ANNUAL REPORT
2010

POWERFUL MINING

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MESSAGE FROM THE CHAIRMAN OF THE DTEK SUPERVISORY BOARD OLEG POPOV

DEAR COLLEAGUES AND PARTNERS,

I am proud to present you DTEK's annual report for 2010, which was not only a year of recovery, but a year of record results. Paramount among the successes of 2010 was our focused work to increase operational efficiency, constant investments in modernisation and ensuring DTEK's leadership in the markets where we operate. This focus enabled us to emerge from the crisis with minimal losses and to use the possibilities for growth which arose as the global economy recovered and external environment improved.

The foundation of success in 2010 was the exemplary work of DTEK's people. It was their efforts which most often made it possible for us to work with record efficiency during the last year while at the same time maintaining the highest labor safety indicators in the industry and in DTEK's history. Our successes in this area are no less significant for us than our production records. These achievements are the result of the Company's focused, comprehensive programme for increasing industrial safety, and we are sincerely proud of what we have achieved.

In 2010 we established records for DTEK for the annual production of coal and electricity – 19.2 million tonnes and 35.4b in kWh, respectively. The production growth enabled us to achieve solid financial results: EBITDA increased by 72.3% to $771m, and DTEK's consolidated income for 2010 increased by 61.8% and came to USD 3.052b.

We remain committed to the principles of reasonable diversification: in 2010, we paid great attention to DTEK's entrance into external electricity markets as well as analysing the opportunities for future growth in new segments of the power industry – renewable and alternative energy.

ECONOMIC RECOVERY

The recovery of the global economy and the Ukrainian economy began in 2010 as did the recovery of production, which ensured demand for electricity and, accordingly, created opportunities for growth in our energy business. Our constant work to strengthen DTEK's team and our efficient risk management system enabled us to utilise effectively the newly emerged opportunities.

Following the global economy, the world financial markets began to recover as well. This gave DTEK the opportunity to launch its debut issue of Eurobonds in 2010 in the amount of $500m. As a result, the Company received the necessary resources to carry out modernisation programmes and was able to increase its share in the generating and coal companies.

INVESTMENTS

As the economy recovered, we strengthened our focus on carrying out programmes for sustainable growth, and in 2010 we invested more than $250 million in the modernization and reconstruction of our capacities. In 2011, we will maintain our adherence to this course, more than doubling investments in the modernisation of the assets that are already in DTEK's portfolio to $667 million.

At the same time, in 2011 we plan to participate actively in the auctions for the sale of state energy assets announced by the Ukrainian government, as well as developing renewable and alternative energy. We continue to work on implementing a project for the construction of a wind park which with a capacity of 200 MW. We plan to invest more than EUR 300 million in the construction of this wind park.

NEW MARKETS

In 2010, DTEK started exporting of electricity to Belarus. Entering the European markets is one of the Company's most important tasks. To this end in 2010, DTEK not only became a member of EURACOAL and EURELECTRIC, but also won auctions for access rights to the electrical networks of Slovakia, Hungary, Romania, Poland and Belarus.

We are confident that cooperation with such influential European organisations will not only help DTEK to better understand current trends, it will also make it possible to participate in the elaboration of a single European energy market.

PLANS FOR THE FUTURE

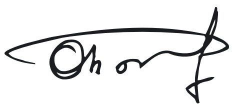
DTEK's priorities will not change in 2011: Increasing presence in the European energy markets; the modernisation of our existing operating capacities and infrastructure; and increasing our operational efficiency. At the same time, this year we have begun drawing up a strategy for the Company's developmenttill 2030.

THE MAIN GROWTH DRIVER IS THE COMMITMENT OF OUR PEOPLE

I am sincerely inspired by the well-coordinated work of our team and the continuous search for opportunities to improve results. Throughout the year, the talent of each employee and his/her capability to think about the common business helped the Company to move towards record results.

On behalf of the Supervisory Board, I would like to thank all the members of the team – from the DTEK CEO to each employee of the production companies for your work, for your striving towards joint growth throughout the entire past year.

Oleg Popov,
Chairman
DTEK Supervisory Board



MESSAGE FROM THE DTEK CEO MAXIM TIMCHENKO

DEAR COLLEAGUES,
2010 was a year of a strong growth for DTEK. The economic recovery made it possible for us to achieve high production figures and to strengthen our market positions further. After a difficult 2009, Ukraine is gradually recovering from the aftermath of the global economic crisis. Contrary to the expectations of the sceptics, GDP grew, inflation slowed and the exchange rate of the hryvna was stable. The industrial production increased, and as a result the consumption of electricity grew as well.

Against this background, DTEK benefited from this economic situation and the results of modernisation greatly. We increased the production of coal and electricity, which had a positive effect on our financial results. A significant step in DTEK's development was the first issue of five years USD 500m Eurobonds. In April 2010 it was the largest non-governmental debut issue of bonds in the history of Ukraine. DTEK received needed financing, which allowed us to undertake planned expansion of our business and continue our modernisation programme. The successful Eurobond issue is the next step in our image building on the international capital markets.

The strategic priorities that we set earlier were tested for their durability, but the world does not stand still, and DTEK is actively developing along with it. In 2010 we began unique work to elaborate the Company's development strategy for the next 20 years. We approached this process systematically using both internal expertise as well as the vision of outside experts. We created a vast knowledge base which allowed us to form hypotheses and map out directions for the development of our Company.

SUSTAINABLE DEVELOPMENT

To be a large business means to meet the highest standards, above all in matters of corporate governance, environmental protection, labor safety and corporate social responsibility. Today we link DTEK's future with the success and the level of societal development of the country in which we live and work.

We are seriously focused on the social and economic development of the regions where DTEK operates as well as on the sustainable and gradual improvement of the conditions of life of the more than 7 million people living in these territories. During the reporting year, DTEK's social investments comprised around UAH 15m, and the Company will increase both the volume of financing and the range of programmes.

In 2010, work was continued to promote the principles and standards of corporate social responsibility and sustainable development in the Ukrainian business environment. In 2010, DTEK became a member of the Global Compact Alliance in Ukraine and took part in the work of the Coordinating Committee of the Verkhovna Rada to develop the draft National Concept for the Development of Business Social Responsibility in Ukraine.

In 2010, the DTEK companies completed certification in the labor safety management system complying with requirements of the OHSAS 18001:2007 standard. The overall level of production injuries was reduced by 16% during the reporting year. In addition, all the DTEK companies completed certification of environmental management systems which comply with the ISO 14001:2004 International standard.

THE DRIVING FORCE OF BUSINESS

DTEK has traditionally paid great attention to the development of its personnel. It is in our people that we see the source of the Company's main competitive advantage.

In March 2010, the Company's unified knowledge management centre – the DTEK Academy – became fully functional. This allowed us to systematise and strengthen the processes for training and developing personnel and to launch a series of new training programmes. Together with the Kuyv-Mohyla Business School, a modular programme for a corporate MBA was developed – The Energy of Knowledge. The study programme Leader's Energy was launched with the provider being the London Business School, and 44 managers of DTEK and affiliated companies enrolled.

EFFICIENCY

The implementation of efficient management, production and investments form the platform for DTEK's development. The systematisation of business processes and high transparency of operating activities will be achieved due to the implementation of an ERP system on the basis of SAP software products. During 2010 the ERP was introduced at DTEK Pavlogradugol, and the SAP ERP system is to be introduced in 2011 at the DTEK Komsomolets Donbassa Mine as well as at Vostokenergo.

The Company continues to work on implementing a comprehensive programme for improving operational efficiency and for developing a culture of innovation.

STRENGTHENING OUR POSITION IN UKRAINE

DTEK's stable position on the internal market is the foundation for long-term growth. Due to high productivity, good product quality as well as efficient price policy, the Company's electricity and coal were in demand on the recovering market.

The coal production at DTEK companies grew by 8.7% and came to 19.2m tonnes. In 2010, DTEK continued modernization programme of it's generating capacities. Due to the high efficiency of the power equipment, the Company remains the leader in the fossil-fuel generation market, with total output of the electrical power of 30.7 TWh (including the results of Dneproenergo). The increase in demand for electricity had a positive impact on the volumes of DTEK's networks transmission, which grew by 10.4% during the year. The Company's presence on the wholesale market also grew to 8.0%, and the volume of purchases of electricity increased by 12.6% to 13.3 TWh.

The increase in DTEK's stake in Kievenergo (to 39.98%) and Zapadenergo (to 25.06% jointly with affiliated companies) was an important step for the Company. In 2010 DTEK also signed a lease agreement for 49 years for the integrated property complex of the state company Dobropolyeugol. This is in line with our development strategy, which is aimed at building a vertically integrated structure of cooperation between coal production and power generation companies.

ON THE WAY TO WORLD MARKETS

In 2010, DTEK substantially strengthened its presence in the international arena. We continue gradual implementation of management systems which meet European standards in all areas of activity. We joined the leading European industry organisations. We strive to share with our foreign partners our vision of perspectives and challenges of the Ukraine's integration into Europe, and also to benefit from the exchange of information and development of business contacts. To this end, DTEK's permanent representative office will be working in Brussels starting from 1 January 2011.

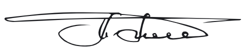
In the future, the Company will continue to develop within Ukraine, gradually growing its presence in the neighbouring states. The entrance point to external markets will be the sale of coal and electricity. We exported more than 1.2 TWh in 2010, which made the Company one of the largest suppliers of Ukrainian electricity to Europe and the CIS countries. We plan to double the export volumes in 2011. We exported about 2m tonnes of coal during the reporting period, which allowed us to take the lead in this area. We plan to increase the export volumes of coal by 25% in 2011.

CONFIDENT IN OUR FUTURE

The Company's impressive financial results in the reporting year, the growth of its operating indicators and the increase in social interactions strengthen the Company's positions and match its strategic vision – to gain a leading position on the European energy markets. Metaphorically, DTEK's long-term goal is to join the Champions' League of Europe's energy companies and to win the Champions Cup, becoming the best among the best. For us it means: the highest salaries for our employees, the highest standards of labor safety, the best living conditions in the cities of DTEK presence, and the best business reputation.

I would like to thank all our colleagues and partners who worked together with us throughout this challenging year. Your professionalism, determination and enthusiasm helped us not only to overcome the difficulties we faced, but to become stronger. I am proud of working with you and I am confident that together we can meet any challenges.

Maxim Timchenko,
DTEK Chief Executive Officer



ABOUT THE COMPANY

DTEK is the largest privately-owned vertically-integrated energy company in Ukraine, with efficient enterprises that mine and prepare coal as well as well as generate and supply electrical and thermal power. DTEK is a part of System Capital Management (SCM), one of Ukraine's leading financial and industrial groups. DTEK can maintain its leading position in Ukraine's fuel and energy market thanks to synergies from its coal-producing and power-generating companies, business conduct in accordance with the global best practices, introduction of cutting-edge technology, a professional management team and implementation of sustainable development principles.

PRODUCTION INDICATORS

19.2 M TONNES
VOLUME OF COAL PRODUCTION
AT THE COMPANY'S MINES

35.4 BLN KW H
VOLUME OF ELECTRICITY OUTPUT
16,352.6 MLN KWH (VOSTOKENERGO LLC)
14,331.9 MLN KWH (DONETSKOBLENERGO PJSC)*
4,748.0 MLN KWH (KIEVENERGO PJSC)*

32,8 BLN KW H
VOLUME OF ELECTRICITY PURCHASES ON THE WEM —
13 287 MLN KWH (SERVICE-INVEST LLC AND
DTEK ENERGOUGOL ENE OJSC),
10 174 MLN KWH (DONETSKOBLENERGO OJSC)**
9 313 (KIEVENERGO PJSC)*

* DTEK owns 47.55% of the Dneproenergo OJSC and 39.98% of Kievenergo PJSC
** DTEK owns 30.6% of Donetskoblenegro OJSC

MAIN FINANCIAL INDICATORS

UAH 24,294 MLN
CONSOLIDATED REVENUE

UAH 6,141 MLN
EBITDA

UAH 2,857 MLN
NET PROFIT

MISSION

We are working in the name of progress and social prosperity.
Our energy brings people light and warmth.

VISION

We are a dynamically developing Ukrainian company which pursues leadership in the European energy markets. Our success is based on people, efficiency and advanced technologies.

VALUES

Professionalism. Our employees possess extensive professional knowledge, carry out their duties responsibly and diligently, and accomplish their tasks in a timely and high-quality manner. We strive to achieve the best results while making the best possible use of human, natural and financial resources.

Responsibility. We are building our business on the understanding that all our efforts should serve the interests of society. We take responsibility for the quality of our work and the observance of corporate standards, for meeting our obligations, for using resources prudently, and for protecting the environment. We are also responsible for the people who make the success of our Company possible — our employees.

Pursuit of excellence. We create the right conditions to develop the talents and abilities of our employees, introduce the latest technology, and improve production and management processes.

Unity. We value team spirit, unity and solidarity. Our potential comes from the diverse experience and knowledge of each employee. Our unity comes from the common pursuit of the same ideas and goals while understanding and supporting each other.

Openness. We are open and keep our employees, partners, shareholders and other external parties informed on important issues of our company's development, creating a foundation for working together in a spirit of trust.

DEVELOPMENT CONCEPT

DTEK will be developing in Ukraine with entering the markets of neighboring countries as a diversified and fuels efficient energy company.

DTEK will focus on the sale of electricity to all categories of consumers with maintaining high standards of service and building a strong retail brand.

DTEK will rely on the key success factors: the talent and potential of employees and efficiency of production, investments and management.

DTEK will participate in the reforming and modernization of Ukraine's economy, social development of the regions of its presence and promotion of the best standards in the industrial and environmental safety.

ENERGY

The main product of the Company is electricity. The energy business of DTEK will be based on the conventional power and heat generation with own fuel supply. The Company will strive to diversify its portfolio of generation, including renewable energy sources.

SOCIETY

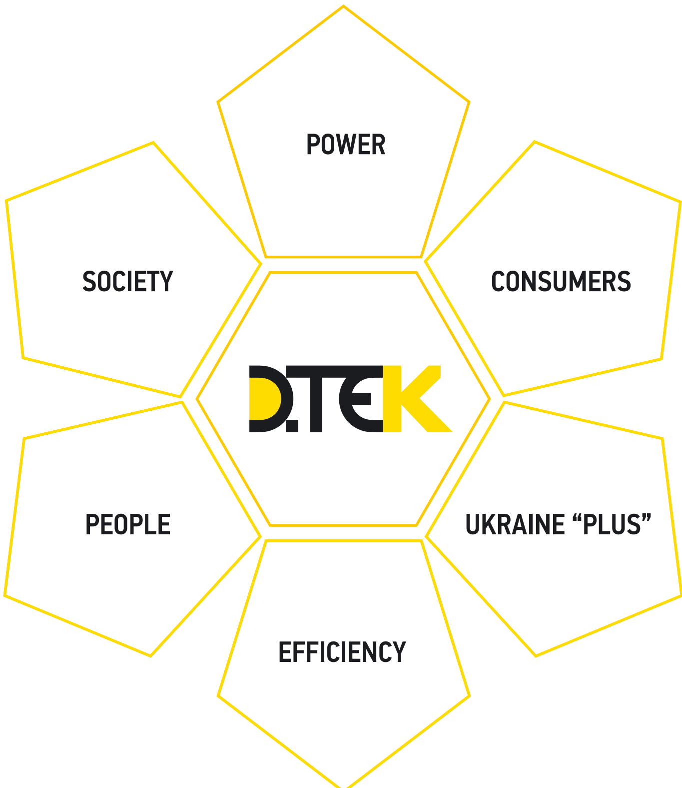
DTEK will strive to become "the face" of the Ukrainian business sector. The Company will be supporting holistic social and economic development of Ukraine and the regions of its presence. DTEK will promote the highest standards in the labor safety and environment protection.

PEOPLE
People are the key driving force of DTEK's progress and the source of its competitive advantage. DTEK will continue to actively invest in the development of its personnel and encourage advancement of the innovation culture.

EFFICIENCY
The core of DTEK's efficiency will be the efficiency of operations, efficiency of investments and efficiency of management.

UKRAINE "PLUS"
Ukraine will remain the key market for DTEK whereas the list of priority regions for future growth will include Central and Eastern Europe and the CIS. The entering will be made through trading operations, and M&A may follow.

CONSUMERS
Electric power retail and auxiliary services to all categories of consumers will become an important part of DTEK's business. The Company will actively develop its retail brand DTEK.



DTEK MANAGEMENT

Chief Executive Officer

MAXIM V. TIMCHENKO

Since July 2005 Maxim Timchenko is serving as Chief Executive Officer of DTEK, Chairman of the Executive Board. Since 2002 to 2005 he worked as a senior manager at System Capital Management being responsible for SCM's energy business until it was spun out into a separate sub-holding company, DTEK.

Mr Timchenko began his career as a consultant at PricewaterhouseCoopers (1998-2002), where he rose to the position of senior auditor.

In 1997 he graduated with honours from the Donetsk State Academy of Management with a degree in Production Management. He continued his education at Manchester University and received a BA degree in Economics and Social Sciences with honours. He is a member of the Association of Certified Chartered Accountants (ACCA).

Chief Operating Officer

YURI A. RYZHENKOV

Since March 2010 is serving as Chief Operating Officer being responsible for the Company's operating units. He is a member of the Executive Board.

He joined the Company in September 2007 as the DTEK CFO.

From 1996 to 2000 Mr Ryzhenkov worked as an assistant to the Chief Financial Officer of the Donetsk Iron and Steel Works. In 2000 he was appointed as manager of the Economic Analysis and Information Technology department at ISTIL Mini Steel Mill (Ukraine).

From 2002 to 2007 he was Deputy Chief Financial Officer and then Chief Financial Officer of the ISTIL group (Donetsk-London).

In 2000 he graduated from King's College London (UK) with a BSc degree in Business Management with honours. The same year he graduated from Donetsk State Technical University (Ukraine) with a degree in International Economics. In 2006 he was awarded an MBA from London Business School (UK).

Chief Financial Officer

VSEVOLOD A. STARUKHIN

Since March 2010 Mr. Starukhin is heading Finance Directorate of DTEK, and is a Member of the Executive Board. Since December 2009 has held the position of DTEK Deputy Director of Finance.

Mr Starukhin began his career at Kraft Jacobs Suchard, where he worked as Credit Control and Financial Transactions Manager in 1995-96. From 1996 to May 2006 he headed the financial department of Mars in Russia, Hungary, the Netherlands and Brazil. In 2006-2008 he worked at Schlumberger as a financial manager at the headquarters in France and later as Chief Financial Officer in Russia. In April 2008 he became Chief Financial Officer of the aluminium division of RUSAL (Moscow).

In 1995 he graduated from the Warsaw School of Economics with a degree in International Economics. In 2003 he received a doctorate in economic sciences from the Moscow Academy of Labour and Social Relations.

Coal Production and Processing Director

ANDREI A. SMIRNOV

Joined the DTEK team in 2011. Member of the Executive Board.

In 1998-2004, he held managerial positions at Vorgashorskaya Mine (Russia). From 2004 to 2007, he held the position of the General Director at Southern Coal-Mining Company (Russia) which was producing and processing anthracite in Rostov Region (Russian Federation). In 2007-08, Mr Smirnov was in charge of Novo Group (Russia), where he led a project on setting up a power and coal company, dealing with recovery and construction of mines and thermal power plants in Rostov and Tula Regions of Russia. In 2007-08, he was also the Advisor of Tula Region Governor for Fuel and Energy Sector. In 1989, Andrey Smirnov graduated with honours from Donetsk Polytechnic Institute majoring in Mine Surveying.

In 1998, he obtained a degree in Finance from Syktyvkar State University. Andrey Smirnov holds a Ph.D. in Political Science and is a full-fledged member of the Academy of Mining Science of the Russian Federation. He has been awarded the “Miner of Russia” Golden Medal for his personal contribution to the development of mining, he is a Full Cavalier of the “Miners Glory” Order.

Business Development Director

GUERMAN A. EINBINDER

Since 2008 is heading DTEK Business Development Directorate. Member of the Executive Board.

He joined DTEK in 2005 as the Strategy and Corporate Development Director.

From September 1993 to January 1995 Mr Einbinder worked as Finance Manager for NERO (Russia). At the same time, he was an Adviser to the Rector of the School of Business and at the Russian government's Academy of the National Economy. In October 1995 he joined management consulting firm Deloitte and Touche CIS. In February 1997 he joined the Russian division of Merck Sharp & Dohme Idea, where he was responsible for business development. In June 1999 he joined KPMG's Strategy and Organizational Planning group.

He is a graduate of the Moscow Institute of Machine Building. In 1995, upon completing his studies at the School of Business and Economics at the Russian government's Academy of the National Economy and California State University (Hayward), he was awarded an MBA degree in Applied Economics and Finance.

Director for External Affairs

ALEXANDER A. TOLKACH

Since September 2010 is heading DTEK External Affairs Directorate. Member of the Executive Board.

Since 2004 Mr Tolkach worked at Mechel, where he advanced from PR Manager to Director for the External Affairs department. From 1999 to 2004 Mr Tolkach worked in the NATO, EAPC and WEU Unit of the Russian Ministry of Foreign Affairs and later as attache in Russia's Permanent Mission to the OSCE (Vienna, Austria).

In 1999 he graduated from the Moscow State Institute of International Relations, a university under the Ministry of Foreign Affairs, with a degree in International Relations.

HR Director

ALEXANDER A. KUCHERENKO

Joined the DTEK team in May 2009 as the Deputy Director for Human Resources to be in charge with establishing a unified center for knowledge management at the company — the DTEK Academy - as well as programmes for evaluating and developing personnel. Later was appointed as the Acting Human Resources and Corporate Communications Director at DTEK. In May 2011 Mr Kucherenko was appointed the new HR Director of DTEK. Member of the DTEK Executive Board.

Aleksandr Kucherenko worked as a regional sales manager and later as a national training coach at UNILEVER. In 2001, he joined INBEV, where he grew from a national coach to the Training and Development Director for the Eastern European Region. In 2006-09, he held the position of the Head of Training and Development Department at Raiffeisen Bank Aval, being responsible for the bank personnel's training and development.

Alexander graduated from Cherkassy State Teachers' Training Institute, majoring in Russian Language and Literature. In 1995, Aleksandr Kucherenko obtained his Master's Degree in Public Administration from the Institute of Public Administration and Self-Governance at the Cabinet of Ministers of Ukraine. In 1991-96, he studied Economics and Sociology at Manchester University (the UK). Later Mr Kucherenko took a PG course at the Public Administration Academy at the Administration of the President of Ukraine and in 2001, he defended his thesis on 'Public Administration'.

Legal Support Director

DMITRY V. SAKHARUK

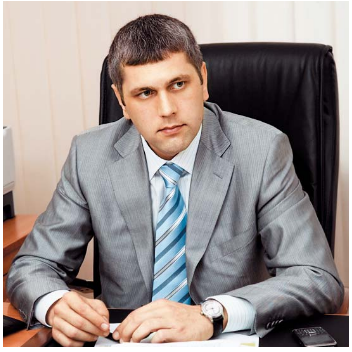
Joined the DTEK team in March 2010 as the Deputy Head of the Legal Support Department. In July 2010 was appointed the Acting Legal Support Director of DTEK. In May 2011, Dmitry Sakharuk was appointed Legal Support Director of DTEK. Member of the Executive Board.

Before joining DTEK, Dmitry Sakharuk worked for Squire, Sanders & Dempsey L.L.P International Legal Company.

In 2000, Dmitry Sakharuk graduated from the National University of Internal Affairs (Ukraine) as Master of Law with honours. In 2001, he also received a Master of Law Enforcement degree with honours.

In 2002, he obtained L.L.M degree in International and Comparative Law from Chicago College of Law.

Director for Information Technologies



SERGEI V. DETYUK

Since November 2009 is heading Information Technologies Directorate.

Mr Detyuk joined DTEK at the end of 2007 as Deputy Director of Information Technologies and led work to develop IT systems across all of DTEK's enterprises.

From 1998 to 2000 Mr Detyuk worked in the faculty of Applied Mathematics and Informatics at Donetsk State Technical University. In 2000 he joined Ukrpodshipnik as an information systems expert and was later appointed Deputy Manager of a project to create a corporate information system.

From 2004 to 2006 Mr Detyuk was the head of the Information Technology department at ISTIL (Ukraine). Later he became the head of the Information Technology department at Dneprospetsstal.

He has got Master's degree in Computer Programming from Donetsk State Technical University. From 2000 to 2002 he continued his studies and obtained a degree in Financial Economics.

Health, Safety and Environment Director

DMITRY Y. TIKHY

Since December 2009 is heading Department for Industrial and Environmental Safety. Mr Tikhiy joined DTEK in January 2007 as head of the Department for Technical Safety and Environmental Protection.

For seven years since 1997 Mr Tikhiy worked at British American Tobacco, where he grew from Chief Engineer for Power Production to Regional Manager for Workplace and Environmental Safety for Central Asia. In 2004 he joined RUSAL (Russia), where he was responsible for developing a modern workplace safety management system at Krasnoyarsk Aluminium Plant and then at all of the company's plants as Director for Workplace Safety for the aluminium division.

In 1994 he graduated from the St Petersburg State University of Information Technology, Mechanics and Optics with a degree in Process Design Engineering.

Security Director

SERGEI V. POLYANSKY

Since April 2007 is holding position of DTEK Security Director. From 2005 Mr Polianskiy was Deputy Head of DTEK's Security Service and in charge of Economic Security. From 2006 he was DTEK's Head of the Department of Economic Security.

From 1986 Mr Polianskiy worked for law-enforcement agencies, where he specialised in operations. During his service, he was promoted from Authorised Operations Officer in the Criminal Investigation department to head of the Anti-Drug Trafficking division of the Ministry of Internal Affairs in Donetsk Region.

From 1994 he worked in executive positions in the Criminal Investigation department of the Ministry of Internal Affairs. During his service he undertook special training on anti-terrorism and solving crimes involving explosives and firearms according to international training systems in the US, UK and Turkey, as part of the fight against drugs and organised crime.

He holds a degree in law from the National Academy of the Ukrainian Ministry of Internal Affairs.

OPERATIONS

COAL PRODUCTION AND ENRICHMENT

DTEK's coal-mining unit is presented by the three largest enterprises in the industry — DTEK Pavlogradugol PJSC (ten mines in the Dnepropetrovsk region), DTEK Pavlogradugol PJSC (five mines in the Donetsk region), DTEK Dobropolyeugol (5 mines in the Donetsk region) and DTEK Mine Komsomolets Donbassa PJSC (Donetsk region). In addition, the coal-preparation units consists of five preparation plants located in the Donetsk and Dnepropetrovsk regions. The Company produces a broad product range, including rough coal of the grades G, GD, T and coal concentrate for power generation and coking-chemical industry, as well as special fuel for household needs. The established reserves of coal as of 31/12/2010 amount to 671m tonnes for DTEK Pavlogradugol PJSC and 115m tonnes for DTEK Mine Komsomolets Donbassa PJSC. DTEK mines produced 19.2m tonnes of ordinary coal in 2010.
The Dobropolyeugol company (five mines in the Donetsk region) became part of DTEK's coal production business at the beginning of 2011. The Company signed a 49-year lease agreement for the integrated property complex of this state company on 22 December 2010. Dobropolyeugol produces gas grade coal. In 2010 the total value of the company's production came to 2.8m tonnes. DTEK expects that investment in the production capacity and the introduction of new technologies will make it possible to almost double this figure to 5.2m tonnes of coal a year. As of 31/12/2010, the recoverable reserves of Dobropolyeugol amounted to 371m tonnes.

ELECTRICITY GENERATION

DTEK's electricity generation business includes Vostokenergo LLC (three thermal power plants), Dneproenergo OJSC (three thermal power plants, DTEK owns 47.55% of the company's shares) and Kievenergo PJSC (two combined heat power plants, DTEK owns 39.98% of the company's shares). All of the produced electricity is supplied to the wholesale electricity market of Ukraine. The total installed capacity of Vostokenergo, Dneproenergo and Kievenergo is 13.5 GW. The total output of electrical power has reached 35.4bln kWh. DTEK also owns 25.06% of Zapadenergo PJSC (the results of this company's work have not been consolidated into this report).

RENEWABLE ENERGY

DTEK's strategy envisions the development of "green" energy as a separate business area. It is also one of the most promising, as it helps to diversify the business and allows the Company to increase its market share through high growth rates and new types of energy. Currently the Company is working on launching the most large-scale wind-power energy project in Ukraine. DTEK's portfolio of wind-energy projects amounts to around 1,200 MW. DTEK is now concentrating its efforts on the wind-energy segment, where its business is coordinated by the Wind Power subsidiary.

ELECTRICITY SALES

Service-Invest, DTEK Energougol ENE, Donetskoblenergo (an associated company, in which DTEK owns 30,59% shares) and Kievenergo (an associated company, in which DTEK owns 39,98% shares) are DTEK's production assets in the electricity sales and supply segment. The networks of Service-Invest, DTEK Energougol ENE and Donetskoblenergo are located in the most highly industrially developed regions of Ukraine: the Donetsk and Dnepropetrovsk regions as well as in the capital of Ukraine. The total length of their network grid lines is 84,9 thousands km, while their total transformer capacity is over 21.2 thousands MVA. Service-Invest, DTEK Energougol ENE, Donetskoblenergo and Kievenergo purchase electricity in the wholesale electricity market of Ukraine and supply it to the end consumers: metal, coal, machine-building enterprises of Donbass as well as to organisations and households in Kiev, Donetsk and Donetsk region.

HEAT SUPPLY

The heat production and supply business is primarily represented by Kievenergo, which provides the full range of energy supply services to the city of Kiev, with a unified production, transport and sales process for thermal and electrical energy. The installed thermal capacity of CHPP-5 amounts to 1874 Gcal/h, CHPP-6 — 1740 Gcal/h, Teploviye Seti — 3106 Gcal/h, Zhilteploenergo — 1726 Gcal/h and the Energiya plant — 104 Gcal/h.
Heat is distributed and transported to consumers using the heat pipeline network, which has a total length of 4500 km. Nineteen pumping stations support the hydraulic operation required. More than 2300 heat supply stations are on the Company's balance sheet and are serviced by it.

* Including 100% of the results of Dneproenergo and Kievenergo

Dneproenergo also supplies heating to the cities of Energodar, Zelenodolsk and several districts of Dnepropetrovsk.
The installed thermal capacity of Dneproenergo is 1983 Gcal/h, including 845 Gcal/h for the Pridneprovskaya TPP, 788 Gcal/h for the Zaporozhskaya TPP and 350 Gcal/h for the Krivorozhskaya TPP.
The Company sells thermal energy to utility companies, legal entities and the public. Heat is distributed and transported to consumers using heat pipeline networks owned by municipalities.

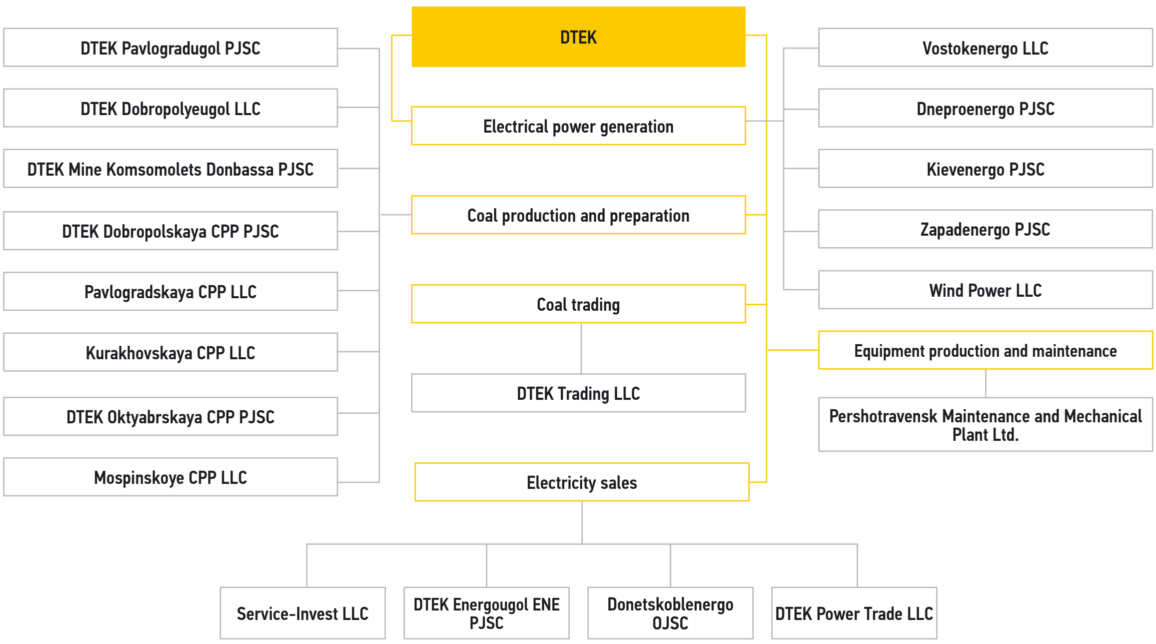
TRADING

The trading enterprises on the territory of Ukraine as well as abroad within the Group are DTEK Trading and DTEK Power Trade. DTEK Trading exports coal products, while DTEK Power Trade is responsible for exports and trade of electricity.

ASSOCIATED COMPANIES

DTEK owns minority stakes in the generating companies Dneproenergo — 47.55% of shares, Zapadenergo — 25.06% (together with affiliated companies), Kievenergo — 39.98% as well as energy supply company Donetskoblenergo — 30.59%. We consider these companies to be strategic assets to strengthen significantly DTEK's position on the relevant markets.

STRUCTURE OF THE MAIN ASSETS OF THE COMPANY



KEY EVENTS DURING THE REPORTING PERIOD

JANUARY

DTEK BECAME A CORPORATE MEMBER OF THE EUROPEAN COAL ASSOCIATION (EURACOAL)

DTEK became a corporate member of EUROCOAL which unites European coal industry. In the interests of its Members, EURACOAL's objective is to highlight the important role of coal for security of energy supply within the enlarged EU and to contribute to an appropriate and reliable framework for coal extraction and utilisation in Europe.

MARCH

DTEK ACADEMY, THE CORPORATE UNIVERSITY OF THE COMPANY, HAS STARTED ITS WORK

The DTEK Academy became a single center for managing knowledge system at all enterprises.

At the DTEK Academy the best employees have an opportunity to undergo a year and a half long training course built along the standards of an MBA degree.

The Kyiv Mohyla Business School is the provider of 'The Energy of Knowledge' programme while "The Leader's Energy" programme is provided by the London Business School.

The professors of the business schools as well as the Company's top managers deliver lecture for employees studying at these programs.

VOSTOKENERGO ANNOUNCED A TENDER FOR 5M ERU SALE

Vostokenergo has announced the start of an open tender for the sale of Emission Reduction Units (ERU) under the Kyoto Protocol.

The company plans to significantly reduce emissions to the atmosphere and put over 5m ERU up for sale by 2012.

The company plans that in 2006-2012 a large-scale power equipment modernisation will result in Kurakhovskaya TPP emissions' reduction by 2.32 m tons of CO2 equivalent (1 ton of CO2 equivalent equals 1 ERU), Luganskaya TPP's by 2.39 m tons and Zuevskaya TPP's by .71 m ton respectively. DTEK sold 300t tonnes of ERU in 2009 which had been received as a result of the modernization of the degassing and methane recovery systems at the DTEK Komsomolets Donbassa mine in the Donetsk Region.

ENERGY EFFICIENCY INCREASING PROGRAMME WAS LAUNCHED IN THE CITY OF KURAKHOVO, THE DONETSK REGION

DTEK, the Kurakhovskaya city council and the Municipal Heating Reform Project (financed by USAID) began to implement a joint programme aimed to reform the city's heating system.

The Project experts conducted energy audit of Kurakhovo's buildings and structures.

Based upon the results obtained, a comprehensive programme for the modernisation of the city's heating networks and for increasing the energy efficiency of infrastructure facilities was developed.

The implementation of a system for energy planning and energy efficiency in the centralised supply of heating started. The total volume of joint investments in this project in 2010 came to UAH 2.5m. A long-term investment programme for energy saving was also drawn up for a total of UAH 42m.

APRIL

DTEK SUCCESSFULLY CLOSED A FIVE-YEAR USD500 MILLION EUROBOND ISSUE

DTEK announced closure of its five-year USD500 million Eurobond issue. The Offering, which was the largest non-sovereign debut issue from Ukraine and the first corporate issue since 2007, will pay a fixed coupon of 9.50% per annum.

Priced at the tight end of guidance, the allocation was split across the US (58%), Europe (37%) and Asia (5%). The offer was almost three times oversubscribed, with demand from over 170 accounts.

ING Bank N.V. (“ING”), The Royal Bank of Scotland plc (“RBS”) and Erste Group Bank AG acted as Joint Lead Managers, with ING and RBS as Joint Bookrunners for this transaction.

DTEK PAID AN INTERNATIONAL LOAN

In late April 2010, DTEK fully repaid its international syndicated loan for USD 150m precisely on time.
The funds were raised in May 2008 at an interest rate of Libor +3% for a period of 2 years with the possibility of an extension for 1 year.

Barclays Capital PLC and Standard Bank Plc. were authorized lead organizers of the syndicate.

JULY

DTEK BECAME A BUSINESS ASSOCIATE MEMBER OF EURELECTRIC

DTEK became an associate member of the Union of the Electricity Industry (EURELECTRIC) that brings together the major energy companies, associations and operators of the EU member states and other European countries. EURELECTRIC's mission is to contribute to the development and competitiveness of the electricity industry, to promote the role of electricity in the advancement of society and to represent and defend the common interests of the electricity industry in the governing bodies of the European Union.

DTEK TO INVEST UP TO UAH500M INTO STATE-OWNED ENTITIES ROVENKIANTHRACITE AND SVERDLOVANTHRACITE IN 2010-2015

DTEK acted as an investor for state-owned entities Rovenkiantratcite and Sverdlovantratcite. The corresponding investment agreements will remain in effect for 5 years with the option to extend at the end of this period.

By the end of 2010, DTEK financed the re-equipment, upgrade and development projects of both companies, under the terms of the standard state-private sector partnership mechanism. The proceeds of DTEK's injection were used for the companies' capital construction projects and for breaking and tunneling equipment.

State companies have gained a regular buyer of their products, which will generate regular and stable levels of income, thereby enabling them to continue their development. In turn, collaboration with Rovenkianthracite SE and Sverdlovanthracite SE helped cover DTEK's generating companies' demand for anthracite coal, meaning that mutually beneficial synergies can be achieved.

AUGUST

VOSTOKENERGO INCREASED THE INSTALLED CAPACITY OF ZUEVSKAYA TPP BY 25 MW

Vostokenergo increased the installed capacity of unit 1, Zuevskaya TPP from 300 to 325 MW that has been approved by the Ministry of Fuel and Energy of Ukraine. Energy equipment productivity growth was caused by the reconstruction undertaken in May-December 2009. Increased capacity, improved reliability and enhanced flexibility, with its range increased by 35 MW also took place. The reconstruction helped to reduce the production cost of electricity generation at Zuevskaya TPP by 1.5%, specific fuel consumption by 22 g per kW as well as extended the elements' service life up to 15 years. Installation of the state-of-the-art DCS (digital control system) was the key improvement of the reconstruction, which will ensure more efficient performance of the unit.

SEPTEMBER

VOSTOKENERGO TPPS INCREASED INSTALLED CAPACITY TO 15 MW

The Ministry of Fuel and Energy of Ukraine has approved an increase in the installed capacity of unit # 7 at the Kurakhovskaya thermal power plant (TPP), from 210MW to 225MW. The tests conducted have demonstrated an increase in the unit's capacity, improved reliability and an expanded range by 55 MW. In May 2010, the second stage of the reconstruction began. This phase includes the replacement of the generator's circuit-breaker, thyristor excitation system and high-voltage electric drives. The upgrade of the electric precipitator and introduction of a desulphurization installation will cut sulphur dioxide emissions by 60%, reinforcing DTEK's commitment to reducing the environmental impact of its operations. The core innovation that DTEK has deployed in the reconstruction of the unit will be a new automated control system to ensure more cost effective operation of the unit.

DTEK INCREASED ITS STAKE IN THE SHARE CAPITAL OF KIEVENERGO

DTEK increased its stake in share capital of Kievenergo up to 24,9%. Investment broker Altana Capital was acting as an organizer of the deal.

DTEK INCREASED ITS STAKE IN THE TOTAL SHARE CAPITAL OF ZAPADENERGO

DTEK increased its stake in the total share capital of Zapadenergo to 24.9%.

OCTOBER

DTEK PAID INTEREST ON EUROBONDS

DTEK paid interest in the amount of USD 23,75 million on its five-year USD500 million Eurobond issue.

NOVEMBER

MOODY'S IMPROVED THE OUTLOOK FOR DTEK'S LONG-TERM RATING

Moody's Investors Service changed to stable from negative the outlook on long-term corporate family rating (CFR) of DTEK Holdings B.V. ("DTEK"). Despite adverse macroeconomic developments in 2009, accompanied by a significant decline in electricity consumption, Moody's noted that DTEK managed to preserve its solid financial performance and capitalise on the recovery in electricity consumption in 2010.

DTEK STARTED EXPORTING ELECTRICITY TO BELARUS

Since 10 November 2010 DTEK started delivering 300 MW of electrical energy to Belarus. The agreement initiated by the Belarusian side was concluded between Vostokenergo and State Enterprise "Belenergo" on September 1, 2010.

DTEK ISSUED THE COMPANY'S SECOND NON-FINANCIAL REPORT — A SUSTAINABLE DEVELOPMENT REPORT FOR 2008-2009.

The document was presented in the framework of CSR Marketplace being the first exhibition in Ukraine of companies' social and ecological projects. DTEK sustainable development report took the first place in the competition for the best non-financial report in Ukraine.

DECEMBER

DTEK INCREASED ITS STAKE IN KIEVENERGO

DTEK increased its stake in share capital of Kievenergo up to 39,98%

DTEK SIGNED CONTRACTS WITH UKRENERGO TO ACCESS INTERBORDER CONNECTION GRIDS TO EXPORT ELECTRICITY IN 2011

Vostokenergo and PowerTrade have signed contracts with national grids operator Ukrenergo to access interborder connection to export electricity in 2011.

INDUSTRY REVIEW

THE ECONOMY OF UKRAINE IS GRADUALLY RECOVERING FROM THE GLOBAL ECONOMIC CRISIS.

In 2010, the key development indicators turned out to be better than those planned at the beginning of the year. The government of Ukraine and the International Monetary Fund forecast GDP growth of 3.7%, however gross national product grew by 4.2% in comparison with 2009.

MACROECONOMIC INDICATORS *

The economy of Ukraine is gradually recovering from the global economic crisis. The actual figures for 2010 turned out better than the planned targets. The government of Ukraine and the International Monetary Fund forecast GDP growth of 3.7%, however gross dometic product grew by 4.2% in comparison to 2009.

In comparison to 2009, the extraction industries production volume grew by 3.7% in 2010, and the processing industries grew by 13.5%; the production and distribution of electricity, gas and water grew by 9.5%. A positive trend is that in December 2010 alone, the industrial production index grew by 12.5% in comparison to the similar period of 2009.

The negative foreign trade balance for 2010 came to USD 3.1b, which is two and half times higher than the figure for 2009 (USD 1.3b). The merchandise trade balance contracted in 2010 — from USD 5.7 to USD 9.3b. The export of Ukrainian goods rose by 29.6% to USD 51.4b, and imports increased by 33.7%, to USD 60.7b. The negative balance in the trade of goods in the energy group (USD -15.9b) automobiles (USD -2.7b) and polymer materials (USD -2.3b) significantly influenced the trade balance. This deficit could not be compensated by the improvement in the positive foreign trade balance for services from USD 4.4 to USD 6.2b. The volume of receipts from the gas transport system grew by 59.6% (to USD 3.3b), from railway transport by 17.4%, and from air transport by 6%.

The official rate of the hryvna strengthened during 2000 against the three main currencies for Ukraine: the US dollar, the Euro and the Russian rouble. According to data from the National Bank of Ukraine, the Euro fell most sharply during the past year: by almost UAH 0.9, or 7.8%. For their part, the Russian rouble and the dollar became cheaper by 0.4-0.5 kopecks in 2010, declining in price by 1.9% and 0.05%, respectively.

Ukraine's state budget deficit amounted to UAH 64.4b, which was 19% or UAH 10.3b more than provided for by the State Budget Law for 2010.

Inflation slowed in 2000 and amounted to a 9.4% increase in comparison with 12.3% in 2009.

The 2011 budget deficit was approved at a level of 3.08%, or UAH 38.6b. The budget anticipates that the nominal GDP in 2010 will be UAH 1.25 trillion, and that the growth rate of real GDP will be 4.5% with a consumer price index of 8.9%, and a producer price index of 11.3%

* According to data from the State

COAL MARKET

Ukraine's coal production market is currently divided between the state and privately sectors. The independent companies sell directly to customers, while the State companies' product is sold through the state company UgolUkrainy.

In 2010, the share of private coal-mining companies rose by 2%.

In 2010 the production volume of ordinary coal rose by 4.1% in Ukraine. The production of thermal coal increased by 9.9%, while at the same time the production of coking coal fell by 6.2%.

The production of coal by private coal-mining companies grew by 8.4% in 2010, including: DTEK Pavlogradugol PJSC — 9.5%, Krasnodonugol OJSC — 7.9%, the Zasyadko Mine — 6.3% and the DTEK Komsomolets Donbassa Mine — 5.5%. The volume of coal production by state coal-mining companies in 2010 was equal to the level of 2009, and the growth was only 0.2%.

THE STRUCTURE OF COAL PRODUCTION IN UKRAINE BY OWNERSHIP, %

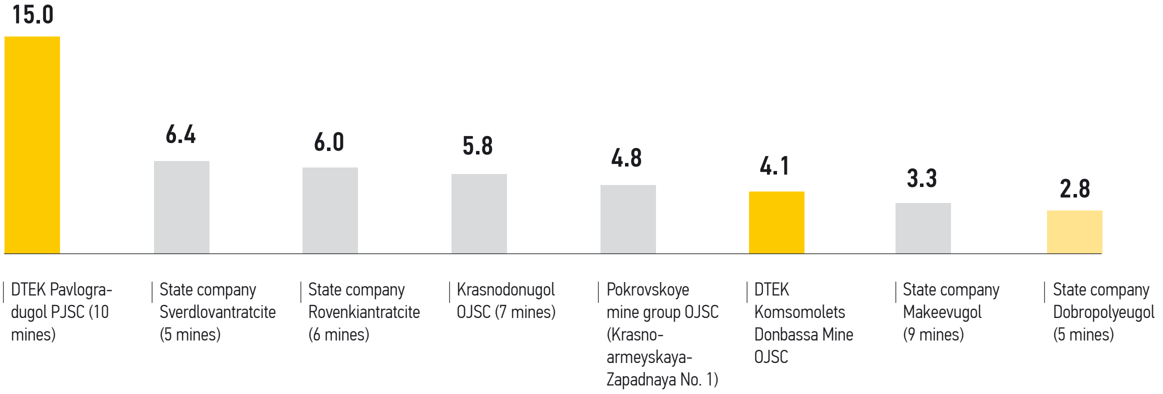
Data from the Regional Information Resource Centre of the Ministry of Coal Industry of Ukraine.

VOLUME OF ORDINARY COAL PRODUCTION IN UKRAINE, thousands tonnes

Name	2008	2009	2010
Ukraine total	77,802.2	72,237.1	75,231.0
Thermal coal	50,981.7	46,463.7	51,048.9
including grade G	16,964.1	14,638.5	10,916.8
Coking coal	26,820.5	25,773.4	24,182.1
including grade G	5,820.7	5,586.7	4,021.5

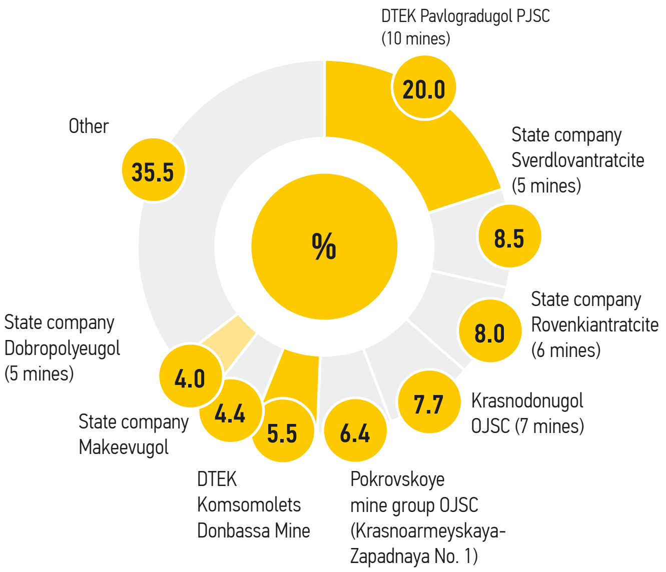
Data of the Regional Information Resource Centre of the Ministry of Coal Industry of Ukraine.

PRODUCTION VOLUME OF THE LARGEST COAL PRODUCERS IN UKRAINE IN 2010, m tonnes



Data of the Regional Information Resource Centre of the Ministry of Coal Industry of Ukraine.

LARGEST COAL PRODUCERS



DTEK Pavlogradugol PJSC gained the first place among Ukraine's coal-mining companies in 2010 with a 20% share of total extraction. The state enterprises SE Sverdlovantratcite and SC Rovenkiantratcite ranked second and third with shares of 8.5% and 8.0%, respectively.

In 2010, demand for thermal coal grew by 9.9%, but fell by 7.8%* for coking coal*.

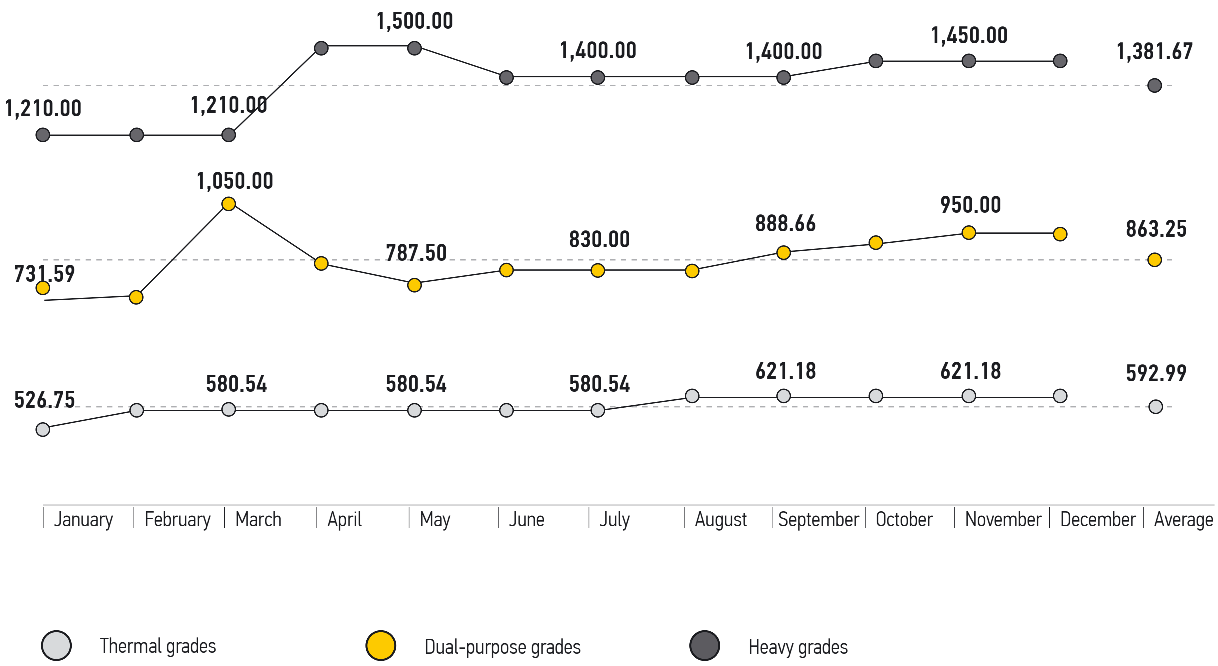
COAL EXPORTS IN 2010

Exports of thermal coal increased in 2010 by 1.56m tonnes, and those of coking coal decreased by 0.19m tonnes.** Most Ukrainian coal was exported to Bulgaria, Turkey and Poland.

COAL IMPORTS IN 2010

According to information from the journal Energobusiness, imports of thermal coal rose by 2007 and 2.7m tonnes and came to 3.03m tonnes. The import of coking coal grew by 2.28m tonnes over 2009 and came to 9.85m tonnes according to data from UNPA Ukrcoke.

PRICE TREND FOR COAL CONCENTRATE IN UKRAINE IN 2010, UAH/t without VAT



According to the data of the Ministry of Coal Industry of Ukraine.

* according to data from the Ministry of Fuel and Energy
** according to data from the journal Energobusiness

EXPORT OF COAL FROM UKRAINE IN 2010 , thousands tonnes

Name	2008	2009	2010
Thermal coal, including:	4,597.5	4,837.3	6,398.0
Anthracite	3,504.0	3,308.6	5,783.4
G, DG	1,093.6	1,528.7	352.3
Coking coal	197.4	453.2	262.3

According to data from the journal Energobusiness

INDUSTRY REGULATION

The coal market is regulated by the Ministry of Energy and Coal Mining of Ukraine — the body created in December 2010 through the reorganisation of the Ministry for Coal and the Ministry of Fuel and Energy.

IMPORT OF COAL TO UKRAINE IN 2010, thousands tonnes

Name	2008	2009	2010
Thermal coal*	2,908.2	306.7	3,032.5
Coking coal**	9,112.7	7,566.7	9,849.0

* according to data from the journal Energobusiness
** according to data from the Ukrcoke, Ukrainian National Production Association

Due to the difficult situation a number of reforms were developed recently in the industry. The main goal of the ongoing economic transformations is to create profitable coal production based on promising and sustainadle companies to provide the state economy with coal products, first and foremost to achieve the energy security of Ukraine.

Due to the programme for economic reforms in 2010-2014, presented by the President of Ukraine, five key areas for transformation have been developed to achieve the goals including:

- liberalisation of the coal market;
- improvement of the mechanism for state support;
- facilitation of companies restructuring processes;
- establishment of social support system for released workers and mining towns;
- change in the forms of coal companies ownership through privatisation using various measures to increase their investment appeal.

OBJECTIVES AND CHALLENGES FOR THE COAL INDUSTRY IN 2011

- Maintaining production at least at the level of 2010, preparing and equipping new longwalls for increasing coal production in 2012;
- increasing the competitiveness of Ukrainian coal through technical modernisation and upgrades of the coal industry, as well as through lowering the coal production cost;
- implementing innovative labor safety systems which correspond to global standards;
- preparing state mines for privatisation.

ELECTRICITY MARKET

MARKET MODEL

At present, Ukraine employs a market model with a single producer of electrical energy — SE Energorynok. The generating companies of the thermal power plants (GC TPP) work in the competitive sector. For other producers selling electrical energy on the wholesale electricity market (WEM), the market regulator, the National Electricity Regulatory Commission (NERC), establishes the tariffs. After accounting for all the administrative costs and subsidies, Energorynok calculates a single wholesale electricity price for energy supply companies, and they purchase it from Energorynok.

For their part, the supplying companies sell electricity to the end consumers at fixed prices established by the regulator depending on the voltage class of the electricity networks to which the consumer is connected. There are currently 2 groups of consumers in Ukraine: the first are business entities and entreprenuers, and the second are urban and rural population.

There are also independent electrical energy suppliers present in the market which do not possess their own networks and who have the capability of providing electricity at the unregulated tariff (UT), but their market share is insignificant.

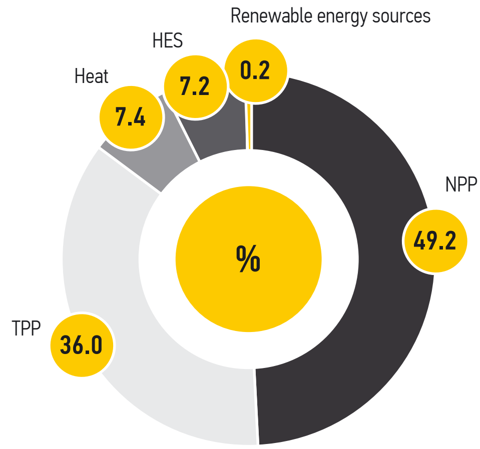
The only competitive segment of the electricity market is fossil-fueled generation, which works using 'next day' bids. Based upon the price bids submitted for each power unit and the forecast for consumption for the next day, the regulator constructs a load schedule for the power units from the lowest costs to the highest. The first loads are received by the power unit with the lowest production cost. The last bid to be accepted determines the base tariff for all the units receiving a load. Thus, the generating companies with the lowest production costs receive the highest load and the highest margin.

The programme for reforming of Ukraine's energy market envisages a gradual transition from a Single Buyer market to a market of two-party contracts.

MARKET STRUCTURE

The installed capacity of Ukraine's electrical power stations constituted to 53.2 GW in 2010, which exceeded the level for the previous year by 0.2 GW. Thermal energy accounts for a large portion of this capacity. Thermal power plants (TPPs) and combined heating and power plants (CHPPs) have an installed capacity of 33.8 GW, 63.5% of the entire capacity of the energy system, while the installed capacity of nuclear power plants (NPPs) does not exceed 13.8 GW or 26%. At the same time, NPPs' share of electricity generation is larger because of the operational conditions of the process and their base load maintenance. The cumulative capacity of hydro-electric stations (HES) and NPP's is 5.5 GW which constitutes 10.3% of the total capacity of the electricity system. The capacity of wind power electrical stations is 0.09 GW, or just 0.16%.

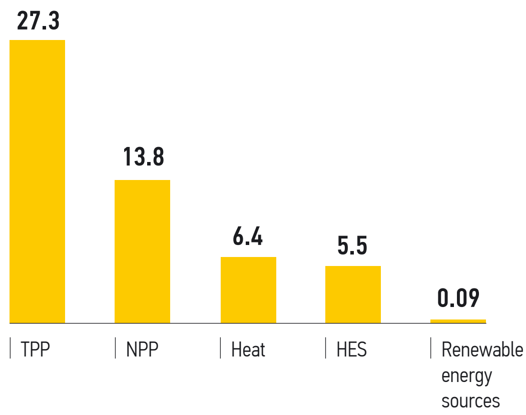
Market structure for electricity generation in 2010



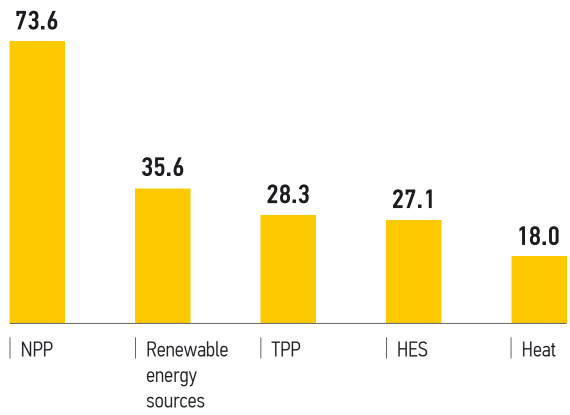
STRUCTURE OF ELECTRICAL POWER OUTPUT IN UKRAINE, mln kWh

	2009	2010	Δ 2010/2009, %
Nuclear power stations	78,009	84,042	7.7
Thermal power plants	57,370	61,537	7.3
Heating power plants	9,900	12,693	28.2
Hydro-electrical plants	11,215	12,387	10.5
Renewable energy	71	297	318.3

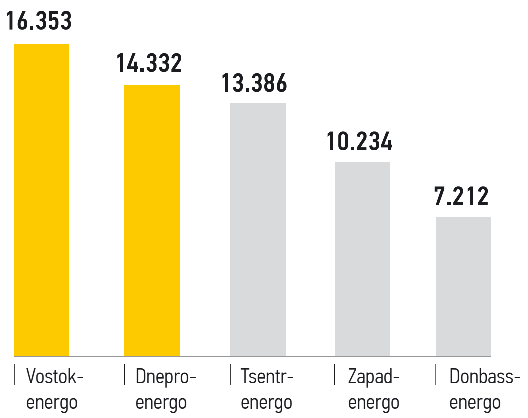
THE INSTALLED CAPACITY OF THE UKRAINIAN POWER PLANTS IN 2010, GW



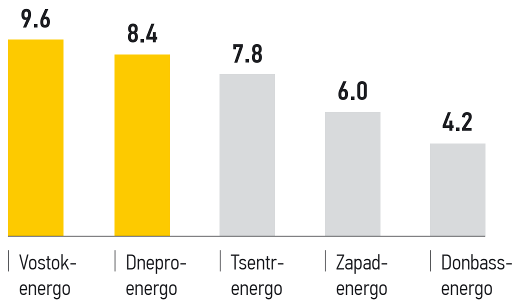
REINSTALLED CAPACITY UTILISATION RATE (ICUR) IN 2010, %



ELECTRICITY SUPPLY BY THERMAL GENERATION COMPANIES, mln kWh



SHARE OF THE THERMAL POWER GENERATION COMPANIES IN TOTAL ELECTRICAL POWER GENERATION IN 2010, %

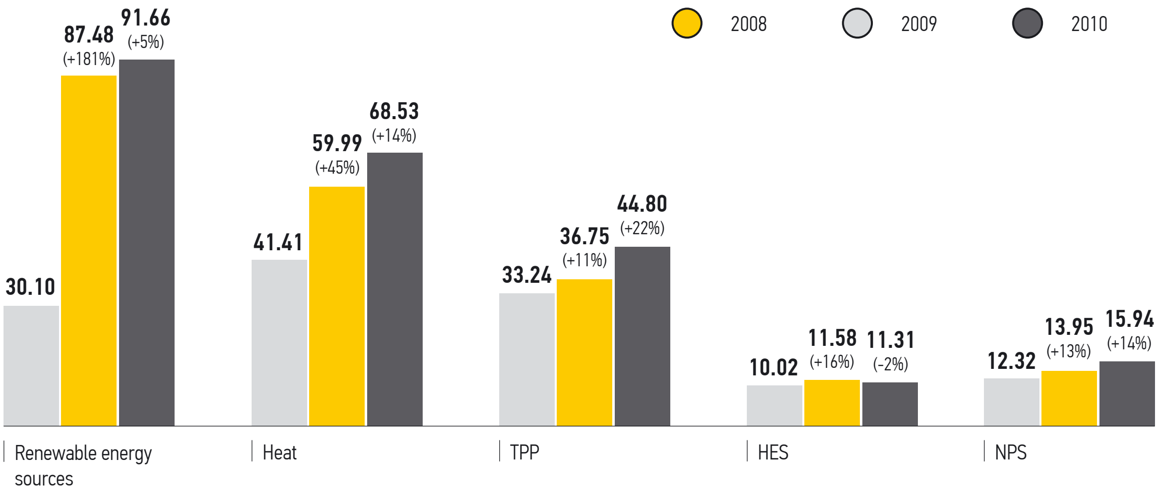


In 2010, electricity generation in Ukraine increased by 8.7% iin compare to 2009 to 187.9b in kWh.* The TPP increased electricity generation by 9.7% to 77.98b in kWh, the NPP by 7.5% to 89.15b in kWh and the power unit stations and the municipalities utilities CPP by 9.5% to 7.81b in kWh. The HES and Pumped Storage Plants (PSP) increased electricity generation by 10.2% to 12.97b in kWh.

In comparison with 2009, the absolute growth in the consumption of electricity came to 12.82m in kWh. A positive trend was noted mainly due to the increase in the volume of the consumption of electricity in the machine building industry by 0.9m in kWh (17.4%), in the chemical and petrochemical industries — by 0.8m in kWh (17.4%), in the metallurgy industry — by 4.74b in kWh (14.0%), and in the transportation industry by 1.0m in kWh (11.9%). The consumption of electricity by the population increased by 3.3m in kWh, which was 9.6% more than previous year. The industry share in the total volume of electricity consumption increased to 48.5% (in 2009 — 47.6%), while the share of the public was constituted 25.6% (25.5%). The main reason for the energy consumption growth in 2010 was the economic recovery, although it should be noted that none of industries has recovered to its pre-crisis level.

* According to the Ministry of Fuel and Coal Mining of Ukraine.

AVERAGE ELECTRICITY SUPPLY TARIFF, kopecks/kWh



According to the State Company Energorynok report

ELECTRICITY TARIFFS

In 2010, the electricity supply tariff demonstrated the biggest trend at thermal power plants: it grew by 22% in comparison to the previous year, supply tariffs were increased by 14% for NPP and CHPP, they decreased by 2% for HES, and they rose by 5% for alternative energy.

The electricity supply tariff also increased for DTEK companies in 2010. For Vostokenergo the tariff increased by 9.8 kopecks/kWh in comparison with 2009, an increase of 26%. The increase in the tariff for Dneproenergo constituted to 7.9 kopecks in 2010 as compared to 2009.

ELECTRICITY TRANSMISSION AND SUPPLY

The unified tariffs which were increased in 2010 continue to be efficient today in Ukraine on the retail electricity market; during 2010 their level for class 1 voltage consumers increased by 16.8% (January 2010 — 47.32 kopecks/kWh, December 2010 — 55.27 kopecks/kWh), and for class 2 consumers — by 9.4% (January 2010 — 62.7 kopecks/kWh, December 2010 — 68.6 kopecks/kWh).

Today there are two methodological approaches to the formation of tariffs for energy distribution and energy supply companies:

- the 'cost-plus' method;
- the principle of regulating profit rates with certain incentive elements.

The majority of energy distribution as well as energy supply companies work up to the 'cost-plus' method.

During 2010, the tariff setting system did not undergo any changes.

The Economic Reform Programme for 2010-2014 emisages development of a new tariff methodology of regulatory incentives for energy distribution companies, with a transition to these methods in 2012.

REGULATION OF THE WHOLESALE ELECTRICITY MARKET OF UKRAINE

The main agency which regulates Ukraine's Wholesale Electricity Market (WEM) is the National Electricity Regulatory Commission (NERC).

NERC is responcible for:

- participation in state policy forming for the development and functioning of the WEM;
- state regulation of the natural monopolies operations in the electricity sector;
- implementing price and tariff policies;
- issuing licences for the electricity production, transmission and supply;
- approving changes to the Agreement among the Members of the Wholesale Market for Electricity in Ukraine, approving them in advance with the Ministry of Energy and Coal Mining of Ukraine and the Anti-Monopoly Committee of Ukraine;
- protecting the rights of electricity consumers.

Throughout 2010, a series of changes occurred in the legal regulatory system for regulating the Wholesale Electricity Market of Ukraine.

The level of the maximum permitted volume of electricity production for one licensee company was increased from 25% to 33% of the total annual amount of electricity generated in the country; the maximum permitted volume for the transmission and supply of electricity under regulated and non-regulated tariffs was increased from 15% to 33% of the total annual volume of electricity consumption in Ukraine for the previous calendar year.

Changes made to the auctions' procedures auctions' for access to Ukraine's cross-border networks for export of electricity with regard to:

- rejecting the formula principle for the formation of starting prices for lots;
- providing possibility for the winners of the annual actions to temporarily refuse the services of Ukrenergo for access to the cut-over;
- changing principle for determining guarantee payment by action participants.

REFORM OF THE ELECTRICITY SECTOR IN UKRAINE IN 2010

The transition to the full implementation of the Functioning and Development of the Wholesale Market for Electricity Concept has begun in 2010, providing for the transition from the existing models for the WEM (the pool of a single buyer) to the model of two-party agreements market and a balancing market (MTPB).

The reform's preparation commenced in the second half of 2010. Three experimental auctions for the purchase and sale of electricity among the producers and suppliers of electricity were conducted.

Ukraine joined the European Energy Community in 2011. This step stimulated the acceleration of reforms in the energy sector, the development of competition in the electricity and gas industry, and promote the international trade in electricity, an increase in its efficiency as well as a decrease in its environmental impact.

By joining the Energy Community, Ukraine undertook the obligation to implement the rules of European energy legislation. The member countries of the Energy Community pledge to implement common rules for their domestic electricity and gas markets (Directives 2003/54/EC and 2003/55/ EC) and to create non-discriminatory conditions for access to networks for the cross-border exchange of electricity and gas transport systems for cross-border gas trading. Ukraine has to meet its obligations for protecting the environment and creating favourable conditions for the development of clean energy.

The main advantages of Ukraine's membership in the Energy Community are the following:

- the liberalisation of the electricity and gas markets;
- increasing safety of energy supplies;
- improving export and import opportunities;
- increasing attractiveness for investors energy industry.

The major problem Ukraine will face it is to ensure implementation of the 2001/80/EC Directive on lower-decrease in emissions, which requires significant investment in the industry.

The electricity sector has been included as one of the priority areas of work for the Economic Reform Programme for 2010-2014. In accordance with this document, in order to ensure that there are solid changes in the energy industry of Ukraine, it is necessary to:

- ensure that regulatory policy is transparent, consistent and predictable;
- economically justified tariff are systematically established to provide incentives for cost reduction and to ensure investment flow to the sector.
- the reform of the electricity and fuel markets shall secure clear and transparent rules for their functioning, a reduction in state interference and an opportunity to generate the income necessary to make investment decisions;
- an increase in management efficiency in the electricity sector;
- establishment of additional, non-tariff incentives to increase energy efficiency.

MAIN OBJECTIVES FOR THE ELECTRICITY MARKET IN 2010

- Bringing all thermal power generation to a profitable level of operations.
- Start developing programmes to implement the EU environmental directives.
- Start work to review the 'Energy Strategy up to 2030'.
- Adjustments to the rules for using price bids.

GOALS IN THE ELECTRICITY SECTOR FOR 2011

- Approving the draft of the updated 'Energy Strategy fup to 2030'.
- A step-by-step increase in tariffs for the population to remove price subsidies and to bring the tariffs to an economically justified level.
- Privatising TPP generating companies and energy supply companies.
- Introducing a system of quality indicators to regulate energy distribution companies.
- Developing and implementing a methodology for an 'encouraged tariff setting' for energy distribution companies: approving methodology for forming the necessary income for licensees for the transmission of electricity by local electrical networks and the supply of electricity at the regulated tariff and amending the current legislation.

UPDATING 'ENERGY STRATEGY UP TO 2030'

The Presidential Programme of Economic Reforms for 2010-2014 'A Prosperous Society, Competitive Economy and Efficient State' was released in 2010. One of the objectives for the reform of the electricity sector is to ammend the 'Energy Strategy up to 2030'. The work to update the Energy Strategy has begun in 2010 to be completed in 2011.

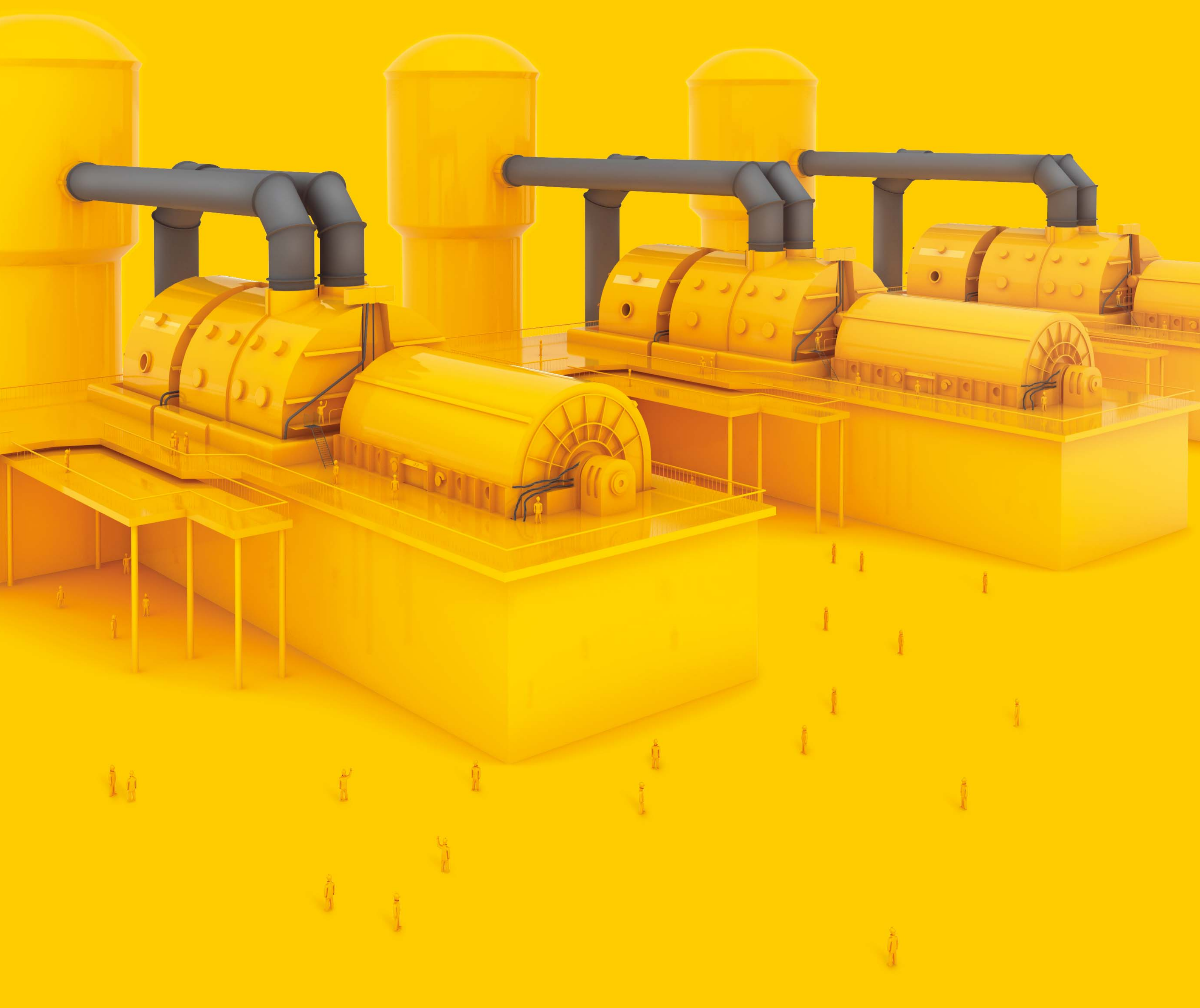
The main reasons to for update the Energy Strategy:

- the necessity to correct the forecast figures for the macroeconomic indicators of the Energy Strategy, for the amount for energy resources and the forecast fuel and energy balance;
- setting new goals for environmental protection and reducing greenhouse gas and solid particle emissions during energy production, establishing priorities and goals for developing generation if based upon renewable energy sources;
- a review of the measures for increasing energy efficiency and energy savings because of Ukraine's obligations under the Energy Community and defining the tasks for integrating the energy markets of Ukraine and the EC;
- defining strategic areas for investment projects in the fuel and energy complex of Ukraine, the financial resources required and the sources of financing;
- establishing priorities for the development of competition in the energy sector.

OPERATING RESULTS

DTEK COMPANIES DEMONSTRATED SIGNIFICANT GROWTH IN THEIR PRODUCTION INDICATORS FOR 2010.

The production of coal in the Company's mines in 2010 came to 19.2m tonnes, the total output of electricity grew to 35.4b in kWh, the volume of electricity sales came to 32.8b kWh.



PRODUCTION

DTEK companies demonstrated significant growth in their production indicators for 2010. The production of coal in the Company's mines in 2010 came to 19.2m tonnes, the total output of electricity grew to 35.4b kWh, the volume of electricity sales came to 32.8b kWh.**.

DTEK increased production volume due to the implementation of operating improvements, large-scale multi-year programme for the modernization and reconstruction of equipment, as well as the growth in the electricity consumption of in Ukraine.

KEY PRODUCTION INDICATORS OF DTEK

Indicators	unit of measurement	2009	2010	Change (+/-)	Change (%)
Coal production					
DTEK Pavlogradugol	t tonnes	13,732.0	15,043.0	1,311.0	9.5
DTEK Komsomolets Donbassa Mine	t tonnes	3,903.8	4,121.5	217.7	5.6
Coal enrichment					
Ordinary coal enrichment	t tonnes	11,607.4	12,490.0	882.6	7.6
Output of concentrate	t tonnes	7,625.8	7,738.0	112.2	1.5
Electrical power generation					
Vostokenergo electric power output	m kWh	14,504.7	16,352.6	1,847.9	12.7
Vostokenergo electric power output	m kWh	11,788.6	14,331.9	2,543.2	21.6
Kievenergo electric power output	m kWh	3,177.0	4,108.6	930.6	29.3
Transmission and sale of electrical energy					
Volume of electrical energy purchases on the WEM — Service-Invest and DTEK Energougol	m kWh	11,802.1	13,287.3,	1,485.2	12.6
Volume of electrical energy purchases on the WEM — Donetskoblenergo	m kWh	9,946.7	10,173.7	227.0	2.3
Volume of electrical energy purchases on the WEM — Kievenergo	m kWh	8,786	9,313	527	6.0

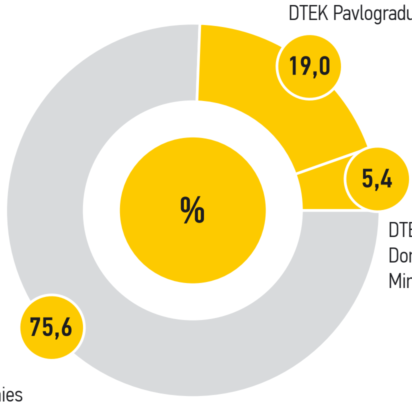
Commercial reserves of coal as of 31/12/2010

Mine	Commercial reserves, m tonnes	Period of extraction, years
Komsomolets Donbassa	**114,8**	**33**
Pavlogradugol, including:	**671,1**	**54**
Zapadno-Donbasskaya mine	162,1	112
Geroev Kosmosa mine	126,9	68
Stepnaya mine	118,6	95
Dneprovskaya mine	84,6	63
Yubileynaya mine	42,1	45
Samarskaya mine	41,2	36
Ternovskaya mine	27,2	25
Stashkova mine	25,0	21
Pavlogradskaya mine	23,6	18
Blagodatnaya mine	19,8	21

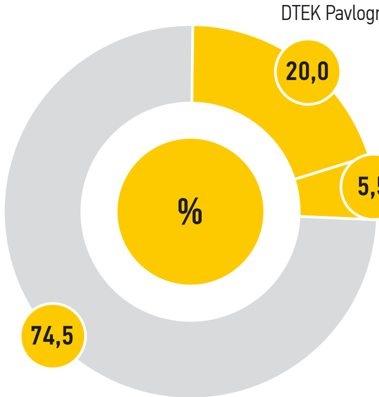
* Including 100% of the result of Dneproenergo, where DTEK owns 47.55% of the shares and Kievenergo, where DTEK owns 39.98% of the shares.
** Including 100% of the result of Donetskoblenergo, where DTEK owns 30.6% of the shares and Kievenergo, where DTEK owns 39.98% of the shares.

SHARE OF DTEK'S COAL-MINING COMPANIES IN THE TOTAL VOLUME OF COAL PRODUCED IN UKRAINE, %

2009

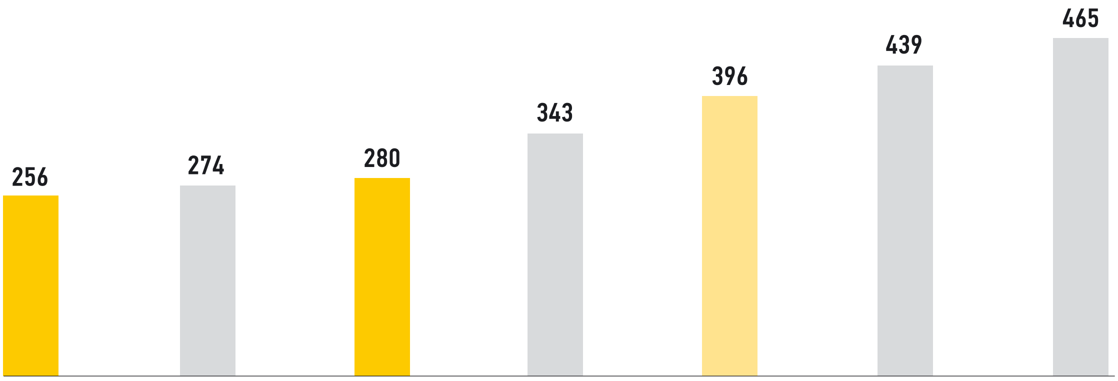


2010



Data of the Regional Information Resource Centre of the Ministry of Coal Industry of Ukraine.

ORDINARY COAL PRODUCTION COST FOR THE LARGEST COAL-MINING COMPANIES OF UKRAINE IN 2010, UAH/tonnes



According to information from the Regional Information Resource Centre of the Coal Ministry (production cost of finished production made equivalent to ordinary coal)

COAL PRODUCTION AND PREPARATION

In 2010, Pavlogradugol and the KomsomoletsDonbassa Mine Produced 19.2m tonnes of coal, which exceeded the results for the previous year by 8.7% and were significantly higher than the average 4.1% growth indicator for coal production in the coal industry. The relative share of thermal grades in the total volume of DTEK's coal-mining companies increased. Last year Pavlogradugol and KomsomoletsDonbassa Mine achieved the highest production figures of their entire history, surmounting the threshold of 15 and 4m tonnes of coal, respectively.

The coal production growth resulted from an increase in the volume of common coal enrichment by 7.6% to 12.5m tonnes.

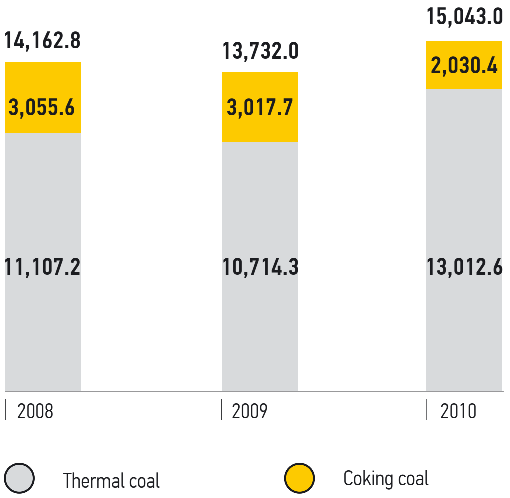
ELECTRICAL POWER GENERATION

VOSTOKENERGO LLC

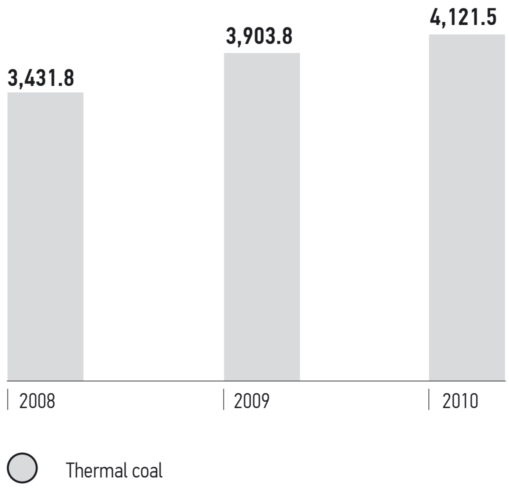
According to information from the Ministry of Energy and Coal Production of Ukraine, Vostokenergo's share in the total volume of electrical power generation in Ukraine in 2010 came to 9.57% (in 2009 — 9.26%)*. The growth of Vostokenergo's share in 2010 is attributed to an increase in the consumption of electricity in

DTEK COAL PRODUCING COMPANIES, thousands tonnes

DTEK Pavlogradugol



DTEK Komsomolets Donbassa



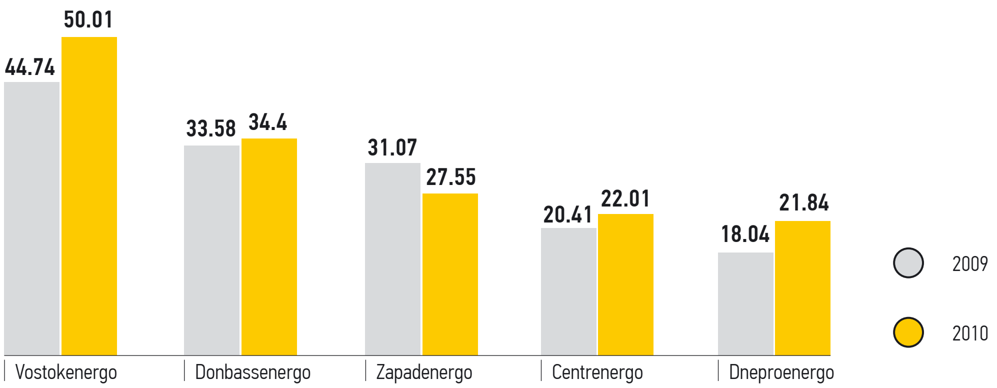
Ukraine while at the same time the company maintained the lowest production costs of electrical power generators, and accordingly, the best load of its power units.

Vostokenergo's output of electricity reached the rate of 16.35m in kWh in 2010, against to 14.5m in kWh in 2009.

By the end of 2010 the installed capacity of Vostokenergo's power plants had increased to 4,157 MW, which is 1% more than at the end of 2009. An additional 40 MW of installed capacity were obtained due to a successful reconstruction.

In 2010,Vostokenergo continued to implement the second stage (power unit No. 1 of the Zuyevskaya TPP, No. 7 of the Kurakhovskaya TPP and No. 10 of the Luganskaya TPP) and the third stage (power units No. 4 of the Zuyevskaya TPP, No. 8 of the Kurakhovskaya TPP and No. 13 of the Luganskaya TPP) of power equipment modernisation. As a result, the installed capacity of unit No. 1 of the Zuyevskaya TPP increased by 25 MW to 325 MW, and unit No. 7 of the Kurakhovskaya TPP by 15 MW to 225 MW. Growth in the maneuverability range came to 35 MW and 55 MW for the units, respectively. The recon-

THE INSTALLED CAPACITY UTILISATION RATE (ICUR) OF THE FOSSIL-FUELLED GENERATION COMPANIES OF UKRAINE IN 2010, %



* According to the Ministry of Fuel and Coal Mining of Ukraine.

struction of unit No. 10 of the Luganskaya TPP began in December 2010 and is to be completed in August 2011. In 2010 a portion of the work for reconstructing the boiler unit was completed at the Zuyevskaya TPP and Electricity equipment of power unit No. 4 was replaced. A large portion of the tenders were conducted and contracts were concluded to conduct work on the fourth stage of reconstruction (power units No. 3 of the Zuyevskaya TPP, No. 6 of the Kurakhovskaya TPP and No. 11 of Luganskaya TPP).

In 2010, Vostokenergo's generating capacity enjoyed the highest demand among all thermal generation companies. It is the reason of lower production costs for electrical power generation compared to competitors.

The growth in Vostokenergo's ICUR in 2010 (50.01%) in comparison with 2009 (44.74%) is attributed to an increase in electrical power generation by 2,066m in kWh (12.9%), which in turn resulted from growth in the consumption of electricity by Ukrainian consumers, and lowest cost of production company had last year.

FUEL SUPPLY TO VOSTOKENERGO

The primary fuel for Vostokenergo's stations is the coal produced by DTEK's coal mining enterprises. The Zuyevskaya and Kurakhovskaya TPPs use gas grade coal, while Luganskaya TPP uses anthracite and meagre coal. Strict control over the quality of the coal purchased enabled Vostokenergo to obtain coal supplies of a quality no less than the design level and, as a result, gas and fuel oil use in the coal combustion process were reduced to a minimum.

The volume of coal purchases in 2010 came to 9.4m tonnes. DTEK companies supplied 77.1% (7.2m tonnes), and the rest was sold to outside suppliers.

DNEPROENERGO

Dneproenergo's share of the total electrical power generation volume in Ukraine came to 8.4% in 2010, up 0.9% from 2009. The increase in market share was caused by a growth in energy consumption as well as production costs reduction and an increase in the maneuverability of the equipment, which in turn led to higher demand for Dneproenergo's power units.

KEY OPERATIONAL INDICATORS OF VOSTOKENERGO, thousands kWh

	Indicators	2008	2009	2010	△ 2010/2009
Zuyevskaya TPP	Electricity,generation	5,459,221	5,225,664	5,888,396	662,732
	Electric power consumption for own needs, %	7.09	7.24	7.24	
	Electricity supply	5,071,178	4,846,530	5,461,058	614,528
	ICUR, %	51.79	49.37	54.53	
Kurakhovskaya TPP	Electricity generation	6,469,622	5,180,961	5,991,209	810,248
	Electric power consumption for own needs, %	10.16	10.46	10.82	
	Electricity supply	5,806,640	4,633,059	5,336,952	703,893
	ICUR, %	50.45	40.51	46.34	
Luganskaya TPP	Electricity generation	6,589,975	5,636,697	6,230,059	593,362
	Electric power consumption for own needs, %	10.26	10.80	10.80	
	Electricity supply	5,910,992	5,025,077	5,554,576	529,499
	ICUR, %	53.11	45.15	49.91	
Vostokenergo LLC	Electricity generation	18,518,818	16,043,322	18,109,664	2,066,342
	Electric power consumption for own needs, %	9.29	9.53	9.65	
	Electricity supply	16,788,810	14,504,666	16,352,586	1,847,920
	ICUR, %	51.77	44.74	50.01	

PRODUCTION CAPACITY OF VOSTOKENERGO AS OF 31 DECEMBER 2010				
Power unit No.	**Installed capacity, MW**	**Commissioning date/last overhaul or reconstruction**	**Run life, thous. of hours**	**Major overhauls / reconstruction**
Kurakhovskaya TPP				
3	200	1972 / 2007	250.1	Reconstruction 2013-2014. Expected increase of installed capacity by 15 MW.
4	210	1973 / 2004	229.4	Reconstruction 2014-2015. Expected increase of installed capacity by 15 MW.
5	222	1973 / 2008	213.2	Reconstruction 2007-2009. Expected increase of installed capacity by 12 MW.
6	210	1973 / 2005	210.5	Reconstruction 2011-2012. Expected increase of installed capacity by 15 MW.
7	225	1974 / 2010	217.9	Reconstruction 2008-2010. Expected increase of installed capacity by 15 MW.
8	210	1974 / 2003	220.9	Reconstruction 2010-2011. Expected increase of installed capacity by 15 MW.
9	210	1975 / 2006	220.0	Reconstruction 2012-2013. Expected increase of installed capacity by 15 MW.
Total	**1,487**			
Zuyevskaya TPP				
1	325	1982 / 2010	166.4	Reconstruction 2008-2010. Expected increase of installed capacity by 25 MW.
2	320	1982 / 2009	162.2	Reconstruction 2007-2009. Expected increase of installed capacity by 20 MW.
3	300	1986 / 2006	146.0	Reconstruction 2011-2013. Expected increase of installed capacity by 20 MW.
4	300	1988 / 2005	134.8	Reconstruction 2010-2012. Expected increase of installed capacity by 25 MW.
Total	**1,245**			
Luganskaya TPP				
4	—	1956 / long-term reserve	279.0	Turbo generator is mothballed (long-term reserve). No generation possible.
9	200	1962 / 2007	294.8	Reconstruction 2008-2011. Expected increase of installed capacity by 10 MW.
10	175	1962 / 1999	290.0	Reconstruction 2012-2013. Expected increase of installed capacity by 35 MW.
11	200	1963 / 2004	295.3	Reconstruction 2012-2013. Expected increase of installed capacity by 10 MW.
12	—	1967 / long-term reserve	199.7	Turbo generator is mothballed (long-term reserve). No generation possible.
13	175	1968 / 2003	261.3	Reconstruction 2010-2012. Expected increase of installed capacity by 35 MW.
14	200	1968 / 2006	255.4	Reconstruction 2014-2015. Expected increase of installed capacity by 10 MW.
15	200	1969 / 2005	264.5	Reconstruction 2012-2014. Expected increase of installed capacity by 10 MW.
Total	**1,150**			

Electricity output increased by 21.6%: from 11.79m in kWh in 2009 to 14.33m in kWh in 2010. The growth in useful output was caused by increase in the consumption of electricity in Ukraine.

In 2010 the installed capacity of Dneproenergo did not change, and by the end of the year it amounted to 8,185 MW.

In 2010 Dneproenergo conducted large-scale maintenance operations: work was conducted on 18 of Dneproenergo TPP's 25 power units. Work was performed to extend the service life and increase the reliability of the boiler turbine equipment, including the fall-winter maximum load season. Reconstruction continued on power unit No. 9 of Pridnestrovskaya TPP and unit No. 3 of the Krivorozhskaya TPP, which it is scheduled to commission in the second half of 2011.

The power efficiency rate (not taking into account gas-fuel oil units and units which have been fully idled) was increased to 34.3% in 2010. The overall ICUR of Dneproenergo in 2010 was 21.8%, which also grew by 3.8 percentage points in comparison to the previous year following the increase in electrical power generation.

FUEL SUPPLY TO DONETSKOBLENERGO PJSC

The Dneproenergo stations work primarily on coal, and the share of this type of fuel came to 97.7% of the company's fuel mix. The Pridnestrovskaya TPP and the Krivorozhskaya TPP use meagre grades of coal, and the Zaporozhskaya TPP uses gas grades. The proportion of other types of fuel — gas and fuel oil — in Dneproenergo's balance does not exceed more than 2.3% in total.

The actual consumption of coal in 2010 came to 6.83m tonnes.

In 2010 the volume of coal purchases came to 7.2m tonnes. The supplier of the overwhelming portion of the coal — approximately 94% — in 2010 was DTEK Trading Ltd, And the remaining 6% of the coal of Dneproenergo was purchased from the state enterprise Ugol Ukrainy. The range of suppliers was determined by an open tender.

KEY OPERATIONAL INDICATORS OF DNEPROENERGO, thousands kWh

	Indicators	2008	2009	2010	△ 2010/2009
Pridneprovskaya TPP	Electricity,generation	4,066.6	3,502.8	3,881.5	378.7
	Electric power consumption for own needs, %	9.0	9.3	9.0	
	Electricity supply	3,638.4	3,121.6	3,477.7	356.1
	Output of heat, thous. Gcal	433.2	449.8	514.2	64.4
	ICUR, %	31.3	27.0	29.9	
Krivorozhskaya TPP	Electricity generation	6,333.8	5,106.0	6,744.3	1,638.3
	Electric power consumption for own needs, %	7.0	7.3	6.7	
	Electricity supply	5,853.3	4,699.8	6,214.1	1,514.3
	Output of heat, thous. Gcal	58.3	57.2	57.3	0.1
	ICUR, %	28.4	23.0	30.3	
Zaporozhskaya TPP	Electricity generation	5,661.1	4,324.6	5,033.4	708.8
	Electric power consumption for own needs, %	6.6	7.2	6.8	
	Electricity supply	5,234.1	3,967.2	4,640.0	672.8
	Output of heat, thous. Gcal	120.0	108.7	108.3	-0.4
	ICUR, %	53.7	41.1	47.9	
Donetskoblenergo PJSC	Electricity generation	16,061.5	12,933.4	15,659.2	2,665.8
	Electric power consumption for own needs, %	7.4	7.8	7.3	
	Electricity supply	14,725.9	11,788.6	14,331.9	2,543.3
	Output of heat, thous. Gcal	611.5	615.7	679.8	64.1
	ICUR, %	35.0	28.3	34.3	

PRODUCTION CAPACITY OF DNEPROENERGO AS OF 31 DECEMBER 2010

Power unit No.	Installed capacity, MW	Commissioning date / last major overhaul	Run life, thous. of hours	Major overhauls / reconstruction
Pridneprovskaya TPP				
7	150	1959 / 1999	310.9	Reconstruction in 2011-2013.
8	150	1960 / 2007	326.1	Reconstruction in 2013-2014.
9	150	1960 / 1995	303.6	Reconstruction in 2008-2011.
10	150	1961 / 2006	306.6	Reconstruction in 2017-2018.
11	310	2001 / 1993	244.5	Reconstruction in 2014-2015. Expected increase in installed capacity - 25 MW.
12	—	1964 / 1996	221.6	Mothballed
13	285	1965 / 1997	282.5	Reconstruction 2016-2017. Expected increase of installed capacity by 45 MW.
14	285	1966 / 1993	246.4	Reconstruction 2011-2013. Expected increase of installed capacity by 45 MW.
Total	**1,480**			
Krivorozhskaya TPP				
1	282	1965 / 1993	285.0	Reconstruction 2011-2012. Expected increase of installed capacity by 43 MW.
2	282	1966 / 1998	283.4	Reconstruction 2016-2017. Expected increase of installed capacity by 43 MW.
3	282	1966 / 1993	252.8	Reconstruction 2010-2011. Expected increase of installed capacity by 18 MW.
4	282	1968 / 1992	221.6	Reconstruction 2007-2011. Expected increase of installed capacity by 18 MW.
5	282	1968 / 1994	266.9	Reconstruction 2011-2014. Expected increase of installed capacity by 43 MW.
6	282	1969 / 1995	233.8	Reconstruction 2011-2013. Expected increase of installed capacity by 43 MW.
7	—	1970 / 1996	190.4	Mothballed
8	282	1970 / 1996	240.8	Reconstruction 2017-2018. Expected increase of installed capacity by 43 MW.
9	282	1972 / 1994	178.8	Reconstruction 2011-2012. Expected increase of installed capacity by 43 MW.
10	282	1973 / 1992	178.4	Reconstruction 2014-2015. Expected increase of installed capacity by 43 MW.
Total	**2,538**			
Zaporozhskaya TPP				
1	300	1972 / 2010	251.4	Reconstruction 2010-2011. Expected increase of installed capacity by 25 MW.
2	300	1972 / 2006	237.9	Reconstruction 2011-2014. Expected increase of installed capacity by 25 MW.
3	300	1972 / 1999	245.4	Reconstruction 2011-2012. Expected increase of installed capacity by 25 MW.
4	300	1973 / 1995	227.0	Reconstruction 2011-2013. Expected increase of installed capacity by 25 MW.
5	800	1975 / 1995	148.9	—
6	—	1976 / 1993	127.4	Mothballed
7	800	1977 / 1992	133.2	—
Total	**3,600**			

KIEVENERGO PJSC

In 2010, Kievenergo's share of total power generation among the generating companies of the Ministry of Fuel and Energy in Ukraine came to 2.6% for electricity generation and 57.3% for the generation of thermal energy. In 2010, the installed capacity of the generating companies of Kievenergo remained unchanged at 1200 MB.

The total volume of electrical power generation by Kievenergo in 2010 was 4.74m in kWh, which was 23.5% more than in 2009 (3.79m in kWh). The increase in generation was caused by Ukrenergo in electricity generation of Kievenergo CHPP. Electricity output also increased by 29.3%: it came to 4.11m in kWh, while in 2009 it was 3.18m in kWh.

The installed capacity utilisation rate increased in 2010 and came to 45.1% as compared to 36.0% in 2009.

FUEL SUPPLY TO KIEVENERGO

In 2010 the Kievenergo units used natural gas and fuel oil for the production of electrical and thermal energy. The total consumption of gas at the Company came to 1.82m m3, and the consumption of fuel oil was 1,128 tonnes of oil equivalent up to dry weight basis. The share of fuel oil in Kievenergo's fuel balance is not large, since it is used only during the period when planned repairs of TPP equipment are conducted.

WIND POWER LLC

The total planned capacity of wind energy projects of Wind Power LLC came to 1,200 MW at the end of 2010. Wind monitoring was started on the shores of the Sea of Azov in the Zaporizhia and Donetsk Regions in 2009. Results showed efficiency of wind energy projects carrying out.

The pilot project involved the construction of the Botiev wind energy station (WES) WES in the Zaporizhia Region with a capacity of around 200 MW, with the following conducted in 2010:

- a feasibility study for the project was completed and confirmed the efficiency of its realisation;
- public hearings were held, and local residents fully supported the construction of the WES;
- the land for the construction and operation of the WES was received under a 49-year lease;
- all the licences necessary to start construction were received.

KEY OPERATIONAL INDICATORS OF KIEVENERGO, thousands kWh

	Indicators	2008	2009	2010	△ 2010/2009
Heat- 5	Electricity generation	2,761,120	1,983,621	2,605,552	621,931
	Electric power consumption for own needs, %	12.9	16.7	13.9	
	Electricity supply	2,405,405	1,651,817	2,243,846	592,029
	Output of heat, thous. Gcal	4,165,517	4,084,423	4,545,393	460,970
	ICUR, %	44.91	32.35	42.49	
Heat-6	Electricity generation	1,898,127	1,803,585	2,140,437	336,852
	Electric power consumption for own needs, %	15.1	15.5	13.1	
	Electricity supply	1,614,678	1,526,165	1,864,757	338,592
	Output of heat, thous. Gcal	3,405,829	3,127,399	3,576,014	448,615
	ICUR, %	43.22	41.18	48.87	
Kievenergo PJSC	Electricity generation	4,659,247	3,787,206	4,745,989	958,783
	Electric power consumption for own needs, %	13.7	16.2	13.5	
	Electricity supply	4,020,083	3,177,982	4,108,603	930,621
	Output of heat, thous. Gcal	7,571,346	7,211,822	8,121,407	909,585
	ICUR, %	44.21	36.03	45.15	

PRODUCTION CAPACITY OF KIEVENERGO AS OF 31 DECEMBER 2010				
Power unit No.	**Installed capacity**	**Commissioning date / last major overhaul**	**Run life, thous. of hours**	**Major overhauls / reconstruction**
Electricity generation				
Kiev CHPP-5 — 700 MW				
1	100 MW	1971 / 2009	278.7	Overhaul — 2015 Reconstruction in 2013-2014. Expected increase in installed capacity: Electro — By 10 MW, thermal – by 25t Gcal/h.
2	100 MW	1972 / 2007	272.3	Major overhaul — 2012.
3	250 MW	1974 / 2010	241.4	Major overhaul — 2010, 2014.
4	250 MW	1976 / 2008	214.6	Major overhaul — 2013.
Kiev CHPP-6 — 500 MW				
1	250 MW	1982 / 2009	188.2	Major overhaul — 2013.
2	250 MW	1984 / 2008	181.7	Major overhaul — 2012.
Generation of thermal energy				
Kiev CHPP-5 — 1,874 Gcal/h (2179 MW)				
1	160 Gcal/h	1971 / 2009	278.7	Reconstruction in 2013-2014. Expected increase in installed capacity: Electro — By 10 MW, thermal – by 25t Gcal/h.
2	160 Gcal/h	1972 / 2007	272.3	—
3	324 Gcal/h	1974 / 2010	241.4	Major overhaul — 2010.
4	330 Gcal/h	1976 / 2008	214.5	—
Modernised Peak Thermal	180 Gcal/h	1972 / 2008	28.5	—
MPTB Station-180 No. 2	180 Gcal/h	1972	22.7	—
MPTB Station-180 No. 3	180 Gcal/h	1977	35.8	—
WGOB-180 Station-180 No. 4	180 Gcal/h	1992	38.8	—
WGOB-180 Station-180 No. 5	180 Gcal/h	1998	24.5	—
Kiev CHPP-6 — 1,740Gcal/h (2,023 MW)				
1	330 Gcal/h	1982	188.2	Major overhaul — 2013.
2	330 Gcal/h	1984	181.7	Major overhaul — 2012.
WGOB-180 Station No. 1	180 Gcal/h	1981 / 2010	44.0	Major overhaul — 2010.
WGOB-180 Station-180 No. 2	180 Gcal/h	1982	43.9	—
WGOB-180 Station-180 No. 2	180 Gcal/h	1983 / 2008	42.1	—
WGOB-180 Station-180 No. 4	180 Gcal/h	1986 / 2010	38.9	Major overhaul — 2010.
WGOB-180 Station-180 No. 5	180 Gcal/h	1998	7.6	—
Alstom boiler Station No. 6	180 Gcal/h	2004	3.2	New

UAH9.4m was invested in the project in 2010.

Construction on the Botievsky WES is to begin in 2011.

DISTRIBUTION OF ELECTRICITY

SERVICE-INVEST LLC

Service-Invest is the key DTEK company in electricity sales. The company possesses 2,653 km of power lines and 81 transformer substations with a total capacity of 2,448 MW. In 2010, Service-Invest expanded the geography of its licened business in the Dnepropetrovsk and Donetsk regions.

The transmission through the grid in 2010 grew by 10.9%, caused by an increase in the production volumes of the ore-mining, metallurgical and coal production industries. Their electrical power consumption grew accordingly.

In 2010, Service-Invest's principal customers continued to be ore-mining and metallurgical companies of the Donetsk and Dnepropetrovsk Regions of Ukraine, which accounted for 78.6% of total consumption. The coal production and machine building sector provided a substantial volume of consumption, totalling 8.1% and 4.6%, respectively. The companies of the Metinvest Holding group accounted for 48.9% of the total volume of useful output of Service-Invest. In 2010 the volume of electricity supplied by the companies of the DTEK group came to 6.8% of the total useful output of Service-Invest (the largest consumer was Pavlogradugol — 4.1%). The largest consumer of Service-Invest remains the Ilyich Iron and Steel Works in Mariupol, with 17.9% of the total volume of useful output in 2010.

The losses of electricity on the grid in 2010 reached a minimal level at 1%.

DTEK ENERGOUGOL ENE PJSC

In 2010, in terms of the construction of new 6-10 kW and 0.4 kW lines, the length of the power transmission lines (PTL) of DTEK Energougol ENE grew by 19 km in comparison to 2009 and came to 1,244 km. The number of integrated transformer substations increased by 3 new ITS in 2010 and came to 395.

The volume of electrical power transmission in 2010 grew by 44.1m in kWh (4.6%) compared to 2009 and came to 995.5m in kWh. The transmission volume grew for all groups of consumers except for coal industry companies.

The main consumers of DTEK Energougol ENE are mines and mining machine building enterprises (around 60%). Residential community utilities companies account for 5% of the total volume of electrical power transmission, and around 6% are household consumers.

In 2010 the losses of electricity by DTEK Energougol ENE grew by 7.5% and came to 74.7m in kWh do to growth in the volume of transmissions on the grid and the alteration of settlement procedures. In order to reduce electricity losses on the grid, DTEK Energougol ENE annually develops and implements a programme for the accounting of feeder expenses on electrical energy.

DONETSOBLENERGO OJSC

In 2010 the length of the power transmission lines remained the same as in 2009 and came to 69,400 km. A reduction in the transformer capacity took place in 2010 from 12,208 MW to 11,967 MW. It was caused by disassembly and write-off of the transformers which had completed their service life.

The volume of electrical power transmission increased by 4.2% in 2010 and reached 8,585.6m in kWh. The volume of consumption by chemical industry companies rose by 34%, by machine building companies 19% and other consumers 1%.

The biggest share of consumption came from households (41.8%) and residential community utilities companies (17.2%). The share of industrial customers does not exceed 20%.

It was possible to decrease the electricity losses in 2010 to a level lower than the established standard. The actual losses of electricity were lowered to 92.6 million kilowatts (3.5%) and came to 1.64m, kWh.

KIEVENERGO PJSC

In 2010 the total length of air and cable electrical power transmission lines came to 11,700 km. The transformation and management of electrical power transmission was conducted at sixty 35/110 kW substations with a total capacity of 3,709 MVA, at 3,293 6-10/0.4 kW transformer substations with a total capacity of 2,473 MVA and at 183 10 kW distribution points with a capacity of 179 MVA.

The volume of electrical power transmission increased by 9.9% in 2010 and reached11.33m in kWh. The useful output to consumers grew by 6.4% and came to 8.26m in kWh. The growth in transmissions in 2010 resulted from the economy's gradual recovery from the crisis, a renewal of construction in Kiev, climate and the growth of consumption of the non-household sector in Kiev.

Kievenergo's main consumers in the electricity production segment are the public (32.3%), non-industrial consumers (30.5%), industrial consumers (30.1%), electrified urban transport (3.9%), towns (3%) and agricultural producers (0.2%).

In 2010 the actual electricity losses increased. The growth in losses was caused by technical reasons, as evidenced by the increase of standard electricity losses.

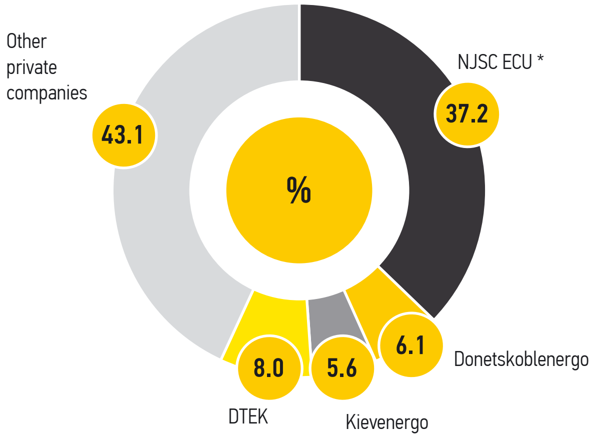
THE SHARE OF DTEK DISTRIBUTION COMPANIES IN THE PURCHASES OF SE ENERGORYNOK

In 2010, the share of DTEK's energy supply companies (Service-Invest and DTEK Energougol ENE) in the Wholesale Electricity Market WEM increased by 0.3% to 8.0% (2009: 5.5%) of the total saleable electricity supply in Ukraine. The share of Service-Invest grew from 7.1% in 2009 to 7.3% in 2010 and the share of DTEK Energougol ENE remained at the level of 0.6%.

A decrease in share of electricity purchases was noted at Donetskoblenergo from 6.5% to 6.1% in terms of the growth in the transmission of electricity by unregulated tariff suppliers and a reduction in the volume of electricity losses.

The share of Kievenergo in the total volume of purchases of electricity in the WEM in 2010 decreased to 5.6%, which is explained by an increase in the total volume of purchased electricity by energy supplier positions in 2010 by 14b in kWh, caused by an increase in electricity consumption by industry.

PURCHASE OF ELECTRICITY ON THE WEM OF UKRAINE IN 2010, %



* not taking into account Donetskoblenergo and Kievenergo

INVESTMENT PROJECTS

The key success of the DTEK's strategy realization is continuous investment in the Company's key assets.

COAL PRODUCTION

In 2010, 18 tunnelling and 7 stope facing machines, 13 canvas conveyors and 7 scraper conveyors were purchased. At the Stepnaya mine (DTEK Pavlogradugol) ploughing equipment by Bucyrus DBT Europe GmbH was put into operation. Due to this, the production volume of one long wall increased to 2.5t tonnes of coal a day. New mine rock machinery was also put into operation at unit No. 2 of the Stepnaya Mine. DTEK invested more than UAH 41m in its construction. This facility is an important link in the technological chain for developing the mining field of the unit, which contains more than 37m tonnes of coal. The operation of the new facility makes it possible to increase the speed and decrease the energy intensity for the preparation of the stope face at the Stepnaya Mine by 25%.

The most powerful heat pump system in the entire post-Soviet area was put into operation at the Blagodatnaya Mine, making it possible to use the heat from mine water to supply hot water to the operation. The installation will eventually completely replace the coal boiler, which will not only make it possible to significantly reduce operational costs for hot water, but will also eliminate harmful emissions.

Last year the fleet of mining equipment at the Komsomolets Donbassa Mine was updated: 9 canvas conveyors were purchased for the operation's transport chain, 80 sections of 2KD90 powered roof supports, 1K01 stope facing machinery and a SP-251 scraper conveyor.

During the first half of the year, a series of investment projects were implemented at the Company's enrichment plants. In particular, slurry waters were modernised at the Oktyabrskaya CPP, a new centrifuge was installed at the Dobropolskaya CPP, and the production facilities of the Dobropolskaya and Pavlogradskaya CPP were modernised and reconstructed.

GENERATION

The reconstruction of DTEK's generating capacities completed in 2009-2010 made it possible for the Company to increase the electrical power output volume and ensure a high level of the use of Vostokenergo's installed capacity and its reliability. The work on power unit No. 1 of the Zuyevskaya TPP was completed. Capacity increased from 300 MW to 325 MW, moreover the specific consumption of fuel was reduced by 3%.

The reconstruction of power unit No. 7 at the Kurakhovskaya TPP was completed in August 2010. The main equipment used to determine the capacity of the power unit was modernised — the turbine, boiler, generator and transformer. In the result, the capacity of the power unit was increased by 15 MW, and the range of manoeuvrability of the unit was increased by 55 MW. The main innovation of the reconstruction at unit No. 7 of the Kurakhovskaya TPP was the installation of a modern Ovation APCS System (Emerson), enabling the power unit to work more efficiently. The cost of the work to reconstruct power unit No. 7 at the Kurakhovskaua TPP in 2010 came to UAH 120.5m.

The total volume of work for the reconstruction of unit No. 10 at the Luganskaya TPP is similar to the volume of work for the projects to upgrade unit No. 1 at the Zuevskaya TPP and unit No. 7 at the Kurakhovskaya TPP. The unit's transformer was reconstructed in 2009; other work will be completed in 2011. A total of UAH 144.7m was invested in the reconstruction of the unit in 2010. A total of UAH 276.9m was invested in the reconstruction of the second stage in 2010.

The total cost for the maintenance operations of Vostokenergo in 2010 was 48.7% more than 2009 costs. The increase in the costs for maintenance operations in the reporting period can primarily be explained by the increase in the volume of work, since the measures planned for 2009 were deferred due to the economic crisis and implemented only in 2010.

At Dneproenergo, work on the reconstruction of power unit No. 9 of the Pridnestrovskaya TPP continued during this period along with work on power unit No. 3 of the Krivorozhskaya TPP, and it should be completed in 2011. The reconstruction will prolong the operating life of the equipment by 15-20 years, and improve combustion and yield of ash. This means that the residual particular level of flue gasses will not exceed 50 mg/m3, which complies with EU standards.

THERMAL AND ELECTRICAL ENERGY SALES

In 2010, Service-Invest started implementing a range of investment projects, including the reconstruction of the Donetsk-110 kW, Chulkovka-110 kW, Ulgedar-110 kW and Druzhkovka-110 kW substations, the 12-km 35-kW Amvroseievka 330-Metallist electrical power transmission lines, and the replacement of the power transformers at the Styla-110 kW substation. Service-Invest also completed the construction of 35-kW outdoor switching gear at the KhSKPZ-1 substation with voltage of 110/35/6 kW, which provides electrical supply to large companies in the Donetsk Region. The cost of the modernisation came to UAH 12.8m.

DTEK Engergougol ENE is implementing a project for the construction of the cable line 'Tochmash substation — Stratonauts distribution substation'. Carrying out these projects made it possible to increase power supply reliability to industrial consumers and mixed licensees.

In 2010, Kievenergo completed the construction of the first stage of the Poznyaki thermal supply station, the first powerful thermal energy facility in Kiev to have been put into operation during the last 22 years. The investment amounted to UAH 14.5m. The company also implemented a UAH 134.8m investment programme in 2010 to prepare the energy facilities for holding the Euro-2012 football championship.

In 2010 Kievenergo replaced the single-phase induction electrical power metering equipment for consumers in the amount of UAH 12m.

FINANCIAL RESULTS ANALYSIS

The end of the global financial crisis, the recovery of the market, renewed demand for DTEK's products, and growth in coal production volumes as well as the production and sale of electricity ensured a high level of growth for the Company's key financial indicators. DTEK's consolidated revenue for the reporting period increased by 61.9%, to UAH 24.29b, compared with UAH 15.01b in 2009. The cost of sales increased by 52.1% to UAH 18.96b. The gross profit more than doubled and reached UAH 5.36b, while in 2009 this figure was UAH 2.56b.

The net financial expenses for 2010 increased by 11% and came to UAH807m.

The pre-tax profit increased in 2010 by more than three times - against the previous year and came to UAH 3.97b. This is attributed to a substantial increase in the profitability of operating activity, as well as an increase in the income from participating in the capital of affiliated companies and non-operating income from exchange gains (losses). Net profits grew by more than three times in 2010 and came to UAH 2.86b compared to UAH 856m in 2009.

ASSETS

In 2010, DTEK's total assets increased by 26.8% to UAH 25.63b. The balance sheet value of non-current assets grew by 16% to UAH 18.75b. The non-current assets grew due to an increase in the value of investments in affiliated companies.

Current assets increased by 70.3% to UAH 6.89b (2009: UAH 4.04b) in 2010. This trend was the result of a significant increase in the balance sheet value of the inventories by 82.8%: from UAH 633m in 2009 to UAH 1.16b in 2010.

The current financial investments grew significantly (by 74.8% from UAH 595m in 2009 to UAH 1.04b in 2010) as did cash and cash equivalents (by 129% from UAH 739m in 2009 to UAH 1.69b in 2010).

Accounts receivable showed the lowest growth — 44.2% from UAH 2.07b in 2009 to UAH 2.98b in 2010. The Company's accounts receivable were primarily formed from the arrears of SE Energorynok for electricity supplied, as well as the arrears of large and mid-sized Ukrainian companies. Based on the results of the reporting year, trade receivables grew by 25.2% to UAH 1.13b (2009: UAH 905m). Repayments to suppliers also grew by 113.8% to UAH 1.22b (2009: UAH 572m).

LIABILITIES AND EQUITY

The change in DTEK liabilities is primarily connected with an increase in the debt burden — the line of long-term credits and loans grew to UAH 4.51b in 2010 from UAH 807m, and the amount of short-term loans decreased from UAH 3.62b to UAH 993m. The increase in long-term loans was related to Eurobonds issue in 2010, and the funds raised to UAH 3.96b correspondingly.

DTEK's pension liabilities increased by 14.7% in 2010 and reached UAH 1.58b (2009: UAH 1.38b).

The company's accounts payable in 2010 were up 88.2% to UAH 1.99b (2009: UAH1.06b). DTEK's equity increased by 23.4% in 2010 and came to UAH 13.32b.

REVENUE

DTEK's revenue is generated by the wholesale of electricity to the state company Energorynok, sales of coal to end consumers, and proceeds from electricity transmission and sales. DTEK's consolidated revenue increased by 61.9% in 2010 and reached UAH 24.29b. Income from the sale of coal in 2010 amounted to 39.6% of the consolidated revenue, revenue from the wholesale of electricity — 32.3%, and income from the sale of electricity to end consumers — 25.6%. The sale of electricity for export became a new source of revenue in 2010, comprising 2.4% of consolidated revenue. Other sales amounted to slightly more than 0.2% of total revenue.

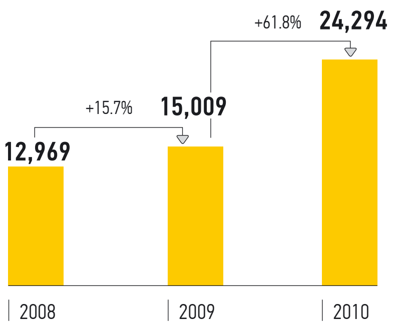
The company's primary sales volume in the amount of 90.3% of consolidated revenue came from the domestic market (2009: 97.7% domestic sales), while revenue from export sales increased from UAH 338m to UAH 2.37b.

During the reporting year, DTEK successfully implemented plans of expanding its sales markets. An increase in revenue was noted in all business segments in 2010: DTEK's revenue from coal sales in 2010 grew by 105.5% and came to UAH 9.61b (2009: UAH 4.68b), revenue from electrical power generation increased by 41.5% and reached UAH 7.85b, income from the electricity transmission and supply segment increased by 32.9% to UAH 6.21b. Revenue from exports of electricity came to UAH 571m.

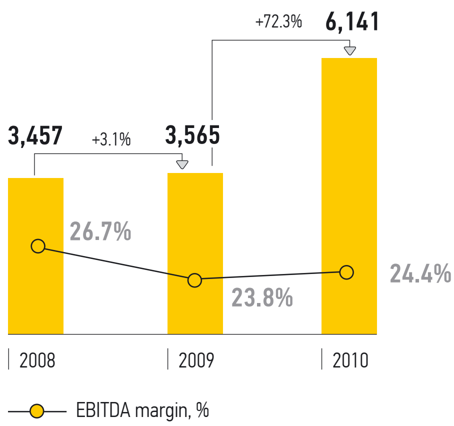
COST OF SALES

DTEK's cost of sales in 2010 was up 52.1% to UAH 18.94b (2009: UAH 12.45b). This correlates with the 61.9% growth rate of consolidated revenue during the reporting period. In the result, an increase in gross profit of 2010 from UAH 2.56b to UAH 5.36b was recorded. The gross margin increased to 22% in 2010 (2009: 17%). Its increase was linked to growth in the tariffs for electrical power and the export of coal. The overall cost of electricity sales to state company Energorynok for resale to end consumers grew by 47.5% to UAH 6.42b in 2010, the largest item in the Company's operating expenses. Expenses for purchasing raw materials and supplies increased by 62.9% to UAH 3.79b (2009: UAH 2.33b). Expenses for person-

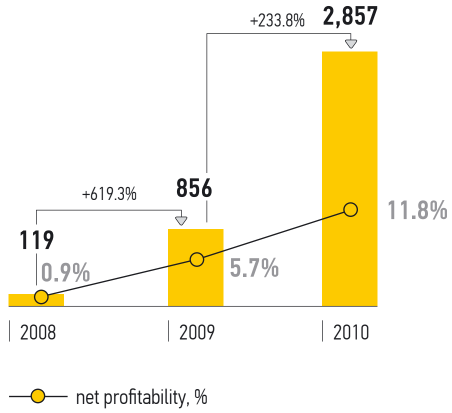
CONSOLIDATED REVENUE, UAH MLN



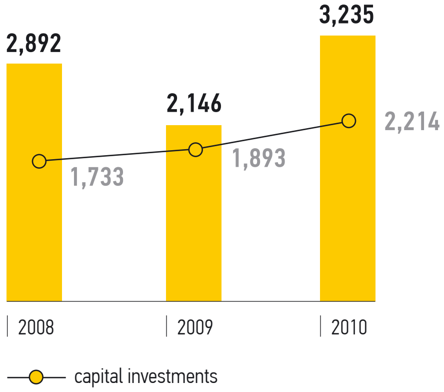
EBITDA, UAH MLN



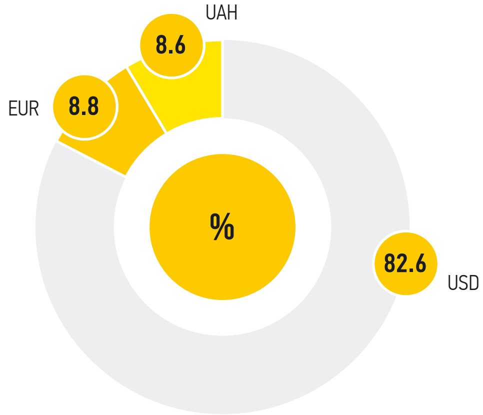
NET PROFIT, UAH MLN



NET OPERATIONAL CASH FLOW, UAH MLN



STRUCTURE OF DTEK BORROWINGS AS OF 31/12/2010, %



nel increased by 11.6% in 2010 and amounted to UAH 2.96b. Depreciation charges on the Company's fixed production assets increased insignificantly in 2010 by 4.3% and came to UAH 1.45b.

OPERATING EXPENSES

The most significant items in operating expenses were the cost of sales, and general and administrative expenses. Sales costs increased by 78.2% in 2010 and amounted to UAH 196m. Transportation expenses came to UAH 60m, which was 6.3% less than in 2009. General and administrative costs grew by 33.4% in 2010 to UAH 851m. The main items for general and administrative expenses are costs for personnel, including taxes and salary. They came to 69.2% of total general and administrative expenses.

DTEK BORROWINGS

The majority of DTEK's borrowings are denominated in USD, as well as a part equally in EUR and UAH. The debt denominated in USD is equal to UAH 4.55b, or 82.6% of the total credit portfolio. Borrowings in EUR are equal to UAH 483m, or 8.8% of the total. The borrowings nominated in UAH amount to UAH 474m, or 8.6%. The company's borrowings are primarily long-term, the redemption period is 2-5 years. Eurobonds comprise the main portion of the borrowings. The share of long-term loans in the total credit portfolio is 82.0%. Borrowings in USD (Eurobonds) were carried out at a fixed rate, in EUR they were primarily at a floating rate tied to EURIBOR.

DTEK EQUITY AND BORROWINGS KEY RATIOS

	2008	2009	2010
Total debt/EBITDA	1.1	1.2	0.9
Net debt/EBITDA	0.9	1	0.6
EBITDA/Interest costs	13	8	13.5

CORPORATE GOVERNANCE

DTEK IS DEVELOPING A SYSTEM OF CORPORATE GOVERNANCE IN ACCORDANCE WITH THE BEST WORLD STANDARDS AND PRACTICES OF PUBLIC INTERNATIONAL CORPORATIONS.

High quality of corporate governance enables successful development, enhances the Company's investment attractiveness, provides additional guarantees to shareholders, partners and clients, and helps to reinforce the internal control system. DTEK group companies are guided by corporate values in their day-to-day work: professionalism, responsibility, striving to improve, unity, transparency and the principles of corporate ethics.

DTEK CORPORATE GOVERNANCE PRINCIPLES

DTEK is developing a system of corporate governance in accordance with the best world standards and practices of public international corporations. The quality of corporate governance facilitates successful development and improving the Company's communication with investors, it gives shareholders, partners and clients additional guarantees and helps to strengthen the system of internal control. DTEK group companies are guided by corporate values in their day-to-day work: professionalism, responsibility, striving to improve, unity, transparency and the principles of corporate ethics.

DTEK CORPORATE GOVERNANCE STRUCTURE

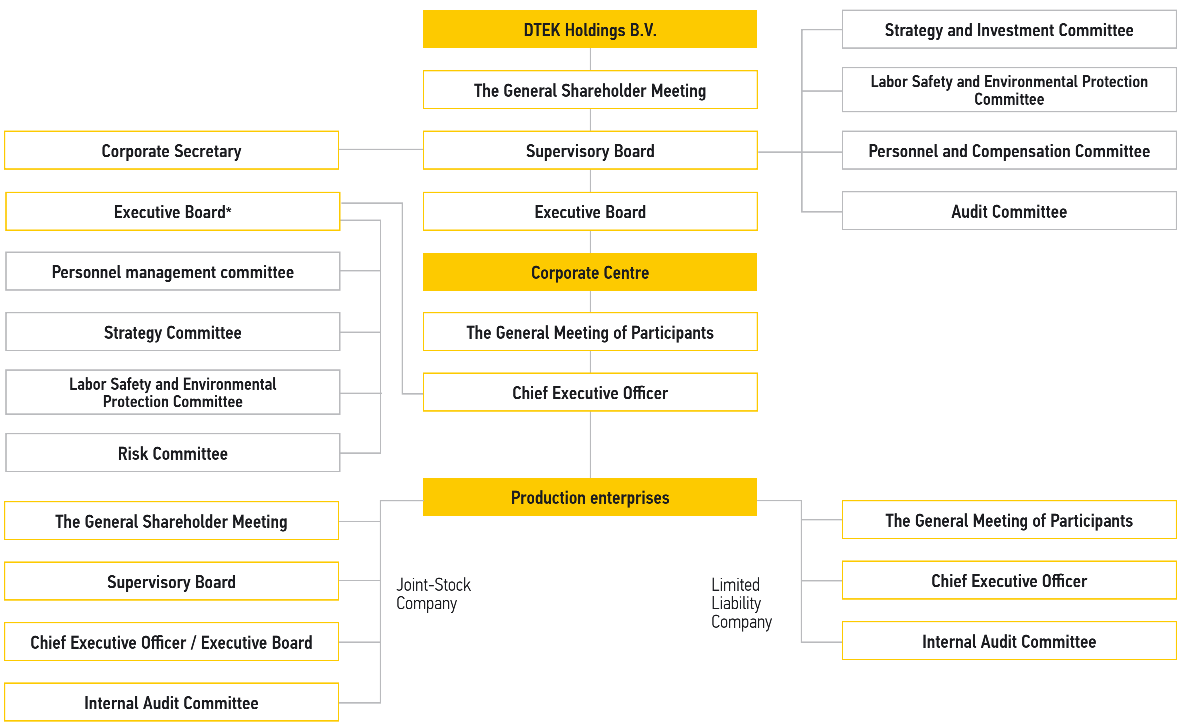
Three branches form DTEK's corporate governance structure: the holding company (DTEK Holdings B.V., The Netherlands), the corporate centre (DTEK LLC with headquarters in Kiev and in Donetsk), and the production enterprises in five regions of Ukraine.

Such a structure ensures an effective and transparent system for corporate governance and the ownership of corporate property, it creates mechanisms for adapting and translating strategic decisions in accordance with the best world practices; it increases DTEK's competitiveness and shareholder value.

The shareholder of DTEK Holdings B.V. is the company SCM (System Capital Management).

DTEK's supreme governing body is the General Shareholder Meeting. The Company's Supervisory Board is selected by the shareholders and is accountable to them, it provides for strategic management and control over the activity of the CEO who leads DTEK on a day-to-day basis and implements the decisions assigned to him by the shareholders and the Supervisory Board. There is a collegial advisory body, the Executive Board, made up of 8 company directors, which is chaired by the CEO.

DTEK CORPORATE GOVERNANCE STRUCTURE



* An advisory body under the CEO

SUPERVISORY BOARD

In 2010 following changes took place in the membership of the supervisory board of DTEK Holdings B.V .: the independent directors Pierre Duares and Stanislav Shekshnia left the Supervisory Board and Roman Bugaev joined it.

Two independent directors joined the Board in 2011: Catherine Stalker and Johan Bastin.

Thus, the membership of the Supervisory Board of DTEK Holdings B. V. is as follows:

OLEG POPOV,
Chairman of the Supervisory Board
Chief Executive Officer
System Capital Management (SCM)
Oleg Popov graduated from the Donetsk Polytechnic Institute in 1990, and from the Donetsk State University in 1996. Since 2000 he has been the Executive Director of System Capital Management (SCM) OJSC. He has been the Chief Executive Officer of SCM since December 2005. He also holds the position of Head of the Supervisory Board of FC Shakhter (Donetsk). At the same time he represents SCM's interests in the supervisory boards of Metinvest Holding Ltd, the banking assets of SCM and the Ukraine media group.

NATALYA IZOSIMOVA,
Member of the Supervisory Board
Natalya Izosimova graduated from the Moscow State Pedagogical University, has a master degree in English and American literature.
She worked at System Capital Management in 2005-2007. She has headed the Efficient Management Fund founded by Rinat Akhmetov since June of 2007. She represents SCM's interests and the supervisory boards of SCM's mining and metallurgy, energy, finance and media businesses.

ROMAN BUGAYEV,
Member of the Supervisory Board
Director for Corporate Rights
and the management of foreign assets of
System Capital Management OJSC
Roman Bugayev graduated from the Donetsk Business Institute in 2000 with a degree in Management. He worked at the Donetsk regional Department of the Anti-Monopoly Committee of Ukraine from 1996 through 2002. In 2002 he went to work at the investment company Keramet Invest. Since 2003 he has been the Executive Director of System Capital Management (SCM) OJSC. In 2005 he headed up the SCM Department for Corporate Rights. He has been the Director for Corporate Rights and Management of Foreign Assets of SCM since September 2007.

ROBERT SHEPPARD,
Member of the Supervisory Board,
independent director.
Chairman of IPM Advisors
Robert Sheppard graduated from the University of Wyoming in 1972 and has a bachelors degree in the field of physics and mathematics. He graduated from the Columbia University Business School in 1991 with an Executive MBA degree.
He began his career in the petroleum industry at Amoco in 1972. In the middle of the 1980s he worked at Amoco Exploration as a vice president. From 1992 through 1995 he was the Executive Director of GUPCO (the Gulf of Suez Petroleum Company).
From 1995-1999 he was the president and CEO of the Amoco representative offices in Argentina and Egypt. From 1998 to the merger with BP he was Chief Operating Officer, and then President, of Sidanco, the fourth-largest integrated oil company in Russia. Between 2002 and 2004, he was a Senior Vice President at BP, responsible for overseeing the company's assets in Russia. At present, he holds the position of Chairman of the consulting company IPM Advisors.

IRINA MYKH,
Member of the Supervisory Board
Senior lawyer at the law
firm Voropaev & Partners
Irina Mykh graduated from the law school of the Ivana Franko State University in Lviv in 1994. Later she studied at the Osgoode Hall School of Law at York University in Toronto. Between 1996 and 2006 she was a senior lawyer, and later a partner, at The Silecky Firm, an affiliate of Squire Sanders & Dempsey LLP, where she became a partner in 2006. Until June 2009, she worked as the head of the legal department of 'Klub sira' Ltd. Irina holds the position of senior lawyer in the law firm Voropaev and Partners

SERGEI KOROVIN,
Member of the Supervisory Board
Director for the development
of the energy business
of System Capital Management OJSC
Sergei Korovin graduated with honours from the Faculty of Applied Mathematics and Cybernetics at Moscow State University in 1993. From 2002 through 2008 he worked at the Danish and Russian offices of the leading international consulting company McKinsey&Company. From 2008 he ran projects with telecommunications companies and was on the Board of Directors of Microsoft Russia. He has held the position of Director for the Development of the Energy Business of System Capital Management OJSC since 2010.

CATHERINE STALKER,
Member of the Supervisory Board, independent director

Catherine Stalker graduated from the Heriot Watt University in Edinburg, Scotland with a Bachelor's degree, and then from the London School of Economics (UK) with a Master's degree.
She started her career in 1991 at the Bank of England as an analyst and banking operations inspector.
From 1995 through 2007 she worked at the departments of PricewaterhouseCoopers in Moscow and Berlin and then appointed as a partner, responsible for the Human Resources and Compensation Department in Central and Eastern Europe, as well is in the CIS countries.
Ms. Stalker has extensive practical experience in developing of executive compensation programs, organisational restructuring as well as increasing the efficiency of policies and procedures for managing personnel.

JOHAN BASTIN,
Member of the Supervisory Board, independent director
CEO of Cap Asia

Johan Bastin received his Master's degree in city planning at the Technical University of Eindhoven (The Netherlands), as well as the degree of Dr. of Science for Regional Planning at Montreal University (Canada), specialising in state administration and finances.
From 1985 through 1992 he worked at the Institute for International Development of Harvard University (Indonesia).
From 1993 through 2002 he hold a number of executive positions at the European Bank of Reconstruction and Development in London (UK) including the post of director of the business group for investing in debt instruments and equity capital in infrastructure, transport and energy companies, municipal and ecological services as well as energy efficiency. He later worked as the Managing Director of Darby Private Equity.
Currently he is the CEO of CapAsia, an international company on managing equity funds and investments in the infrastructure of developing countries in Asia.

ACTIVITY OF THE SUPERVISORY BOARD IN 2010

In 2010 there were 29 meetings of the Supervisory Board, 5 of them in person, and 24 remotely.

In June 2010, by decision of the Supervisory Board of DTEK Holdings B.V., the position of Compliance Officer was introduced. Among the compliance officer's key tasks are the following: control over compliance with the requirements of the financial regulator — the Financial Services Authority (UK), preventing insider trading, compliance with business ethics obligations in control over compliance with the covenants for DTEK's credit obligations.

ACTIVITY OF THE SUPERVISORY BOARD'S COMMITTEES IN 2010

As advisory bodies to the Supervisory Board, the committees consider and prepare recommendations on issues of the Board's competence. The members committees' meet regularly in accordance with the annual work plan approved by the Supervisory Board. The DTEK Supervisory Board has four committees.

PERSONNEL AND COMPENSATION COMMITTEE	**Acting Chairman:** N. Izosimova	**Participant:** O. Popov

MAIN TASKS:

- assisting in improving DTEK's personnel policies;
- assisting the Supervisory Board in creating an incentive, appraisal, compensation and development systems for executive managers and members of the Supervisory Board;
- monitoring and implementing the best world practices in corporate governance of DTEK;
- preparing recommendations for the membership of the supervisory board and its committees as well as candidates for the Executive Board of the Corporate Centre.

In 2010 there were 9 meetings of the committee with 27 questions on the agenda.

STRATEGY AND INVESTMENT COMMITTEE	**Chairman:** S. Korovin	**Participant:** O. Popov

MAIN TASKS:

- preparing and issuing conclusions on DTEK's strategy and capital investments;
- elaboration of proposals for improving DTEK's strategy development and project management.

In 2010 there were 10 meetings of the committee with 24 questions on the agenda.

LABOR SAFETY AND ENVIRONMENTAL PROTECTION

Chairman:
R. Sheppard

Participant:
I. Mykh

MAIN TASKS:

- identifying risks in labor safety and environmental protection;
- developing actions in labor safety and environmental protection.

In 2010 there were 7 meetings of the committee with 38 questions on the agenda.

AUDIT COMMITTEE

Chairman:
S. Korovin

Participant:
I. Mykh

MAIN TASKS:

- oversight over the system of internal control and risk management as well as internal and external audit;
- assisting the Supervisory Board in controlling the process of the preparation and presentation of financial and other reports;
- examining issues of the risk management and internal control systems and their compliance with legislation;
- preparing recommendations for choosing an independent auditor to certify DTEK's financial report.

In 2010 there were 12 meetings of the committee with 43 questions on the agenda.

EXECUTIVE BOARD

The Executive Board is the advisory collegial body under the CEO of DTEK Ltd. The Executive Board's status, tasks and responsibilities, membership and structure, procedure for establishment and activities, as well as the rights and obligations of members of the supervisory board are defined by the Regulations on the Executive Board.

MEMBERS OF THE EXECUTIVE BOARD AS OF 31 DECEMBER 2010:

Chief Executive Officer / Executive Board	Maxim V. TIMCHENKO
Executive Director	Yuriy A. RYZHENKOV
Director of Finance	Vsevolod A. STARUKHIN
Business Development Director	German A. EINBINDER
External Affairs Director	Alexander A. TOLKACH

FOUR COMMITTEES UNDER THE EXECUTIVE BOARD

1. STRATEGY COMMITTEE
2. PERSONNEL MANAGEMENT COMMITTEE
3. RISK COMMITTEE
4. INDUSTRIAL AND ENVIRONMENTAL COMMITTEE

DIVIDEND POLICY

DTEK's dividend policy is based on balance between the necessity of investing in further development and observing the rights of shareholders to participate in the Company's net profit. Such an approach is the defining factor of the long-term growth of the Company's shareholder value.

Curently the feasibility and size of the dividends is determined in each individual case by the Supervisory Board and is approved by the Company's General Shareholder Meeting.

MAIN TASKS OF CORPORATE GOVERNANCE DEVELOPMENT IN 2011

- restructuring of the DTEK Group of companies, implementation of more efficient governance systems;
- bringing the constituent documents of the DTEK Group companies into compliance with the altered requirements of the Law of Ukraine 'On Joint-Stock Companies';
- integration of all the production companies into DTEK's unified system of corporate governance, implementation of a unified standard of corporate governance at the holding company and the production companies.

SOCIAL POLICY

THE COMPANY'S CORPORATE RESPONSIBILITY AND THE TRANSFER TO A SUSTAINABLE DEVELOPMENT CONCEPT LAY THE FOUNDATIONS OF DTEK'S LONG-TERM STABLE DEVELOPMENT.

This concept makes it possible to integrate business successfully with basic human values and the national development priorities. Corporate Social Responsibility activity is based on compliance with the legislation of Ukraine in the countries were Company conducts business activity.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

The Company's Corporate Social Responsibility (CSR) and transition to a concept of Sustainable Development (SD) provide the ground for the Company's long-term cooperation with society, making it possible to integrate successful business harmoniously with basic human values and the national development priorities. Corporate Social Responsibility and Sustainable Development activity are based on compliance with the legislation of Ukraine in those countries in which the Company conducts business activity.

Our understanding of corporate responsibility has been recorded in DTEK's Policy for Corporate Social Responsibility. DTEK is guided by the following principles in its activity:

- active participation in social development and responsibility for the Company's contribution being long-term, systematic, transparent and understandable for society;
- adherence to the Rule of Law in all aspects of social and economic life and respect for human rights;
- ultimate prioritisation of occupational safety, HR and other CSR-programs related to the Company's employees;
- correspondence between the level and aims of our domestic and external social investments in the regions DTEK companies are operating in with the prospects for the development of the business;
- using best practices and international experience in CSR and SD;
- openness and transparency in public dialogue.

In 2010, DTEK took active part in promoting leading CSR initiatives in Ukraine:

- DTEK became a member of the Global Compact in Ukraine and made a grant to the UNDP.
- DTEK was the General Sponsor of the first Corporate Social Responsibility Fair in Ukraine.
- DTEK took active part in the work of the Coordination Committee of the Supreme Rada for developing the project of the National Concept for the Development of the Social Responsibility of Business in Ukraine.
- DTEK representatives were active in making presentations dedicated to CSR at the conferences and roundtables; they took part in conducting training sessions on CSR for journalists and university professors.
- DTEK's active work in the area of CSR and SD in 2010 was recognised publicly at the national level:
  - November 2010: DTEK was the winner of the First All-Ukrainian Exhibition on CSR in the nomination 'Best Non-Financial Report' for its Sustainable Development Report and 'Best Project' for the long-term cooperation programme with the cities the Company operates in, in the framework of which DTEK invested UAH 11.6m in 2010 in the social and economic development of these territories.
  - December 2010: DTEK was the winner of the second All-Ukrainian Contest of CSR Projects in the nomination 'Labour Relations'. The jury examined the project of creating a corporate University — the DTEK Academy. The Centre for CSR the Development acted as the organiser of business practices competition with assistance from Ernst & Young, VOLYA, Austrian Airlines and the Asters law firm.
  - DTEK was included into the List of the 'Most Respected Employers of Ukraine 2010' according to the study released in the fall of 2010 by HeadHunter and Reputation Capital. The study was conducted as part of the global project The World's Most Reputable Companies organised by the Reputation Institute with support from Forbes.

DEVELOPMENT OF THE REGIONS OF DTEK OPERATION

DTEK is active in promoting the principles of CSR and SD in Ukraine. The Company is focused on the development of the regions where we operate, the sustainable and systematic improvement of living conditions in these areas. In the long-term perspective, we consider the development of the regions where we operate to be a strategic competitive advantage of DTEK.

We count on partner projects, since we consider them to be the most efficient way to resolve the problems of the region together with other interested parties (authorities, NGOs, civil society and other businesses). DTEK has chosen the way of social investments, since such investments have strategic character, create new opportunities for a greater number of residents and thus improve the quality of life of the population. We consider that such approach creates a more reliable environment for positive social and economic changes.

In 2007-2010, DTEK invested more than UAH 26m, including UAH 11.6m in 2010.

Results of social partnership in 2010:

- At the beginning of 2010, after conducting an analysis of strategic plans, two priority areas for development were emphasised — projects for energy efficiency and development of the business environment. They were added to the 3 existing areas determined in the Declaration on Social Partnership — modern education, healthcare, culture and sports.

- The geography of DTEK's social partnership programs was significantly expanded in 2010 — 7 new members joined the programme: the city councils of Rovenki and Sverdlovsk in the Luganskaya region, Mospino in the Donetsk Region, the Dnepropetrovsk City Council, the Samara City Council of the City of Dnepropetrovsk, the Energodar City Council of the Zaporozh'e Region and the Zelenodolsk City Council of the Dnepropetrovsk Region. The Declaration has now been signed by 15 cities and 4 districts.

- In 2010 DTEK realised a series of projects in the area of CSR and SD which were aimed at the long-term development of the cities where DTEK operates.

- As part of developing the Strategic Plan for the Economic Development of the City of Kurakhovo, restructuring the heating system was recognised to be one of the highest priority tasks for the city. A partnership between the city, DTEK and the project "Municipal Heating Reform in Ukraine" was proposed. As part of the project, energy audit was conducted and a system of energy planning and energy efficiency in the central heating supplies sector was implemented, public informational campaign regarding effective energy savings was conducted, and the heating systems in preschool facilities were modernised. The total amount of investment in this project reached UAH 2.5m in 2010. A similar programme was launched in Pavlograd in 2011.

- DTEK Pavlogradugol PJSC allocated UAH 2.9m to improve healthcare: a diagnostic centre was established at city hospital No. 4 in Pavlograd, the emergency department in Pershotravensk was reconstructed; the medical department was reconstructed and medical furniture and equipment were purchased in the Pavlograd District; the intensive care unit was reconstructed, medical equipment, and upgrading unit, furniture and air-conditioners were purchased in the Petropavlovsk District.

- In the cities of Rovenki and Sverdlovsk in the Luganskaya Region, DTEK, together with the Company Chemonics International, Inc. and the US Agency for International Development (USAID) began to implement the project "Local Investments and National Competitiveness," which is aimed at creating comfortable living conditions for citizens, conditions for attracting investments and the conditions for developing small and mid-sized businesses. DTEK allocated UAH 2 mln for priority areas in the social sphere.

- DTEK's subsidiary "Wind Power" committed to invest around UAH 6.4m in the development of the engineering and transport and social infrastructure of the Zaporozh'e Region during 2010-2015. An agreement to that effect was signed at the end of 2010 between the director of "Wind Power" and the heads of the administrations.

- DTEK Dobropolyeugol CPP invested UAH 314.7t in children's development and education: computer equipment was purchased, furniture for preschool facilities; as well as a minivan to transport children with special needs.

- DTEK Komsomolets Donbassa Mine regularly supports motoball team of the "Antracite" (in 2010 the investments came to UAH 500t). In November the mine supported the Xth annual festival of children's and youth talent "We are young, we are equal" for children and youth with limited abilities.

- DTEK allocated around UAH 750t to the executive committee of the Belozerskoye City Council of the city of Dobropolyeugol to repair the building of the Children's and Youth Art Centre, as well as to repair preschool facilities in the city of Belozerskoye.

PERSONNEL

The basis for DTEK's sustainable development is highly qualified personnel. Effective management of human resources, constant improvement of employees' professional level, motivation and occupational safety are priority issues for the Company's activity.

Main goals of the HR management policy:

- Recruitment, motivation and retention of talented and innovative employees.
- Regular updating of knowledge and development of skills required to perform current and potential business tasks.
- Development of management potential to ensure high-quality, stable management of DTEK;
- Creating favourable labour conditions to ensure the health and safety of all employees.

PERSONNEL DEVELOPMENT

At the beginning of the year, DTEK conducted an annual personnel evaluation — the procedure for the comprehensive evaluation of the efficiency of specialists and managers, including evaluation of their individual work and their level of competence. The valuations are used to determine the compensation for each employee, work goals for the upcoming year are established, and a programme for the development and training of each employee is approved.

Today more than 42,000 persons work at DTEK companies, and taking into account affiliated companies — more than 82,000 persons. The Company pays great attention to the qualifications of its employees and to creation of talents pool. In 2010, for instance, 12,005 employees under-went re-training, which was 9% more than in 2009.

In 2010, DTEK systematised personnel development work and launched a series of training programmes which were completely new for the Company.

The Company's corporate university began its work in March 2010. The DTEK Academy is the unified centre for managing the Company's knowledge system, which will concentrate the training process for DTEK's management and administrative personnel. The creation of the Academy is aimed at achieving one of the strategic goals — to fill 80% of middle and upper management vacancies with specialists, who would have been "grown" within the Company by 2013.

Two key programmes were launched as part of the DTEK Academy which are directed at developing the talents pool ("The Energy of Knowledge") and programmes for the development of successors to the positions ("The Leader's Energy").

Ukraine's leading Kyiv-Mohyla Business School (KMBS) acted as a provider for The Power of Knowledge. Its professors developed a programme together built upon the principles of an MBA with DTEK management. Both KMBS professors as well as DTEK top management teach in the programme. In 2010, six groups began the year and a half long study course in the Power of Knowledge programme, and 30-35 managers of the DTEK's corporate centre and companies were enrolled in each of these, selected for the talent pool through several evaluation procedures.

Forty four managers participating in the TOP-50 programme for preparing successors to key positions became students in the second programme, Leader's Energy. The study programme for them was developed together with the London Business School.

Individual development plans were developed for participants in the Energy of Knowledge and Leader's Energy programmes, and a mentor from DTEK top management was assigned to them.

The Company traditionally pays significant attention to training personnel. Ever since 2010, in addition to the traditional courses for upgrading qualification and regular study of mine methods for occupational safety, the best workers in the production unit received the possibility of developing management skills as part of the programme "Shift Supervisor School." Training at the School is conducted by 83 internal trainers who are employees of DTEK companies who are respected within the workforce, who have the necessary skills as teachers and have undergone preliminary training. The project aimed at achieving three key goals: the development of professional and management potential of the companies, implementation of matter and teaching methods and technologies at the production companies and ensuring that the content of the training met the needs of the Company's business to the greatest possible extent.

COOPERATION WITH UNIVERSITIES IN 2010

Since 2009, DTEK has been cooperating with the universities of Ukraine, aiming to shorten the gap between graduates' skills and the needs of employers. The first step was the signing of partnership agreement with the Donetsk National Technical University in November of 2009. The partnership programme with universities was continued in 2010. A partnership agreement was signed with the National Mining University (Dnepropetrovsk), computer classrooms were equipped at the NMU and the DonNTU (investments of around UAH 400t), and internships were organised for students at the Company's enterprises. DTEK Groups were also created, where 57 students from targeted schools of the DonNTU and NGU underwent additional training.

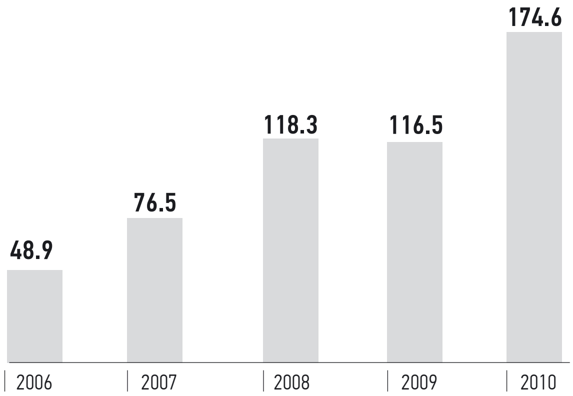
WORK CONDITIONS

A new system of salary payment due to methodology of the HAY GROUP was implemented at the companies in 2009.

MAIN DIFFERENCES.
OLD SYSTEM:

- Linking the wage scale to the minimum salary creates an uncontrolled growth in the salary budget due to the growth of minimum wages and other policy decisions.
- There is no connection between a bonus and the individual results of an employee, the largest portion of compensation for work depends on the coal production of the entire mine.
- Employees link their hopes for an increase in salary with an increase of the minimum wage rate, but not with the possibility of increasing their efficiency for the organisation.
- Difficulties in determining the volumes of work, as well as the application of "outdated" standards lead to unreliable calculations for the payment of additional pay for piecework.

DTEK'S COST FOR LABOR SAFETY, UAH m



- Miners remuneration depends on factors out of their control (geological conditions, outdated equipment, shortage of materials etc).

New system:

- A unified time-bonus system for wages is established for all employees; the variable part of the salary budget is increased.
- The payment for work is linked to the market level.
- The payment for work is based upon a calculation of the complexity of the work, its significance and its level of responsibility.
- Individual targets bonus was introduced as part of the system.
- The system allows to objectively evaluate one's position and establish a fair level of pay taking into account the value for the Company.
- The regular evaluation system of personnel provides for a higher level of pay for the most efficient company employees.

The new pay system was introduced at 4 DTEK companies in 2010 — DTEK Pavlogradugol PJSC, DTEK Mine Komsomolets Donbassa PJSC, Vostokenergo and Mospinskoye Coal Refinery. As a result, an increase of the salary budget of no more than 30%, as well as a growth in the average wages was noted at DTEK Pavlogradugol PJSC and DTEK Mine Komsomolets Donbassa PJSC.

Collective bargain agreements are in effect at all the Company's production companies which regulate additional social guarantees, including minimum salary levels, social benefits, additional one-off payments to employees and pensioners, as well as the Company's responsibility for training and occupational safety. The Company provides a series of benefits in addition to the list stipulated by law.

DATA ON PRODUCTION INJURIES AND ACCIDENTS

Indicator	2006	2007	2008	2009	2010
Number of those who were victims of production injuries,	607	522	332	319	269
including lethal injuries	13	7	10	8	4
Rate of the frequency of lethal production injuries (per 200,000 man-hours)	0.03	0.02	0.03	0.03	0.01
Rate of the frequency of lethal injuries per million tonnes of coal produced	0.72	0.32	0.45	0.34	0.21
Rate of the frequency of lethal production injuries (per 200,000 man-hours)	1.59	1.44	0.94	1.02	0.87

LABOR SAFETY

Providing of safe and healthy working conditions, and protecting the lives of our employees is a priority for DTEK's production unit. The Company's executive managers have taken compliance with labor safety standards under their personal control. Systematic work in labor safety makes it possible to gradually reduce the level of production injuries. Thus, in 2010 the total accident level at DTEK was lowered by 16% from 319 to 269 incidents; the frequency rate of injuries (per 200,000 man-hours) was reduced by 15% from 1.02 to 0.87 cases.

A change in the labor safety management system (OSMS) in accordance with the requirements of OHSAS 18001:2007 has been in the process of implementation at DTEK's production companies since 2007. The first stage of the integration of the new system took place in May 2007-through 2009 at the Company's coal-mining and energy generating companies (DTEK Pavlogradugol, DTEK Komsomolets Donbassa Mine and Vostokenergo). The change of the OSMS began at DTEK's coal production, power supply and service companies in 2008, and finished with the successful certification through an audit at the end of 2010.

A series of innovations were also implemented in 2010 which made it possible to make work in the area of labor safety more efficient:

- A safe behaviour order system was created which involved the corporate centre (members of the Executive Board and other Directors, employees of the Department for Coal production and preparation, the Department for Generation and Distribution), DTEK Pavlogradugol, DTEK Komsomolets Donbassa Mine and Vostokenergo.
- A corporate standard for protective clothing, protective footwear and other personal protection equipment was developed for the employees of DTEK's companies.
- A corporate system of workplace medicine was developed to manage, maintain and improve the condition of employees' labor safety.
- A corporate system for the material and nonmaterial motivation of personnel was developed for labor safety success.
- Labor safety rules of employees were developed and implemented at all the production companies.

As always, significant attention was paid to personnel training. The line managers at the production companies undergo training courses in accordance with the corporate standards for labor safety. The stock of training equipment, safety equipment training rooms, training and visual materials are regularly updated.

All Company employees are provided with modern and efficient protective clothing, footwear, and personal and collective protection devices.

ENVIRONMENTAL POLICY

DTEK's activities are related to production processes which have a negative effect on the environment. A balance is a necessary condition for developing the Company's business, for increasing its competitiveness in the European energy market and for the performing of its obligations in the area of corporate social responsibility

Ukraine's joining the Energy Community at the beginning of 2011 requires that industrial companies meet the most progressive ecological standards.

All these factors motivate DTEK to devote special attention to environmental protection issues.

Organisational changes in the Company's environmental policy:

- In 2010, fourteen DTEK companies completed certification of the ecological management system (EMS) on compliance with the ISO 14001:2004 International standard. Work under ecological management system implementation was started at Dneproenergo.
- DTEK's companies were the first in Ukraine's coal and energy industries to conduct an EMS on compliance with the best international practices. DTEK's total investment in this project amounted UAH 4.6m in 2010. The audit was conducted by Moody's International.

The implementation of ISO 14001:2004 ecological standard took place at DTEK in 2008-2010. As a result, unified corporate standards in the area of environmental protection were developed within the Company, ecological aspects and risks were identified, and an efficient system for managing them was established. This made it possible to create a basis for further systematic environmental protection action by the Company, to use innovative methods for managing the environmental policy and to constantly increase the ecological performance of DTEK companies. Modern EMS establishment also assists in the formation of a responsible attitude towards environmental protection on the part of executives and staff and compliance with established ecological requirements.

The system of ecological management is an integral part of the system of corporate management and an important element in the management of any financial risks. Accordingly, the implementation of ISO 14001:2004 standards positively affects the competitiveness and the Company's investment attractiveness.

Other successes of environmental policy in 2010:

- The Company regulation "On Assigning Functional Responsibilities in the Area of Environmental Protection" was introduced into operation at DTEK companies, to put in order of our duties and responsibilities in the area of environmental protection.
- Work continued for optimising the use of dangerous substances and materials, including substances which destroy ozone and substances which contain chlorine or asbestos. In order to control handling and to exclude accidents at distribution companies, the "Regulation and Handling Dangerous Substances and Materials" was developed and put into operation.
- The DTEK Environmental Safety Department developed the ecological section of the Roadmap. The Roadmap makes it possible to ensure that there is a detailed and timely disclosure of ecological information to manage it in future.

The results of DTEK's environmental protection activity in 2010:

Atmospheric air protection

Atmospheric air protection is one of the priorities for the Company's environmental activities. As part of this, Vostokenergo continues to implement the ecological programme to meet legislative requirements and the mixing requirements of Directive 2001/80/EC.At the Kurakhovskaya TPP, the electrostatic precipitator of power unit No. 7 is being modernised. The efficiency of the electrostatic precipitator of power unit No. 1 at the Zuyevskaya TPP has been increased by 1.61% in comparison to 2009 (from 97.9% to 99.51%). At the same time, the concentration of particle emissions has been reduced from 180 mg/m^3 to 141.6 mg/ m^3. Overhaul and current repairs have been made to the aspiration devices for fuel supply at the Zuyevskaya TPP, which made it possible to increase their thermal efficiency by 2.5 percentage points (from 92.2 to 94.6%). Due to the replacement of the bag filter of the aspiration devices, the particle concentration in the emissions of the concrete mixing unit devices of the maintenance and construction shop at the Zuyevskaya TPP have been reduced by 96.8% (to 34 mg/m^3).

In order to receive accurate information on the concentration of harmful substances, a project for implementing an automated control system for harmful substance emissions into the atmosphere is being implemented at power units Nos. 1 and 2 of the Zuyevskaya TPP.

Work under re-equipment of the gas-scrubbing boiler at the Kurakhovskaya CPP was started. The realisation of this project will make it possible to reduce the concentration of carbon dioxide and coal dust in the boiler's emissions.

At the Blagodatnaya Mine, DTEK Pavlogradugol is realising a project to provide mines with hot water supply through recycling the low-potential heat contained in mine water using heat pumps. This will make it possible to escape the harmful emissions from the burning coal. Around UAH 3.9m was invested in the project.

Two cyclonic collectors were installed at the wood processing shop of the Supply Department Branch of DTEK Pavlogradugol in order to reduce emissions of polluting substances from woodworking equipment, which made it possible to lower the particle concentration in emissions to 17 mg/m^3.

Protection and sustainable use of water resources

DTEK companies pay serious attention to the protection and sustainable usage of water resources.

Vostokenergo was able to decrease its consumption of potable water by 20.5% in comparison with 2009 due to an overhaul and replacement of pipe sections and through carrying out organisational and technical measures; this led to a reduction in the volume of sewage waste by 48%.

In order to reduce the discharge of production wastewater at the Zuyevskaya TPP, a new way of supplying treated water from the clarification pond to the return water supply system was put into operation. The realisation of projects to protect water resources continues at the Luganskaya TPP.

Reconstruction of the galvanising workshop was successfully completed at Pershotravensk Maintenance Plant, which is part of the mining equipment repair shop. New zero-charge technology for chrome plating parts was introduced. Moreover the number of solid discharges and polluted wastewater was significantly reduced. Additionally, a station was constructed to neutralise and treat wastewater, which made it possible to ensure the ecologically safe conduct of galvanising work.

In order to carry out the accurate monitoring of the usage of potable water, the outflow of mine water and sewage water, water metering equipment was installed at a number of the subdivisions of DTEK Pavlogradugol. Accurate metering may be possible for the Company to optimise the consumption of water for production needs and potable water needs.

Plamya-2 equipment for treating mine water was put into operation at the Yubileinaya and Pavlograd Mines of DTEK Pavlogradugol PJSC.

Waste disposal

The overwhelming majority (99%) of the wastes of DTEK companies was formed due to bulk waste from the production and enrichment of coal (or/ and fluid wastes), as well as the generation of electricity (cinder slag).

In order to prevent allocating new land for cinder slag, a project for creating an ash dump was developed at the Luganskaya TPP. The capital investments came to UAH 582t in 2010.

In order to decrease the negative impact on the environment, the lime-silica plates containing asbestos were replaced with the Conlit 150 mineral-pool plate at the Zuyevskaya TPP.

The cleansing of the sludge tank ponds took place at a number of coal enrichment plants with extraction of the coal component for further use. It allows to successfully increase the useful capacity of locations for removing waste, and in this way extend the operational life of the sludge tanks as well as using the natural resources more sustainably.

Land reclamation

DTEK Pavlogradugol reclaimed 10 ha of land which had been disturbed as a result of conducting mining work, which is 5 ha less than previous years. The reduction of reclaimed land was caused by reclamation technology with the all allotted plots must differ from each other in area, in the capacity of the layer and the fertile layer; these are the conditions for conducting biological reclamation. The DTEK Pavlogradugol mines (Pavlogradskaya, Blagodatnaya, Samarskaya) conducted the compensation planting of 5.3 ha of forest.

DTEK HOLDINGS B.V

INTERNATIONAL FINANCIAL REPORTING STANDARDS SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2010

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF DTEK HOLDINGS B.V.

We have audited the accompanying special purpose consolidated financial statements of DTEK Holdings B.V. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of 31 December 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these special purpose consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these special purpose consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special purpose consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the accompanying special purpose consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

LLC PricewaterhouseCoopers Audit

17 March 2011

Limited Liability Company Audit Firm "PricewaterhouseCoopers (Audit)", 75 Zhylyanska Str. Kyiv, 01032, Ukraine
T: +380 44 490 6777, F+380 44 490 6738, www.pwc.com/ua

DTEK HOLDINGS B.V.

SPECIAL PURPOSE CONSOLIDATED BALANCE SHEET

In millions of Ukrainian Hryvnia	Note	31 December 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	9	11,575	10,954
Intangible assets	10	731	700
Investments in associates	11	4,099	3,025
Financial investments	12	1,279	1,054
Deferred income tax assets	34	1,041	428
Other non-current assets		38	16
Total non-current assets		**18,763**	**16,177**
Current assets			
Inventories	13	1,157	633
Trade and other receivables	14	2,984	2,070
Financial investments	12	1,040	595
Cash and cash equivalents	15	1,693	739
Total current assets		**6,874**	**4,037**
TOTAL ASSETS		**25,637**	**20,214**
EQUITY			
Share capital	16	—	—
Share premium	16	9,909	9,909
Other reserves	17	(865)	(696)
Retained earnings		4,166	1,507
Net assets attributable to the equity holders		**13,210**	**10,720**
Non-controlling interest in equity		**70**	**73**
TOTAL EQUITY		**13,280**	**10,793**
LIABILITIES			
Non-current liabilities			
Liability to non-controlling participants	18	3	2
Eurobonds issued	19	3,889	—
Borrowings	19	620	807
Other financial liabilities	20	118	221
Indebtedness under amicable agreement	21	93	126
Government grants	22	9	42
Retirement benefit obligations	23	1,582	1,379
Provisions for other liabilities and charges	24	311	160
Deferred income tax liability	34	1,540	959
Total non-current liabilities		**8,165**	**3,696**
Current liabilities			
Borrowings	19	993	3,621
Other financial liabilities	20	485	607
Prepayments received		320	80
Trade and other payables	25	1,961	1,055
Current income tax payable		273	205
Other taxes payable	26	160	157
Total current liabilities		**4,192**	**5,725**
TOTAL LIABILITIES		**12,357**	**9,421**
TOTAL LIABILITIES AND EQUITY		**25,637**	**20,214**

Approved for issue and signed on behalf of the Management Board on 17 March 2011.
Maksym Timchenko
Director
FTC Trust B.V.
Director

Signed on behalf of the Supervisory Board on 31 March 2011.
Oleg Popov
Natalia Izosimova
Sergey Korovin
Irina Mykh
Robert Sheppard
Roman Bugayov

DTEK HOLDINGS B.V.

SPECIAL PURPOSE CONSOLIDATED INCOME STATEMENT

In millions of Ukrainian Hryvnia	Note	2010	2009
Revenue	27	24,294	15,009
Cost of sales	28	(18,936)	(12,447)
Gross profit		**5,358**	**2,562**
Other operating income	29	298	129
Distribution costs	30	(196)	(110)
General and administrative expenses	31	(851)	(598)
Other operating expenses	32	(262)	(192)
Net foreign exchange (loss) gain (other than on borrowings)		(21)	83
Operating profit		**4,326**	**1,874**
Foreign exchange gains less losses from borrowings		119	(203)
Finance income	33	113	71
Finance costs	33	(920)	(798)
Recognition of AFS reserve on transfer to associate	17	(72)	—
Share of result and impairment of associates	11	406	231
Profit before income tax		**3,972**	**1,175**
Income tax expense	34	(1,115)	(319)
Profit for the year		**2,857**	**856**
Profit/(loss) is attributable to:			
Equity holders of the Company		2,860	863
Non-controlling interest		(3)	(7)
Profit for the year		**2,857**	**856**

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of Ukrainian Hryvnia	2010	2009
Profit for the period	2,857	856
Other comprehensive income		
Financial investments:		
- Fair value gain (loss) (Note 17)	234	(109)
- Recognition of AFS reserve on transfer to associate (Note 17)	72	—
- Result of associates (Note 17)	5	—
Property, plant and equipment:		
- Change in estimate for asset retirement obligation (Note 24)	(13)	59
Income tax relating to components of other comprehensive income (Note 34)	(36)	(2)
Total comprehensive income for the period	**3,119**	**804**
Total comprehensive income attributable to:		
Equity holders of the Company	3,122	811
Non-controlling interest	(3)	(7)
Total comprehensive income for the period	**3,119**	**804**

DTEK HOLDINGS B.V.

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of Ukrainian Hryvnia	Attributable to equity holders 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 2009	**—**	**—**	**(52)**	**863**	**811**	**(7)**	**804**
Incorporation of DTEK Holdings B.V. (Note 16)	—	9,909	(7,545)	(2,364)	—	—	—
Property, plant and equipment:							
- Realised revaluation reserve	—	—	(859)	859	—	—	—
- Deferred tax related to realised revaluation reserve	—	—	215	(215)	—	—	—
Balance at 31 December 2009	**—**	**9,909**	**(696)**	**1,507**	**10,720**	**73**	**10,793**
Total comprehensive income for 2010	**—**	**—**	**262**	**2,860**	**3,122**	**(3)**	**3,119**
Property, plant and equipment:							
- Realised revaluation reserve	—	—	(572)	572	—	—	—
- Deferred tax related to realised revaluation reserve	—	—	141	(141)	—	—	—
Dividends declared (Note 16)	—	—	—	(632)	(632)	—	(632)
Balance at 31 December 2010	**—**	**9,909**	**(865)**	**4,166**	**13,210**	**70**	**13,280**

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of Ukrainian Hryvnia	Note	2010	2009
Cash flows from operating activities			
Profit before income tax		3,972	1,175
Adjustments for:			
Depreciation and impairment of property, plant and equipment and amortisation of intangibles, net of amortisation of government grants		1,479	1,429
Losses less gains on disposals of property, plant and equipment	29	(4)	17
Assets received free of charge	29	(41)	(28)
Reversal of provision for impairment of trade and other receivables and prepayments made	29	(149)	(55)
Change in provisions for other liabilities and charges		134	(3)
Non-cash operating charge to retirement benefit obligation	23	128	250
Extinguishment of accounts payable		(2)	(1)
Share of result and impairment of associates	11	(406)	(231)
Recognition of AFS reserve on transfer to associate	17	72	—
Unrealised result on associate	11	37	(5)
Unrealised foreign exchange (gain) loss		(8)	86
Realised foreign exchange (gain) loss on financing activities		(101)	114
Finance costs, net	33	807	727

DTEK HOLDINGS B.V.

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS
(continuation from page 71)

In millions of Ukrainian Hryvnia	Note	2010	2009
Operating cash flows before working capital changes		**5,918**	**3,475**
Increase in trade and other receivables		(881)	(353)
(Increase)/decrease in inventories		(486)	19
Increase in prepayments received		237	25
Increase/(decrease) in trade and other payables		89	(102)
Decrease in other financial liabilities		—	(6)
Decrease in other liabilities		(26)	—
Increase/(decrease) in taxes payable		57	(85)
Cash generated from operations		**4,908**	**2,973**
Income taxes paid		(1,115)	(284)
Defined employee benefits paid	23	(157)	(144)
Interest paid		(456)	(423)
Interest received		55	24
Net cash generated from operating activities		**3,235**	**2,146**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(2,214)	(1,893)
Proceeds from sale of property, plant and equipment		19	3
Purchase of financial investments		(71)	(469)
Purchase of investments in associates		(289)	—
Proceeds from sale of financial investments		—	28
Withdrawal of restricted cash		13	—
Redemption/(acquisition) of deposit certificates		175	(187)
Dividends received from associates		2	29
Deposits placed and financial aid or loan provided		(675)	(177)
Repayment of deposits and loans provided		114	176
Net cash used in investing activities		**(2,926)**	**(2,490)**
Cash flows from financing activities			
Proceeds from borrowings		6,139	3,160
Repayment of borrowings		(5,057)	(2,699)
Repayment of debts under amicable agreement		(52)	(16)
Resale of bonds of own issue		—	26
Dividends paid		(371)	—
Net cash generated from financing activities		**659**	**471**
Net increase in cash and cash equivalents		**968**	**127**
Cash and cash equivalents at the beginning of the year	15	725	595
Exchange gains/(losses) on cash and cash equivalents		(1)	3
Cash and cash equivalents at the end of the year	**15**	**1,692**	**725**

THE ORGANISATION AND ITS OPERATIONS

DTEK Holdings B.V. (the "Company") is a private limited liability company incorporated in the Netherlands on 16 April 2009. As further disclosed in Note 16, the Company was formed through the contribution by System Capital Management Limited and InvestCom Services Limited of their 100% equity interest in DTEK Holding Limited, a Cyprus registered entity and predecessor to the Company. The Company and its subsidiaries (together referred to as "the Group" or "DTEK") are ultimately owned by JSC System Capital Management («SCM»), registered in Ukraine, which is ultimately controlled by Mr. Rinat Akhmetov. Mr. Akhmetov has a number of other business interests outside of the Group. Related party transactions are detailed in Note 8.

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 Luganskaya regions of Ukraine. The Group sells all electricity generated to Energorynok SE, the state-owned electricity metering and distribution pool, at prices determined based on the competitive pool model adopted by the National Electricity Regulatory Committee of Ukraine. The Group's distribution entities then repurchase electricity for supply to final customers.

The principal subsidiaries are presented below:

Name	% interest held as at 31 December		Segment	Country of incorporation
	2010	2009		
DTEK Finance B.V.*	100.00	-	Management	Netherlands
DTEK Holdings Limited	100.00	100.00	Management	Cyprus
DTEK LLC	100.00	100.00	Management	Ukraine
DTEK Corporation	98.64	98.64	Management	Ukraine
Pavlogradugol OJSC	99.92	99.92	Coal Mining	Ukraine
Komsomolets Donbassa OJSC	94.64	94.64	Coal Mining	Ukraine
Eastenergo LLC	100.00	100.00	Power generation	Ukraine
Tehrempostavka LLC	100.00	100.00	Power generation	Ukraine
Servis-Invest LLC	100.00	100.00	Electricity distribution	Ukraine
PES-Energougol OJSC	91.12	91.12	Electricity distribution	Ukraine
CCM Kurahovskaya LLC	99.00	99.00	Coal Mining	Ukraine
CCM Pavlogradskaya LLC	99.00	99.00	Coal Mining	Ukraine
Mospino CPE LLC	99.00	99.00	Coal Mining	Ukraine
CCM Dobropolskaya OJSC	60.06	60.06	Coal Mining	Ukraine
CCM Oktyabrskaya OJSC	60.85	60.85	Coal Mining	Ukraine
Pershotravensky RMZ LLC	99.92	99.92	Coal Mining	Ukraine
Sotsis LLC	99.00	99.00	Other	Ukraine
Ekoenergoresurs LLC	99.00	99.00	Coal Mining	Ukraine
Servis Enterprise LLC	99.00	99.00	Other	Ukraine
DTEK Trading LLC	100.00	100.00	Other	Ukraine
DTEK Trading Limited	100.00	100.00	Other	Cyprus
Wind Power LLC	100.00	100.00	Power generation	Ukraine
Power Trade LLC	100.00	100.00	Other	Ukraine
DTEK Dobropolyeugol LLC*	100.00	100.00	Coal Mining	Ukraine
Power Trade Hungary Kft.*	100.00	100.00	Other	Hungary

* entity created by the Group in 2010

The Company is registered at Schiphol Boulevard 231 Tower B, 5th floor, 1118BH, Luchthaven Schiphol, the Netherlands. The principal place of business of its operating subsidiaries is 11 Shevchenko blvd, 83055 Donetsk, Ukraine.

As at 31 December 2010, the Group employed approximately 42 thousands people (31 December 2009: 42 thousands people).

OPERATING ENVIRONMENT OF THE GROUP

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 (Note 35). 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 determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables are determined using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation. DTEK Holdings B.V. will prepare its first statutory financial statements for the 19 months to 31 December 2010. These consolidated financial statements prepared using the predecessor basis for the 12 months ended 31 December 2010 are considered "special purpose financial statements" until the statutory financial statements are prepared.

These special purpose consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") using the historical cost convention, as modified by the revaluation of property, plant and equipment, and certain financial instruments measured in accordance with the requirements of IAS 39 Financial instruments: recognition and measurement. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5, Adoption of New or Revised Standards and Interpretations).

Use of estimates. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas, involving a high degree of judgement, complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 4.

Functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Ukrainian Hryvnia ("UAH"), which is the Company's functional and the Group's presentation currency.

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

As at 31 December 2010, the exchange rate used for translating foreign currency balances was USD 1 = UAH 7.96 (31 December 2009: USD 1 = UAH 7.99); EUR 1 = UAH 10.57 (31 December 2009: EUR 1 = UAH 11.45). Exchange restrictions in Ukraine are limited to compulsory receipt of foreign receivables within 180 days of sales. Foreign currency can be easily converted at a rate close to the National Bank of Ukraine rate. At present, the UAH is not freely convertible outside Ukraine.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (Note 3).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Transactions with non-controlling interests. The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

DTEK HOLDINGS B.V.
NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS — 31 DECEMBER 2010

Change in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when the revised IFRS 3, 'Business combinations', the revised IAS 27, 'Consolidated and separate financial statements', and the revised IAS 28, 'Investments in associates', became effective.

Previously transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Common control business combinations. Purchases of subsidiaries from parties under common control are recorded using the predecessor values, in a manner similar to the pooling of interests method. Under this method the financial statements of the entity are presented as if the businesses had been consolidated from the beginning of the earliest period presented (or the date that the entities were first under common control, if later). The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying values. The difference between the consideration given and the aggregate carrying value of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to equity. No additional goodwill is created by such purchases.

Investments in associates. Associates are entities over which the Group has significant influence but not control, generally presumed for shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The determination of goodwill includes the previously held equity interest to be adjusted to fair value, with any gain or loss recorded in the income statement.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

Change in accounting policy

The Group has changed its accounting policy for step acquisition of associates from 1 January 2010 when the revised IFRS 3, 'Business combinations', the revised IAS 27, 'Consolidated and separate financial statements', and the revised IAS 28, 'Investments in associates', became effective. Previously, cost of an associate acquired in stages was measured as the sum of consideration paid for each purchase and goodwill on acquisition of associates was determined at each stage of the acquisition. Under the new accounting policy the cost of an associate acquired in stages is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration paid. The new accounting policy is applied prospectively. It was therefore not necessary to make any adjustments to any of the amounts previously recognised in the financial statements.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Property, plant and equipment. The Group uses the revaluation model to measure property, plant and equipment. Fair value was based on valuations by external independent valuers. The frequency of revaluation will depend upon the movements in the fair values of the assets being revalued. The last independent valuation of the fair value of the Group's property, plant and equipment was performed as of 1 August 2008. Subsequent additions to property plant and equipment are recorded at cost. Cost includes expenditure directly attributable to acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Starting from 1 January 2009 the cost of acquired and self-constructed qualifying assets includes borrowing costs.

Any increase in the carrying amounts resulting from revaluation are credited to other reserves in equity. Decreases that offset previously recognised increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalized with the carrying amount of the replaced component being written off. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the consolidated income statement as an expense when incurred.

Property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected from the continued use of the asset. Gains and losses on disposals determined by comparing proceeds with carrying amount of property, plant and equipment are recognised in the consolidated income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Depreciation. Depreciation is charged to the consolidated income statement on a straight-line basis to allocate costs of individual assets to their residual value over their estimated useful lives. Depreciation commences on the date of acquisition or, in respect of self-constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

	Useful lives in years
Mining assets	from 20 to 60
Buildings and structures	from 10 to 50
Plant and machinery	from 2 to 30
Furniture, fittings and equipment	from 2 to 15

Construction in progress represents the cost of property, plant and equipment, including advances to suppliers, which has not yet been completed. No depreciation is charged on such assets until they are available for use.

Mining assets include mineral licences, which were acquired by the Group and which have finite useful lives. Mineral licenses are stated at cost less accumulated amortisation and accumulated impairment losses, and are amortised on a straight-line basis over the estimated useful life.

Leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Asset retirement obligations. According to the Code on Mineral Resources, Land Code of Ukraine, Mining Law, Law on Protection of Land and other legislative documents, the Group is responsible for site restoration and soil rehabilitation upon abandoning of its mines. Estimated costs of dismantling and removing an item of property, plant and equipment are added to the cost of an item of property, plant and equipment when the item is acquired, and corresponding obligation is recognised. Changes in the measurement of an existing asset retirement obligation, that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate used for measurement, are recognised in the income statement or, to the extent of any revaluation balance existence in respect of the related asset, other reserves. Provisions in respect of abandonment and site restoration are evaluated and re-estimated annually, and are included in the consolidated financial statements at each balance sheet date at their expected net present value, using discount rates which reflect the economic environment in which the Group operates.

Goodwill. Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of exchange. Goodwill on acquisitions of subsidiaries is included in Intangible assets in the balance sheet. Goodwill on acquisitions of associates is included in the investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business to which the goodwill arose.

Other intangible assets. All of the Group's other intangible assets have definite useful lives and primarily include capitalised computer software. Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring them to use. Other intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Impairment of non-financial assets. Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. For purposes of assessing impairment, assets are grouped to the lowest levels for which there are separately identifiable cash flows (cash generating unit). Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Classification of financial assets. The Group classifies its financial assets into the following measurement categories:

- loans and receivables;
- available-for-sale financial assets.

Loans and receivables include financial receivables created by the Group by providing money, goods or services directly to a debtor, other than those receivables which are created with the intention to be sold immediately or in the short term, or which are quoted in an active market. Loans and receivables comprise primarily loans, trade and other accounts receivable including purchased loans and promissory notes. All other financial assets are included in the available-for-sale category.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements") which effectively provide a lender's return to the counterparty are treated as secured financing transactions.

Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the balance sheet unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Initial recognition of financial instruments. The Group's principal financial instruments comprise available-for-sale investments, loans and borrowings, cash and cash equivalents and short-term deposits. The Group has various other financial instruments, such as trade debtors and trade creditors, which arise directly from its operations.

The Group's financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Where available-for-sale investments are acquired from parties under the common control of the ultimate shareholder, and the difference between the amount paid to acquire the instrument and its fair value in substance represents a capital contribution or distribution, such difference is recorded as a debit or credit in other reserves in equity.

All purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial instrument. All other purchases and sales are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost, and recognised in equity for assets classified as available-for-sale.

Subsequent measurement of financial instruments. Subsequent to initial recognition, the Group's financial liabilities, loans and receivables are measured at amortised cost. Amortised cost is calculated using the effective interest rate method and, for financial assets, it is determined net of any impairment losses. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

The face values of financial assets and liabilities with a maturity of less than one year, less any estimated credit adjustments, are assumed to be their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised directly in equity. In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions based on market conditions existing at the balance sheet date.

When available-for-sale assets are sold or otherwise disposed of, the cumulative gain or loss recognised in equity is included in the determination of net profit. When a decline in fair value of available-for-sale assets has been recognised in equity and there is objective evidence that the assets are impaired, the loss recognised in equity is removed and included in the determination of net profit, even though the assets have not been derecognised.

Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payment is established and the inflow of economic benefits is probable.

Impairment losses are recognised in the income statement when incurred as a result of one or more events that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an instrument below its cost is an indicator that it is impaired. The cumulative impairment loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in the income statement, is removed from equity and recognised in the income statement.

Impairment losses on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through current period's income statement.

A provision for impairment of loans and accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

Derecognition of financial assets. The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Income taxes. Income taxes have been provided for in the financial statements in accordance with Ukrainian, Dutch or Cypriot legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the income statement unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings and other post-acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the first in first out basis for raw materials and spare parts, weighted average cost for coal and specific identification principle for goods for resale. The cost of work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered to be indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are charged to the income statement when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the income statement.

Promissory notes. Some purchases may be settled by promissory notes or bills of exchange, which are negotiable debt instruments. Purchases settled by promissory notes are recognised based on management's estimate of the fair value to be given up in such settlements. The fair value is determined with reference to observable market information.

Long-term promissory notes are issued by Group entities as payment instruments, which carry a fixed date of repayment and which the supplier can sell in the over-the-counter secondary market. Promissory notes issued by the Group are carried at amortised cost using the effective interest method.

Group entities also accept promissory notes from customers (both those issued by customers and third parties) as settlement of accounts receivable. Promissory notes issued by customers or issued by third parties are carried at amortised cost using the effective interest method. A provision for impairment of promissory notes is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in other non-current assets.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the notes as share premium.

Dividends. Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the consolidated financial statements are authorised for issue.

The Group has changed its accounting policy for dividends paid out of pre-acquisition profits from 1 January 2010 when the revised IAS 27 Consolidated and separate financial statements, became effective. Previously, dividends paid out of pre-acquisition profits were deducted from the cost of the investment. The new accounting policy is applied prospectively in accordance with the transition provisions. It was therefore not necessary to make any adjustments to any of the amounts previously recognised in the financial statements.

Value added tax ("VAT"). In Ukraine VAT is levied at two rates: 20% on sales and imports of goods within the country, works and services and 0% on the export of goods and provision of works or services to be used outside Ukraine. A taxpayer's VAT liability equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. A VAT credit is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. Rights to VAT credit arise when a VAT invoice is received, which is issued on the earlier of the date of payment to the supplier or the date goods are received. VAT related to sales and purchases is recognised in the consolidated balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Borrowings and other financial liabilities. Borrowings and other financial liabilities are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method.

Government grants. Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Government grants relating to an expense item are recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Trade and other payables. Trade and other payables are recognised and initially measured under the policy for financial instruments mentioned above. Subsequently, instruments with a fixed maturity are re-measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any transaction costs and any discount or premium on settlement. Financial liabilities which do not have a fixed maturity are subsequently carried at fair value.

Prepayments received. Prepayments received are carried at amounts originally received.

Provisions for liabilities and charges. Provisions for liabilities and charges are provisions for environmental restoration, restructuring costs and legal claims which are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Contingent assets and liabilities. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Revenue recognition. The Group sells all electricity produced by its electricity generation plants to Energorynok, a state-owned electricity distribution monopoly, at prices determined based on the competitive pool model adopted by the National Electricity Regulatory Committee of Ukraine. Revenue from the sale of electricity is the value of units supplied during the year and includes an estimate of the value of units supplied to customers between the date of their last meter reading and the year end.

Revenues from sales of goods are recognised at the point of transfer of risks and rewards associated with ownership of goods. If the goods are transported to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. Revenues are measured at the fair value of the consideration received or receivable, and are shown net of value added tax and discounts.

The Group also engages in sale and purchase transactions to manage tax cash flows. Such transactions are not revenue generating to the Group and accordingly such sales and purchases are presented on a net basis in other operating income or expenses. Accounts receivable and payable from such transactions are presented on a gross basis.

Recognition of expenses. Expenses are recorded on an accrual basis. The cost of goods sold comprises the purchase price, transportation costs, commissions relating to supply agreements and other related expenses.

Finance income and costs. Finance income and costs comprise interest expense on borrowings, losses on early repayment of loans, interest income on funds invested, income on origination of financial instruments, unwinding of interest of the pension obligation and asset retirement provision, and foreign exchange gains and losses.

Borrowing costs that relate to assets that take a substantial period of time to construct are capitalised as part of the cost of the asset. All other interest and other costs incurred in connection with borrowings are expensed using the effective interest rate method.

Interest income is recognised as it accrues, taking into account the effective yield on the asset.

Management incentive program. In January 2009, the Group introduced a long-term incentive bonus program for top executives. This cash-settled share based compensation is based upon 2% of the Group's incremental value (net worth) increase over a benchmark amount, assessed at the vesting dates of 31 December 2010 and 31 December 2012, and 31 December 2014. The total long term incentive pool is capped at maximum USD 100 million, depending on the increase in the value of the Group, this amount is further capped by individual employee caps. The valuation of the Group as of the respective dates would be performed by quoted price, if the Group's shares are publicly traded, or by the Supervisory Board decision based on internationally recognised non-public entity valuation practices.

The Group measures the fair value of the services received based on the fair value of the award to be given at the reporting date. The Group remeasures the fair value of the awards for the top executives at each reporting date until settlement. Until the award is settled, the Group presents the cash-settled award as a liability and not within equity. The fair value of the liability at the reporting date is calculated by external valuer based on the forecasted valuation of the Group's net worth performed by the Group management.

Employee benefits: Defined Contributions Plan. The Group makes statutory contributions to the Social Insurance Fund, Pension Fund and Insurance Against Unemployment Fund of Ukraine in respect of its employees. The contributions are calculated as a percentage of current gross salary, and are expensed when incurred. Discretionary pensions and other post-employment benefits are included in labour costs in the consolidated income statement.

Employee benefits: Defined Benefit Plan. Certain entities within the Group participate in a mandatory State defined retirement benefit plan, which provides for early pension benefits for employees working in certain workplaces with hazardous and unhealthy working conditions. The Group also provides lump sum benefits upon retirement subject to certain conditions. The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date, less adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment of available-for-sale equity investments. The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the volatility in share price and liquidity in the Ukrainian markets. In addition, impairment may be appropriate when there is evidence of changes in technology or a deterioration in the financial health of the investee, industry and sector performance, or operational or financing cash flows. Had all the declines in fair value below cost been considered significant or prolonged, the Group would have suffered an additional loss for the year of UAH 152 million (2009: 422 million).

Fair value of available-for-sale equity investments. The fair values of available-for-sale equity investments that are not quoted in active markets are determined by independent investment companies using different valuation techniques. Management has reviewed the investment companies' underlying assumptions used by the investment companies in the valuation models and confirmed that major underlying assumptions such as growth rates, expected margins, discount rates, etc, have been appropriately determined considering the market conditions as at the balance sheet date. Management considers that changing the underlying assumptions not supported by observable market data to a reasonably possible alternative in the valuation models would not result in a significantly different valuation.

Impairment of property, plant and equipment and goodwill. The Group is required to perform impairment tests for its cash-generating units. One of the determining factors in identifying a cash-generating unit is the ability to measure independent cash flows for that unit. For many of the Group's identified cash-generating units a significant proportion of their output is input to another cash-generating unit.

The Group also determines whether goodwill is impaired at least on an annual basis. This requires estimation of the value in use of the cash-generating units to which goodwill is allocated. Estimating value in use requires the Group to make an estimate of expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The recoverable amount of goodwill and cash-generating units were estimated based on a value in use calculation. Additional information is disclosed in Notes 9 and 10.

Revaluation of property, plant and equipment. As at 1 August 2008, the Group's management decided to carry out the revaluation of property, plant and equipment based on changes in economic conditions of business environment and an increase of the inflation rate. Fair value of property, plant and equipment and remaining useful lives as at 31 August 2008 were determined by an independent appraiser. The carrying value and depreciation of property, plant and equipment are effected by the estimates of replacement cost, depreciated replacement cost and remaining useful life. Changes in these assumptions could have a material impact to the fair value of property, plant and equipment (Note 9). No independent revaluation was performed in 2010, however management believes, based on internal assessment, that the fair value of property, plant and equipment does not differ significantly from the recorded carrying amounts as at 31 December 2010.

Revenue measurement. Revenue for electricity distribution includes an assessment of electricity supplied to customers between the date of the last meter reading and the year-end (unread). Unread electricity usage is estimated applying industry standards and using historical consumption patterns by the supplier. The judgements applied, and the assumptions underpinning these judgements, are considered by management to be appropriate.

However, a change in these assumptions would have an impact on the amount of revenue recognised.

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

Post-employment and other employee benefit obligations. Management assesses post-employment and other employee benefit obligations using the Projected Unit Credit Method based on actuarial assumptions which represent management's best estimates of the variables that will determine the ultimate cost of providing post-employment and other employee benefits. Since the plan is administered by the State, the Group may not have full access to information and therefore assumptions regarding when, or if, an employee takes early retirement, whether the Group would need to fund pensions for ex-employees depending on whether that ex-employee continues working in hazardous conditions, the likelihood of employees transferring from State funded pension employment to Group funded pension employment could all have a significant impact on the pension obligation. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The major assumptions used in determining the net cost (income) for pensions include the discount rate and expected salary increases. Any changes in these assumptions will impact the carrying amount of pension obligations. Since there are no long-term, high quality corporate or government bonds issued in Ukrainian Hryvnias, significant judgement is needed in assessing an appropriate discount rate. Key assumptions and sensitivities are presented in Note 23.

Deferred tax asset recognition. The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the balance sheet. Deferred tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimation based on historic taxable profits and expectations of future income that are believed to be reasonable under the circumstances.

Interest rates applied to long-term liabilities. Judgement has been used to estimate the fair value of long-term liabilities in the absence of similar financial instruments. A change in the effective interest rates used in assessing the fair value of loans and borrowings may have a material impact on the consolidated financial statements.

Tax legislation. Ukrainian tax, currency and customs legislation continues to evolve. Conflicting regulations are subject to varying interpretations. Management believes its interpretations are appropriate and sustainable, but no guarantee can be provided against a challenge from the tax authorities (Note 34).

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 introduced in several stages during 2011-2014, a change in base rate for VAT starting from 1 January 2011 from 20% to 17%, and a change in the methodology for determining the base for VAT and corporate income tax application.

The tax base of the property, plant and equipment will also be changed from 1 April 2011 with the aim to remove existing differences between tax and accounting bases. The Group has treated the respective change in tax legislation regarding the tax base of the property, plant and equipment as a non-adjusting event for the current financial statements. Had the Group measured the tax base of the property, plant and equipment according to the provisions of the new Tax Code, the deferred tax liability related to the property, plant and equipment as at 31 December 2010 in amount of UAH 730 million would have been derecognised, the deferred tax asset related to the property, plant and equipment would have been increased by UAH 24 million, the revaluation reserve in equity would have been increased by UAH 1,241 million and the deferred tax charge in the statement of the comprehensive income would have been increased by UAH 487 million.

Related party transactions. In the normal course of business the Group enters into transactions with related parties. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions. Financial instruments are recorded at origination at fair value using the effective interest method. The Group's accounting policy is to record gains and losses on related party transactions, other than business combination or equity investments, in the income statement. The basis for judgement is pricing for similar types of transactions with unrelated parties and an effective interest rate analysis.

Investment in Dniproenergo OJSC. As discussed in Note 11, the additional 34.24% share issue of Dniproenergo OJSC ("Dniproenergo") made in October 2007 was registered on 11 July 2008, taking the Company's interest to approximately 47.5%, and accordingly the Company has applied the equity method of accounting to its registered interest in Dniproenergo. If this additional share issue is successfully challenged, the recoverability of the Company's investment which totals UAH 2,666 million at 31 December 2010, may become doubtful.

Heat tariff compensation received by Kyivenergo JSC. The Group's equity investment - Kyivenergo JSC is required to supply heat to the Kyiv consumer market at regulated tariffs that are below cost. In accordance with existing legislation, Kyivenergo is entitled to claim heat tariff compensation which is computed as the difference between the «economically grounded» heat tariff and that imposed by the Kyiv City State Administration. Such claims are subject to additional Governmental, Budget and City approvals, the timing of which is uncertain. Kyivenergo accounts for such heat tariff compensation as government grants and due to the uncertainty of when the compensation becomes receivables records all amounts as income only when received. During 2010, Kyivenergo received UAH 1,902 million of heat tariff compensation related to 2008, 2009 and 2010. This amount was received following the change in accounting for Kyivenergo from available-for-sale to equity accounting and accordingly, the Group recorded its share of this gain. Due to the significance of the heat tariff compensation and the sporadic timing of receipt, Kyivenergo's income/loss for any period will fluctuate significantly based on when this compensation is received.

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 2010 or later periods:

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 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 non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

IAS 27 (revised), Consolidated and separate financial statements, requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

IAS 1 (amendment), Presentation of Financial Statements. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IAS 36 (amendment), Impairment of Assets. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8 Operating segments (that is, before the aggregation of segments with similar economic characteristics).

IFRS 2 (amendments), Group Cash-Settled Share-based Payment Transactions. In addition to incorporating IFRIC 8 Scope of IFRS 2, and IFRIC 11 IFRS 2 — Group and treasury share transactions, the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets should be recognised in profit or loss when the entity settles the dividend payable.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard.

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). The amendments did not have a material impact on these financial statements.

Unless otherwise stated above, the amendments and interpretations did not have any significant effect on the Group's consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS

Listed below are new standards and interpretations that have been published and are mandatory for the Group accounting periods beginning on or after 1 January 2011 or later periods and which the Group has not early adopted:

- *IFRS 9, Financial Instruments Part 1: Classification and Measurement, issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring 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. However, the standard has not yet been endorsed by the EU.*

- *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. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU.*

- *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.*

- *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).*

- *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.*

- *Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011).*

- *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).*

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's financial statements.

SEGMENT INFORMATION

The management has determined the operating segments based on reports reviewed by the Supervisory board. The Supervisory board considers the business from a product perspective taking into account the vertical integration of the Group.

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

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

- Coal mining
- 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.

Segment information for the main reportable business segments of the Group for the year ended 31 December 2010 is as follows:

In millions of Ukrainian Hryvnia	Coal mining	Power generation	Electricity distribution	Other	Elimination	Total
2010						
Sales — external	9,624	7,876	6,764	30	—	24,294
Sales to other segments	3,441	2	442	586	(4,471)	—
Total revenue	**13,065**	**7,878**	**7,206**	**616**	**(4,471)**	**24,294**
Segment results	2,552	2,281	137	106	(293)	4,783
Unallocated expenses						(457)
Operating profit						**4,326**
Finance costs, net						(807)
Foreign exchange losses less gains from borrowings						119
Recognition of AFS reserve on transfer to associate						(72)
Share of result of associates						406
Profit before income tax						**3,972**
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	1,243	782	99	96	—	2,220
Depreciation and amortisation	1,067	266	114	32	—	1,479

Segment information for the main reportable business segments of the Group for the year ended 31 December 2009 is as follows:

In millions of Ukrainian Hryvnia	Coal mining	Power generation	Electricity distribution	Other	Elimination	Total
2009						
Sales — external	4,711	5,604	4,672	22	—	15,009
Sales to other segments	2,253	1	357	183	(2,794)	—
Total revenue	**6,964**	**5,605**	**5,029**	**205**	**(2,794)**	**15,009**
Segment result	**870**	**1,218**	**100**	**51**	**(118)**	**2,121**
Unallocated expenses						(247)
Operating profit						1,874
Finance costs, net						(727)
Foreign exchange loss						(203)
Share of result of associates						231
Profit before income tax						**1,175**

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In millions of Ukrainian Hryvnia	Coal mining	Power generation	Electricity distribution	Other	Elimination	Total
Segment assets	**8,086**	**6,218**	**995**	**376**	**(1,388)**	**14,287**
Investments in associates	—	2,614	398	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	**1,357**	**438**	**89**	**16**	**—**	**1,900**
Depreciation and amortisation	**1,053**	**242**	**123**	**20**	**—**	**1,438**

Customers concentration, exceeding 10% of total revenues is presented below:

In millions of Ukrainian Hryvnia	Coal mining	Power generation	Electricity distribution	Other	Total
2010					
Energorynok SE	—	7,845	—	—	7,845
Dniproenergo OJSC	3,985	—	—	—	3,985
Entities under common control of SCM	825	—	3,234	—	4,059
Total	**4,810**	**7,845**	**3,234**	**—**	**15,889**
2009					
Energorynok SE	,—,	5,543	—	—	5,543
Dniproenergo OJSC	2,692	,—,	—	—	2,692
Entities under common control of SCM	810	,—,	2,426	—	3,236
Total	**3,502**	**5,543**	**2,426**	**—**	**11,471**

Geographical information

In millions of Ukrainian Hryvnia	2010	2009
Ukraine	21,927	14,671
Other countries	2,367	338
Total consolidated revenues	24,294	15,009

BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties are defined in IAS 24, Related Party Disclosures. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Group's immediate parent and ultimate controlling party are disclosed in Note 1.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2010 are detailed below. At 31 December, the outstanding balances with related parties were as follows:

In millions of Ukrainian Hryvnia	2010				2009			
	Entities under common control of SCM	Associate of Parent Company	Associates	Other related parties	Entities under common control of SCM	Associate of Parent Company	Associates	Other related parties
Gross amount of trade and other receivables	268	1	285	1	470	—	242	—
Promissory notes receivable	3	—	—	—	3	—	—	—
Financial aid provided	2	—	—	—	26	—	—	—
Deposits placed with a maturity of more than three months	55	—	—	—	86	—	—	—
Loans granted and interest accrued	5	—	15	—	5	—	1	—
Prepayment for financial investments	107	—	—	—	107	—	—	—
Cash and cash equivalents — current account	184	—	—	—	202	—	—	—
Investment obligation relating to Dniproenergo:								
- Non-current	—	—	(83)	—	—	—	(157)	—
- Current	—	—	(414)	—	—	—	(307)	—
Bonds issued:								
- Non-current	(18)	—	—	—	(12)	—	—	—
- Current	(12)	—	—	—	—	—	—	—
Trade and other payables	(44)	—	—	—	(86)	—	—	—
Prepayments received	(3)	—	—	—	(1)	—	—	—
Loan received (US dollar denominated interest-free)	—	—	—	—	(300)	—	—	—
Dividends payable	(261)	—	—	—	—	—	—	—

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The income and expense items with related parties for the years ended 31 December were as follows:

In millions of Ukrainian Hryvnia	2010 Entities under common control of SCM	2010 Associate of Parent Company	2010 Associates	2010 Other related parties	2009 Entities under common control of SCM	2009 Associate of Parent Company	2009 Associates	2009 Other related parties
Electricity sales	3,234	10	—	—	2,426	—	—	—
Sales of coking coal	825	—	—	—	810	—	—	—
Sales of steam coal	9	—	4,153	—	—	—	2,692	—
Sales of inventory	—	—	—	—	4	—	2	—
Purchase of goods for resale	(251)	—	—	—	(846)	—	—	—
Purchase of raw materials and equipment	(9)	—	(5)	(67)	(74)	—	(5)	—
Purchase of services	(101)	—	—	—	(25)	—	—	—
Interest income on bank deposits	13	—	—	—	8	—	—	—
Interest expense on bonds issued	(1)	—	—	—	—	—	—	—
Interest expense on long-term payables	(27)	—	—	—	(1)	—	—	—
Gain on initial recognition of promissory note	—	—	—	—	11	—	—	—
Interest income on loans provided	—	—	—	—	5	—	—	—
Loss on sale of promissory note	—	—	—	—	(4)	—	—	—

REVENUE, TRADE AND OTHER RECEIVABLE

The trade receivable balances as at 31 December 2010 due from entities under common control and an associates are non-interest bearing. The balances outstanding from related parties as at 31 December 2010 and 2009 are unsecured and settlements are made either in cash, in the form of a debt set-off or by means of exchanging promissory notes issued by the settling counterparties or third parties to the transaction. The Group created no provision for impairment of accounts receivable due from related parties as of 31 December 2010 and 2009.

As at 31 December 2010, no intragroup sales of coal are pledged as collateral for bank borrowings (2009: UAH 2,000 million).

PURCHASES, TRADE AND OTHER PAYABLES

Purchases and outstanding trade and other payables as at 31 December 2010 and 2009 comprised balances due to related parties for supplies of iron shoring for mines, raw materials and steaming coal. Balances payable are non-interest bearing and are repayable in the normal course of business.

KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel consist of seven top executives (2009: nine top executives). In 2010 total compensation to key management personnel included in administrative expenses amounted to UAH 31 million (2009: UAH 40 million). Compensation to the key management personnel consists of salary, bonus payments and termination benefits.

Effective 1 January 2009, the Group entered into a management incentive program with certain top executives. Under the program, top executives are entitled to 2% of the Group's incremental value (net worth) increase over a benchmark amount. Total available under the program is capped at USD 100 million depending on the increase in the value of the Group, this amount is further capped by individual employee caps. The valuation of the Group would be performed by quoted price, if the Group's shares are publically traded, or by reference to independent appraisal using techniques approved by the Supervisory Board. 30% of the bonus is payable based on the interim valuation date of 31 December 2010 for the majority of participants, and the remaining 70% payable in 2012, although participants can defer receipt until the final vesting period. The Group engaged external valuers to assess the probable obligation as of 31 December 2010 using the forecasted internal valuation of the Group's net worth performed by the Group management. As at 31 December 2010, UAH 129 million has been recorded as a provision in these financial statements.

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
At 1 January 2009						
Cost	2,088	3,644	4,227	317	943	11,219
Accumulated depreciation	(57)	(123)	(382)	(74)	—	(636)
NBV at 1 January 2009	**2,031**	**3,521**	**3,845**	**243**	**943**	**10,583**
Additions	**21**	**50**	**1,535**	**64**	**195**	**1,865**
Disposals	—	(3)	(14)	(2)	(1)	(20)
Depreciation charge	(157)	(318)	(927)	(72)	—	(1,474)
Transfer	79	68	263	17	(427)	—
NBV at 31 December 2009	**1,974**	**3,318**	**4,702**	**250**	**710**	**10,954**
At 31 December 2009						
Cost or valuation	2,188	3,757	5,995	384	710	13,034
Accumulated depreciation	(214)	(439)	(1,293)	(134)	—	(2,080)
NBV at 31 December 2009	**1,974**	**3,318**	**4,702**	**250**	**710**	**10,954**
Additions	**16**	**73**	**898**	**79**	**1,113**	**2,179**
Disposals	(2)	(8)	(17)	(2)	(4)	(33)
Depreciation charge	(164)	(303)	(984)	(74)	—	(1,525)
Transfer	224	33	197	4	(458)	—
NBV at 31 December 2010	**2,048**	**3,113**	**4,796**	**257**	**1,361**	**11,575**
At 31 December 2010						
Cost or valuation	2,413	3,851	7,023	453	1,361	15,101
Accumulated depreciation	(365)	(738)	(2,227)	(196)	—	(3,526)
NBV at 31 December 2010	**2,048**	**3,113**	**4,796**	**257**	**1,361**	**11,575**
NBV without revaluation at: 31 December 2009	**1,219**	**776**	**3,003**	**141**	**563**	**5,702**
31 December 2010	**1,369**	**750**	**3,496**	**182**	**1,074**	**6,871**

During 2008, the Group engaged independent appraisers to determine the fair value of its property, plant and equipment. Fair value was determined with reference to depreciated replacement cost or market-based evidence, in accordance with International Valuation Standards.

The majority of the structures, plant and machinery are specialised in nature and are rarely sold in the open market in Ukraine other than as part of a continuing business. The market for similar property, plant and equipment is not active in Ukraine and does not provide a sufficient number of sales of comparable assets for using a market-based approach for determining fair value. Consequently, the fair value of structures, plant and machinery was primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economic depreciation, and obsolescence.

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The depreciated replacement cost was estimated based on internal sources and analysis of Ukrainian and international markets for similar property, plant and equipment. Various market data were collected from published information, catalogues, statistical data etc, and industry experts and suppliers.

As at 31 December 2010, buildings, plant and machinery carried at UAH 1,129 million (31 December 2009: UAH 2,966 million) have been pledged to third parties as collateral for borrowings (Note 35).

In 2010, the depreciation expense of UAH 1,447 million (2009: UAH 1,387 million), net of amortisation of government grants, was included in cost of sales, UAH 18 million (2009: UAH 15 million) in general and administrative expenses, UAH 4 million (2009: UAH 6 million) in distribution expenses, and nil (2009: UAH 12 million) in other operating expenses.

INTANGIBLE ASSETS

As at 31 December, intangible assets comprise:

In millions of Ukrainian Hryvnia	2010	2009
Goodwill	633	633
Other intangible assets	98	67
Total	**731**	**700**

GOODWILL IMPAIRMENT TEST

Goodwill is allocated to cash-generating units ("CGUs") which represent the lowest level within the Group at which the goodwill is monitored by management. Management divided the business into two main CGUs to which goodwill was allocated:

In millions of Ukrainian Hryvnia	2010	2009
Coal mining	590	590
Energy distribution	43	43
Total	**633**	**633**

The recoverable amount has been determined based on a value in use calculation. Cash flow projections, based on financial budgets approved by senior management covering a five-year period, and third party prices were used to determine projected sales. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The following table summarises key assumptions on which management has based its cash flow projections to undertake the impairment testing of goodwill.

	2010	2009
Coal mining		
Pre-tax discount rate	17%-16%	23%-16%
Revenue growth rate for the five-year period	13%-25%	5%-30%
Revenue growth rate after the five-year period	2%-8%	4%-5%
Gross margin	38%	25%
Energy distribution — PES-Energougol		
Pre-tax discount rate	17%-16%	23%-16%
Revenue growth rate for the five-year period	3%-28%	6%-17%
Revenue growth rate after the five-year period	5%-8%	7%-10%
Gross margin	15%	15%

In assessing goodwill impairment management used a multi-period discount rate ranging from 16.2% in 2011 to 17.2% in 2014, which stabilizes at 15.7% in 2015 and onwards.

The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external and internal sources.

No impairment was recognised as a result of the assessment.

During 2010 and 2009, the movements of other intangible assets, primary software and associated rights, were as follows:

In millions of Ukrainian Hryvnia	Cost	Accumulated amortisation and impairment	Net book value
As at 1 January 2009	**49**	**(8)**	**41**
Additions / (Charge) for the year	35	(9)	26
As at 31 December 2009	**84**	**(17)**	**67**
Additions / (Charge) for the year	41	(10)	31
As at 31 December 2010	**125**	**(27)**	**98**

In 2010 the amortisation expenses of UAH 4 million (2009: UAH 4 million) was included in cost of sales and UAH 6 million (2009: UAH 5 million) in general and administrative expenses.

INVESTMENTS IN ASSOCIATES

The table below summarises the movements in the carrying amount of the Group's investment in associates.

In millions of Ukrainian Hryvnia	2010	2009
Carrying amount at 1 January	**3,025**	**2,811**
Acquisition of associates	612	—
Additional contribution to associate	—	7
Transfer from AFS investment to associate	90	—
Share of after tax results of associates	406	1,105
Share in other reserves of associates	5	—
Unrealised profit on operations with associate	(37)	5
Impairment of associate	—	(874)
Dividends declared by associate	(2)	(29)
Carrying amount at 31 December	**4,099**	**3,025**

The Group's interests in its principal associates and their summarised financial information is presented below:

2010

In millions of Ukrainian Hryvnia	Country of incorporation	% of ownership	Carrying value	Total assets	Total liabilities	Revenue	Profit/ (loss)
Dniproenergo JSC	Ukraine	47.55%	2,666	3,018	1,916	6,228	187
Donetskoblenergo JSC	Ukraine	30.59%	404	1,612	2,495	3,809	25
Kyivenergo JSC	Ukraine	39.98%	1,002	4,411	2,900	10,217	659
Other	Ukraine	various	27	45	13	—	(20)
Total			**4,099**				

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2009

In millions of Ukrainian Hryvnia	Country of incorporation	% of ownership	Carrying value	Total assets	Total liabilities	Revenue	Profit/ (loss)
Dniproenergo JSC	Ukraine	47.55%	2,614	2,371	1,452	4,212	(210)
Donetskoblenergo JSC	Ukraine	30.59%	398	1,383	2,328	3,144	3,992
Other	Ukraine	various	13	52	16	—	(52)
Total			**3,025**				

DNIPROENERGO

The Group's interest in Dniproenergo, a majority State owned power generating company located in Zaporizhzhya, was acquired via a) a series of transactions on the over the counter market over a number of years resulting in total interest acquired of 13.31% at a total cost of UAH 1,276 million and b) via a share issue by Dniproenergo in 2007, as a result of an amicable agreement to bring the entity out of bankruptcy, resulting in a 34.24% interest for a capital contribution of UAH 1,052 million and a commitment to fund Dniproenergo's investment program totalling UAH 1,010 for the period 2008 through 2012.

This capital contribution resulted in the dilution of existing shareholders and certain minority shareholders had challenged the validity of this share issue in the Courts. The Court ruling and appeals have found both for and against the additional share issue. However in 2009, at the annual shareholder meeting, the shareholders voted in accordance with the registered number of shares including the additional share issuance; the shareholder also approved a new share registrar, management and supervisory board members and dividends of UAH 61 million (UAH 10 per ordinary share) were declared.

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.

IMPAIRMENT ASSESSMENT FOR DNIPROENERGO

At 31 December 2010, the quoted market price for the Group's interest in Dniproenergo was UAH 3,689 million (31 December 2009: UAH 1,950 million). Due to the illiquid local capital markets, management has used the fair value approach involving valuation techniques to assess impairment.

The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external and internal sources. The following table summarises key assumptions on which management has based its cash flow projections to undertake the impairment assessment of its investment:

	2010	2009
Post-tax discount rate	17%-16%	23%-16%
Revenue growth rate 2011 - 2015	5%-34%	11%-19%
Revenue growth rate 2016 - onwards	3%-11%	2%-5%
Gross margin	10%-23%	20%

No impairment was recognised as a result of the assessment.

DONETSKOBLENERGO

Donetskoblenergo JSC ("Donetskoblenergo") is an electricity distribution company located in the Donetsk region of Ukraine. During 2000-2005, Donetskoblenergo accumulated significant obligations to Energorynok for the purchase of electricity for supply to final customers who defaulted on payment.

During 2009, Donetskoblenergo negotiated a restructuring of these obligations to Energorynok, which totalled UAH 3,595 million as at 31 December 2008. Under the Court approved restructuring plan, these obligations will be repaid, without interest, in instalments through 2032. The renegotiation was accounted for as an extinguishment of the original obligation and the recognition of a new obligation. Management have assessed the fair value of the payment schedule using an effective interest rate of 19% and recorded a UAH 3,443 million gain on the initial recognition of the new financial instrument. Further, Donetskoblenergo has reversed all accrued provision for penalties and fines payable to Energorynok totalling UAH 1,687 million, and accrued UAH 765 million for possible tax claims. Consequently, the Group's share in the financial results of Donetskoblenergo totalling UAH 1,221 million was recognised in the income statement.

IMPAIRMENT ASSESSMENT FOR DONETSKOBLENERGO

Due to the illiquid local capital markets, management has used the fair value approach involving valuation techniques to assess the possible impairment of Donetskoblenergo.

The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external and internal sources. The following table summarises key assumptions on which management has based its cash flow projections to undertake the impairment testing of its investment in the associate.

	2010	2009
Post-tax discount rate	17%-16%	28%-14%
Revenue growth rate 2011 - 2015	4%-74%	5%-23%
Revenue growth rate 2016 - onwards	7%-8%	5%
Gross margin	9%-12%	12%

No impairment was recognised as a result of the assessment.

KYIVENERGO

Kyivenergo JSC ("Kyivenergo") is an integrated complex, which generates, transmits and distributes all electricity for Kyiv. It has a monopoly in the Kyiv electricity market. In addition, Kyivenergo also supplies the majority of heat consumed in Kyiv.

The Group increased its interest in Kyivenergo from 6.12% to 24.90% on 2 September 2010, which was further increased to 39.98% on 6 December 2010. Total consideration for the incremental 33.86% interest was UAH 590 million. The Group has elected to use the fair value as deemed cost at the date of acquisition to account for this transfer from Available for sale securities to the equity method of accounting and recognized UAH 72 million of negative available for sale reserve in profit and loss (Note 17).

In addition to the normal supply of electricity and heat to the Kyiv market, the company also periodically receives heat tariff compensation which is calculated as the difference between economically grounded heat tariffs as determined by the Law of Ukraine "About heat supply" dated 2 June 2005 and those imposed by Kyiv City State Administration. The receipt of such compensation is subject to various regulatory approvals, and is accounted for as a government grant when received. Kyivenergo received heat tariff compensation totalling UAH 1,445 million on 3 September 2010, and a further UAH 458 million on 6 December 2010. This compensation effectively relates to heat supplied during 2008 through 2010, however such had not been accrued due to the uncertainty with respect gaining the required governmental, budget and local council approvals, and accordingly was recorded in income when received. The Group's share in the financial results of Kyivenergo totalling UAH 318 million includes heat tariff compensation recognised after the Group gained significant influence over Kyivenergo.

IMPAIRMENT ASSESSMENT FOR KYIVENERGO

At 31 December 2010, the quoted market price for the Group's interest in Kyivenergo was UAH 563 million. Due to the illiquid local capital markets, management has used the fair value approach involving valuation techniques to assess impairment.

The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external and internal sources. The following table summarises key assumptions on which management has based its cash flow projections to undertake the impairment testing of its investment in the associate.

	2010
Post-tax discount rate	17%-16%
Revenue growth rate 2011 — 2015	14%-42%
Revenue growth rate 2016 — onwards	4%-9%
Gross margin	(8%)-15%

No impairment was recognised as a result of the assessment.

FINANCIAL INVESTMENTS

As at 31 December, non-current financial investments comprised:

In millions of Ukrainian Hryvnia	2010	2009
Equity securities:		
— quoted	1,247	784
— illiquid	—	252
Prepayment for other shares	15	15
Loans receivable	17	3
Total	**1,279**	**1,054**

As a result of the recent volatility in financial markets, as discussed in Note 2, on 31 December 2009 fair value of certain Ukrainian electricity distribution companies have been determined by reference to the discounted operating cash flows of the investee and other valuation techniques based on independent third party assessment, as there were no regularly occurring transactions in certain equity shares quoted on PFTS or Ukrainian Exchange, the Ukrainian stock exchange market. As at 31 December 2010, the fair value of all available-for-sale securities have been determined based on quoted prices, as the number and frequency of transactions increased and the liquidity of the Ukrainian stock exchange market improved significantly in 2010.

As at 31 December, current financial investments were as follows:

In millions of Ukrainian Hryvnia	2010	2009
Deposits placed with a maturity of more than three months	756	142
Loans receivable (net of provision for impairment of UAH 17 million)	48	114
Prepayment for shares	236	339
Total	**1,040**	**595**

In millions of Ukrainian Hryvnia	2010		2009	
	Other	Deposits	Other	Deposits
Rating by Moody's Investors Service				
— B3 rated	—	97	—	128
— Baa2 rated	—	578	—	—
Non-rated	284	81	453	14
Total	**284**	**756**	**453**	**142**

As at 31 December 2010, the Group prepaid UAH 236 million to various stockbrokers to acquire equity interest in other Ukrainian energy companies. UAH 43 million from loans receivable are represented by financial aid provided to third parties. UAH 5 million loan provided to the supplier of coal.

As at 31 December 2010, deposits placed with a maturity of more than three months of UAH 711 million were denominated in US dollars (31 December 2009: UAH 85 million).

As at 31 December 2010, UAH 713 million of term deposits were pledged as collateral for borrowings or bank guarantees received (31 December 2009: UAH 142 million).

The amount of the current financial investments is neither past due nor impaired. Carrying amounts of deposits and loans approximate their fair values.

INVENTORIES

As at 31 December, inventories were as follows:

In millions of Ukrainian Hryvnia	2010	2009
Coal	643	253
Raw materials	196	150
Spare parts	210	152
Goods for resale	10	21
Work in process	98	57
Total inventories	**1,157**	**633**

The amount of inventory write down recognised as an expense in 2010 was UAH 19 million (2009: UAH 17 million). As at 31 December 2010 no inventories have been pledged as collateral for borrowings (31 December 2009: UAH 228 million).

TRADE AND OTHER RECEIVABLES

As at 31 December, current trade and other receivables were as follows:

In millions of Ukrainian Hryvnia	2010	2009
Trade receivables	1,405	1,333
Less impairment provision	(272)	(428)
Trade receivables - net	**1,133**	**905**
Other financial receivables	151	135
Less impairment provision	(95)	(89)
Receivables under commission agreements:		
with third parties	372	—
with SCM entities	45	83
Receivable for sale of financial instruments	80	428
Total financial assets	**1,686**	**1,462**
Prepayments to suppliers	1,223	572
Less impairment provision	(4)	(4)
VAT recoverable	44	15
Other	39	29
Less impairment provision	(4)	(4)
Total non-financial assets	1,298	608
Total trade and other receivables	**2,984**	**2,070**

As at 31 December 2010, 15% of trade and other receivables are denominated in USD (31 December 2009: 4%).

As at 31 December 2010 prepayments of the Group included UAH 1,075 million of prepayments for coal (31 December 2009: UAH 239 million of prepayments for coal and UAH 250 million of prepayments under commission agreements with related parties under common control). Remaining amount includes prepayments for electricity subsequently sold for export, transportation and other services, and inventories.

As at 31 December 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 and Trade and other payables. The associated payable balance totalling UAH 403 million is included in trade and other payables (31 December 2009: UAH 36 million).

Movements in the impairment provision for trade and other receivables were as follows:

In millions of Ukrainian Hryvnia	2010	2009
Provision for impairment at 1 January	525	588
Provision for impairment during the year	119	145
Reversal of provision	(268)	(200)
Amounts written off during the year as uncollectible	(1)	(8)
Provision for impairment at 31 December	375	525

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Analysis by credit quality of financial trade and other receivables is as follows:

In millions of Ukrainian Hryvnia	2010				2009			
	Trade recei-vables	Recei-va-bles under commis-sion agree-ments	Recei-va-ble for sale of financial instru-ments	Other financial recei-vables	Trade recei-vables	Recei-va-bles under commis-sion agree-ments	Recei-va-ble for sale of financial instru-ments	Other financial recei-vables
Current and not impaired — exposure to								
- Energorynok SE	412	—	—	—	415	—	—	—
- Large Ukrainian corporates	132	14	—	—	134	83	14	—
- Medium sized companies	226	358	—	29	105	—	334	14
Total current and not impaired	**770**	**372**	**—**	**29**	**654**	**83**	**348**	**14**
Past due but not impaired								
- less than 30 days overdue	225	—	—	—	—	—	4	3
- 30 to 90 days overdue	33	—	—	3	157	—	—	2
- 90 to 180 days overdue	100	—	—	—	—	—	—	6
- 180 to 360 days overdue	1	—	80	3	6	—	76	20
- over 360 days overdue	4	45	—	21	88	—	—	1
Total past due but not impaired	**363**	**45**	**80**	**27**	**251**	**—**	**80**	**32**
Individually determined to be impaired (gross)								
- over 360 days overdue	272	—	—	95	428	—	—	89
Total individually impaired	**272**	**—**	**—**	**95**	**428**	**—**	**—**	**89**
Less impairment provision	**(272)**	**—**	**—**	**(95)**	**(428)**	**—**	**—**	**(89)**
Total	**1,133**	**417**	**80**	**56**	**905**	**83**	**428**	**46**

CASH AND CASH EQUIVALENTS

As at 31 December, cash and cash equivalents were as follows:

In millions of Ukrainian Hryvnia	2010	2009
Bank balances payable on demand	594	517
Term deposits with original maturity of less than three months	1 098	208
Restricted cash	1	14
Total cash and cash equivalents	**1 693**	**739**

As at 31 December 2010, cash and cash equivalents of UAH 813 million were denominated in US dollars (31 December 2009: UAH 253 million), UAH 43 million were denominated in EUR (31 December 2009: 105 million).

As at 31 December 2010, UAH 426 million of term deposits with original maturity of less than three months were pledged as collateral for borrowings or bank guarantees received (31 December 2009: UAH 165 million).

As at 31 December 2010, UAH 1 million of cash is restricted in use under letter of credit arrangement (31 December 2009: UAH 14 million). For the purposes of the cash-flow statements this amount is not included in cash and cash equivalents balance.

The bank balances and term deposits are neither past due nor impaired. Analysis by credit quality of bank balances and term deposits is as follows:

In millions of Ukrainian Hryvnia	2010			2009		
	Bank balances payable on demand	Term deposits	Restricted cash	Bank balances payable on demand	Term deposits	Restricted cash
Rating by Moody's Investors Service						
- A3 rated	—	—	—	64	9	14
- Aa3 rated	3	—	—	—	2	—
- B1 rated	—	—	—	1	—	—
- Ba1 rated	—	—	—	—	—	—
- Baa2 rated	86	—	1	—	—	—
- B2 rated	—	—	—	—	80	—
- B3 rated	474	984	—	441	107	—
- Caa1 rated	—	103	—	—	—	—
Non-rated	31	11	—	11	10	—
Total	**594**	**1,098**	**1**	**517**	**208**	**14**

SHARE CAPITAL

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 31 December 2010 and 2009, the issued and fully paid share capital comprised 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 consolidated financial statements have been adjusted accordingly to reflect the new capital structure of DTEK Holdings B.V.

On 2 September 2010 DTEK Holdings B.V. declared a dividend of USD 80 million (UAH 632 million), that was partially paid by 31 December 2010. Dividends payable as at 31 December 2010 of USD 33 million (UAH 261 million) are included in trade and other payables (Note 25).

OTHER RESERVES

In millions of Ukrainian Hryvnia	Additional paid in capital	Revaluation reserve	AFS reserve	Total
Balance at 1 January 2009	**3,346**	**4,504**	**(305)**	**7,545**
Incorporation of DTEK Holdings B.V. (Note 16)	(7,545)	—	—	(7,545)
Financial investments:				
- Fair value gains less losses	—	—	(109)	(109)
Property, plant and equipment:				
- Change in estimate relating to asset retirement provision recorded in equity	—	59	—	59
- Realised revaluation reserve	—	(859)	—	(859)
Income tax recorded in equity	—	201	12	213
Balance at 31 December 2009	**(4,199)**	**3,905**	**(402)**	**(696)**
Financial investments:				
- Fair value gains less losses	—	—	234	234
- Recognition of AFS reserve on transfer to associate	—	—	72	72
- Result of associates	5	—	—	5
Property, plant and equipment:				
- Change in estimate relating to asset retirement provision recorded in equity	—	(13)	—	(13)
- Realised revaluation reserve	—	(572)	—	(572)
Income tax recorded in equity	—	140	(35)	105
Balance at 31 December 2010	**(4,194)**	**3,460**	**(131)**	**(865)**

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During 2010, unrealised fair value gain on available-for-sale investments totalling UAH 234 million (2009: UAH 109 million loss) was recorded directly in other reserves.

During 2010, historic fair value losses totalling UAH 72 million related to Kyivenergo, recognised while this asset was recorded as an available-for-sale investment, have been recycled to profit and loss, following its transfer to equity accounting.

Retained earnings of the Group represent the earnings of the Group entities from the date they have been established or acquired by the entities under common control. Group subsidiaries distribute profits as dividends or transfer them to reserves on the basis of their statutory financial statements prepared in accordance with local GAAP as appropriate. Ukrainian legislation identifies the basis of distribution as retained earnings only, however this legislation and other statutory laws and regulations are open to legal interpretation and, accordingly, management believes at present it would not be appropriate to disclose the amount of distributable reserves in these consolidated financial statements.

LIABILITY TO NON-CONTROLLING PARTICIPANTS

The non-controlling interest in limited liability companies registered in Ukraine is classified as a liability in the Group's consolidated financial statements and the income attributed to the non-controlling participants is shown as a finance charge in the consolidated income statement.

BORROWINGS

In millions of Ukrainian Hryvnia	2010	2009
Non-current		
Eurobonds	3,889	—
Bank borrowings	620	807
Current		
Bank borrowings	919	3,596
Interest accrual	74	25
Total borrowings	**5,502**	**4,428**

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

The Group's borrowings were denominated in the following currencies:

In millions of Ukrainian Hryvnia	2010	2009
Borrowings denominated in:		
- UAH	474	484
- US Dollars	4,545	2,514
- Euros	483	1,373
- Roubles	—	57
Total borrowings	**5,502**	**4,428**

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The Group's loans and borrowings maturity and re-pricing was as follows:

In millions of Ukrainian Hryvnia	Maturity		Interest re-pricing	
	2010	2009	2010	2009
Loans and borrowings due:				
- within 1 year	993	3,621	1,477	4,261
- between 1 and 5 years	4,509	807	4,025	167
Total borrowings	**5,502**	**4,428**	**5,502**	**4,428**

The effective interest rates and currency denomination of loans and borrowings as at the balance sheet date were as follows:

In % per annum	2010			2009			
	UAH	USD	EUR	UAH	USD	EUR	RUB
Bank borrowings	14%-22%	LIBOR 1m+6% - 9.5%	EURIBOR 6m+1.7%- EURIBOR 6m+5.15%	14%-26.5%	LIBOR 3m+ 3%-18%	EURIBOR 6m+1.7%-18%	22%
Total borrowings	**474**	**4,545**	**483**	**484**	**2,514**	**1,373**	**57**

As at 31 December 2010, borrowings totalling UAH 1,409 million (31 December 2009: UAH 2,368 million) were secured with property, plant and equipment, financial investments, cash and cash equivalents and inventories (Note 9, 12, 13 and 15).

OTHER FINANCIAL LIABILITIES

As at 31 December, non-current financial liabilities comprised:

In millions of Ukrainian Hryvnia	2010	2009
Investment obligation relating to Dniproenergo	83	156
Bonds issued	—	26
Restructured trade payables	21	17
Other payables	14	22
Total non-current other financial liabilities	**118**	**221**

As discussed in Note 11, 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 of 100%). As at 31 December 2010 UAH 414 million is recorded as short-term. An expense associated with the unwinding of discount on the investment obligation totalling UAH 34 million (31 December 2009: UAH 41 million) was included in finance costs (Note 33).

As at 31 December, current financial liabilities of the Group comprise:

In millions of Ukrainian Hryvnia	2010 год	2009 год
Investment obligation relating to Dniproenergo	414	307
Bonds issued	71	—
Interest-free loan from related parties	—	300
Total current other financial liabilities	**485**	**607**

The interest-free loan was received from a SCM subsidiary and was repaid in January 2010.

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INDEBTEDNESS UNDER AMICABLE AGREEMENT

In 2005, Pavlogradugol renegotiated the payment terms of its obligation totalling UAH 386 million over the period 2007 through 2019. The renegotiation was accounted for as an extinguishment of the original obligation and the recognition of a new obligation. The obligation was recorded at fair value using an effective interest rate of 16%.

A summary of the restructured obligations is presented below:

In millions of Ukrainian Hryvnia	2010		2009	
	Nominal value	Amortised cost	Nominal value	Amortised cost
Promissory notes issued	140	93	220	126
Total indebtedness under amicable agreement		**93**		**126**

During 2010, included in finance costs is UAH 19 million (2009: UAH 18 million) related to the unwinding of the discount on this restructured obligation.

GOVERNMENT GRANTS

In 2004, Pavlogradugol received government grants to fund capital expenditures. Such amounts received were recorded as deferred revenues and are being amortised to income over the useful lives of the assets. Since 2005, the Group has not received any additional government grants.

Movements in government grants during 2010 and 2009 are summarised as follows:

In millions of Ukrainian Hryvnia	2010	2009
As at 1 January	42	76
Expenditures incurred	(2)	(3)
Amortisation of government grants to match related depreciation	(31)	(31)
As at 31 December	**9**	**42**

RETIREMENT BENEFIT OBLIGATIONS

The Group's production companies have a legal obligation to compensate the Ukrainian state pension fund for additional pensions paid to certain categories of former employees of the Group. There are also lump sum benefits payable upon retirement and post-retirement benefit programs.

In 2010 the defined benefit plan covers 45,500 people, including 8,030 ex-employees (2009: approximately 44,000 and 7,090 respectively).

None of the employee benefits plans stated below are funded.

The defined employee benefit liability as at 31 December originated as follows:

In millions of Ukrainian Hryvnia	2010	2009
Present value of unfunded defined benefit obligations	1,912	1,655
Unrecognised net actuarial loss	(118)	(22)
Unrecognised past service cost	(212)	(254)
Liability in the consolidated balance sheet	1,582	1,379

In millions of Ukrainian Hryvnia	2010	2009
Retirement benefits	1,567	1,311
Retirement benefits - coal support	248	270
Lump sum payments	97	74
Total balance sheet obligations	**1,912**	**1,655**

The amounts recognised in the income statement were as follows:

In millions of Ukrainian Hryvnia	2010	2009
Current service cost	91	138
Interest cost	232	222
Recognised past service cost	41	41
Recognized actuarial (gains) losses	(4)	74
Curtailment	—	(3)
Total	**360**	**472**

Changes in the present value of the defined benefit obligation were as follows:

In millions of Ukrainian Hryvnia	2010	2009
Defined benefit obligation as at 1 January	1,655	2,041
Current service cost	91	138
Actuarial losses/(gains)	91	(599)
Interest cost	232	222
Benefits paid	(157)	(144)
Curtailment	—	(3)
Defined benefit obligation as at 31 December	1,912	1,655

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The movement in the present value of the liability recognised in the consolidated balance sheet was as follows:

In millions of Ukrainian Hryvnia	2010	2009
As at 1 January	**1,379**	**1,051**
Acquisition of subsidiaries	—	—
Benefits paid	(157)	(144)
Net expense recognised in the income statement	360	472
As at 31 December	**1,582**	**1,379**

Past service cost arose as a result of changes in the pension legislation introduced in 2008, which increased the benefits payable. To the extent that the benefits were already vested immediately following the changes to a defined benefit plan, past service cost was recognized in 2008 financial statements in the amount of UAH 205 million with the remaining UAH 295 million past service cost being recognised as an expense on a straight-line basis over the average period until the benefits become vested. In 2010 UAH 41 million of past service cost was recognised in income statement (2009: UAH 41 million).

The estimation of pension obligations requires significant judgement (see Note 4), the principal actuarial assumptions used were as follows:

	2010	2009
Nominal discount rate	14%	15%
Nominal salary increase	9%	9%
Nominal pension entitlement increase	9%	9%

The sensitivity of the defined benefit obligation to changes in the principal assumptions are as follows:

	2010	2009
Nominal discount rate increase/decrease by 1%	(6,35%) / 7,14%	(6,48%) / 7,18%
Nominal salary increase increase/decrease by 1%	5,31% / (4,82%)	7,17% / (6,37%)
Employee turnover increase/decrease by 1%	(0,08%) / 0,09%	(0,13%) / 0,14%

Experience adjustments for 2010 do not exceed UAH 91 million (2009: UAH 599 million). Payments in respect of post-employment benefit plan obligations expected to be made during the year ending 31 December 2011 are UAH 209 million (2010: UAH 181 million).

PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Movements in provisions for liabilities and charges are as follows:

In millions of Ukrainian Hryvnia	Assets retirement provision	Provision for legal claims	Other provisions	Total
At 1 January 2009	**200**	**15**	**—**	**215**
Change in estimates	(59)	—	—	(59)
Arising during the year	3	2	—	5
Unwinding of discount	6	—	—	6
Reversal of provision	—	(4)	—	(4)
Utilised	(3)	—	—	(3)
At 31 December 2009	**147**	**13**	**—**	**160**
Change in estimates	13	—	—	13
Arising during the year	2	4	129	135
Unwinding of discount	8	—	—	8
Reversal of provision	—	(1)	—	(1)
Utilised	(4)	—	—	(4)
At 31 December 2010	**166**	**16**	**129**	**311**

The assets retirement provision is attributable to the mining and energy generating activities of the Group resulting from the obligation to dismantle and remove the mines and remediate soils disturbed by the underground works and ash dumps.

The increase of the asset retirement obligation was recorded in other reserves as the Group uses the fair value model to measure property, plant and equipment (Note 17).

Other provisions represent a provision for long-term incentive bonus program for top executives. The fair value of the liability at the reporting date is calculated by external valuer based on the forecasted valuation of the Group's net worth performed by the Group management (Note 8).

Key assumptions used to calculate asset retirement provision were as follows:

	2010	2009
Pre-tax discount rate	17%	15%
Inflation long-term	5%	4%
Inflation middle-term	7%	8%

TRADE AND OTHER PAYABLES

As at 31 December trade and other payables were as follows:

In millions of Ukrainian Hryvnia	2010	2009
Trade payables	734	431
Wages and salaries payable	149	126
Payables under commission agreements		
- to third parties	375	—
- to SCM entities	—	36
Liabilities for purchased securities	27	43
Promissory notes payable	1	6
Liabilities for purchased property, plant and equipment	135	191
Dividends payable	261	—
Other creditors	39	42
Total financial payables	**1,721**	**875**
Accruals for employees' unused vacations	218	174
Other payables	22	6
Total non-financial payables	240	180
Total	**1,961**	**1,055**

2010 In millions of Ukrainian Hryvnia	Trade payables	Wages and salaries payable	Payables under commis-sion agree-ments	Li-abilities for purchased securities	Promis-sory notes payable	Li-abilities for purchased property, plant and equipment	Dividends payable	Accrued liabilities and other creditors
Currency analysis:								
UAH denominated	718	149	375	27	1	126	—	36
USD denominated	16	—	—	—	—	—	261	2
EUR denominated	—	—	—	—	—	—	—	1
RUB denominated	—	—	—	—	—	9	—	—
Total	**734**	**149**	**375**	**27**	**1**	**135**	**261**	**39**
Future undiscounted cash flow analysis:								
Up to 3 months	708	149	375	1	—	113	—	38
From 3 to 6 months	26	—	—	—	1	4	261	1
From 6 to 12 months	—	—	—	26	—	18	—	—
Total	**734**	**149**	**375**	**27**	**1**	**135**	**261**	**39**

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2009 In millions of Ukrainian Hryvnia	Trade payables	Wages and salaries payable	Payables under commis-sion agree-ments	Li-abilities for purchased securities	Promis-sory notes payable	Li-abilities for purchased property, plant and equipment	Dividends payable	Accrued liabilities and other creditors
Currency analysis:								
UAH denominated	424	126	36	43	6	151	—	42
USD denominated	6	—	—	—	—	—	—	—
EUR denominated	1	—	—	—	—	28	—	—
RUB denominated	—	—	—	—	—	12	—	—
Total	**431**	**126**	**36**	**43**	**6**	**191**	**—**	**42**
Future undiscounted cash flow analysis:								
Up to 3 months	414	126	36	43	6	157	—	36
From 3 to 6 months	1	—	—	—	—	2	—	—
From 6 to 12 months	16	—	—	—	—	32	—	6
Total	**431**	**126**	**36**	**43**	**6**	**191**	**—**	**42**

OTHER TAXES PAYABLE

As at 31 December other taxes payable were as follows:

In millions of Ukrainian Hryvnia	2010	2009
Payroll taxes	60	53
Value-added tax	33	41
Other taxes	67	63
Total other taxes payable	160	157

REVENUE

Analysis of revenue by category is as follows:

In millions of Ukrainian Hryvnia	2010	2009
Sale of steaming and coking coal	9,612	4,678
Sale of electricity to electricity pool	7,845	5,543
Sale of electricity to final customers	6,208	4,672
Sale of electricity abroad	571	—
Sales of merchandise products	—	8
Other sales	58	108
Total	**24,294**	**15,009**

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Analysis of revenue by regions is as follows:

In millions of Ukrainian Hryvnia	2010	2009
Domestic sales	21,927	14,671
Export sales	2,367	338
Total	**24,294**	**15,009**

COST OF SALES

In millions of Ukrainian Hryvnia	2010	2009
Cost of electricity purchased for resale	6,419	4,353
Raw materials	3,787	2,325
Cost of coal purchased for resale	3,209	754
Staff cost, including payroll taxes	2,955	2,647
Depreciation of property, plant and equipment and amortisation of intangible assets net of amortisation of government grants	1,451	1,391
Transportation services and utilities	715	608
Taxes, other than income tax	206	174
Equipment production and maintenance	144	103
Production overheads	168	99
Cost of merchandise	9	6
Change in finished goods and work in progress	(134)	(15)
Other costs	7	2
Total	**18,936**	**12,447**

OTHER OPERATING INCOME

In millions of Ukrainian Hryvnia	2010	2009
Reversal of provision for impairment of trade and other receivables and prepayments made	142	55
Gain on sales of inventory	74	3
Assets received free of charge	41	28
Income from recovery on previously written off trade receivables	7	23
Gain on sales of property, plant and equipment	4	—
Other	30	20
Total	**298**	**129**

DISTRIBUTION COSTS

In millions of Ukrainian Hryvnia	2010	2009
Consulting services	67	—
Transportation	60	64
Staff cost, including payroll taxes	16	16
Depreciation	4	6
Other costs	49	24
Total	**196**	**110**

GENERAL AND ADMINISTRATIVE EXPENSES

In millions of Ukrainian Hryvnia	2010	2009
Staff cost, including payroll taxes	589	357
Professional fees	124	126
Office costs	57	53
Depreciation of property, plant and equipment and amortisation of intangible assets	24	20
Transportation	18	14
Taxes, other than income tax	17	7
Other costs	22	21
Total	**851**	**598**

OTHER OPERATING EXPENSES

In millions of Ukrainian Hryvnia	2010	2009
Social payments	115	102
Loss on sales of services	33	—
Net loss on disposal and write-off of equipment	—	17
Non-recoverable VAT	13	11
Charitable donations and sponsorship	15	11
Maintenance of social infrastructure	7	7
Other	79	44
Total	**262**	**192**

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FINANCE INCOME AND FINANCE COST

In millions of Ukrainian Hryvnia	2010	2009
Interest income		
- bank deposits	55	25
Gain on initial recognition of long term accounts payable	32	3
Interest income on long-term restructured accounts receivable	26	9
Gain on sales of promissory notes	—	19
Gain on early repayment of promissory notes issued	—	15
Total finance income	**113**	**71**
Interest expense		
- bank borrowings	255	460
- promissory notes payable	19	18
- bonds issued	274	3
- long-term payables	5	8
- investment obligation relating to Dniproenergo (Note 11)	34	41
Unwinding of discounts on pension obligations	232	222
Loss on initial recognition of long-term restructured accounts receivable	86	18
Loss on early repayment of long-term payables	8	14
Loss on early repayment of long-term promissory notes	—	8
Other finance costs	**7**	**6**
Total finance costs	**920**	**798**

INCOME TAXES

Income tax expense comprises the following:

In millions of Ukrainian Hryvnia	2010	2009
Current tax	1,183	478
Deferred tax	(68)	(159)
Income tax expense	1,115	319

Deferred income tax related to items charged or credited directly to equity:

In millions of Ukrainian Hryvnia	2010	2009
Change in asset retirement obligation	(1)	(14)
Unrealised gain on available-for-sale financial assets	(35)	12
Income tax reported in equity	(36)	(2)

The Group is subject to taxation in several tax jurisdictions, depending on the residence of its subsidiaries (primarily in Ukraine). In 2010 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 25% (2009: 25%). In 2010, the tax rate for Cyprus operations was 10% (2009: 10%) on worldwide income.

On 2 December 2010 new Tax Code was adopted in Ukraine effective from 1 January 2011. According to the new Tax Code the rates for corporate income tax decrease from 25% to 16% in several stages during 2011-2014. 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.

Reconciliation between the expected and the actual taxation charge is provided below.

In millions of Ukrainian Hryvnia	2010	2009
Profit before income tax, including	3,972	1,175
Profit before income tax of Ukrainian companies	3,652	1,365
Profit/(loss) before income tax of non-Ukrainian companies	320	(190)
Income tax at statutory rates of 25% (Ukrainian operations)	913	355
Profit taxed at different rates 25.5% (Dutch operations)	(4)	—
Profit taxed at different rates 10% (Cyprus operations)	34	—
Effect of changes in income tax rates in Ukraine	134	—
Tax effect of items not deductible or assessable for taxation purposes:		
- non-deductible expenses	133	155
- non-taxable income	(31)	(94)
Property, plant and equipment indexation for tax purposes	—	(39)
Share of result and impairment of associates	(64)	(58)
Income tax expense	1,115	319

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 as at 31 December are as follows:

In millions of Ukrainian Hryvnia	2010	2009
Deferred tax liability	(1,540)	(959)
Deferred tax asset	1,041	428
Net deferred tax liability	(499)	(531)

In millions of Ukrainian Hryvnia	1 January 2010	Credited/ (charged) to income	Charged to equity	31 December 2010
Tax effect of deductible temporary differences				
Trade and other payables	82	(48)	—	34
Other provisions for liabilities and charges	38	6	—	44
Retirement benefit obligations	312	(78)	—	234
Prepayments received	377	72	—	449
Inventories	2	(2)	—	—
Financial investments	100	(13)	(35)	52
Gross deferred tax asset	**911**	**(63)**	**(35)**	**813**

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In millions of Ukrainian Hryvnia	1 January 2010	Credited/ (charged) to income	Charged to equity	31 December 2010
Tax effect of taxable temporary differences				
Property, plant and equipment	(821)	92	(1)	(730)
Inventories	—	(23)	—	(23)
Other financial liabilities	(99)	72	—	(27)
Prepayments made	(478)	(53)	—	(531)
Trade and other receivables	(44)	43	—	(1)
Gross deferred tax liability	**(1,442)**	**131**	**(1)**	**(1,312)**
Recognised deferred tax asset/(liability)	(531)	68	(36)	(499)

In millions of Ukrainian Hryvnia	1 January 2009	Credited/ (charged) to income	Charged to equity	31 December 2009
Tax effect of deductible temporary differences				
Trade and other payables	55	27	—	82
Other provisions for liabilities and charges	49	(11)	—	38
Retirement benefit obligations	238	74	—	312
Prepayments received	83	294	—	377
Inventories	27	(25)	—	2
Financial investments	127	(39)	12	100
Gross deferred tax asset	**579**	**320**	**12**	**911**
Tax effect of taxable temporary differences				
Property, plant and equipment	(1,019)	212	(14)	(821)
Other financial liabilities	(114)	15	—	(99)
Prepayments made	(76)	(402)	—	(478)
Trade and other receivables	(58)	14	—	(44)
Gross deferred tax liability	**(1,267)**	**(161)**	**(14)**	**(1,442)**
Recognised deferred tax asset/(liability)	(688)	159	(2)	(531)

As at 31 December 2010, the Company has not recorded a deferred tax liability in respect of taxable temporary differences of UAH 502 million (31 December 2009: UAH 262 million) associated with investments in subsidiaries as the Company is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

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. As discussed in Note 11, in 2009 as a result of the restructuring of its accounts payable to SE Energorynok on the basis of the respective court decisions, the Group's associate reversed UAH 1,687 million provision for penalties and fines to Energorynok. It is possible that the court's decisions in respect of the penalties and fines may be challenged by Energorynok. However, management believes that no material losses will be incurred in respect of claims.

State property of Kyivenergo not subject to privatisation. Since its formal incorporation in 1995, The Group associate Kyivenergo (Note 11) has been using land and property, plant and equipment that are owned by the Kyiv City State Administration. In 1995, Kyivenergo was privatised in accordance with the Government privatisation programme; however, these particular assets were excluded from the list of assets to be privatised in accordance with the decision of the Ministry of Energy of Ukraine. As a result, assets owned by the State were transferred to and put under the operating management of Kyivenergo. Kyivenergo manages these assets and pays a tax for the use of land. Kyivenergo does not have legal ownership of these assets and generally is not allowed to dispose them. The agreement with the Kyiv City State Administration on operational use of the property, plant and equipment was signed till 31 December 2017. This agreement established the fee, which Kyivenergo has to pay for using the property, plant and equipment in amount of 10% of net profit for the previous year defined in accordance with Ukrainian Accounting Standards, but not less than UAH 2 million. Since substantially all risks and rewards are transferred to Kyivenergo, these assets are recognised in Kyivenergo statement of financial position when received.

As at 31 December 2010, the net book value of the State and the Kyiv City State Administration property, plant and equipment operated by Kyivenergo and included in Kyivenergo consolidated statement of financial position was UAH 1,092 million.

Capital expenditure commitments. As at 31 December 2010 and 2009, the Group does not have contractual capital expenditure commitments in respect of property, plant and equipment.

As discussed in Note 11, the Group is committed to fund Dniproenergo's investment program totalling UAH 1,010 million till 2012.

Purchase commitments. As at 31 December 2010 and 2009, the Group did not have contractual purchase commitments.

Assets pledged and restricted. At 31 December the Group has the following assets pledged as collateral:

In millions of Ukrainian Hryvnia	2010		2009	
	Asset pledged	Related liability	Asset pledged	Related liability
Cash and cash equivalents (Note 15)	423	400	165	80
Financial investments (Note 12)	673	84	142	43
Property, plant and equipment (Note 9)	1,129	925	2,966	2,126
Inventory (Note 13)	—	—	228	119
Total	**2,225**	**1,409**	**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 Eurobonds and bank borrowings. Non-compliance with such covenants may result in negative consequences for the Group, including increase in the cost of borrowings, declaration of default and demand for immediate repayment of borrowings. The Group is in compliance with the covenants as at 31 December 2010 and 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.

Operating lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In millions of Ukrainian Hryvnia	2010	2009
Not later than 1 year	—	8
Later than 1 year and not later than 5 years	12	3
Total operating lease commitments	12	11

Lease of land. The Group leases the land on which its assets are located. The annual lease payment in 2010 amounted to UAH 17 million (2009: UAH 15 million). Those payments are cancellable lease commitments.

BUSINESS COMBINATIONS

No significant acquisitions of subsidiaries and non-controlling interests were completed in 2010 or 2009.

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 Group's overall risk management policies seek to minimise the potential adverse effects on the Group's financial performance for those risks that are manageable or noncore to the power generating business.

Risk management is carried out by a centralised treasury department working closely with the operating units, under policies approved by the supervisory board. The Group treasury identifies, evaluates and proposes risk management techniques to minimise these exposures.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

Credit risk is managed on an entity by entity basis with oversight by the Group. Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions. For Banks only SCM related banks or upper tier Ukrainian banks are accepted, which are considered at time of deposit to have minimal risk of default. Customers can be analysed between Energorynok SE, which buys 100% of electricity generated, Industrial consumers and other. Due to the monopolistic nature of electricity supply by region, the Group cannot choose its customers, and instead must supply all customers within its distribution network. Sales are metered and management monitors ageing of receivables for industrial customers on a regular basis and ultimately may cut-off supply for delinquent customers. For supply to municipal and general populous, due to the insignificant tariff structure and the political nature of disrupting supply management will continue supply and use non payment as justification for higher tariff increases for Industrial customers. With respect to coal sales, these are primarily to related parties and Dniproenergo OJSC (Note 8) and credit exposure is considered to be minimal. Management has no formal credit policy in place for other customers and the exposure to credit risk is approved and monitored on an ongoing basis individually for all significant customers. The Group does not require collateral in respect of trade and other receivables.

The Group establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this provision are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss provision is determined based on historical data of payment statistics for similar financial assets. The Group does not create provision for receivables from related parties.

The maximum exposure to credit risk at the reporting date is UAH 4,489 million (2009: UAH 2,830 million) being carrying value of financial investments, trade and other receivables and cash. The Group does not hold any collateral as security.

Credit risks concentration. The Group is exposed to concentrations of credit risk.

The table below shows the balance of the major counterparties at the balance sheet date.

Counterparty	Classification in the balance sheet	31 December 2010	31 December 2009
Prominvest Bank OJSC*	Cash and cash equivalents	977	30
Prominvest Bank OJSC*	Financial investment	43	43
Marfin Popular Bank	Financial investment	577	—
Marfin Popular Bank	Cash and cash equivalents	87	86
OTP Bank CJSC*	Cash and cash equivalents	164	159
State Savings Bank of Ukraine JSCB*	Cash and cash equivalents	133	136
Dongorbank CJSC**	Cash and cash equivalents	122	195
Dongorbank CJSC**	Financial investment	54	85
VAB Bank OJSC	Cash and cash equivalents	103	—
VTB Bank OJSC*	Cash and cash equivalents	2	—
VTB Bank OJSC*	Financial investment	81	—
First Ukrainian International Bank*	Cash and cash equivalents	62	—
State Company Energorynok	Trade and other receivables	412	435
Dniproenergo OJSC (Note 11)	Trade and other receivables	385	242
Scanwell Commodities	Trade and other receivables	342	—
Metinvest Holding LLC**	Trade and other receivables	71	226
Azovstal Steel Works OJSC**	Trade and other receivables	13	183

* These banks rank top 30 Ukrainian banks by size of total assets and capital.
** Dongorbank, Metinvest Holding and Azovstal Steel Works OJSC are subsidiaries of SCM.

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

Currency risk. The Group primarily operates within Ukraine and accordingly its exposure to foreign currency risk is determined mainly by borrowings, cash balances and deposits, the majority of which are denominated in US dollars. As a result of the global financial crisis, the Ukrainian economy experienced reduced level of capital inflow and decrease in demand for exports. Additionally, the country ratings by international rating agencies were downgraded in October 2008. These factors, together with increasing domestic uncertainty, led to volatility in the currency exchange market and resulted in significant downward pressure on the Ukrainian Hryvnia relative to major foreign currencies. While management monitors this exchange exposure, the Group does not hedge its US dollar currency positions.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date relative to the functional currency of the respective Group entities, with all other variables held constant:

In millions of Ukrainian Hryvnia	At 31 December 2010		At 31 December 2009	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD strengthening by 25% (2009: 25%)	(729)	(729)	(538)	(538)
USD weakening by 25% (2009: 25%)	729	729	538	538
Euro strengthening by 25% (2009: 25%)	(117)	(117)	(353)	(353)
Euro weakening by 25% (2009: 25%)	117	117	353	353

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

Interest rate risk. As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rate. The Group's interest rate risk rises from long-term borrowings. Borrowings issued at variable interest rates expose the Group to interest rate risk. Borrowings at fixed rate expose the Group to fair value interest rate risk.

At 31 December 2010 and 2009, the majority of the Group's variable interest debt is USD and EUR denominated. As at 31 December 2010, 20% of the total borrowings was provided to the Group at floating rates (31 December 2009: 70 %).

Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of issuing new debt management uses its judgment to decide whether fixed or variable rate would be more favourable to the Group over the expected period until maturity. The risk of increase in market interest rates is monitored by the Corporate Finance Department of the Company together with the Treasury Department. The Corporate Finance Department is responsible for planning the financing structure (levels of leverage) and borrowing activities. The key objective to financing is reduction of borrowing costs.

The borrowing activities are reviewed on a 12 month revolving budget. Long-term investing activities and associated funding are considered separately.

The maturity dates and effective interest rates of financial instruments are disclosed in Note 19. Re-pricing for fixed rate financial instruments occurs at maturity of fixed rate financial instruments. Re-pricing of floating rate financial instruments occurs continually.

At 31 December 2010, if interest rates on USD and EUR denominated borrowings had been 200 basis points higher with all other variables held constant, post-tax profit for the year would have been UAH 85 million lower (2009: UAH 53 million lower).

Other price risk. The Group has limited exposure to commodity price risk on electricity supply as pricing is determined based on the competitive pool model adopted by the National Electricity Regulatory Committee of Ukraine. The Group produces the majority of the coal needed to power the Group's generators and manages coal production to meet demand, however the Group is exposed to some commodity price risk on coal as the Group often needs to import coal of a particular grade. To manage this risk, the Group enters long term supply contracts for coal.

The Group is also exposed to equity securities price risk because of the available-for-sale investments held by the Group. The Group limits its exposure to the Ukrainian power generation and distribution sectors, but is fully exposed to equity price risk within this sector.

If the equity quotations of the Group's investments had increased by 10% as at 31 December 2010 and 2009, with all other factors being equal, the Group's equity at 31 December 2010 would have increased by UAH 125 million (31 December 2009: UAH 89 million).

Liquidity risk. Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding to meet existing obligations as they fall due. Management monitors liquidity on a daily basis, management incentive programs use key performance indicators such as EBITDA and cash collections to ensure liquidity targets are actively monitored. Prepayments are commonly used to manage both liquidity and credit risks. The Group has capital construction programs which can be funded through existing business cash flows, however the Group also has significant investment and acquisition targets which will require incremental debt finance, to this end, the Group is in discussions with financial institutions with respect to long-term financing.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are undiscounted cash flows. The maturity analysis of financial liabilities at 31 December 2010 is as follows:

In millions of Ukrainian Hryvnia	Up to 6 months	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Borrowings (Note 19)	720	215	384	254	—	1,573
Eurobonds (Note 19)	65	—	—	3,981	—	4,046
Other financial liabilities (Note 20)	—	494	106	—	53	653
- related party	—	12	—	—	—	12
- external	—	58	—	—	53	111
- Dniproenergo	—	424	106	—	—	530
Indebtedness under amicable agreement (Note 21)	—	—	—	140	—	140
Trade and other payables (Note 25)	1,675	46	—	—	—	1,721
Total future payments, including future principal and interest payments	2,460	755	490	4,375	53	8,133

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The maturity analysis of financial liabilities at 31 December 2009 is as follows:

In millions of Ukrainian Hryvnia	Up to 6 months	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Borrowings (Note 19)	3,095	865	302	568	—	4,830
Other financial liabilities (Note 20)	300	318	137	127	7	889
- related party	300	—	12	—	—	312
- external	—	—	19	21	7	47
- Dniproenergo	—	318	106	106	—	530
Indebtedness under amicable agreement (Note 21)	—	—	—	220	—	220
Trade and other payables (Note 25)	821	54	—	—	—	875
Total future payments, including future principal and interest payments	4,216	1,237	439	915	7	6,814

MANAGEMENT OF CAPITAL

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

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. This ratio is calculated as net liabilities divided by total capital under management. Net debt is calculated as total borrowing (current and long-term as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital under management equals equity as shown in the consolidated balance sheet.

The Group has yet to determine its optimum gearing ratio. Presently, the majority of debt is due within 2 - 5 years and the Group is actively pursuing mechanisms to extend the credit terms to match its long-term investment strategy. The Group has obtained a credit rating that matches the Sovereign rating.

	31 December 2010	31 December 2009
Total net debt	3,809	3,689
Total equity	13,280	10,793
Debt to equity ratio	28.7%	34.2%

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Ukraine continues to display some characteristics of an emerging market, and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Trading and available-for-sale investments are carried in the balance sheet at their fair value. Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Fair values were determined based on quoted market prices or third party valuations using discounted cash flows techniques.

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

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

Fair values of financial instruments are as follows at 31 December 2010:

In millions of Ukrainian Hryvnia	Fair value by measurement method:		Total fair value	Carrying value
	Quoted price in active market	Valuation technique with observable market inputs		
FINANCIAL ASSETS				
Cash and cash equivalents (Note 15)				
- 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 14)				
- 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 12)				
- 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 (Note 18)	—	3	3	3
Borrowings (Note 19)	—	5,676	5,676	5,502
Investment obligation relating to Dniproenergo — non-current (Note 20)	—	76	76	83
Other liabilities — non-current (Note 20)	—	35	35	35
Indebtedness under amicable agreement (Note 21)	—	87	87	93
Investment obligation relating to Dniproenergo — current (Note 20)	—	410	410	414
Bonds issued (Note 20)	—	71	71	71
Trade and other payables (Note 25)	—	1,721	1,721	1,721
TOTAL FINANCIAL LIABILITIES	**—**	**8,079**	**8,079**	**7,922**

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Fair values of financial instruments at 31 December 2009 were as follows:

In millions of Ukrainian Hryvnia	Fair value by measurement method:		Total fair value	Carrying value
	Quoted price in active market	Valuation technique with observable market inputs		
FINANCIAL ASSETS				
Cash and cash equivalents (Note 15)				
- Bank balances payable on demand	—	517	517	517
- Term deposits	—	208	208	208
- Restricted cash	—	14	14	14
Trade and other receivables (Note 14)				
- Trade receivables	—	905	905	905
- Receivables under commission agreements	—	83	83	83
- Receivable for sale of financial instruments	—	428	428	428
- Other financial receivables	—	46	46	46
Other non current assets				
- Trade and other receivables - non-current	—	16	16	16
Financial investments (Note 12)				
- Securities quoted on Ukrainian stock market	784	252	1,036	1,036
- Prepayment for shares	—	354	354	354
- Deposits placed with the maturity more than three months	—	142	142	142
- Loans receivable	—	117	117	117
TOTAL FINANCIAL ASSETS	**784**	**3,082**	**3,866**	**3,866**
FINANCIAL LIABILITIES				
Liability to non-controlling participants (Note 18)	—	2	2	2
Borrowings (Note 19)	—	4,301	4,301	4,428
Investment obligation relating to Dniproenergo — non-current (Note 20)	—	140	140	156
Other liabilities — non-current (Note 20)	—	64	64	65
Indebtedness under amicable agreement (Note 21)	—	114	114	126
Investment obligation relating to Dniproenergo — current (Note 20)	—	303	303	307
Interest-free loan from related parties (Note 8)	—	300	300	300
Trade and other payables (Note 25)	—	875	875	875
TOTAL FINANCIAL LIABILITIES	**—**	**6,099**	**6,099**	**6,259**

RECONCILIATION OF CLASSES OF FINANCIAL INSTRUMENTS WITH MEASUREMENT CATEGORIES

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2010:

In millions of Ukrainian Hryvnia	Loans and receivables	Available-for-sale assets	Held to maturity	Total
ASSETS				
Cash and cash equivalents (Note 15)				
- Bank balances payable on demand	594	—	—	594
- Term deposits	1,098	—	—	1,098
- Restricted cash	1	—	—	1
Trade and other receivables (Note 14)				
- Trade receivables	1,133	—	—	1,133
- Receivables under commission agreements	417	—	—	417
- Receivable for sale of financial instruments	80	—	—	80
- Other financial receivables	56	—	—	56
Other non current assets				
- Trade and other receivables - non-current	38	—	—	38
Financial investments (Note 12)				
- Equity securities	—	1,247	—	1,247
- Prepayment for shares	251	—	—	251
- Deposits placed with the maturity more than three months	756	—		756
- Loans receivable	65	—	—	65
TOTAL FINANCIAL ASSETS	**4,489**	**1,247**	**—**	**5,736**
NON-FINANCIAL ASSETS	—	—	—	19,901
TOTAL ASSETS				**25,637**

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2009:

In millions of Ukrainian Hryvnia	Loans and receivables	Available-for-sale assets	Held to maturity	Total
ASSETS				
Cash and cash equivalents (Note 15)				
- Bank balances payable on demand	517	—	—	517
- Term deposits	208	—	—	208
- Restricted cash	14	—	—	14
Trade and other receivables (Note 14)				
- Trade receivables	905	—	—	905
- Receivables under commission agreements	83	—	—	83
- Receivable for sale of financial instruments	428	—	—	428
- Other financial receivables	41	—	5	46

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In millions of Ukrainian Hryvnia	Loans and receivables	Available-for-sale assets	Held to maturity	Total
Other non current assets				
- Trade and other receivables - non-current	16	—	—	16
Financial investments (Note 12)				
- Equity securities	—	1,036	—	1,036
- Prepayment for shares	354	—	—	354
- Deposits placed with the maturity more than three months	142	—	—	142
- Loans receivable	117	—	—	117
TOTAL FINANCIAL ASSETS	**2,825**	**1,036**	**5**	**3,866**
NON-FINANCIAL ASSETS	—	—	—	16,348
TOTAL ASSETS				**20,214**

All of the Group's financial liabilities at 31 December 2010 and 2009 are carried at amortised cost.

SIGNIFICANT NON-CASH TRANSACTIONS

As discussed in Note 11, in 2009 the Group recorded a UAH 1,221 million share of profits of associate Donetskoblenergo and a UAH 874 million impairment of its investment in Donetskoblenergo.

As discussed in Note 16, the existing shareholders of DTEK Holdings Limited incorporated DTEK Holdings B.V. with a cash contribution of EUR 30,000 and contribution of 100% of their equity interest in DTEK Holdings Limited to the Company.

SUBSEQUENT EVENTS

On 2 December 2010 a new Tax Code was adopted in Ukraine with most of the changes enacted being effective from 1 January 2011. Among the main changes are change in the rates for corporate income tax from 25% to 16% in several stages during 2011-2014, change in base rate for VAT starting from 1 January 2014 from 20% to 17%, change in determining the base for VAT and corporate income tax application.

On 4 January 2011, the Group entered into a 49 year lease agreement with the State Property Fund of Ukraine to lease the integrated property complex of the State Enterprise Dobropolyeugol. The Group also assumed certain assets and liabilities of Dobropolyeugol totalling UAH 271 million and UAH 1,340 million respectively. Additionally, the Group is committed to fund investment program of the property complex totalling UAH 2,000 million over the next 5 years. The Group continues to assess accounting implications of the transaction.

NOTES

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