DTEK Holdings B.V.

Unaudited Condensed Consolidated Interim Financial Statements

30 June 2014

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Report on Review of Unaudited Condensed Consolidated Interim Financial Statements

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Report on Review of Condensed Consolidated Interim Financial Statements

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

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of DTEK Holdings B.V. (the "Company") and its subsidiaries (the "Group") as of 30 June 2014 and the related condensed consolidated income statement, the statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

Emphasis of matter

We draw your attention to Note 2 to the condensed consolidated interim financial statements. The operations of the Group, and those of other entities in Ukraine, have been affected and may continue to be affected for the foreseeable future by the continuing political and economic uncertainties in Ukraine. Our conclusion is not qualified in respect of this matter.

LLC AF PricewaterhouseCoopers (Audit)

29 August 2014
Kyiv, Ukraine

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

In millions of Ukrainian Hryvnia	Note	30 June 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	8	62,631	62,716
Intangible assets		2,232	1,979
Goodwill		4,563	4,563
Investments in associates		12	12
Financial investments	9	871	592
Deferred income tax asset		1,690	934
Other non-current assets		929	269
Total non-current assets		**72,928**	**71,065**
Current assets			
Inventories		4,151	4,117
Trade and other receivables	10	12,759	12,328
Financial investments	9	632	1,058
Current income tax		1,566	1,333
Cash and cash equivalents	11	4,577	5,243
Total current assets		**23,685**	**24,079**
TOTAL ASSETS		**96,613**	**95,144**
EQUITY			
Share capital	12	0	0
Share premium	12	9,909	9,909
Other reserves		(3,310)	1,118
Retained earnings		7,253	14,223
Equity attributable to owners of the parent		**13,852**	**25,250**
Non-controlling interest in equity		**9,550**	**9,468**
TOTAL EQUITY		**23,402**	**34,718**
LIABILITIES			
Non-current liabilities			
Liability to non-controlling participants		8	11
Borrowings	13	26,682	22,258
Other financial liabilities	14	9,835	7,503
Retirement benefit obligations		4,825	5,131
Provisions for other liabilities and charges		1,812	1,673
Deferred income tax liability		2,765	3,173
Total non-current liabilities		**45,927**	**39,749**
Current liabilities			
Borrowings	13	12,470	4,752
Other financial liabilities	14	397	290
Prepayments received		3,186	4,017
Trade and other payables		9,421	9,397
Current income tax payable		275	508
Other taxes payable		1,535	1,713
Total current liabilities		**27,284**	**20,677**
TOTAL LIABILITIES		**73,211**	**60,426**
TOTAL LIABILITIES AND EQUITY		**96,613**	**95,144**

Approved for issue and signed on behalf of the Management Board on 29 August 2014.

DTEK Management B.V.
Director

Vistra (Amsterdam) B.V.
Director
B.W. de Sonnaville
Proxy holder

R. Jacobs
Proxy holder

In millions of Ukrainian Hryvnia	Note	Six months ended 30 June 2014	2013
Revenue	15	43,440	42,917
Heat tariff compensation	15	835	859
Cost of sales	16	(39,112)	(39,056)
Gross profit		**5,163**	**4,720**
General and administrative expenses		(1,111)	(1,293)
Other operating expenses		(670)	(651)
Distribution costs		(782)	(485)
Other operating income	17	390	1,117
Net foreign exchange gain other than on borrowings		1,859	19
Operating profit		**4,849**	**3,427**
Foreign exchange (loss)/gain on borrowings		(10,505)	111
Finance income		247	121
Finance costs	18	(2,829)	(1,838)
(Loss)/profit before income tax		**(8,238)**	**1,821**
Income tax benefit/(expense)		656	(624)
(Loss)/profit for the period		**(7,582)**	**1,197**
(Loss)/Profit is attributable to:			
Owners of the Company		(7,890)	702
Non-controlling interests		308	495
(Loss)/Profit for the period		**(7,582)**	**1,197**

Unaudited Condensed Consolidated Interim Statement of Comprehensive Income

In millions of Ukrainian Hryvnia	Six months ended 30 June 2014	2013
(Loss)/Profit for the period	(7,582)	1,197
Items that may be reclassified to profit or loss:		
Cash flow hedges	(471)	(445)
Reclassification adjustment in relation to cash flow hedges	(3,069)	529
Currency translation reserve	(250)	(2)
Items that will not be reclassified to profit or loss:		
Re-measurements of post-employment benefit obligations	423	-
Income tax recorded on re-measurements of post-employment benefit obligations	(75)	-
Change in estimate for asset retirement obligation	(19)	(15)
Other comprehensive (loss)/income for the period	**(3,461)**	**67**
Total comprehensive (loss)/income for the period	**(11,043)**	**1,264**
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(11,398)	769
Non-controlling interests	355	495
Total comprehensive (loss)/income for the period	**(11,043)**	**1,264**

In millions of Ukrainian Hryvnia	Attributable to owners of the Company					Non-controlling interest	Total Equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2014	**0**	**9,909**	**1,118**	**14,223**	**25,250**	**9,468**	**34,718**
Loss for the Six months ended 30 June 2014	-	-	-	(7,890)	**(7,890)**	308	**(7,582)**
Other comprehensive income	-	-	(3,839)	331	**(3,508)**	47	**(3,461)**
Total comprehensive income for the period			**(3,839)**	**(7,559)**	**(11,398)**	**355**	**(11,043)**
Property, plant and equipment:							
-Realised revaluation reserve	-	-	(682)	682	-	-	-
-Income tax related to realised revaluation reserve	-	-	93	(93)	-	-	-
Dividends declared	-	-	-	-	-	(273)	**(273)**
Balance at 30 June 2014	**0**	**9,909**	**(3,310)**	**7,253**	**13,852**	**9,550**	**23,402**

In millions of Ukrainian Hryvnia	Attributable to owners of the Company					Non-controlling interest	Total Equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2013	**0**	**9,909**	**3,470**	**14,104**	**27,483**	**5,043**	**32,526**
Profit for the Six months ended 30 June 2013	-	-	-	702	**702**	495	**1,197**
Other comprehensive income	-	-	67	-	**67**	-	**67**
Total comprehensive income for the period			**67**	**702**	**769**	**495**	**1,264**
Property, plant and equipment:							
-Realised revaluation reserve	-	-	(500)	500	**-**	-	-
-Income tax related to realised revaluation reserve	-	-	66	(66)	**-**	-	-
Acquired non-controlling interest	**-**	-	-	3	**3**	(3)	-
Dividends declared	**-**	-	-	-	**-**	(312)	**(312)**
Balance at 30 June 2013	**0**	**9,909**	**3,103**	**15,243**	**28,255**	**5,223**	**33,478**

In millions of Ukrainian Hryvnia	Note	Six months ended 30 June 2014	2013
Cash flows from operating activities			
(Loss)/profit before income tax		**(8,238)**	**1,821**
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangibles, net of amortisation of government grants		3,700	3,340
Losses less gains on disposals of property, plant and equipment		11	40
Assets received free of charge	17	(84)	(32)
Net change in provision for trade and other receivables	17	(180)	(865)
Change in other provisions for liabilities and charges		4	(1)
Non-cash operating charge to retirement benefit obligation		109	103
Unrealised and realised foreign exchange gain on financing activity		10,512	(111)
Unrealised foreign exchange loss		(945)	29
Extinguishment of accounts payable		(2)	(20)
Finance costs, net		2,582	1,717
Other operating non-cash transactions		19	75
Operating cash flows before working capital changes		**7,488**	**6,096**
Changes in:			
Inventories		16	221
Trade and other receivables		(1,139)	(2,426)
Prepayments received		(830)	(170)
Trade and other payables		179	1,118
Other financial liabilities		122	(68)
Taxes payable, other than income tax		(158)	147
Cash generated from operations		**5,678**	**4,918**
Income taxes paid		(1,044)	(1,703)
Defined employee benefits paid		(326)	(312)
Interest and tender costs paid		(1,433)	(1,012)
Interest received		213	96
Provisions utilised		(6)	-
Net cash generated from operating activities		**3,082**	**1,987**
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,478)	(4,681)
Proceeds from sale of property, plant and equipment		-	4
Restricted cash		218	(50)
Capitalised borrowings cost paid		(72)	-
Prepayment for shares		-	(1,908)
Deposits placed and financial aid or loan provided		(560)	(127)
Deferred consideration related to acquisition paid		(7)	(46)
Finance lease related to acquisition paid		(11)	(12)
Repayment of deposits and loans provided		694	17
Net cash used in investing activities		**(3,216)**	**(6,803)**
Cash flows from financing activities			
Proceeds from borrowings net of discount	13	12 925	14,037
Repayment of borrowings	13	(13,211)	(10,982)
Acquisition of non-controlling interest		-	(3)
Dividends paid to non-controlling participants		(141)	(280)
Net cash (used in)/generated from financing activities		**(427)**	**2,772**
Net decrease in cash and cash equivalents		**(561)**	**(2,044)**
Cash and cash equivalents at the beginning of the period		**4,870**	**5,069**
Exchange (loss)/ gain on cash and cash equivalents		100	4
Cash and cash equivalents at the end of the period		**4,409**	**3,029**

1 Corporate Information

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

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

DTEK is a vertically integrated power generating and distribution group. Its principal activities are coal mining for further supply to its power generating facilities and finally distribution of electricity to end customers primarily in Ukraine. The Group's coal mines, power generation plants and distribution facilities are located in the Donetsk, Dnipropetrovsk, Lugansk, Lviv, Ivano-Frankivsk, Vinnitsya, Zaporizhzhya and Kyiv regions, the Autonomous Republic Crimea and City of Kyiv of Ukraine, and Rostov region of Russian Federation. The Group sells all electricity generated to SE Energorynok, the state-owned electricity metering and distribution pool, at prices determined based on the competitive pool model adopted by the National Electricity Regulatory Committee of Ukraine. The Group's distribution subsidiaries then repurchase electricity for sale to final customers.

2 Operating Environment

The Ukrainian economy is considered to be developing and characterised by relatively high economic and political risks. The future stability of the Ukrainian economy is largely dependent upon reforms and the effectiveness of economic, financial and monetary measures undertaken by government, together with tax, legal, regulatory, and political developments. As a developing economy, it is vulnerable to the market downturns and economic slowdowns elsewhere in the world. In 2013 Ukraine's GDP was flat year on year, while industrial output contracted by 4.7%. The Government of Ukraine introduced a number of restrictions in relation to foreign exchange aiming to support the national currency.

The Ukrainian Hryvnia saw significant decrease in value against the major world currencies in 2014. Futher, Moody's Investors Service downgraded Ukraine's government bond rate to Caa3 with a negative outlook. The new Government negotiated and agreed with the International Monetary Fund the stand-by financial support programme amounting of USD 17 billion to be received in 2014-2016. By the end of July 2014 Ukraine has received more than USD 4 billion. Additionally, the Ukrainian Government has received a USD 750 million loan from the World Bank to support the structural reforms.

The political system of Ukraine experienced instability with a number of protests against the Government's actions in late 2013 and in 2014. As a result of those actions, Ukraine's Prime Minister resigned and the President was dismissed, and the new Government was formed. Later, on 25 May 2014 extraordinary elections of the President took place. The government in Crimea held a referendum on joining the Russian Federation on 16 March 2014, following which the region of Crimea and the Russian Federation announced the joining of Crimea to the Russian Federation. Then in April 2014 military actions began in Donetsk and Lugansk regions, where some of the Group assets are located. By the end of June 2014 there were some business interruptions, mainly in coal mining and electricity distribution assets, which were not critical to the business as a whole. Subsequently, such interruptions are continuing to take place in the areas of active military actions. Management takes all necessary measures to support and secure the business activities in those regions.

The Group has significant balances receivable with and prepayments made to various government departments in Ukraine including prepaid income taxes of UAH 1,566 million (31 December 2013: UAH 1,333 million), VAT recoverable of UAH 784 million (31 December 2013: UAH 753 million), heat tariff compensation of UAH 1,150 million (31 December 2013: UAH 1,995 million) and receivables from Energorynok and various water and heat supply companies of UAH 3,848 million and UAH 1,821 million, respectively (31 December 2013: UAH 3,177 million and UAH 1,213 million). The timing of settlement of these balances is uncertain and is dependent upon the availability of State funds.

The final resolution and the effects of the political and economic crisis are difficult to predict but they may have further severe effects on the Ukrainian economy and the Group's business. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

3 Basis of Preparation and Summary of Significant Accounting Policies

These condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34, 'Interim financial reporting'. They do not include all the information and disclosures required for complete set of annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRS.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

The accounting policies adopted are consistent with those of the Group's annual consolidated financial statements for the year ended 31 December 2013, except as described below.

- Income tax expense is recognised based on management's best estimate of the weighted average annual income tax expected for the full financial year, which is estimated at 6.32%.

Exchange rate fluctuations. As at 30 June 2013, the exchange rate used for translating foreign currency balances was USD 1 = UAH 11.82 (31 December 2013: USD 1 = UAH 7.99); EUR 1 = 16.09 UAH (31 December 2013: EUR 1 = 11.04 UAH).

4 Critical Accounting Estimates and Judgements

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

In the first half of 2014 the Group has restructured accounts receivable for electricity supplied. As a result, the provision in relation to restructured balances was released, and loss on initial recognition of long-term restructured accounts receivable was recognised.

Heat tariff compensation received by Kyivenergo JSC. In accordance with existing legislation, Kyivenergo is entitled to claim heat tariff compensation which is computed as the difference between the heat tariff required to cover all production costs plus reasonable margin and that imposed by the National Electricity Regulatory Committee of Ukraine. Such claims are subject to additional Governmental, Budget and City approvals, prescribed by the state regulations. In October 2012 the Cabinet of Ministers of Ukraine approved Resolution #968 stating that the compensations of the difference between the "economically grounded" tariffs and that imposed by the State should be calculated by the companies entitled to such compensations and approved by the state regularly. Kyivenergo accounts for such heat tariff compensation as government grants and has recorded amounts of compensation receivable on an accrual basis starting from November 2012 (Note 10).

Revaluation of property, plant and equipment. The Group's property, plant and equipment is carried at revalued amounts. While management engages an independent appraiser to carry periodic revaluation of the Group's property, plant and equipment items, judgement shall be exercised as to the frequency of such revaluations and which groups of property, plant and equipment are most impacted by the changes in fair value. Management believe that any deviation between the carrying amount of the Group's property, plant and equipment and its fair value is not significant to understanding of these condensed consolidated interim financial statements.

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

5 Adoption of New or Revised Standards and Interpretations

The following new standards and amendments to the standards which are relevant to the Group's consolidated financial statements and have been adopted by European Union are effective for the first time for the six months period ended 30 June 2014, but do not have a material impact on these condensed consolidated interim financial statements:

- IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014);
- Amended IAS 28, Investments in Associates and Joint Ventures (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014); and
- IFRS 12, Disclosure of Interest in Other Entities (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014).

The following new standard which is relevant to the Group's consolidated financial statements, has been issued, but has not been adopted by European Union:

- IFRS 9, Financial Instruments Part 1: Classification and Measurement (not yet adopted by European Union); and
- IFRS 15, Revenue from Contracts with Customers (not yet adopted by European Union).

The Group is currently assessing the impact of the new standards on its financial statements.

6 Segment Information

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

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

The Management Board assesses the performance of the operating segments based on a measure of Adjusted EBITDA. This measurement basis represents profit for the year after excluding the following income statement items: foreign exchange losses less gains from borrowings, certain finance costs, income tax expense, depreciation and amortisation, recognition of loss from fair valuation of associate on transfer to subsidiary, recognition of available-for-sale ("AFS") reserve on transfer to associate, impairment of investment in associates, gain on a bargain purchase, impairment of property, plant and equipment and certain foreign exchange differences. Adjusted EBITDA is a supplemental measure of our performance and liquidity that is not required by or presented in accordance with IFRS.

Reportable segments are analysed by the Management Board on the following dimensions:

- Coal mining and power generation on coal-burnt thermal power plants, coal and gas resale, electricity export;
- Electricity distribution;
- Heat generation;
- Renewable power generation on wind farms; and
- Oil and gas.

Revenues included in 'Other' segment mainly include revenues from sales of services. These activities are excluded from the reportable operating segments, as they are not reviewed by the Management Board on an on-going basis.

The Group's mining and power generation operations are vertically integrated and while the operating businesses are organised and managed separately, with each segment offering different products and serving different markets, there remains significant inter-dependence between the segments. The primary reporting format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing may not be determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses. Segment revenue includes transfer between business segments. Those transfers are eliminated on consolidation.

Segment information for the reportable business segments of the Group for the six months ended 30 June 2013 is as follows:

In millions of Ukrainian Hryvnia	**Coal and power generation**	**Electricity distribution**	**Heat generation**	**Renewable power generation**	**Oil and Gas**	**Other**	**Elimination**	**Total**
Six months ended 30 June 2014								
Sales – external	22,065	19,046	1,723	464	107	35	-	43,440
Sales to other segments	3	449	2	-	1,222	248	(1,924)	
Total revenue	**22,068**	**19,495**	**1,725**	**464**	**1,329**	**283**	**(1,924)**	**43,440**
Heat tariff compensation	**-**	**-**	**835**	**-**	**-**	**-**	**-**	**835**
Total revenue and Heat tariff compensation	**22,068**	**19,495**	**2,560**	**464**	**1,329**	**283**	**(1,924)**	**44,275**
Segment result	5,068	1,113	(78)	447	1,060	906	(4)	8,512
Depreciation and amortisation	(2,742)	(534)	(86)	(67)	(234)	(46)	9	(3,700)
Foreign exchange gain/(loss) on borrowings								(10,505)
Unallocated expenses								(29)
Finance costs not included in Segment result								(2,516)
Loss before income tax								**(8,238)**
Material non cash item incluced in segment result:								
Net operational FOREX gain	536	1	-	14	-	1,308	-	1,859
Reversal of provision for restructured accounts receivable	-	405	36	-	-	-	-	441
Loss on origination of restructured accounts receivable	(77)	(233)	-	-	-	(3)	-	(313)
Capital expenditure	2,337	219	210	97	324	34	-	3,221

6 Segment Information (Continued)

Segment information for the main reportable segments of the Group as of and for the six months ended 30 June 2013 is as follows:

In millions of Ukrainian Hryvnia	Coal and power generation	Electricity distribution	Heat generation	Renewable power generation	Oil and Gas	Other	Elimination	Total
Six months ended 30 June 2013								
Sales – external	21,476	19,060	2,162	172	-	47	-	42,917
Sales to other segments	5	413	-	-	-	395	(813)	-
Total revenue	**21,481**	**19,473**	**2,162**	**172**	**-**	**442**	**(813)**	**42,917**
Heat tariff compensation	**-**	**-**	**859**	**-**	**-**	**-**	**-**	**859**
Total revenue and Heat tariff compensation	**21,481**	**19,473**	**3,021**	**172**	**-**	**442**	**(813)**	**43,776**
Segment result	5,500	1,870	(67)	144	-	(369)	(55)	7,023
Depreciation and amortisation	(2,637)	(588)	(52)	(33)	-	(33)	3	(3,340)
Foreign exchange gain/(loss) on borrowings								111
Unallocated expense								(135)
Finance costs not included in Segment result								(1,838)
Profit before income tax								**1,821**
Material non cash item incluced in segment result:								
Net operational FOREX gain	99	-	-	-	-	(80)	-	19
Capital expenditure	3,539	405	150	353		93	-	4,540

7 Balances and Transactions with Related Parties

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

	30 June 2014			31 December 2013		
In millions of Ukrainian Hryvnia	Entities under common control of SCM	Associates of SCM	Other	Entities under common control of SCM	Associates of SCM	Other
Prepayments for property, plant and equipment	-	-	2	-	-	3
Gross amount of trade and other receivables	323	1	1	297	23	-
Promissory notes receivable	-	-	3	-	-	3
Financial investments	233	-	29	205	-	6
Cash and cash equivalents – current account	3,708	-	-	2,342	-	-
Trade and other payables	(557)	-	(2)	(464)	-	(1)
Prepayments received	(18)	(7)	-	(28)	(11)	(1)

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

	Six months ended 30 June 2014			Six months ended 30 June 2013		
In millions of Ukrainian Hryvnia	Entities under common control of SCM	Associates of SCM	Other	Entities under common control of SCM	Associates of SCM	Other
Sales of electricity	4,134	183	-	3,967	160	55
Sales of gas	855	219	-	-	-	-
Sales of coking coal	120	8	-	80	-	-
Sales of steam coal	233	4	-	232	-	-
Sales of inventory	-	-	-	-	-	8
Purchase non-current assets	(401)	-	-	(380)	-	(36)
Purchase of raw materials and equipment	(377)	-	-	(79)	-	-
Purchase of services	(1,371)	-	-	(950)	-	-
Interest income	121	-	-	16	-	-
Interest expense of long-term payables	(16)	-	-	-	-	-

8 Property, Plant and Equipment

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

In millions of Ukrainian Hryvnia	Mining assets	Oil and gas assets	Buildings and structures	Plant and machinery	Furniture, fittings and equipment	Construction in progress	Total
Opening net book amount as at 1 January 2014	9,676	7,800	14,130	20,080	1,248	9,782	**62,716**
Additions	135	-	97	973	100	1,916	**3,221**
Disposals	-	-	(3)	(25)	(5)	-	**(33)**
Depreciation charge	(266)	(188)	(674)	(2,306)	(219)	-	**(3,653)**
Foreign exchange differences	111	-	76	160	6	27	**380**
Transfers	70	-	507	1,948	67	(2,592)	**-**
Carrying amount as at 30 June 2014	**9,726**	**7,612**	**14,133**	**20,830**	**1,197**	**9,133**	**62,631**

In millions of Ukrainian Hryvnia	Mining assets	Oil and gas assets	Buildings and structures	Plant and machinery	Furniture, fittings and equipment	Construction in progress	Total
Opening net book amount as at 1 January 2013	9,414	-	13,812	18,373	1,096	8,057	**50,752**
Additions	58	-	191	836	163	3,292	**4,540**
Disposals	-	-	(10)	(30)	(6)	(5)	**(51)**
Depreciation charge	(234)	-	(692)	(2,182)	(183)	-	**(3,291)**
Foreign exchange differences	(20)	-	(5)	6	-	(15)	**(34)**
Transfers	25	-	221	677	34	(957)	**-**
Carrying amount as at 30 June 2013	**9,243**	**-**	**13,517**	**17,680**	**1,104**	**10,372**	**51,916**

As at 30 June 2014 the Group's property, plant and equipment carried at UAH 396 million have been pledged to third parties as collateral for borrowings (31 December 2013 – UAH 433 million).

As at 30 June 2014 the Group's property, plant and equipment carried at UAH 2,562 million and related to borrowings with carrying amount of UAH 3,731 million may not be sold, pledged or disposed without prior consent of the bank (31 December 2013 – UAH 2,367 million related to borrowings in amount of UAH 2,308 million).

9 Financial Investments

Non-current financial investments were as follows:

In millions of Ukrainian Hryvnia	30 June 2014	31 December 2013
Prepayments for shares	280	280
Long-term deposits	537	266
Equity securities	45	46
Loans receivable	9	-
Total	**871**	**592**

Current financial investments were as follows:

In millions of Ukrainian Hryvnia	30 June 2014	31 December 2013
Restricted cash	39	53
Loans receivable	30	9
Deposits placed	563	996
Total	**632**	**1,058**

As at 30 June 2014, restricted cash amounting to UAH 39 million and UAH 213 million of term deposits (31 December 2013: UAH 45 million and UAH 696 million correspondingly) were pledged as collateral for borrowings or bank guarantees received. As at 30 June 2014, UAH 537 million of term deposits (31 December 2013: UAH 266 million) were pledged as collateral for gross-settled derivative financial instrument (Note 19).

10 Trade and Other Receivables

In millions of Ukrainian Hryvnia	30 June 2014	31 December 2013
Trade receivables (less provision of UAH 4,181 million) (31 December 2013: UAH 4,357 million)	8,861	8,738
Other financial receivables (less provision of UAH 589 million (31 December 2013: UAH 587 million)	253	226
Current part of long-term restructured trade receivables (less discount of UAH 63 mln) (31 December 2013: UAH 0 million)	958	-
Total financial assets	***10,072***	***8,964***
Heat tariff compensation receivable	1,150	1,995
VAT recoverable (less provision of UAH 85 million) (31 December 2013: UAH 85 million)	784	753
Prepayments to suppliers (less provision of UAH 102 million) (31 December 2013: UAH 458 million)	672	490
Other (less provision of UAH 76 million) (31 December 2013: UAH 43 million)	81	126
Total non-financial assets	***2,687***	***3,364***
Total trade and other receivables	**12,759**	**12,328**

11 Cash and Cash Equivalents

As at 30 June 2014, there was UAH 168 million cash restricted in use under letter of credit arrangements (31 December 2013: UAH 373 million). For the purposes of the cash-flow statements this amount is not included in cash and cash equivalents balance.

12 Equity and Other Reserves

The authorised share capital of DTEK Holdings B.V. comprises 15,000 ordinary shares with a nominal value of Euro 10 per share. All shares carry one vote. At 30 June 2014 and 31 December 2013, the issued and fully paid share capital comprises 3,000 ordinary shares.

There were no changes in share capital or share premium during the six months ended 30 June 2014.

13 Borrowings

In millions of Ukrainian Hryvnia	30 June 2014	31 December 2013
Non-current		
Eurobonds	8,731	7,478
Bank borrowings	17,951	14,780
	26,682	**22,258**
Current		
Bank borrowings	9,466	4,336
Eurobonds	2,349	-
Interest accrual	655	416
	12,470	**4,752**
Total borrowings	**39,152**	**27,010**

Movements in borrowings during the period are as follows:

In millions of Ukrainian Hryvnia	Six months ended 30 June 2014	2013
Opening balance as at 1 January	**27,010**	**20,662**
Eurobonds issued	-	6,002
Redemption of bonds	-	(2,397)
Repayment of borrowings	(13,211)	(8,585)
New borrowings	12,925	8,158
Interest and tender costs accrued during the period	1,577	1,157
Interest and tender costs paid during the period	(1,500)	(1,035)
Foreign exchange (gain)/loss	12,265	(623)
Amortisation of discount	89	83
Recognition of discount	(3)	(123)
Closing balance as at 30 June	**39,152**	**23,299**

13 Borrowings (Continued)

In April 2010, DTEK Finance B.V., a finance vehicle of the Company, issued USD 500 million (UAH 3,963 million) 5 year Eurobonds bearing a 9.5% coupon. The Eurobonds are unsecured. The bond indenture contains specific covenants, including limitation on payments to shareholders, restrictions on permissible business activities, requirements for arm's length affiliate transactions, financial disclosure requirements and maximum permissible level of leverage. Events of default are comprehensive and include cross-default to other DTEK debt.

In October 2012, the Group entered into 5-year loan agreement with ING, Gazprombank OJSC, Sberbank of Russia and UniCredit Bank for EUR 416 million (UAH 4,380 million). The Group used the proceeds from the loan to finance the capital investment programme. The loans are unsecured. The loan agreements contain specific covenants, including restrictions on permissible business activities, financial disclosure requirements and maximum permissible level of leverage. Events of default among others include cross-default to other DTEK debt.

In April 2013 the Group announced the Tender Offer for cash up to an aggregate principal amount of USD 300 million of the outstanding USD 500 million 5 year Eurobonds due in 2015. The purpose of the Tender Offer is to refinance a portion of the Group's indebtedness and proactively manage the debt maturity profile by acquiring outstanding Notes out of proceeds generated from the issuance and offering of the new Eurobonds. The Tender Offer was dependant on the issue of new Eurobonds due in 2018. Together with the Tender Offer the Group announced the Consent Solicitation to change certain covenants.

In April 2013, DTEK Finance PLC, a finance vehicle of the Company, issued USD 750 million 5 year Eurobonds bearing 7.875% coupon. The Eurobonds are unsecured. The new Eurobond indenture contains specific covenants, including limitations on payments to shareholders, restrictions on permissible business activities, requirements for arm's length affiliate transactions, financial disclosure requirements and a maximum permissible level of leverage. Events of default are comprehensive and include cross-default to other DTEK debt. A portion of net proceeds from the Eurobonds issue were used to finance the Tender Offer and Consent Solicitation. The remaining proceeds were used to finance the Group's investment programme, working capital needs and to repay existing indebtedness.

In August 2013 the Group entered into pre-export financing (PXF) loan agreement with group of banks for the total amount USD 375 million. The PXF loan is structured in two tranches of USD 153 million due in 2016 and of USD 222 million due in 2018. The loan was secured with short-term deposit and future sales proceeds. The loan agreements contain specific covenants, including restrictions on permissible business activities, financial disclosure requirements and maximum permissible level of leverage. Events of default among others include cross-default to other DTEK debt.

In September 2013 the Group entered into a 10-year credit line agreement with LandesBank Berlin for the total amount EUR 138 million and a 5-year credit line agreement with VTB Capital PLC for the total amount RUB 4 billion. The Group used the proceeds from the loans to finance the capital investment programme and working capital. Both loans are unsecured. The loan agreements contain specific covenants, including restrictions on permissible business activities, financial disclosure requirements and maximum permissible level of leverage. Events of default among others include cross-default to other DTEK debt.

As at 30 June 2014, the fair value of Eurobonds was UAH 9,702 million (31 December 2013: UAH 7,358 million) as determined by reference to observable market quotations. As at 30 June 2014 and 31 December 2013, the fair value of bank borrowings is approximately equal to their carrying value.

14 Other Financial Liabilities

Non-current other financial liabilities comprise:

In millions of Ukrainian Hryvnia	**30 June 2014**	**31 December 2013**
Deferred consideration for acquisition	6,598	4,954
Restructured trade payables	1,464	1,454
Gross-settled derivative financial instruments	1,416	801
Payable for finance lease	269	233
Restructured taxes payable	16	32
Other long-term financial liabilities	72	29
Total non-current other financial liabilities	**9,835**	**7,503**

As at 30 June 2014, the fair value of other financial liabilities was UAH 8,356 million (31 December 2013: UAH 7,618 million).

14 Other Financial Liabilities (Continued)

Current other financial liabilities comprise:

In millions of Ukrainian Hryvnia	30 June 2014	31 December 2013
Current portion of restructured trade payable	272	180
Current portion of deferred consideration	82	52
Restructured taxes payable	13	38
Current part of payable for finance lease	18	19
Other current financial liabilities	12	1
Total other financial liabilities	**397**	**290**

15 Revenue and Heat Tariff Compensation

	Six months ended 30 June	
In millions of Ukrainian Hryvnia	2014	2013
Sale of electricity to final customers	19,002	19,060
Sale of electricity to electricity pool	15,386	16,641
Sale of steaming and coking coal	3,274	2,734
Sale of electricity abroad	2,678	2,273
Heat generation	1,723	2,162
Sale of gas	1,298	-
Other sales	79	47
Total revenue	**43,440**	**42,917**

Heat tariff compensation

Heat tariff compensation is a government grant and represents the difference between heat tariff required to cover all production costs plus reasonable margin and that imposed by the State, compensated to the Group regularly. The amount of the difference receivable by the Group from the State for six months ended 30 June 2014 was UAH 835 million (six months ended 30 June 2013: UAH 859 million).

16 Cost of Sales

	Six months ended 30 June	
In millions of Ukrainian Hryvnia	2014	2013
Cost of electricity purchased	19,093	19,480
Raw materials	5,534	6,779
Staff cost, including payroll taxes	6,321	5,949
Depreciation of property, plant and equipment net of amortisation of government grants	3,615	3,251
Transportation services and utilities	2,453	1,892
Taxes, other than income tax	990	739
Production overheads	663	496
Cost of coal purchased for resale	24	253
Equipment maintenance and repairs	300	173
Cost of gas purchased for resale	334	-
Change in finished goods and work in progress	(252)	23
Other costs	37	21
Total cost of sales	**39,112**	**39,056**

17 Other operating income

	Six months ended 30 June	
In millions of Ukrainian Hryvnia	2014	2013
Net change in provision for trade and other receivables	180	865
Fines and penalties received	44	48
Assets received for free	84	32
Other income	82	172
Total other operating income	**390**	**1,117**

18 Finance Costs

In millions of Ukrainian Hryvnia	Six months ended 30 June 2014	2013
Interest expense		
- borrowings	1,066	733
- bonds issued	409	253
Unwinding of discounts on pension obligations	334	289
Tender costs related to Eurobond issue (Note 13)	-	191
Unwinding of discounts on deferred consideration related to acquisition	389	148
Loss on initial recognition of long-term restructured accounts receivable	313	-
Unwinding of discounts on long term accounts payable	145	131
Amortised cost expenses on borrowings	87	49
Unwinding of discounts on assets retirement provision	43	32
Other finance costs	43	12
Total finance costs	**2,829**	**1,838**

19 Contingencies and Commitments

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

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

On 1 September 2013 the Law "On Changes to the Tax Code of Ukraine in respect of transfer pricing rules" came into effect. The new transfer pricing rules are much more detailed than previous legislation and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), if the transaction price is not arm's length and not supported by relevant documentation. The threshold for the reporting of controlled transactions is UAH 50 million (net of VAT, for all transactions with one counterparty cumulatively for the year). The Company is required to submit a report with details on controlled transactions by 1 October 2014 according to the tax changes, and relevant transfer pricing documentation not later than two months following the request of the tax office (if any).

Management believes that its pricing policy is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

Given that the practice of implementation of the new transfer pricing rules in Ukraine has not yet developed, the impact of any challenge of the Company's transfer prices cannot be reliably estimated; however, it may eventually be significant to the financial position and/or the overall operations of the Group depending on how the local tax authorities implement the final rules.

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these condensed consolidated interim financial statements.

19 Contingencies and Commitments (Continued)

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

	As at 30 June 2014		As at 31 December 2013	
In millions of Ukrainian Hryvnia	Asset pledged	Related liability	Asset pledged	Related liability
Financial investments (Note 9)	750	796	962	1,045
Property, plant and equipment (Note 8)	396	104	433	1
Cash and cash equivalents	39	39	45	45
Total	**1,185**	**939**	**1,440**	**1,091**

The Group has pledged proceeds from future sales of electricity and part of future volume of electricity production as security for borrowings. Total amount of the pledge is set in the pledge agreements, and the maximum exposure of the Group is limited to the outstanding loan balance and related liabilities as at the reporting date. As at 30 June 2014 future sales proceeds and the volume of electricity production in amount of UAH 150 million were pledged as security for the overdraft credit lines. As at 30 June 2014 the balance of such credit lines amounts to UAH 1 million (31 December 2013: future sales proceeds and production of electricity totalling UAH 1,910 million were pledged as security for the overdraft credit lines of UAH 4 million).

The Group has pledged proceeds from future export sales of coal as security for its borrowings. As at 30 June 2014 future sales proceeds of coal in amount of UAH 8,166 million were pledged as security for borrowings amounting UAH 4,394 million. (31 December 2013: proceeds of coal in amount of UAH 4,644 million were pledged as security for borrowings amounting UAH 2,960 million.).

Capital commitments. The Group is committed to fund investment programs of mining assets acquired In 2011-2012 totalling UAH 7,727 million during the period 2011 through 2016. As at 30 June 2014 the outstanding commitment equals UAH 3,267 million (31 December 2013: UAH 3,926 million).

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

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including additional cost of borrowings and declaration of default. The Group is in compliance with the covenants as at 30 June 2014 and 31 December 2013.

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

20 Financial Risk Management

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

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

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

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

21 Fair Value of Financial Instruments

There were no changes in valuation techniques during the period. There were no transfers between Level 1 and Level 2. During six months of 2014 there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

There was no other difference between fair and carrying value of financial instruments except that disclosed in Notes 13 and 14.

22 Subsequent events

In July and August 2014, Group has been negatively impacted by the conflicts in the Donetsk and Lugansk regions. In particular, the Group experienced periodic interruptions to its distribution of electricity in certain districts. Electricity production has not been directly impacted. Management has developed a contingency plan and been actively implementing it in order to manage and limit the impact of these events on the Group's operations.

In July 2014 Kyivenergo has received UAH 756 million of heat tariff compensation from Government, reducing the outstanding receivable balance due down to UAH 394 million.

Starting from 1 July 2014 Government authorities approved economically grounded tariffs for heating. As a result, tariffs for heating were revised upwards and fully covered operating expenses of Kyivenergo, giving appropriate profit margin and investment component in the tariff.