt on long-term liabilities, including:	482,630	116,829	-365,801	-76 %
	• credits	348,837	63,877	-284,960	-82 %
	• credit interest	5,291	4,522	-769	-15 %
	• instalments on taxes	128,502	48,430	-80,072	-62 %
8	Other current liabilities	24,800	27,365	2,565	10 %
9	Long-term liabilities	416,359	359,615	-56,744	-14 %
	<b>Total:</b>	<b>3,893,485</b>	<b>3,628,626</b>	<b>-264,859</b>	<b>-7 %</b>



Annex 1  
to the National Regulation (standards) of Accounting 1  
“General requirements to financial reporting”

### 6.10 Balance Sheet

Enterprise: DONBASENERGO PUBLIC JOINT STOCK COMPANY according to EDRPOU  
Territory: Ukraine according to KOATUU  
Organizational and legal form of business activity: joint-stock company according to KOPFG  
Type of economic activity: electricity production according to KVED  
Average number of employees: 1 3,119  
Address, telephone: 34A, PREDSLAVYNSKA Street, KYIV, 03150 2909728

CODES		
2018	01	01
23343582		
8038200000		
230		
35.11		

Measurement unit: UAH thousand without the decimal sign (except for Section IV of the Statement on Financial Results (Statement of Comprehensive Income) (Form N 2), where the monetary indicators are given in hryvnias with kopiykas)

Prepared (to tick (v) respective box):

according to the accounting standards

according to the international financial reporting standards

<input type="checkbox"/>
<input checked="" type="checkbox"/>

#### BALANCE SHEET (Statement of financial position) as of 31 December 2017

Form No. 1 Code according to DKUD

1801001

ASSET	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
<b>I. Non-current assets</b>			
Intangible assets:	1000	16,199	6,383
• initial cost	1001	35,083	35,703
• accumulated depreciation	1002	18,884	29,320
Incomplete capital investments	1005	1,161,538	1,795,900
Fixed assets:	1010	1,547,806	809,284
• initial cost	1011	3,913,327	4,098,171
• depreciation	1012	2,365,521	3,288,887

### Table 6.10 Balance Sheet (continued)

ASSET	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
Investment property:	1015	2,348	597
• initial value of investment property	1016	4,758	4,913
• depreciation of investment property	1017	2,410	4,316
Long-term biological assets:	1020	–	–
• initial cost of long-term biological assets	1021	–	–
• accumulated depreciation of long-term biological assets	1022	–	–
Long-term financial investments:	1030	–	–
• accounted by participation in capital of other enterprises	1035	–	–
• other financial investments	1035	–	–
Long-term accounts receivable	1040	335,113	115,022
Deferred tax assets	1045	461,179	299,927
Goodwill	1050	–	–
Deferred acquisition costs	1060	–	–
Balance in the centralized insurance reserve funds	1065	–	–
Other non-current assets	1090	–	–
<b>Total for section I</b>	<b>1095</b>	<b>3,524,183</b>	<b>3,027,113</b>
<b>II. Current assets</b>			
Inventories	1100	402,393	928,279
Production inventories	1101	379,353	920,278
Work in progress	1102	6,324	2,371
Finished products	1103	12,089	1,735



Table 6.10 Balance Sheet (continued)

ASSET	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
Goods	1104	4,627	3,895
Current biological assets	1110	–	–
Reinsurance deposits	1115	–	–
Promissory notes received	1120	254	–
Accounts receivable for products, goods, works and services	1125	419,340	571,246
Accounts receivable for settlements:			
• of advances paid	1130	117,692	389,673
• of budgetary payments	1135	223,135	37,662
• including income tax	1136	215,108	26,431
• accounts receivable for settlements from accrued incomes	1140	–	–
• accounts receivable for internal settlements	1145	–	–
Other current accounts receivable	1155	89,952	146,086
Current financial investments	1160	–	–
Cash and equivalents thereof	1165	626,737	295,618
Cash	1166	813	593
Accounts in banks	1167	625,924	284,137
Deferred expenses	1170	–	–
Share of reinsurers in insurance reserves	1180	–	–
including:			
• in reserves of long-term liabilities	1181	–	–
• in loss reserves or reserves of due payments	1182	–	–
• in reserves of unearned premiums	1183	–	–

Table 6.10 Balance Sheet (continued)

ASSET	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
• in other insurance reserves	1184	–	–
Other current assets	1190	132,888	190,055
Total for section II	1195	2,012,391	2,558,619
	1200	–	–
Balance	1300	5,536,574	5,585,732

LIABILITY	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Equity capital			
Registered (share) capital	1400	236,443	236,443
Contributions to unregistered share capital	1401	–	–
Revaluation capital	1405	–	–
Additional capital	1410	431,933	431,933
Emission income	1411	714	714
Accumulated exchange rate differences	1412	–	–
Reserve capital	1415	35,256	35,256
Retained earnings (uncovered loss)	1420	(226,852)	(236,048)
Unpaid capital	1425	–	–
Withdrawn capital	1430	–	1,135
Other reserves	1435	–	–
Total for section I	1495	476,780	466,449



Table 6.10 Balance Sheet (continued)

LIABILITY	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
<b>II. Long-term liabilities and provisions</b>			
Deferred tax liabilities	1500	-	-
Pension liabilities	1505	268,630	276,645
Long-term bank loans	1510	67,077	3,200
Other long-term liabilities	1515	416,359	359,615
Long-term collateral	1520	36,917	106,204
Long-term provision of personnel costs	1521	-	-
Target financing	1525	1,396	1,396
Charity assistance	1526	-	-
Insurance reserves	1530	-	-
including:			
• reserves of long-term liabilities	1531	-	-
• loss reserves or reserves of due payments	1532	-	-
• reserves of unearned premiums	1533	-	-
• other insurance reserves	1534	-	-
Investment contracts	1535	-	-
Prize fund	1540	-	-
Provision for jackpot payment	1545	-	-
<b>Total for section II</b>	<b>1595</b>	<b>790,379</b>	<b>747,060</b>
<b>III. Current liabilities and provisions</b>			
Short-term bank loans	1600	-	218,476

Table 6.10 Balance Sheet (ended)

LIABILITY	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
Promissory notes issued	1605	-	-
Current accounts payable for:	1610	482,630	116,829
• long-term liabilities			
• goods, works and services	1615	2,016,901	2,410,708
• settlements of budgetary payments	1620	387,681	141,357
• including income tax	1621	-	-
• settlements of insurance payments	1625	14,816	5,257
• settlements of salary payments	1630	30,697	20,161
• current accounts payable for advances received	1635	400,376	465,411
• current accounts payable for settlements with participants	1640	45,485	34,607
• current accounts payable from internal settlements	1645	-	-
• current accounts payable for insurance activity	1650	-	-
Current provisions	1660	789,280	884,733
Deferred income	1665	3,009	3
Deferred commissions from reinsurers	1670	-	-
Other current liabilities	1690	98,540	74,681
<b>Total for section III</b>	<b>1695</b>	<b>4,269,415</b>	<b>4,372,223</b>
IV. Liabilities associated with non-current assets held for sale and disposal groups	1700	-	-
V. The net value of private pension fund assets	1800	-	-
<b>Balance</b>	<b>1900</b>	<b>5,536,574</b>	<b>5,585,732</b>



### 6.11 Statement of financial results

Enterprise: DONBASENERGO PUBLIC JOINT STOCK COMPANY

Date (year, month, day)  
according to EDRPOU

Codes		
2018	01	01
23343582		

#### Statement of Financial Performance (Statement of Consolidated Income) for 2017

##### I. FINANCIAL RESULTS

Form no. 2 Code according to DKUD 1801003

Budget item (line)	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Net profit (revenue) from sales of products (goods, works, services)	2000	4,777,218	4,006,283
Net earned insurance premiums:	2010	–	–
• premiums signed, gross amount	2011	–	–
• premiums transferred to reinsurance	2012	–	–
• change in reserve of unearned premiums, gross amount	2013	–	–
• change in reinsurers' share in reserve of unearned premiums	2014	–	–
Prime cost of sold products (goods, works, and services)	2050	(3,031,431)	(2,357,184)
Net losses incurred on insurance payments	2070	–	–
Gross	2090	1,745,787	1,649,099
• revenue	2095	(–)	(–)
• loss			
Income (loss) from changes in reserves of long-term liabilities	2105	–	–
Income (loss) from changes in other insurance reserves	2110	–	–
• change in other insurance reserves, gross amount	2111	–	–
• change in reinsurers' share in other insurance reserves	2112	–	–
Other operating income	2120	1,018,141	1,675,322

Table 6.11 Statement of financial results (continued)

Budget item (line)	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
including:			
• income from changes in the value of assets that are measured at fair value	2121	–	–
• income from initial recognition of biological assets and agricultural products	2122	–	–
• revenue from use of funds exempt from taxation	2123	–	–
Administrative costs	2130	(287,256)	(236,713)
Distribution costs	2150	(8,020)	(11,114)
Other operating expenses	2180	(1,112,493)	(3,256,114)
including:			
• costs from changes in the value of assets that are measured at fair value	2181	–	–
• costs from initial recognition of biological assets and agricultural products	2182	–	–
Financial result from operational activities:			
• revenue	2190	1,356,159	–
• loss	2195	(–)	(179,520)
Equity income	2200	–	–
Other financial income	2220	18,901	15,785
Other incomes	2240	5,962	12,042
including:			
• income from charitable assistance	2241	–	–
Financial expenditures	2250	(110,346)	(122,326)
Equity loss	2255	(–)	(–)
Other expenditures	2270	(893,902)	(12,156)
Profit/loss from influence of inflation on monetary items	2275	–	–



**Table 6.11 Statement of financial results (continued)**

Budget item (line)	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Financial result prior to taxation:			
• revenue	2290	376,774	–
• loss	2295	(–)	(286,175)
Expenses (profit) from income tax	2300	(319,461)	60,799
Profit (loss) from discontinued operations after taxation	2305	–	–
Net financial result:			
• revenue	2350	57,313	–
• loss	2355	(–)	(225,376)

**II. CONSOLIDATED INCOME**

Budget item (line)	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Revaluation (write-down) of fixed assets	2400	–	–
Revaluation (write-down) of financial instruments	2405	–	–
Accumulated exchange rate differences	2410	–	–
Share of other consolidated income of associates and joint ventures	2415	–	–
Other consolidated income	2445	(81,109)	(85,009)
Other consolidated income prior to taxation	2450	(81,109)	(85,009)
Income tax related to other consolidated income	2455	(14,600)	(15,302)
Other consolidated income after taxation	2460	(66,509)	(69,707)
Consolidated income (sum of lines 2350, 2355 and 2460)	2465	(9,196)	(295,083)

**Table 6.11 Statement of financial results (ended)**

**III. ITEMS OF OPERATING EXPENSES**

Budget item (line)	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Material expenses	2500	3,280,940	4,216,037
Payroll expenses	2505	514,641	556,470
Social contributions	2510	107,141	118,653
Depreciation	2515	78,618	126,390
Other operating expenses	2520	461,255	887,573
Total	2550	4,442,595	5,905,123

**IV. CALCULATION OF SHARE PROFITABILITY INDICATORS**

Budget item (line)	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Average annual number of ordinary shares	2600	23,592,181	23,644,301
Corrected average annual number of ordinary shares	2605	23,592,181	23,644,301
Net income (loss) per one ordinary share	2610	2.42932	(9.53194)
Corrected net income (loss) per one ordinary share	2615	2.42932	(9.53194)
Dividends per one ordinary share	2650	–	–

### 6.12 Injury rates

No.	Company name	Number of cases of industrial injuries, (H-1, H-5)				Number of cases not related to production, (H-5)				Number of cases of not production-related injuries, HT				Number of cases of occupational diseases					Number of cases of injuries to external persons caused by company's electrical equipment					
		Total		Of them fatalities		Total		Of them fatalities		Total		Of them fatalities		Total	Identified	Number of persons, who have 2 (and more) occupational diseases	Total		Of them fatalities					
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017				2016	2017	2016	2017	2016	2017		
1	DONBASENERGO STAROBESHIVSKA TPP	0	0	0	0	0	0	0	0	126	13	0	0	0	0	0	0	0	0	0	0	0	0	0
2	DONBASENERGO SLOVYANSKA TPP	1	1	0	0	0	0	0	0	113	120	0	0	0	0	0	0	0	0	0	0	0	0	0
3	DONBASENERGO ELEKTROREMONT	0	0	0	0	0	0	0	0	14	6	0	0	0	0	0	0	0	0	0	0	0	0	0
4	DONBASENERGO DESR	0	0	0	0	0	0	0	0	8	6	0	0	0	0	0	0	0	0	0	0	0	0	0
5	DONBASENERGO DONBASENERGONALADKA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	DONBASENERGO DONBASENERGO PAT	0	0	0	0	0	0	0	0	1	2	0	0	0	0	0	0	0	0	0	0	0	0	0
7	DONBASENERGO TEPLIOELEKTROPROEKT	0	0	0	0	0	0	0	0	5	4	0	0	0	0	0	0	0	0	0	0	0	0	0
8	DONBASENERGO PRS ENERGETORG	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	MANAGEMENT HQ	0	0	0	0	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	1	1	0	0	0	0	0	0	267	156	0	0	0	0	0	0	0	0	0	0	0	0	0

### 6.13 Health and safety costs

No.	Company name	Pay-roll fund		Health and safety costs (w/o VAT)			Percentage of health and safety cost against the pay-roll fund	
		2016	2017	2017 plan	2017 actual	2017 fulfilment	2016	2017
		UAH million	UAH million	UAH million	UAH million	%	%	%
1	DONBASENERGO PJSC	548.7	479.0	12.8	8.9	69 %	2.4 %	1.6 %

### 6.14 Cost items on health and safety

No.	Cost items on health and safety (actual)	Amount, UAH million (without VAT)	Share of total amount of health and safety costs ( % )
1	Bringing of key assets to compliance with requirements of health and safety regulatory documents	1.0	11.2 %
2	Elimination of hazardous and harmful production factors' impact on employees or bringing their levels in the workplace to requirements of health and safety regulations	0.2	2.2 %
3	Health and safety audit	0.2	2.0 %
4	Purchase of the necessary regulatory and legal acts, visual aids, literature, posters, video films, mock-ups, software products etc. dedicated to safety issues	0.2	1.8 %
5	Training of employees and testing their knowledge on safety issues in the course of work, delivering lectures, seminars and consultations on safety issues	0.1	1.2 %
6	Provision of employees with special outfit, footwear and other individual protection equipment, cleaning agents and agents neutralizing negative impact of harmful substances on human organism or skin	5.8	65.7 %
7	Provision of workers engaged in work with hazardous working conditions, with milk or equivalent foods, carbonated salted water	0.6	6.5 %
8	Carrying out mandatory preliminary, periodic and unscheduled medical examination of workers engaged in heavy work, work with hazardous or harmful working conditions or those where professional selection is needed	0.8	9.4 %
	TOTAL	8.9	100.0 %



### 6.15 Fire safety costs

Number of fires in 2017	Amount of total losses from fires (UAH million)	Total amount of costs on fire safety measures (UAH million)		Costs on modernization of fire and technical equipment (UAH million)		Costs on engineering research and development (UAH million)		Costs on maintenance of fire detection and extinguishing system (UAH million)		Costs on implementation of fire prescriptions (UAH million)		Costs on maintenance of the state emergency and rescue office (UAH million)		Other costs (including insurance of voluntary fire brigades) (UAH million)	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
0	0	5.7	4.7	3.2	0.4	0.1	0.01	0.4	0.3	0.4	0.1	0.8	1.2	0.9	0.8

### 6.16 Civilian security costs

Name of civilian security measures according to Article 20 of the Ukrainian Civilian Security Code	Gross income amount, (UAH million)		Allocated for civilian security measures according to financial plan for 2017 (UAH million) as of 01.01.2017	Costs on civilian security measures (actual) (UAH million)		Percentage of costs on civilian security measures out of the gross revenue amount	
	2016	2017		2016	2017	2016	2017
A package of measures to improve standards and increase the existing level of civilian protection (without taking into account the costs on fire safety)	3,980.5	4,777.2	0.6	1	0.7	0.02	0.01

### 6.17 Achievement of environmental protection goals and objectives, results of the implemented activities

No.	Goals for 2017	Objectives for 2017	Note on the achievement of the goal	Effect from the implementation of activities
1	To ensure the implementation and efficient operation of the environmental management system in accordance with requirements of ISO 14001:2015	To provide with all the necessary resources for the implementation and operation of the environmental management system. To confirm the EMS's functioning in compliance with the requirements of ISO 14001:2015 by the international certification authority	Achieved	Compulsory procedures, common approaches to managing environmental aspects and risks have been developed and implemented. Provision with all the necessary resources made it possible to confirm that the EMS operates in compliance with the requirements of ISO 14001:2015 by the international certification authority (Certificate no. CN/17315IE)
2	To implement measures to manage the identified environmental aspects of the Company with a view to preventing their increase to the level of essential risk for all the structural units	To manage environmental aspects, according to the identified management procedures	Achieved	Developed and implemented environmental aspects and risk management measures made it possible to reduce the risk of pollution-related situations, thereby establishing constructive interaction with the towns of presence, local authorities and inspection organizations. Within the framework of the environmental management system, a "green office" project was implemented in the management office of DONBASENERGO
3	To maintain the compliance of facilities with technical characteristics and performance of technological operations in order to prevent negative impact on the environment by all structural units	Within a year, to carry out preventive measures aimed at preventing negative consequences for the environment in the performance of business activities	Achieved	The result of the reconstructive repair of gas cleaning equipment at Slovyanska TPP is an increase in the efficiency of the gas cleaning equipment compared to the previous year, which reduced the impact on the environment

6.17 Achievement of environmental protection goals and objectives, results of the implemented activities (continued)

No.	Goals for 2017	Objectives for 2017	Note on the achievement of the goal	Effect from the implementation of activities
4	Decrease in the gross volumes of solid particles' emissions to 154 tonnes per year at Slovyanska TPP	To reduce the concentration of particulate matter emissions from the pulverized fuel shop to 50 mg/m <sup>3</sup>  <i>1st stage</i> Development of basic design and detailed design documentation for the retrofitting of the dust-cleaning plant and its coordination with the expert centre. Deadline — 31 December 2017  <i>2nd stage</i> Implementation of the project for retrofitting of dust-cleaning equipment, the beginning of implementation — commissioning. Deadline — 31 December 2018	Achieved	The first stage has been implemented. Retrofitting of the pulverized fuel shop is envisaged within the framework of the project "Slovyanska TPP of DONBASENERGO Retrofitting of power unit no. 7 with a capacity of 800 MW 11-413/8-P-OPZ-1", which is now developed, passed through the procedure of public discussions (Protocol on the results of the public discussions of DONBASENERGO's Slovyanska TPP project. Retrofitting of power unit no. 7 of 800 MW of 31 July 2017). Passed the expert review in the State Enterprise "Ukrstroyekspertiza" (expert report no. 00-0957-17/CB of 28 September 2017) and the state environmental expert review (opinion of the Ministry of Environment of Ukraine no. 7-03/12-27363/10-17 of 14 December 2017)
5	To reduce auxiliary consumption of power at Slovyanska TPP	To reduce consumption of electricity by replacing fluorescent lamps with LED energy-saving lamps	Achieved	At Slovyanska TPP, 215 arc mercury lamps were replaced with LEDs — EU-DBU-140-0905-7X and EU-DBU-156-0905-67X. The effect from installation of these lamps will reduce the total power consumption per year at an estimated operating time of 3,650 hours to 667,038 kW. And: <ul style="list-style-type: none"> <li>• in comparison with fluorescent/luminescent lamps, LED lamps are more environmentally friendly as they do not contain mercury and other harmful substances, which reduces the risk of atmospheric air pollution by mercury vapour</li> <li>• for the disposal of used LED lamps, there is no need for a special procedure for handling them as hazardous waste</li> <li>• since LED lamps have a longer service life (30–100 thousand hours), the amount of waste generated in the form of used lamps is reduced.</li> </ul>

6.17 Achievement of environmental protection goals and objectives, results of the implemented activities (ended)

No.	Goals for 2017	Objectives for 2017	Note on the achievement of the goal	Effect from the implementation of activities
6	Preservation of aquatic biological resources	To reduce the influence of Slovyanska TPP's production activity on biological resources by installing a fish protective device	Achieved	Electrogradient fish protection device of EGRZ-M type was purchased. According to agreement no. 655 of 14 July 2017 between Slovyanska TPP and Energiyaa private company, the equipment was installed in November 2017.
7	To introduce the system for accounting and rational use of process water at Slovyanska TPP	To introduce an automated system for control over the use of process water for the prompt receipt of reliable data on flow rates and volume of water taken by on-shore pumping stations no. 1 and no. 2A, including maintenance of operator's logs and reports  <i>1st stage</i> Development of design documentation: to develop a project for the installation of an automated process water consumption monitoring system at Slovyanska TPP: alignment in the expert centre, to obtain a positive expert opinion regarding the project. Deadline — 31 December 2017  <i>2nd stage</i> Implementation of the project for the construction of ASKV-1: monitoring of the contractor organization for the performance of construction works — procurement of equipment — construction and installation works — commissioning, adjustment, start-up. Deadline — 31 December 2018	Achieved	The first stage has been implemented. The project "Automated system of process water consumption control (ASKV-1) No. 11-701-P-OPZ-1" was developed. The positive expert report of the state enterprise "UKRSTROYEKSPERTIZA" was received (Ref. number DP #420841 of 23 February 2017). The second stage, the installation of meters, is planned to be implemented in 2018.









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