DTEK Finance PLC

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2017

Company Number: 08422508

CONTENTS

COMPANY INFORMATION

DIRECTORS	Maksym Timchenko Johan Frans Jozef Maria Bastin
COMPANY SECRETARY	Paul John Cooper
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
REGISTERED OFFICE	Fifth Floor, 25 Park Lane London United Kingdom W1K 1RA

STRATEGIC REPORT

The directors of DTEK Finance PLC (the "Company") present their annual report and consolidated financial statements in order to disclose the results of the activities of the Company and its subsidiary DTEK Investments Limited (together the "Group") for the year ended 31 December 2017 and its likely future development.

Principal activities and business review

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

DTEK Energy 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. DTEK Energy's coal mines, power generation plants and distribution facilities are located in the Donetsk (controlled territory), Dnipropetrovsk, Lugansk (controlled territory), Lviv, Ivano-Frankivsk, Vinnitsya, Zaporizhzhya, Kyiv regions and the City of Kyiv in Ukraine. DTEK Energy sells mostly all electricity generated to State enterprise Energorynok ("Energorynok SE"), the state-owned electricity metering and distribution pool, at prices determined based on the competitive pool model adopted by the National Electricity Regulatory Committee and Public Utilities in Ukraine. DTEK Energy distribution entities then repurchase electricity for supply to final customers at a regulated price.

In December 2016, the Group restructured all of its existing Eurobonds and exchanged them for new Eurobonds (the "New Notes") with an aggregate principal value of US$ 1,275 million. This amount includes US$ 300 million, being the amount of bank debt that DTEK Energy's bank lenders elected to exchange for New Notes at par in accordance with the debt exchange offer. In March 2017, bank debt of DTEK Energy of US$ 133 million was exchanged for New Notes. As at 31 December 2017, the remaining portion of DTEK Energy's debt of US$ 167 million has not been converted into the New Notes.

According to the terms of the 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 the New Notes. Fifty percent of the principal amount of the New Notes outstanding on 29 December 2023 will be repaid 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%.

The Group continues to work with DTEK Energy on the implementation of the restructuring under all of the remaining loan facilities (US$ 167 million). Management believe that the remaining unrestructured bank borrowings will be subject to separate new restructuring agreements with similar terms and conditions to the Restructured Bank Debt Documentation.

The results of the Group show a loss for the year ended 31 December 2017 amounting to US$ 38,075 thousand (for the year ended 31 December 2016: US$ 34,286 thousand). The results of the parent Company show a profit for the year ended 31 December 2017 amounting to US$ 32,398 thousand (a loss for the year ended 31 December 2016: US$ 89,921 thousand). At 31 December 2017 the Group had an equity deficit of US$ 70,347 thousand (31 December 2016: US$ 34,812 thousand) and the parent company had an equity deficit of US$ 631,858 thousand (31 December 2016: US$ 680,871 thousand).

Principal risks and uncertainties

The principal risks and uncertainties of the Group are closely linked to the operations of DTEK Energy.

The recent political and economic instability in Ukraine has continued in 2017 and has led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the national currency against major foreign currencies (though the devaluation of the national currency and inflation were less in 2017 when compared to 2014 and 2016). It had a significant impact on DTEK Energy's financial performance in 2017 as further disclosed in Note 1.

The Group's activities expose it to a variety of financial risks: market risk (indirectly via DTEK Energy), credit risk and liquidity risk.

Exposure of the Group to different financial risks is disclosed in Note 19 of the consolidated financial statements.

Risk management and internal control

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

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

During 2017 DTEK Energy concentrated on the management of the following main risks:

Political, macroeconomic and geopolitical risks:

- The recent political and economic instability in Ukraine continued in 2017. This has manifested in continued strains on state finances, continued illiquidity in the local capital market, high inflation levels relative to other major markets and in late 2017 a depreciation of the national currency against major foreign currencies, following a period of currency appreciation in 2017. Furthermore, on 15 March 2017 the self-proclaimed authorities took control of DTEK Energy's assets located in the non-controlled territory.
- Taking into account the above mentioned political risks, DTEK Energy's corporate strategy was updated accordingly. DTEK Energy's aim has been to purchase required amounts of anthracite coal on the external markets, to increase the mining of gas-type coal and to lower electricity production by anthracite-based thermal power plants ("TPP"). In 2017 the DTEK Energy successfully rejigged two units of Prydneprovskaya TPP for gas-type coal, and planned similar projects for other anthracite coal units. A programme of converting electricity generation from anthracite to G grade coal has also commenced and is carrying on in 2018.

Financial risks and Market risks:

- In order to mitigate commodity price risks management regularly re-assesses its open positions, develops and implements risk mitigation strategies, including principles of distribution of export commodities (electricity and coal) between short-term and long-term positions, price projections, etc.
- With regard to currency risk, DTEK Energy strived to reduce its open short foreign currency balance sheet position, which arose as a result of imbalance between its loan portfolio in foreign currency and cash flows generated in Ukrainian Hryvna.
- In order to manage liquidity risk and ensure timely repayment of debt, management diligently plans and monitors cash inflows and outflows on a daily basis, takes measures to optimize its working capital structure, keeps open communication lines with lenders in order to restructure its loan portfolio and eliminate possible liquidity gaps in future.
- Credit risk management is based on an internal scoring system, which assigns internal ratings and limits to counterparties based on financial performance and other aspects.
- Interest rate risk remained at a low level, due to an insignificant amount of credit lines with floating interest rates.
- DTEK Energy paid special attention to the market risks, mostly related to forthcoming market competition and expansion. Despite the low significance of these risks in the reporting period, DTEK Energy is actively working to minimize such risks in the future in connection with the future liberalization of the Ukrainian electricity market and expected increased competition from local and international players.

Reputational Risks:

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

Corporate Governance and Compliance Risks:

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

IT risks:

- Technical malfunction, virus attacks, data loss or downtime of IT systems can have a significant negative impact on DTEK Energy's activities, taking into account the high level of integration of informational and communicational systems into DTEK Energy's business processes. In 2017 the Group had experienced external virus attacks (Wannacry, etc.), but due to the preventive measures taken these incidents did not significantly affect the Group's operations.
- Management implemented a number of tools, including but not limited to: control over unauthorized software (SCCM, etc.), the Intrusion Prevention System (IPS), DLP policies, the MDM system, group policies of the EMET tool, antivirus control, anti-SPAM systems.

Key performance indicators

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

Future development

Management of the Group is actively working with DTEK Energy and its lenders on the restructuring of the remaining debt facilities. The Group is also looking into different options to decrease the foreign exchange rate exposure as described in the principal risks and uncertainties section.

Environmental issues

DTEK Energy's activities are closely linked with production cycles impacting the environment. That is why maintaining high ecological compliance standards is a crucial point for the business development of DTEK Energy both in Ukraine and European markets.

Social responsibility

Social responsibility and commitment to the principles of sustainable development are key values and an integral part of the strategy of DTEK Energy. That is why DTEK Energy invests significant funds in improving the safety, efficiency and environmental friendliness of its enterprises, labour protection, health improvement and professional development of employees, the development of local communities and improving the quality of life of people in the regions of activity. DTEK Energy systematically develops its activities in the field of sustainable development and strives to work in accordance with international standards for sustainable development, remaining an internal employer and social investor, participating in the socio-economic development of the regions in which it operates, while not replacing the functions of the state.

DTEK Energy's main principle is to maintain a partnership between the authorities, business and society, for the implementation of the Social Partnership Programme. The programme is developed on the basis of international standards for sustainable development and aims to improve energy efficiency in the public sector, improve the quality of health services and, education. In the long-term, DTEK Energy considers the development of the regions in which it operates as a competitive advantage.

DTEK Energy is a member of the UN Global Compact Network and in its activities follows the principles and goals of sustainable development proclaimed by the UN. DTEK Energy strives to protect the environment, improve production and management processes, and invest in environmental activities in all areas of its enterprises. Environmental activities are an integral part of DTEK Energy's successful business and are based on DTEK Energy's Environmental Policy, developed in accordance with the international standard ISO 14001: 2015.

The unconditional priority of DTEK Energy's activities is the conduct of ethical, legal and open business. DTEK Energy openly declares its anti-corruption standards and adheres to the principle of zero tolerance for corruption.

DTEK Energy continues to report on social corporate responsibility and sustainable development. The report on sustainable development for 2017 is expected by the middle of 2018.

On behalf of the board

Maksym Timchenko, Director

Johan Frans Jozef Maria Bastin, Director

26 April 2018

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements of DTEK Finance PLC and its subsidiary (the "Group") for the year ended 31 December 2017.

Incorporation

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

DTEK Finance PLC owns 100% of the issued share capital of DTEK Investments Limited, a company incorporated in England and Wales. The total amount of the investment as of 31 December 2017 was US$ 278,960 thousand (31 December 2016: US$ 287,951 thousand). The decrease of the investment is due to the UAH devaluation and the conversion from functional currency to presentation currency.

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

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

Future outlook

Management of the Group is actively working with DTEK Energy and its lenders on the restructuring of the remaining debt facilities. The Group is also looking into different options to decrease the foreign exchange rate exposure as described in the principal risks and uncertainties section.

Going concern

DTEK Finance PLC and its subsidiary (the "Group") had an equity deficit of US$ 70,347 thousand and the parent company had an equity deficit of US$ 631,858 thousand at 31 December 2017.

The Group's ability to continue as a going concern is highly dependent on the continued servicing of the interest payable on the loans issued to fellow subsidiaries of DTEK Energy B.V. ("DTEK Energy") and repayment of principal of the loans on or before their due dates (and for the Company, on dividends from its subsidiary DTEK Investments Limited).

DTEK Energy's business is concentrated in Ukraine, which continues to face ongoing political and economic uncertainty. This has led to a deterioration of state finances, volatility in the local financial market, illiquidity in capital markets, elevated inflation levels, and depreciation of the national currency against major foreign currencies. The situation has continued in 2017, albeit, to a lesser extent than in prior years.

As of 31 December 2017 the DTEK Energy had an excess of current liabilities over current assets of US$ 430 million. This was caused by the classification as short-term liabilities of US$ 553 million of bank borrowings that are in default as of 31 December 2017.

The majority of DTEK Energy's revenue is generated in Ukraine and denominated in UAH (2017: 94 % and 2016: 94 %, respectively), although DTEK Energy also receives some foreign currencies from its export of electricity and in the past through the export of coal. The majority of the Group's debt is denominated in currencies other than the UAH.

Due to the significant UAH devaluation during 2014 to 2016 management of the Group and DTEK Energy commenced discussions with lenders on both a bi-lateral and an all-party basis. However, DTEK Energy 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 consolidated financial statements. In December 2016 the Group's bonds for the amount of US$ 975 million were restructured. In March 2017 bank borrowings together with accrued but not paid interest for the amount of US$ 491 million at the date of transaction were restructured and in August 2017 additional bank borrowings of US$ 17 million were restructured. The restructurings resulted in the modification of certain of the key terms and conditions in respect of the Restructured Debt aligned with the Override Agreement (see Note 10). However, of the remaining facilities US$ 553 million including interest accrued (UAH 15,528 million) as of 31 December 2017 remains in default as a result of the breaching of covenants. These remaining facilities amount to 24% of total borrowings as of 31 December 2017.

Management has prepared monthly cash flow projections for periods throughout 2018 and for the six months of 2019. 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; continued stabilization of the UAH; and that lenders with whom the Group and DTEK Energy has yet to complete debt restructuring will not demand repayment of the principal. Management have also evaluated the impact of the loss of control over the operations from 15 March 2017 in the non-controlled territory on the future cash flows and have concluded that this loss of control does not reduce operating cash flows to an extent that the Group and DTEK Energy will not be able to meet their 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 for the remaining facilities 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 are subject to restructuring and completion of required procedures, there is a material uncertainty which may cast significant doubt about the DTEK Energy's ability to continue as a going concern.

Based on cash flow projections performed, management of DTEK Energy considers that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

The Directors of the Company and the Group note the material uncertainties, as detailed above, regarding matters relating to DTEK Energy's ability to service the debt facilities provided by the Group. The Directors believe that this material uncertainty that may cast significant doubt about DTEK Energy's ability to continue as a going concern creates the existence of a material uncertainty that may cast significant doubt about the Company's and the Group's ability to continue as a going concern. However, the Directors of the Company and the Group consider that the Company and the Group have access to adequate resources to continue their operations in their current capacity for the foreseeable future and that the preparation of these financial statements under the going concern basis is appropriate and accordingly they will be able to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Company and the Group were unable to continue as a going concern.

Results and dividends

The consolidated loss of DTEK Finance PLC and its subsidiary (the "Group") for the year ended 31 December 2017 amounted to US$ 38,075 thousand (for the year ended 31 December 2016: US$ 34,286 thousand). The directors have not recommended a dividend.

Corporate governance statement

The information on risk management and internal control is provided on page 2 of the Strategic Report.

Directors

The directors of the Company during the year and up to the 5 April 2018 were as follows:
Maksym Timchenko and
Accomplish Corporate Services Limited

The Company has accepted the resignation of Accomplish Corporate Services Limited from the position of the director and named Johan Frans Jozef Maria Bastin as a new director (jointly authorized) with effect from 6 April 2018.

Independent auditors and disclosure information to them

PricewaterhouseCoopers LLP have been appointed as auditors of the Group for the financial year ended 31 December 2017.

In so far as the directors are aware:

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

On behalf of the board

Maksym Timchenko, Director

Johan Frans Jozef Maria Bastin, Director

26 April 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.
The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

Maksym Timchenko, Director

Johan Frans Jozef Maria Bastin, Director

26 April 2018

Independent auditors' report to the members of DTEK Finance Plc

Report on the audit of the financial statements

Opinion

In our opinion, DTEK Finance Plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's loss, the company's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2017; the consolidated and company statements of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty relating to going concern – Group and Company

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's and company's ability to continue as a going concern. The group is highly dependent on the continued servicing of the interest payable on the loans issued to fellow subsidiaries of the DTEK Energy B.V. Group (together "DTEK Energy") (and for the company, on dividends from its subsidiary DTEK Investments Limited) and the repayment of the principal of the loans by those group companies on or before their due dates. DTEK Energy and the Group are also dependent on the willingness of the remaining lenders not to demand repayment of principal, and to continue their support of by postponing the payment of due interest in future periods. Negotiations with the lenders are ongoing, and the outcome may impact on DTEK Energy's ability to service the loans provided by the group and the company. This, together with the other matters explained in note 1 to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The group and the company financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

Explanation of material uncertainty

Refer to page 5 (Directors' report) and page 20 (note 1 to the financial statements).

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

During the period 2014 to 2016 management of DTEK Energy commenced discussions with lenders on both a bi-lateral and an all-party basis to restructure the debt facilities. In December 2016 the Group's bonds with a value of US$975 million were restructured. In March 2017 bank borrowings together with accrued but not paid interest with a value of US$491 million were restructured and in August 2017 additional bank borrowings of US$17 million were restructured. However, of the remaining loan facilities, US$553 million, as of 31 December 2017, remain in default as a result of the breaching of covenants. These remaining facilities amount to 24% of total borrowings of DTEK Energy as of 31 December 2017.

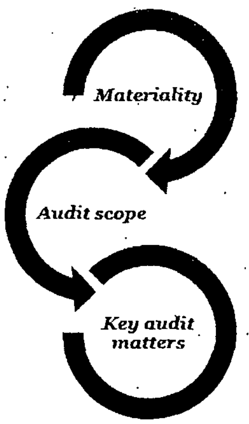
Management of DTEK Energy have prepared cash flow forecasts for 2018 and for the six months of 2019 and concluded that there is a material uncertainty, which may cast significant doubt on DTEK Energy's ability to continue as a going concern. Accordingly the directors of the group and the company have reviewed the cash flow forecasts prepared by the management of DTEK Energy, evaluated the impact on the group and the company and concluded that there is a material uncertainty that may cast significant doubt about the Company's and the Group's ability to continue as a going concern.

What audit procedures we performed

We obtained the directors' evaluation of the cash flow forecasts for DTEK Energy for 2018 and for the six months of 2019, which supports their use of the going concern basis of accounting for the group and the company. We tested the integrity of the forecast model, including mathematical accuracy. The model includes a number of key assumptions. We held extensive discussions with management and reviewed key assumptions, such as forecast electricity tariffs, operating costs and capital expenditures. We have traced electricity tariffs to the industry data as well as to the actual realised tariffs during 2017. Operating costs and capital expenditure were reconciled to the approved budgets. Any material differences were investigated. We considered the historical accuracy of management's forecasting and performed sensitivity testing for reasonable possible changes in the key assumptions , particularly the electricity tariffs. We have also reviewed the disclosure provided in Note 1 of the financial statements and concur that it is sufficient to inform members about the directors' going concern assessment.

Our audit approach

Overview



- Overall group materiality: US$12.7 million (2016: US$10.5 million), based on 1% of total assets.
- Overall company materiality: US$7.4 million (2016: US$4.5 million), based on 1% of total assets.

- We focussed our full scope audit procedures on the only two components of the Group: DTEK Finance Plc and DTEK Investments Limited.
- As part of our audit, we visited the Group's head office in Kiev and spent time with management.

- We determined that there were no key audit matters applicable to the company or the group to communicate in our report, except for the material uncertainty relating to going concern as described in the section above.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We determined that there were no key audit matters applicable to the company or the group to communicate in our report, except for the material uncertainty relating to going concern as described in the section above.

How we tailored the audit scope

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

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

Materiality

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

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

	Group financial statements	*Company financial statements*
Overall materiality	US$12.7 million (2016: US$10.5 million).	US$7.4 million (2016: US$4.5 million).
How we determined it	1% of total assets.	1% of total assets.
Rationale for benchmark applied	Considering the nature of the Group's operations, a total assets benchmark is considered to be the most appropriate measure in assessing its performance.	Considering the nature of the Company's operations, a total assets benchmark is considered to be the most appropriate measure in assessing its performance.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The materiality levels applied to components were US$7.4 million for DTEK Finance Plc and US$11.9 million for DTEK Investments Limited, which represented their statutory materiality levels.

We agreed with the directors that we would report to them misstatements identified during our audit above US$635,000 (Group audit) (2016: US$525,000) and US$372,000 (Company audit) (2016: US$226,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 April 2018

DTEK Finance PLC

Consolidated Statement of Comprehensive Income

thousands of US$	Note	Year ended 31 December 2017	Year ended 31 December 2016
Finance income	4	109,078	91,674
Finance costs	4	(150,907)	(113,618)
Other finance income		-	36
Other income		-	23
General and administrative expense	5	(253)	(483)
Net foreign exchange gain/(loss)		4,484	(14,299)
Loss before income tax		**(37,598)**	**(36,667)**
Income tax (expense)/credit	15	(477)	2 381
Loss for the year		**(38,075)**	**(34,286)**
Other comprehensive income/(expense)			
Items that may be subsequently reclassified to profit or loss:			
Reclassification adjustment in relation to cash flow hedges		768	-
Foreign currency translation		1,772	(1,292)
Total other comprehensive income/(expense)		**2,540**	**(1,292)**
Total comprehensive expense for the year		**(35,535)**	**(35,578)**

Company Statement of Comprehensive Income

In thousands of US$	Note	Year ended 31 December 2017	Year ended 31 December 2016
Dividend income		166,248	112,896
Finance income	4	28,827	16,572
Finance costs	4	(139,001)	(102,071)
General and administrative expenses	5	(96)	(279)
Net foreign exchange loss		(23,580)	(117,046)
Profit/(Loss) before income tax		**32,398**	**(89,928)**
Income tax credit		-	7
Profit/(Loss) for the year		**32,398**	**(89,921)**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation		16,615	78,863
Total other comprehensive income for the year		**16,615**	**78,863**
Total comprehensive income/(expense) for the year		**49,013**	**(11,058)**

Consolidated Statement of Financial Position

In thousands of US$	**Note**	**31 December 2017**	**31 December 2016**
ASSETS			
Non-current assets			
Loans receivable	7	846,360	532,194
Total non-current assets		**846,360**	**532,194**
Current assets			
Loans receivable	7	353,742	471,277
Interest receivable	7	72,243	44,189
Trade and other receivables		-	1
Cash and cash equivalents	8	207	2,738
Total current assets		**426,192**	**518,205**
TOTAL ASSETS		**1,272,552**	**1,050,399**
EQUITY			
Share capital	9	78	78
Other reserves	9	(348)	(1,116)
Currency translation reserve		(6,635)	(8,407)
Accumulated losses		(63,442)	(25,367)
TOTAL EQUITY		**(70,347)**	**(34,812)**
LIABILITIES			
Non-current liabilities			
Borrowings	10	1,250,034	971,116
Total non-current liabilities		**1,250,034**	**971,116**
Current liabilities			
Borrowings	10	69,409	80,837
Interest payable	10	21,578	20,993
Trade and other payables	11	1,677	12,159
Current income tax payable		201	106
Total current liabilities		**92,865**	**114,095**
TOTAL LIABILITIES		**1,342,899**	**1,085,211**
TOTAL LIABILITIES AND EQUITY		**1,272,552**	**1,050,399**

The financial statements on pages 20 to 34 were approved and signed by the Directors on 26 April 2018

Maksym Timchenko, Director

Johan Frans Jozef Maria Bastin, Director

DTEK Finance PLC

Company Statement of Financial Position

In thousands of US$	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Investments in subsidiaries	6	278,960	287,951
Loans receivable	7	278,144	144,800
Total non-current assets		**557,104**	**432,751**
Current assets			
Interest receivable	7	24,591	13,607
Trade and other receivables		-	1
Dividends		162,773	64,861
Cash and cash equivalents		67	372
Total current assets		**187,431**	**78,841**
TOTAL ASSETS		**744,535**	**511,592**
EQUITY			
Share capital	9	78	78
Currency translation reserve	9	464,185	447,570
Accumulated losses		(1,096,121)	(1,128,519)
TOTAL EQUITY		**(631,858)**	**(680,871)**
LIABILITIES			
Non-current liabilities			
Eurobonds issued	10	1,170,069	971,116
Total non-current liabilities		**1,170,069**	**971,116**
Current liabilities			
Interest payable	10	-	3,785
Trade and other payables	11	206,324	217,562
Total current liabilities		**206,324**	**221,347**
TOTAL LIABILITIES		**1,376,393**	**1,192,463**
TOTAL LIABILITIES AND EQUITY		**744,535**	**511,592**

The financial statements on pages 12 to 34 were approved and signed by the Directors on 26 April 2018

Maksym Timchenko, Director

Johan Frans Jozef Maria Bastin, Director

Consolidated Statement of Changes in Equity

In thousands of US$	Share capital	Other reserves	Currency translation reserve	Retained earnings /(Accumulated losses)	Total equity
At 1 January 2016	**78**	**(1,116)**	**(7,115)**	**8,919**	**766**
Comprehensive expense					
Loss for the year	-	-	-	(34,286)	**(34,286)**
Other comprehensive expense					
Items that may be subsequently reclassified to profit or loss:					
Reclassification adjustment in relation to cash flow hedges	-	-	-	-	-
Foreign currency translation	-	-	(1,292)	-	**(1,292)**
Total other comprehensive expense	-	-	(1,292)	-	**(1,292)**
Total comprehensive expense for the year	-	-	**(1,292)**	**(34,286)**	**(35,578)**
At 31 December 2016	**78**	**(1,116)**	**(8,407)**	**(25,367)**	**(34,812)**
Comprehensive expense					
Loss for the year	-	-	-	(38,075)	**(38,075)**
Other comprehensive expense					
Items that may be subsequently reclassified to profit or loss:					
Reclassification adjustment in relation to cash flow hedges	-	768	-	-	**768**
Foreign currency translation	-	-	1,772	-	**1,772**
Total other comprehensive income	-	**768**	**1,772**	-	**2,540**
Total comprehensive expense for the year	-	**768**	**1,772**	**(38,075)**	**(35,535)**
At 31 December 2017	**78**	**(348)**	**(6,635)**	**(63,442)**	**(70,347)**

Company Statement of Changes in Equity

In thousands of US$	Share capital	Currency translation reserve	Accumulated losses	Total equity
At 1 January 2016	78	368,707	(1,038,598)	(669,813)
Comprehensive expense				
Loss for the year	-	-	(89,921)	**(89,921)**
Other comprehensive income				
Foreign currency translation	-	78,863	-	78,863
Total other comprehensive income	-	**78,863**	-	**78,863**
Total comprehensive income/(expense) for the year	-	**78,863**	**(89,921)**	**(11,058)**
At 31 December 2016	78	**447,570**	**(1,128,519)**	**(680,871)**
Comprehensive income				
Profit for the year	-	-	32,398	**32,398**
Other comprehensive income				
Foreign currency translation	-	16,615	-	**16,615**
Total other comprehensive income	-	**16,615**	-	**16,615**
Total comprehensive income for the year	-	**16,615**	**32,398**	**49,013**
At 31 December 2017	78	**464,185**	**(1,096,121)**	**(631,858)**

Consolidated Statement of Cash Flows

In thousands of US$	Note	Year ended 31 December 2017	Year ended 31 December 2016
Cash flows from operating activities			
Loss before income tax		**(37,598)**	**(36,667)**
Adjustments for:			
Interest income	4	(109,078)	(91,674)
Finance costs	4	150,907	113,582
Net foreign exchange (gain)/loss		(4,484)	14,299
Operating cash flows before working capital changes		**(253)**	**(460)**
Decrease/ (Increase) in trade and other receivables		1	(12)
Decrease in trade and other payables		(10,482)	(5,693)
Increase in income tax payable		95	291
Cash used in operations		**(10,639)**	**(5,874)**
Interest received		90,590	76,637
Interest paid		(77,511)	(11,145)
Income tax paid		(381)	(251)
Net cash generated from operating activities		**2,059**	**59,367**
Cash flows from investing activities			
Loans granted		(968,195)	(123,124)
Repayment of loans receivable		995,219	74,574
Net cash generated from/(used in) investing activities		**27,024**	**(48,550)**
Cash flows from financing activities			
Commitment fees on Eurobonds issue paid		-	(3,348)
Repayment of borrowings		(26,711)	(4,729)
Net cash used in financing activities		**(26,711)**	**(8,077)**
Net increase in cash and cash equivalents		**2,372**	**2,740**
Cash and cash equivalents at beginning of the year		**2,738**	**57**
Exchange losses on cash and cash equivalents		(4,903)	(59)
Cash and cash equivalents at end of the year		**207**	**2,738**

Company Statement of Cash Flows

In thousands of US$	Note	Year ended 31 December 2017	Year ended 31 December 2016
Cash flows from operating activities			
Profit/(Loss) before income tax		32,398	(89,928)
Adjustments for:			
Dividend income		(166,248)	(112,896)
Interest income	4	(28,827)	(16,572)
Finance costs	4	139,001	102,071
Net foreign exchange loss		23,580	117,046
Operating cash flows before working capital changes		**(96)**	**(279)**
Increase in trade and other receivables		-	(12)
Decrease in trade and other payables		(11,238)	(5,354)
Decrease in income tax payable		-	(7)
Cash used in operations		**(11,334)**	**(5,652)**
Interest received		17,840	6,640
Interest paid		(75,228)	(10,504)
Net cash used in operating activities		**(68,722)**	**(9,516)**
Cash flows from investing activities			
Dividends received from subsidiary		70,620	48,034
Net cash generated from investing activities		**70,620**	**48,034**
Cash flows from financing activities			
Commitment fees on Eurobonds issue paid		-	(3,348)
Repayment of borrowings		-	(34,729)
Net cash used in financing activities		**-**	**(38,077)**
Net increase in cash and cash equivalents		**1,898**	**441**
Cash and cash equivalents at beginning of the year		**372**	**30**
Exchange losses on cash and cash equivalents		(2,203)	(99)
Cash and cash equivalents at end of the year		**67**	**372**

1 The Organisation and its Operations

General

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

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

DTEK Finance PLC owns 100% of the issued share capital of DTEK Investments Limited (its registered and domicile office is Fifth Floor, 25 Park Lane, London, United Kingdom, W1K 1RA), a company incorporated in England and Wales. The total amount of the investment as of 31 December 2017 was US$ 278,960 thousand (31 December 2016: US$ 287,951 thousand).

Group structure

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

Going concern

DTEK Finance PLC and its subsidiary (the "Group") had an equity deficit of US$ 70,347 thousand and the parent company had an equity deficit of US$ 631,858 thousand at 31 December 2017.

The Group's ability to continue as a going concern is highly dependent on the continued servicing of the interest payable on the loans issued to fellow subsidiaries of DTEK Energy B.V. ("DTEK Energy") and repayment of the principal on the loans on or before their due dates (and for the Company, on dividends from its subsidiary DTEK Investments Limited).

DTEK Energy's business is concentrated in Ukraine, which continues to face ongoing political and economic uncertainty. This has led to a deterioration of state finances, volatility in the local financial market, illiquidity in capital markets, elevated inflation levels, and depreciation of the national currency against major foreign currencies. The situation has continued in 2017, albeit, to a lesser extent than in prior years.

As of 31 December 2017 the DTEK Energy had an excess of current liabilities over current assets of US$ 430 million. This was caused by the classification as short-term liabilities of US$ 553 million of bank borrowings that are in default as of 31 December 2017.

The DTEK Energy's business is concentrated in Ukraine, the majority of its revenue is generated in Ukraine and denominated in UAH (2017: 94 % and 2016: 94 %, respectively), although the DTEK Energy also receives some foreign currencies from its export of electricity and in the past through the export of coal. The majority of the Group's debt is denominated in currencies other than the UAH.

Due to the significant UAH devaluation during 2014 to 2016 management of the Group and DTEK Energy commenced discussions with lenders on both a bi-lateral and an all-party basis. However, DTEK Energy 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 consolidated financial statements. In December 2016 the Group's bonds for the amount of US$ 975 million were restructured. In March 2017 bank borrowings together with accrued but not paid interest for the amount of US$ 491 million at the date of transaction were restructured and in August 2017 additional bank borrowings of US$ 17 million were restructured. The restructurings resulted in the modification of certain of the key terms and conditions in respect of the Restructured Debt aligned with the Override Agreement (see Note 10). However, of the remaining facilities US$ 553 million including interest accrued (UAH 15,528 million) as of 31 December 2017 remains in default as a result of the breaching of covenants. These remaining facilities amount to 24% of total borrowings as of 31 December 2017.

Management has prepared monthly cash flow projections for periods throughout 2018 and six months 2019. 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; continued stabilization of the UAH; and that lenders with whom the Group and DTEK Energy has yet to complete debt restructuring will not demand repayment of the principal. Management have also evaluated the impact of the concluded that this loss of control does not reduce operating cash flows to an extent that

1 The Organisation and its Operations (Continued)

the Group and DTEK Energy will not be able to meet their 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 for the remaining facilities 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 are subject to restructuring and completion of required procedures, there is a material uncertainty which may cast significant doubt about the DTEK Energy's ability to continue as a going concern.

Based on cash flow projections performed, management of DTEK Energy considers that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

The Directors of the Company and the Group note the material uncertainties, as detailed above, regarding matters relating to DTEK Energy's ability to service the debt facilities provided by the Group. The Directors believe that this material uncertainty that may cast significant doubt about DTEK Energy's ability to continue as a going concern creates the existence of a material uncertainty that may cast significant doubt about the Company's and the Group's ability to continue as a going concern. However, the Directors of the Company and the Group consider that the Company and the Group have access to adequate resources to continue their operations in their current capacity for the foreseeable future and that the preparation of these financial statements under the going concern basis is appropriate and accordingly they will be able to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Company and the Group were unable to continue as a going concern.

2 Critical accounting estimates and judgments

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

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

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

The impairment assessment of the loans receivable and the investment in subsidiary is linked with the financial position of the entities of DTEK Energy. Management has noted that the overall cash flows of DTEK Energy are positive, indicating that there is no liquidity gap in any month, based on the key assumptions in the cash flow projections, including: electricity tariffs increasing to offset the impact of cost inflation; improvement of the payment discipline; and the continued stabilisation of the UAH. Management have also noted the asset revaluations performed by DTEK Energy as at 31 December 2017, which has resulted in a significant uplift in the value of underlying assets. These factors evidenced the absence of impairment triggers of loans receivable and investment in subsidiary.

Identification of the functional currency

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

3 Accounting policies

Basis of preparation

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

Segment reporting

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

3 Accounting policies (Continued)

Related-party transactions

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

Notes to the cash flow statement

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

Functional and presentation currency

Items included in the financial statements of the Company and its subsidiary are measured using the currency of the primary economic environment in which the respective company operates (the functional currency). The functional currency of the Group is Ukrainian Hryvnia. The justification of the choice the functional currency of the Group is the primary economy environment where the DTEK Energy operates.

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

Transactions denominated in currencies other than the relevant functional currency are translated into the functional currency, using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses, resulting from settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities at year end, are recognised in the income statement. Translation at year end does not apply to non-monetary items including equity investments.

The results and financial position are translated from the functional into the presentation currency as follows:

(a) assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;

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

(c) all resulting exchange differences are recognised in other comprehensive income.

The exchange rate used for the revaluation of the Statement of financial position from functional to presentation currency was 28.067 UAH/USD and 1.1934 EUR/USD as at 31 December 2017 (31 December 2016: 27.191 UAH/USD and 1.0453 EUR/USD). Average exchange rate for 2017 was 26,595 UAH/USD and 1.1289 EUR/USD (2016: 25.547 UAH/USD and 1.1069 EUR/USD).

Investments in subsidiaries

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

Receivables

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

Cash and cash equivalents

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

3 Accounting policies (Continued)

Income taxes

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

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

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

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

Share capital

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

Borrowings

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

Finance income and costs

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

Financial guarantees

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

The following new standard, which is relevant to the Group's consolidated financial statements, has been issued and endorsed by European Union, but is not 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);
New standard IFRS 9 Financial Instruments issued by the Board in July 2014 is obligatory for implementation for the periods beginning on or after January 1, 2018. The standard replaces IAS 39 previously regulated operations with financial instruments.

The objective of the new standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. The standard also regulates hedge accounting and provide explicit rules for calculation of loss allowance.

Management has reviewed the Group's financial instruments as at the end of November 2017 and analysed their maturity, ageing, credibility and purpose of holding with respect to the requirements of the new standard.

They have examined all material financial instruments according to new models for classifying and measuring financial assets and liabilities after initial recognition. They were checked through both the Business Model test and SPPI test. Management tested financial assets with respect to another fundamental change – implementation of "expected credit loss" model, which generally focuses on the risk that an instrument will default rather than whether a loss has been incurred.

During this analysis management did not identify any financial instrument that would change its classification due to the new requirements of IFRS 9 based on the Business model and SPPI test.

3 Accounting policies (Continued)

However, implementation of the "expected credit loss" model will lead to an increase in losses from allowance. This is due to the fact that under IFRS 9 the Group is obliged to accrue a provision on amounts that were previously excluded from the bad debt analysis due to the Company's accounting policy rules. In particular, this change is expected to concern financial assets from related parties and newly created financial assets from third parties. The company is assessing the total impact of new requirements in respect of the allowance.

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

IFRS 15 - Revenue from Contracts with Customers (issued on 28 May 2014 and effective for annual periods beginning on or after 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);
IFRS 16 – Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).

4 Income and Finance costs

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

In thousands of US$	Year ended 31 December 2017	Year ended 31 December 2016
Finance income		
Interest income on loans receivable	108,563	91,674
Interest income on deposit placed	515	-
Total finance income	**109,078**	**91,674**
Finance costs		
Interest expense		
- Eurobonds issued	137,705	77,924
- bank borrowings	10,585	12,408
- loans from related parties	-	97
Commitment fees on Eurobonds issue	778	3,348
Amortised cost expenses on Eurobonds issue	518	3,567
Professional fees	149	-
Unwinding of discounts on Eurobonds	-	5,117
Lock-up and restructuring fee related to exchange the Eurobonds	1,172	11,157
Total finance expenses	**150,907**	**113,618**
Total finance expenses, net	**(41,829)**	**(21,944)**

Finance costs of the Company for the year were as follows:

In thousands of US$	Year ended 31 December 2017	Year ended 31 December 2016
Finance income		
Interest income on loans receivable	28,827	16,572
Total finance income	**28,827**	**16,572**
Interest expense		
- Eurobonds issued	137,705	77,924
- loans from related subsidiaries	-	958
Commitment fees on Eurobonds issue	778	3,348
Amortised cost expenses on Eurobonds issue	518	3,567
Unwinding of discounts on Eurobonds	-	5,117
Lock-up and restructuring fee related to exchange the Eurobonds	-	11,157
Total finance expenses	**139,001**	**102,071**
Total finance expenses, net	**(110,174)**	**(85,499)**

5 General and administrative expenses

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

In thousands of US$	Year ended 31 December 2017	Year ended 31 December 2016
Audit remuneration	97	84
Professional fees	128	348
Bank charges	28	51
Total	**253**	**483**

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

In thousands of US$	Year ended 31 December 2017	Year ended 31 December 2016
Audit remuneration	59	42
Professional fees	30	212
Bank charges	7	25
Total	**96**	**279**

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

In thousands of US$	Year ended 31 December 2017	Year ended 31 December 2016
Fees payable to the Company's auditors and its subsidiary for the audit of Company and consolidated financial statements	59	42
Fees payable to the Company's auditors and its subsidiary for other services:		
The audit of the Company's subsidiaries	38	42
Total audit services	**97**	**84**
Tax advisory services	46	48
Total tax advisory services	**46**	**48**
Total	**143**	**132**

6 Investments in subsidiaries

The Company owns 100% of the issued share capital of DTEK Investments Limited, a company incorporated in England and Wales. As at 31 December 2017 the total amount of the investment was US$ 278,960 thousand (as at 31 December 2016: US$ 287,951 thousand).

In thousands of US$	As at 31 December 2017	As at 31 December 2016
Beginning of year	**287,951**	**326,225**
Foreign currency translation	(8,991)	(38,274)
End of year	**278,960**	**287,951**

7 Loans and interest receivable

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

In thousands of US$	31 December 2017	31 December 2016
Non-current		
Loans granted to related parties	846,360	532,194
Total non-current loans receivable	**846,360**	**532,194**
Current		
Loans granted to related parties	353,742	471,277
Interest receivable	72,243	44,189
Total current loans and interest receivable	**425,985**	**515,466**

The current loan receivables are all due within one year. As at 31 December 2017 the current loans are EUR 38,340 thousand (equivalent to US$ 45,755 thousand) and the current loans are US$ 307,987 thousand issued to the companies of DTEK Energy and carry interest ranging from 9% to 9.8% per annum. As at 31 December 2016 the current loans were EUR 24,141 thousand (equivalent to US$ 25,235 thousand) and US$ 446,042 thousand issued to the companies of DTEK Energy, carrying interest of 9% per annum.

As at 31 December 2017 the non-current loans are EUR 33,846 thousand (equivalent to US$ 40,392 thousand) and US$ 805,968 thousand issued to the companies of DTEK Energy and repayable in the years from 2018 to 2026 and carry interest ranging from 5.5% to 10.89 % per annum. As at 31 December 2016 the non-current loans were EUR 43,937 thousand (equivalent to US$ 45,927 thousand) and US$ 486,267 thousand issued to the companies of DTEK Energy and repayable between 2018 and 2026 and carrying interest ranging from 7% to 9% per annum. The principal and interest amounts are payable at any time before the cut-off date at the behest of the borrower. For some contracts the interest is repayable on a quarterly basis.
On 28 March 2017 as part of bank's loan restructuring the Group granted the long-term loans to related parties in amount of US$ 97,639 thousand.

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

In thousands of US$	31 December 2017	31 December 2016
Non-current		
Loans granted to related parties	278,144	144,800
Total non-current loans receivable	**278,144**	**144,800**
Current		
Interest receivable	24,591	13,607
Total current loans and interest receivable	**24,591**	**13,607**

As at 31 December 2016 the Company issued a non-current loan of US$ 144,800 thousand to various companies of DTEK Energy that is repayable by 2020, carrying interest of 10.89 % per annum.

In February 2017 the Company granted the non-current loans of US$ 133,344 thousand to companies of DTEK Energy in accordance with the Deed of Novation of bank borrowings. The new loans were issued with maturity up to 31 December 2024, carrying interest of 10.89 % per annum.

8 Cash and Cash Equivalents

As at 31 December 2017 cash and cash equivalents of the Group of US$ 200 thousand were denominated in US dollars, US$ 3 thousand were denominated in EUR, US$ 3 thousand were denominated in GBP, US$ 1 thousand were denominated in RUB. As at 31 December 2016 cash and cash equivalents of the Group of US$ 2,718 thousand were denominated in US dollars, US$ 11 thousand were denominated in EUR, US$ 7 thousand were denominated in GBP, US$ 2 thousand were denominated in RUB.

As at 31 December 2017 cash and cash equivalents of the Company of US$ 64 thousand were denominated in US dollars, US$ 2 thousand were denominated in EUR, US$ 1 thousand were denominated in GBP. As at 31 December 2016 cash and cash equivalents of the Company of US$ 370 thousand were denominated in US dollars, US$ 1 thousand were denominated in EUR, US$ 1 thousand were denominated in GBP.

Amounts of cash and cash equivalents relate to the amounts of cash in bank accounts. As at 31 December 2017 and at 31 December 2016 no cash and cash equivalents were restricted in use.

9 Equity

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

10 Borrowings and interest accrual

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

In thousands of US$	31 December 2017	31 December 2016
Non-current		
Eurobonds– nominal value	1,177,118	977,258
Amortised organisational fees	(7,049)	(6,142)
Bank borrowings	79,965	-
Total non-current borrowings	**1,250,034**	**971,116**
Current		
Bank borrowings	69,409	80,837
Interest accrual on Eurobonds	-	3,785
Interest accrual on bank borrowings	20,618	16,311
Interest accrual on loans from related parties	960	897
Total current borrowings and interest accrual	**90,987**	**101,830**

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

In thousands of US$	31 December 2017	31 December 2016
Non-current		
Eurobonds– nominal value	1,177,118	977,258
Amortised organisational fees	(7,049)	(6,142)
Total non-current borrowings	**1,170,069**	**971,116**
Current		
Interest accrual on Eurobonds	-	3,785
Total current borrowings and interest accrual	**-**	**3,785**

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

In thousands of US$		31 December 2017	31 December 2016
Borrowings denominated in:	- US$	1,250,539	975,348
	- EUR	513	16,917
	- RUB	89,969	80,681
Total borrowings		**1,341,021**	**1,072,946**

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

In thousands of US$	31 December 2017	31 December 2016
Loans and borrowings due:		
- within 1 year	90,987	101,830
- between 1 and 5 years	26,656	-
- after 5 years	1,223,378	971,116
Total borrowings	**1,341,021**	**1,072,946**

10 Borrowings and interest accrual (Continued)

Eurobonds. In December 2016, the Group restructured all of its existing Eurobonds and exchanged them for new Eurobonds (the "New Notes") with an aggregate principal amount of US$ 1,275 million. As at 31 December 2016 the carrying value of Eurobonds excludes USD 300million, being the amount of unrestructured bank debt of DTEK Energy. As a consequence, in March 2017 bank debt of the DTEK Energy of US$ 133 million was exchanged for the New Notes. As at 31 December 2017, the remaining portion of the Bank Exchange Offer totaling USD 167 million has not been converted to the New Notes and is classified as current bank borrowings of DTEK Energy.

According to the New Notes, approximately 50 percent of the interest accrued during the period ending 31 December 2017 was capitalised and added to the principal amount of New Notes. The maturity of the New Notes was extended to 31 December 2024. The nominal interest rate under the New Notes is 10.75%.

The Override Agreement and the Agreement resulted in the modification of certain of the key terms and conditions of the underlying loan documentation (the "Restructured Bank Debt Documentation"). According to the Restructured Bank Debt Documentation, approximately 50 percent of the interest accrued for the year ended 31 December 2017 was capitalised and included into the principal amount. The maturity dates of the Restructured Bank Debt were extended to 30 June 2023. Further, the interest rates for the Restructured Bank Debt denominated in US$ were amended to Libor+5%. A cash sweep mechanism was introduced that establishes that any excessive available cash balance over a threshold of US$ 110 million shall be used to repay the principal of the Restructured Bank Debt.

Bank borrowings. On 29 March 2017, DTEK Energy restructured a significant portion of its bank borrowing (the "Restructured Bank Debt") by way of signing an Override agreement (the "Override Agreement"). As part of the credit portfolio of the Group, bank borrowings of US$17,570 thousand were restructured according to the Override Agreement and then transferred to the New Notes as part of the US$133 million as described above. The remaining balance of unrestructured borrowings and interest is classified as a current liability for an amount of US$ 90,027 thousand.

Additionally in March 2017 DTEK Energy novated long-term bank loans to the Group for the amount of US$ 105,332. The long-term bank loans mature on 30 June 2023. The nominal interest rate is Libor 1m+5.0%. As at 31 December 2017 the carrying value of the bank loans is US$79,965 thousand.

Covenants. Following the signing of the Restructured Bank Debt Documentation the Group is in compliance with the covenants relating to the New Notes and Restructured Bank Debt.

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

Events of default are comprehensive and include cross-default to other debt of the Group and DTEK Energy. However, the cross-default clauses in the New Notes and Restructured Bank Debt Documentation exclude existing cross default in relation to the remaining unrestructured bank borrowings.

11 Trade and other payables

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

In thousands of US$	**31 December 2017**	**31 December 2016**
Accrued costs related to Eurobonds issue	-	11,239
Other payables to related parties	668	583
Other payables	1,009	337
Total	1,677	12,159

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

In thousands of US$	**31 December 2017**	**31 December 2016**
Payables for financial investments	206,025	206,025
Accrued costs related to Eurobonds issue	-	11,239
Other payables to related parties	3	-
Other payables	296	298
Total	**206,324**	**217,562**

12 Management of Capital

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

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

As at 31 December 2017 the total net debt and total equity deficit of the Group were US$ 1,340,814 thousand and US$ 70,347 thousand respectively (31 December 2016: US$ 1,070,208 thousand and US$ 34,812 thousand), the net debt to equity ratio was (1,906) % (31 December 2016: (3,074) %).

13 Related party transactions

At 31 December 2017 the outstanding balances, income and expense items with related parties of the Group were as follows:

In thousands of US$	**2017**	**2016**
Interest income (Note 4)	108,563	91,674
Interest expense (Note 4)	-	97
Loans granted and interest accrued (Note 7)	1,272,345	1,047,660
Loans received and interest accrued (Note 10)	960	897
Trade and other payables (Note 11)	668	583

At 31 December 2017 the outstanding balances, income and expense items with related parties of the Company were as follows:

In thousands of US$	**2017**	**2016**
Interest income (Note 4)	28,827	16,572
Interest expense (Note 4)	-	958
Loans granted and interest accrued (Note 7)	302,735	158,407
Trade and other payables (Note 11)	206,025	206,025

14 Ultimate controlling parties

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

15 Income tax expense /(income)

In thousands of US$	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Current income tax expense	477	281
Deferred income tax (credit)	-	(2,662)
Income tax expense/(credit)	**477**	**(2,381)**

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

In thousands of US$	**31 December 2017**	**31 December 2016**
(Loss) before income tax	(37,598)	(36,667)
Income tax rate	19.25%	20%
Income tax at statutory rates	(7,238)	(7,333)
Tax effect of:		
- Items not deductible or assessable for taxation purposes	7,715	4,952
Income tax	477	(2,381)

15 Income tax expense/(income) (Continued)

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

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

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

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

16 Personnel

The Company and its subsidiary have no employees (2016: nil).

17 Directors' remuneration

During 2017, the remuneration of the directors was US$ 5 thousand represented by short-term employee benefits (2016: US$ 4 thousand). Mr Timchenko provides management services to both the Ultimate parent and DTEK Finance PLC. The remuneration of Mr Timchenko is paid by other DTEK companies and it is not possible to make an accurate apportionment of his remuneration in respect of each of the companies. Accordingly, the above details include no remuneration in respect of Mr Timchenko. His total remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of the Ultimate parent company.

18 Contingent liabilities

The Company together with other subsidiaries of DTEK Energy have given guarantees in respect of the bank borrowings and available credit limits of fellow subsidiaries and affiliates, which amounted to EUR 170,221 thousand, US$ 167,110 thousand and UAH 543,234 thousand at 31 December 2017 (at 31 December 2016: EUR 412,656 thousand, US$ 339,442 thousand and UAH 707,150 thousand). The actual borrowings, including interest due, of fellow subsidiaries amounted to US$ 389,606 thousand at 31 December 2017 (at 31 December 2016: US$ 796,797 thousand). According to the management's estimating the fair value of guarantees are immaterial.

19 Financial Risk Management

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

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

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

In thousands of US$	31 December 2017	31 December 2016
Loans receivable (Note 7)	1,200,102	1,003,471
Interest receivable (Note 7)	72,243	44,189
Cash and cash equivalents (Note 8)	207	2,738
Total	**1,272,552**	**1,050,398**

All the loans receivable are neither past due nor impaired.

As at 31 December 2017 cash and cash equivalents of the Group of US$ 109 thousand were placed in banks rated by Moody's Investors Service as A3, of US$ 8 thousand were placed in banks rated by Moody's Investors Service as Caa1.

19 Financial risk management (Continued)

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

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

The following table presents sensitivities of profit or loss and equity before tax to reasonably possible changes in exchange rates applied at the balance sheet date relative to the functional currency.

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

	At 31 December 2017		At 31 December 2016	
In thousands of US$	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US$ strengthening by 50% (2016: 50%)	(40,847)	(40,873)	(8,649)	(8,649)
US$ weakening by 50% (2016: 50%)	40,873	40,873	8,649	8,649
Euro strengthening by 50% (2016: 50%)	50,822	50,822	(125)	(125)
Euro weakening by 50% (2016: 50%)	(50,822)	(50,822)	125	125
RUB strengthening by 50% (2016: 50%)	(44,983)	(44,983)	(39,629)	(39,629)
RUB weakening by 50% (2016: 50%)	44,983	44,983	39,629	39,629
GBP strengthening by 50% (2016: 50%)	(210)	(210)	(146)	(146)
GBP weakening by 50% (2016: 50%)	210	210	146	146

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

	At 31 December 2017		At 31 December 2016	
In thousands of US$	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US$ strengthening by 50% (2016: 50%)	(315,911)	(315,911)	(369,771)	(369,771)
US$ weakening by 50% (2016: 50%)	315,911	315,911	369,771	369,771
GBP strengthening by 50% (2016: 50%)	(19)	(19)	(20)	(20)
GBP weakening by 50% (2016: 50%)	19	19	20	20

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

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

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

At 31 December 2017, if interest rates on EUR and RUB denominated borrowings had been 200 basis points higher (2016: 200 basis points higher) with all other variables held constant, post-tax loss for the year would have been US$ 2,788 million higher (2016: US$ 1,618 million higher).

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

19 Financial risk management (Continued)

The maturity analysis of financial liabilities of the Group at 31 December 2017 is as follows:

In thousands of US$	Up to 6 months and on demand	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Eurobonds	37,196	38,179	93,499	391,961	1,838,877	2,399,712
Bank borrowings	92,863	2,824	8,553	23,330	67,262	194,832
Loans from related parties	-	960	-	-	-	960
Trade and other payables (Note 12)	1,677	-	-	-	-	1,677
Total future payments, including future principal and interest payments	**131,736**	**41,963**	**102,052**	**415,291**	**1,906,139**	**2,597,181**

The maturity analysis of financial liabilities of the Group at 31 December 2016 is as follows:

In thousands of US$	Up to 6 months and on demand	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Eurobonds	25,606	35,972	165,787	237,043	2,009,977	2,474,385
Bank borrowings	40,056	47,556	-	-	-	87,612
Loans from related parties	-	897	-	-	-	897
Trade and other payables (Note 11)	11,574	585	-	-	-	12,159
Total future payments, including future principal and interest payments	**77,236**	**85,010**	**165,787**	**237,043**	**2,009,977**	**2,575,053**

The maturity analysis of financial liabilities of the Company at 31 December 2017 is as follows:

In thousands of US$	Up to 6 months and on demand	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Eurobonds	37,196	38,179	93,499	391,961	1,838,877	2,399,712
Trade and other payables (Note 11)	206,324	-	-	-	-	206,324
Total future payments, including future principal and interest payments	**243,520**	**38,179**	**93,499**	**391,961**	**1,838,877**	**2,606,036**

The maturity analysis of financial liabilities of the Company at 31 December 2016 is as follows:

In thousands of US$	Up to 6 months and on demand	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Eurobonds	25,606	35,972	165,787	237,043	2,009,977	2,474,385
Trade and other payables (Note 11)	217,562	-	-	-	-	217,562
Total future payments, including future principal and interest payments	**243,168**	**35,972**	**165,787**	**237,043**	**2,009,977**	**2,691,947**

20 Fair value of Financial Instruments

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

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

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

20 Fair value of Financial Instruments (Continued)

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

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

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

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

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

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

	31 December 2017			31 December 2016		
In thousands of US$	**Level 1**	**Level 2**	**Carrying value**	**Level 1**	**Level 2**	**Carrying value**
Financial assets						
Loans and interest receivable (Note 7)	-	1,294,759	1,272,345	-	1,116,823	1,047,660
TOTAL ASSETS	**-**	**1,294,759**	**1,272,345**	**-**	**1,116,823**	**1,047,660**
Financial liabilities						
Eurobonds (Note 10)	989,110	-	1,170,069	906,047	-	971,116
Borrowings and interest accrual (Note 10)	-	170,952	170,952	-	101,830	101,830
TOTAL LIABILITIES	**989,110**	**170,952**	**1,341,021**	**906,047**	**101,830**	**1,072,946**

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

	31 December 2017			31 December 2016		
In thousands of US$	**Level 1**	**Level 2**	**Carrying value**	**Level 1**	**Level 2**	**Carrying value**
Financial assets						
Loans and interest receivable (Note 7)	-	300,783	302,735	-	157,733	158,407
TOTAL ASSETS	**-**	**300,783**	**302,735**	**-**	**157,733**	**158,407**
Financial liabilities						
Eurobonds (Note 10)	1,191,703	-	1,170,069	906,047	-	971,116
Borrowings and interest accrual (Note 10)	-	-	-	-	3,785	3,785
TOTAL LIABILITIES	**1,191,703**	**-**	**1,170,069**	**906,047**	**3,785**	**974,901**

20 Fair value of Financial Instruments (Continued)

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

	Fair value level 2		
In thousands of US$	**2017**	**2016**	**Valuation technique**
Financial assets			
Loans and interest receivable (Note 7)	1,294,759	1,116,823	Current cost accounting adjusted
Total assets	**1,294,759**	**1,116,823**	
Financial liabilities			
Borrowings and interest accrual (Note 10)	170,952	101,830	Current cost accounting
Total liabilities	**170,952**	**101,830**	

21 Subsequent events

The developments after the balance sheet date which are related to the operating environment and the debt restructuring are disclosed in the Notes 1 and 10.