DTEK Holdings B.V.

Special Purpose Unaudited Interim Condensed Consolidated Financial Statements

30 June 2011

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

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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 2011 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 2011 are not prepared, in all material respects, in accordance with International Accounting Standard 34.

LLC AP "PricewaterhouseCoopers (Audit)"

30 August 2011

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

In millions of Ukrainian Hryvnia	Note	30 June 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	7	13,562	11,575
Intangible assets		1,300	731
Investments in associates	8	4,088	4,099
Financial investments	8	964	1,279
Deferred income tax asset	16	800	1,041
Other non-current assets		34	38
Total non-current assets		**20,748**	**18,763**
Current assets			
Inventories		1,219	1,157
Trade and other receivables	9	3,219	2,984
Financial investments	8	1,030	1,040
Cash and cash equivalents		1,988	1,693
Total current assets		**7,456**	**6,874**
TOTAL ASSETS		**28,204**	**25,637**
EQUITY			
Share capital	10	-	-
Share premium	10	9,909	9,909
Other reserves		(213)	(865)
Retained earnings		6,323	4,166
Capital and reserves attributable to the owners of the Company		**16,019**	**13,210**
Non-controlling interests		**77**	**70**
TOTAL EQUITY		**16,096**	**13,280**
LIABILITIES			
Non-current liabilities			
Liability to non-controlling participants		3	3
Eurobonds issued	11	3,902	3,889
Borrowings	11	377	620
Other financial liabilities	12	1,171	118
Indebtedness under amicable agreement		14	93
Government grants		5	9
Retirement benefit obligations		2,243	1,582
Other provisions for liabilities and charges		396	311
Deferred income tax liability	16	83	1,540
Total non-current liabilities		**8,194**	**8,165**
Current liabilities			
Borrowings	11	537	993
Other financial liabilities		571	485
Prepayments received		352	320
Trade and other payables		2,030	1,961
Current income tax payable		139	273
Other taxes payable		285	160
Total current liabilities		**3,914**	**4,192**
TOTAL LIABILITIES		**12,108**	**12,357**
TOTAL LIABILITIES AND EQUITY		**28,204**	**25,637**

Approved for issue and signed on behalf of the Management Board on 29 August 2011.

Maksym Timchenko
Director

FTC Trust B.V.
Director

The accompanying notes are an integral part of these financial statements

In millions of Ukrainian Hryvnia	Note	Six months ended 30 June 2011	2010
Revenue	13	18,453	10,625
Cost of sales	14	(13,664)	(8,219)
Gross profit		**4,789**	**2,406**
General and administrative expenses		(411)	(383)
Other operating expenses		(302)	(136)
Distribution costs		(118)	(64)
Other operating income		225	64
Net foreign exchange gain/(loss) other than on borrowings		6	(38)
Operating profit		**4,189**	**1,849**
Foreign exchange (loss)/gain from borrowings		(54)	207
Finance income		60	22
Finance costs	15	(542)	(428)
Share of result of associates		(4)	21
Profit before income tax		**3,649**	**1,671**
Income tax expense	16	(1,448)	(383)
Profit for the period		**2,201**	**1,288**

Profit is attributable to:		
Owners of the Company	2,208	1,289
Non-controlling interests	(7)	(1)
Profit for the period	**2,201**	**1,288**

Special Purpose Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

In millions of Ukrainian Hryvnia	Six months ended 30 June 2011	2010
Profit for the period	2,201	1,288
Other comprehensive income		
Financial investments:		
-Changes in the fair value of available-for sale financial assets	(395)	376
-Result of associates	(2)	-
Property, plant and equipment:		
-Change in estimate for asset retirement obligation	(5)	-
-Release of income tax recorded in the revaluation reserve due to change in the tax legislation in Ukraine (Note 16)	1,232	-
Income tax relating to components of other comprehensive income (Note 16)	54	(57)
Total comprehensive income for the period	**3,085**	**1,607**

Total comprehensive income attributable to:		
Owners of the Company	3,078	1,608
Non-controlling interests	7	(1)
	3,085	**1,607**

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 2011	**-**	**9,909**	**(865)**	**4,166**	**13,210**	**70**	**13,280**
Total comprehensive income for the period	**-**	-	870	2,208	3,078	7	**3,085**
Property, plant and equipment:							
-Realised revaluation reserve	**-**	-	(250)	250	-	-	**-**
-Income tax related to realised revaluation reserve	**-**	-	32	(32)	-	-	**-**
Dividends declared	**-**	-	-	(269)	(269)	-	**(269)**
Balance at 30 June 2011	**-**	**9,909**	**(213)**	**6,323**	**16,019**	**77**	**16,096**

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	Note	Six months ended 30 June 2011	2010
Cash flows from operating activities			
Profit before income tax		**3,649**	**1,671**
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangibles, net of amortisation of government grants		825	751
Losses less gains on disposals of property, plant and equipment		6	1
Assets received free of charge		(39)	(15)
Impairment of trade and other receivables		20	28
Change in other provisions for liabilities and charges		35	30
Non-cash operating charge to retirement benefit obligation		81	64
Share of result of associates		4	(21)
Unrealised result on associate		6	36
Unrealised and realised financing foreign exchange differences		54	(175)
Finance costs, net		482	406
Other operating non-cash transactions		(26)	(1)
Operating cash flows before working capital changes		**5,097**	**2,775**
Changes in:			
Inventories		40	(277)
Trade and other receivables		(601)	(995)
Prepayments received		22	95
Trade and other payables		(75)	112
Taxes payable, other than income tax		53	25
Cash generated from operations		**4,536**	**1,735**
Income taxes paid		(1,242)	(475)
Defined employee benefits paid		(100)	(75)
Interest paid		(231)	(217)
Interest received		30	19
Net cash generated from operating activities		**2,993**	**987**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,064)	(871)
Proceeds from sale of property, plant and equipment		4	3
Purchase of financial investments		-	(17)
Withdrawal of restricted cash		1	-
Acquisition of deposit certificates		(2)	-
Dividends received from associates		-	2
Deposits placed and financial aid or loan provided		(128)	(337)
Deferred consideration related to acquisition of Dobropolyeugol paid		(45)	-
Repayment of deposits and loans provided		57	200
Net cash used in investing activities		**(1,177)**	**(1,020)**
Cash flows from financing activities			
Proceeds from borrowings	11	711	4,624
Repayment of borrowings	11	(1,614)	(4,029)
Repayment of debts under amicable agreement		(85)	-
Repayment of restructured taxes payable		(12)	-
Dividends paid		(522)	-
Net cash (used in)/generated from financing activities		**(1,522)**	**595**
Net increase in cash and cash equivalents		**294**	**562**
Cash and cash equivalents at the beginning of the period		**1,693**	**725**
Exchange gain/(loss) on cash and cash equivalents		1	(3)
Cash and cash equivalents at the end of the period		**1,988**	**1,284**

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. On 21 April 2011 InvestCom Services Limited transferred its 25% of equity interest of DTEK Holdings B.V. to E.R. EastEnergy Resource Limited, its wholly owned subsidiary.

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

Ukraine displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The recent global financial crisis has had a severe effect on the Ukrainian economy and the financial situation in the Ukrainian financial and corporate sectors significantly deteriorated since mid-2008. In 2010, the Ukrainian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Ukrainian Hryvnia against major foreign currencies, and increased liquidity levels in the banking sector.

The tax, currency and customs legislation within Ukraine is subject to varying interpretations and frequent changes. The future economic direction of Ukraine is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Management is unable to predict all developments which could have an impact on the Ukrainian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

3 Basis of Preparation and Summary of Significant Accounting Policies

DTEK Holdings B.V. has prepared its first statutory financial statements for the 19 months to 31 December 2010. These special purpose interim condensed consolidated financial statements, prepared using the historical convention basis for the six month period ended 30 June 2011, are considered special purpose interim condensed consolidated financial statements.

These special purpose interim condensed consolidated financial statements for the six months ended 30 June 2011 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 2010, 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 2010.

Exchange rate fluctuations. As at 30 June 2011, the exchange rate used for translating foreign currency balances was USD 1 = UAH 7.97 (31 December 2010: USD 1 = UAH 7.96); EUR 1 = 11.50 UAH (31 December 2010: EUR 1 = 10.57 UAH).

4 Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods:

- Amendment to IAS 24, 'Related Party Disclosures', issued in November 2009. It supersedes IAS 24 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. According to the revised standard the Group disclosed balances and transactions with associates of the parent company in the Note 6. There has been no other impact of revised standard on the special purpose interim condensed consolidated financial statements.
- Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). 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 2011, but are not currently relevant for the Group:

- 'Classification of Rights Issues' (Amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. This is not currently applicable to the Group, as it has not made any rights issues.
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments', effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). This is not currently applicable to the Group, as it does not use debt for equity swaps.
- Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters – Amendment to IFRS 1.
- 'Prepayments of a minimum funding requirement' (Amendment to IFRIC 14). 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 this. The amendments are effective for annual periods beginning 1 January 2011. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group, as it does not have any defined benefit assets.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2011 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 395 million of losses that relate to equity instruments in other comprehensive income. The Group has not yet decided when to adopt IFRS 9.
- 'Disclosures—Transfers of Financial Assets' (Amendments to IFRS 7) issued in October 2010 and effective for annual periods beginning on or after 1 July 2011.
- Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012).
- Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011).
- IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).
- IFRS 11, Joint Arrangements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).
- IFRS 12, Disclosure of Interest in Other Entities (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).
- IFRS 13, Fair Value Measurement (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).
- IAS 27, Separate financial statements (revised in 2011 and effective for annual periods beginning on or after 1 Jan 2013).
- IAS 28, Associates and joint ventures (revised in 2011 and effective for annual periods beginning on or after 1 Jan 2013).
- Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012).
- Amended IAS 19, Employee Benefits (issued June 2011, effective for periods beginning on or after 1 January 2013).

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 2011 is as follows:

In millions of Ukrainian Hryvnia	**Coal mining**	**Power generation**	**Electricity distribution**	**Other**	**Elimination**	**Total**
Six months ended 30 June 2011						
Sales – external	8,304	4,901	5,232	16	-	18,453
Sales to other segments	2,233	-	267	372	(2,872)	-
Total revenue	**10,537**	**4,901**	**5,499**	**388**	**(2,872)**	**18,453**
Segment results	2,347	1,773	271	89	(121)	4,359
Unallocated expenses						(170)
Operating profit						**4,189**
Finance costs, net						(482)
Foreign exchange loss						(54)
Share of result of associates						(4)
Profit before income tax						**3,649**
As at 30 June 2011						
Segment assets	12,710	8,209	1,269	246	(2,585)	19,849
Investments in associates	-	2,821	1,240	27	-	4,088
Available for sale investments	-	770	86	-	-	856
Current / deferred tax assets						800
Other unallocated assets						2,611
Total assets						**28,204**
Capital expenditure	908	341	67	28	-	1,344
Depreciation	629	144	62	13	-	848

5 Segment Information (Continued)

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 31 December 2010						
Segment assets	10,873	7,381	1,044	251	(2,831)	16,718
Investments in associates	-	2,666	1,406	27	-	4,099
Available for sale investments	-	1,149	98	-	-	1,247
Current / deferred tax assets						1,041
Other unallocated assets						2,532
Total assets						**25,637**
Capital expenditure	678	198	34	18	-	928
Depreciation	581	131	57	10	-	779

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 2011			**31 December 2010**		
In millions of Ukrainian Hryvnia	Entities under common control of SCM	Associates of the Parent Company	Associates	Entities under common control of SCM	Associates of the Parent Company	Associates
Gross amount of trade and other receivables	319	54	108	268	1	285
Promissory notes receivable	3	-	-	3	-	-
Financial aid provided	-	-	-	2	-	-
Deposits placed with a maturity more than three months	-	-	-	55	-	-
Loans granted and interest accrued	5	-	90	5	-	15
Prepayments for financial investments	107	-	-	107	-	-
Cash and cash equivalents – current account	560	-	-	184	-	-
Investment obligation relating to Dniproenergo:						
- Non-current	-	-	(89)	-	-	(83)
- Current	-	-	(419)	-	-	(414)
Bonds issued:						
- Non-current	-	-	-	(18)	-	-
- Current	(12)	-	-	(12)	-	-
Trade and other payables	(191)	-	(1)	(44)	-	-
Prepayments received	(103)	-	-	(3)	-	-
Dividends payable	(8)	-	-	(261)	-	-

6 Balances and Transactions with Related Parties (Continued)

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

	Six months ended 30 June 2011			Six months ended 30 June 2010		
In millions of Ukrainian Hryvnia	Entities under common control of SCM	Associates of the Parent Company	Associates	Entities under common control of SCM	Associates of the Parent Company	Associates
Sales of electricity	2,636	7	-	1,178	4	-
Sales of coking coal	538	-	-	458	-	-
Sales of steam coal	19	1,064	2,581	-	-	1,827
Sales of inventory	2	-	-	1	-	-
Sales under commission scheme	-	-	-	251	-	
Purchases under commission scheme	-	-	-	(250)	-	-
Purchase of raw materials and equipment	(85)	-	-	(51)	-	(3)
Purchase of services	(30)	-	-	(2)	-	-
Interest expenses on Investment obligation relating to Dniproenergo OJSC	-	-	(10)	-	-	(16)
Interest income	1	-	3	4	-	-
Interest expense on bonds issued	(2)	-	-	(1)	-	-
Interest expense of long-term payables	(11)	-	-	(10)	-	-

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 2011	2,048	3,113	4,796	257	1,361	**11,575**
Acquisition of a subsidiary (Note 18)	724	253	378	21	129	**1,505**
Additions	1	15	321	38	969	**1,344**
Disposals	-	(1)	(7)	(1)	(5)	**(14)**
Depreciation charge	(88)	(180)	(528)	(52)	-	**(848)**
Transfer	15	25	168	8	(216)	**-**
Carrying amount as at 30 June 2011	**2,700**	**3,225**	**5,128**	**271**	**2,238**	**13,562**

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**

As at 30 June 2011, buildings, plant and machinery carried at UAH 1,016 million (31 December 2010: UAH 1,129 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 2011	31 December 2010
Dniproenergo PJSC	Ukraine	47.55%	2,821	2,666
Donetskoblenergo PJSC	Ukraine	30.59%	466	404
Kyivenergo PJSC	Ukraine	39.98%	774	1,002
Other	Ukraine	various	27	27
Total			**4,088**	**4,099**

As at 30 June 2011 the Group owns 47.55% in PJSC Dniproenergo. The new share issue and associated shares certificates issued by the new registrar had been challenged in the Court by a minority shareholder, however, at the last Highest Commercial Court of Ukraine ruling on 26 May 2010, the Group's interest in Dniproenergo was upheld. While a new challenge/appeal from the minority shareholders cannot be precluded, 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	30 June 2011	31 December 2010
Equity securities	856	1,247
Prepayments for securities	15	15
Loans receivable	93	17
Total	**964**	**1,279**

Current financial investments were as follows:

In millions of Ukrainian Hryvnia	30 June 2011	31 December 2010
Bank Deposits placed with a maturity more than three months	753	756
Loans provided	45	48
Prepayment for shares in Ukrainian energy company	232	236
Total	**1,030**	**1,040**

As at 30 June 2011, deposits totalling UAH 620 million (31 December 2010: UAH 673 million) were pledged as collateral for borrowings or bank guarantees received (Note 17).

As at 30 June 2011, the Group prepaid UAH 232 million to various parties to acquire equity interest in other Ukrainian energy companies (31 December 2010: UAH 236 million).

9 Trade and Other Receivables

In millions of Ukrainian Hryvnia	**30 June 2011**	**31 December 2010**
Trade receivables	1,599	1,405
Less impairment provision	(286)	(272)
Trade receivables – net	**1,313**	**1,133**
Other financial receivables	323	151
Less impairment provision	(231)	(95)
Receivables under commission agreement		
- with third parties	114	372
- with SCM entities	45	45
Receivable for sale of financial instruments	37	80
Total financial assets	***1,601***	***1,686***
Prepayments to suppliers	1,474	1,223
Less impairment provision	(4)	(4)
Other non-financial receivables	152	83
Less impairment provision	(4)	(4)
Total non-financial assets	***1,618***	***1,298***
Total trade and other receivables	**3,219**	**2,984**

As at 30 June 2011 the Group entered commission transactions to purchase and export goods on behalf of various third parties and SCM entities 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 and Trade and other payables. The associated payable balance totalling UAH 130 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 2011 and 31 December 2010, 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 2011.

In the six months ended 30 June 2011, unrealised fair value losses on quoted available-for-sale investments totalling UAH 395 million were recorded directly in other reserves (30 June 2010: unrealised fair value gains totalling UAH 376 million).

On 10 March 2011 and 21 June 2011, DTEK Holdings B.V. declared dividends of USD 5.5 million (UAH 44 million) and USD 28.5 million (UAH 225 million) respectively that were partially paid by 30 June 2011. Dividends payable as at 30 June 2011 of USD 1 million (UAH 8 million) are included in the trade and other payables (Note 6).

11 Borrowings

In millions of Ukrainian Hryvnia	**30 June 2011**	**31 December 2010**
Non-current		
Eurobonds	3,902	3,889
Bank borrowings	377	620
	4,279	**4,509**
Current		
Bank borrowings	468	919
Interest accrual	69	74
	537	**993**
Total borrowings	**4,816**	**5,502**

11 Borrowings (continued)

Movements in borrowings during the period are as follows:

In millions of Ukrainian Hryvnia	Six months ended 30 June 2011	2010
Opening balance as at 1 January	**5,502**	**4,428**
Eurobonds issued	-	3,857
Repayment of borrowings	(1,614)	(4,029)
New borrowings	711	767
Acquisition of subsidiary (Note 18)	160	-
Interest accrued during the period	221	255
Interest paid during the period	(226)	(211)
Foreign exchange loss/(gain)	45	(179)
Amortisation of discount	17	25
Closing balance as at 30 June	**4,816**	**4,913**

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 2011, borrowings totalling UAH 514 million (31 December 2010: UAH 1,409 million) were secured with property, plant and equipment, financial investments and cash and cash equivalents (Note 17).

12 Other Financial Liabilities

Non-current other financial liabilities comprise:

In millions of Ukrainian Hryvnia	30 June 2011	31 December 2010
Deferred consideration relating to acquisition of Dobropolyeugol (Note 18)	871	-
Investment obligation relating to Dniproenergo	89	83
Restructured taxes payable	197	21
Other	14	14
Total other financial liabilities	**1,171**	**118**

As at 30 June 2011 restructured taxes payable include UAH 174 million transferred to DTEK as a result of acquisition of Dobropolyeugol (Note 18).

13 Revenue

In millions of Ukrainian Hryvnia	Six months ended 30 June 2011	2010
Sale of steaming and coking coal	8,302	4,095
Sale of electricity to electricity pool	4,880	3,585
Sale of electricity to final customers	4,049	2,792
Export sale of electricity	1,181	114
Other sales	41	39
Total revenue	**18,453**	**10,625**

14 Cost of Sales

In millions of Ukrainian Hryvnia	Six months ended 30 June 2011	2010
Cost of coal purchased for resale	3,304	1,242
Cost of electricity purchased	4,739	2,735
Staff cost, including payroll taxes	1,738	1,402
Raw materials	1,899	1,576
Depreciation of property, plant and equipment net of amortisation of government grants	809	737
Cost of extraction services related to Dobropolyeugol	446	-
Transportation services and utilities	449	353
Taxes, other than income tax	157	100
Production overheads	122	55
Equipment maintenance and repairs	48	44
Cost of merchandise	3	9
Change in finished goods and work in progress	(62)	(39)
Other costs	12	5
Total cost of sales	**13,664**	**8,219**

15 Finance Costs

In millions of Ukrainian Hryvnia	Six months ended 30 June 2011	2010
Interest expense		
- bonds issued	193	70
- borrowings	21	203
Investment obligation relating to Dniproenergo	10	16
Unwinding of discounts on pension obligations	170	125
Unwinding of discounts on financial instruments	41	13
Unwinding of discounts on deferred consideration related to acquisition of Dobropolyeugol (Note 18)	90	-
Other finance costs	17	1
Total finance costs	**542**	**428**

16 Income Taxes

In millions of Ukrainian Hryvnia	Six months ended 30 June 2011	2010
Current tax	1,109	519
Deferred tax	339	(136)
Income tax expense	**1,448**	**383**

On 2 December 2010, a new Tax Code was adopted in Ukraine with most of the changes introduced being effective from 1 January 2011. Among the main changes are a change in the rates for corporate income tax from 25% to 16%, which is to be introduced in several stages between 2011-2014, and a change in the methodology for determining the base for corporate income tax application.

The tax base of the property, plant and equipment was also changed from 1 April 2011 with the aim to remove existing differences between tax and accounting bases. The Group has recognised the respective change in tax legislation regarding the tax base of the property, plant and equipment as at 1 April 2011 which resulted in deferred tax charge of UAH 482 million in the income statement.

Deferred tax assets and liabilities are measured at the income tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates prescribed by the new Tax Code.

16 Income Taxes (Continued)

The parent and its subsidiaries are separate tax payers and therefore the deferred tax assets and liabilities are presented on an individual basis. The deferred tax liabilities and assets reflected in the consolidated balance sheets are as follows:

In millions of Ukrainian Hryvnia	30 June 2011	31 December 2010
Deferred tax liability	(83)	(1,540)
Deferred tax asset	800	1,041
Net deferred tax liability	**717**	**(499)**

In millions of Ukrainian Hryvnia	1 January 2011	Acquisition of subsidiary (Note 18)	Credited/ (charged) to income	Charged to equity	30 June 2011
Tax effect of deductible temporary differences					
Deferred consideration relating to acquisition of Dobropolyeugol	-	139	6	-	145
Property, plant and equipment	-	(1)	(474)	502	27
Trade and other payables	34	7	28	-	69
Other provisions for liabilities and charges	44	15	(21)	-	38
Retirement benefit obligations	234	82	18	-	334
Prepayments received	449	2	(420)	-	31
Trade and other receivables	-	32	35	-	67
Financial investments	52	-	(3)	54	103
Gross deferred tax asset	**813**	**276**	**(831)**	**556**	**814**
Tax effect of taxable temporary differences					
Property, plant and equipment	(730)	-	-	730	-
Inventories	(23)	(7)	2	-	(28)
Other financial liabilities	(27)	-	12	-	(15)
Prepayments made	(531)	-	477	-	(54)
Trade and other receivables	(1)	-	1	-	-
Gross deferred tax liability	**(1,312)**	**(7)**	**492**	**730**	**(97)**
Recognised deferred tax asset/(liability)	**(499)**	**269**	**(339)**	**1,286**	**717**

Income tax expense for the period from 1 January to 30 June 2010 is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year, which was estimated at 24%.

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 proceeding 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 2011		As at 31 December 2010	
In millions of Ukrainian Hryvnia	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**
Cash and cash equivalents	-	-	423	400
Financial investments	620	33	673	84
Property, plant and equipment	1,016	481	1,129	925
Total	**1,636**	**514**	**2,225**	**1,409**

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 2011 and 31 December 2010.

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.

18 Business Combinations

On 4 January 2011 the Group entered an agreement with the State Property Fund of Ukraine to lease the integrated property complex of the State Enterprise Dobropolyeugol ('Dobropolyeugol').

Dobropolyeugol comprises five coal mines in the Donetsk region. The lease term is 49 years which substantially covers most of the economic life of the coal reserves and accordingly, the Group assumed all the risks and rewards of the coal produced by Dobropolyeugol. In addition, the Group assumed all current and non-current assets and liabilities of Dobropolyeugol. Accordingly, the Group assumed all rights and risks associated with the coal produced by Dobropolyeugol after the entering to the lease agreement. This transaction has been recorded as a business combination following purchase accounting principles.

The lease agreement requires the Group to pay a monthly rental fee of UAH 7 million for the first month with all subsequent monthly payments being adjusted for the consumer price index ("CPI") in Ukraine. DTEK recognised the net present value of future rental payments as a deferred consideration totalling UAH 909 million using CPI assumption of 7% per annum for the next five years and 5% per annum there after and a discount rate of 16.56%. Further, the lease agreement required the Group to commit to funding Dobropolyeugol's investment program totalling UAH 2,000 million during the period 2011 through 2015. As at 30 June 2011 the commitment totals UAH 1,830 million.

The following table summarizes the preliminary fair values of the net assets acquired at the date of acquisition. Fair values of property, plant and equipment were determined by independent appraisers. Fair values of defined benefit obligations were determined by independent actuary. The fair values of all other assets and liabilities were determined by management. The acquired entities have not previously reported under IFRS and, therefore, historic IFRS balances have not been presented.

In millions of Ukrainian Hryvnia	
Property, plant and equipment (Note 7)	1,505
Intangible assets	32
Deferred income tax asset (Note 16)	269
Inventories	43
Trade and other receivables	38
Other non-current liabilities – restructured taxes payable	(153)
Borrowings (Note 11)	(160)
Retirement benefit obligations	(511)
Asset retirement provision	(8)
Trade and other payables	(598)
Other provisions for liabilities and charges	(76)
Fair value of 100% of net assets acquired	**381**
Goodwill	528
Fair value of deferred consideration payable	**909**

Goodwill has been computed as the difference between the net assets acquired and the consideration payable and is due to the expected synergies from combining Dobropolyeugol with the distribution network of the Group.

Revenue and net loss of Dobropolyeugol included in the consolidated income statement from the date of acquisition totalled UAH 580 million and UAH 183 million, respectively. If the acquisition had been completed on 1 January 2011, the revenues and net profit of the Group would not change significantly.

19 Financial Risk Management

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

The interim condensed consolidated 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 special purpose financial statements as at 31 December 2010.

There have been no changes in the risk management department 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.

20 Fair Value of Financial Instruments.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2011:

In millions of Ukrainian Hryvnia	Fair value by measurement method: Quoted price in active market	Fair value by measurement method: Valuation technique with observable market inputs	Total fair value	Carrying value
FINANCIAL ASSETS				
Cash and cash equivalents				
- Bank balances payable on demand	-	1,328	1,328	1,328
- Term deposits	-	660	660	660
- Restricted cash	-	-	-	-
Trade and other receivables (Note 9)				
- Trade receivables	-	1,313	1,313	1,313
- Receivables under commission agreements	-	159	159	159
- Receivable for sale of financial instruments	-	37	37	37
- Other financial receivables	-	92	92	92
Other non current assets				
- Trade and other receivables - non-current	-	42	42	34
Financial investments (Note 8)				
- Securities quoted on Ukrainian stock market	856	-	856	856
- Prepayment for shares	-	247	247	247
- Deposits placed with the maturity more than three months	-	753	753	753
- Loans receivable	-	138	138	138
TOTAL FINANCIAL ASSETS	**856**	**4,769**	**5,625**	**5,617**
FINANCIAL LIABILITIES				
Liability to non-controlling participants	-	3	3	3
Borrowings (Note 11)	-	4,864	4,864	4,816
Investment obligation relating to Dniproenergo – non-current (Note 12)	-	88	88	89
Other liabilities – non-current (Note 12)	-	1,093	1,093	1,082
Indebtedness under amicable agreement	-	14	14	14
Investment obligation relating to Dniproenergo – current	-	419	419	419
Bonds issued	-	70	70	70
Other financial liabilities - current		82	82	82
Trade and other payables	-	1,714	1,714	1,714
TOTAL FINANCIAL LIABILITIES		**8,348**	**8,348**	**8,289**

20 Fair Value of Financial Instruments (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010:

	Fair value by measurement method:		Total fair value	Carrying value
In millions of Ukrainian Hryvnia	Quoted price in active market	Valuation technique with observable market inputs		
FINANCIAL ASSETS				
Cash and cash equivalents				
- Bank balances payable on demand	-	594	594	594
- Term deposits	-	1,098	1,098	1,098
- Restricted cash	-	1	1	1
Trade and other receivables (Note 9)				
- Trade receivables	-	1,133	1,133	1,133
- Receivables under commission agreements	-	417	417	417
- Receivable for sale of financial instruments	-	80	80	80
- Other financial receivables	-	56	56	56
Other non current assets				
- Trade and other receivables - non-current	-	38	38	38
Financial investments (Note 8)				
- Securities quoted on Ukrainian stock market	1,247	-	1,247	1,247
- Prepayment for shares	-	251	251	251
- Deposits placed with the maturity more than three months	-	756	756	756
- Loans receivable	-	65	65	65
TOTAL FINANCIAL ASSETS	**1,247**	**4,489**	**5,736**	**5,736**
FINANCIAL LIABILITIES				
Liability to non-controlling participants	-	3	3	3
Borrowings (Note 11)	-	5,676	5,676	5,502
Investment obligation relating to Dniproenergo – non-current (Note 12)	-	76	76	83
Other liabilities – non-current (Note 12)	-	35	35	35
Indebtedness under amicable agreement	-	87	87	93
Investment obligation relating to Dniproenergo – current (Note 12)	-	410	410	414
Bonds issued	-	71	71	71
Trade and other payables	-	1,721	1,721	1,721
TOTAL FINANCIAL LIABILITIES	**-**	**8,079**	**8,079**	**7,922**

In 2011 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.