DTEK Holdings B.V.

Special Purpose Unaudited Interim Condensed Consolidated Financial Statements

30 June 2010

Contents

Interoffice Report on Review of Special Purpose Interim Condensed Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

Special Purpose Unaudited Interim Condensed Consolidated Balance Sheet 1
Special Purpose Unaudited Interim Condensed Consolidated Income Statement 2
Special Purpose Unaudited Interim Condensed Consolidated Statement of Comprehensive Income 2
Special Purpose Unaudited Interim Condensed Consolidated Statement of Changes in Equity 3
Special Purpose Unaudited Interim Condensed Consolidated Statement of Cash Flows 4

Notes to the Special Purpose Interim Condensed Consolidated Financial Statements

1 Corporate Information 5
2 Operating Environment 5
3 Basis of Preparation and Summary of Significant Accounting Policies 5
4 Adoption of New or Revised Standards and Interpretations 6
5 Segment Information 7
6 Balances and Transactions with Related Parties 8
7 Property, Plant and Equipment 9
8 Investments in Associates and Financial Investments 10
9 Trade and Other Receivables 11
10 Equity and Other Reserves 11
11 Borrowings 11
12 Other Financial Liabilities 12
13 Revenue 12
14 Cost of Sales 13
15 Finance Costs 13
16 Income Taxes 13
17 Contingencies and Commitments 14

PRICEWATERHOUSECOOPERS

Limited Liability Company Audit Firm
PricewaterhouseCoopers (Audit)
75 Zhylyanska Str.
Kyiv, 01032, Ukraine
Telephone +380 44 490 6777
Facsimile +380 44 490 6738

REPORT ON REVIEW OF SPECIAL PURPOSE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying special purpose interim condensed consolidated balance sheet of DTEK Holdings B.V. (the "Company") and its subsidiaries (the "Group"), as of 30 June 2010 and the related special purpose interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these special purpose interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim financial reporting". Our responsibility is to express a conclusion on these special purpose interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standards 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 enquiries, 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 special purpose interim condensed consolidated financial statements as of and for the six months ended 30 June 2010 are not prepared, in all material respects, in accordance with International Accounting Standard 34.

LLC PricewaterhouseCoopers Audit

20 August 2010

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

In millions of Ukrainian Hryvnia	Note	30 June 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	7	11,099	10,954
Intangible assets		708	700
Investments in associates	8	3,012	3,025
Financial investments	8	1,444	1,054
Deferred income tax asset		435	428
Other non-current assets		10	16
Total non-current assets		**16,708**	**16,177**
Current assets			
Inventories		932	633
Trade and other receivables	9	3,297	2,070
Current income tax prepayments		-	-
Financial investments	8	718	595
Cash and cash equivalents		1,309	739
Total current assets		**6,256**	**4,037**
TOTAL ASSETS		**22,964**	**20,214**
EQUITY			
Share capital	10	-	-
Share premium	10	9,909	9,909
Other reserves		(590)	(696)
Retained earnings		3,009	1,507
Capital and reserves attributable to the owners of the Company		**12,328**	**10,720**
Non-controlling interests		**72**	**73**
TOTAL EQUITY		**12,400**	**10,793**
LIABILITIES			
Non-current liabilities			
Liability to minority participants		3	2
Borrowings	11	4,531	807
Other financial liabilities	12	286	221
Indebtedness under amicable agreement		136	126
Government grants		26	42
Retirement benefit obligations		1,486	1,379
Other provisions for liabilities and charges		198	160
Deferred income tax liability		888	959
Total non-current liabilities		**7,554**	**3,696**
Current liabilities			
Borrowings	11	382	3,621
Other financial liabilities		384	607
Prepayments received		176	80
Trade and other payables		1,639	1,055
Current income tax payable		248	205
Other taxes payable		181	157
Total current liabilities		**3,010**	**5,725**
TOTAL LIABILITIES		**10,564**	**9,421**
TOTAL LIABILITIES AND EQUITY		**22,964**	**20,214**

Approved for issue and signed on behalf of the Board of Directors on 20 August 2010.

Maksym Timchenko
Director

FTC Trust B.V.
Director

The accompanying notes are an integral part of these financial statements

DTEK Holdings B.V.
Special Purpose Unaudited Interim Condensed Consolidated Income Statement

In millions of Ukrainian Hryvnia	Note	Six months ended 30 June 2010	2009
Revenue	13	10,625	6,706
Cost of sales	14	(8,219)	(5,619)
Gross profit		**2,406**	**1,087**
General and administrative expenses		(383)	(272)
Other operating expenses		(136)	(94)
Distribution costs		(64)	(51)
Other operating income		64	97
Net foreign exchange loss (other than on borrowings)		(38)	(15)
Operating profit		**1,849**	**752**
Foreign exchange gains from borrowings		207	6
Finance income		22	23
Finance costs	15	(428)	(342)
Share of result of associates		21	(54)
Profit before income tax		**1,671**	**385**
Income tax expense	16	(383)	(137)
Profit for the period		**1,288**	**248**
Profit is attributable to:			
Owners of the Company		1,289	247
Non-controlling interests		(1)	1
Profit for the period		**1,288**	**248**

Special Purpose Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

In millions of Ukrainian Hryvnia	Six months ended 30 June 2010	2009
Profit for the period	1,288	248
Other comprehensive income		
Financial investments:		
- Changes in the fair value of available-for sale financial assets	376	26
Property, plant and equipment:		
- Change in estimate for asset retirement obligation	-	(36)
Income tax relating to components of other comprehensive income	(57)	(9)
Total comprehensive income for the period	**1,607**	**229**
Total comprehensive income attributable to:		
Owners of the Company	1,608	228
Non-controlling interests	(1)	1
	1,607	**229**

The accompanying notes are an integral part of these financial statements

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 2010	**-**	**9,909**	**(696)**	**1,507**	**10,720**	**73**	**10,793**
Total comprehensive income for the period	-	-	319	1,289	1,608	(1)	**1,607**
Property, plant and equipment:							
- Realised revaluation reserve			(283)	283	-	-	-
- Income tax related to realised revaluation reserve			70	(70)	-	-	-
Balance at 30 June 2010	**-**	**9,909**	**(590)**	**3,009**	**12,328**	**72**	**12,400**

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 2009	**-**	**-**	**7,545**	**2,364**	**9,909**	**80**	**9,989**
Total comprehensive income for the period	-	-	(19)	247	228	1	**229**
Incorporation of DTEK Holdings B.V. (Note 10)		9,909	(7,545)	(2,364)	-	-	-
Property, plant and equipment:							
- Realised revaluation reserve			(439)	439	-	-	-
- Income tax related to realised revaluation reserve			110	(110)	-	-	-
Balance at 30 June 2009	**-**	**9,909**	**(348)**	**576**	**10,137**	**81**	**10,218**

In millions of Ukrainian Hryvnia	Note	Six months ended 30 June 2010	2009
Cash flows from operating activities			
Profit before income tax		**1,671**	**385**
Adjustments for:			
Depreciation and impairment of property, plant and equipment and amortisation of intangibles, net of amortisation of government grants		751	765
Losses less gains on disposals of property, plant and equipment		1	5
Assets received free of charge		(15)	(7)
Impairment/(Release) of trade and other receivables	9	28	(48)
Change in other provisions for liabilities and charges		30	3
Non-cash operating charge to retirement benefit obligation		64	102
Share of result of associates		(21)	54
Unrealised result on associate		36	6
Unrealised operating foreign exchange differences		-	10
Unrealised and realised financing foreign exchange differences		(175)	(32)
Finance costs, net		406	320
Other operating non-cash transactions		(1)	-
Operating cash flows before working capital changes		**2,775**	**1,563**
Changes in:			
Inventories		(277)	2
Trade and other receivables		(995)	(1,120)
Prepayments received		95	84
Trade and other payables		112	738
Taxes payable, other than income tax		25	8
Cash generated from operations		**1,735**	**1,275**
Income taxes paid		(475)	(165)
Defined employee benefits paid		(75)	(72)
Interest paid		(217)	(157)
Interest received		19	13
Net cash generated from operating activities		**987**	**894**
Cash flows from investing activities			
Purchase of property, plant and equipment		(871)	(568)
Proceeds from sale of property, plant and equipment		3	-
Purchase of financial investments		(17)	(414)
Acquisition of deposit certificates		-	(188)
Dividends received from associates		2	29
Deposits placed and financial aid or loan provided		(337)	(100)
Repayment of deposits and loans provided		200	179
Net cash used in investing activities		**(1,020)**	**(1,062)**
Cash flows from financing activities			
Proceeds from borrowings	11	4,624	883
Repayment of borrowings	11	(4,029)	(1,029)
Resale of own bonds previously issued		-	53
Repayment of debts under amicable agreement		-	(16)
Net cash generated from/(used in) financing activities		**595**	**(109)**
Net increase/(decrease) in cash and cash equivalents		**562**	**(277)**
Cash and cash equivalents at the beginning of the period		**725**	**595**
Exchange losses on cash and cash equivalents		(3)	-
Cash and cash equivalents at the end of the period		**1,284**	**318**

The accompanying notes are an integral part of these financial statements

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 ultimately controlled by JSC System Capital Management ("SCM"), registered in Ukraine, which is ultimately owned by Mr. Rinat Akhmetov. Mr. Akhmetov also has a number of other business interests outside of the Group. Related party transactions are detailed in Note 6.

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 and power generation plants are located in the Donetsk, Dnipropetrovsk and Lugansk regions of Ukraine. 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 vulnerable to market downturns and slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in considerable instability in the capital markets, significant deterioration in the liquidity of banks, much tighter credit conditions where credit is available, and a significant devaluation of the national currency against other major currencies. In the fourth quarter of 2008, international agencies began to downgrade the country's credit ratings and accordingly there was significant contraction in the Ukrainian economy in first half of 2009. Whilst the Ukrainian Government is introducing various stabilising measures aimed at providing liquidity and supporting debt re-financing for Ukrainian banks, there continues to be uncertainty regarding access to capital and its cost to the Group.

The deterioration of the global steel markets and decline in commodity prices has particularly impacted the demand for Ukrainian production, which in turn reduced the demand for the Group's energy supplies. In addition, the customers of the Group may also have been affected by the deterioration in their own liquidity, which could in turn impact their ability to repay amounts due to the Group. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment. These factors could affect the Group's financial position, results of operations and business prospects.

Subsequent to February 2010, following the Ukrainian general elections, the economic environment has and continues to improve.

3 Basis of Preparation and Summary of Significant Accounting Policies

DTEK Holdings B.V. will prepare its first statutory financial statements for the 19 months to 31 December 2010. These special purpose interim condensed consolidated financial statements, prepared using the predecessor basis for the six month period ended 30 June 2010, are considered special purpose interim condensed consolidated financial statements. These special purpose interim condensed consolidated financial statements have been prepared on the basis that DTEK Holdings B.V. is the successor to DTEK Holdings Limited and accordingly information has been presented as if DTEK Holdings B.V. had been in existence and acted in the same capacity as DTEK Holdings Limited, for all periods presented.

These special purpose interim condensed consolidated financial statements for the six months ended 30 June 2010 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 special purpose financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRS.

The accounting policies applied are consistent with those of the Group's annual special purpose consolidated financial statements for the year ended 31 December 2009, except that income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year, which is estimated at 24%.

Exchange rate fluctuations. As at 30 June 2010, the exchange rate used for translating foreign currency balances was USD 1 = UAH 7.91 (31 December 2009: USD 1 = UAH 7.99); EUR 1 = 9.64 UAH (31 December 2009: EUR 1 = 11.45 UAH).

4 Adoption of New or Revised Standards and Interpretations

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2010:

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. There has been no impact of revised standards on the special purpose interim condensed consolidated financial statements.
- IFRS 2 (amendment), 'Group cash-settled share-based payment transactions'. The amendment expands on the guidance in IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions', to address the classification of group arrangements. There has been no impact of the revised standard on the special purpose interim condensed consolidated financial statements.
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. There has been no impact of revised interpretation on the special purpose interim condensed consolidated financial statements.
- Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). There has been no impact of improvements on the special purpose interim condensed consolidated financial information.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are not currently relevant for the Group:

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. This is not relevant to the Group, as it is an existing IFRS preparer.
- Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised UAH 376 million of such gains in other comprehensive income. The Group has not yet decided when to adopt IFRS 9.
- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted.
- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

4 Adoption of New or Revised Standards and Interpretations (Continued)

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.
- Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment is not expected to have any impact on the Group's financial statements.
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective from 1 January 2011.

5 Segment Information

The Group is organised on the basis of three main business segments:

- Coal mining and enrichment
- Power generation
- Electricity distribution

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, assets and liabilities 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.

The energy business is cyclical in that demand is higher in the colder winter period versus the warmer summer period.

Segment information for the main reportable segments of the Group as of and for the six months ended 30 June 2010 is as follows:

In millions of Ukrainian Hryvnia	Coal mining	Power generation	Electricity distribution	Other	Elimination	Total
Six months ended 30 June 2010						
Sales – external	4,088	3,715	2,795	27	-	10,625
Sales to other segments	1,595	-	207	123	(1,925)	-
Total revenue	**5,683**	**3,715**	**3,002**	**150**	**(1,925)**	**10,625**
Segment results	1,221	939	55	83	(227)	2,071
Unallocated expenses						(222)
Operating profit						**1,849**
Finance costs, net						(406)
Foreign exchange gain						207
Share of result of associates						21
Profit before income tax						**1,671**
As at 30 June 2010						
Segment assets	10,397	6,631	1,031	521	(2,677)	15,903
Investments in associates	-	2,603	396	13	-	3,012
Available for sale investments	-	1,229	215	-	-	1,444
Current / deferred tax assets						435
Other unallocated assets						2,170
Total assets						**22,964**
Capital expenditure	678	198	34	18	-	928
Depreciation and amortisation	581	131	57	10	-	779

5 Segment Information (Continued)

Segment information for the main reportable segments of the Group as of and for the six months ended 30 June 2009 is as follows:

In millions of Ukrainian Hryvnia	Coal mining	Power generation	Electricity distribution	Other	Elimination	Total
Six months ended 30 June 2009						
Sales – external	2,160	2,379	2,155	12	-	6,706
Sales to other segments	1,253	1	175	108	(1,537)	-
Total revenue	**3,413**	**2,380**	**2,330**	**120**	**(1,537)**	**6,706**
Segment results	395	363	94	33	24	909
Unallocated expenses						(157)
Operating profit						**752**
Finance costs, net						(319)
Foreign exchange gain						6
Share of result of associates						(54)
Profit before income tax						**385**
As at 31 December 2009						
Segment assets	8,086	6,218	995	376	(1,388)	14,287
Investments in associates	-	2,766	246	13	-	3,025
Available for sale investments	-	784	270	-	-	1,054
Current / deferred tax assets						428
Other unallocated assets						1,420
Total assets						**20,214**
Capital expenditure	401	106	30	8	-	545
Depreciation and amortisation	585	123	66	8	-	782

6 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 2010		31 December 2009	
In millions of Ukrainian Hryvnia	Entities controlled by SCM	Associates	Entities controlled by SCM	Associates
Financial investments – current:				
- Loan provided	5	5	5	1
- Financial aid provided	3	-	26	-
Trade and other receivables:				
- Gross amount of trade and other receivables	228	492	170	242
- Receivables and prepayments under commission agreement	252	-	300	-
- Prepayment for financial instruments	107	-	107	-
- Promissory notes receivable	3	-	3	-
Deposits placed with a maturity of more than three months	8	-	86	-
Cash and cash equivalents	457	-	202	-
Other financial liabilities:				
- Bonds issued	(12)	-	(12)	-
- Loan received	-	-	(300)	-
- Investment obligation relating to Dniproenergo	-	(480)	-	(464)
Trade and other payables:				
- Trade and other payables and prepayments received	(61)	-	(50)	-
- Payables under commission agreement	(208)	-	(37)	-
- Promissory notes issued	-	-	-	-

6 Balances and Transactions with Related Parties (Continued)

As at 30 June 2010, bank deposits placed with a maturity greater than three months totalling UAH 276 million were pledged as collateral for borrowings of the parent company.

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

	Six month ended 30 June 2010		Six month ended 30 June 2009	
In millions of Ukrainian Hryvnia	Entities controlled by SCM	Associates	Entities controlled by SCM	Associates
Sales of electricity	1,182	-	1,018	-
Sales of coking coal	458	-	272	-
Sales of steam coal	-	1,827	-	1,189
Sales of inventory	1	-	1	-
Sales under commission scheme	251	-	851	-
Purchase of goods for resale	-	-	-	-
Purchases under commission scheme	(250)	-	(839)	-
Purchase of raw materials and equipment	51	3	(12)	-
Purchase of services	2	-	(8)	-
Interest expenses on Investment obligation relating to Dniproenergo OJSC	-	(16)	-	(20)
Interest income	4	-	5	-
Interest expense on bonds issued	(1)	-	-	-
Interest expense of long-term payables	(10)	-	-	-
Loss on early repayment of promissory notes	-	-	(5)	-

7 Property, Plant and Equipment

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

In millions of Ukrainian Hryvnia	Mining assets	Buildings and structures	Plant and machinery	Furniture, fittings and equipment	Construction in progress	Total
Opening net book amount as at 1 January 2010	1,974	3,318	4,702	250	710	**10,954**
Additions	11	5	334	30	548	**928**
Disposals	-	-	(3)	(1)	-	**(4)**
Depreciation charge	(86)	(157)	(500)	(36)	-	**(779)**
Transfer	-	7	60	3	(70)	**-**
Carrying amount as at 30 June 2010	**1,899**	**3,173**	**4,593**	**246**	**1,188**	**11,099**

In millions of Ukrainian Hryvnia	Mining assets	Buildings and structures	Plant and machinery	Furniture, fittings and equipment	Construction in progress	Total
Opening net book amount as at 1 January 2009	2,031	3,521	3,845	243	943	**10,583**
Additions	-	3	383	15	144	**545**
Disposals	-	(1)	(3)	(1)	-	**(5)**
Depreciation charge	(84)	(163)	(499)	(36)	-	**(782)**
Transfer	24	6	119	6	(155)	**-**
Carrying amount as at 30 June 2009	**1,971**	**3,366**	**3,845**	**227**	**932**	**10,341**

7 Property, Plant and Equipment (Continued)

As at 30 June 2010, buildings, plant and machinery carried at UAH 2,671 million (31 December 2009: UAH 2,966 million) have been pledged to third parties as collateral for loans and borrowings (Note 17).

8 Investments in Associates and Financial Investments

Investments in Associates

The Group's interests in its principal associates are presented below:

In millions of Ukrainian Hryvnia	Country of incorporation	% of ownership	30 June 2010	31 December 2009
Dniproenergo	Ukraine	47.55%	2,609	2,614
Donetskoblenergo JSC	Ukraine	30.59%	390	398
Other	Ukraine	various	13	13
Total			**3,012**	**3,025**

As at 30 June 2010 the Group owns 47.55% in OJSC Dniproenergo. The new share issue and associated shares certificates issued by the new registrar continue to be challenged by the Court by a minority shareholder, however, recent Court hearings on 5 March 2010 and on 26 May 2010 were resolved in favour of the Group. Management believes they will be able to successfully defend their ownership interest.

Financial Investments

Non-current financial investments were as follows:

In millions of Ukrainian Hryvnia	As at 30 June 2010	As at 31 December 2009
Equity securities	1,421	1,036
Prepayments for securities	15	15
Loans receivable	8	3
Total	**1,444**	**1,054**

Current financial investments were as follows:

In millions of Ukrainian Hryvnia	As at 30 June 2010	As at 31 December 2009
Bank Deposits placed with a maturity greater than three months	327	142
Loans provided	52	114
Prepayment for shares in Ukrainian energy company	339	339
Total	**718**	**595**

As at 30 June 2010, deposits totalling UAH 319 million (31 December 2009: UAH 142 million) were pledged as collateral for borrowings (Note 17).

As at 30 June 2010, the Group prepaid UAH 339 million to various parties to acquire equity interest in other Ukrainian energy companies (31 December 2009: UAH 339 million).

9 Trade and Other Receivables

In millions of Ukrainian Hryvnia	As at 30 June 2010	As at 31 December 2009
Trade receivables	1,989	1,333
Other financial receivables	631	646
Receivables under commission agreement		
- with third parties	136	-
- with SCM entities	252	-
Prepayments under commission agreement with third parties	149	-
Prepayments to suppliers	667	572
Other non-financial receivables	26	44
	3,850	**2,595**
Less impairment provision	(553)	(525)
Total trade and other receivables	**3,297**	**2,070**

As at 30 June 2010 the Group entered commission transactions to purchase and export goods on behalf of SCM entities and various third parties for cash flow management. Since such transactions do not represent revenue generating activity for the Group, they have been presented on a net basis with any gain or loss presented in other operating income/(expenses). Accounts receivable and payable from such transactions are presented gross and are disclosed separately within Trade and other receivables. The associated payable balance totalling UAH 516 million is included in trade and other payables.

10 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 2010 and 31 December 2009, the issued and fully paid share capital comprises 3,000 ordinary shares.

On 16 April 2009, DTEK Holdings B.V. was incorporated by System Capital Management Limited and Investcom Services Limited (the existing shareholders of DTEK Holdings Limited and both ultimately wholly owned by JSC SCM), via a cash contribution of Euro 30,000. On 26 May 2009, these shareholders contributed 100% of their equity interest in DTEK Holdings Limited to DTEK Holdings B.V. at the historic carrying amount of UAH 9,909 million (Euro 912 million at the then effective exchange rate) as recorded at 31 December 2008 in the IFRS financial statements of DTEK Holdings Limited. This capital contribution was recorded as share premium and other reserves and retained earnings in these special purpose interim condensed consolidated financial statements have been adjusted accordingly to reflect the new capital structure of DTEK Holdings B.V.

There were no changes in share capital or share premium during the six months ended 30 June 2010.

In the six months ended 30 June 2010, unrealised fair value gains on quoted available-for-sale investments totalling UAH 376 million were recorded directly in other reserves (30 June 2009: UAH 26 million).

11 Borrowings

In millions of Ukrainian Hryvnia	As at 30 June 2010	As at 31 December 2009
Non-current		
Eurobonds	3,851	-
Bank borrowings	680	807
	4,531	**807**
Current		
Bank borrowings	313	3,596
Interest accrual	69	25
	382	**3,621**
Total borrowings	**4,913**	**4,428**

11 Borrowings (continued)

Movements in borrowings during the period are as follows:

In millions of Ukrainian Hryvnia	Six months ended 30 June 2010	2009
Opening balance as at 1 January	**4,428**	**3,731**
Eurobonds issued	3,857	-
Repayment of borrowings	(4,029)	(1,037)
New short-term borrowings	767	883
Interest accrued during the period	255	166
Interest paid during the period	(211)	(160)
Foreign exchange gain	(179)	(28)
Amortisation of discount	25	11
Closing balance as at 30 June	**4,913**	**3,566**

Significant changes in the borrowings during the six months ended 30 June 2010 include the following:

- In April 2010, DTEK Finance B.V., a finance vehicle of the Company, issued USD 500 million 5 year Eurobonds bearing 9.5% coupon. The Eurobonds are unsecured. The bond 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.

- The majority of the Eurobonds proceeds were used to repay existing indebtedness.

As at 30 June 2010, borrowings totalling UAH 347 million (31 December 2009: UAH 2,368 million) were secured with property, plant and equipment, financial investments, cash and cash equivalents and inventory (Note 17).

12 Other Financial Liabilities

Non-current other financial liabilities comprise:

In millions of Ukrainian Hryvnia	As at 30 June 2010	As at 31 December 2009
Investment obligation relating to Dniproenergo	167	156
Bonds issued	88	26
Restructured trade payables	16	17
Other	15	22
Total other financial liabilities	**286**	**221**

13 Revenue

In millions of Ukrainian Hryvnia	Six months ended 30 June 2010	2009
Sale of steaming and coking coal	4,095	2,138
Sale of electricity to electricity pool	3,585	2,365
Sale of electricity to final customers	2,906	2,155
Other sales	39	48
Total revenue	**10,625**	**6,706**

14 Cost of Sales

In millions of Ukrainian Hryvnia	Six months ended 30 June 2010	2009
Cost of electricity purchased	2,735	1,979
Raw materials	1,576	876
Staff cost, including payroll taxes	1,402	1,299
Cost of coal purchased for resale	1,242	270
Depreciation of property, plant and equipment net of amortisation of government grants	737	751
Transportation services and utilities	353	283
Taxes, other than income tax	100	80
Production overheads	55	58
Equipment maintenance and repairs	44	32
Cost of merchandise	9	2
Change in finished goods and work in progress	(39)	(13)
Other costs	5	2
Total cost of sales	**8,219**	**5,619**

15 Finance Costs

In millions of Ukrainian Hryvnia	Six months ended 30 June 2010	2009
Interest expense		
- borrowings	203	161
- bonds issued	70	1
- investment obligation relating to Dniproenergo	16	20
- promissory notes payable	10	9
- long-term payables	3	6
Unwinding of discounts on pension obligations	125	113
Other finance costs	1	32
Total finance costs	**428**	**342**

16 Income Taxes

In millions of Ukrainian Hryvnia	Six months ended 30 June 2010	2009
Current tax	519	152
Deferred tax	(136)	(15)
Income tax expense	**383**	**137**

17 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.

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 special purpose interim condensed consolidated financial statements.

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

	As at 30 June 2010		As at 31 December 2009	
In millions of Ukrainian Hryvnia	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**
Cash and cash equivalents	-	-	165	80
Financial investments	319	43	142	43
Property, plant and equipment	2,671	304	2,966	2,126
Inventory	-	-	228	119
Total	**2,990**	**347**	**3,501**	**2,368**

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.

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. The Group does not have full coverage for their plant facilities, business interruption, or 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.