DTEK Holdings Limited

Unaudited Interim Condensed Consolidated Financial Statements

30 June 2008 and 30 June 2009

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Report on Review of Interim Condensed Consolidated Financial Statements

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REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Shareholders and the Board of Directors of DTEK Holdings Limited

Introduction

We have reviewed the accompanying consolidated condensed balance sheet of DTEK Holdings Limited (the "Company") and its subsidiaries (the "Group"), as of 30 June 2009 and as of 30 June 2008 and the related consolidated condensed 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 condensed consolidated interim financial statements in accordance with International Accounting Standard 34, "Interim financial reporting". Our responsibility is to express a conclusion on these interim 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 consolidated condensed interim financial statements as of and for the six months ended 30 June 2009 and as of and for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34.

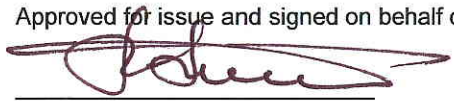
LLC PricewaterhouseCoopers Audit

Kyiv, Ukraine
31 August 2009

DTEK Holdings Limited
Unaudited Interim Consolidated Condensed Balance Sheet

In millions of Ukrainian Hryvnia	Note	30 June 2009	30 June 2008	31 December 2008	31 December 2007
ASSETS					
Non-current assets					
Property, plant and equipment	7	10,341	6,786	10,583	6,353
Goodwill		633	634	633	632
Other intangible assets		68	14	41	10
Investments in associates	8	2,723	52	2,811	85
Financial investments	8	1,212	3,871	1,298	3,952
Deferred income tax asset		196	345	229	328
Other non-current assets		29	21	22	23
Total non-current assets		**15,202**	**11,723**	**15,617**	**11,383**
Current assets					
Inventories		619	562	614	471
Trade and other receivables	9	2,539	747	995	988
Current income tax prepayments		15	-	22	1
Financial investments	8	452	233	227	191
Cash and cash equivalents		318	550	595	368
Total current assets		**3,943**	**2,092**	**2,453**	**2,019**
TOTAL ASSETS		**19,145**	**13,815**	**18,070**	**13,402**
EQUITY					
Share capital	10	-	-	-	-
Other reserves		7,197	3,959	7,545	4,775
Retained earnings		2,940	3,140	2,364	2,265
Equity attributable to the equity holders		**10,137**	**7,099**	**9,909**	**7,040**
Minority interest		**81**	**44**	**80**	**29**
TOTAL EQUITY		**10,218**	**7,143**	**9,989**	**7,069**
LIABILITIES					
Non-current liabilities					
Liability to minority participants		3	2	2	2
Borrowings	11	361	824	992	353
Other financial liabilities	12	352	1,541	267	1,533
Indebtedness under amicable agreement		117	108	116	101
Government grants		62	90	76	106
Retirement benefit obligations		1,194	750	1,051	678
Other provisions for liabilities and charges		257	173	215	137
Deferred income tax liability		877	565	917	648
Total non-current liabilities		**3,223**	**4,053**	**3,636**	**3,558**
Current liabilities					
Borrowings	11	3,205	1,414	2,739	1,594
Other financial liabilities		208		200	
Prepayments received		139	82	55	57
Trade and other payables		1,889	747	1,176	892
Current income tax payable		13	181	33	58
Other taxes payable		250	195	242	174
Total current liabilities		**5,704**	**2,619**	**4,445**	**2,775**
TOTAL LIABILITIES		**8,927**	**6,672**	**8,081**	**6,333**
TOTAL LIABILITIES AND EQUITY		**19,145**	**13,815**	**18,070**	**13,402**

Approved for issue and signed on behalf of the Board of Director on 31 August 2009.



Maksym Timchenko
Director

Income statement

In millions of Ukrainian Hryvnia	Note	Six months ended 30 June 2009	2008
Revenue	13	6,706	6,048
Cost of sales	14	(5,619)	(4,406)
Gross profit		**1,087**	**1,642**
Other operating income		97	34
Distribution costs		(51)	(29)
General and administrative expenses	15	(272)	(250)
Other operating expenses	16	(94)	(171)
Net foreign exchange loss (other than on borrowings)		(15)	-
Operating profit		**752**	**1,226**
Foreign exchange losses less gains from borrowings		6	61
Finance income		23	28
Finance costs	18	(342)	(226)
Share of result of associates		(54)	(17)
Profit before income tax		**385**	**1,072**
Income tax expense	19	(137)	(295)
Profit for the period		**248**	**777**

Profit/(loss) is attributable to:		
Equity holders of the Company	247	775
Minority interest	1	2
Profit for the period	**248**	**777**

Statement of comprehensive income

In millions of Ukrainian Hryvnia	Six months ended 30 June 2009	2008
Profit for the period	248	777
Other comprehensive income		
Financial investments:		
- Fair value gain/(loss)	26	(761)
Property, plant and equipment:		
- Change in estimate for asset retirement obligation	(36)	-
Income tax relating to components of other comprehensive income	(9)	45
Total comprehensive income for the period	**229**	**61**

Total comprehensive income attributable to:		
Equity holders of the Company	228	59
Minority interest	1	2
	229	**61**

In millions of Ukrainian Hryvnia	Attributable to equity holders of the Company					
	Share capital	**Other reserves**	**Retained earnings**	**Total**	**Minority interest**	**Total Equity**
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**
Property, plant and equipment:						
- Realised revaluation reserve		(439)	439	-		-
Income tax related to realised revaluation reserve		110	(110)	-	-	-
Balance at 30 June 2009		**7,197**	**2,940**	**10,137**	**81**	**10,218**

In millions of Ukrainian Hryvnia	Attributable to equity holders of the Company					
	Share capital	**Other reserves**	**Retained earnings**	**Total**	**Minority interest**	**Total Equity**
Balance at 1 January 2008	-	**4,775**	**2,265**	**7,040**	**29**	**7,069**
Total comprehensive income for the period	-	(716)	775	59	2	**61**
Property, plant and equipment:						
- Realised revaluation reserve		(133)	133	-	-	-
Income tax related to realised revaluation reserve		33	(33)			
Acquisition of subsidiaries		-	-	-	13	**13**
Balance at 30 June 2008	-	**3,959**	**3,140**	**7,099**	**44**	**7,143**

In millions of Ukrainian Hryvnia	Note	Six months ended 30 June 2009	2008
Cash flows from operating activities			
Profit before income tax		**385**	**1,072**
Adjustments for:			
Depreciation and impairment of property, plant and equipment and amortisation of intangibles, net of amortisation of government grants		765	380
Excess of interest in fair value of entities' net assets acquired over the cost of investment		-	(1)
Losses less gains on disposals of property, plant and equipment		5	1
Assets received free of charge		(7)	-
(Release)/Impairment of trade and other receivables		(48)	75
Change in other provisions for liabilities and charges		3	19
Net increase in retirement benefit obligation		102	58
Share of result of associates		54	17
Unrealised result on associate		6	
Unrealised foreign exchange gain		(14)	(84)
Realised foreign exchange gain on financing activities		(8)	-
Finance costs, net		320	198
Operating cash flows before working capital changes		**1,563**	**1,735**
Changes in:			
Inventories		2	(85)
Trade and other receivables		(1,120)	195
Advances received		84	24
Trade and other payables		738	(212)
Taxes payable, other than income tax		8	21
Cash generated from operations		**1,275**	**1,678**
Income taxes paid		(165)	(221)
Defined employee benefits paid		(72)	(63)
Interest paid		(157)	(118)
Interest received		13	28
Net cash generated from operating activities		**894**	**1,304**
Cash flows from investing activities			
Purchase of property, plant and equipment		(568)	(780)
Proceeds from sale of property, plant and equipment		-	2
Purchase of financial investments		(414)	(722)
Acquisition of deposit certificates		(188)	-
Proceeds from sale of financial investments		-	34
Acquisition of subsidiaries		-	(4)
Dividends received from associates		29	-
Deposits placed and financial aid or loan provided		(100)	(378)
Repayment of deposits and loans provided		179	336
Net cash used in investing activities		**(1,062)**	**(1,512)**
Cash flows from financing activities			
Proceeds from borrowings		883	2,253
Repayment of borrowings		(1,029)	(1,860)
Resale of own bonds previously issued		53	-
Repayment of debts under amicable agreement		(16)	(3)
Net cash generated in financing activities		**(109)**	**390**
Net (decrease)/increase in cash and cash equivalents		**(277)**	**182**
Cash and cash equivalents at the beginning of the period		**595**	**368**
Cash and cash equivalents at the end of the period		**318**	**550**

1 Corporate Information

DTEK Holdings Limited (the "Company") is a private limited liability company incorporated in Cyprus.

The Company and its subsidiaries (together referred to as "the Group" or "DTEK") are ultimately controlled 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 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 and Going Concern

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. 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 for 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.

As at 30 June 2009 the Group has negative net current assets of UAH 1,761 million (31 December 2008: UAH 1,992 million). These financial statements have been prepared on a going concerns basis that contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business. The Group operates in a regulated market and accordingly its ability to increase prices for electricity supplied are limited in the short-term. The Group is therefore constantly working with its lenders to extend the maturity of its debt portfolio beyond the original maturity dates or negotiate new facilities. In July 2009 the Group reinstatedUS$ 86 million credit line and in August the existing US$ 40 million facility maturing in October 2009, was extended for one year. Furthermore, the Group has rationalised its capital expenditures and its discretionary investment programs.

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

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with IAS 34, 'Interim financial reporting'. They do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRS.

Except, as discussed below, the accounting policies applied are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Current and deferred taxes. 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 28%.

Exchange rate fluctuations. As at 30 June 2009, the exchange rate used for translating foreign currency balances was USD 1 = UAH 7.63 (31 December 2008: USD 1 = UAH 7.70); EUR 1 = 10.76 UAH (31 December 2008: EUR 1 = 10.86 UAH).

3 Basis of Preparation and Significant Accounting Policies (continued)

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform to changes in the presentation in the current period.

- The Group previously eliminated certain intercompany balances within certain segments. At 30 June 2009 these balances were presented separately as intersegment elimination, and corresponding figures of segment information for the six months ended 30 June 2008 were reclassified accordingly;
- UAH 14 million of expenses of social infrastructure were reclassified to cost of sales from other expenses as in 2009 the Group changed the approach for classification of expenses for corporate social responsibility;
- Income recognised in respect of assets received for free totalling UAH 7 million was reclassified from other operating expenses, where it was netted with loss from disposal of property, plant and equipment, to other operating income.

Management believes that these reclassifications result in a more appropriate presentation of the consolidated financial statements.

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 2009:

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a statement of comprehensive income.

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

  Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the director responsible for activity of the segment that makes strategic decisions.

- IAS 23 (amendment), 'Borrowing costs'. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. From 1 January 2009 the Group has changed its policy in respect of capitalisation of borrowing costs and capitalised UAH 6 million of interest expense during 6 month period ended 30 June 2009.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group:

- IFRS 2 (amendment), 'Share-based payment'.
- IAS 32 (amendment), 'Financial instruments: Presentation'.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'Agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- 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', 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. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.

  The revised standard continues to apply the acquisition method to business combinations, with some significant changes. 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. The Group will apply IFRS 3 (revised) to all business combinations from 1 January 2010.

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

- 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.
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

5 Segment Information

The chief operating decision-maker has been identified as the director responsible for activity of the segment. Segment director reviews the group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Management of the Group assesses the performance of the operating segments based on a measure of the IFRS operating profit of the segment. Transfer pricing is excluded from intersegment revenue and cost of sales for segment presentation purposes. Other information provided to the chief operating decision maker is consistent with that in these financial statements

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 Group's electricity generation and distribution business segments are subject to seasonality, with greater demand in the colder winter periods. The coal mining business is not subject to seasonal fluctuations.

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 30 June 2009						
Segment assets	7,521	4,895	990	238	(588)	13,056
Investments in associates	-	2,627	75	21	-	2,723
Available for sale investments	-	922	264	-	-	1,186
Current / deferred tax assets						196
Other unallocated assets						1,984
Total assets						**19,145**

5 Segment Information (Continued)

In millions of Ukrainian Hryvnia	Coal mining	Power generation	Electricity distribution	Other	Elimination	Total
Six months ended 30 June 2008						
Sales – external	1,453	2,734	1,765	96		6,048
Sales to other segments	1,075	1	129	140	(1,345)	-
Total revenue	**2,528**	**2,735**	**1,894**	**236**	**(1,345)**	**6,048**
Segment results	731	644	40	(21)	(35)	1,359
Unallocated expenses						(133)
Operating profit						**1,226**
Finance costs, net						(198)
Foreign exchange gain						61
Share of result of associates						(17)
Profit before income tax						**1,072**
As at 31 December 2008						
Segment assets	7,355	4,743	966	229	(354)	12,939
Investments in associates	-	2,739	51	21	-	2,811
Available for sale investments	-	900	368	-	-	1,268
Current / deferred tax assets						251
Other unallocated assets						801
Total assets						**18,070**

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 are detailed below.

	As at 30 June				As at 31 December			
	2009		2008		2008		2007	
In millions of Ukrainian Hryvnia	Entities controlled by SCM	Associates	Entities controlled by SCM	Associates	Entities controlled by SCM	Associates	Entities controlled by SCM	Associates
Financial investments – current:								
- Loan provided	-	2	-	2	-	2	-	-
- Financial aid provided	25	-	14	-	14	-	2	-
Trade and other receivables:								
- Gross amount of trade and other receivables	284	501	29	-	155	186	181	-
- Receivables under commission agreement	846	-	153	-	-	-	146	-
- Promissory notes receivable	3	-	-	3	3	3	3	-
Cash and cash equivalents	66	-	58	-	175	-	26	-
Other financial liabilities:								
- Bonds issued (Note 11)	(12)	-	(1,406)	-	-	-	(1,406)	-
- Other (effective interest rate: 13.28%)	-	-	-	-	-	-	(12)	-
- Investment obligation relating to Dniproenergo	-	(443)	-	-	-	(422)	-	-
Trade and other payables:								
- Trade and other payables	(52)	-	(112)	-	(64)	-	(68)	(3)
- Payables under commission agreement	(931)	-	(165)	-	(15)	-	(166)	-
- Promissory notes issued	-	-	(5)	-	(5)	-	(42)	-

6 Balances and Transactions with Related Parties (Continued)

The income and expense items with related parties (all entities controlled by SCM) were as follows:

In millions of Ukrainian Hryvnia	Six month ended 30 June 2009		Six month ended 30 June 2008	
	Entities controlled by SCM	Associates	Entities controlled by SCM	Associates
Sales of electricity	1,018	-	948	-
Sales of coking coal	272	-	730	-
Sales of steam coal	-	1,189	-	-
Sales of inventory	1	-	27	-
Sales under commission scheme	851	-	184	-
Purchase of goods for resale	-	-	(2)	-
Purchases under commission scheme	(839)	-	(184)	-
Purchase of raw materials and equipment	(12)	-	(50)	-
Purchase of services	(8)	-	(7)	-
Interest expenses on Investment obligation relating to Dniproenergo OJSC	-	(20)	-	-
Interest income	5	-	-	-
Interest expense on bonds issued	-	-	(52)	-
Loss on early repayment of promissory notes (Note 16)	(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 2009	2,031	3,521	3,845	243	943	**10,583**
Acquisition of subsidiaries	-	-	-	-	-	**-**
Additions	-	3	383	15	144	**545**
Disposals and write-offs	-	(1)	(3)	(1)	-	**(5)**
Depreciation charge	(84)	(163)	(499)	(36)	-	**(782)**
Transfer	24	6	119	6	(155)	**-**
Carrying amount at 30 June 2009	**1,971**	**3,366**	**3,845**	**227**	**932**	**10,341**

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 2008	1,387	2,377	2,071	142	376	**6,353**
Acquisition of subsidiaries	-	24	22	2	2	**50**
Additions	5	25	105	11	655	**801**
Disposals and write-offs	(6)	(2)	(2)	-	-	**(10)**
Depreciation charge	(58)	(83)	(246)	(21)	-	**(408)**
Transfer	21	32	215	-	(268)	**-**
Carrying amount at 30 June 2008	**1,349**	**2,373**	**2,165**	**134**	**765**	**6,786**

As at 30 June 2009, buildings, plant and machinery carried at UAH 1,314 million (31 December 2008: UAH 1,265 million) have been pledged to third parties as collateral for loans and borrowings (Note 11).

8 Investments in Associates and Financial Investments

As at 30 June 2009, the Group's 47.55% interest in Dniproenergo OJSC was recorded at UAH 2,627 million within investments in associates (31 December 2008: UAH 2,739 million for 47.5%).

In 2007, the Group actively participated in assisting Dniproenergo emerge from bankruptcy and continued acquiring additional interests in this entity. In June 2007 the Arbitration Court approved the creditor committee's amicable agreement for restructuring Dniproenergo's obligations and bringing the entity back to solvency. In accordance with this amicable agreement, in October 2007 the Group's subsidiaries Pavlogradugol and Komsomolets Donbassa contributed UAH 1,052 million to a special purpose entity which was then merged with Dniproenergo. In exchange Pavlogradugol and Komsomolets Donbassa each received a 17.12% interest in Dniproenergo. The majority of these funds were used to repay the creditors while the remaining contribution would be used to fund working capital. Further, the amicable agreement required Pavlogradugol and Komsomolets Donbassa to commit to funding Dniproenergo's investment program totalling UAH 1,010 million during the period 2008 through 2012.

Subsequent to approval of the above amicable agreement, various parties have challenged the legality of the amicable agreement, such that the additional share issue has not been recognised by the share registrar and accordingly, the Group has not been able to exercise any additional influence over this entity.

On 8 April 2008 the Supreme Court of Ukraine overturned the decisions on the additional share capital increase. For the purposes of preparation of these consolidated financial statements management elected a prudent accounting treatment by only recognising their registered interest in Dniproenergo. At 30 June 2008 the Group's registered 19.14% interest (before dilution, 31 December 2007: 18.19% interest) in Dniproenergo has been recorded at fair value of UAH 1,931 million. The UAH 1,052 million paid to acquire the additional 34.24% interest has been recorded as a prepayment for shares at cost. In addition, the investment commitment of UAH 1,010 million has not been recorded as a liability as it is linked to the issuance of the additional shares.

In March 2008, a new share registrar was appointed to record the share of Dniproenergo. In June 2008, the Highest Commercial Court of Ukraine found procedural violations related to the 8 April 2008 Supreme Court's hearing and overturned the ruling declaring the additional share issue void. The new registrar completed the recovery of Dniproenergo shareholders' register in July 2008 and on 11 July 2008, Komsomolets Donbassa and Pavlogradugol received their share certificates for the additional 34.24% share issue.

The registration of the additional share issue in July 2008 results in DTEK's effective interest in Dniproenergo increasing to 46.98% (after dilution of the existing interest) and, as result, the accounting treatment for the investment was changed from available for sale investment to investment in associates. Management has also assessed the fair value of 52.50% (share in associate which does not belong to the Group as at 30 June 2009) of its investment commitment at UAH 399 million (total commitment - UAH 1,010 million at nominal value) and has included this in the cost of investments and recorded the associated liability. However, the new share issue and associated share certificates issued by the new registrar are being challenged in Court. The management believes that these court hearings will be resolved.

On 24 March 2009, Dniproenergo held an Annual Shareholders Meeting. The shareholders voted in accordance with the registered number of shares including the disputed share issuance. A new share registrar, management and supervisory board members were approved at the Shareholders Meeting. The Shareholders also approved dividends of UAH 61 million (UAH 10 per ordinary share).

The new share issue and associated share certificates issued by the new registrar are being challenged in Court by a minority shareholder. The latest Court decision dated 23 June 2009 claimed technical deficiencies in the initial approval of the Dniproenego additional share issue was upheld and declared the Dniproenergo shareholders meeting which approved the additional share issue as void. However, management believes that this Court decision will not have a significant effect on the influence of the Group over Dniproenergo, as the Annual Shareholders Meeting where 97% of the shareholders voted in accordance with the registered number of shares including the disputed additional share issuance. The Group will continue defending its position and management believes that further court hearings will be resolved in favour of the Group.

8 Investments in Associates and Financial Investments (continued)

Current financial investments were as follows:

	As at 30 June		As at 31 December	
In millions of Ukrainian Hryvnia	**2009**	**2008**	**2008**	**2007**
Bank Deposits placed with a maturity greater than three months	38	21	1	186
Loans provided	113	212	226	5
Prepayment for shares	301	-	-	-
Total financial investments	**452**	**233**	**227**	**191**

As at 30 June 2009, deposits totalling UAH 63 million were pledged as collateral for borrowings (Note 20).

As at 30 June 2009, the Group prepaid UAH 301 million to various stockbrokers to acquire equity interest in other Ukrainian energy companies.

9 Trade and Other Receivables

	As at 30 June		As at 31 December	
In millions of Ukrainian Hryvnia	**2009**	**2008**	**2008**	**2007**
Trade receivables	1,475	727	1,297	776
Other financial receivables	575	191	200	189
Receivables under commission agreement with SCM entities	846	153	-	146
Prepayments to suppliers	85	192	70	343
Other non-financial receivables	98	48	16	27
	3,079	**1,311**	**1,583**	**1,481**
Less impairment provision	(540)	(564)	(588)	(493)
Total trade and other receivables	**2,539**	**747**	**995**	**988**

The Group entered commission transactions to purchase and export goods on behalf of SCM group entities for cash flow management and tax optimisation purposes. Since such transactions do not represent revenue generating activity to 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 931 million is included in trade and other payables (31 December 2008:UAH 16 million; 30 June 2008: UAH 166 million; 31 December 2007: UAH 172 million).

10 Equity and Other Reserves

There were no changes in share capital during the six months ended 30 June 2009.

In the six months ended 30 June 2009, unrealised fair value losses on quoted available-for-sale investments totalling UAH 26 million were recorded directly in other reserves (30 June 2008: UAH 761 million).

11 Borrowings

In millions of Ukrainian Hryvnia	As at June 2009	As at June 2008	As at 31 December 2008	As at 31 December 2007
Non-current				
Bank borrowings	361	824	992	353
	361	**824**	**992**	**353**
Current				
Bank borrowings	3,186	1,397	2,726	1,578
Interest accrual	19	17	13	16
	3,205	**1,414**	**2,739**	**1,594**
Total borrowings	**3,566**	**2,238**	**3,731**	**1,947**

Movements in borrowings as analysed are as follows:

In millions of Ukrainian Hryvnia	Six months ended 30 June 2009	Six months ended 30 June 2008
Opening balance as at 1 January	**3,731**	**1,947**
Repayment of borrowings	(1,031)	(1,851)
New borrowings	883	2,226
Foreign exchange gain	(28)	(84)
Amortization of discount	11	-
Closing balance as at 30 June	**3,566**	**2,238**

Significant changes in the borrowings during the 6 month period ended 30 June 2009 include the following:

- In May 2009, the Group received a US dollar denominated loan for USD 15 million (UAH 114 million) from Sberbank of Russia repayable in May 2010;
- In June 2009, the Group refinanced a UAH 114 million loan from Ukrsibbank repayable in February 2010, and during 6 months of 2009 the Group received UAH 85 million and repaid UAH 226 million as part of credit line arrangements;
- From April 2009 till June 2009 the Group repaid EUR 15 million (UAH 152 million) of debt to Erste Bank in accordance with the repayment schedule;
- In May 2009 the Group repaid USD 18.5 million (UAH 144 million) of debt to Standard Bank PLC and Barclays Capital in accordance with the repayment schedule;
- During the first 6 months of 2009, the Group refinanced UAH 316 million and received UAH 67 million from State Saving Bank;
- During the first 6 months of 2009, the Group refinanced UAH 92 million from OTP bank under long term and short term credit lines.

As at 30 June 2009, borrowings totalling UAH 1,318 million (31 December 2008: UAH 1,023 million) were secured with property, plant and equipment, financial investments, trade and other receivables (Note 20).

12 Other Financial Liabilities

	As at 30 June		As at 31 December	
In millions of Ukrainian Hryvnia	**2009**	**2008**	**2008**	**2007**
Investment obligation of Dniproenergo	236	-	222	-
Payable for shares in Pavlogradugol	-	1,406	-	1,406
Bonds issued	77	81	-	75
Restructured trade payables	16	45	45	52
Other	23	9	-	-
Total other financial liabilities	**352**	**1,541**	**267**	**1,533**

As discussed in Note 8, upon recognition of the Group's additional 34.24% interest in Dniproenergo, the Group has recorded 52,5% of its obligation to fund Dniproenergo's investment program at a fair value of UAH 399 million (UAH 1,010 million at nominal value). As at 30 June 2009, UAH 207 million is recorded as short-term, including the unwinding of discount on the investment obligation totalling UAH 20 million.

13 Revenue by Category

	Six months ended 30 June	
In millions of Ukrainian Hryvnia	**2009**	**2008**
Sale of electricity to electricity pool	2,365	2,716
Sale of electricity to final customers	2,155	1,764
Sale of steaming and coking coal	2,138	1,433
Sales of merchandise products	3	77
Other sales	45	58
Total revenue	**6,706**	**6,048**

14 Cost of Sales

	Six months ended 30 June	
In millions of Ukrainian Hryvnia	**2009**	**2008**
Cost of electricity purchased	1,979	1,621
Staff cost, including payroll taxes	1,299	1,073
Raw materials	876	898
Depreciation of property, plant and equipment net of amortisation of government grants	751	373
Production overheads	58	74
Cost of merchandise	2	74
Cost of coal purchased for resale	270	-
Taxes, other than income tax	80	73
Transportation services and utilities	283	228
Equipment maintenance and repairs	32	42
Change in finished goods and work in progress	(13)	(61)
Other costs	2	11
Total cost of sales	**5,619**	**4,406**

15 General and Administrative Expenses

	Six months ended 30 June	
In millions of Ukrainian Hryvnia	**2009**	**2008**
Staff cost, including payroll taxes	160	136
Advertising expenses	2	33
Professional fees	33	34
Office costs	17	5
Bank charges	23	9
Other costs	37	33
Total general and administrative expenses	**272**	**250**

16 Other Operating Expenses

In millions of Ukrainian Hryvnia	Six months ended 30 June 2009	2008
Maintenance of social infrastructure	3	10
Social payments	33	31
Impairment of trade and other receivables and prepayments	-	75
Charitable donations and sponsorship	5	12
Loss from sale and disposal of non-current assets	5	8
Loss from sale of promissory notes	11	-
Non-recoverable VAT	4	6
Other	33	29
Total other operating expenses	**94**	**171**

17 Other Operating Income

In millions of Ukrainian Hryvnia	Six months ended 30 June 2009	2008
Income from reversal of provision for trade and other receivables	48	-
Gain on sales of inventory	8	-
Sales of services	6	3
Income from recovery on previously written off trade receivables	19	3
Income from assets received free of charge	7	10
Other	9	18
Total	**97**	**34**

18 Finance Costs

In millions of Ukrainian Hryvnia	Six months ended 30 June 2009	2008
Interest expense		
- borrowings	161	84
- promissory notes payable	9	9
- bonds issued (Note 5)	1	58
- long-term payables	6	5
- investment obligation relating to Dniproenergo	20	-
Unwinding of discounts on pension obligations	113	58
Other finance costs	32	12
Total finance costs	**342**	**226**

19 Income Taxes

In millions of Ukrainian Hryvnia	Six months ended 30 June 2009	2008
Current tax	152	345
Deferred tax	(15)	(50)
Income tax expense	**137**	**295**

20 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 consolidated financial statements.

Capital expenditure commitments. As at 30 June 2009 the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling UAH 220 million (31 December 2008: UAH 6 million).

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

	As at 30 June				As at 31 December			
	2009		2008		2008		2007	
In millions of Ukrainian Hryvnia	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**
Financial investments	63	171	-	-	30	28	163	163
Property, plant and equipment	1,314	1,147	1,074	920	1,265	995	2,716	1,071
Proceeds from future sales contracts	-	-	-	-	-	-	1,010	101
Total	**1,377**	**1,318**	**1,074**	**920**	**1,295**	**1,023**	**3,889**	**1,335**

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 debt covenants as at 30 June 2009.

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.