DTEK Holdings Limited

Unaudited Interim Condensed Consolidated Financial Statements

30 June 2008

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REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying consolidated condensed balance sheet of DTEK Holdings Limited (the "Company") and its subsidiaries (the "Group"), as of 30 June 2008 and as of 30 June 2007 and the related consolidated condensed statements of income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, "Interim financial reporting". Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements as at and for the six months ended 30 June 2008 and as of and for the six months ended 30 June 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34.

LLC PricewaterhouseCoopers Audit

Kyiv, Ukraine
15 September 2008

DTEK Holdings Limited
Unaudited Interim Consolidated Condensed Balance Sheet

In millions of Ukrainian Hryvnia	Note	30 June 2008	30 June 2007	31 December 2007	31 December 2006
ASSETS					
Non-current assets					
Property, plant and equipment	6	6,786	6,254	6,353	6,140
Goodwill		634	632	632	595
Other intangible assets		14	5	10	5
Investments in associates		52	-	85	-
Financial investments	7	3,871	1,577	3,952	468
Deferred income tax asset		345	197	328	226
Other non-current assets		21	22	23	34
Total non-current assets		**11,723**	**8,687**	**11,383**	**7,468**
Current assets					
Inventories		562	332	471	354
Trade and other receivables	8	747	537	988	608
Current income tax prepayments		-	20	1	53
Financial investments	7	233	289	191	47
Cash and cash equivalents		550	167	368	237
Total current assets		**2,092**	**1,345**	**2,019**	**1,299**
TOTAL ASSETS		**13,815**	**10,032**	**13,402**	**8,767**
EQUITY					
Share capital	9	-	-	-	-
Other reserves		3,959	4,057	4,775	3,290
Retained earnings		3,140	1,388	2,265	798
Equity attributable to the equity holders		**7,099**	**5,445**	**7,040**	**4,088**
Minority interest		**44**	**870**	**29**	**1,092**
TOTAL EQUITY		**7,143**	**6,315**	**7,069**	**5,180**
LIABILITIES					
Non-current liabilities					
Liability to minority participants		2	6	2	5
Borrowings	10	824	151	353	152
Other financial liabilities	11	1,541	6	1,533	97
Indebtedness under amicable agreement		108	95	101	91
Government grants		90	125	106	142
Retirement benefit obligations	12	750	630	678	600
Other provisions for liabilities and charges	13	173	145	137	136
Deferred income tax liability		565	705	648	747
Total non-current liabilities		**4,053**	**1,863**	**3,558**	**1,970**
Current liabilities					
Borrowings	10	1,414	828	1,594	706
Indebtedness under amicable agreement		-	19	-	15
Prepayments received		82	35	57	37
Trade and other payables		747	707	892	710
Current income tax payable		181	102	58	13
Other taxes payable		195	163	174	136
Total current liabilities		**2,619**	**1,854**	**2,775**	**1,617**
TOTAL LIABILITIES		**6,672**	**3,717**	**6,333**	**3,587**
TOTAL LIABILITIES AND EQUITY		**13,815**	**10,032**	**13,402**	**8,767**

Approved for issue and signed on behalf of the Board of Director on 15 September 2008.

Maksym Timchenko
Director

DTEK Holdings Limited

In millions of Ukrainian Hryvnia	Note	Six months ended 30 June 2008	2007
Revenue	14	6,048	4,081
Cost of sales	15	(4,399)	(3,040)
Gross profit		**1,649**	**1,041**
Other operating income		27	28
Distribution costs		(29)	(27)
General and administrative expenses	16	(250)	(173)
Other operating expenses	17	(171)	(159)
Operating profit		**1,226**	**710**
Foreign exchange gain/(loss)		61	(1)
Finance income		28	18
Finance costs	18	(226)	(180)
Share of result of associates		(17)	-
Profit before income tax		**1,072**	**547**
Income tax expense	19	(295)	(206)
Profit for the period		**777**	**341**

Profit/(loss) is attributable to:		
Equity holders of the Company	775	489
Minority interest	2	(148)
Profit for the period	**777**	**341**

In millions of Ukrainian Hryvnia	**Attributable to equity holders of the Company**					
	Share capital	**Other reserves**	**Retained earnings**	**Total**	**Minority interest**	**Total Equity**
Balance at 1 January 2008		**4,775**	**2,265**	**7,040**	**29**	**7,069**
Financial investments:						
- Fair value loss	-	(761)	-	**(761)**	-	**(761)**
Property, plant and equipment:						
- Realised revaluation reserve	**-**	(133)	133	**-**	-	**-**
Income tax recorded in equity	-	78	(33)	**45**	-	**45**
Net income recognised directly in equity	-	**(816)**	**100**	**(716)**	**-**	**(716)**
Profit for the period	-	**-**	**775**	**775**	**2**	**777**
Total recognised income for the period	**-**	**(816)**	**875**	**59**	**2**	**61**
Acquisition of subsidiaries		-	-	-	13	**13**
Balance at 30 June 2008	**-**	**3,959**	**3,140**	**7,099**	**44**	**7,143**

In millions of Ukrainian Hryvnia	**Attributable to equity holders of the Company**					
	Share capital	**Other reserves**	**Retained earnings**	**Total**	**Minority interest**	**Total Equity**
Balance at 1 January 2007	**-**	**3,291**	**798**	**4,089**	**1,092**	**5,181**
Financial investments:						
- Fair value gains less losses	-	886	-	**886**	-	**886**
Property, plant and equipment:						
- Realised revaluation reserve	-	(135)	135	**-**	-	**-**
Income tax recorded in equity	-	15	(34)	**(19)**	-	**(19)**
Net income recognised directly in equity	-	**766**	101	**867**	-	**867**
Profit for the period	-	-	**489**	**489**	**(148)**	**341**
Total recognised income for the period	-	**766**	**590**	**1,356**	**(148)**	**1,208**
Share issuance	-	-	-	**-**	-	**-**
Acquisition of minority interest in Pavlogradugol OJSC	-	-	-	**-**	(74)	**(74)**
Balance at 30 June 2007	**-**	**4,057**	**1,388**	**5,445**	**870**	**6,315**

		Six months ended 30 June	
In millions of Ukrainian Hryvnia	**Note**	**2008**	**2007**
Cash flows from operating activities			
Profit before income tax		**1,072**	**547**
Adjustments for:			
Depreciation and impairment of property, plant and equipment and amortisation of intangibles, net of amortisation of government grants		380	352
Excess of interest in fair value of entities' net assets acquired over the cost of investment		(1)	-
Losses less gains on disposals of property, plant and equipment		1	(2)
Impairment of trade and other receivables		75	85
Change in other provisions for liabilities and charges		19	17
Net increase in retirement benefit obligation	12	58	18
Extinguishment of accounts payable		-	(6)
Share of result of associates		17	-
Unrealised foreign exchange gain		(84)	-
Finance costs, net		198	162
Operating cash flows before working capital changes		**1,735**	**1,173**
Changes in:			
Inventories		(85)	27
Trade and other receivables		195	12
Advances received		24	(2)
Trade and other payables		(212)	(22)
Taxes payable, other than income tax		21	11
Other financial liabilities		-	(3)
Cash generated from operations		**1,678**	**1,196**
Income taxes paid		(221)	(115)
Defined employee benefits paid		(63)	(34)
Interest paid		(118)	(45)
Interest received		28	7
Net cash generated from operating activities		**1,304**	**1,009**
Cash flows from investing activities			
Purchase of property, plant and equipment		(780)	(491)
Proceeds from sale of property, plant and equipment		2	9
Purchase of financial investments		(722)	-
Proceeds from sale of financial investments		34	-
Acquisition of subsidiaries		(4)	(109)
Deposits placed and financial aid or loan provided		(378)	(512)
Deposits and loans provided received back		336	37
Net cash used in investing activities		**(1,512)**	**(1,066)**
Cash flows from financing activities			
Proceeds from borrowings		2,253	474
Repayment of borrowings		(1,860)	(352)
Early repayment of bonds issued		-	(135)
Repayment of debts under amicable agreement		(3)	-
Net cash generated in financing activities		**390**	**(13)**
Net increase/(decrease) in cash and cash equivalents		**182**	**(70)**
Cash and cash equivalents at the beginning of the period		**368**	**237**
Cash and cash equivalents at the end of the period		**550**	**167**

1 Corporate Information

DTEK Holdings Limited (the "Company") is a private limited liability company incorporated in Cyprus on 10 April 2006. On incorporation all the shares were owned by SCM (System Capital Management) Limited, a 100% owned subsidiary of Joint Stock Company System Capital Management ("SCM"), registered in Donetsk, Ukraine. In September 2007, InvestCom Services Limited, another wholly owned subsidiary of SCM contributed UAH 1,003 million to the Company, thereby becoming a 25% shareholder. The Company and its subsidiaries (together referred to as "the Group") are ultimately controlled by Mr. Rinat Akhmetov. Mr. Akhmetov also has a number of other business interests outside of the Group. Related party transactions are detailed in Note 5.

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

In prior periods the Group had consolidated Pavlogradugol OJSC on the basis that SCM had delegated to the Group the power to govern its financial and operational activities. In February 2007, the Group acquired a 7.81% interest in Pavlogradugol OJSC from the State Property Fund of Ukraine and in July 2007, the Group legally acquired the 92.11% interest in Pavlogradugol OJSC from SCM subsidiaries.

In prior periods the Group's interest in Donetskoblenergo JSC was recorded as an available for sale investment and carried at fair value because management was unable to exercise significant influence as the State held a controlling majority. Upon gaining significant influence, the Company has changed its method of accounting for the interest from available for sale to the equity accounting.

The principal subsidiaries are presented below:

Name	**% interest held as at**				**Segment**	**Country of incorporation**
	Six month ended 30 June		Year ended 31 December			
	2008	2007	2007	2006		
DTEK LLC	100.00	100.00	100.00	100.00	Management	Ukraine
DTEK Corporation	98.64	75.62	98.64	73.66	Management	Ukraine
Pavlogradugol OJSC	99.92	7.82	99.92	-	Coal Mining	Ukraine
Komsomolets Donbassa OJSC	94.64	94.64	94.64	94.64	Coal Mining	Ukraine
Eastenergo LLC	100.00	100.00	100.00	100.00	Power generation	Ukraine
Tehrempostavka LLC	100.00	100.00	100.00	100.00	Power generation	Ukraine
Servis-Invest LLC	100.00	100.00	100.00	100.00	Electricity distribution	Ukraine
PES-Energougol OJSC	91.12	91.12	91.12	91.12	Electricity distribution	Ukraine
CCM Kurahovskaya LLC	99.00	99.00	99.00	99.00	Coal Enrichment	Ukraine
CCM Pavlogradskaya LLC	99.00	99.00	99.00	99.00	Coal Enrichment	Ukraine
Mospino CPE LLC	99.00	99.00	99.00	-	Coal Enrichment	Ukraine
CCM Dobropolskaya LLC	60.06	-	49.09	-	Coal Enrichment	Ukraine
CCM Oktyabrskaya LLC	60.85	-	44.60	-	Coal Enrichment	Ukraine
Pershotravensky RMZ LLC	99.92	7.82	99.92	-	Coal Enrichment	Ukraine
Sotsis LLC	99.00	99.00	99.00	99.00	Other	Ukraine
Ekoenergoresurs LLC	99.00	99.00	99.00	99.00	Other	Ukraine
Servis Enterprise LLC	99.00	99.00	99.00	99.00	Other	Ukraine

The Company's registered address is Themistokli Dervi 3, Julia House, P.C.1066, Nicosia, Cyprus. The principal place of business is 11 Shevchenko blvd, 83055 Donetsk, Ukraine.

2 Basis of Preparation and Summary of Significant Accounting Policies

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with IAS 34, ‘Interim financial reporting’. They do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with IFRS.

Except as discussed below the accounting policies applied are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2007, as described in these annual financial statements.

Current and deferred taxes. Income tax expense is recognised based on management’s best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2008 is 30%.

Exchange rate fluctuations. As at 30 June 2008, the exchange rate used for translating foreign currency balances was USD 1 = UAH 4.85 (31 December 2007: USD 1 = UAH 5.05); EUR 1 = 7.64 UAH (31 December 2007: EUR 1 = 6.65 UAH).

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

- During 2007 the Group selected to classify the unwinding of interest on the pension obligation from payroll costs included in cost of sales to finance costs, and comparatives totalling UAH 36 million were reclassified accordingly.
- The Group previously presented the revaluation of property, plant and equipment on a gross basis. In 2007 these were presented net.
- The Group previously presented cash inflow from interest received in investing activities in the statement of cash flows. In 2008 cash inflow from interest received was presented in operating activities, and corresponding figures of the cash flow statement for the period six months ended 30 June 2007 were changed.

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

3 Adoption of New or Revised Standards and Interpretations

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

- IFRIC 11, *IFRS 2 - Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 14, *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008).

4 Segment Information

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

In millions of Ukrainian Hryvnia	Coal mining	Power generation	Electricity distribution	Other	Elimination	Total
Six months ended 30 June 2008						
Sales – external	1,475	2,726	1,764	83	-	6,048
Sales to other segments	1,643	2	130	144	(1,919)	-
Total revenue	**3,118**	**2,728**	**1,894**	**227**	**(1,919)**	**6,048**
Segment result	742	644	40	(35)	(115)	1,276
Unallocated expenses						(50)
Operating profit						**1,226**
Finance costs, net						(198)
Foreign exchange gain						61
Share of result of associates						(17)
Profit before income tax						**1,072**
As at 30 June 2008						
Segment assets	6,807	3,497	741	1,055	-	12,100
Investments in associates						52
Current / deferred tax assets						345
Other unallocated assets						1,318
Total assets						**13,815**
Segment liabilities	1,782	201	145	39	-	2,167
Current / deferred tax liability						565
Other unallocated liabilities						3,940
Total liabilities						**6,672**
Six months ended 30 June 2008						
Capital expenditure	621	77	46	42	-	**786**
Depreciation and amortisation	224	119	33	4	-	**380**
Employee benefits expenses	53	5	-	-	-	**58**
Provisions	18	-	-	-	-	**18**

In millions of Ukrainian Hryvnia	Coal mining	Power generation	Electricity distribution	Other	Elimination	Total
Six months ended 30 June 2007						
Sales – external	703	2,217	1,017	144	-	4,081
Sales to other segments	778	-	37	21	(836)	-
Total revenue	**1,481**	**2,217**	**1,054**	**165**	**(836)**	**4,081**
Segment result	(98)	746	18	139	(24)	781
Unallocated expenses						(71)
Operating profit						**710**
Finance costs, net						(162)
Foreign exchange loss						(1)
Profit before income tax						**547**
As at 31 December 2007						
Segment assets	5,267	3,654	540	338	-	9,799
Investments in associates						85
Current / deferred tax assets						329
Other unallocated assets						3,189
Total assets						**13,402**
Segment liabilities	1,710	275	120	99	-	2,204
Current / deferred tax liability						706
Other unallocated liabilities						3,423
Total liabilities						**6,333**
Six months ended 30 June 2007						
Capital expenditure	392	56	36	11	-	**495**
Depreciation and amortisation	231	110	31	2	-	**374**
Employee benefits expenses	60	4	-	-	-	**64**
Provisions	1	-	10	-	-	**11**

5 Balances and Transactions with Related Parties

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

	Six month ended 30 June				Year ended 31 December			
	2008		2007		2007		2006	
In millions of Ukrainian Hryvnia	Entities controlled by SCM	Associates	Entities controlled by SCM	Associates	Entities controlled by SCM	Associates	Entities controlled by SCM	Associates
Financial investments – current:								
- Loan provided	*-*	*2*	*259*	-	*-*	*-*	*-*	-
- Financial aid provided	*14*	*-*	*3*	-	*2*	*-*	*6*	-
Trade and other receivables:								
- Gross amount of trade and other receivables	*182*	*-*	*80*	-	*181*	*-*	*233*	-
- Promissory notes receivable	*-*	*3*	*6*	-	*3*	*-*	*23*	-
Cash and cash equivalents	*58*	*-*	*-*	-	26	-	*3*	-
Other financial liabilities:								
- Bonds issued (Note 11)	*(1,406)*	*-*	*-*	-	*(1,406)*	-	*(65)*	-
- Other (effective interest rate:13.28%)	*-*	*-*	*(3)*	-	*(12)*	-	*(30)*	-
Trade and other payables:								
- Trade and other payables	*(277)*	*-*	*(156)*	-	*(234)*	*(3)*	*(183)*	-
- Promissory notes issued	*(5)*	*-*	*(95)*	-	*(42)*	-	*(82)*	-

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

	Six months ended 30 June	
In millions of Ukrainian Hryvnia	**2008**	**2007**
Sales of electricity	948	414
Sales of coking coal	730	184
Sales of steam coal	-	5
Sales of inventory and services	27	2
Purchase of goods for resale	186	50
Purchase of raw materials and equipment	50	121
Purchase of services	7	3

	Six months ended 30 June	
In millions of Ukrainian Hryvnia	**2008**	**2007**
Gain from sale of promissory notes	-	1
Interest income on long-term receivables	-	8
Loss on initial recognition of long-term payables	-	(6)
Interest expense on promissory notes payable	-	(12)
Interest expense on bonds issued	(52)	-
Loss on early repayment of promissory notes	-	(3)

Key management personnel compensation

Key management personnel consists of seven senior executives of DTEK LLC and three members of the Board of Directors of DTEK Holdings Limited. During the six months ended 30 June 2008, total compensation to key management personnel included in administrative expenses amounted to UAH 12 million (six months ended 30 June 2007: UAH 9 million). Compensation to the key management personnel consists of short-term salary, bonus payments and termination benefits.

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

In millions of Ukrainian Hryvnia	**Mining assets**	**Buildings and structures**	**Plant and machinery**	**Furniture, fittings and equipment**	**Construction in progress**	**Total**
For the six months ended 30 June 2007						
Opening net book amount as at 1 January 2007	1,267	2,412	1,957	124	380	**6,140**
Acquisition of subsidiaries	**-**	1	**-**	**-**	4	**5**
Additions	-	1	11	-	477	**489**
Disposals and write-offs	-	(2)	(4)	-	(1)	**(7)**
Depreciation charge	(69)	(79)	(211)	(14)	-	**(373)**
Transfer	61	41	226	14	(342)	**-**
Carrying amount at 30 June 2007	**1,259**	**2,374**	**1,979**	**124**	**518**	**6,254**

As at 30 June 2008, buildings, plant and machinery carried at UAH 1,074 million (31 December 2007: UAH 2,716 million) have been pledged to third parties as collateral for loans and borrowings (Note 10).

7 Financial Investments

Non-current financial investments consisted of equity securities available-for-sale and prepayment for securities:

	Six month ended 30 June		Year ended 31 December	
In millions of Ukrainian Hryvnia	**2008**	**2007**	**2007**	**2006**
Securities quoted on the Ukrainian stock market:	2,732	1,543	2,866	468
- Dneproenergo JSC	*1,931*	*620*	*2,067*	*201*
- Other	*801*	*923*	*799*	*267*
Prepayment for shares of Dneproenergo OJSC	1,052	-	1,052	-
Prepayment for securities	87	-	-	-
Unquoted securities	-	34	34	-
Total financial investments	**3,871**	**1,577**	**3,952**	**468**

Dneproenergo OJSC, a majority State owned power generating company with a capacity of 8,185 MW located in the Dnepropetrovsk region of Ukraine, was under external management in accordance with the Law of Supreme Court # N 2343-XII dated 14 May 1992 on *Restoring debtor's solvency or declaring a debtor bankrupt*. In 2007 the Group actively participated in assisting Dneproenergo OJSC emerge from bankruptcy and continued acquiring additional interests in this entity. In June 2007 the Arbitration Court approved the creditor committee's amicable agreement for restructuring Dneproenergo's OJSC obligations and bringing the entity back to solvency. In accordance with this amicable agreement, in October 2007 the Group's subsidiaries Pavlogradugol OJSC and Komsomolets Donbassa OJSC contributed UAH 1,052 million to a special purpose entity which was then merged with Dneproenergo OJSC. In exchange Pavlogradugol OJSC and Komsomolets Donbassa OJSC each received a 17.12% interest in Dneproenergo OJSC. The majority of these funds were used to repay the creditors while the remaining contribution would be used to fund working capital. Further, the amicable agreement required Pavlogradugol OJSC and Komsomolets Donbassa OJSC to commit to funding Dneproenergo's investment program totalling UAH 1,010 million during the period 2008 through 2012.

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

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

In March 2008, a new share registrar was appointed and is in process of registering all the shares including those issued in relation to the amicable agreement which was overturned by the Supreme Court of Ukraine. Management are still assessing the implications of the recent developments.

During the six month ended 30 June 2008, the Group acquired additional minority interest in quoted Ukrainian power generating and distribution entities for total consideration of UAH 632 million.

Current financial investments were as follows:

	Six month ended 30 June		Year ended 31 December	
In millions of Ukrainian Hryvnia	**2008**	**2007**	**2007**	**2006**
Bank Deposits placed with a maturity greater than three months	21	10	186	41
Loans provided	212	279	5	6
Total financial investments	**233**	**289**	**191**	**47**

During 2008, the Group provided short-term, interest-free, loans totalling UAH 193 million to an associate of SCM.

8 Trade and Other Receivables

	Six month ended 30 June		Year ended 31 December	
In millions of Ukrainian Hryvnia	**2008**	**2007**	**2007**	**2006**
Trade receivables	727	767	776	585
Other financial receivables	344	200	335	400
Prepayments to suppliers	192	46	343	37
Other non-financial receivables	48	25	27	3
	1,311	**1,038**	**1,481**	**1025**
Less impairment provision	(564)	(501)	(493)	(417)
Total trade and other receivables	**747**	**537**	**988**	**608**

9 Equity and Other Reserves

There were no changes in share capital during the six months ended 30 June 2008.

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

10 Borrowings

	Six month ended 30 June		Year ended 31 December	
In millions of Ukrainian Hryvnia	**2008**	**2007**	**2007**	**2006**
Non-current				
Bank borrowings	824	151	353	152
	824	**151**	**353**	**152**
Current				
Bank borrowings	1,397	826	1,578	704
Interest accrual	17	2	16	2
	1,414	**828**	**1,594**	**706**
Total borrowings	**2,238**	**979**	**1,947**	**858**

Movements in borrowings as analysed are as follows:

	Six months ended 30 June	
In millions of Ukrainian Hryvnia	**2008**	**2007**
Opening balance as at 1 January	**1,947**	**858**
Repayment of borrowings	(1,851)	(352)
New borrowings	2,226	473
Unrealised foreign exchange gain	(84)	-
Closing balance as at 30 June	**2,238**	**979**

Significant changes in the borrowings during the 6 month period ended 30 June 2008 comprise:

- In May 2008, the Group received a US dollar denominated loan for USD 150 million (UAH 727 million) from Standard Bank and Barclays Capital bearing interest at Libor 6 m + 3%. 50% of the loan repayable in May 2010, the other 50% is to be repaid evenly on a quarterly basis from May 2009 until February 2010;
- In January 2008, the Group drew UAH 185 million of the UAH 200 million syndicated credit line open until 2010. This financing bears interest at 15.5% per annum;
- In March-April 2008, the Group repaid UAH 901 million short term debt to Prominvestbank, of which UAH 350 million were received during current period.
- During 6 months of 2008, the Group received UAH 572 million from ING bank as part of the long term credit line and repaid UAH 561 million during the same period of 2008.

As at 30 June 2008, borrowings amounting to UAH 703 million (31 December 2007: UAH 1,335 million) were secured with property, plant and equipment, financial investments, trade and other receivables (Notes 6).

11 Other Financial Liabilities

In millions of Ukrainian Hryvnia	Six month ended 30 June 2008	Six month ended 30 June 2007	Year ended 31 December 2007	Year ended 31 December 2006
Payable for shares in Pavlogradugol	1,406	-	1,406	-
Bonds issued	81	-	75	65
Restructured trade payables	45	-	52	-
Other	9	6	-	32
Total other financial liabilities	**1,541**	**6**	**1,533**	**97**

The related party payable for the acquisition of Pavlogradugol JSC was restructured as 15% per annum interest bearing bonds repayable 2015-2019.

12 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 upon retirement and post-retirement benefit programs.

The defined employee benefit liability as at 30 June 2008 and 31 December 2007 originated as follows:

In millions of Ukrainian Hryvnia	Six month ended 30 June 2008	Six month ended 30 June 2007	Year ended 31 December 2007	Year ended 31 December 2006
Present value of unfunded defined benefit obligations	1,348	852	1,320	831
Unrecognised net actuarial loss	(598)	(222)	(642)	(231)
Liability in the consolidated balance sheet	**750**	**630**	**678**	**600**

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

In millions of Ukrainian Hryvnia	Six months ended 30 June 2008	Six months ended 30 June 2007
As at 1 January	**678**	**600**
Current service cost	33	19
Interest cost	58	36
Recognized actuarial losses	25	9
Total recognized in income statement	**116**	**64**
Acquisition of subsidiaries	19	-
Benefits paid	(63)	(34)
As at 30 June	**750**	**630**

13 Other Provisions for 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	Total
As at 1 January 2008	**129**	**8**	**137**
Change in estimates	14	-	14
Arising during the year	12	8	20
Unwinding of discount	3	-	3
Utilised	(1)	-	(1)
As at 30 June 2008	**157**	**16**	**173**

In millions of Ukrainian Hryvnia	Assets retirement provision	Provision for legal claims	Other provisions	Total
As at 1 January 2007	**63**	**66**	**7**	**136**
Arising during the year	-	11	-	11
Unwinding of discount	1	-	-	1
Utilised	-	-	(3)	(3)
As at 30 June 2007	**64**	**77**	**4**	**145**

14 Revenue by Category

	Six months ended 30 June	
In millions of Ukrainian Hryvnia	**2008**	**2007**
Sale of electricity to electricity pool	2,716	2,210
Sale of electricity to final customers	1,764	1,017
Sale of steaming and coking coal	1,433	703
Sales of merchandise products	77	-
Other sales	58	151
Total revenue	**6,048**	**4,081**

15 Cost of Sales

	Six months ended 30 June	
In millions of Ukrainian Hryvnia	**2008**	**2007**
Cost of electricity purchased	1,744	949
Staff cost, including payroll taxes	1,059	768
Raw materials	869	661
Depreciation of property, plant and equipment net of amortisation of government grants	373	346
Production overheads	187	78
Cost of merchandise	74	-
Taxes, other than income tax	64	49
Transportation services and utilities	44	46
Equipment maintenance and repairs	35	31
Change in finished goods and work in progress	(61)	108
Other costs	11	4
Total cost of sales	**4,399**	**3,040**

16 General and Administrative Expenses

In millions of Ukrainian Hryvnia	Six months ended 30 June 2008	 2007
Staff cost, including payroll taxes	136	102
Advertising expenses	33	-
Professional fees	34	18
Office costs	5	5
Bank charges	9	5
Other costs	33	43
Total general and administrative expenses	**250**	**173**

17 Other Operating Expenses

In millions of Ukrainian Hryvnia	Six months ended 30 June 2008	 2007
Maintenance of social infrastructure	55	56
Impairment of trade and other receivables and prepayments	75	86
Charitable donations and sponsorship	12	1
Other	29	16
Total other operating expenses	**171**	**159**

18 Finance Costs

In millions of Ukrainian Hryvnia	Six months ended 30 June 2008	 2007
Interest expense		
- borrowings	84	45
- promissory notes payable	9	12
- bonds issued (Note 5)	58	2
- long-term payables	5	2
Unwinding of discounts on pension obligations	58	36
Unwinding of discounts on other long-term provisions	3	1
Loss on early repayment of bonds issued	-	68
Minority interest of participants	-	2
Loss on early repayment of long-term payables	-	4
Other finance costs	9	8
Total finance costs	**226**	**180**

19 Income Taxes

In millions of Ukrainian Hryvnia	Six months ended 30 June 2008	 2007
Current tax	345	236
Deferred tax	(50)	(30)
Income tax expense	**295**	**206**

20 Contingencies, Commitments and Operating Risks

Operating environment of the Group. Ukraine displays certain characteristics of an emerging market. These characteristics include, but are not limited to, low levels of liquidity in capital markets, relatively high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy is significantly impacted by Government's policies and actions with regard to supervisory, legal and economic reforms. In addition, DTEK's assets in Ukraine consist of companies that have been privatised or that DTEK has acquired directly or indirectly from others who acquired them through privatisation. Privatisations in some former Soviet republics (including Ukraine) have been subject to political controversy and legal challenge or reversal. As a result, operations in Ukraine involve risks that are not typical for developed markets.

The Group operations and financial position will continue to be affected by Ukrainian political developments, including the application of existing and future legislation and tax regulations. Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently what effect, if any, they could have on the financial position of the Group.

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.

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

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

Capital expenditure commitments. As at 30 June 2008 the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling UAH 42 million (31 December 2007: UAH 2 million); part of which is covered by irrevocable letter of credit issued in amount of UAH 12 mln. The Group has already allocated the necessary resources in respect of these commitments. The management of the Group believes that future net income and funding will be sufficient to cover this and any similar commitments. In accordance with the amicable agreement to bring Dneproenergo OJSC back to solvency, the Group has contractual commitment to fund Dneproenergo's investment program during the period August 2008 through 2012 at a nominal value of UAH 1,010 million. The Group has not allocated any resources in respect of these commitments as at 30 June 2008. See Note 7 for further discussion.

***Purchase commitments*.** As at 30 June 2008, the Group has contractual commitments to purchase quoted securities in various Ukrainian energy generation companies totalling UAH 126 million (31 December 2007: UAH 38 million).

Assets pledged and restricted. At June 2008 the Group has the following assets pledged as collateral:

	Six month ended 30 June				Year ended 31 December			
	2008		2007		2007		2006	
In millions of Ukrainian Hryvnia	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**
Financial investments	-	-	-	-	163	163	-	-
Property, plant and equipment	1,074	920	2,839	1,330	2,716	1,071	1,995	755
Proceeds from future sales contracts	-	-	1,010	101	1,010	101	1,010	101
Total	**1,074**	**920**	**3,849**	**1,431**	**3,889**	**1,335**	**3,005**	**856**

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

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including additional cost of borrowings and declaration of default. The Group is in compliance with the debt covenants as at 30 June 2008.

20 Contingencies, Commitments and Operating Risks (Continued)

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.

Recent volatility in global financial markets. Since the second half of 2007 there has been a sharp rise in foreclosures in the US sub prime mortgage market. The effects have spread beyond the US housing market as global investors have re-evaluated their exposure to risks, resulting in increased volatility and lower liquidity in the fixed income, equity, and derivative markets. Such circumstances may affect the ability of the Group to obtain new borrowings and refinance its existing borrowings at terms and conditions that applied to similar transactions in recent periods. The borrowers of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed. Management is unable to reliably estimate the effects on the Group's financial position of any further possible deterioration in the liquidity of the financial markets and their increased volatility.

21 Events after the Balance Sheet Date

Dneproenergo OJSC. As discussed in note 7, a new share registrar was appointed to record the share of Dneproenergo JSC, and on 11 July 2008, Komosmolets Donbassa JSC and Pavlogradugol JSC received their share certificates for the additional 34.24% share issue from October 2007. This registration results in DTEK's effective interest in Dneproenengo JSC increasing to 46.83% (after dilution of the existing interest). However, various parties continue to challenge the legality of the October 2007 decision to issue these shares and new challenges have been filed against the new share registrar. Management are investigating the implications of such new events, however will continue to defend their claim to these shares. Management believes that the registration of these shares triggers the Group's investment commitment to fund Dneproenergo's investment programme during the period 2008 through 2012 at a nominal value of UAH 1,010 million. As at 30 June 2008, the UAH 1,052 million paid to acquire these shares remains recorded as a prepayment, while the investment commitment of UAH 1,010 million has not been accrued.

Loans. In July 2008, the Group received EUR 50 million short term loan from Erste Bank JSC repayable in June 2009. This financing bears interest at Libor 1 m +3%.