

DTEK Energy B.V.

**Unaudited Condensed Consolidated Interim Financial
Statements**

30 June 2017

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Report on Review of Unaudited Condensed Consolidated Interim Financial Statements

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Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders and Board of Directors of DTEK Energy B.V.

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of DTEK Energy B.V. and its subsidiaries (the 'Group') as at 30 June 2017 and the related condensed consolidated interim income statement, interim statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, 'Interim financial reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim financial reporting'.

Emphasis of Matter - Material Uncertainty Related to Going Concern

Without qualifying our conclusion, we draw attention to the paragraph 'going concern' included in Note 3 to the condensed consolidated interim financial statements, which indicates that the Group has not completed its restructuring of its borrowings. These conditions, along with other matters as set forth in the paragraph 'going concern' included in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

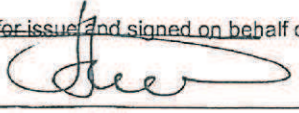
LLC AF "PricewaterhouseCoopers (Audit)"

8 September 2017
Kyiv, Ukraine


DTEK Energy B.V.
Unaudited Condensed Consolidated Interim Balance Sheet

<i>In millions of Ukrainian Hryvnia</i>	Note	30 June 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	8	50,739	64,124
Intangible assets		1,616	1,639
Goodwill		4,384	4,384
Financial investments	9	9,916	10,085
Income tax prepaid		62	118
Deferred income tax asset		1,334	1,011
Other non-current assets		256	210
Total non-current assets		68,307	81,571
Current assets			
Inventories		4,815	4,686
Trade and other receivables	10	21,855	24,008
Income tax prepaid		138	135
Financial investments	9	2,367	1,930
Cash and cash equivalents		4,439	7,545
Total current assets		33,614	38,304
TOTAL ASSETS		101,921	119,875
EQUITY			
Share capital	12	0	0
Share premium		9,909	9,909
Other reserves		13,092	19,017
Accumulated deficit		(26,140)	(27,742)
Equity attributable to owners of the parent		(3,139)	1,184
Non-controlling interest in equity		4,146	4,530
TOTAL EQUITY		1,007	5,714
LIABILITIES			
Non-current liabilities			
Borrowings	13	43,994	26,747
Other financial liabilities	14	4,838	14,101
Retirement benefit obligations		4,997	7,254
Provisions for other liabilities and charges		881	1,741
Deferred income tax liability		1,689	2,207
Total non-current liabilities		56,399	52,050
Current liabilities			
Borrowings	13	15,096	30,101
Other financial liabilities	14	1,164	1,186
Prepayments received		5,771	7,288
Trade and other payables		18,852	17,948
Current income tax payable		933	955
Other taxes payable and tax provision		2,699	4,633
Total current liabilities		44,515	62,111
TOTAL LIABILITIES		100,914	114,161
TOTAL LIABILITIES AND EQUITY		101,921	119,875

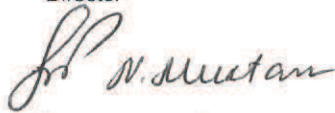
Approved for issue and signed on behalf of the Management Board on 8 September 2017.



 DTEK Management B.V.
 Director



 SCM Management B.V.
 Director


 B. N. Muktan as attorney in fact
 on behalf of E. P. de Gantrekter

DTEK Energy B.V.
Unaudited Condensed Consolidated Interim Income Statement

<i>In millions of Ukrainian Hryvnia</i>	Note	Six months ended 30 June	
		2017	2016
Revenue	15	67,684	56,986
Heat tariff compensation		147	-
Cost of sales	16	(58,467)	(54,099)
Gross profit		9,364	2,887
General and administrative expenses		(1,203)	(1,173)
Other operating expenses	17	(2,236)	(4,029)
Distribution costs		(451)	(705)
Other operating income		229	243
Net operating foreign exchange loss		(42)	(225)
Loss of control over the operations of entities located in non-controlled territory	11	(3,905)	-
Operating profit/(loss)		1,756	(3,002)
Net foreign exchange gains / (losses) on financing and investing activities		1,358	(2,467)
Finance income		1,080	1,225
Finance costs	18	(4,220)	(4,446)
Loss before income tax		(26)	(8,690)
Income tax (expenses)/benefit		(977)	555
Loss for the period		(1,003)	(8,135)
Loss is attributable to:			
Owners of the Company		(1,086)	(7,337)
Non-controlling interests		83	(798)
Loss for the period		(1,003)	(8,135)

Unaudited Condensed Consolidated Interim Statement of Comprehensive Income

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2017	2016
Loss for the period	(1,003)	(8,135)
Items that may be reclassified to profit or loss:		
Recycling of cash flow hedge reserve to income statement	110	284
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale	-	(717)
Currency translation reserve	(214)	37
Items that will not be reclassified to profit or loss:		
Property, plant and equipment:		
- Change in estimate for asset retirement obligation	(78)	(80)
- Income tax recorded on change in estimate for asset retirement obligation	14	15
Loss of control over the operations of entities located in non-controlled territory (Note 11):		
- De-recognition of asset retirement obligation	487	-
- Income tax recorded on de-recognition of asset retirement obligation	(98)	-
- Impairment of property plant and equipment	(5,357)	-
- Income tax recorded on impairment of property plant and equipment	757	-
- Re-measurements of retirement benefit obligations	1,332	-
- Income tax recorded on re-measurements of retirement benefit obligations	(240)	-
Other comprehensive loss for the period	(3,287)	(461)
Total comprehensive loss for the period	(4,290)	(8,596)
Total comprehensive profit/(loss) attributable to:		
Owners of the Company	(4,323)	(7,798)
Non-controlling interests	33	(798)
Total comprehensive loss for the period	(4,290)	(8,596)

DTEK Energy B.V.
Unaudited Condensed Consolidated Interim Statement of Changes in Equity

<i>In millions of Ukrainian Hryvnia</i>	Attributable to owners of the Company					Non-controlling interest	Total Equity
	Share capital	Share premium	Other reserves	Accumulated deficit	Total		
Balance at 1 January 2017	0	9,909	19,017	(27,742)	1,184	4,530	5,714
Profit/(Loss) for the six months ended 30 June 2017	-	-	-	(1,086)	(1,086)	83	(1,003)
Other comprehensive profit/(loss)	-	-	(4,327)	1,090	(3,237)	(50)	(3,287)
Total comprehensive profit/(loss) for the period	-	-	(4,327)	4	(4,323)	33	(4,290)
Property, plant and equipment:							
-Realised revaluation reserve	-	-	(1,949)	1,949	-	-	-
-Income tax related to realised revaluation reserve	-	-	351	(351)	-	-	-
Dividends declared	-	-	-	-	-	(417)	(417)
Balance at 30 June 2017	0	9,909	13,092	(26,140)	(3,139)	4,146	1,007

<i>In millions of Ukrainian Hryvnia</i>	Attributable to owners of the Company					Non-controlling interest	Total Equity
	Share capital	Share premium	Other reserves	Accumulated deficit	Total		
Balance at 1 January 2016	0	9,909	20,900	(29,237)	1,572	3,959	5,531
Loss for the six months ended 30 June 2016	-	-	-	(7,337)	(7,337)	(798)	(8,135)
Other comprehensive loss	-	-	(461)	-	(461)	-	(461)
Total comprehensive loss for the period	-	-	(461)	(7,337)	(7,798)	(798)	(8,596)
Property, plant and equipment:							
-Realised revaluation reserve	-	-	(2,333)	2,333	-	-	-
-Income tax related to realised revaluation reserve	-	-	435	(435)	-	-	-
Demerger of subsidiaries	-	-	-	(149)	(149)	-	(149)
Balance at 30 June 2016	0	9,909	18,541	(34,825)	(6,375)	3,161	(3,214)

DTEK Energy B.V.
Unaudited Condensed Consolidated Interim Statement of Cash Flows

<i>In millions of Ukrainian Hryvnia</i>	Note	Six months ended 30 June	
		2017	2016
Cash flows from operating activities			
Loss before income tax		(26)	(8,690)
Adjustments for:			
Depreciation and impairment of property, plant and equipment and amortisation of intangibles		3,995	4,848
Losses less gains on disposals of property, plant and equipment		24	16
Assets received free of charge		(40)	(24)
Net change in provision for trade and other receivables	17	998	1,179
Non-cash operating charge to retirement benefit obligation		185	101
Extinguishment of accounts payable		(3)	(39)
Foreign exchange (gains)/losses on financing and investing activities		(1,358)	2,467
Unrealised foreign exchange losses on operating activity		76	179
Finance costs, net		3,140	3,221
Change in provisions for other liabilities and charges		12	863
Loss of control over the operations of entities located in non-controlled territory	11	3,905	-
Other operating non-cash transactions		-	26
Operating cash flows before working capital changes		10,908	4,147
Changes in:			
Inventories		(1,166)	1,697
Trade and other receivables		453	(3,211)
Prepayments received		(1,517)	1,823
Trade and other payables		303	(1,402)
Other financial liabilities		20	(49)
Repayment of restructured obligations		(28)	(174)
Other taxes payable and tax provision, other than income tax		(1,926)	1,138
Cash generated from operations		7,047	3,969
Income taxes paid		(1,354)	(246)
Defined employee benefits paid		(272)	(330)
Interest and tender costs paid		(1,331)	(322)
Interest received		76	149
Provisions utilised		(4)	(25)
Net cash generated from operating activities		4,162	3,195
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,176)	(2,313)
Placement of restricted cash		(367)	(73)
Capitalised borrowings cost paid		(6)	(27)
Deposits placed including restricted deposits		(114)	(7)
Cash lost as a result of loss of control	11	(39)	-
Finance lease related to acquisition paid		-	(14)
Repayment of deposits including restricted deposits		-	62
Net cash used in investing activities		(3,702)	(2,372)
Cash flows from financing activities			
Repayment of borrowings net of cash pooling	13	(3,616)	(61)
Dividends paid to non-controlling participants		(345)	-
Net cash used in financing activities		(3,961)	(61)
Net change in cash and cash equivalents		(3,501)	762
Cash and cash equivalents at the beginning of the period		7,488	690
Exchange gain/(loss) on cash and cash equivalents		28	(12)
Cash and cash equivalents at the end of the period		4,015	1,440

1 Corporate Information

DTEK Energy B.V. (the "Company") is a private limited liability company incorporated in the Netherlands on 16 April 2009. The Company was renamed on 19 September 2014 and its former name was DTEK Holdings B.V. The Company was formed through the contribution by System Capital Management Limited and InvestCom Services Limited of their 100% equity interest in DTEK Holding Limited, a Cyprus registered entity and predecessor to the Company.

The Company and its subsidiaries (together referred to as "the Group") are beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management ("SCM"). Mr. Akhmetov has a number of other business interests outside of the Group. Related party transactions are detailed in Note 7.

DTEK Energy B.V. is a vertically integrated power generating and distribution group. Its principal activities are coal mining for further supply to its power generating facilities and finally distribution of electricity to end customers primarily in Ukraine. The Group's coal mines, power generation plants and distribution facilities are located in the Donetsk (controlled territory), Lugansk (controlled territory), Dnipropetrovsk, Lviv, Ivano-Frankivsk, Vinnitsya, Zaporizhzhya, Kyiv regions and the City of Kyiv in Ukraine. The Group sells major part of electricity generated to Energorynok SE, the state-owned electricity metering and distribution pool, at prices determined based on the competitive pool model adopted by the National Commission for State Regulation of Energy and Public Utilities in Ukraine. The Group's distribution entities then repurchase electricity for supply to final customers at a regulated price.

2 Operating Environment

The ongoing political and economic instability in Ukraine which commenced at the end of 2013 and led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and depreciation of the national currency against major foreign currencies has continued in both 2016 and 2017, though to a much lesser extent as compared to 2014 and 2015.

The inflation rate in Ukraine stood at 7.9% for the six months of 2017 (as compared to 4.9% for the six months of 2016 and 12.4% for the twelve months of 2016) while GDP continued to grow at 2% (after 9% decline in 2015).

During six months of 2017 the Ukrainian Hryvnia has slightly appreciated against the US dollar and the Russian Rouble. As at the date of this report the official exchange rate of the Ukrainian Hryvnia against the US dollar was UAH 26.00 per USD 1, compared to UAH 26.10 per USD 1 as at 30 June 2017 and UAH 27.19 per USD 1 as at 31 December 2016. In 2017, there has been a further easing of currency control restrictions that were introduced in 2014–2015. In particular, the required share of foreign currency for mandatory sale was decreased from 75% to 50% starting from 4 April 2017 and the settlement period for export-import transactions in foreign currency was increased from 90 to 180 days starting from 26 May 2017. In addition, starting from 13 June 2016 Ukrainian companies are permitted to pay dividends to non-residents with a limit of USD 5 million per month.

The IMF has continued to support the Ukrainian government under the four-year Extended Fund Facility ("EFF") Programme approved in March 2015, providing the fourth tranche of approximately USD 1 billion in April 2017. Further disbursements of IMF tranches depend on the continued implementation of Ukrainian government reforms, and other economic, legal and political factors.

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

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

The conflict in the parts of Eastern Ukraine which started in spring 2014 has not been resolved to date. In January–March 2017, there was some escalation of military confrontation along the line of contact of the conflicting parties. The National Security and Defence Council of Ukraine issued resolution in March 2017 that completely suspended any freight transportation between the controlled and non-controlled territory of Ukraine, and this continues to date. In February–March 2017, the self-proclaimed authorities in the non-controlled territory announced their intention to seize business assets located in the non-controlled territory and to require businesses to comply with various local fiscal, regulatory and other requirements which contravene Ukrainian legislation. Subsequently, on 15 March 2017 the self-proclaimed authorities took control of all of the Group's assets located in the non-controlled territory. As a result, the Group and SCM has announced that they have lost control over the operations and assets of the entities located in the non-controlled territory. The effect of the events further disclosed in Note 11.

The Group's entities affected include:

- DTEK Rovenkiantracyte LLC;
- DTEK Sverdlovanttracyte LLC;
- DTEK Mine Komsomolets Donbassa PJSC;
- Mospino CPE LLC;
- one power plant belonging to DTEK Skhidenergo LLC (Zuevskaya TTP);
- DTEK Donetskoblenenergo (only non-controlled territory part);
- PJSC DTEK Energougol ENE PJSC (only non-controlled territory part);
- DTEK Power Grid LLC (only non-controlled territory part).

2 Operating Environment (Continued)

As at 30 June 2017, the Group had significant balances receivable from and prepayments made to the State and entities dependant on government financing, including prepaid income taxes of UAH 200 million, VAT recoverable of UAH 1,703 million (Note 10), receivables from Energorynok SE and various water and heat supply companies of UAH 6,684 million and UAH 1,660 million respectively. The timing of settlement of these balances is uncertain and is dependent upon the availability of State funds and amounts of future taxable profits of the Group's subsidiaries.

Despite certain improvements in 2017, the final resolution and the ongoing effects of the political and economic situation are difficult to predict, but they may have further severe effects on the Ukrainian economy and the Group's business.

3 Basis of Preparation and Summary of Significant Accounting Policies

These condensed consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by European Union. They do not include all the information and disclosures required for a complete set of annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRS as adopted by adopted by European Union.

The accounting policies adopted are consistent with those of the Group's annual consolidated financial statements for the year ended 31 December 2016, except as described below.

Income taxes. Income tax expense is recognised based on management's best estimate of the weighted average annual income tax expected for the full financial year, which is estimated at 49% (six months of ended 30 June 2016: 6%). The increase in expected annual income tax rate is driven by non-recurring expenses as a result of loss of control over the operations of entities located in non-controlled territory (Note 11).

Exchange rate fluctuations. As at 30 June 2017, the exchange rate used for translating foreign currency balances was USD 1 = UAH 26.10 (31 December 2016: USD 1 = UAH 27.19); EUR 1 = 29.79 UAH (31 December 2016: EUR 1 = 28.42 UAH).

Going concern. As of 30 June 2017 the Group had UAH 59,090 million of borrowings denominated primarily in foreign currencies, these being: US Dollars (UAH 44,380 million, or 75%); Russian Roubles (UAH 7,597 million, or 13%); Euros (UAH 5,773 million, or 10%); and Ukrainian Hryvnia (UAH 1,340 million, or 2%).

The Group's business is concentrated in Ukraine, the majority of its revenue is generated in Ukraine and denominated in UAH (six months ended 30 June 2017 and 2016: 93% and 93%, respectively), although the Group also receives foreign currencies from its export of electricity and coal. The Group is subject to certain financial and non-financial covenants related primarily to its Eurobonds and bank borrowings. As at 30 June 2017 the Group remains in default on certain covenants for certain bank borrowings (Note 13).

Due to the significant UAH devaluation during the period 2014 to 2016 management commenced discussions with lenders on both a bi-lateral and an all-party basis. However, the Group has not been able to finalise discussion with all of its lenders or execute the restructured bank debt documentation to extend the terms of all of its debt as of the date of preparation of these condensed consolidated interim financial statements. In December 2016 the Group's bonds in amount of UAH 26,403 million were restructured and, as further discussed in Note 13, in March 2017 a majority of the Group's bank borrowings together with accrued but not paid interest in amount of UAH 13,321 million at the date of transaction were also successfully restructured. The Group continues the work on implementation of the restructuring under the remaining facilities (UAH 14,275 million as of 30 June 2017), with the exception of UAH 821 million as at 30 June 2017 (sundry current loans that are not to be restructured) on the basis of binding heads of terms accepted by all of the bank lenders under the Bank Exchange Offer.

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

Whilst the terms of the restructuring have been agreed with the bank lenders on the basis of binding heads of terms accepted by all of the bank lenders under the Bank Exchange Offer, management acknowledges that, prior to full completion of the restructuring of the remaining debt obligations that were subject to restructuring and completion of required procedures, there is an uncertainty which may cast significant doubt about the Group's ability to continue as a going concern

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

4 Critical Accounting Estimates and Judgements

Critical accounting estimates and judgements applied are consistent with those followed in the preparation of the Group's annual consolidated financial statement for the year ended 31 December 2016, except for the additional ones described below.

Control over the legal entities whose operations in the non-controlled territory were lost. As further disclosed in Note 11, on 15 March 2017 the self-proclaimed authorities took control of all of the Group's assets located in the non-controlled territory. The Group has determined that it retains control over the legal entities whose operations were located in the non-controlled territories, as these entities are registered in the controlled territory of Ukraine and continue to serve its obligations and collect payments on receivables. Thus, the Group continues to consolidate the remaining assets and liabilities of those entities as of 30 June 2017.

Impairment of property, plant and equipment located in the non-controlled territory. As a result of the events further disclosed in Note 11, management of the Group has performed an impairment testing of respective property, plant and equipment and determined that the value of these assets is zero, thus recognising UAH 5,357 million as decrease of previously recognised revaluation in other comprehensive income and UAH 7,395 million as impairment charge in profit and loss. Management has determined that the loss of control over the assets does not require derecognition of the property, plant and equipment. This is based on consideration that the Group still holds the legal title over assets; the seizure of assets is illegal and might be temporary; the Group may still be able to claim some compensation for the assets through international courts. Would the judgement be made that the assets are derecognised, the whole amount of UAH 12,752 million of decrease in the carrying value of property, plant and equipment would need to be charged in profit and loss.

Valuation allowance for accounts receivable. Management estimated that receivables from individuals for supplied heat in the amount of UAH 1,029 million will be settled in full by the end of 2017. Management anticipates that overdue receivables for supplied electricity to Energorynok SE will be settled in full either in cash or via set off mechanism during one year from the balance sheet date.

5 Adoption of New or Revised Standards and Interpretations

The following new standards, which are relevant to the Group's condensed consolidated interim financial statements, have been issued, but have not been endorsed by European Union:

- **Amendments to IAS 7: Disclosure Initiative** (issued on 29 January 2016 and effective for annual periods on or after 1 January 2017);
- **Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses** (issued on 19 January 2016 and effective for annual periods on or after 1 January 2017);
- **Annual Improvements to IFRS Standards 2014-2016 Cycle** (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 and 1 January 2018);
- **Clarifications to IFRS 15 Revenue from Contracts with Customers** (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018);
- **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration** (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018);
- **IFRIC 23 Uncertainty over Income Tax Treatments** (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019);
- **IFRS 16 Leases** (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).

The following new standards which are relevant to the Group's condensed consolidated interim financial statements, have been issued and endorsed by European Union, but have not been effective for financial periods beginning on or after 1 January 2017:

- **IFRS 9, Financial Instruments** (issued on 24 July 2014 and effective for annual periods beginning on or after 1 January 2018);
- **IFRS 15 - Revenue from Contracts with Customers** (issued on 28 May 2014 and effective for annual periods beginning on or after 1 January 2018).

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

6 Segment Information

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

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

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

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

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

Revenues included in 'Other' segment mainly include revenues from gas resale for third parties and sales of services. Revenues from gas resale within the Group for the purpose of internal consumption are presented in 'Coal and power generation' segment.

The 'Coal mining and power generation' segment includes also operations of JSC Mine Office Obukhovskaya, JSC Donskoy Anthracite and LLC Sulinanthracite (together, the "Rostov Mines") for the six months ended 30 June 2016. As at 1 September 2016 share capital of Rostov Mines was transferred to a new non-Group holding company, owned by its immediate parent DTEK B.V. - Fabcell Limited as a result of a deleveraging plan with Sberbank of Russia (Note 13). Total revenue and segment result of the Rostov mines within the 'Coal mining and power generation' segment for the six months ended 30 June 2016 amounted to UAH 356 million and UAH 87 million, respectively.

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

Segment information for the reportable business segments of the Group for the six months ended 30 June 2017 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	Coal and power generation	Electricity distribution	Kyivenergo	Other	Elimination	Total
Sales – external	29,256	20,439	13,690	4,299	-	67,684
Sales to other segments	2,048	604	-	948	(3,600)	-
Total revenue	31,304	21,043	13,690	5,247	(3,600)	67,684
Heat tariff compensation	-	-	147	-	-	147
Total revenue and heat tariff compensation	31,304	21,043	13,837	5,247	(3,600)	67,831
Segment result	7,071	(314)	(488)	(11)	52	6,310
Net operating foreign exchange loss						(42)
Foreign exchange losses less gains on financing and investing activities						1,358
Finance costs net of finance income not included in Segment result						(3,466)
Loss of control over the operations of entities located in non-controlled territory (Note 11)						(3,905)
Charitable donations and sponsorship to related parties (Note 7)						(240)
Unallocated expenses						(41)
Profit before income tax						(26)
Capital expenditure	2,486	503	549	32	-	3,570

6 Segment information (Continued)

Segment information for the main reportable segments of the Group as of and for the six months ended 30 June 2016 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	Coal and power generation	Electricity distribution	Kyivenergo	Other	Elimination	Total
Sales – external	20,980	18,630	10,811	6,565	-	56,986
Sales to other segments	1,727	674	-	723	(3,124)	-
Total revenue	22,707	19,304	10,811	7,288	(3,124)	56,986
Total revenue and heat tariff compensation	22,707	19,304	10,811	7,288	(3,124)	56,986
Segment result	(865)	(462)	(882)	86	99	(2,024)
Net operating foreign exchange loss						(225)
Foreign exchange losses less gains on financing and investing activities						(2,467)
Finance costs net of finance income not included in Segment result						(3,383)
Charitable donations and sponsorship to related parties						(588)
Unallocated expenses						(3)
Loss before income tax						(8,690)
Capital expenditure	1,559	214	335	68	-	2,176

7 Balances and Transactions with Related Parties

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

<i>In millions of Ukrainian Hryvnia</i>	30 June 2017			31 December 2016		
	Entities under common control of SCM	DTEK BV Group subsidiaries	Associates and Joint Ventures of SCM	Entities under common control of SCM	DTEK BV Group subsidiaries	Associates and Joint Ventures of SCM
Prepayments for property, plant and equipment	2	-	-	39	-	-
Loans receivable (Note 9)	-	11,966	-	-	11,811	-
Trade and other receivables	2,333	563	82	2,058	1,684	-
Deposits placed	232	-	-	93	-	-
Cash and cash equivalents – current account	1,093	-	-	1,654	-	-
Guarantee under the borrowings of related parties (Note 14)	-	(1,316)	-	-	(1,379)	-
Other financial liabilities and interest accrual	-	(16)	-	-	(16)	-
Trade and other payables	(755)	(906)	(1)	(585)	(160)	-
Prepayments received	(848)	(9)	(100)	(1,210)	(12)	-

The income and expense items with related parties were as follows:

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June 2017			Six months ended 30 June 2016		
	Entities under common control of SCM	DTEK BV Group subsidiaries	Associates and Joint Ventures of SCM	Entities under common control of SCM	DTEK BV Group subsidiaries	Associates and Joint Ventures of SCM
Sales of electricity	5,290	-	1,236	5,510	-	860
Sales of gas	2,866	210	727	2,071	-	583
Sales of coal	975	-	21	493	-	-
Sales of scrap metal and services	2	53	6	1	39	3
Purchase of coal and other materials	(96)	(1,946)	-	(316)	-	-
Purchase of gas	(1)	(5,504)	-	-	(7,617)	-
Purchase of non-current assets	(834)	-	-	(507)	-	-
Purchase of services	(2,147)	(140)	(1)	(1,535)	(129)	-
Charitable donations and sponsorship	(240)	-	-	(588)	-	-
Interest income on bank deposits	32	-	-	33	-	-
Interest income on loans provided	-	371	-	-	363	-
Unwinding of discount on loans provided to related parties	-	50	-	-	47	-

8 Property, Plant and Equipment

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

	Mining assets	Buildings and structures	Plant and machinery	Furniture, fittings and equipment	Construction in progress	Total
<i>In millions of Ukrainian Hryvnia</i>						
Opening net book amount as at 1 January 2017	13,998	17,580	25,321	2,271	4,954	64,124
Additions	32	261	987	81	2,209	3,570
Disposals and other movements	(129)	(13)	(13)	(3)	(39)	(197)
Depreciation charge	(451)	(895)	(2,460)	(200)	-	(4,006)
Loss of control over the operations of entities located in non-controlled territory (Note 11)	(4,573)	(2,864)	(3,889)	(170)	(1,256)	(12,752)
Transfers	169	64	537	112	(882)	-
Net book amount as at 30 June 2017	9,046	14,133	20,483	2,091	4,986	50,739

	Mining assets	Buildings and structures	Plant and machinery	Furniture, fittings and equipment	Construction in progress	Total
<i>In millions of Ukrainian Hryvnia</i>						
Opening net book amount as at 1 January 2016	14,472	18,751	27,943	1,649	5,376	68,191
Additions	8	74	736	76	1,282	2,176
Disposals and other movements	-	-	(6)	(2)	(9)	(17)
Depreciation charge	(539)	(1,011)	(3,053)	(247)	-	(4,860)
Currency translation differences	73	29	71	3	-	176
Assets classified as held for sale	(416)	(351)	(511)	(19)	(66)	(1,363)
Transfers	57	277	532	585	(1,451)	-
Net book amount as at 30 June 2016	13,655	17,769	25,702	2,045	5,132	64,303

9 Financial Investments

Non-current financial investments were as follows:

<i>In millions of Ukrainian Hryvnia</i>	30 June 2017	31 December 2016
Loans provided to related parties	9,878	10,046
Equity securities	36	37
Deposits placed	2	2
Total	9,916	10,085

Current financial investments were as follows:

<i>In millions of Ukrainian Hryvnia</i>	30 June 2017	31 December 2016
Loans provided to related parties	2,088	1,765
Restricted deposits	279	165
Total	2,367	1,930

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

Loans provided to related parties are presented by the loans issued to DTEK Oil&Gas Group. DTEK Oil&Gas B.V. is a subsidiary of DTEK B.V. incorporated in the Netherlands that has the majority of its assets in Ukraine outside of non-controlled territory. The loans are due in 2023 and 2024. The loans were initially recognised at fair value and accounted for under an effective interest rate of 8%. As at 30 June 2017, these loans were pledged under the New Notes (Note 13) issued during 2016 year.

As at 30 June 2017 restricted deposits in the amount of UAH 279 million were presented by deposits placed under letter of credit (31 December 2016: UAH 165 million). Current financial investments are neither past due nor impaired. The carrying amounts of deposits approximate their fair values.

10 Trade and Other Receivables

<i>In millions of Ukrainian Hryvnia</i>	30 June 2017	31 December 2016
Trade receivables (less provision of UAH 8,665 million) (31 December 2016: UAH 7,686 million)	15,836	15,746
Restructured trade receivables (less discount of UAH 14 million) (31 December 2016: UAH 17 million)	160	150
Other financial receivables (less provision of UAH 712 million) (31 December 2016: UAH 703 million)	1,930	2,606
Total financial assets	17,926	18,502
VAT recoverable (less provision of UAH 85 million) (31 December 2016: UAH 85 million)	1,703	2,427
Prepayments to suppliers (less provision of UAH 1,090 million) (31 December 2016: UAH 1,004 million)	1,292	2,109
Heat tariff compensation receivable	791	644
Other (less provision of UAH 42 million) (31 December 2016: UAH 43 million)	143	326
Total non-financial assets	3,929	5,506
Total trade and other receivables	21,855	24,008

11 Loss of control over the operations of entities located in non-controlled territory

In early March 2017 a number of threats were reported in the Ukrainian and online media of the potential seizure by the self-proclaimed authorities of production assets located in the non-controlled territory in the Donbass region of Ukraine. Management took all available actions to retain control over the assets and the systems that permitted these assets to operate. Subsequently, on 15 March 2017 the self-proclaimed authorities took control of all of the Group's assets located in the non-controlled territory. The entities impacted include: DTEK Rovenkiantracyte LLC, DTEK Sverdlovantacyte LLC, DTEK Mine Komsomolets Donbassa PJSC, Mospino CPE LLC, one power plant belonging to DTEK Skhidenergo LLC (Zuevskaya TTP), DTEK Donetskoblenergo (only non-controlled territory part), PJSC DTEK Energougol ENE PJSC (only non-controlled territory part) and DTEK Power Grid LLC (only non-controlled territory part). The Group considered this as a theft of assets and informed the relevant Ukrainian law enforcement authorities. The Group has determined that it retains control over the legal entities impacted in the non-controlled territories, as these entities are formally registered in the controlled territory of Ukraine.

For illustrative purposes, the Group prepared consolidated Interim Income Statement and Statement of Comprehensive income of the assets over which the Group lost control to show the effect of its operation until the moment the control was lost:

<i>In millions of Ukrainian Hryvnia</i>	Period from 1 January 2017 to 15 March 2017	Six months ended 30 June 2016
Revenue	2,381	4,500
Cost of sales	(1,873)	(4,722)
Gross profit/(loss)	508	(222)
Distribution costs	(95)	(235)
General and administrative expenses	(67)	(170)
Other operating income/ (expenses), net	(278)	(699)
Operating profit/(loss)	68	(1,326)
Foreign exchange losses less gains on financing and investing activities	-	4
Finance income	1	9
Finance costs	(413)	(484)
Loss before income tax	(344)	(1,797)
Income tax benefit	50	85
Loss for the period	(294)	(1,712)
Loss attributable to:		
Owners of the Company	(253)	(1,655)
Non-controlling interest	(41)	(57)
Loss for the period	(294)	(1,712)

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11 Loss of control over the operations of entities located in non-controlled territory (Continued)

<i>In millions of Ukrainian Hryvnia</i>	Period from 1 January 2017 to 15 March 2017	Six months ended 30 June 2016
Loss for the period	(294)	(1,712)
Other comprehensive loss:		
<i>Items that will not be reclassified to profit or loss:</i>		
Property, plant and equipment:		
- Change in estimate for asset retirement obligation	(38)	(69)
- Income tax recorded on change in estimate for asset retirement obligation	7	12
Other comprehensive loss for the period	(31)	(57)
Total comprehensive loss for the period	(325)	(1,769)
Total comprehensive loss attributable to:		
Owners of the Company	(284)	(1,712)
Non-controlling interest	(41)	(57)
Total comprehensive loss for the period	(325)	(1,769)

As a result of losing control over the assets located in the non-controlled territory in March 2017, management of the Group has decided to charge impairment provision on certain assets. Moreover, the Group also released certain liabilities of the entities located in the non-controlled territory. Impairment loss before income tax of UAH 3,905 million and UAH 3,538 million was charged to the Consolidated Interim Income Statement and Consolidated Interim Statement of Comprehensive Income, respectively for the six months ended 30 June 2017 as follows:

<i>In millions of Ukrainian Hryvnia</i>	Recognised in profit and loss	Recognised in Other comprehensive income	Total
Assets			
Property plant and equipment (Note 8)	7,395	5,357	12,752
Intangible assets	82	-	82
Deferred tax assets (gross)	551	338	889
Inventory	1,051	-	1,051
Trade and other receivables	204	-	204
Cash and cash equivalents	39	-	39
Total assets	9,322	5,695	15,017
Liabilities			
Deferred tax liability (gross)	(554)	(757)	(1,311)
Deferred consideration for acquisition	(3,148)	-	(3,148)
Retirement benefit obligations	(1,182)	(1,332)	(2,514)
Asset retirement provision	(503)	(487)	(990)
Accruals for employees' bonuses	(33)	-	(33)
Total liabilities	(5,420)	(2,576)	(7,996)
Net result, including:	3,902	3,119	7,021
Loss of control over the operations of entities located in non-controlled territory	3,905	3,538	7,443
Deferred tax charge	(3)	(419)	(422)

Property plant and equipment. As a result of losing control, management has performed an impairment test for property, plant and equipment located in the non-controlled territory using the fair value less cost of disposal model (Level 3) and determined that the recoverable value of these assets is zero. Coal and power generation segment in the non-controlled territory includes the following three CGUs: coal mining entity DTEK Rovenkiantracyte LLC; coal mining entity DTEK Sverdlovantracyte LLC; and combined CGU of the coal mining entity DTEK Mine Komsomolets Donbassa PJSC and ZuTES power station being a part of DTEK Skhidenergo LLC. The impairment loss attributable to coal and power generation segment comprised UAH 6,978 million recognised in the income statement and UAH 5,152 million recognised in the statement of other comprehensive income. Distribution segment includes the following CGUs: DTEK Donetskoblenergo (non-controlled territory part), PJSC DTEK Energougol ENE PJSC (non-controlled territory part) and DTEK Power Grid LLC (non-controlled territory part). The impairment loss attributable to distribution and other segments comprised UAH 417 million recognised in the income statement and UAH 205 million recognised in other comprehensive income. The above mentioned companies of the distribution and other segments also have assets in the controlled area of Ukraine that have not been impaired.

11 Loss of control over the operations of entities located in non-controlled territory (Continued)

Deferred consideration for acquisition. Deferred consideration for acquisition relates primarily to acquisition of coal mines DTEK Rovenkiantracyte LLC and DTEK Sverdlovantracyte LLC, located in the non-controlled territory of Ukraine. As at 15 March 2017, the Group's management recognised impairment of the mines' assets attributable to above mentioned entities. In addition, the Group obtained certificates of Ukrainian Chamber of Commerce regarding Force Majeure according to which the Group has the right to release its liabilities for non-fulfilment (improper fulfilment) of its obligations in the non-controlled territory of Ukraine. As a result, deferred consideration for acquisition in the amount of UAH 3,148 million was released and presented as part of operating income within the line "Loss of control over the operations of entities located in the non-controlled territory".

Retirement benefit obligations. As a consequence of the loss of control over the operations of entities located in the non-controlled territory and the resultant dismissal of employees of these subsidiaries, management remeasured the retirement benefit obligation. The decrease in the obligation was primarily a result of applying an assumption that a majority of employees (dismissed during 2015-2017) and pensioners will stay in the non-controlled territory and thus are unable to gain required experience to be entitled for preferential retirement and claim for their preferential pensions under Ukrainian legislation. The resulting UAH 1,332 million gain from the change of assumptions in relation to retirement benefit obligations was recorded in other comprehensive income for the six months ended 30 June 2017. Further, the obligations under collective agreements were decreased to reflect the loss of control over the operations producing such coal/domestic fuel for settlement of these obligations. The resulting UAH 1,182 million curtailment gain was recorded in income statement within the line "Loss of control over the operations of entities located in the non-controlled territory".

Asset retirement provision. The Group performed re-estimation of abandonment and site restoration provision as at 15 March 2017 in respect of mines located in the non-controlled territory of Ukraine. The Group considers that asset retirement provision attributable to mines DTEK Rovenkiantracyte LLC, DTEK Sverdlovantracyte LLC, DTEK Mine Komsomolets Donbassa PJSC does not further meets the criteria of provision, as reliable estimate of the amount of obligation is impracticable due to limited access to the mines' physical characteristics, useful life, etc. The release of assets retirement provision comprised UAH 503 million recognised in the income statement and UAH 487 million recognised in other comprehensive income.

Trade and other accounts payable. Trade and other accounts payable of the companies located in the non-controlled territory of Ukraine are primary presented by restructured payable to Energorynok SE, payable to electricity suppliers, payable for restructured taxes, accruals for salaries and related charges, other accounts payable. As a result of loss of control, the Group still retains the legal constructive obligation to fulfil these obligations, therefore the Group did not derecognise its trade and other accounts payable relating to obligations incurred prior to the loss of control in March 2017 of the entities located in the non-controlled territory of Ukraine.

Deferred tax asset/liability. Due to uncertainty of future taxable income of the entities located in the non-controlled territory of Ukraine, the Group has derecognised deferred tax assets in excess of deferred tax liabilities in previous accounting periods. Deferred tax liabilities of the entities located in the non-controlled territory of Ukraine attributable to property, plant and equipment were also derecognised due to impairment of related property, plant and equipment, over which the control was lost in current accounting period.

Management have sought to actively manage and limit the impact of these events on the Group's operations by adopting a number of contingency arrangements.

12 Share Capital

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

13 Borrowings

<i>In millions of Ukrainian Hryvnia</i>	30 June 2017	31 December 2016
Non-current		
Eurobonds	29,666	26,403
Bank borrowings	14,328	344
	43,994	26,747
Current		
Bank borrowings	12,789	27,035
Interest accrual	2,307	3,066
	15,096	30,101
Total borrowings	59,090	56,848

13 Borrowings (Continued)

Movements in borrowings during the period are as follows:

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2017	2016
Opening balance as at 1 January	56,848	57,948
Reclassification to Eurobonds from Bank borrowings upon restructuring	(2,012)	-
Recognition of Eurobonds upon restructuring	3,561	-
Recognition of Bank Borrowings upon restructuring	17,967	-
Extinguishment of Bank Borrowings	(13,321)	-
Repayment of borrowings	(3,616)	(61)
Interest capitalised on Eurobonds*	-	818
Decrease in borrowings due to cash pooling arrangements	-	(1,489)
Interest and tender costs accrued during the period	2,735	2,306
Interest and tender costs paid during the period	(1,331)	(322)
Foreign exchange (gain)/loss including currency translation difference	(1,741)	3,485
Borrowings classified as held for sale	-	(948)
Closing balance as at 30 June	59,090	61,737

* Interest capitalised on Eurobonds includes interest expenses that were added to the principal amount of Eurobonds prior to restructuring.

Eurobonds. In December 2016, the Group restructured all of its existing Eurobonds and exchanged them for new Eurobonds (the "New Notes") with an aggregate principal amount of USD 1,275 million. This amount includes USD 300 million, being the amount of bank debt that the Group's bank lenders elected to exchange for New Notes at par in accordance with the terms of the bank debt exchange offer (the "Bank Exchange Offer"). As consequence, bank borrowings were partially exchanged to New Notes and included in Recognition of Eurobonds upon restructuring line, including (as further disclosed in Note 14) part of financial liability designated at fair value through profit and loss in amount of USD 59 million (equivalent of UAH 1,597 million as at the date of transaction) converted to New Notes. Further, the Group recognised discount in amount of UAH 48 million on respective conversion included in the same disclosure line. As at 30 June 2017, the remaining debt which is subject to the Bank Exchange Offer has not been converted to New Notes and classified as bank debt (as at 31 December 2016: USD 300 million).

According to New Notes, approximately 50 percent of the interest accrued during the period ending 31 December 2017 will be capitalised and added to the principal amount of New Notes. Fifty percent of the principal amount of the New Notes outstanding on 29 December 2023 will be redeemed by the Group on such date. The remaining principal amount of the New Notes will be repaid on 31 December 2024. The nominal interest rate under the New Notes is 10.75%.

Bank borrowings. On 29 March 2017, the Group restructured a significant portion of its bank borrowings totalling USD 492 million (equivalent of UAH 13,321 million as at the date of transaction) (the "Restructured Bank Debt") by way of signing an Override agreement (the "Override Agreement"). In addition to this, as further disclosed in Note 14, part of financial liability designated at fair value through profit and loss was converted to bank borrowings and included in Recognition of Bank Borrowings upon restructuring line. Further, the Group recognised discount in amount of UAH 194 million on respective conversion included in the same disclosure line.

The Override Agreement resulted in the modification of certain of the key terms and conditions of the underlying loan documentation in respect of the Restructured Bank Debt (the "Restructured Bank Debt Documentation"), as outlined further. The maturity dates of the Restructured Bank Debt were all extended to 2023. Approximately 50 percent of the interest accrued and not paid on the Restructured Bank Debt was capitalised and included into the main loan balance due in 2023. Further, the interest rates for the Restructured Bank Debt was amended to either Euribor+5% or Libor+5%. A cash sweep mechanism was introduced that establishes that any excessive available cash balance over a threshold of USD 110 million shall be used to prepay the principal of the Restructured Bank Debt.

The differences between the terms of Bank Borrowings prior to restructuring and the terms of the Override Agreement are considered substantial by management based on combination of qualitative and quantitative factors, including changes in the covenants, interest rates and in the repayment schedule. Consequently, the transaction was accounted as an Extinguishment of Bank Borrowings and the Recognition of Bank Borrowings upon restructuring.

Management believe that after full completion of the restructuring with all required procedures the remaining unstructured bank borrowings including interest accrued totalling UAH 14,275 million as at 30 June 2017 will be subject to separate new restructuring agreements with similar terms and conditions as the Override Agreement. Prior to the signing of these new agreements, the borrowings, with the exception of UAH 821 million as at 30 June 2017 (sundry current loans that are not to be restructured), remain in default.

13 Borrowings (Continued)

Deleveraging and restructuring. In 2016, the Group and its parent company DTEK B.V. entered into and completed a deleveraging transaction with Sberbank of Russia ("Sberbank"), one of the Group's lenders, pursuant to which it agreed to transfer the ownership of JSC Mine Office Obukhovskaya, JSC Donskoy Anthracite and LLC Sulinanthracite (together, the "Rostov Mines") to a new holding company ("Fabcell Limited"), owned by its immediate parent DTEK B.V. (the "Deleveraging Transaction"). The ownership of the Rostov Mines was transferred to Fabcell Limited on 1 September 2016. Total revenue and segment results of Rostov Mines consolidated for the six months ended 30 June 2016 are disclosed in Note 6.

Additionally, the Group issued a guarantee to Sberbank with respect to the loan transferred to Fabcell. This guarantee is subject to a limit of USD 100 million. The fair value of this guarantee as at 30 June 2016 comprised UAH 1,316 million (31 December 2016: UAH 1,298 million) and is included in Other financial liabilities (Note 14).

Covenants. The New Notes and Restructured Bank Debt contain specific covenants. Following the signing of the Override Agreement the Group is in compliance with the covenants relating to this debt. Covenants on the remaining unstructured bank borrowings remain in breach as at 30 June 2017, this debt has been classified as current and amounts to UAH 14,275 million as of 30 June 2017.

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

14 Other Financial Liabilities

Non-current other financial liabilities comprise:

<i>In millions of Ukrainian Hryvnia</i>	30 June 2017	31 December 2016
Financial liability designated at fair value through profit or loss	-	6,462
Deferred consideration for acquisition	1,530	4,205
Restructured trade payables	1,637	1,723
Payable for finance lease	302	280
Guarantee under the borrowings of related parties (Note 7)	1,316	1,379
Restructured taxes payable	11	8
Loans payable to related parties	12	12
Other long-term financial liabilities	30	32
Total non-current other financial liabilities	4,838	14,101

Current other financial liabilities comprise:

<i>In millions of Ukrainian Hryvnia</i>	30 June 2017	31 December 2016
Current portion of restructured trade payable	1,077	809
Current portion of deferred consideration	-	296
Restructured taxes payable	83	77
Loans payable to related parties	4	4
Total other financial liabilities	1,164	1,186

In 2016 the Group entered into and completed a deleveraging plan with Sberbank of Russia. As part of this transaction the amount of outstanding liability under a gross-settled derivative of USD 237 million (UAH 6,162 million applying exchange rate at the date of transaction) including accrued interest was converted to a financial instrument that has a conversion option and cap/floor features. The Group has designated the whole financial liability at fair value through profit and loss subject to floor and cap features until the final conversion will take place. In December 2016 the Group's bank lenders elected to exchange in aggregate USD 300 million for New Notes at par in accordance with the terms of Bank Exchange Offer. Consequently, the financial liability designated at fair value through profit or loss in the amount of USD 59 million (equivalent of UAH 1,597 million) was converted to New Notes (Note 13) according to the Bank Exchange Offer. In March 2017 remaining portion of financial liability at fair value through profit and loss in amount of USD 178 million (equivalent of UAH 4,840 million) was converted to the bank facility agreement by way of signing an Override agreement (the "Override Agreement").

Deferred consideration attributable to acquisition of coal mines DTEK Rovenkiantracyte LLC and DTEK Sverdlovantacyte LLC was released because of loss of control events (see Note 11).

15 Revenue and Heat Tariff Compensation

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2017	2016
Sale of electricity to final customers	26,771	24,083
Sale of electricity to electricity pool	24,328	16,930
Heat generation	5,307	4,084
Sale of gas	4,229	6,503
Sale of electricity abroad	3,871	2,132
Sale of steaming and coking coal	2,952	3,121
Other sales	226	133
Total revenue	67,684	56,986

Heat tariff compensation

Heat tariff compensation is a government grant and represents the difference between heat tariff required to cover all production costs plus reasonable margin and that imposed by the State, compensated to the Group regularly. The amount of the difference to be compensated to the Group by the State for six months 2017 was UAH 147 million (six months 2016: nil). After the changes in legislation starting from 1 June 2014 heat tariff was revised and increased to an economically grounded tariff. After these changes direct revenue of the Company from heat supply is increased simultaneously with decrease of heat tariff compensation. However, due to dynamic changes in operating environment the costs of the Company are still higher than heat tariffs which lead to recognition of receivables for heat tariff compensation as at 30 June 2017 which was proved by State authorities.

In June 2017 the Kiev City Council extended the agreement with Kyivenergo on managing of the municipal heating networks until 27 April 2018. The previous expiry date was 31 December 2017. Revenue attributable to the assets under the lease agreement amounted to UAH 7,664 million during the six months ended 2017.

16 Cost of Sales

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2017	2016
Cost of electricity purchased	28,782	24,096
Raw materials	11,242	7,724
Staff cost, including payroll taxes	4,903	4,787
Cost of gas purchased for resale	4,110	6,425
Depreciation of property, plant and equipment net of amortisation of government grants	3,860	4,634
Transportation services and utilities	3,372	3,128
Taxes, other than income tax	1,074	1,162
Production overheads	794	748
Equipment maintenance and repairs	239	235
Change in finished goods and work in progress	66	1,112
Other costs	25	48
Total cost of sales	58,467	54,099

17 Other Operating Expenses

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2017	2016
Net movement in provision for impairment of trade and other receivables and prepayments made	998	1,179
Charitable donations and sponsorship	332	619
Social payments	247	230
Expenses on idle capacity	168	739
Non-recoverable VAT	103	144
Maintenance of social infrastructure	70	69
Penalties	66	828
Loss from sales of services	-	53
Increase in provision for other liabilities and charges	-	35
Other	252	133
Total other operating expenses	2,236	4,029

18 Finance Costs

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2017	2016
Interest expense		
- Eurobonds issued	1,843	909
- borrowings	892	2,153
Unwinding of discounts on pension obligations	443	418
Losses on modification of long-term accounts payables	301	-
Unwinding of discounts on long term accounts payable	231	122
Unwinding of discounts on deferred consideration related to acquisition and payable for finance lease	229	355
Professional fees	148	145
Unwinding of discounts on assets retirement provision	41	58
Loss on initial recognition of long-term restructured accounts receivable	30	3
Interest expense on tax payable	9	211
Loss on change in estimates on deferred consideration related to acquisition	31	49
Other finance costs	22	23
Total finance costs	4,220	4,446

19 Contingencies and Commitments

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

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

The Group has income tax liabilities in various countries. The ultimate tax consequences of many transactions and calculations are uncertain, partly because of uncertainty concerning their timing. The Group continually assesses such matters and where final tax sums differ from the estimates such differences are recognised as income tax provisions in the period in which the differences become apparent.

Legal proceedings and tax litigations. From time to time and in the normal course of business, claims against the Group are received. Management believes that it has provided for all material losses in these condensed consolidated interim financial statements. As at 30 June 2017 the Group's contingent liabilities in relation to legal claims on the Group's contractual obligations are equal to UAH 4,555 million (31 December 2016: UAH 3,684 million) and contingent liabilities in relation to tax matters equal to UAH 595 million (31 December 2016: UAH 278 million).

Capital expenditure commitments. The Group is committed to fund investment programs of mining assets acquired in 2011-2012 totalling UAH 7,727 million during the period 2011 through 2016. On 15 March 2017 the self-proclaimed authorities took control of all of the Group's assets located in the non-controlled territory. As a result of this action and the receipt of Force Majeure certificates (see Note 11), the Group is released from this outstanding commitment in respect of mining asset located in the non-controlled territory of UAH 2,128 million. As at 30 June 2017 there were no outstanding commitments for investment program (31 December 2016: UAH 2,148 million).

Purchase commitments. As at 30 June 2017 the Group has commitments for the property, plant and equipment in the amount of UAH 97 million (31 December 2016: UAH 98 million).

Assets pledged and restricted. The Group has the following assets pledged as collateral:

<i>In millions of Ukrainian Hryvnia</i>	As at 30 June 2017		As at 31 December 2016	
	Asset Pledged	Related liability	Asset pledged	Related liability
Financial investments (Note 9)	12,245	29,666	11,976	26,403
Cash and cash equivalents	424	62	57	57
Total	12,669	29,728	12,033	26,460

As at 30 June 2017 cash and cash equivalents in the amount of UAH 424 million mainly relates to restricted cash used to cover letters of credit for purchase of coal (31 December 2016: UAH 57 million).

19 Contingencies and Commitments (Continued)

The Group has pledged proceeds from future sales of electricity and part of future volume of electricity production as security for borrowings. Total amount of the pledge is set in the pledge agreements, and the maximum exposure of the Group is limited to the outstanding loan balance and related liabilities as at the reporting date. As at 30 June 2017 future sales proceeds and the volume of electricity production in amount of UAH 913 million were pledged as security for the overdraft credit lines. As at 30 June 2017 the balance of such credit lines amounts to UAH 781 million (31 December 2016: future sales proceeds and production of electricity totalling UAH 952 million were pledged as security for the overdraft credit lines of UAH 781 million).

The Group has pledged proceeds from future export sales of coal as security for its borrowings. As at 30 June 2017 future sales proceeds of coal in amount of UAH 20,412 million were pledged as security for borrowings amounting UAH 7,644 million (31 December 2016: proceeds of coal in amount of UAH 21,237 million were pledged as security for borrowings amounting UAH 9,169 million).

As at 30 June 2017 the movable and immovable property of the Group having value of UAH 602 million is encumbered with a tax lien (31 December 2016: UAH 126 million).

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

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

As at 30 June 2017 the Group remains in default on certain covenants under certain bank borrowings in total amount of UAH 14,275 million (Note 13). In order to cover the issues related to breach of covenants the Group has continued negotiations with lenders and aimed to finalise the restructuring process of its remaining credit facilities. As discussed in Note 13, the cross-default clauses in the New Notes and the debt covered by the Override Agreement excludes existing cross default in relation to the remaining unstructured bank borrowings.

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

20 Financial Risk Management

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

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management function since year end or in any risk management policies.

Liquidity risk.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are undiscounted cash flows.

The maturity analysis of financial liabilities at 30 June 2017 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	Up to 6 months	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Bank borrowings	15,735	191	493	4,999	13,770	35,188
Eurobonds	947	972	2,207	9,521	45,595	59,242
Guarantee under the borrowings of related parties	2,610	-	-	-	-	2,610
Other financial liabilities	518	646	969	1,513	34,729	38,375
Trade and other financial payables	17,102	183	-	-	-	17,285
Total future payments, including future principal and interest payments	36,912	1,992	3,669	16,033	94,094	152,700

20 Financial Risk Management (Continued)

Compared to year end, there was no other material change in the contractual undiscounted cash out flows for financial liabilities

Credit risk concentration.

As at 30 June 2017, cash and cash equivalents in amount of UAH 3,107 million were placed in Deutsche Bank, UAH 1,093 million in First Ukrainian International Bank and UAH 239 million in other Ukrainian and European banks (31 December 2016: UAH 4,615 million in Bank of Cyprus, UAH 1,654 million in First Ukrainian International Bank, UAH 544 million in Deutsche Bank and UAH 732 million in other Ukrainian and European banks).

There were no other material changes in credit risk concentration compared to 31 December 2016.

21 Fair Value of Assets and Liabilities

This note provides an update on the judgements and estimates made by management in determining the fair values since the last annual consolidated financial statements.

a) Recurring fair value measurements

Financial instruments carried at fair value

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

Equity securities and financial liability designated at FVTPL are carried in the statement of financial position at their fair values. Financial liability at FVTPL is subject to floor and cap features.

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

<i>In millions of Ukrainian Hryvnia</i>	30 June 2017		31 December 2016	
	Level 1	Level 2	Level 1	Level 2
FINANCIAL ASSETS				
<i>Financial investments</i>				
- Equity securities	36	-	37	-
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	36	-	37	-
FINANCIAL LIABILITIES				
<i>Other financial liabilities</i>				
- Financial liability designated at FVTPL (Note 14)	-	-	-	6,462
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	-	-	-	6,462

Property, plant and equipment at fair value. Property, plant and equipment are carried in the balance sheet at their fair value.

The Group's property, plant and equipment are all categorised as Level 3 in the fair value hierarchy. For a description of the valuation inputs in this Level 3 fair value refer to the Group's 2016 annual consolidated financial statements. During the period there were no transfers between the levels of the fair value hierarchy.

The Group has not updated its assessment of fair value of property, plant and equipment during the six months ended 30 June 2017. Note 8 shows the movement in property, plant and equipment balances for the six months ended 30 June 2017.

21 Fair value of Assets and Liabilities (Continued)

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

In millions of Ukrainian Hryvnia

	30 June 2017			31 December 2016		
	Level 1	Level 2	Carrying value	Level 1	Level 2	Carrying value
FINANCIAL ASSETS						
<i>Cash and cash equivalents</i>						
- Bank balances payable on demand	-	1,830	1,830	-	5,499	5,499
- Term deposits	-	2,185	2,185	-	1,989	1,989
- Restricted cash	-	424	424	-	57	57
<i>Trade and other receivables (Note 10)</i>						
- Trade financial receivables	-	15,836	15,836	-	15,746	15,746
- Restructured trade receivables	-	160	160	-	150	150
- Other financial receivables	-	1,930	1,930	-	2,606	2,606
<i>Other non-current assets</i>						
Trade and other financial receivables - non-current	-	261	256	-	211	210
<i>Financial investments (Note 9)</i>						
- Deposits placed with the maturity more than three months	-	2	2	-	2	2
- Restricted deposits	-	279	279	-	165	165
- Loans receivable	-	11,966	11,966	-	11,811	11,811
TOTAL ASSETS	-	34,873	34,868	-	38,236	38,235
FINANCIAL LIABILITIES						
Eurobonds (Note 13)	26,686	-	29,666	24,636	-	26,403
Bank borrowings – current (Note 13)	-	11,504	12,789	-	25,226	27,035
Bank borrowings – non-current (Note 13)	-	13,066	14,328	-	344	344
Interest accrual on borrowings (Note 13)	-	2,307	2,307	-	3,066	3,066
Other financial liabilities (Note 14)	-	4,330	4,472	-	4,185	4,324
Deferred consideration (Note 14)	-	1,163	1,530	-	3,435	4,501
Trade and other financial payables	-	17,250	17,250	-	16,227	16,227
TOTAL LIABILITIES	26,686	49,620	82,342	24,636	52,483	81,900

The valuation techniques used to determine the above fair values have not changed as compared to the techniques used and disclosed in the 2016 annual consolidated financial statements.

There were no transfers between Level 1 and Level 2 and no changes in valuation techniques during the period.

22 Subsequent Events

On 22 August 2017, the Group restructured its bank borrowings owing to PJSC UkrSotsBank totaling UAH 730 million as at 30 June 2017 (the "Restructured Debt") by the way of signing an additional agreement to the facility agreement with the bank (the "Agreement"). The Agreement resulted in the modification of certain of the key terms and conditions in respect of the Restructured Debt aligned with the Override Agreement. The maturity date of the Restructured Debt was extended to 30 June 2023. A cash sweep mechanism was introduced that establishes that any excessive available cash balance over a threshold of USD 110 million shall be used to repay the principal of the Restructured Debt. The Agreement also includes a number of covenants that are aligned with the Override Agreement.