
Chronological Summary of the Restructuring of Dneproenergo

On 24 March 1998 the first General Meeting of Dneproenergo's Shareholders approved a new charter and company name, Dneproenergo. The charter was registered at the Leningradskaya district administration in Zaporozhye on 8 April 1998. The Company's authorised capital totalled UAH98,099,950, represented by 3,923,998 common registered shares with a nominal value of UAH25 each.

On 12 December 2001 the Zaporozhye Regional Economic Court initiated bankruptcy proceedings against Dneproenergo¹, in accordance with national bankruptcy law.²

According to a resolution by the Ministry of the Economy's Bankruptcy Agency dated 24 April 2002, which was issued following the results of an expert evaluation of the debtor's financial state, the following was established: there were no economic indications that Dneproenergo had been deliberately made bankrupt or signs of fictional bankruptcy; and the Company was unable to restore its solvency independently.

The register of creditors' claims was approved on 1 September 2003. According to it, the accounts payable in the bankruptcy case totalled UAH1,390,381,642.25 (over US\$278 million).

On 28 November 2003, a ruling by the Zaporozhye Regional Economic Court began the procedure to restructure the Company. During the restructuring period, there were numerous attempts to restore the Company's solvency, but they all failed.

On 20 May 2005 the Zaporozhye Regional Economic Court approved a restructuring plan for Dneproenergo (a procedure for restoring the Company's solvency), according to which the deadline for the restructuring was 28 November 2006. After the law "On Measures Aimed at Ensuring the Stable Operation of Companies in the Fuel and Energy Sector" came into force, the deadline was moved to 1 January 2008.

As of May 2007 Dneproenergo's unpaid debts in the bankruptcy case totalled UAH951,928,590.19 (over US\$190 million). Most of these were to the state and state-funded organisations (the State Reserve Committee, the Ministry of Finance and Naftogaz, as well as tax arrears).

Given the situation, the creditors' committee and administrator reviewed the option of finding investors to help restructure Dneproenergo. An open offer to attract investors was published in the Uriadovyy Kuryer (no. 247, 29 December 2006) and Golos Ukrainy (no. 249 (3999), 29 December 2006) newspapers.

¹ Case number 5/5/466(01)

² Law "On Restoring a Debtor's Solvency or Declaring a Debtor Bankrupt"

At a meeting of the creditors' committee on 26 January 2007, following an analysis of the applications submitted, Ukrainian coal producers Komsomolets Donbassa Mine and Pavlogradugol were approved as investors, with some changes and amendments to the restructuring plan. These envisaged the payment of Dneproenergo's debts and the restoration of its solvency using the funds from the investors as a result of a merger of Investment Company Ltd, created by them, with Dneproenergo.

The investors were required to transfer UAH1,051,928,590.19 (over US\$210 million) to Dneproenergo as part of the merger of Investment Company Ltd. These funds were intended to repay creditors and settle the enterprise's restructured tax arrears. In addition, the investors undertook to invest at least UAH1,000,000,000 (around US\$200 million) in modernising, rebuilding and repairing fixed assets and financing Dneproenergo's social programmes.

As a result of the above steps, the restructuring plan secured over UAH200,000,000, thus enabling the Company to recover financially and the bankruptcy procedure to be terminated.

On 26 June 2007 the Zaporozhye Regional Economic Court approved an amended plan for Dneproenergo's restructuring offered by the investors, Pavlogradugol and Komsomolets Donbassa Mine. This proposed that Dneproenergo conduct an additional issue of shares that would then be exchanged for a stake in the newly established business entity, in which the investors would act as co-founders. In addition, the entity would be merged with Dneproenergo, and various other organisational, legal and financial measures aimed at financial rehabilitation would be carried out.

On 27 August 2007, a Dneproenergo General Meeting of Shareholders passed the resolutions needed to implement the rehabilitation plan further. To restore the Company's solvency, the decision was made to merge Investment Company, whose shareholders were Pavlogradugol and Komsomolets Donbassa Mine, with Dneproenergo.

The General Meeting passed a resolution protecting the interests of shareholders who abstained or voted against the consolidation. In the event that a shareholder applied to redeem shares, the Company was required to buy them back. The repurchase price was set by the General Meeting at UAH1,592.38, in accordance with the official price on the PFTS stock exchange (as of 27 August 2007). In accordance with a resolution by the General Meeting, new members of the Supervisory Board and Revision Commission were elected, and representatives of the Energy Company of Ukraine secured a majority.

On 7 September 2007 the Ukrainian Antimonopoly Committee (AMCU) approved the merger of Investment Company with Dneproenergo.

On 13 September 2007 Dneproenergo and the investors (Pavlogradugol and Komsomolets Donbassa Mine) signed an investment agreement.

On 20 September 2007 the National Electricity Regulatory Commission (NERC) authorised Investment Company's merger with Dneproenergo.

On 12 October 2007 the Zaporozhye Regional Economic Court approved an amicable agreement between Dneproenergo and its creditors (the State Reserve Committee, the Ministry of Finance and Naftogaz, among others).

On 1 November 2007 the Zaporozhye Regional Economic Court acknowledged the legitimacy of the Dneproenergo General Meeting of Shareholders on 27 August 2007.

On 14 November 2007, UAH927.8 million in debt was repaid as part of the amicable agreement, and the Company emerged from bankruptcy.