

DTEK Oil&Gas B.V.

Annual Report

31 December 2020



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

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Directors' Report

Introduction

The Management Board of DTEK Oil&Gas B.V. (the "Company") present their report in order to disclose the results of the activity of the Company for the year ended 31 December 2020 and likely future development of the Company.

Principal activities

DTEK Oil&Gas B.V. (formerly DTEK Investment B.V.) is a private limited liability company incorporated on 12 October, 2007, under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. On 3 July 2020, as a part of the reorganisation of DTEK Oil&Gas Group, the Company changed its direct shareholder from DTEK B.V. to DTEK Oil&Gas Holdings B.V. Group structure is disclosed in the Note 1.

The Group is beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management ("SCM"). Mr. Akhmetov has a number of other business interests outside of the Group.

The principal activities of the Company and its subsidiaries (together referred to as "the Group" or "DTEK Oil&Gas") are exploration, development and production of gas and gas condensate in Ukraine in order to meet mission of developing Ukraine as energy independent country. As at 31 December 2020, the Group has three licensed gas and gas condensate fields in Poltava region.

Currently DTEK Oil&Gas and its subsidiaries are producing and selling the gas and gas condensate extracted from licensed fields in Ukraine mainly to related party for further distribution to various customers and are developing further projects for extracting hydrocarbons and oil in Ukraine.

Due to deficit of internally produced gas to meet the needs of domestic customers, all produced gas is purchased without any advertisement, marketing or other distribution activities.

Quality of the extracted gas, which is transferred to the pipe-line network, is strictly controlled by legal requirements, thus gas must pass all necessary treatment and preparation before dispatch.

The Group purchases major components such as tubing, methanol, industry-specific spare parts, drilling and supervisory services, geological data interpretations by contracting with a diverse group of top-tier suppliers, which are reputable and well-known in the Oil & Gas industry. The Group selects suppliers based on a number of factors including expected cost, reliability, warranty coverage, availability and performance guarantees, installation complexity and other ancillary costs. The Group engages engineering advisors from reputable international technical companies to control the construction process.

The Company does not meet the legal criteria of a structure corporation as defined in Book 2 of the Dutch Civil Code.

Changes in the group structure

In March 2020 the Group sold shares of DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC (former Odessaoblenergo JSC) to DTEK Grids B.V. Group. Correspondingly, assets and liabilities of DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC were classified as assets and liabilities of a disposal group held for sale and presented separately in the consolidated balance sheet as at 31 December 2019. The result for the period was presented as a result of discontinued operations in a separate line within consolidated income statement both in 2020 (prior to the sale of shares in March 2020) and 2019.

In June 2020 as the part of the Group reorganisation, the Group sold its subsidiaries, which are involved into trading activities and hold licenses for exploration and development of the gas fields to DTEK Oil & Gas Development B.V. (the company under a common control of DTEK Oil&Gas Holdings B.V.). DTEK Oil & Gas Development B.V. (formerly Premium Household B.V.) was acquired by DTEK B.V. in 2020 from the entities under common control of SCM. The subsidiaries sold to DTEK Oil & Gas Development B.V. include DTEK Neftegaz LLC, Investecogaz LLC, NGR B.V., Neftegazrazabotka LLC, Oil & Gas Systems LLC, Oil & Gas Energy LLC, Oil & Gas Geopexploring LLC, Oil & Gas Global Development B.V., Oil & Gas Global Extraction B.V., Oil & Gas Innovation Stream B.V.

Details of such disposals and other changes in the group structure are described in Note 28.

In April 2020 the Group sold 100% of the share capital of Power Trade LLC to an entity under common control of DTEK B.V. for a consideration close to nil. The result of the transaction, being the difference between net liabilities sold and consideration received, was recognized directly in equity in the amount of UAH 1,169 million. This amount includes non-controlling interest of 1.46% in the share capital of DTEK Dniproenergo JSC, 2.76% in the share capital of DTEK Westenergy JSC, and 5.48% in the share capital of Kharkivskiy Machine-Building Plant Svitlo Shakhtarya PJSC and trade and other payables due to the subsidiaries of DTEK B.V. As at the disposal date, net assets of Power Trade LLC included UAH 411 million of trade accounts payable due to a subsidiary of the Group. The balance was settled in full before the year end with corresponding movement presented in operating activity of the consolidated statement of cash flows.

In July 2020 DTEK Oil&Gas B.V. made an additional contribution to the authorized capital of the Kosul LLC, which increased its stake to 95% of the authorized capital. Further the Company acquired the remaining 5% of the authorized capital. Management treated this as an asset acquisition rather than a business combination and recognised UAH 21 million of intangible assets. This transaction did not have material impact on the consolidated financial statements.

In November 2020 the Group incorporated NGD Holding LLC as wholly owned subsidiary of DTEK Oil&Gas B.V.

Discontinued operations

Group reorganisation

As described in "Changes in group structure" section, in early 2020 as a part of a Group reorganisation, the Group took decision of selling its subsidiaries, which were involved into trading of gas and held licenses for future exploration and development, to a newly created subholding under a common control of DTEK B.V. – DTEK Oil & Gas Development B.V. Group. In May the selling plan was approved and on 2-3 June 2020 all rights and obligations regarding ownership over the abovementioned subsidiaries were transferred to DTEK Oil & Gas Development B.V. (Note 28).

Disposal group acquired exclusively with a purpose for resale

In January 2019 the entities under control of DTEK B.V. Group signed several contracts to acquire 93.9978% of the shares in DTEK Kyiv Regional Grids PrJSC and 68.2949% of the shares in DTEK Odesa Grids JSC. DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC are grids entities located respectively in Kyiv region (except Kyiv city) and Odesa region and are major Distribution System Operators in those regions.

The Group purchased these entities with a view of further resale to DTEK Grids B.V. Group.

In March 2020 the Group sold 93.9978% of the shares in DTEK Kyiv Regional Grids PrJSC and 70.4149% of the shares in DTEK Odesa Grids JSC to DTEK Grids B.V. (Note 28).

Financial position, financial performance and solvency

Revenue of DTEK Oil&Gas for the year ended 31 December 2020 was UAH 7,292 million (for the year ended 31 December 2019: UAH 10,226 million) and net profit was UAH 3,011 million (for the year ended 31 December 2019: UAH 7,273 million). On 31 December 2020 the total assets of the DTEK Oil&Gas were UAH 24,228 million (as at 31 December 2019: UAH 51,908 million) and the equity UAH 4,925 million (as at 31 December 2019: UAH 22,497 million). For the year ended 31 December 2020, the Group received positive cash flows generated from operating activities in the amount of UAH 3,775 million (for the year ended 31 December 2019: UAH 9,113 million). On 31 December 2020 current assets of DTEK Oil&Gas exceeded its current liabilities by UAH 8,122 million (as at 31 December 2019: current assets exceeded current liabilities by UAH 21,954 million). The Group's debt to equity ratio as at 31 December 2020 was 3.37, Debt/Equity (31 December 2019: 0.94). The Group's total liabilities to total assets ratio as at 31 December 2020 has was 79.7% (31 December 2019: 56.7%).

Liquidity and capital resources

The Group expects that capital expenditures, repayment of outstanding debt and working capital requirements will present the most significant uses of funds for the next several years. In the period under review, the Group met its liquidity needs out of cash generated from operating activities and cash accumulated at the beginning of the reporting period.

As at 31 December 2020, the Group's current liquidity ratio was at 4.94 (31 December 2019: 2.31), quick liquidity ratio 0.06 (31 December 2019: 0.02).

Issued Capital and Capital Distributions

As at 31 December 2020 and as at 31 December 2019 the authorised and issued ordinary share capital amounted to Euro 18 000, divided into 18 000 shares with a par value of Euro 1 per share. All issued shares are fully paid.

In 2020 DTEK Oil&Gas B.V. distributed dividends in the amount of UAH 15,520 million to its direct parent.

Financing activity

Financing activity of the Company consists mainly of intra-group loans. The DTEK Group's overall risk management policies are also applicable to the DTEK Oil&Gas and seek to minimise the potential adverse effects on the DTEK Group's financial performance of those risks that are manageable or noncore to the oil and gas business.

Financial risk management is carried out by a centralised treasury department working closely with the operating units, under policies approved by the Management Board. The Treasury department identifies, evaluates and proposes risk management techniques to minimise these exposures.

Additionally, DTEK Oil&Gas developed a compliance function to monitor and analyse financial, reputation or legal risks connected with business activities.

Financial reporting, internal and external provision of information

Group's Economics and Finance department is responsible for preparation of the Group's financial statements and various management reports. The Group assures accuracy of its annual financial statements for external and internal users by conducting regular audits by an external independent auditor.

Additionally, the Group switched to a new reporting system named SAP S/4 Hana starting from 1 January 2020. This system implemented advanced internal controls for making sure that the Group's established processes and procedures in key business processes are followed, thus providing additional comfort in quality of information for external and internal users of financial reports.

Key external stakeholders of Group's financial statements are DTEK Group's lenders, bondholders and rating agencies. Management reports are produced on a regular basis and include various financial and non-financial information to assist Management Board and Supervisory Board in decision making process.

Financial risk management

Exposure of the Group to different financial risks is disclosed in Note 30 of the accompanying Consolidated Financial Statements.

Principal risks and uncertainties

The Ukrainian economy is showing signs of stabilization after years of political and economic tensions, that have led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the national currency against major foreign currencies.

- **Supply chain.** The gas produced is ultimately supplied to a group of industrial customers, who at the date of these consolidated financial statements are operating and supply its goods internationally. From perspective of the risks related to supply chains the level of the risk was assessed by management as not significant.
- **Revenues and profitability.** The gas price in Ukraine is indirectly linked to the EU prices where the gas prices forward curves as of the date of these consolidated financial statements indicate a stable dynamics over the next 8 months. As such, management does not consider the impact of Covid -19 on its revenues and profits to be a significant business risk.
- **Impairments.** Decrease in gas price and related consequences of the pandemic did not result in an impairment of the Group's assets in 2020.
- **Government assistance.** The Group does not have any government assistance, thus has no material exposure to the risks that such may not be prolonged.
- **Financing and liquidity.** The Group has low debt financing burden, generates strong positive operating cash flows and does not have significant liquidity mismatches.
- **Internal controls.** The Group designed measures enabling it to operate effectively in a work from home regime. Internal controls are in place for segregation of duties, layers of reviewers and approvers, standard documentary turnover requirements were kept for may be affected by working from home requirements and how this may make the entity more vulnerable to risks of errors or fraud.
- **Going concern.** Covid -19 outbreak did not have a significant impact on the Group's operations and did not create a material uncertainty for the Group in its ability to continue as a going concern. Management considers that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

Risk Management Framework

In order to mitigate and minimise the principal risks and uncertainties DTEK Group implemented an Internal Control and Risk Management system which is based mainly on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. It is fully integrated into strategic and tactical planning, including but not limited to business planning and budgeting processes, investment projects, etc. The risk management function covers all levels of business and production units (risk managers and coordinators). Risk management approach and processes are unified across all units, iterative bottom-up and top-down approaches are in place for identification and assessment of risks and opportunities, three-lines of defense principle is used.

For the identified risks deemed to be material, comprehensive mitigating action plans are developed and reviewed on a regular basis to ensure that the risks' levels remain at acceptable levels. Management is kept informed via regular risk reports and understands how risks influence the achievement of business targets, so management's decisions are made based on existent/potential risks and opportunities. DTEK Group strives to implement necessary internal controls into the business processes based on performed risk assessments. The primary objective in setting up an internal control system is to ensure the reliability of DTEK's financial information (statements), to meet the Company's goals and to attain compliance with applicable laws. The internal control function is centralized while controls itself are embedded into all company's business processes.

For all the risk categories within the Group's risk management framework, the Group's risk appetite is defined as low tolerance. Prior to investing into new projects, the management is to ensure that the regulatory framework is clear and transparent, shareholders equity to be invested in projects under development is available and debt capital required to fund a portion of capital expenditures is accessible.

Thus, the Group's Risk Management and Internal Control framework provides reasonable assurance that business objectives can be achieved.

During 2020 the Group considered the following main risks:

Risks of corporate strategy:

- Risk of delays of new gas extracting facilities, commissioning, which were scheduled for 2020
- Deterioration of economic conditions on the gas market due to global decrease in gas price based mainly on its overproduction.

Political, macroeconomic and geopolitical risks:

The final resolution of the political and economic situation in Ukraine, which commenced at the end of 2013, and the final effects of this are difficult to predict, but it may have further severe effects on the Ukrainian economy and the Group's business.

In 2020 there were no major political events in Ukraine, although COVID-19 substantially hit Ukrainian economy. Despite COVID-19 pandemic the economic situation was in general manageable. Local currency's (hryvnia) depreciation and inflation were under control.

Financial risks and Market risks:

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding to meet existing obligations as they fall due. In order to manage liquidity risk and ensure timely repayment of debt, the Company diligently plans and monitors cash inflows and outflows on daily basis, takes measures to optimize working capital structure. Management monitors liquidity on a daily basis, management incentive programs use key performance indicators such as EBITDA, operating and free cash flow and cash collections to ensure liquidity targets are actively monitored.

With regard to currency risk, the national currency of Ukraine had high volatility during the recent years and it has weakened in 2020. As a result, Company suffered forex losses mainly on financing activities. The following measures are implemented in order to manage these risks: the foreign exchange flow planning was carried out; the need for hedging currency positions was evaluated and it was decided that was no need for currency hedging in 2020. Credit risk management was based on an internal scoring system, which assigns internal ratings and limits to counterparties based on financial performance and other aspects.

Financial reporting risk:

The Group has policies and procedures for ensuring the accuracy and completeness of accounting records, and the timely preparation of reliable financial disclosures. IFRS department of the Group reviews the financial statements of the Group's entities and prepares consolidated information on a monthly basis. The annual financial information is reviewed by the Audit Committee, audited by the external independent auditor and is approved by the Supervisory Board of the Company. The financial statements are submitted to Dutch Chamber of Commerce and published on the official site of DTEK.

Reputational Risks:

The Group actively manages reputational risks, performs regular assessment of the reputation, changes in the social climate both in the internal and external environment. DTEK Oil&Gas executives make proactive and reactive communications at the local and international level in order to minimize the impact of reputational risks.

Corporate Governance and Compliance Risks:

In order to manage compliance risks, the Group follows restrictions of the current sanction regimes and acts in accordance with the international legislation, execute KYC procedures and performs compliance checks while working with its counterparties. The Group also implements anti-corruption and anti-bribery programs, Compliance Policy, Code of ethics & business conduct, Regulation on implementation of Code of ethics & business conduct, regularly provides employees with appropriate compliance trainings and monitors the internal compliance rules being in place. There were no cases of non-compliance were reported during 2020.

IT risks:

Technical malfunction, virus attacks, data loss or downtime of IT systems can have significant negative impact on the Group's activities, taking into account the high level of integration of informational and communicational systems into the Group's business processes. The following tools were implemented in order to manage these risks: control over unauthorized software (SCCM, etc.), the Intrusion Prevention System (IPS), DLP policies, the MDM system, group policies of the EMET tool, antivirus control, anti-SPAM systems, etc.

Covid -19:

As explained in note 2 in the consolidated financial statements, the Covid -19 outbreak and resulting measures taken by various governments to constrain the virus had already negatively affected the Group's business in 2020 due to overall decrease of the GDP and overall decrease of gas prices. In addition to the already known effects, the macroeconomic uncertainty causes disruption to economic activity and it is unknown what the longer term impact on the Group's business may be. The scale and duration of this pandemic remain uncertain but are expected to further impact the Group's business. Management made an assessment of the impact based on key risks areas that result from the current uncertain situation regarding Covid -19.

Human resources' risks:

Considering the political and economic instability in Ukraine and the specifics of the industry, the Group faces risks associated with the shortage of qualified engineering and working specialists. The Group manages these risks by creating a motivation and educational system, and also by proactive communications with all parties involved.

Industrial engineering:

Risk associated with the operation of technical facilities. Breakdowns and accidents remained relevant for the Group in 2020. To limit the risk, technical facilities are regularly inspected and maintained, production processes and technologies are constantly upgraded and optimized and staff is trained accordingly. The investment program of the business units includes the costs for technological maintenance and current repair programs.

Risk associated with the construction of technical facilities. Group's investment program includes a large number of repair projects. Risk management activities are an integrated part of the project management business process, so the key risks of the projects are identified, their potential impact on the project results is assessed, risk mitigation plans are developed, and regular monitoring of the status is carried out.

Environmental and social responsibility

DTEK Oil&Gas activities are tightly connected with production cycles impacting heavily the environment. Thus, maintaining high ecological compliance standards is a crucial point for the business development of the Group.

The Group complies with regional environmental laws and regulations.

Social responsibility and commitment to the principles of sustainable development are key values and an integral part of ESG-strategy of the Group. That is why DTEK Oil&Gas invests significant funds into improving the safety, efficiency and environmental friendliness of its enterprises, labor protection, health improvement and professional development of its employees, development of local communities and improving the quality of life of people in the regions of activity. DTEK is consistently developing its activities in the field of sustainable development, guided by the principles of the ESG and the UN Sustainable Development Goals (12 of 17) and strives to work in accordance with international standards for sustainable development. The practice of responsible financing is aimed at an integrated and balanced approach to business development and the observance of the interests of the community. The Group being one of the biggest national employer and a social investor, participates in the socio-economic development of the regions in which it operates.

Socially responsible investment in partnership with local communities is a prerequisite for the operations of the Group companies. The Group companies implement social networks, which are aimed at involving and uniting the population to solve the problems of community development and improve the quality of life.

DTEK Group's main principle is to maintain partnership between the authorities, business and society, for the purpose of which the Group implements the Social Partnership Program. The program is developed on the basis of international standards for sustainable development and aims to improve energy efficiency in the public sector, improve the quality of health services, education. In the long term, the Group considers the development of the regions in which it operates as a competitive advantage. In 2020 DTEK Oil&Gas investments in this area comprise almost UAH 33 million (2019: UAH 14 million). These investments were mainly directed to the social partnership programs with local communities and charity.

The Group is a member of the UN Global Compact Network and in its activities follows the principles and goals of sustainable development proclaimed by the UN. DTEK Oil&Gas strives to protect the environment, improve production and management processes, and invest in environmental activities in all areas of its enterprises. Environmental activities are an integral part of the Group's successful business and are based on DTEK's Environmental Policy, developed in accordance with the international standard ISO 14001: 2015. Unconditional priority of the Group's activities is the conduct of ethical, legal and open business. DTEK Oil&Gas openly declares its anti-corruption standards and adheres to the principle of zero tolerance for corruption. DTEK Oil&Gas continues to report on social corporate responsibility and sustainable development. The report on sustainable development for 2020 is expected by the middle of 2021.

Research and Development Costs

During 2020 and 2019 the Group undertook limited research and development activities.

Human resources

During 2020 the Group employed an average of 253 employees (2019: 264 employees).

To ensure the constant development of its employees, in 2010 DTEK Group launched its corporate university – Academy DTEK.

The open innovative educational ecosystem of the Academy DTEK ensures the personalized development of DTEK employees, representatives of business, society and the state throughout their lives. Academy DTEK aims at:

- a creation of a technology platform as the basis for a new training ecosystem;
- a creation of new quality educational products;
- updating and modernising the existing product portfolio;
- improving innovative and customer-oriented corporate culture of the business.

Strategic goal of Academy DTEK is to become a leader in the adult education market in the life-long learning concept. Academy DTEK expands international cooperation and is a member of international associations such as CEEMAN, EFMD bringing the world's best education practices to Ukraine. Academy DTEK works in partnerships with top international business schools and professional associations: INSEAD, IE Business School, LBS, ACCA, Coursera and is official partner of the certification institute HRCI (Human Resources Certification Institute). Academy DTEK implements training programs for public sector, contributing to the education system's reform in Ukraine. For this activity, Academy DTEK was recognized as the best Corporate University in the world in corporate and social responsibility in 2019. Academy DTEK is the first organization in Ukraine that approved professional standards for 64 working professions at the state level. During 2020, 69 employees used the educational products including from DTEK Academy (2019: 75 employees used the educational products including from DTEK Academy).

Code of Ethics

The Group has a Code of Ethics developed and approved in 2011 with changes introduced in 2014. It is mandatory for all the Group entities and prescribes the key principles that the Group follows in its operations, including relationship with its employees, counterparties, state authorities and non-governmental and public authorities, responsibility for all activities the Group performs, conflicts of interests etc. The Code is available on the Group's official web-site. No cases of non-compliance were reported during 2020.

Male/female ratio of Management/Supervisory Board

The Company strives to get the best applicable persons in the Supervisory board and the Management board despite the gender or culture.

Dutch legislation, the 'Wet Bestuur en Toezicht', was implemented in 2013. This law provides guidance on disclosure in the Directors' Report with regard to the composition of the Board of (Supervisory) Directors and its division among men and women. At this moment the composition of the Supervisory Board does not reflect the situation as described in legislation. The Management Board of the Company consists of one legal person and one man. The Supervisory Board consists of one woman and four men. A balanced situation as outlined in the abovementioned legislation would only be realised if and when vacancies may become available and only to the extent that compliant candidates are of equal quality. In the case of new Directors the qualitative requirements will be supplemented with the existing male / female division of the Board and the ratios prescribed by law. Management notes that the composition of women in key management roles in the Group is significant.

Future Developments

In 2020 and further in 2021, the Group continues implementing its long-term strategy, aimed to complete the reorganization in the management structure.

The next stages are devoted to a wide scale roll out of innovations through the production and management processes (covering period of 2021-2030).

Ukraine is considered as the main market for the Group activities in the long-term.

In 2021 the Group will focus on the following key areas:

- Further improve operational efficiency;
- Optimise operating costs and capex investments;
- Further increase in gas extraction.

As part of the restructuring scheme agreed by DTEK Energy B.V., the company under common control of DTEK B.V., the Group issued Eurobonds with the principal amount of USD 425 million in May 2021 (Note 34). Correspondingly the loan payable to DTEK Energy B.V. was extinguished upon the transfer of the issued bonds' liability from DTEK Energy B.V. to DTEK Oil&Gas Group. No other significant changes are expected in financing.

There are no significant changes expected in financing and staffing, despite Covid-19 outbreak described above.

Post balance sheet events

There are no special events that should be taken into account for the financial statements except for the developments after the balance sheet date are disclosed in the Notes 2 and 34 to the accompanying Consolidated Financial Statements.

Mr. Maksym Timchenko, Director

SCM Management B.V., Director

___ May 2021

DTEK Oil&Gas B.V.
Consolidated Balance Sheet

<i>In millions of Ukrainian Hryvnia</i>	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	9	12,368	11,889
Intangible assets	10	320	451
Trade and other receivables	13	286	-
Financial investments	11	1,071	422
Deferred income tax asset	26	-	381
Total non-current assets		14,045	13,143
Current assets			
Inventories	12	179	184
Trade and other receivables	13	9,699	251
Financial investments	11	209	26,501
Cash and cash equivalents	14	96	126
Total current assets		10,183	27,062
Assets of disposal group classified as held for sale		-	11,703
TOTAL ASSETS		24,228	51,908
EQUITY			
Share capital	15	0	0
Other reserves	16	502	665
(Accumulated deficit) / Retained earnings		(4,586)	12,645
Equity attributable to owners of the parent		(4,084)	13,310
Non-controlling interest in equity		9,009	7,876
Non-controlling interest of disposal group		-	1,311
TOTAL EQUITY		4,925	22,497
LIABILITIES			
Non-current liabilities			
Other financial liabilities	18	15,731	10,459
Provisions for other liabilities and charges		18	15
Deferred income tax liability	26	1,493	2,126
Total non-current liabilities		17,242	12,600
Current liabilities			
Bank borrowings	17	46	614
Other financial liabilities	18	814	10,071
Prepayments received		-	1,240
Trade and other payables	19	683	1,645
Current income tax payable		307	291
Other taxes payable	20	211	147
Total current liabilities		2,061	14,008
Liabilities of disposal group classified as held for sale		-	2,803
TOTAL LIABILITIES		19,303	29,411
TOTAL LIABILITIES AND EQUITY		24,228	51,908

Signed by entire Management Board,

___ May 2021

Mr. Maksym Timchenko, Director

SCM Management B.V., Director

DTEK Oil&Gas B.V.
Consolidated Income Statement

<i>In millions of Ukrainian Hryvnia</i>	Note	2020	2019
Continuing operations:			
Revenue	21	7,210	8,597
Cost of sales	22	(3,524)	(3,240)
Gross profit		3,686	5,357
Other operating income		46	58
General and administrative expenses	23	(166)	(135)
Selling expenses		(191)	(156)
Other operating expenses	24	(348)	(323)
Reversal of net impairment loss on financial assets		3,514	424
Net foreign exchange loss on operating activities		-	(49)
Operating profit		6,541	5,176
Net foreign exchange (loss)/gain on financing and investing activities		(2,050)	1,425
Finance income	25	673	1,576
Finance costs	25	(1,579)	(1,581)
Profit before income tax		3,585	6,596
Income tax expense	26	(1,175)	(1,581)
Profit for the year from continuing operations		2,410	5,015
Profit is attributable to:			
Equity holders of the Company		801	4,432
Non-controlling interest		1,609	583
Profit for the year from discontinued operations	28	601	2,258
Profit is attributable to:			
Equity holders of the Company		472	2,076
Non-controlling interest		129	182
Profit for the year		3,011	7,273

Consolidated Statement of Comprehensive Income

<i>In millions of Ukrainian Hryvnia</i>	Note	2020	2019
Profit for the period		3,011	7,273
Items that may not be reclassified to profit or loss:			
Property, plant and equipment:			
- Decrease in valuation of Property, plant and equipment		(42)	-
- Income tax recorded on revaluation of property plant and equipment	26	8	-
Other comprehensive loss for the year		(34)	-
Total comprehensive income for the period		2,977	7,273
Total comprehensive income attributable to:			
Equity holders of the Company		1,248	6,508
Non-controlling interest		1,729	765
Total comprehensive income for the period		2,977	7,273

Total comprehensive income for the period attributable to equity holders of the Company arises from:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Continuing operations	776	4,432
Discontinued operations	472	2,076

DTEK Oil&Gas B.V.
Consolidated Statement of Changes in Equity

<i>In millions of Ukrainian Hryvnia</i>	Attributable to equity holders of the Company			Total	Non-controlling interest	Total Equity
	Share capital	Other reserves	(Accumulated deficit) / Retained earnings			
Balance at 1 January 2019	0	810	5,992	6,802	7,495	14,297
Profit for 2019 from continuing operations	-	-	4,432	4,432	583	5,015
Profit for the year from discontinued operations	-	-	2,076	2,076	182	2,258
Total comprehensive income for 2019	-	-	6,508	6,508	765	7,273
Acquisition of disposal group classified as held for sale	-	-	-	-	1,129	1,129
Dividends' distribution (Note 15)	-	-	-	-	(202)	(202)
Property, plant and equipment:						
- Realised revaluation reserve (Note 16)	-	(177)	177	-	-	-
- Deferred tax related to realised revaluation reserve (Note 16)	-	32	(32)	-	-	-
Balance at 31 December 2019	0	665	12,645	13,310	9,187	22,497
Profit for 2020 from continuing operations	-	-	801	801	1,609	2,410
Other comprehensive loss	-	(25)	-	(25)	(9)	(34)
Profit for the year from discontinued operations	-	-	472	472	129	601
Total comprehensive income for 2020	-	(25)	1,273	1,248	1,729	2,977
Loss from sale of a disposal group classified as held for sale (Note 28)	-	-	(2,595)	(2,595)	(1,440)	(4,035)
Loss from the Group reorganisation (Note 28)	-	-	(1,696)	(1,696)	-	(1,696)
Disposal of subsidiaries (Note 1)	-	-	1,169	1,169	-	1,169
Dividends' distribution (Note 15)	-	-	(15,520)	(15,520)	(467)	(15,987)
Property, plant and equipment:						
- Realised revaluation reserve (Note 16)	-	(169)	169	-	-	-
- Deferred tax related to realised revaluation reserve (Note 16)	-	31	(31)	-	-	-
Balance at 31 December 2020	0	502	(4,586)	(4,084)	9,009	4,925

The accompanying notes are an integral part of these consolidated financial statements.

DTEK Oil&Gas B.V.
Consolidated Statement of Cash Flows

<i>In millions of Ukrainian Hryvnia</i>	Note	2020	2019
Cash flows from operating activities			
Profit before income tax from continuing operations		3,585	6,596
Adjustments for:			
Net foreign exchange loss / (gain) on investing and financing activities and unrealised foreign exchange differences on operating activity		2,060	(1,317)
Finance costs, net	25	906	5
Result from the sale of investments	24	30	-
Depreciation of property, plant and equipment and amortisation of intangible assets		1,946	1,304
Net change in provision for financial instruments and trade and other receivables		(3,514)	(424)
Losses less gains on disposals of property, plant and equipment		38	12
Impairment of property, plant and equipment and inventory	22, 24	58	206
Change in provisions for other liabilities and charges		3	(6)
Other		-	(94)
Operating cash flows before working capital changes		5,112	6,282
Trade and other receivables		(1,620)	(1,652)
Inventories		(28)	(85)
Prepayments received		-	(17)
Trade and other payables		(6)	1,533
Taxes payable other than corporate income tax		96	(172)
Cash generated from operations		3,554	5,889
Income taxes paid (including payment of withholding tax)		(769)	(1,344)
Interest paid		(190)	(127)
Interest received		417	17
Net cash generated from operating activities of continuing operations		3,012	4,435
Net cash generated from operating activities of disposal group that represent the Group reorganisation		91	2,220
Net cash generated from operating activities of disposal group that represent purchased entities with a view of future resale		672	2,458
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(2,165)	(2,400)
Placement of restricted cash		(25)	(83)
Loans and financial aids provided	11	(168)	(2,218)
Sale of shares to a related party	11	267	-
Consideration settlements on a related party debts	19	(128)	(670)
Dividends received from a disposal group		252	790
Consideration received for a reassigned loan	11	276	-
Repayment of loans and financial aid provided	11	1,219	15
Net cash used in investing activities of continuing operations		(472)	(4,566)
Net cash generated from / (used in) investing activities of disposal group that represent the Group reorganisation		1,050	(12,732)
Net cash used in investing activities of disposal group that represent purchased entities with a view of future resale		(252)	(968)
Cash flows from financing activities			
Bank borrowings received	17	12	29
Debt repayment under the assigned agreement	18	(2,175)	-
Loans and financial aid received from related parties	18	162	9
Repayment of loans received from related parties	18	(2)	(1,235)
Repayment of financial aid received from third parties	18	(21)	-
Dividends paid to non-controlling participants		(432)	(171)
Net cash used in financing activities of continuing operations		(2,456)	(1,368)
Net cash (used in) / generated from financing activities of disposal group that represent the Group reorganisation		(1,109)	7,924
Net cash used in financing activities of disposal group that represent purchased entities with a view of future resale		(9)	(909)

The accompanying notes are an integral part of these consolidated financial statements.

DTEK Oil&Gas B.V.
Consolidated Statement of Cash Flows

Continuing operations:			
Net increase/(decrease) in cash and cash equivalents		84	(1,499)
Cash and cash equivalents at the beginning of the year	14	22	1,530
Exchange difference on cash and cash equivalents		(10)	(9)
Cash and cash equivalents at the end of the year	14	96	22
Disposal group that represent the Group reorganisation:			
Net increase/(decrease) in cash and cash equivalents		32	(2,588)
Cash and cash equivalents at the acquisition date/at the beginning of the year	14	34	2,630
Exchange gains on cash and cash equivalents		-	(8)
Cash and cash equivalents at the end of the year/at the date of disposal		66	34
Disposal group that represent purchased entities with a view of future resale:			
Net increase in cash and cash equivalents		411	581
Cash and cash equivalents at the acquisition date/at the beginning of the year		890	309
Cash and cash equivalents at the end of the year/at the date of disposal		1,301	890

1 The Organisation and its Operations

DTEK Oil&Gas B.V. (formerly DTEK Investment B.V.) (“the Company”) is a private limited liability company incorporated on 12 October, 2007, under the laws of the Netherlands, with its corporate seat in Amsterdam, The Netherlands. On 3 July 2020, as a part of the reorganisation of the DTEK Oil&Gas Group, the Company changed its direct parent from DTEK B.V. to DTEK Oil&Gas Holdings B.V. - an intermediate holding company, which is fully owned by DTEK B.V.

The principal activities of the Company and its subsidiaries (together referred to as “the Group” or “DTEK Oil&Gas”) are exploration, development and production of gas and gas condensate in Ukraine in order to meet the mission of developing Ukraine as an energy independent country. As at 31 December 2020, the Group has three licensed gas and gas condensate fields in Poltava region.

The Group is beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management (“SCM” or ultimate parent). Mr. Akhmetov has a number of other business interests outside of the Group. Related party transactions are detailed in Note 8.

During 2019 the Group incorporated seven legal entities as wholly owned subsidiaries of DTEK Oil&Gas B.V. In 2020 most of these subsidiaries were sold to DTEK Oil & Gas Development B.V. as a part of the Group reorganisation, as described below.

In 2019 in a sequence of transactions the Group acquired 93.9978% of shares in DTEK Kyiv Regional Grids PrJSC and 70.4150% of shares in DTEK Odesa Grids JSC with a purpose of its further resale to DTEK Grids B.V. – an entity under common control of DTEK B.V. (Note 27).

In March 2020 the Group sold shares of DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC to DTEK Grids B.V. Group. Assets and liabilities of DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC were classified as assets and liabilities of a disposal group held for sale and presented separately in the consolidated balance sheet as at 31 December 2019. The result for the period was presented as a result of discontinued operations in a separate line within consolidated income statement both in 2020 (prior to the sale of shares in March 2020) and 2019 (Note 28). The net result of the sale of these two entities in 2020 in amount UAH 2,595 million is reflected directly in the Consolidated Statement of Changes in Equity.

In April 2020 the Group sold 100% of the share capital of Power Trade LLC to an entity under common control of DTEK B.V. for a consideration close to nil. The Group treated this transaction as a transaction with owners in their capacity as owners and recognised result from the disposal directly in equity. The result of the transaction, being the difference between net liabilities sold and consideration received, was recognized directly in equity in the amount of UAH 1,169 million. This amount includes non-controlling interest of 1.46% in the share capital of DTEK Dniproenergo JSC, 2.76% in the share capital of DTEK Westenergy JSC, and 5.48% in the share capital of Kharkivskiy Machine-Building Plant Svitlo Shakhtarya PJSC and trade and other payables due to the subsidiaries of DTEK B.V. As at the disposal date, the net assets of Power Trade LLC included UAH 411 million of trade accounts payable due to a subsidiary of the Group. The balance was settled in full before the year end with a corresponding movement presented in operating activity of the consolidated statement of cash flows.

In June 2020 as the part of a Group reorganisation, the Group sold its subsidiaries, which are involved in trading activities and which hold licenses for exploration and development of the gas fields to DTEK Oil & Gas Development B.V. (a company under a common control of DTEK Oil&Gas Holdings B.V.). DTEK Oil & Gas Development B.V. (formerly Premium Household B.V.) was acquired by DTEK B.V. in 2020 from the entities under common control of SCM. The subsidiaries which were sold to DTEK Oil & Gas Development B.V. include DTEK Neftegaz LLC, Investecogaz LLC, NGR B.V., Neftegazrazrabotka LLC, Oil & Gas Systems LLC, Oil & Gas Energy LLC, Oil & Gas Geoexploring LLC, Oil & Gas Global Development B.V., Oil & Gas Global Extraction B.V., Oil & Gas Innovation Stream B.V. The companies, which were disposed were a part of a single coordinated plan to dispose a separate line of business. Hence, the result for the period prior to the sale of shares of these companies in June 2020 was presented as a result of discontinued operations in a separate line within the consolidated income statement in 2020 with a respective change in comparative information for the year ended 31 December 2019 (Note 28). The net result of the sale of these entities in 2020 in amount UAH 1,696 million is reflected directly in the Consolidated Statement of Changes in Equity.

In July 2020 DTEK Oil&Gas B.V. made an additional contribution to the authorized capital of the Kosul LLC in amount UAH 3 million, which increased its stake to 95% of the authorized capital. Further the Company acquired the remaining 5% of the authorized capital for a consideration UAH 2 million. Management treated this as an asset acquisition rather than a business combination and recognised UAH 21 million of intangible assets. This transaction did not have material impact on the consolidated financial statements.

In November 2020 the Group incorporated NGD Holding LLC as wholly owned subsidiary of DTEK Oil&Gas B.V.

DTEK Oil&Gas B.V.**Notes to the Consolidation Financial Statement – 31 December 2020****1 The Organisation and its Operations (Continued)**

The principal subsidiaries are presented below:

Name	% interest held as at 31 December		Country of incorporation
	2020	2019	
Naftogazvydobuvannya PrJSC	73.00	73.00	Ukraine
DTEK Neftegaz LLC	-	99.98	Ukraine
Winburg Investments Ltd.	100.00	100.00	Cyprus
NGD Holdings B.V.	100.00	100.00	Netherlands
Oil&Gas Overseas Trading B.V. (former NGD B.V.)	100.00	100.00	Netherlands
Investecogaz LLC	-	100.00	Ukraine
Neftegazrazrobka LLC	-	100.00	Ukraine
NGR B.V.	-	100.00	Netherlands
Alfredo Trading Ltd.	100.00	100.00	Cyprus
Power Trade LLC	-	100.00	Ukraine
Oil & Gas Systems LLC	-	100.00	Ukraine
Oil & Gas Exploitation LLC	100.00	100.00	Ukraine
Oil & Gas Energy LLC	-	100.00	Ukraine
Oil & Gas Geoexploring LLC	-	100.00	Ukraine
Oil & Gas Global Development B.V.	-	100.00	Netherlands
Oil & Gas Global Extraction B.V.	-	100.00	Netherlands
Oil & Gas Innovation Stream B.V.	-	100.00	Netherlands
DTEK Odesa Grids JSC (former Odessaoblenergo JSC)	-	70.42	Ukraine
DTEK Kyiv Regional Grids PrJSC (former PJSC Kyivoblenergo)	-	94.00	Ukraine
Wolford Holding LTD	50.00	50.00	Cyprus
NGD Holding LLC	100.00	-	Ukraine
Kosul LLC	100.00	-	Ukraine

The Company is registered at Strawinskyalaan 1531 Tower B, Level, 1077XX Amsterdam, the Netherlands, Dutch Chamber of Commerce registration number is 34284942. The address of Ukrainian's office is 8 Khokhlov Family str (20D), 041119 Kyiv, Ukraine.

The Group employed approximately 253 people during 2020 (2019: 264 people), including one person (2019: one person) employed by non-Ukrainian companies on a full time equivalent. All employees are allocated within the Group's single operating segment - exploration, development and production of gas and gas condensate.

2 Operating Environment of the Group

The Group's operations are primarily located in Ukraine. The Ukrainian economy is showing signs of stabilization after years of political and economic tensions, which has led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and depreciation of the national currency against major foreign currencies. In 2019 Ukraine held presidential elections at the end of March and extraordinary parliamentary elections in July. In 2020 Ukraine was required to make major public debt repayments, which required mobilizing substantial domestic and external financing in an increasingly challenging financing environment for emerging markets and future cooperation with the IMF that depends on many factors, including the desire to comply by the new Ukrainian government with the program conditions.

The inflation rate in Ukraine stood at 5.0% for 2020 (2019: 4.1%) while GDP continued to decline at 4.4% (2019: 3.3%) according to the statistics published by the National Bank of Ukraine.

Throughout 2019-2020 due to favorable economic conditions the NBU gradually lifted effective currency restrictions, which were introduced in 2017, including from 10 July 2019 the limit for dividends' payment to non-residents was fully removed by the NBU, and currency control has been replaced by currency supervision over the compliance with the limits set.

The banking system remains fragile due to its weak level of capital, low asset quality caused by the economic situation, currency depreciation, changing regulations and other factors.

The events which led to annexation of Crimea by the Russian Federation in February 2014 and the conflict in the east of Ukraine which started in spring 2014 have not been resolved to date. The relationships between Ukraine and the Russian Federation have remained strained. There were no direct material consequences from these events for the Group.

2 Operating Environment of the Group (Continued)

Gas market developments

During 2019-2020 there was a substantial decline in gas prices in Ukraine which is consistent with the developments of the European gas market. As such the Group's average selling price in 2020 comparing to 2019 decreased from UAH 6.2 thousand to UAH 3.5 thousand per 1 thousand of m³ of gas, which is a 42% decrease. Taking into account the negative trends in the gas market, in 2020 the Group signed a forward contract to sell produced gas in 2021 at a fixed price (Note 21). The average selling price of the Group for the first quarter of 2021 was UAH 4.8 thousand per 1 thousand of m³ of gas. However, starting from August 2020, gas prices started rising in both domestic and world markets, and in December 2020 Group's average selling price was UAH 4.9 thousand per 1 thousand of m³ of gas. The trends in the gas market add confidence in the implementation of both strategic plans and long-term investment program of the Group. Based on management assessment, the decline of gas prices in the first half of 2020 did not create an impairment trigger with respect to the Group's assets as at 31 December 2020.

COVID-19 impact

The trends in the global markets due to the Coronavirus epidemic (COVID-19) may further affect the Group's operations. Late 2019 news about Coronavirus emerged from China. The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organization. In the first few months of 2020 the virus had spread globally and its negative impact has gained momentum. The spread of the virus had a significant negative impact on the economic activity in the world, including a drop in capital markets and a sharp decrease of commodity prices. In the middle of March 2020, the Government of Ukraine started to take restrictive measures to prevent the spread of the virus in the country including the introduction of quarantine modes during periods of high virus spread. In particular, restrictions were imposed on public transportation, air traffic between the majority of countries, work of public institutions and events. The COVID-19 pandemic did not have a material impact on the operations of the Group.

Until the end of 2020, multiple vaccines have been successfully developed and some countries have started vaccination processes. However, the situation with Coronavirus remains fluid globally and thus further impact is difficult to predict and quantify. Starting from March 18, 2020, the Group introduced a special work schedule during quarantine, which allows employees to work remotely in order to reduce the spread of COVID-19 and to ensure that operating activities for the Group are maintained, including taking management decisions. Management continues to monitor the potential impact of the governmental restrictive measures and takes all steps possible to mitigate any possible negative effects. Production facilities of the Group are currently operating in a normal mode, administrative activities are partially being managed remotely to ensure that activities for the Group are maintained in the normal course of business. Management does not expect a further material impact of the COVID-19 pandemic on the liquidity and continuity of the Group.

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union using the historical cost convention, as modified by the revaluation of property, plant and equipment (revaluation model under IAS 16: *Property, plant and equipment*), and certain financial instruments measured in accordance with the requirements of IFRS 9: *Financial instruments*. 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.

As the financial data of the Company are included in the consolidated financial statements, the income statement in the Company financial statements is presented in its condensed form (in accordance with art. 2:402 DCC).

Going concern assumption: As of 31 December 2020 the Group had net current assets of UAH 8,122 million (31 December 2019: net current assets of UAH 13,054 million) and earned a net profit from continuing operations of UAH 2,410 million for the year ended 31 December 2020 (31 December 2019: net profit of UAH 5,015 million). For the year ended 31 December 2020, the Group received positive cash flows from continuing operations generated from operating activities in the amount of UAH 3,012 million (for the year ended 31 December 2019: UAH 4,435 million).

Management believes that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

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.

3 Summary of Significant Accounting Policies (Continued)

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, which are translated at historic exchange rates. The effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

Translation differences related to changes in amortised cost of financial assets and liabilities are recognised in profit or loss.

Foreign exchange differences classification. Foreign exchange transaction differences on accounts receivable, accounts payable, cash and cash equivalents and deposits placed are classified in consolidated income statement as "Net operating foreign exchange gains and losses". Transaction differences recognised on other monetary assets and liabilities are classified in consolidated income statement as "Foreign exchange losses less gains on financing and investing activities".

As at 31 December 2020, the exchange rates used for translating foreign currency balances were USD 1 = UAH 28.27 (31 December 2019: USD 1 = UAH 23.69); EUR 1 = UAH 34.74 (31 December 2019: EUR 1 = UAH 26.42).

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

If a subsidiary is acquired in stages it is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date of the occurrence of control in the meaning of IFRS 10. Relative gain or loss from valuation of previously held interest is recognised in the income statement.

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 the total of consideration transferred, non-controlling interest recognised and previously held interest measured 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 income statement.

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.

Common control business combinations. Purchases of subsidiaries from parties under common control are recorded using the predecessor values. Under this method the subsidiaries results, assets and liabilities are incorporated prospectively from the date, on which business combination between entities under common control occurred. The corresponding amounts for the previous year are not restated. 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.

Where the Group sells its subsidiaries to the companies under common control and treats such disposal as transaction with owners in their capacity as owners, result from such disposal is recognised directly in equity.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. Segments falling below this threshold can be reported separately at management decision.

Reorganisations. The Group reorganisation whereby the entities or segments of the Group are demerged as separate legal entities with the only aim to meet the internal needs of a wider group of entities under common control, but remain under common control, are accounted for as follows: assets and liabilities are transferred at the carrying amount along with related fair value adjustments which were recognised on acquisition of such assets. Difference between any consideration received in exchange and the net assets transferred, inclusive of any fair value adjustments is recorded directly in equity. If entities transferred meet the criteria of discontinued operations, the results to the date of transfer and respective comparatives are presented accordingly as a single line in the income statement. Reorganisations driven by external factors are accounted under generic accounting model in accordance with IFRS 10 recognising any resulting difference between the fair value of consideration received and the carrying amount of net assets of the subsidiary at the date when control was lost as a gain or loss in income statement.

Property, plant and equipment. The Group uses the revaluation model to measure all classes of property, plant and equipment except for oil and gas assets, which are measured under the cost model. Oil and gas assets were initially measured at fair value as at the date of business combination of Naftogazvydobuvania PrJSC being their deemed cost as at that date with subsequent measurement under the cost model. For those classes of assets, which are measured using the revaluation model, fair value is based on valuations by external independent appraisals.

The frequency of revaluation depend upon the movements in the fair values of the assets being revalued. 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 labor and an appropriate proportion of production overheads.

Any increase in the carrying amounts resulting from revaluation are credited to other reserves in equity through other comprehensive income. Decreases that offset previously recognised increases of the same asset are charged against other reserves in equity through other comprehensive income; 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. When an item of property, plant and equipment is revalued the accumulated depreciation is eliminated against the gross carrying amount of the asset.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from the continuing 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.

Oil and gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense. Capitalisation is made within property, plant and equipment.

Development and production assets are grouped into cash generating units ("CGU") by field for impairment testing. Additionally, when no future economic benefits are expected from the use or disposal of individual items of oil and gas assets (e.g. wells), such items are derecognised and impaired.

3 Summary of Significant Accounting Policies (Continued)

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognised in profit or loss as incurred. Such capitalised costs generally represent costs incurred in developing proved reserves and bringing in or enhancing production from such reserves, and are accumulated on a field basis. The carrying amount of any replaced or sold component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Construction in progress is stated at cost less impairment losses.

Depreciation. Oil and gas properties are depreciated using the units-of-production method based on the estimated quantities of proved developed commercially producible hydrocarbons which the existing geological, geophysical and engineering data show to be recoverable in future years from known reserves. Oil and gas reserves are depreciated over proved, probable and possible reserves adjusted on probability of successful extraction.

Depreciation of assets not directly associated with production of gas and gas condensate is charged on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use.

The estimated useful lives are as follows:

	<u>Useful lives in years</u>
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.

Leases. The Group leases land from local authorities for its oil and gas extraction facilities. Rental contracts are typically made for the period of extraction license is valid but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Lease payments are variable and calculated as a percentage from “normative monetary appraisal of land”. Normative monetary appraisal of land does not constitute fair value of land as at reporting date, as Ukraine imposed land-sales moratorium. Furthermore, changes in normative monetary appraisal of land would not represent a change in a market index or rate. In general, normative monetary appraisal of land is based on specific requirements in the legislation. Therefore management concluded that variable lease payment based on normative monetary appraisal of land shall not be included in the calculation of lease liability under IFRS 16 and respectively no lease asset and liability should be recorded for lease of land contracts.

Other lease contracts refer to lease of the Group’s office premises mainly from a related party and are concluded for 12 months or less. Payments associated with these short-term leases are recognised on a straight-line basis as an expense in profit or loss.

Intangible assets. All of the Group’s intangible assets have definite useful lives and primarily include licenses for operating of the gas fields as well as capitalised computer software and capitalised services for seismic development. Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring them to use. 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. Intangibles assets are amortised on a straight-line basis over estimated useful life of 1 - 20 years.

Exploration and evaluation expenditure. Pre-license costs are recognised in profit or loss as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, initially are capitalised as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. Items used for drilling purposes (e.g. drilling rigs) are capitalised as tangible exploration and evaluation assets. Expenditures providing valuable technical and geological information that can be further used for making a decision on technical feasibility and commercial viability of extracting a resource (e.g. exploratory wells drilling, specific technical and geological assessments) are capitalised as intangible exploration and evaluation assets. Borrowing costs incurred on exploration and evaluation assets are capitalised. Administrative and other overhead costs associated with exploration and evaluation activity are not capitalised. Costs that meet capitalisation criteria are accumulated in cost centers by field (exploration area) pending determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting a resource is considered to be determinable based on several factors including the assignment of proven reserves. Upon determination of technical feasibility and commercial viability, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within property and equipment referred to as oil and gas assets.

3 Summary of Significant Accounting Policies (Continued)

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are grouped by field (exploration area).

Intangible evaluation and exploration assets are not depreciated until determination of technical feasibility and commercial viability and reclassification to an oil and gas assets. Tangible exploration and evaluation assets are depreciated according to the nature of assets acquired.

Impairment of non-financial assets. 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 that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Non-current assets classified as held for sale (or disposal group). Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use and a sale is considered highly probable. Assets are classified as held for sale when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement. An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets and liabilities in the balance sheet.

Discontinued operations. A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations are disclosed separately from continuing operations. The Group eliminates transactions between continuing and discontinued business in discontinued operations.

Classification of financial assets. The Group classifies financial assets in the following measurement categories: fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVOCI) and at amortized cost (AC). The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

3 Summary of Significant Accounting Policies (Continued)

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.

Initial recognition of financial instruments. The Group's principal financial instruments comprise 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.

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Initial measurement for trade receivables is 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. After the initial recognition, an expected credit losses (ECL) allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

Where financial instruments 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.

Reclassification of financial assets. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

Impairment of financial asset (credit loss allowance for ECL). The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis that is, up until contractual maturity but considering expected prepayments ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

Modification of financial assets. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial. If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Measurement categories of financial liabilities. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition.

3 Summary of Significant Accounting Policies (Continued)

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.

Derecognition of financial liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. While assessing if modification is substantial, management considers both quantitative and qualitative factors. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognised in profit or loss. If the exchange or modification of financial liability is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Gains and losses on loans provided and received. Gains and losses on initial recognition and early repayment as well as unwinding of discount and foreign exchange differences on loans provided and received are recognised in consolidated income statements in the period when incurred.

Income taxes. Income taxes have been provided for in the financial statements in accordance with Ukrainian and Dutch 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 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 gas and gas condensate, raw materials and spare parts. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

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.

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.

3 Summary of Significant Accounting Policies (Continued)

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.

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 amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

Prepayments received. Prepayments received are carried at amounts originally received. Amounts of prepayments received are expected to be realised through the revenue received from usual activity of the Group.

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.

Decommissioning provision. The Company’s assessment of the decommissioning provision is based on the estimated future costs expected to be incurred in respect of the decommissioning and site restoration, adjusted for the effect of the projected inflation for the upcoming periods and discounted using interest rates applicable to the provision. Interest expense related to the provision is included in finance costs in profit or loss.

Changes in the decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, are added to, or deducted from, the cost of the related oil and gas asset in the current period. The amount deducted from the cost of the asset is limited to the carrying amount of the asset. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss.

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. Revenue from the sale of gas and gas condensate is recognised at the date of transfer of control over goods at the virtual entry point of the gas transmission system. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over gas and gas condensate to a customer.

The gas selling price is determined based on the application of prices for gas sales as approved (capped) by the Ukrainian National Commission on Energy Regulation. Prices for gas condensate are established at the market based on actual correspondence of supply and demand at a particular period of time. Revenues are measured at the fair value of consideration received or receivable, and are shown net of value added tax and discounts.

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 decommissioning 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.

3 Summary of Significant Accounting Policies (Continued)

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

Employee benefits: Defined Contributions Plan. The Group makes statutory unified social contributions to the Pension 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 labor costs in the consolidated income statement.

4 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:

Revaluation of property, plant and equipment.

On an annual basis management of the Group carries out an analysis to assess whether carrying amounts of items of property, plant and equipment differ materially from that which would be determined using fair value at the end of the reporting period. The analysis is based on price indices, developments in technology, movements in exchange rates since the date of latest revaluation, profitability of underlying businesses and other relevant factors. Where the analysis indicates that the fair values of items of property plant and equipment differ materially from the carrying amounts, further revaluation is performed involving independent appraisers.

As most of the Group's property, plant and equipment is of a specialised nature, its fair value is determined using depreciated replacement cost (Level 3). For assets which were fair valued as of previous balance sheet date, the fair values as of reporting date were obtained using indexation of their carrying amounts for relevant cumulative price indices or changes in foreign exchange rates (Level 3). As at 31 December 2017, the Group's management decided to carry out a revaluation of property, plant and equipment based on changes in economic conditions of the business environment and the cumulative impact of inflation. Fair values of property, plant and equipment and remaining useful lives were determined by an independent appraiser.

The carrying value and depreciation of property, plant and equipment are affected by the estimates of 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.

When performing valuation using these methods, the key estimates and judgments applied by the independent valuers, in discussion with the Group's internal valuation team and technicians, are as follows:

- choice of information sources for construction costs analysis (actual costs recently incurred by the Group, specialised reference materials and handbooks, estimates for cost of construction of various equipment etc.);
- determination of comparatives for replacement cost of certain fixed assets, as well as corresponding adjustments required to take into account differences in technical characteristics and condition of new and existing equipment;
- selection of market data when determining market value where it is available; and
- determination of applicable cumulative price indices or changes in foreign exchange rates which would most reliably reflect the change in fair value of assets revalued using indexation of carrying amounts.

The fair values obtained using depreciated replacement cost and indexation of carrying amounts are validated using discounted cash flow models (income approach, Level 3), and are adjusted if the values obtained using income approach are lower than those obtained using depreciated replacement cost or indexation of carrying amounts (i.e. there is economic obsolescence).

As at 31 December 2020 carrying value of property, plant and equipment is not materially different from its fair value.

Changes in the above estimates and judgments could have a material effect on the fair value of property, plant and equipment, which, however, is impracticable to quantify due to wide variety of assumptions and assets being valued.

Interest rates applied to other financial liabilities and investments. Judgement has been used to estimate the fair value of long-term liabilities and financial assets 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.

4 Critical Accounting Estimates and Judgements (Continued)

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.

Gas forward contracts accounting. The Group has signed a contract to sell produced gas to a related party in 2021 in a form of forward contract (Note 21). This contract is entered into and continues to be held for the purpose of the delivery of the commodity in accordance with the contractual arrangements. As this contract satisfy "own use" exemption under IFRS 9, the Group does not recognize such forward contract as derivatives and account it for as an executory contract.

Estimation of gas reserves. Engineering estimates of oil and gas reserves are inherently uncertain, require professional judgment and are subject to future revisions. Accounting measures such as depreciation, depletion and amortization expenses, impairment assessments and asset retirement obligations that are based on the estimates of proved developed producing reserves are subject to change based on future changes to estimates of gas reserves. Proved developed producing reserves are estimated by reference to available well information, including production and pressure trends for producing wells. Furthermore, estimates of proved developed producing reserves only include volumes for which access to market is assured with reasonable certainty.

All proved developed producing reserves estimates are subject to revision, either downward or upward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. Proved developed producing reserves are defined as the estimated quantities of gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic conditions. In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As those fields are further developed, new information may lead to further revisions in reserve estimates. Gas reserves have a direct impact on certain amounts reported in the consolidated financial statements, most notably depreciation, depletion and amortization. Depreciation rates on oil and gas assets using the units-of-production method for each field are based on proved developed producing reserves and development costs.

Assuming all variables are held constant, an increase in proved developed producing reserves for each field decreases depreciation, depletion and amortization expenses. Conversely, a decrease in the estimated proved developed producing reserves increases depreciation, depletion and amortization expenses. Moreover, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is present.

Gas reserves were assessed last time as at 31 December 2019 by an independent oil and gas appraiser. Management believes that as at 31 December 2020 there were no significant changes in the available geological information, which could materially change level of gas reserves. Management also believes that as there was no significant drilling during 2020, there was no significant changes in reserves categories, which might have materially impact depletion calculation. Should proved developed producing reserves be 20% lower, the depletion charge for the year ended 31 December 2020 would be UAH 325 million higher (2019: UAH 174 million higher).

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.

ECL measurement. Management estimates ECL 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.

ECL measurement of trade accounts receivable from sale of gas to a related party. Upon sale of DTEK Oil&Gas LLC to DTEK Oil & Gas Development B.V. as a part of the Group reorganisation, the Group recognised UAH 19,258 million of trade accounts receivable from DTEK Oil&Gas LLC for sale of gas and gas condensate, which were previously eliminated in the consolidated accounts. As at recognition date the receivables were contractually overdue and the balance of receivables was recognised as an originated credit-impaired asset (POCI).

Revenue from further sales of gas to DTEK Oil&Gas Development B.V. and respective accounts receivable are recognised at nominal amount based on a written contract with immediate impairment recognised in the Net impairment losses on financial assets line in the consolidated income statement. Impairment valuation of this balance requires significant management judgements and estimates, including with respect to the period of settlement and expected credit loss ratios used (refer for those disclosed in Note 13). Would the period of settlement of such receivables be 1 year longer than currently expected, the impairment provision as of 31 December 2020 would be UAH 488 million higher and respectively consolidated profit before tax for 2020 would be UAH 488 million lower.

ECL measurement of consideration receivable from the sale of subsidiaries. Upon sale of shares of subsidiaries to DTEK Oil & Gas Development B.V., the Group recognised UAH 907 million of consideration receivable, which is outstanding as at 31 December 2020. The balance of consideration receivable has contractual maturity on 31 December 2020, while management expects that the balance will not be settled before 31 December 2027. The asset was recognised as an originated credit-impaired asset (POCI) as at origination date and classified as non-current financial investments as at 31 December 2020 (Note 11). Would the period of settlement of such receivables be 1 year longer than currently expected, the carrying amount of the receivables as of 31 December 2020 would be UAH 101 million lower and respectively consolidated profit before tax for 2020 would be UAH 101 million lower.

4 Critical Accounting Estimates and Judgements (Continued)

Transactions with owners in their capacity as owners. In 2020 the Group disposed a number of subsidiaries and performed the Group reorganisation. These transactions were done with the entities under common control of DTEK B.V. (refer to Note 1 and Note 28 for the details). The Group considered the nature and conditions of these transactions and concluded these to be transactions with owners in their capacity as owners and therefore recognised the result from them directly in equity. If another treatment was applied, the results of these transactions would be accounted for in profit and loss for the period.

5 Adoption of New or Revised Standards and Interpretations

New and amended standards adopted by the group. The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- **Amendments to the Conceptual Framework for Financial Reporting** (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- **Definition of a business – Amendments to IFRS 3** (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- **Definition of materiality – Amendments to IAS 1 and IAS 8** (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- **Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7** (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).
- **COVID-19-Related Rent Concessions - Amendment to IFRS 16** (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

These amendments did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

The following new standards, which are relevant to the Group's financial statements, have been issued, but have not been endorsed by the European Union:

- **Classification of liabilities as current or non-current – Amendments to IAS 1** (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- **Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1** (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- **Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41** (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

These amendments to standards will likely have no material impact on the Group.

6 Segment Information

The Management Board is the Group's chief operating decision-maker. The management has determined that the Group operates within one business segment based on reports reviewed by the Management Board for the purposes of assessing performance. The Management Board considers the business as a single operating segment.

The Management Board assesses the performance based on adjusted EBITDA. This measurement basis represents profit for the year after excluding the following income statement items: foreign exchange losses less gains; depreciation and amortisation; income tax expense; impairment of property, plant and equipment, intangible assets and inventory; certain maintenance of social infrastructure costs; finance income and expenses except for gains/losses on initial recognition and early repayment of financial instruments, interest on bank deposits; and impairment of certain financial investments.

All revenues are recorded from customers in Ukraine.

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Notes to the Consolidation Financial Statement – 31 December 2020

6 Segment Information (Continued)

Customers concentration by revenue is presented below:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
<i>Continuing operations:</i>		
DTEK Oil&Gas Development B.V. Group subsidiaries	7,203	8,568
<i>Discontinued operations:</i>		
DTEK Oil&Gas Development B.V. Group subsidiaries	82	1,629
Total	7,285	10,197

Reconciliation of the reportable benchmark to the consolidated profit before income tax is as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Sales from continuing operations	7,210	8,597
Sales from discontinued operations	82	1,629
Adjusted EBITDA	8,119	7,711
Adjusted EBITDA from discontinued operations	(199)	1,375
Adjusted EBITDA from continuing operations	8,318	6,336
Depreciation and amortisation	(1,949)	(1,308)
Net impairment gains not included in EBITDA	388	268
Net foreign exchange (losses) / gains	(2,051)	1,376
Finance costs and income not included in EBITDA	(1,058)	130
Impairment of property, plant and equipment and inventory	(58)	(206)
Other	(5)	-
Profit before income tax from continuing operations	3,585	6,596
Material non-cash items included in EBITDA:		
<i>Continuing operations:</i>		
Net impairment gains included in EBITDA	3,126	156
Finance costs and income included in EBITDA	152	(135)
<i>Discontinued operations:</i>		
Net impairment (losses) / gains included in EBITDA	(217)	143
Finance costs and income included in EBITDA	20	(160)
Capital expenditure	2,494	2,419

7 Subsidiaries with Material Non-controlling Interest

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

<i>In millions of Ukrainian Hryvnia</i>	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary
Year ended 31 December 2020					
Naftogazvydobuvannya PrJSC	Ukraine	27.00%	27.00%	1,609	9,009
Year ended 31 December 2019					
Naftogazvydobuvannya PrJSC	Ukraine	27.00%	27.00%	583	7,876
DTEK Odesa Grids JSC	Ukraine	29.58%	29.58%	140	1,069
DTEK Kyiv Regional Grids PrJSC	Ukraine	6%	6%	42	242

DTEK Oil&Gas B.V.

Notes to the Consolidation Financial Statement – 31 December 2020

7 Subsidiaries with Material Non-controlling Interest (Continued)

The summarised financial information of these subsidiaries was as follows at 31 December 2020 and 2019:

<i>In millions of Ukrainian Hryvnia</i>	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/Loss	Total comprehensive income	Cash flows
Year ended 31 December 2020								
Naftogazvydobuvannya PrJSC	17,269	18,471	2,352	21	7,210	5,959	5,925	11
Year ended 31 December 2019								
Naftogazvydobuvannya PrJSC	7,367	23,579	883	893	8,596	2,162	2,162	65
DTEK Odesa Grids JSC	1,032	4,014	1,257	174	2,042	472	472	103
DTEK Kyiv Regional Grids PrJSC	1,148	4,441	1,322	239	2,077	704	704	478

8 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 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 2020 and 2019 are detailed below.

<i>In millions of Ukrainian Hryvnia</i>	Parent*	DTEK BV Group subsidiaries	2020
			Entities under common control and joint ventures of SCM
Loans receivable from related parties (Note 11)	-	194	-
Consideration receivable for sale of shares of subsidiaries (Note 11)	-	1,070	-
Trade and other receivables	-	9,754	4
Cash and cash equivalents	-	-	41
Other financial liabilities (Note 18)	-	(14,552)	-
Payables to related parties (Note 19)	-	(359)	-

* Balances as at 31 December 2020 include transactions with immediate parent company (DTEK Holdings B.V.) and ultimate parent company (DTEK B.V.).

<i>In millions of Ukrainian Hryvnia</i>	Parent - DTEK BV	DTEK BV Group subsidiaries	2019
			Entities under common control and joint ventures of SCM
Loans receivable from related parties (Note 11)	4,625	8	4,231
Financial aid receivable from related parties (Note 11)	-	4,041	5,529
Other financial investments from related parties (Note 11)	-	-	17
Equity securities (Note 11)	-	168	-
Receivables for bonds and shares sold to related parties (Note 11)	4,848	-	-
Receivable on assignment agreement from related parties (Note 11)	3,291	-	-
Trade and other receivables	-	131	-
Cash and cash equivalents	-	-	78
Other financial liabilities (Note 18)	-	(16,526)	(2,327)
Prepayments received	-	(1)	(1,239)
Payables to related parties (Note 19)	-	(1,037)	(284)

8 Balances and Transactions with Related Parties (Continued)

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

<i>In millions of Ukrainian Hryvnia</i>	2020				2019	
	Parent*	DTEK BV Group subsidiaries	Entities under common control and joint ventures of SCM	Parent - DTEK BV	DTEK BV Group subsidiaries	Entities under common control and joint ventures of SCM
Continuing operations:						
Sales of gas	-	6,504	-	-	7,763	-
Sales of gas condensate	-	699	-	-	805	-
Purchase of goods and services	(4)	(69)	-	-	(54)	(6)
Interest income on bank deposits	-	-	2	-	-	1
Interest income on loans provided (Note 25)	104	56	109	110	79	204
Interest expense on loans received (Note 25)	-	(978)	-	-	(820)	-
Discontinued operations:						
Sales of gas	-	82	-	-	1,629	-
Purchase of goods and services	-	(13)	(1)	-	(22)	-
Interest income on bank deposits	-	-	2	-	-	7
Interest expense on loans received	-	(34)	(13)	-	(3)	(99)

* Income and expense items for the year ended 31 December 2020 include transactions with immediate parent company (DTEK Holdings B.V.) and ultimate parent company (DTEK B.V.).

In June 2020 as the part of a Group reorganisation, the Group sold its subsidiaries, which are involved in trading activities and which hold licenses for exploration and development of the gas fields to DTEK Oil & Gas Development B.V. (Note 28). In April 2020 the Group sold 100% of the share capital of Power Trade LLC to an entity under common control of DTEK B.V. for a consideration close to nil (Note 1). In March 2020 the Group sold shares of DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC to DTEK Grids B.V. Group (Note 28). The Group treated these transactions as transactions with owners in their capacity as owners and recognised result from the disposal directly in equity (Note 4).

Key management personnel compensation

Key management personnel consist of five top executives (2019: five top executives). In 2020 total compensation to key management personnel amounted to UAH 13 million (2019: UAH 15 million). Compensation to the key management personnel consists of salary and bonus payments.

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9 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

<i>In millions of Ukrainian Hryvnia</i>	Oil and gas assets	Oil and gas properties	Plant and machinery	Furniture, fittings and equipment	Construction in progress	Total
At 1 January 2019						
Cost or valuation	6,856	3,166	2,776	116	1,210	14,124
Accumulated depreciation and impairment	(2,297)	(797)	(211)	(13)	-	(3,318)
NBV at 1 January 2019	4,559	2,369	2,565	103	1,210	10,806
Additions	-	-	-	-	2,565	2,565
Disposals	-	(33)	(17)	-	-	(50)
Depreciation charge	(246)	(777)	(223)	(16)	-	(1,262)
Impairment of property, plant and equipment	-	(168)	-	(2)	-	(170)
Transfer	-	1,955	238	8	(2,201)	-
NBV at 31 December 2019	4,313	3,346	2,563	93	1,574	11,889
At 31 December 2019						
Cost or valuation	6,856	5,088	2,997	124	1,574	16,639
Accumulated depreciation and impairment	(2,543)	(1,742)	(434)	(31)	-	(4,750)
NBV at 31 December 2019	4,313	3,346	2,563	93	1,574	11,889
Additions	-	-	-	-	2,510	2,510
Disposals	-	-	(29)	-	(9)	(38)
Disposal of subsidiaries	-	2	(10)	2	(19)	(25)
Depreciation charge	(230)	(1,376)	(280)	(14)	-	(1,900)
Impairment of property, plant and equipment	-	(68)	-	-	-	(68)
Transfer	-	1,156	1,650	4	(2,810)	-
NBV at 31 December 2020	4,083	3,060	3,894	85	1,246	12,368
At 31 December 2020						
Cost or valuation	6,856	6,241	4,606	130	1,246	19,079
Accumulated depreciation and impairment	(2,773)	(3,181)	(712)	(45)	-	(6,711)
NBV at 31 December 2020	4,083	3,060	3,894	85	1,246	12,368

In 2019 the Group engaged independent appraisers to assess its gas reserves as at 31 December 2019. Change in the estimated amount of proved developed producing reserves being basis for calculation of carrying value of Oil and gas properties due to geophysical factors resulted in decrease of its depreciation charge to UAH 777 million in 2019. Management considers that as at 31 December 2020 there were no significant changes in the available geological information, which could materially change level of gas reserves.

In 2020, the depreciation expense of UAH 1,891 million (2019: UAH 1,249 million) was included in cost of sales, UAH 7 million (2019: UAH 7 million) in general and administrative expenses and UAH 2 million (2019: UAH 6 million) in other operating expenses.

10 Intangible Assets

The movements of intangible assets were as follows:

<i>In millions of Ukrainian Hryvnia</i>	Cost	Accumulated amortisation and impairment	Net book value
As at 1 January 2019	528	(135)	393
Additions / (Charge) for the year	104	(46)	58
As at 31 December 2019	632	(181)	451
Additions / (Charge) for the year	28	(49)	(21)
Changes as a result of disposal of subsidiaries	(125)	15	(110)
As at 31 December 2020	535	(215)	320

DTEK Oil&Gas B.V.**Notes to the Consolidation Financial Statement – 31 December 2020****10 Intangible Assets (Continued)**

In March 2019 the Group acquired a new license for gas extraction in the Kharkiv region for a 20 years term for a cash consideration of UAH 85 million. This acquisition related to discontinued operations, attributable to the Group reorganisation.

In July 2020, the Group obtained a license for gas extraction in the Poltava region for a 13 years term for total consideration of UAH 21 million.

In 2020, the amortisation expense of UAH 43 million (2019: UAH 41 million) was included into cost of sales and UAH 6 million (2019: UAH 5 million) into general and administrative expenses. Out of the total amount of the amortisation expenses in 2020 UAH 3 million related to discontinued operations (2019: UAH 4 million).

11 Financial Investments

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Consideration receivable for sale of shares of subsidiaries (Note 8)	1,070	-
Financial aid receivable from related party (Note 8)	-	227
Equity securities (Note 8)	-	168
Loans receivable from related parties (Note 8)	-	8
Other	1	19
Total	1,071	422

Upon the sale of shares of DTEK Oil&Gas LLC to DTEK Oil & Gas Development B.V. as a part of the Group reorganisation, the Group recognised UAH 907 million of consideration receivable, which is outstanding as at 31 December 2020. The balance of the consideration receivable has a contractual maturity on 31 December 2020, while management expects that the balance will not be settled before 31 December 2027. The asset was recognised as an originated credit-impaired asset (POCI) as at origination date and classified as non-current financial investments as at 31 December 2020. At initial recognition, the nominal balance in the amount of UAH 2,057 million was discounted at 11.53% annual rate, which includes time value of money and a lifetime credit risk of the debtor calculated based on the expected cash flows. After the initial recognition, the Group recognised UAH 131 million of net impairment gain for 2020, which represent cumulative changes in ECL during the period and increased the gross carrying amount of the financial instrument. The balance is denominated in US dollars. According to the orders of High Court of Justice of England and Wales of 14 May 2021 the Group shall pledge all rights in relation to this asset under the Notes issued with restriction to amend the terms of these receivables without the consent of the noteholders (Note 34).

Non-current interest free financial aid receivable from related party as at 31 December 2019 was recognised at fair value and was accounted for under amortised cost at an effective interest rate of 14.64% at origination date and was due in September 2021. The balance was attributable to the disposal group and was disposed as a part of the Group reorganisation in June 2020 (Note 28).

Equity securities were carried at fair value as at 31 December 2019. The balance included non-controlling interest of 1.46% in the share capital of DTEK Dniproenergo JSC, 2.76% in the share capital of DTEK Westenergy JSC, and 5.48% in the share capital of Kharkivskiyi Machine-Building Plant Svitlo Shakhtarya PJSC and was disposed in April 2020 upon sale of shares of Power Trade LLC to an entity under common control of DTEK B.V. (Note 1).

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Loans receivable from related parties (Note 8)	194	8,856
Receivables for shares sold to related parties (Note 8)	14	2,395
Receivable on assignment agreements from related parties (Note 8)	1	3,291
Financial aid receivable from related parties (Note 8)	-	9,343
Receivables for bonds sold to related parties (Note 8)	-	2,453
Financial aid receivable	-	146
Other financial investments from related parties (Note 8)	-	17
Total	209	26,501

11 Financial investments (Continued)

Financial assets receivable from DTEK B.V.

As at 31 December 2019 current financial investments included UAH 12,764 million of financial assets denominated in UAH receivable from the direct parent – DTEK B.V. Out of this total balance, UAH 2,345 million was included into loans receivable from related parties, UAH 2,453 million into receivables for bonds sold to related parties, UAH 2,395 million into receivables for shares sold to related parties and UAH 3,291 million into receivables on assignment agreements from related parties. Also as at 31 December 2019 loans receivable from related parties include UAH 2,269 million of interest bearing financial assets receivable from DTEK B.V. The abovementioned financial assets had a contractual maturity on or before 31 December 2019 and were expected to be settled via means of set-off during future distributions of dividends by the Group to DTEK B.V. As at 31 December 2019 the Group had sufficient net assets and ability for the dividends distribution and therefore, DTEK B.V. could settle the balances once dividends were declared by their decision. Consequently, balances were classified as current and no material credit loss allowance was charged as at 31 December 2019.

As at 31 December 2020 the Group settled all balances due from DTEK B.V. The settlement was performed via a non-cash set-off, where:

- UAH 6,891 million of receivables (equivalent of USD 245 million) was set-off with payables of the Group to subsidiaries of DTEK Oil&Gas Development B.V., which were recognised upon Group reorganisation and further novated by DTEK Oil&Gas Development B.V. to DTEK B.V.;
- UAH 2,290 million was set-off with the loan payable by the Group to DTEK Renewables B.V. Group as at 31 December 2019, which was further novated by the latter to DTEK B.V. in 2020 (Note 18);
- UAH 1,360 million of receivables was reassigned to DTEK Oil&Gas Holdings B.V. (the latter was further offset with dividends payable to DTEK Oil&Gas Holdings B.V.), (Note 15);
- UAH 3,936 million of receivables was transferred to DTEK Oil&Gas Development B.V. as a part of the Group reorganisation.

Prior to settlement, the Group recognised on the aforementioned balances UAH 103 million of interest income and UAH 136 million of unwinding of discount. Other changes are due to the foreign exchange gains.

Loans receivable from related parties.

As of 31 December 2020 current loans receivable from related parties include interest bearing receivable for the total amount of UAH 189 million (including UAH 15 million of ECL) of loan and UAH 5 million of the interest bearing loan.

As of 31 December 2019 current loans receivable from related parties were recognised at fair value, bore nominal interest rate of 5%, accounted for under amortised cost at an effective interest of 10.38% with corresponding loss on origination recognised within finance costs (Note 25) and were due in 2020.

In March 2020 the Group acquired 25% of Donetsk Grids LLC, 20.99% of Kyiv Grids LLC and 25% of Dnipro Grids LLC for a total consideration of UAH 891 million from a related party. The consideration payable was settled via set-off with corresponding balance of loans issued to related parties. The acquired shares were further sold to Grids B.V. Group for a consideration of UAH 891 million. From total balance of consideration receivable, UAH 267 million were settled in cash (presented in investing activities in the consolidated statement of cash flows) and UAH 624 million of receivables were offset with payable to DTEK Oil&Gas Development B.V. subsidiaries which was recognised upon the Group reorganisation.

In 2020 the Group further set-off UAH 2,674 million of loans receivable with loan payable to a related party and UAH 183 million with other accounts payable to a related party, which were outstanding as at 31 December 2019.

From the remaining balance UAH 1,632 million of loans receivable were settled in cash. Prior to settlement, the Group recognised on the aforementioned balances UAH 120 million of interest income, UAH 100 million of unwinding of discount and UAH 166 million of gain on early repayment. Other changes are due to the change in the amount of expected credit losses and due to foreign exchange gain.

Further upon the Group reorganisation, the Group recognised additional UAH 2,584 million of financial assets receivable from DTEK Oil&Gas Development B.V. subsidiaries (previously eliminated as intragroup), where UAH 2,517 million were set-off with corresponding financial liabilities, which was also recognised by the Group upon reorganisation (previously eliminated as intragroup). Remaining changes during the period for these balances are due to recognised expected credit losses and foreign exchange gains.

Financial aid receivable from related parties.

Out of total balance of the financial aid receivable from related parties as at 31 December 2019, in 2020 UAH 362 million was settled in cash and UAH 9,354 million was transferred to DTEK Oil&Gas Development B.V. in the course of the Group reorganisation.

11 Financial investments (Continued)

Financial aid receivable.

In 2019 management revised its estimate and recognised 100% ECL charge for UAH 715 million of financial aid previously issued to third parties due to continued non-payment. Management is, however, taking necessary legal steps to recover this financial aid. Also in 2019 the Group issued additional UAH 146 million of interest free financial aid to third parties. As at 31 December 2019 balances were recognised at fair value approximating their carrying value, bore no interest and were due on demand.

Upon Group reorganisation in June 2020 the Group transferred the financial aid receivable to DTEK Oil&Gas Development B.V.

As at 31 December 2020 UAH 1,085 million of the financial investments were denominated in US dollars (31 December 2019: UAH 8,330 million) and UAH 195 million in Euro (31 December 2019: UAH 2,277 million). The remaining balance of the financial investments was denominated in Ukrainian hryvnia.

Cash and non-cash movements in the current financial investments during the period are as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020
Opening balance as at 1 January	26,923
Cash movements	
<i>Continuing operations:</i>	
Loans and financial aid provided	168
Proceeds from loans and financial aid provided	(1,219)
Proceeds from sale of shares of electricity distribution entities to a related party	(267)
Interest received	(417)
Consideration received for reassigned loan (Note 19)	(276)
<i>Discontinued operations:</i>	
Loans and financial aid provided	386
Proceeds from loans and financial aid provided	(362)
Sale of shares to a related party	(26)
Interest received	(12)
Proceeds from sale of subsidiaries that were acquired with a view for resale (Note 28)	(1,043)
Non-cash movements	
<i>Continuing operations:</i>	
Net reversal in provision for financial instruments	399
Net impairment gain of credit-impaired financial investments	131
Net foreign exchange gain	2,078
Finance income	659
Recognition of financial investments upon Group reorganisation	2,584
Recognition of receivable from sale of subsidiaries upon Group reorganisation (Note 28)	907
Disposal of subsidiary	(108)
Recognition of receivable from selling of shares of electricity distribution entities to a related party	891
Set-off with payable for dividends declared (Note 15)	(1,360)
Set-off with other financial liabilities and payables	(16,063)
<i>Discontinued operations:</i>	
Net increase in provision for financial instruments	(53)
Net foreign exchange loss	(4)
Finance costs / (income), net	(23)
Recognition of receivable from sale of subsidiaries that were acquired with a view for resale (Note 28)	5,142
Changes as a result of Group reorganisation	(17,747)
Other	(8)
Closing balance as at 31 December	1,280

*There were no significant movements in financial investments for the year ended 31 December 2019 to be shown as a separate table

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11 Financial investments (Continued)

Movement in the impairment provision for financial investments were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Provision for impairment at 1 January	1,593	1,587
<i>Continuing operations:</i>		
Provision for impairment during the year	2	58
Reversal of provision	(401)	(497)
Exchange rate difference	116	(95)
Changes in estimates and assumptions	-	22
Changes as a result of disposal of subsidiaries*	(396)	
<i>Discontinued operations:</i>		
Provision for impairment during the year	61	747
Reversal of provision	(8)	(230)
Exchange rate difference	0	(7)
Changes in estimates and assumptions	-	8
Changes as a result of Group reorganisation	(931)	-
Provision for impairment at 31 December	36	1,593

*Includes 100% ECL charge in relation to financial aid issued to third parties, which was recognised in previous periods

As of 31 December 2020 and 31 December 2019 movement in a provision for expected credit losses refers to financial investments that are at Stage 1 according to IFRS 9.

The following table provides information about the exposure to credit risk and ECLs for financial investments (other than those discussed separately above) as at 31 December 2020:

<i>In millions of Ukrainian Hryvnia</i>	Expected annual loss rate	Gross carrying amount	Lifetime ECL	Basis
Financial investments issued to related parties	4.5-7.46%	1,294	16	Adjusted yield to maturity on corporate bonds
Financial investments issued to other counterparties	10%	2	0	Adjusted yield to maturity on corporate bonds

The following table provides information about the exposure to credit risk and ECLs for financial investments (other than those discussed separately above) as at 31 December 2019:

<i>In millions of Ukrainian Hryvnia</i>	Expected annual loss rate	Gross carrying amount	Lifetime ECL	Basis
Financial investments issued to related parties	2.86-4.09%	14,215	280	Adjusted yield to maturity on corporate bonds
Financial investments issued to other counterparties	10%	181	16	Adjusted yield to maturity on corporate bonds

As at 31 December 2020, the Group increased ECL as compared to 31 December 2019 due to an increase in credit spread on corporate and government bonds used as a basis for IFRS 9 expected credit losses measurement.

As at 31 December 2020 for financial investments with overdue period for more than 1 year with gross carrying amount of UAH 20 million allowance was measured based on ECL rate 100% (31 December 2019: UAH 1,297 million).

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12 Inventories

As at 31 December, inventories were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Raw materials	96	144
Spare parts	50	29
Other inventory	33	11
Total inventories	179	184

13 Trade and Other Receivables

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Trade receivables (less provision of UAH 64 million)	286	-
Total trade and other non-current receivables	286	-

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Trade receivables (less provision of UAH 769 million) (2019: provision of UAH 6 million)	9,186	131
Other receivables (less provision of UAH 22 million) (2019: provision of UAH 4 million)	361	19
Total financial assets	9,547	150
Prepayments to suppliers (less provision of UAH nil) (2019: UAH nil)	152	101
Total non-financial assets	152	101
Total trade and other current receivables	9,699	251

Upon sale of DTEK Oil&Gas LLC to DTEK Oil & Gas Development B.V. as a part of the Group reorganisation, the Group recognised UAH 19,258 million of trade accounts receivable from DTEK Oil&Gas LLC and Investecogaz LLC for sale of gas and gas condensate, which were previously eliminated. The balance is denominated in UAH. As at recognition date the receivables were contractually overdue and the balance of receivables was recognised as an originated credit-impaired asset (POCI). At initial recognition, the nominal balance in amount UAH 23,451 million was discounted at 18.03% annual rate, which includes the time value of money and a lifetime credit risk of the debtor calculated based on the expected cash flows. After the initial recognition, the Group recognised UAH 275 million of net reversal of the impairment loss on this balance for 2020, which represent cumulative changes in ECL during the period and increased a gross carrying amount of the financial instrument.

Further in December 2020 the Group set-off part of this receivable balance with UAH 14,160 million of dividends payable to Oil&Gas Holdings B.V. (Note 15). Following this offset, the Group increased gross carrying amount of the balance of trade receivable by UAH 3,542 million with corresponding credit to reversal of the impairment loss on financial assets in consolidated income statement.

After the reorganisation date, the Group continued selling gas to subsidiaries of DTEK Oil&Gas Development B.V. Revenue from such sales and respective accounts receivable are recognised at nominal amount based on a written contract with immediate impairment loss in the amount of UAH 833 million recognised in the net impairment losses on financial assets line in the consolidated income statement. The balance is also denominated in UAH.

As at 31 December 2020 other receivables include dividends receivable from DTEK Oil&Gas LLC, which was transferred to DTEK Oil&Gas Development B.V. Group as a part of a group reorganisation.

As at 31 December 2020 UAH 92 million of trade and other receivables were denominated in US dollars (31 December 2019: UAH 2 million) and UAH 9,740 million in UAH (31 December 2019: UAH 249 million).

13 Trade and Other Receivables (Continued)

Movement in the impairment provision for financial receivables was as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020		2019	
	Stage 1 (12 months ECL)	Stage 3 (Lifetime ECL)	Stage 1 (12 months ECL)	Stage 3 (Lifetime ECL)
Provision for impairment at 1 January	10	-	40	-
<i>Continuing operations:</i>				
Provision for impairment during the year	360	478	11	-
Reversal of provision	(3)	-	(11)	-
Transfer of certain financial assets to credit impaired	(283)	283	-	-
<i>Discontinued operations:</i>				
Provision for impairment during the year	7	-	-	-
Reversal of provision	(5)	-	(30)	-
Changes as a result of the Group reorganisation	12	-	-	-
Provision for impairment at 31 December	98	761	10	-

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2020:

<i>In millions of Ukrainian Hryvnia</i>	Expected loss rate	Gross carrying amount	Lifetime ECL	Basis
Trade receivables from related parties	7.46-13.86%	10,303	833	Adjusted yield to maturity on corporate bonds
Other receivables from related parties	7.46%	289	22	Adjusted yield to maturity on corporate bonds
Other receivables from other counterparties	0%-10%	96	0	Adjusted yield to maturity on corporate bonds

The following table provides information about the exposure to credit risk and ECLs for financial receivables as at 31 December 2019:

<i>In millions of Ukrainian Hryvnia</i>	Expected loss rate	Gross carrying amount	Lifetime ECL	Basis
Trade receivables from related parties	4.09%	137	6	Adjusted yield to maturity on corporate bonds

As at 31 December 2020 for trade receivables with overdue period for more than 1 year with gross carrying amount of UAH 4 million allowance was measured based on ECL rate 100% (31 December 2019: UAH 4 million).

14 Cash and Cash Equivalents

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Restricted cash	-	70
Bank balances receivable on demand	96	50
Term deposits with original maturity of less than three months	-	6
Total cash and cash equivalents	96	126

As at 31 December 2020 cash and cash equivalents of UAH 52 million were denominated in US dollars (31 December 2019: UAH 83 million), UAH 32 million were denominated in EUR (31 December 2019: UAH 3 million) and UAH 12 million were denominated in UAH (31 December 2019: UAH 40 million).

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Notes to the Consolidation Financial Statement – 31 December 2020

14 Cash and Cash Equivalents (Continued)

The restricted cash balances were excluded from cash and cash equivalents for the statement of consolidated cash flows purposes.

Analysis by credit quality of bank balances and term deposits is as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020			2019		
	Bank balances payable on demand	Term deposits	Restricted cash	Bank balances payable on demand	Term deposits	Restricted cash
<i>Rating by Moody's Investors Service</i>						
- A1 rated	8	-	-	15	-	-
- Caa1 rated	-	-	-	1	-	-
<i>Non-rated</i>	88	-	-	34	6	70
Total	96	-	-	50	6	70

15 Share Capital

The authorised share capital of DTEK Oil&Gas B.V. equals to fully paid share capital and comprises 18,000 ordinary shares with a par value of Euro 1 per share in total amount of Euro 18,000. All shares carry one vote.

In 2020 main operating entity Naftogazvydobuvannya PrJSC partially distributed dividends for 2014 (2019: for 2013) in the amount of UAH 1,728 million (2019: UAH 748 million), UAH 1,261 million (2019: UAH 546 million) of which is attributable to the Company and UAH 467 million (2019: UAH 202 million) to non-controlling interest.

In 2020 DTEK Oil&Gas B.V. distributed dividends in the amount of UAH 15,520 million to its direct parent, which is UAH 0.9 million per share.

Payable for dividends was settled by means of set-off with trade accounts receivable (Note 13) and financial investments (Note 11) following reassignment of financial instruments receivable from related parties.

16 Other Reserves

<i>In millions of Ukrainian Hryvnia</i>	Revaluation reserve
Balance at 1 January 2019	810
Other movement in other reserves posted directly through equity:	
- Realised revaluation reserve	(177)
- Deferred tax related to realised revaluation reserve	32
Balance at 31 December 2019	665
Other movement in other reserves posted directly through equity:	
- Realised revaluation reserve	(169)
- Deferred tax related to realised revaluation reserve	31
- Decrease in valuation of Property, plant and equipment	(31)
- Income tax recorded on valuation of property plant and equipment	6
Balance at 31 December 2020	502

The revaluation reserve is not distributable to the shareholders until it is realised to retained earnings.

17 Bank borrowings

During 2019 the Group signed a revolving credit line agreement with JSB Ukgasbank with a total limit of UAH 615 million (the initial limit of UAH 603 million, which million was revised in 2020). The loan is denominated in Ukrainian hryvnia and bears 10.11% effective interest (2019: 18.95% interest) with maturity in December 2021 (2019: in July 2020). As at 31 December 2019, the Group has withdrawn UAH 585 million.

In March 2020 the Group signed a revolving credit line agreement with JSC Tascombank with a total limit of UAH 550 million. The loan is denominated in Ukrainian hryvnia and bears 8.5% effective interest with maturity in January 2021.

The aforementioned loans refer to the disposal group and were transferred to DTEK Oil&Gas Development B.V. as a result of the Group reorganisation.

DTEK Oil&Gas B.V.**Notes to the Consolidation Financial Statement – 31 December 2020****17 Bank borrowings (Continued)**

In August 2020 the Group signed a credit agreement with First Ukrainian International Bank with a total of USD 200 million. The loan is multi-currency and bears 7% -15.5% (7% for EUR, 7.5% for USD and 15.5% for UAH) effective interest with maturity in August 2021. In December 2020 the Group signed a revolving credit line agreement with JSC Kredobank, with a total limit of USD 1,625 thousand (2019: USD 1,240 thousand) bearing effective 5.5% interest (2019: 5.5% interest) with maturity in December 2021 (2019: in December 2020). As at 31 December 2020, the Group has withdrawn UAH 46 million (2019: UAH 29 million).

As at 31 December, Bank borrowings comprised:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Bank borrowings	46	614
Total	46	614

Cash and non-cash movements in bank borrowings during the period are as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Opening balance as at 1 January	614	-
Cash movements		
<u>Continuing operations:</u>		
Receipt of loan	12	29
Repayment of interest expenses	(1)	-
<u>Discontinued operations:</u>		
Receipt of loan	250	585
Repayment of interest expenses	(39)	(54)
Non-cash movements		
<u>Continuing operations:</u>		
Interest expense	1	-
Exchange rate difference	5	-
<u>Discontinued operations:</u>		
Interest expense	49	54
Changes as a result of Group reorganisation	(845)	-
Closing balance as at 31 December	46	614

As at 31 December 2020 bank borrowings of UAH 46 million were denominated in US dollars (31 December 2019: UAH 29 million), and no borrowings were denominated in UAH (31 December 2019: UAH 585 million).

18 Other Financial Liabilities

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Loans payable to related parties (Note 8)	14,185	10,459
Deferred consideration for acquisition	1,543	-
Other liabilities	3	-
Total non-current other financial liabilities	15,731	10,459

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Deferred consideration for acquisition	447	1,668
Payable for bonds purchased from related parties (Note 8)	205	-
Financial liabilities on debt assignment agreements (Note 8)	128	4,068
Financial aid payable to related parties (Note 8)	34	2,629
Loans payable to related parties (Note 8)	-	1,697
Other liabilities	-	9
Total current other financial liabilities	814	10,071

Loans payable to related parties.

Loans payable to related parties in the amount of UAH 14,185 million (31 December 2019: UAH 12,156 million) are represented by loans received from DTEK Energy B.V. (31 December 2019: DTEK Energy B.V. and DTEK Renewables B.V.), an entity under common control. Loans payable to DTEK Energy B.V. are recognised at amortised cost, bear nominal interest 8% before 1 January 2021 and 9% afterwards before maturity and are accounted under amortised cost at an effective interest of 11.396%, loans are due in 2023-2024.

18 Other Financial Liabilities (Continued)

On 17 May 2021, following the orders of High Court of Justice of England and Wales of 14 May 2021 sanctioning the Schemes, the Trustee under DTEK Energy Eurobonds enforced security over the debt provided to the Group by DTEK Energy B.V. and subsequently exchanged into Eurobonds of the Group (Note 34).

Part of the debt provided to the Group by DTEK Energy B.V. (as at 31 December 2020 held on the balance sheet as a non-current loan received with carrying value of UAH 14,185 million) was exchanged into the DOG Notes in favour of the holders of the existing Eurobonds issued by DTEK Energy B.V. Group with the principal amount of USD 425 million (UAH 12 billion) and the final maturity in 2026 and 6.75% annual interest payable semi-annually.

As at 31 December 2019 loan payable to DTEK Renewables B.V. was recognized at amortised cost, bearing a nominal and effective interest rate of 5% and was due in 2020. In 2020 the loan was fully offset with financial investments recognised upon the Group reorganisation, which were previously eliminated (Note 11).

Deferred consideration for acquisition of PrJSC Naftogazvydobuvannya.

Deferred consideration for acquisition of PrJSC Naftogazvydobuvannya is linked to the USD. The purchase and sale agreement includes certain provisions which may require the Group to pay additional consideration to the sellers, the fair value of which is included in the purchase accounting.

During 2020 UAH 97 million of interest under deferred consideration was accrued and fully paid (2019: UAH 126 million). In addition the Group prepaid UAH 92 million of interest to be recognised for twelve months ended 2021, which is recognised as other receivables as at 31 December 2020 (Note 13). The remaining change in deferred consideration is due to foreign exchange loss.

In 2020 the Group signed additional agreement, which prolonged the liability under the deferred consideration to February 2022 (31 December 2019: February 2020). Correspondingly, management reclassified UAH 1,543 million of liability to non-current other financial liabilities as at 31 December 2020.

Another part of deferred consideration for acquisition of PrJSC Naftogazvydobuvannya is classified as current financial liability. Change in this part of deferred consideration is due to change in fair value of the liability.

Financial liabilities on debt assignment agreements.

Upon the Group reorganisation in June 2020, the Group recognised UAH 3,241 million of financial liability on previously intragroup debt. This debt initially originated when DTEK Oil&Gas B.V. reassigned to a subsidiary of DTEK Oil&Gas Development B.V. its payable for acquisition of shares of PrJSC Naftogazvydobuvannya owned to a third party. Out of the total of UAH 3,241 million of the payable, UAH 2,175 was settled by the Group in cash during 2020 and classified as a financing cash outflow in the consolidated cash flow statement. Further in 2020 upon a number of reassignments, the Group recognised UAH 2,290 million of interest free payable to a subsidiary of DTEK Oil&Gas Development B.V., which were further set-off with financial assets also recognised upon the Group reorganisation. The outstanding balance of payables to subsidiaries of DTEK Oil&Gas Developments B.V. in the amount UAH 3,357 million (equivalent of USD 116 million) were set-off with financial investments, which were recognised upon Group reorganisation. Based on these transactions UAH 128 million of financial liabilities remained unsettled as at 31 December 2020.

In 2019, before acquisition by the Group (Note 27), DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC and their ultimate controlling party assigned to the Group their obligation to repay their loans obtained from the related party, payable in 2020 and bearing 5% interest rate. The Group accepted this assignment in exchange for a cash consideration equal to the carrying value of the loans including the interests accrued to date which was considered to be a fair value of the liability and equals to UAH 2,365 million. As of 31 December 2019 the financial liability on debts assignment agreements line includes UAH 2,327 million of carrying value of outstanding debt on this transaction. The respective consideration receivable was paid in full in 2019 after the acquisition of DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC and was included into the financing activity from discontinued operations in the consolidated statement of cash flows. During 2020 UAH 13 million of interest was accrued. Further UAH 2,377 million was settled via a non-cash set-off with loan issued to a related party, which was outstanding as at 31 December 2019. Remaining change is due to foreign exchange loss.

During 2019 the Group assigned the right to claim UAH 1,741 million on a previously intragroup loan to DTEK Grids B.V. for a consideration receivable on demand and equal to nominal amount of the financial aid. The right to claim on this loan was further reassigned by DTEK Grids B.V. to DTEK B.V. Based on this transaction the Group recognised additional UAH 1,741 payable to the related party, approximating the fair value of the instrument. The loan payable bore 3.95% + Libor 3m, was denominated in USD and had a maturity of March 2020. During 2020 UAH 34 million of interest was accrued and UAH 1,042 million was settled in cash and classified as outflow from financing activity in consolidated cash flow statement. Remaining UAH 975 million was attributable to the disposal group and was transferred to DTEK Oil&Gas Developments B.V. Group as a part of the Group reorganisation in June 2020. Remaining change is due to foreign exchange loss.

Payable for bonds purchased from related parties

In June 2020 upon the Group reorganisation, the Group recognised UAH 6,404 million of financial liabilities under bonds purchased from related parties payable to subsidiaries of DTEK Oil&Gas Development B.V., which were previously eliminated. Out of the total balance payable, UAH 3,818 was set-off with financial investments receivable from DTEK B.V., UAH 2,200 million was set-off with financial assets recognised upon the Group reorganisation and UAH 205 million remained unsettled as at 31 December 2020. Remaining change is due to foreign exchange loss.

18 Other Financial Liabilities (Continued)**Financial aid payable to related parties.**

Financial aid payable to related parties was received in cash in 2019, bore no interest and was recognized at fair value approximating its carrying value. As at 31 December 2019 a part of this balances in the amount of UAH 2,337 million was payable on demand, the remaining UAH 292 million was due in January-February 2020.

The total balance of financial aid payable refers to a disposal group. In 2020 prior to the internal reorganisation, the Group settled in cash UAH 155 million of financial aid and the remaining balances were transferred to DTEK Oil&Gas Developments B.V. upon the Group reorganisation. As at 31 December 2020 the Group recognised UAH 34 million of payables to related parties.

As at 31 December 2020 UAH 13,136 million of loans and interest payable were denominated in US dollars (31 December 2019: UAH 11,733 million) and UAH 3,375 million in Euro (31 December 2019: UAH 4,491 million), remaining balances were denominated in Ukrainian hryvnia.

Cash and non-cash movements in borrowings during the period are as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Opening balance as at 1 January	20,530	15,788
Cash movements		
<i>Continuing operations:</i>		
Debt repayment under the assigned agreement	(2,175)	-
Loans and financial aid received from related parties	162	9
Repayment of loan from related party	(2)	(1,235)
Interest on deferred consideration paid	(97)	(127)
Repayment of financial aid received from third parties	(21)	-
<i>Discontinued operations:</i>		
Consideration received for reassigned debt to a related party	-	2,365
Receipt of loans, bonds and financial aid from related parties	81	2,966
Repayment of loan received from related party	(1,286)	-
Financing received from a related party to settle its obligations	-	653
Non-cash movements		
<i>Continuing operations:</i>		
Set-off of with financial assets	(18,552)	-
Interest accrued on loans received from related parties (Note 25)	978	820
Unwinding of discount on loans received from related parties (Note 25)	489	437
Interest expense on deferred consideration	97	126
Foreign exchange losses less gains / (gains less losses)	3,708	(2,317)
Increase in obligation to related party following reassignment	2,290	1,741
Recognition of payable for acquired shares of electricity distribution entities (Note 11)	891	-
Other	-	(38)
<i>Discontinued operations:</i>		
Set-off of with financial assets	-	(653)
Interest expense on loans received from related parties	47	78
Foreign exchange losses less gains / (gains less losses)	280	(83)
Changes as a result of Group reorganisation, net	9,125	-
Closing balance as at 31 December	16,545	20,530

19 Trade and Other Payables

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Payables to related party (Note 8)	359	1,321
Liabilities for purchased property, plant and equipment	189	168
Trade payables	52	48
Dividends' payable	42	31
Other creditors	15	10
Total financial payables	657	1,578
Wages and salaries payable	15	56
Accruals for employees' unused vacations	11	11
Total non-financial payables	26	67
Total	683	1,645

19 Trade and Other Payables (Continued)

Payables to related party

In December 2018 the DTEK Energy B.V. Group assigned to the Group its obligation to pay UAH 4,331 million (equivalent of USD 154 million) to a related party. Following the assignment, the Group received cash consideration in the amount of UAH 4,331 million (equivalent of USD 154 million) from DTEK Energy B.V. Group. Out of the total consideration received UAH 3,192 million (equivalent of USD 114 million) was offset with the existing Group's balance of the loan receivable from related party and UAH 1,108 million (equivalent of USD 40 million) is payable to a related party as at 31 December 2018. In 2019 UAH 670 million of this balance was repaid in cash and UAH 284 million was outstanding as at 31 December 2019. In 2020 UAH 183 million was offset with financial investments and UAH 128 million settled in cash. Remaining change is due to foreign exchange loss.

In 2019 in the sequence of transactions the DTEK Energy B.V. assigned to the Group its obligation to pay UAH 1,037 million to a related party for an equal consideration. By 31 December 2019 the Group received the full amount of its receivables on assignment transaction in cash (included into operating activity in the consolidated statement of cash flows), while payable was outstanding as at 31 December 2019. Out of total balance receivable as at 1 January 2020, UAH 593 million of payables was attributable to Power Trade LLC and was derecognised in April 2020 upon sale of Power Trade LLC shares. Remaining UAH 353 million was settled in cash (included into operating activity in the consolidated statement of cash flows) and UAH 29 million was attributable to the disposal group and was transferred to DTEK Oil&Gas Developments B.V. Group as a part of the Group reorganisation in June 2020.

During 2020 the Group was reassigned additional UAH 276 million of payables to a related party, which are payable on demand. Following this reassignment, the recognised financial receivable was settled to the Group in cash in full (presented as "consideration received for reassigned loan" in investing activity of the consolidated statement of cash flows), while the payable remained unsettled as at 31 December 2020.

As at 31 December 2020, UAH 332 million of trade and other payables was denominated in USD (31 December 2019: UAH 344), UAH 36 million in EUR (31 December 2019: UAH 26 million) and UAH 289 million in UAH (31 December 2019: UAH 1,275 million).

20 Other Taxes Payable

As at 31 December other taxes payable were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Subsoil tax payable	106	82
Value-added tax	105	65
Total other taxes payable	211	147

21 Revenue

Analysis of revenue by category is as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Revenue from sales of gas	6,511	7,792
Revenue from sales of gas condensate	699	805
Total	7,210	8,597

Revenue from the sale of gas and gas condensate is recognised at a point of time, which is the date of transfer of control over goods at the virtual entry point of the gas transmission system. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over gas and gas condensate to a customer. The gas selling price is determined based on the application of prices for gas sales as approved (capped) by the Ukrainian National Commission on Energy Regulation. Prices for gas condensate are established at the market based on actual correspondence of supply and demand at a particular period of time.

In 2020, the Group signed a forward contract for the supply of 1,395,906 thousand cubic meters of natural gas in 2021 to a related party. Under the contract, the Group is required to transfer to the related party the entire contracted volume of natural gas at a price fixed in US dollars of \$ 152.22 per 1 thousand cubic meters of gas. This contract is entered into and continues to be held for the purpose of the delivery of the commodity in accordance with the contractual arrangements. As this contract satisfy "own use" exemption under IFRS 9, the Group does not recognize such forward contract as derivatives and will account it for as an executory contract.

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22 Cost of Sales

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Depreciation of property, plant and equipment, depletion and amortisation of intangible assets	1,934	1,290
Subsoil tax	880	1,319
Production overheads and other costs	302	174
Raw materials	133	80
Wages and bonuses	107	83
Equipment maintenance and repairs	107	65
Impairment of property, plant and equipment	25	170
Social charges	20	15
Cost of goods sold	16	44
Total	3,524	3,240

Subsoil tax is directly linked to gas price, and decrease of gas prices during 2020 year impacted subsoil tax accordingly.

During 2020 the Group employed an average of 228 employees of production personnel (2019: 185 employees).

23 General and Administrative Expenses

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Professional fees	122	80
Depreciation of property, plant and equipment, depletion and amortisation of intangible assets	10	8
Salaries and bonuses	7	12
Rent costs	7	12
Social charges	2	1
Other costs	18	22
Total	166	135

During 2020 the Group employed an average of 24 employees of administrative personnel (2019: 24 employees).

The following independent auditor's fees were included in General and administrative expenses:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Audit of the financial statements including audit fee of PricewaterhouseCoopers Accountants N.V. of UAH 2 million (31 December 2019: UAH 1 million)	8	4
Tax services	3	1
Total audit fees	11	5

24 Other Operating Expenses

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Insurance	213	205
Impairment provision for inventory	33	36
Charitable donations and sponsorship	33	18
Result from the sale of investments	30	-
Depreciation of property, plant and equipment, depletion and amortisation of intangible assets	2	6
Other	37	58
Total	348	323

The Group's insurance policy covers risks associated with the loss or damage of property, plant and equipment and loss of profit resulting from the work breakdown. At the reporting date the Group has insured operating costs and losses incurred by the Group in case of failure to reach budgeted target of gas extraction for 2020.

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Notes to the Consolidation Financial Statement – 31 December 2020

25 Finance Income and Finance Costs

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Interest income on loans provided to related parties (Note 8)	269	393
Unwinding of discount on financial investments provided to related parties	238	1,120
Gain on early repayment of loan provided to related parties	166	-
Interest income on bank deposits	-	17
Other	-	46
Total finance income	673	1,576
Interest expense on loans received from related parties (Note 8)	978	820
Unwinding of discount on loans received from related parties	489	437
Interest expense on deferred consideration	97	126
Loss on initial recognition of loans provided to other parties	14	-
Interest expense on bank loans from other parties	1	-
Loss on initial recognition of financial investments provided to related parties	-	198
Total finance costs	1,579	1,581

26 Income Taxes

Income tax expense comprises the following:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Continuing operations:		
Current tax	828	1,158
Deferred tax	347	423
Income tax from continuing operations	1,175	1,581
Income tax from discontinued operations (Note 28)	209	354
Income tax expense	1,384	1,935

In 2020 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18% (2019: 18%). In 2020 the tax rate for Dutch operations was 25% (2019: 25%). In 2020 the tax rate for Cyprus operations was 12.5% (2019: 12.5%).

Reconciliation between the applicable and the effective rates is provided below.

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Profit before income tax from continuing operations	3,585	6,596
Profit before income tax from discontinued operations	810	2,612
Total, profit before income tax, including the below	4,395	9,208
Profit before income tax of Ukrainian companies	7,291	6,853
Profit/(Loss) before income tax of non-Ukrainian companies	(2,896)	2,355
Income tax at statutory rates 18% (Ukrainian operations)	1,312	1,234
Profit taxed at different rates 25% (Dutch operations)	(717)	594
Profit taxed at different rates 12.5% (Cyprus operations)	(4)	(3)
Tax effect of non-deductible expenses / (non-taxable gains) on Dutch subsidiaries	832	(367)
Tax effect of items not deductible or assessable for taxation purposes:		
- non-taxable income	(30)	(67)
Recognition of temporary differences on post-acquisition profits of subsidiaries	(75)	544
Non recognised deferred tax asset on tax losses carried forward	7	-
Change in recognised deductible temporary differences due to write-off of deferred tax assets	66	-
Utilised tax losses	(7)	-
Income tax expense	1,384	1,935

26 Income Taxes (Continued)

The parent and its subsidiaries are separate tax payers and therefore the deferred tax assets and liabilities are presented on an individual basis. The deferred tax liabilities and assets reflected in the consolidated balance sheets as at 31 December are as follows:

<i>In millions of Ukrainian Hryvnia</i>	1 January 2020	Charged to equity	Credited/ (charged) to income	Write-off due to Group reorganisation	31 December 2020
Inventories	1	-	-	-	1
Financial investments	383	231	(204)	(402)	8
Trade and other receivable	18	755	(555)	-	218
Gross deferred tax asset	402	986	(759)	(402)	227
Less offsetting with deferred tax liabilities	(21)	-	(206)	-	(227)
Recognized deferred tax asset	381	986	(965)	(402)	-
Property, plant and equipment	(834)	8	223	-	(603)
Other financial liabilities	(769)	-	121	-	(648)
Investment in subsidiaries	(544)	-	75	-	(469)
Gross deferred tax liability	(2,147)	8	419	-	(1,720)
Less offsetting with deferred tax assets	21	-	206	-	227
Recognized deferred tax liability	(2,126)	8	625	-	(1,493)
Recognized net deferred tax liability	(1,745)	994	(340)	(402)	(1,493)

Net deferred tax benefit charged to equity represents deferred tax effects on recognition of financial instruments upon the Group reorganisation. The balances of deferred tax asset which are attributable to the disposal Group and which were disposed during the period are presented within "Write-off due to Group reorganisation".

<i>In millions of Ukrainian Hryvnia</i>	1 January 2019	Credited/ (charged) to income	31 December 2019
Provisions for other liabilities and charges	-	-	-
Inventories	23	(22)	1
Financial investments	377	6	383
Trade and other receivable	232	(214)	18
Gross deferred tax asset	632	(230)	402
Less offsetting with deferred tax liabilities	(2)	(19)	(21)
Recognized deferred tax asset	630	(249)	381
Property, plant and equipment	(1,093)	259	(834)
Other financial liabilities	(878)	109	(769)
Investment in subsidiaries	-	(544)	(544)
Gross deferred tax liability	(1,971)	(176)	(2,147)
Less offsetting with deferred tax assets	2	19	21
Recognized deferred tax liability	(1,969)	(157)	(2,126)
Recognized net deferred tax liability	(1,339)	(406)	(1,745)

Following the release of NBU restriction on dividends payments abroad, in 2019 PrJSC Naftogazvydobuvannya started to pay dividends and the respective withholding taxes. Consequently, as at 31 December 2020 the Group recognised UAH 344 million (31 December 2019: UAH 544 million) of deferred tax liability relating to post-acquisition profits of its subsidiaries. The decrease was due to the partial DTEK Oil & Gas BV sale of shares to the subsidiary of Group, which is registered in Ukraine. Dividends for this company are not subject to withholding taxes.

27 Business Combinations

In January 2019 the entities under control of DTEK B.V. Group signed several contracts to acquire 93.9978% of shares in DTEK Kyiv Regional Grids PrJSC and 68.2949% of shares in DTEK Odesa Grids JSC. DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC are grids entities located respectively in Kyiv region (except Kyiv city) and Odessa region and are major Distribution System Operators in those regions. In a sequence of transactions during January - March 2019 the Group acquired an additional 16.77% of shares in DTEK Odesa Grids JSC and 24.99% of shares in DTEK Kyiv Regional Grids PrJSC. Finalisation of the acquisition was subject to obtaining of relevant Antimonopoly Committee approvals and legal transfer of shares. On 25 April 2019 the Group obtained such approvals from all relevant bodies. The final transfer of the remaining shares under these contracts was executed on 10 May 2019, resulting in control being obtained by the Group over DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC as at that date. Despite these acquisitions being legally separate transactions, management treated them as parts of one deal with one total consideration and was accounted for respectively.

The acquisition was made in accordance with the DTEK B.V. Group's strategy in order to increase its interest in electricity distribution business and to benefit from higher business scales. Such synergies from combining operations of the acquiree and the acquirer are represented by the Goodwill acquired in the business combination and recognised in the financial statements as at the acquisition of control date. The goodwill is primarily attributable to the profitability of the acquired business, the significant synergies and combined cost savings expected to arise, which is relevant for DTEK B.V. Group rather than to the Group itself. The goodwill will not be deductible for tax purposes in future periods

The fair value of the purchase consideration that comprised the cash consideration amounted USD 234 million (equivalent of UAH 6,392 million at the official NBU rate referenced in the share purchase agreements). No contingent consideration arrangements or other forms of the consideration were in place.

The following table describes summary of the fair values of the net assets acquired in a business combination of DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC:

<i>In millions of Ukrainian Hryvnia</i>	DTEK Kyiv Regional Grids PrJSC	DTEK Odesa Grids JSC	Total
Cash	92	217	309
Property, plant and equipment	3,878	3,720	7,598
Intangible assets	6	23	29
Deferred income tax asset	21	17	38
Inventories	98	121	219
Trade and other receivables	1,226	430	1,656
Retirement benefit obligation	(25)	-	(25)
Deferred income tax liability	(187)	-	(187)
Trade and other payables	(1,775)	(1,459)	(3,234)
Fair value of net assets/(liabilities) of acquired entities	3,334	3,069	6,403
Less: non-controlling interest	(200)	(973)	(1,173)
Net assets acquired	3,134	2,096	5,230
Purchase consideration paid			(6,392)
Goodwill recognised as a result of acquisition of subsidiaries			1,162
Cash flows on acquisition of subsidiaries			
Cash and cash equivalents of the subsidiaries			309
Consideration paid for acquisition of subsidiaries			(6,342)
Net outflow of cash on acquisition of subsidiaries			(6,033)

The non-controlling interest represents a share in the net assets of the acquiree attributable to owners of the non-controlling interest. The fair values of assets and liabilities acquired are based on discounted cash flow models.

After obtaining of control the non-controlling interest of 2.12 % of shares in DTEK Odesa Grids JSC were purchased for UAH 40 million and accounted as acquisition of a non-controlling interest, accordingly.

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27 Business Combinations (Continued)

The Group purchased these entities with a view of further resale to DTEK Grids B.V. Group. Correspondingly, assets and liabilities of DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC were classified as assets and liabilities of a disposal group held for sale and presented separately in the consolidated balance sheet as at 31 December 2019 and result for the period was presented as result of discontinued operations in a separate line within consolidated income statement. Following the classification of assets held for sale, the non-current assets included to the disposal group were not depreciated.

28 Discontinued operations

Disposal group acquired exclusively with a purpose for resale:

In March 2020 the Group sold 93.9978% of shares in DTEK Kyiv Regional Grids PrJSC and 70.4149% of shares in DTEK Odesa Grids JSC to DTEK Grids B.V. Group for total consideration of UAH 5,142 million, denominated in UAH. Total balance of consideration receivable is attributable to the disposal group related to the Group reorganisation. Out of the total consideration receivable, UAH 1,043 million was settled to the Group in cash and classified as cash inflow from investing activity attributable to discontinued operations in the consolidated statement of cash flows. The remaining balance of consideration receivable contractually is due on demand, while management expects that the balance will not be settled before 28 February 2023. As discussed earlier, the asset was recognised as an originated credit-impaired asset (POCI) as at origination date, where the nominal in amount UAH 6,432 million was discounted at 12.5% annual rate, which includes time value of money and a lifetime credit risk of the debtor calculated based on the expected cash flows. In June 2020 as a part of the Group reorganisation, the Group transferred unsettled balance of receivable to DTEK Oil&Gas Developments B.V. Group. The Group treated this transaction as a transaction with owners in their capacity as owners and recognised result from the disposal directly in equity.

The major classes of assets and liabilities of subsidiaries acquired exclusively for the purpose of sale at the date of sale are, as follows:

<i>In millions of Ukrainian Hryvnia</i>	DTEK Odesa Grids JSC	DTEK Kyiv Regional Grids PrJSC	Total
Assets			
Property, plant and equipment	4,398	4,495	8,893
Intangible assets	21	4	25
Goodwill	-	-	1,162
Financial investments	116	279	395
Deferred income tax asset	37	22	59
Trade and other receivables	291	292	583
Inventories	62	85	147
Cash and cash equivalents	695	606	1,301
Total assets	5,620	5,783	12,565
Liabilities			
Retirement benefit obligation	-	(38)	(38)
Trade and other payables	(1,342)	(1,254)	(2,596)
Other financial liabilities	(198)	-	(198)
Deferred income tax liability	17	(169)	(152)
Total liabilities	(1,523)	(1,461)	(2,984)
Total carrying amount of net assets discontinued	4,097	4,322	9,581
Non-controlling interest			(1,440)
Total carrying amount of net assets discontinued attributable to Equity holders of the Company			8,141
Fair value of cash consideration receivable			5,142
Recognition of financial receivables at Fair Value (previously eliminated as intercompany)			173
Recognition of deferred tax asset			231
Result on disposal transaction			(2,595)

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Notes to the Consolidation Financial Statement – 31 December 2020

28 Discontinued operations (Continued)

Group reorganisation

In early 2020 as a part of a Group reorganization, the Group took decision to sell its subsidiaries, which were involved in the trading of gas and who held licenses for future exploration and development to a newly created subholding under a common control of DTEK B.V. – DTEK Oil & Gas Development B.V. Group. These subsidiaries include: DTEK Neftegaz LLC, Investecogaz LLC, NGR B.V., Neftegazrazrobotka LLC, Oil & Gas Systems LLC, Oil & Gas Energy LLC, Oil & Gas Geoexploring LLC, Oil & Gas Global Development B.V., Oil & Gas Global Extraction B.V., Oil & Gas Innovation Stream B.V.

In May 2020 the disposal plan was approved and in June 2020 all rights and obligations regarding ownership over the abovementioned subsidiaries were transferred to a new parent - DTEK Oil & Gas Development B.V.

Accordingly, starting from 1 January 2020 until the reorganisation date and for 2019 the profit and loss result of the aforementioned subsidiaries was classified as discontinued operations with proper presentation in the consolidated statement of comprehensive income as a single line.

The Group treated this transaction as a transaction with owners in their capacity as owners and recognised result from the disposal directly in equity.

The major classes of assets and liabilities at the date of reorganisation of the Group in June 2020 are, as follows:

In millions of Ukrainian Hryvnia

Assets	
Property, plant and equipment	22
Intangible assets	110
Financial investments	17,922
Deferred income tax asset	402
Trade and other receivables	503
Cash and cash equivalents	66
Total assets	19,025
Liabilities	
Bank borrowings	(845)
Trade and other payables	(95)
Other financial liabilities	(3,449)
Current income tax payable	(103)
Other taxes payable	(28)
Prepayments received	(1,507)
Total liabilities	(6,027)
Total carrying amount of net assets discontinued	12,998
Non-controlling interest	-
Total carrying amount of net assets discontinued attributable to Equity holders of the Company	12,998
Fair value of cash consideration receivable	907
Recognition of financial receivables at Fair Value (previously eliminated as intercompany)	22,231
Recognition of financial payables at Fair Value (previously eliminated as intercompany)	(12,591)
Recognition of deferred tax asset	755
Result on disposal transaction	(1,696)

Balances included into carrying amount of net assets discontinued do not include payables and receivables of the discontinued operations to and from the continuing operations. Upon the reorganisation respective receivable and payable balances were recognised in the Group Financial Statements at fair value (Note 11, Note 13, Note 18, Note 19).

Upon sale of shares of subsidiaries to DTEK Oil & Gas Development B.V. as a part of the Group reorganisation, the Group recognised UAH 907 million of consideration receivable, which is outstanding as at 31 December 2020 and is recognized as a purchased credit-impaired asset (Note 11).

28 Discontinued operations (Continued)

The table below represents the statement of comprehensive income with regards to discontinued operation as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Discontinued operations that represent sold trading and development business segments		
Revenue	82	1,629
Cost of sales	-	(35)
Gross profit	82	1,594
Other operating income	-	-
General and administrative expenses	(79)	(178)
Selling expenses	-	(11)
Other operating expenses	(4)	(13)
Net impairment losses on financial assets	(45)	(504)
Net foreign exchange gain on operating activities	(5)	237
Operating profit	(51)	1,125
Foreign exchange gains less losses on financing and investing activities	193	(190)
Finance (costs) / income, net	(113)	296
Profit before income tax from a discontinued operations that represent sold trading and development business segments	29	1,231
Income tax expense	(98)	(149)
Profit for the year from a discontinued operations that represent sold trading and development business segments	(69)	1,082
Discontinued operations that represent purchased entities with a view of future resale		
Profit before income tax from a discontinued operations that represent purchased entities with a view of future resale	781	1,381
Income tax expense	(111)	(205)
Profit for the year from a discontinued operations that represent purchased entities with a view of future resale	670	1,176
Profit for the year from a discontinued operations	601	2,258

Elimination adjustments were posted against revenue and cost of sales of discontinued operations. As a result revenue of discontinued operations was decreased by UAH 2,542 million (2019: UAH 7,766 million) with a respective reduction in cost of sales by UAH 2,542 million (2019: UAH 7,766 million) being sales of continuing operations to discontinued.

29 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 preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Group conducts intercompany transactions. It is possible with evolution of the interpretation of tax law in Ukraine and changes in the approach of tax authorities under the new Tax Code, that such transactions could be challenged in the future. The impact of any such challenge cannot be estimated; however, management believes that it should not be significant.

The Group has income tax liabilities in various countries. The ultimate tax consequences of many transactions and calculations are uncertain, partly because of uncertainty concerning their timing. The Group continually assesses such matters and where final tax sums differ from the estimates such differences are recognised as income tax provisions in the period in which the differences become apparent. As at 31 December 2020 the Group's contingent liabilities in relation to uncertain tax positions are equal to UAH 336 million (31 December 2019: UAH 544 million).

29 Contingencies, Commitments and Operating Risks (Continued)

On 1 September 2013 the Law “On Changes to the Tax Code of Ukraine in respect of transfer pricing rules” came into effect. The new transfer pricing rules are much more detailed than previous legislation and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), if the transaction price is not arm's length and not supported by relevant documentation. Since 1 January 2015, the transfer pricing rules were amended so that transactions between Ukrainian companies (irrespective whether they are related parties or not) ceased to be treated as controlled transactions.

Management believes it is taking appropriate measures to ensure compliance with the new transfer pricing legislation.

Legal proceedings and tax litigations. From time to time and in the normal course of business, claims against the Group are received. Management believes that it has provided for all material losses in these financial statements.

Because of non-explicit requirements of the applicable tax legislation, some past transactions of the Group companies may be challenged. As at 31 December 2020 the management estimated zero potential tax risk exposure (31 December 2019: UAH 128 million). Management believes the Group's positions and interpretations can be supported if challenged by tax authorities.

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.

Tax commitments. Off balance sheet commitments of the Group are primarily related to the tax contingencies. The ultimate tax consequences of transactions and calculations are uncertain, partly because of uncertainty concerning their timing.

The Group continually assesses such matters and where final tax sums differ from the estimates such differences are recognised as income tax provisions in the period in which the differences become apparent.

As at 31 December 2020 there is no contingent asset in relation to uncertain tax position (As at 31 December 2019: UAH nil).

License maintenance commitments. The Group has an obligation to comply with exploration license requirements representing capital expenditure programmes. Under these license maintenance commitments the Group is required to commit seismic, geophysical, exploratory drilling works on licensed fields according to the capital expenditure programmes. Although these commitments are not binding and may be modified based on results of exploration work, as at 31 December 2020 the Group's potential capital expenditures relating to qualifying activities on gas and gas condensate are UAH 1 million (2019: UAH 1 million). Justified deviation from the capital expenditures committed is permitted and should be agreed with the licensor, while failure to commit exploration works and substantiate the different capital expenditure schedule may result in termination of the license.

Purchase commitments. As at 31 December 2020 the Group has purchase commitments for the property, plant and equipment in the amount of UAH 1,068 million (31 December 2019: UAH 830 million).

Asset retirement obligation. The Group determines the amount of asset retirement obligation for all its wells and facilities located in all gas and gas condensate fields. Decommissioning expenditure will be incurred by the Group at the end of the operating life of the Group's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Assets pledged and restricted.

During 2020 year 397,345 shares (equivalent of 23,20981%) of the Naftogazvydobuvannya PrJSC at a par value of UAH 10 per share in total amount of UAH 4 million were pledged for the loan of NGD Holding LLC under a credit agreement with First Ukrainian International Bank.

At the date of signing these Consolidated Financial Statement, the shares were completely withdrawn from pledged.

Product sharing agreement with the Government of Ukraine.

On 31 December 2020, the Group's subsidiary signed the Product sharing agreement with the Government of Ukraine for distribution of hydrocarbons, which has to be extracted within the Zinkiv licensed area, Sumy and Poltava regions of Ukraine. The Group does not have legal obligations under this agreement as at 31 December 2020 due to resolution of certain administrative measures. Commencement of legal obligations under this agreement are conditional upon fulfillment of certain conditions that were not met as of 31 December 2020.

29 Contingencies, Commitments and Operating Risks (Continued)

The Production sharing agreement stipulates that for 50 years the Government of Ukraine is transferring to a Group the right of exploration and extraction of minerals in a defined licensed area. The Group, from its side, undertakes an obligation to perform the assigned work at its own expense, followed by reimbursement of costs by part of profitable production.

30 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 oil and gas exploration activities.

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. The exposure to credit risk for other customers 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.

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 balance sheet	31 December 2020	31 December 2019
Entities under common control of SCM			
First Ukrainian International Bank (FUIB)	Cash and cash equivalents	41	78
DTEK Oil&Gas Development B.V.	Financial investments	1,070	-
DTEK BV	Financial investments	-	12,765
SCM PrJSC	Financial investments	-	5,529
Rainwell Limited	Financial investments	-	3,065
SCM Consulting Ltd	Financial investments	-	1,166
Primorskaya WPP-2 LLC	Financial investments	-	1,410
Solar Farm-1 LLC	Financial investments	-	1,324
DTEK Grids LLC	Financial investments	-	473
D. Trading LLC	Financial investments	-	413
DTEK LLC	Financial investments	-	417
DTEK Neftegaz LLC	Financial investments	187	-
DTEK Trading LLC	Trade and other receivables	-	126
DTEK Neftegaz LLC	Trade and other receivables	8,827	-
Investecogaz LLC	Trade and other receivables	909	-
Total of entities under common control of SCM		11,034	26,766
Other entities			
Ukrgazbank JSB	Cash and cash equivalents	-	30
Credobank JSC	Cash and cash equivalents	46	-
Ukrresurs LLC	Financial investments	-	85
Advance Rent LLC	Financial investments	-	57
Foloux Consulting Limited	Trade and other receivables	90	-
Total of other entities		136	172

The maximum exposure to credit risk at the reporting date is UAH 11,170 million (2019: UAH 26,938 million) being carrying value of financial investments, trade and other receivables and cash.

30 Financial Risk Management (Continued)

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities. 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, financial liabilities, cash balances and deposits, which are denominated in or linked to USD and EUR. 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.

The following table presents sensitivities of profit or loss and equity before tax 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:

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

<i>In millions of Ukrainian Hryvnia</i>	At 31 December 2020		At 31 December 2019	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD strengthening by 10% (2019: 10%)	(1,229)	(1,229)	(536)	(536)
USD weakening by 10% (2019: 10%)	1,229	1,229	536	536
Euro strengthening by 10% (2019: 10%)	(318)	(318)	(224)	(224)
Euro weakening by 10% (2019: 10%)	318	318	224	224

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, free cash flow 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 probably require incremental debt finance.

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 2020 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	Up to 6 months	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Other financial liabilities - external	814	-	1,543	20,106	-	22,463
Bank borrowings	46	-	-	-	-	46
Trade and other payables	657	-	-	-	-	657
Total future payments, including future principal and interest payments	1,517	-	1,543	20,106	-	23,166

The maturity analysis of financial liabilities at 31 December 2019 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	Up to 6 months	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Other financial liabilities - external	10,212	-	12	16,369	-	26,593
Bank borrowings	670	1	-	-	-	671
Trade and other payables	1,578	-	-	-	-	1,578
Total future payments, including future principal and interest payments	12,460	1	12	16,369	-	28,842

31 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 on 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 its gearing ratio. This ratio is calculated as net liabilities divided by total capital under management. Net debt is calculated as total borrowings and other financial liabilities (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.

As at 31 December 2020 the total net debt and total capital of the Group were UAH 16,495 million and UAH 4,925 million respectively (31 December 2019: UAH 21,018 million and UAH 22,497 million), the net debt to equity ratio was 3.35 (31 December 2019: 0.93).

32 Fair Value of Assets and Liabilities

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 the financial assets and liabilities have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to produce the estimated fair values. Accordingly, the estimates are not necessarily indicative of the amounts that could be realised in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

Financial instruments carried at fair value. Trading and available-for-sale investments are carried in the balance sheet at their 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.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

a) Recurring fair value measurements

Property, plant and equipment are carried in the statement of financial position at their fair value.

The Group uses the revaluation model to measure property, plant and equipment. The frequency of valuation depends on movements in fair values of the assets being revalued. Management performs an annual assessment to ensure that the carrying amount of property, plant and equipment is not materially different from its fair value. In case of substantial differences the Group engages external, independent and qualified valuers to determine the fair value of the Group's property, plant and equipment. The valuers use different approaches for valuing different asset groups.

Where the fair value of an asset is able to be determined by reference to market based evidence, such as sales of comparable assets, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market based evidence, discounted cash flows or optimised depreciated replacement cost is used to determine fair value.

The Group's property, plant and equipment are mainly categorised as Level 3 in the fair value hierarchy. Administrative buildings were valued using the income approach based on market offers of rental rates. Transport vehicles were valued using the market approach based on relevant market offers.

During the year there were no transfers between the levels of the fair value hierarchy.

32 Fair Value of Assets and Liabilities (Continued)

b) Fair value of financial assets and liabilities carried at amortised cost:

The description of valuation technique and description of inputs used in the fair value measurement:

<i>In millions of Ukrainian Hryvnia</i>	31 December 2020			31 December 2019		
	Level 2	Level 3	Carrying value	Level 2	Level 3	Carrying value
FINANCIAL Assets						
Cash and cash equivalents (Note 14)						
- Restricted cash	-	-	-	70	-	70
- Bank balances payable on demand	96	-	96	50	-	50
- Term deposits with original maturity of less than three months	-	-	-	6	-	6
Trade and other receivables (Note 13)						
- Trade receivables	9,186	286	9,472	131	-	131
Financial investments (Note 11)						
- Loans and financial aid receivable	194	-	194	18,362	235	18,597
- Receivables for bonds and shares sold to related parties	14	1,070	1,084	4,848	-	4,848
- Receivable on assignment agreements from related parties	1	-	1	3,291	-	3,291
Total ASSETS	9,491	1,356	10,847	26,758	235	26,993
FINANCIAL Liabilities						
Bank borrowings (Note 17)	46	-	46	614	-	614
Other financial Liabilities (Note 18)	814	15,830	14,555	8,394	10,459	18,853
Deferred consideration (Note 18)	447	1,543	1,990	1,668	-	1,668
Trade and other payables (Note 19)	657	-	657	1,578	-	1,578
Total LIABILITIES	1,964	17,373	17,248	12,254	10,459	22,713

The description of valuation technique and description of inputs used in the fair value measurement:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019	Valuation technique	Inputs used
FAIR VALUE OF FINANCIAL ASSETS				
FINANCIAL Assets				
Trading securities				
Cash and cash equivalents (Note 14)				
- Restricted cash	-	70	Current cost accounting	
- Bank balances payable on demand	96	50	Current cost accounting	
- Term deposits with original maturity of less than three months	-	6	Current cost accounting	
Trade and other receivables (Note 13)				
- Trade receivables	9,472	131	Current cost accounting	
Financial investments (Note 11)				
- Loans receivable	194	9,108	Discounted cash flows	Interest on loans pursuant to statistical data of Ukrainian banks
- Financial aids receivable	-	9,489	Current cost accounting	
- Receivables for bonds and shares sold to related parties	1,084	4,848	Current cost accounting	
- Receivable on assignment agreements from related parties	1	3,291	Current cost accounting	
FAIR VALUE OF FINANCIAL LIABILITIES				
Bank borrowings (Note 17)	46	614	Current cost accounting	
Other financial liabilities (Note 18)	16,644	18,536	Discounted cash flows	
Deferred consideration (Note 18)	1,543	1,293	Current cost accounting	
Deferred consideration (Note 18)	447	375	Fair value	
Interest payable on loans received from related parties (Note 18)	-	317	Current cost accounting	
Trade and other payables (Note 19)	657	1,578	Current cost accounting	

33 Reconciliation of Classes of Financial Instruments with Measurement Categories

All of the Group's financial assets and financial liabilities are carried at amortised cost, except for equity securities and a call option liability which are carried at fair value through profit or loss.

34 Subsequent events

Eurobonds issued

On 17th May 2021 ("Restructuring Effective Date") Eurobonds for the amount of USD 425 million were issued by subsidiary NGD Holdings B.V. following the procedure sanctioned by High Court of Justice of England and Wales on 14 May 2021.

The key terms of the restructuring are:

- Part of the debt provided to the Group by DTEK Energy B.V. (as at 31 December 2020 held on the balance sheet as a non-current loan received with carrying value of UAH 14,185 million) will be exchanged into the Eurobonds issued by NGD Holdings B.V. ("DOG Notes") in favour of the holders of the existing Eurobonds issued by DTEK Energy B.V. Group with the principal amount of USD 425 million (UAH 12 billion) and the final maturity in 2026 and 6.75% annual interest payable semi-annually;
- Issuer (NGD Holdings B.V.) shall redeem Notes at par on the following dates and in the following amounts:
 - 31 December 2023: a principal amount equal to USD 50 million, plus accrued and unpaid interest;
 - 31 December 2024: a principal amount equal to USD 50 million, plus accrued and unpaid interest;
 - 31 December 2025: a principal amount equal to USD 50 million, plus accrued and unpaid interest; and
 - 31 December 2026: 100% of principal amount of the Notes then outstanding, plus accrued and unpaid interest.
- The Initial Guarantors are DTEK Oil&Gas B.V., Naftogazvydobuvannya PrJSC, Oil&Gas Overseas Trading B.V., Oil & Gas Exploitation LLC and NGD Holding LLC.
- With effect on and from the Restructuring Effective Date, Group shall pledge all of its rights in respect of receivables in the total aggregate amount of USD 81 million, owing to it by DTEK Oil&Gas Development B.V. (or any Affiliate of DTEK Oil&Gas Development B.V.) to resulting from the sale of assets by Group to DTEK Oil&Gas Development B.V. which completed prior to the Restructuring Effective Date. In addition, DTEK Oil&Gas B.V. will, and will procure that any other member of the Group will, grant security over all of its rights in respect of any receivables that may be owed to it or any other member of the Group by DTEK Oil&Gas Development B.V. (or any Affiliate of DTEK Oil&Gas Development B.V.) that result from the sale of assets by DTEK Oil&Gas B.V. (or any other member of the Group) to DTEK Oil&Gas Development B.V. (or any Affiliate of DTEK Oil&Gas Development B.V.).
- The terms and conditions relating to Notes among other things, will restrict the ability of the Group to take certain actions.

Sale of shares.

In April 2021 the Group sold its 100% shares in Kosul LLC to a related party for the total consideration of USD 5 million.

Company financial statements

31 December 2020



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

DTEK Oil&Gas B.V.
Company Balance Sheet – before proposed profit appropriation

<i>In millions of Ukrainian Hryvnia</i>	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Investments in subsidiaries	3	8,672	20,249
Loans to related parties	4	-	114
Other investments	4	1,070	40
Total non-current assets		9,742	20,403
Current assets			
Trade and other receivables	5	780	4,305
Loans to related parties	4	194	8,855
Cash and cash equivalents	5	5	13
Total current assets		979	13,173
TOTAL ASSETS		10,721	33,576
EQUITY			
Share capital	6	-	-
Share premium	6	1	1
Other reserves	6	267	443
Retained earnings	6	(1,898)	9,348
Result for the year	6	9,505	5,930
TOTAL EQUITY		7,875	15,722
LIABILITIES			
Provisions	13	151	301
Non-current liabilities			
Financial liabilities	7	1,543	989
Deferred income		-	1,743
Total non-current liabilities		1,543	2,732
Current liabilities			
Financial liabilities	7	778	8,005
Trade and other payables	8	374	5,119
Loans from related parties	9	-	1,697
Total current liabilities		1,152	14,821
TOTAL LIABILITIES		2,695	17,553
TOTAL PROVISIONS, LIABILITIES AND EQUITY		10,721	33,576

DTEK Oil&Gas B.V.
Company Income Statement

<i>In millions of Ukrainian Hryvnia</i>	Note	2020	2019
Share of result of subsidiaries	3	1,828	5,760
Other income after taxation	6	7,677	170
Net income attributable to shareholders		9,505	5,930

1 The Organisation and its Operations

General

DTEK Oil&Gas B.V. (former DTEK Investment B.V.) (“the Company”) is a private company limited liability incorporated on 12 October, 2007, under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands with the following registered and actual address: Strawinskylaan 1531, Tower B, Level 15, grid TB-15-046/089, 1077XX Amsterdam, the Netherlands. At 19 of September 2014 the Company has changed its direct shareholder to DTEK B.V. On 3 July 2020 the Company changed its direct shareholder to DTEK Oil&Gas Holdings B.V. from DTEK B.V. The Company is 100% owned by DTEK Oil&Gas Holdings B.V. The main activity of DTEK Oil&Gas B.V. relates to the holding equity interests on possible acquisitions of subsidiaries in the future. The principal activities of the Company and its subsidiaries are exploration, development and production of gas and gas condensate in Ukraine in order to meet the mission of developing Ukraine as energy independent country.

Dutch Chamber of Commerce registration number of the Company is 34284942.

Supervisory Board

The Board consists of 5 (five) members (2019: 5 (five) members). In 2020 DTEK Oil&Gas B.V. and its subsidiaries paid remuneration to The Supervisory Board in the amount of UAH 2 million (2019: UAH 5 million). At 31 December 2020 Supervisory Board was transferred to the of level DTEK Oil&Gas Holdings B.V. to oversee the Oil&Gas business as a whole.

Management Board

The Board consists of 2 (two) members (2019: 2 (two) members). In 2020 DTEK Oil&Gas B.V. and its subsidiaries paid remuneration to The Management Board in the amount of UAH 4 million (2019: UAH 4 million).

Basis of presentation of the company financial statements

The company financial statements of DTEK Oil&Gas B.V. are presented pursuant to the legal stipulations of BW Title 9 Book 2 of the Dutch Civil Code. In this context use was made of the option provided under art. 2:362 part 8 DCC to apply the accounting principles for the recognition and measurement of assets and liabilities and determination of results (including principles for presentation of financial instruments such as equity or debt) to the company’s financial statements to be consistent with those that are applied in the consolidated financial statements.

The subsidiaries and associates of the Company are presented in Note 1 to the accompanying Consolidated Financial Statements.

2 Accounting Policies

General

The accounting policies for the Company’s financial statements are the same as for the consolidated financial statements. Where no specific policies are mentioned, reference should therefore be made to the accounting policies relating to the consolidated financial statements.

Since the income statement for 2020 and 2019 of DTEK Oil&Gas B.V. is included in the consolidated financial statements, an abridged income statement has been disclosed in accordance with art. 2:402, DCC.

Investments in consolidated subsidiaries

Consolidated subsidiaries are all entities (including intermediate subsidiaries) over which the company has control. The company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are recognised from the date on which control is transferred to the company or its intermediate holding entities. They are derecognised from the date that control ceases.

The company applies the acquisition method to account for acquiring subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred by the company, liabilities incurred to the former owners of the acquiree and the equity interests issued by the company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

Investments in consolidated subsidiaries are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

2 Accounting Policies (Continued)

When an acquisition of an investment in a consolidated subsidiary is achieved in stages, any previously held equity interest is remeasured to fair value on the date of acquisition. The remeasurement against the book value is accounted for in the income statement.

When the company ceases to have control over a subsidiary, any retained interest is remeasured to its fair value, with the change in carrying amount to be accounted for in the income statement.

When parts of investments in consolidated subsidiaries are bought or sold, and such transaction does not result in the loss of control, the difference between the consideration paid or received and the carrying amount of the net assets acquired or sold, is directly recognised in equity.

Dividends declared by subsidiaries were recognised only to the extent of available net assets at the declaration date. The excess of dividends declared over the net assets of the subsidiaries which declared the dividends was credited to deferred income, as it becomes realisable from accounting perspective only after subsidiaries' net assets become positive.

Investments unrealised gains and losses

Unrealised gains on transactions between the company and its investments in consolidated subsidiaries are eliminated in full, based on the consolidation principles. Unrealised gains on transactions between the company and its investments in associates or joint ventures are eliminated to the extent of the company's stake in these investments.

Amounts due from investments

Amounts due from investments are stated initially at fair value and subsequently at amortised cost. Amortised cost is determined using the effective interest rate.

Elements of shareholders' equity

Various legal reserves required by Part 9, Book 2, of the Dutch Civil Code have been retained in the corporate balance sheet which form part of the retained profits in the consolidated balance sheet. These reserves restrict the ability to distribute equity. They are the reserve for property revaluations, the reserve for intangible assets (only to the extent related to the capitalized incorporation costs and the capitalized development costs, if any).

These reserves have been combined under other reserves.

The part of other reserves - revaluation reserve (Art. 2:390.1 DCC) is maintained in respect of unrealised fair value increase held by companies forming part of DTEK Oil&Gas B.V. and is non-distributable.

Additions to the reserve for property, plant and equipment revaluations are made directly to the equity, other reserves' part, after allowing for corporate income tax.

3 Investments in subsidiaries

Movements in investments in subsidiaries are as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Carrying amount at 1 January	20,249	15,126
Share of result of subsidiaries	1,828	5,760
Share of equity movements	(1,832)	-
Purchases of investments in subsidiaries	13	-
Other movements in subsidiaries	(10,131)	-
Dividends declared	(1,455)	(637)
Carrying amount at 31 December	8,672	20,249

Company's subsidiaries declared dividends during the year ended 31 December 2020 in the amount of UAH 1,455 million (2019: UAH 1,084 million) out of which UAH 1,455 million (2019: UAH 637 million) was credited to investments in subsidiaries and the remaining portion in the amount of UAH nil million (2019: UAH 447 million) was recognised as deferred income.

Other movements in subsidiaries include UAH 10,161 million, which represents the disposal of direct investments of 25% in Naftogazvydobuvannya PrJSC to a subsidiary with negative net equity value. This resulted in partial derecognition of Naftogazvydobuvannya PrJSC net assets from the investments cost. The profit from this operation amounts to UAH 4,535 million and is recorded in the Company Income Statement. For Consolidated Financial Statements, this is an intragroup transaction.

On 31 December 2020 the Company keeps a direct holding in Naftogazvydobuvannya PrJSC at 23% (31 December 2019: 48%).

3 Investments in subsidiaries (Continued)

In June 2020 as a part of Group's restructuring, the Group sold its subsidiaries, which are involved into trading activities and hold licenses for exploration and development of oil and gas fields to a newly created company under a common control of DTEK B.V. named DTEK Oil & Gas Development B.V. These subsidiaries are represented by the following entities: DTEK Neftegaz LLC, Investecogaz LLC, NGR B.V., Neftegazrazbotka LLC, Oil & Gas Systems LLC, Oil & Gas Energy LLC, Oil & Gas Geoeexploring LLC, Oil & Gas Global Development B.V., Oil & Gas Global Extraction B.V., Oil & Gas Innovation Stream B.V. (Note 28 to the accompanying Consolidated Financial Statements).

The profit from this operation is UAH 2,194 million (including the release of previously accumulated deferred dividend income on these subsidiaries) and is reflected in the Company Income Statement. In the Consolidated Financial Statements, loss from the Group reorganisation is reflected as a movement of equity in the amount of UAH 1,696 million.

Share of equity movements include share of loss from sale of a disposal group classified as held for sale in the amount of UAH 1,832 million. The difference of UAH 763 million with the consolidated result is due to the fact that the Company recognises losses of the subsidiaries only to the extent of net investment in subsidiaries. In the event the net equity value of a subsidiary becomes negative, additional losses are not recognized.

4 Other financial investments

Loans to related parties are changed as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Balance at 1 January	8,969	10,197
New loans issued	2	2,742
Settlement of loans issued	(1,306)	(878)
Proceeds from sale of shares of electricity distribution entities to a related party	(267)	-
Increase/(Decrease) in loans issued due to Novation/Assignment agreement	2,377	(2,402)
Set-off	(12,924)	-
Recognition of receivable from sale of subsidiaries upon Group reorganisation	907	-
Recognition of receivable from selling of shares of electricity distribution entities to a related party	891	-
Unwinding of discount	237	689
Loss on initial recognition	(14)	(198)
Gain on early repayment of loan provided to related parties	166	-
Interest accrued during the period	262	410
Interest paid	(433)	(144)
Accrual and change in provision for ECL according to IFRS 9	435	315
Foreign exchange gain/(loss)	1,962	(1,762)
Balance at 31 December	1,264	8,969

As at 31 December 2020 and 2019 non-current and current financial investments are presented as a loans, interest receivable and receivables for shares sold from DTEK Group's and other related companies. Financial investments are neither past due nor impaired and are non-rated.

Receivable for shares sold to related parties

Upon the sale of shares of DTEK Oil&Gas LLC to DTEK Oil & Gas Development B.V. as a part of the Group reorganisation, the Group recognised UAH 907 million of the consideration receivable, which is outstanding as at 31 December 2020. The balance of consideration receivable has a contractual maturity on 31 December 2020, while management expects that the balance will not be settled before 31 December 2027. The asset was recognised as an originated credit-impaired asset (POCI) as at origination date and classified as non-current financial investments as at 31 December 2020. At initial recognition, the nominal balance in the amount UAH 2,057 million was discounted at 11.53% annual rate, which includes time value of money and a lifetime credit risk of the debtor calculated based on the expected cash flows. After the initial recognition, the Group recognised UAH 131 million of net impairment gain for 2020, which represent cumulative changes in ECL during the period and increased the gross carrying amount of the financial instrument. The balance is denominated in US dollars (Note 11 to the accompanying Consolidated Financial Statements).

Loans to related parties

The Company recognised additional UAH 2,377 million of financial assets receivable under assignment agreement, where UAH 2,517 million was set-off with corresponding financial liabilities. Prior to settlement, the Group recognised on the aforementioned balances UAH 48 million of interest income. Based on these transactions UAH 189 million of financial liabilities remained unsettled as at 31 December 2020. Remaining changes during the period for these balances are due to recognised expected credit losses and foreign exchange difference.

4 Other financial investments (Continued)

In March 2020 the Company acquired 25% of Donetsk Grids LLC, 20.99% of Kyiv Grids LLC and 25% of Dnipro Grids LLC for a total consideration of UAH 891 million from a related party. The consideration payable was settled via set-off with corresponding balance of loans issued to related parties. The acquired shares were further sold to Grids B.V. Group for a consideration of UAH 891 million. From total balance of consideration receivable, UAH 267 million were settled in cash (presented in investing activities in the consolidated statement of cash flows) and UAH 624 million of receivables were offset with payable.

In 2020 the Company further set-off UAH 2,674 million of loans receivable with payables under assignment agreements and UAH 183 million with other accounts payable to a related party, which were outstanding as at 31 December 2019.

As at 31 December 2020 the Company settled all balances due from DTEK B.V. The settlement was performed via a non-cash set-off in the amount of the UAH 6,035 million of loans (Note 11 to the accompanying Consolidated Financial Statements).

Credit loss allowance both as at 31 December 2020 and 31 December 2019 was charged as 12-months expected credit losses. Expected credit loss rate as at 31 December 2020 for loans receivable from related parties was determined based on adjusted yield to maturity of corporate bonds and was in range from 7.46% up to 7.48% (31 December 2019: in range from 2.86% up to 4.09%).

The carrying amounts of loans approximate their fair values.

As of 31 December 2019 current loans receivable from related parties are recognised at fair value, bear nominal interest rate of 5%, accounted for under amortised cost at an effective interest of 10.38%.

As of 31 December 2020 current loans receivable from related parties includes interest receivable for total amount of UAH 189 million (including UAH 15 million of ECL) on loan and UAH 5 million of loan.

As at 31 December 2020 UAH 1,070 million were denominated in US dollars (31 December 2019: UAH 6,678 million) and UAH 194 million were denominated in EUR (31 December 2019: UAH 2,291 million).

As at 31 December 2020 UAH 194 million of loans fall due within one year.

All loans to related parties are not secured.

5 Current assets

As at 31 December, current assets were as follows:

<i>In millions of Ukrainian Hryvnia</i>	31 December 2020	31 December 2019
Accounts receivable from related parties for bonds sold	-	2,453
Receivable on assignment agreements from related parties	-	1,741
Dividend receivable from related parties (less provision of UAH 54 million) (2019: UAH 4 million)	671	110
Prepayments of interest of deferred consideration for subsidiary acquisition	92	-
Other receivables	17	1
Cash and cash equivalents	5	13
Total current assets	785	4,318

Accounts receivable from related parties are recognized at fair value and subsequently measured at amortized cost. Fair value of other current assets, except receivable for bonds sold, approximates the book value, due to their short-term character.

Credit loss allowance both as at 31 December 2020 and 31 December 2019 was charged as 12-months expected credit losses. Expected credit loss rate as at 31 December 2020 for current receivable from related parties was determined based on adjusted yield to maturity of corporate bonds and was in range from 7.46% up to 7.48% (31 December 2019: in range from 2.86% up to 4.09%).

The Company does not hold any collateral for outstanding accounts receivable.

All receivables fall due within one year.

No cash and cash equivalents were restricted as at 31 December 2020 and 31 December 2019.

5 Current assets (Continued)

Accounts receivable from related parties for bonds sold

Accounts receivable from related parties (DTEK B.V.) for bonds sold are denominated in UAH, recognised at fair value and accounted for under amortised cost at effective interest of 21.3%. As at 31 December 2020 the Group settled all balances due from DTEK B.V. The settlement was performed via a non-cash set-off (Note 11 to the accompanying Consolidated Financial Statements).

Receivable on assignment agreements from related parties

During 2019 the Group obtained another financial asset in the amount of UAH 1,741 million as receivable on assignment agreements, which was result of novation agreements with related parties. This financial asset is receivable from DTEK B.V., due on demand and contractually interest free. As at 31 December 2020 the Group settled all balances due from DTEK B.V. The settlement was performed via a non-cash set-off (Note 11 to the accompanying Consolidated Financial Statements).

Receivables on assignment agreements of 2019 are recognised at fair value being carrying value.

Dividend receivable from related parties

During 2020 subsidiaries of the Company declared profit distribution attributable to the Company for the total amount of UAH 1,455 million (2019: UAH 1,084 million).

The share of UAH 253 million of the dividends were paid out to the Company as at 31 December 2020 (2019: UAH 971 million), UAH 588 million settled by means of set-off. Other changes are due to the change in the amount of expected credit losses and due to foreign exchange gain.

The management determined that expected credit losses on the dividends receivable balance as at 31 December 2020 was UAH 54 million at the rate of 7,46 %- 7,48% (2019: UAH 4 million at the rate of 3.06%).

6 Equity

Movements in equity are as follows:

<i>In millions of Ukrainian Hryvnia</i>	Share capital	Share premium	Other reserves	Retained earnings	Result for the year	Total
Balance at 1 January 2019	0	1	539	6,178	3,074	9,792
Profit appropriation	-	-	-	3,074	(3,074)	-
Result for the year ended 31 December 2019	-	-	-	-	5,930	5,930
Property, plant and equipment:						
- Realised revaluation reserve	-	-	(117)	117	-	-
- Deferred tax related to realised revaluation reserve	-	-	21	(21)	-	-
Balance at 31 December 2019	0	1	443	9,348	5,930	15,722
Profit appropriation	-	-	-	5,930	(5,930)	-
Result for the year ended 31 December 2020	-	-	-	-	9,505	9,505
Sale of disposal group classified as held for sale	-	-	-	(1,832)	-	(1,832)
Dividends' distribution	-	-	-	(15,520)	-	(15,520)
Property, plant and equipment:						
- Realised revaluation reserve	-	-	(216)	216	-	-
- Deferred tax related to realised revaluation reserve	-	-	40	(40)	-	-
Balance at 31 December 2020	0	1	267	(1,898)	9,505	7,875

The authorised share capital of DTEK Oil&Gas B.V. equals to fully paid share capital and comprises 18,000 ordinary shares with a par value of Euro 1 per share in total amount of Euro 18,000. All shares carry one vote.

The revaluation reserves as part of other reserves are maintained for the revaluation of property, plant and equipment.

Result for the year includes UAH 1,828 million income of subsidiaries (2019: UAH 5,760 million), UAH 6,729 million income of disposal investments in subsidiaries (Note 3) (2019: UAH nil million) and UAH 948 million other income after taxation (2019: UAH 948 million).

Proposed profit appropriation

In line with the stipulations in article 23 of the articles of association of DTEK Oil&Gas B.V., which state that the General Meeting of Shareholders shall determine the allocation of accrued result, the Management Board proposes to appropriate the gain for the year ended 31 December as follows:

DTEK Oil&Gas B.V.
Notes to the Company Financial Statements – 31 December 2020

6 Equity (Continued)		
<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Dividends	242	-
Gain to retained earnings	9,263	5,930
Profit for the period	9,505	5,930

Difference in equity and profit/loss between the company and consolidated financial statements

The difference between equity according to the Company balance sheet and equity according to the consolidated balance sheet of UAH 11,959 million (2019: UAH 2,412 million), as well as the result according to the Company income statement and result according to the consolidated income statement of UAH 8,257 million (2019: UAH 578 million) is due to the fact that the Company recognise losses of the subsidiaries only to the extent of net investment in subsidiaries which includes long-term receivables that in substance form part of the net investment in the subsidiary. In the event the net equity value of a subsidiary becomes negative additional losses are not recognised.

7 Financial liabilities

As at 31 December financial liabilities were as follows:

<i>In thousands of Ukrainian Hryvnia</i>	2020	2019
Non-current		
Deferred consideration for subsidiary acquisition	1,543	-
Loans from related parties and accrued interest	-	989
Total non-current financial liabilities	1,543	989
Current		
Obligation to related parties for bonds acquired	205	4,212
Liabilities to related parties due to Novation/Assignment agreement	126	2,118
Deferred consideration for subsidiary acquisition	447	1,668
Interest payable	-	7
Total current financial liabilities	778	8,005

The movements in non-current financial liabilities were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Carrying amount at 1 January	989	3,960
Set-off	(126)	-
Reclass of liabilities from non-current to current	(851)	(3,427)
Reclass of liabilities from current to non-current	1,293	-
Unwinding of discount on obligation for bonds acquired	-	219
Increase in loans payable to related parties	135	980
Interest accrued during the period	97	43
Change in liability due to Novation/Assignment agreements, neto	(246)	-
Loans/interest repaid	(97)	(1)
Foreign exchange loss/(gain)	349	(785)
Carrying amount at 31 December	1,543	989

The movements in current financial liabilities were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Carrying amount at 1 January	8,005	4,684
Reclass of liabilities from non-current to current	851	3,427
Reclass of liabilities from current to non-current	(1,293)	-
Set-off	(11,274)	-
Recognition of payable for acquired shares of electricity distribution entities (Note 4)	891	-
Debt repayment under the assigned agreement	-	-
Unwinding of discount	-	253
Loss on early repayment of loan provided to related parties	185	-
Interest accrued during the period	43	-
Change in liability due to Novation/Assignment agreements, neto	2,290	-
Foreign exchange loss/(gain)	1,080	(359)
Carrying amount at 31 December	778	8,005

7 Financial liabilities (Continued)

Financial liabilities are represented mainly by liabilities for bonds purchased from related parties, accounts payable to related parties based on assignment agreements and deferred consideration for subsidiary acquisition.

Obligation to related parties for bonds acquired

Obligations for bonds are recognised at fair value and are accounted for under amortised cost at an effective interest of 10.38% respectively (2019: accounts payable to related parties and obligations for bonds: 11.396% and 10.38%).

Obligations for bonds acquired in the amount of UAH 205 million were denominated in EUR (2019: UAH 1,759 million) and UAH nil million in UAH (2019: UAH 2,453 million)

Out of total balance payable, UAH 3,818 was set-off with financial assets from DTEK B.V., UAH 789 million were set-off with financial assets of subsidiary and UAH 205 million remained unsettled as at 31 December 2020. Remaining change is due to foreign exchange loss (Note 18 to the accompanying Consolidated Financial Statements).

Liabilities to related parties due to Novation/Assignment agreement

Accounts payable to related parties in the amount of UAH 126 million were denominated in USD (2019: UAH 2,118 million).

In March 2020 the Company acquired 25% of Donetsk Grids LLC, 20.99% of Kyiv Grids LLC and 25% of Dnipro Grids LLC for a total consideration of UAH 891 million from a related party. The consideration payable was settled via set-off with corresponding balance of loans issued to related parties (Note 11 to the accompanying Consolidated Financial Statements).

Further in 2020 upon a number of reassignments, the Company recognised UAH 2,290 million of interest free payable to a subsidiary of DTEK Oil&Gas Development B.V. and UAH 2,214 million out of the total balance payable were set-off with financial assets. Based on these transactions UAH 126 million of financial liabilities remained unsettled as at 31 December 2020. Remaining changes during the period for these balances are due to foreign exchange difference

The outstanding balance of payables to subsidiaries in the amount UAH 3,688 million were set-off with financial assets.

Deferred consideration for subsidiary acquisition

Deferred consideration for acquisition of PrJSC Naftogazvydobuvannya is linked to the USD. The purchase and sale agreement includes certain provisions which may require the Group to pay additional consideration to the sellers, the fair value of which is included in the purchase accounting.

During 2020 UAH 97 million of interest under deferred consideration was accrued and fully paid (2019: UAH 126 million). In addition the Group prepaid UAH 92 million of interest to be recognised for twelve months ended 2021, which is recognised as other receivables as at 31 December 2020. The remaining change in deferred consideration is due to foreign exchange loss.

In 2020 the Group signed additional agreement, which prolonged the liability under the deferred consideration to February 2022 (31 December 2019: February 2020). Correspondingly, management reclassified UAH 1,543 million of liability to non-current other financial liabilities as at 31 December 2020.

Another part of deferred consideration for acquisition of PrJSC Naftogazvydobuvannya is classified as current financial liability. Change in this part of deferred consideration is due to change in fair value of the liability (Note 18 to the accompanying Consolidated Financial Statements).

All current financial liabilities fall due within one year.

The fair value of the current liabilities approximates the book value, due to their short-term character

All financial liabilities are not secured.

8 Trade and other payables

Accounts payable to related party at 31 December 2020 is UAH 374 million UAH (2019: UAH 5,119 million), which is due on 31 December 2020.

In 2020 UAH 3,011 million was offset with receivables and UAH 2,303 million settled in cash. During 2020 the Group was recognised additional UAH 323 million of payables to a related party under the assignment agreement. Remaining change is due to foreign exchange difference.

The fair value of payables approximates their carrying amount at the balance sheet date.

There is neither repayment schedule nor interest determined on the current account to the shareholder.

DTEK Oil&Gas B.V.
Notes to the Company Financial Statements – 31 December 2020

9 Loans from related parties

As at 31 December, loans from related parties were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Carrying amount at 1 January	1,697	2,804
New borrowings	-	122
Settlement of borrowings	-	(1,011)
Set-off	(1,991)	-
Interest accrued during the period	47	95
Foreign exchange loss/gain	247	(313)
Carrying amount at 31 December	-	1,697

Loan is denominated in USD.

The loans are initially recognised at fair value. The carrying amounts of borrowing approximate their fair values.

During 2020 loan was reassigned to DTEK B.V. and further settled via a non-cash set-off with receivables.

10 Average number of employees

During the years ended 31 December 2020 and 2019, the average number of employees, based on full time equivalents, was one person.

11 Directors remuneration

The directors of the Company received remuneration of UAH 4 million (2019: UAH 4 million).

12 Independent auditor's Remuneration

The following fees were expensed in the income statement in the reporting period:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Audit of the financial statements including audit fee of PricewaterhouseCoopers Accountants N.V. of UAH 2 million (31 December 2019: UAH 1 million)	8	4
Tax services	3	1
Total audit fees	11	5

13 Taxation

For Current Income Tax (CIT) purposes the Company is part of the fiscal unity together with other Dutch DTEK Group entities which is headed by DTEK B.V. Under the standard conditions, the members of the fiscal unity are jointly and severally liable for any taxes payable by the fiscal unity. Based on the principles of the fiscal unity, the Company accrues CIT to DTEK B.V. DTEK B.V. settles, based on the outcome of the fiscal consolidation, the CIT with the tax authorities. CIT assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. As at 31 December 2020 no current income tax is recognised in the DTEK Oil&Gas B.V. financial statements.

The current income tax is UAH nil million for 2020 (2019: income tax UAH nil million). Deferred income tax benefits for the Company is UAH 150 million for 2020 (2019: expenses of UAH 311 million). Dividends for this company are not subject for withholding taxes. The Company has not submitted its tax declaration for 2019 and 2020 since according to the legislation the tax declaration will be filed by the head of the fiscal unity (DTEK B.V.). Based on the estimate at 31 December 2020 the Company's payable position amounts to UAH 143 million towards fiscal unity.

Contingent liabilities in relation to tax litigations are disclosed in Note 29 of the accompanying Consolidated Financial Statements.

14 Off balance sheet commitments

Off balance sheet commitments and contingencies of the Company are primarily tax related.

The ultimate tax consequences of transactions and calculations are uncertain, partly because of uncertainty concerning their timing. The Company continually assesses such matters and where final tax sums differ from the estimates such differences are recognised as income tax provisions in the period in which the differences become apparent.

As at 31 December 2020 the Company's contingent liabilities in relation to uncertain tax positions are equal to UAH 269 million (31 December 2019: UAH nil million).

15 Subsequent events

We refer to Note 34 of the notes to the consolidated financial statements.

Signed by entire Management Board,

___ May 2021

Mr. Maksym Timchenko, Director

SCM Management B.V., Director

Other information

Articles of association governing profit appropriation

The articles of association stipulate, in accordance with article 23, that the annual result obtained is at the free disposal of the General.

Independent auditor's report

The independent auditor's report is set forth on the next pages.



Independent auditor's report

To: the general meeting of DTEK OIL&GAS B.V.

Report on the financial statements 2020

Our opinion

In our opinion:

- the consolidated financial statements of DTEK OIL&GAS B.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2020 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of DTEK OIL&GAS B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of DTEK OIL&GAS B.V., Amsterdam. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2020;
- the following statements for 2020: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2020;
- the company income statement for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

FV7TCMR7R25C-1991173209-101

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The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

Independence

We are independent of DTEK OIL&GAS B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of management

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 21 May 2021
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A.F. Westerman RA



Appendix to our auditor's report on the financial statements 2020 of DTEK OIL&GAS B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.