DTEK Oil&Gas Development B.V.

Annual Report
for the year ended 31 December 2020

CONTENTS

Directors' Report

Introduction

The Management Board of DTEK Oil&Gas Development 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 Development B.V. (formerly Premium Household B.V.) is a private limited liability company incorporated on 25 August 2015, under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. Company and its subsidiaries (together referred to as "the Group" or "DTEK Oil&Gas Development") formed a Group during 2020 as a result of the reorganisation of DTEK Oil&Gas B.V. and its subsidiaries. As the result of the reorganisation, the Company acquired companies, which were previously owned by DTEK Oil&Gas B.V. and which are involved into trading of gas and hold licences for future exploration and development.

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 are gas trading and development of oil and gas fields in Ukraine in order to meet mission of developing Ukraine as energy independent country. As at 31 December 2020, the Group has three licensed oil and gas fields in Poltava and Kharkiv regions.

Currently DTEK Oil&Gas Development and its subsidiaries are reselling the gas mainly to related parties for further distribution to various customers. The Company is not involved into marketing and distribution activities. Currently the Group purchases gas for resale from a subsidiary of DTEK Oil&Gas B.V.

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

Business Combinations and Group structuring

In March 2020 the Group sold shares of DTEK Kyiv Regional Grids PrJSC (former Kyivoblenergo PJSC) and DTEK Odesa Grids JSC (former Odessaoblenergo JSC) to DTEK Grids B.V. Group, as planned in 2019 upon acquisition of the companies. 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 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 early 2020 DTEK Oil & Gas B.V. Group took decision of selling its subsidiaries, which were involved into trading of gas and gas condensate and held licences 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 Oil&Gas 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 acquisition was accounted for as a capital reorganisation, where the Group recognised pre-combination book values of the acquired entities with comparative information on these entities presented for all periods.

Details of such changes in the group structure are described in Note 24.

Discontinued operations

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 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 Odessa region and are major Distribution System Operators in those regions.

The Group purchased these entities with an intention 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 25).

Financial position, financial performance and solvency

Revenue of DTEK Oil&Gas Development for the year ended 31 December 2020 was UAH 6,682 million (for the year ended 31 December 2019: UAH 9,395 million) and net loss from continuing operations was UAH 2,879 million (for the year ended 31 December 2019: net profit UAH 958 million). On 31 December 2020 the total assets of the DTEK Oil&Gas Development were UAH 17,436 million (as at 31 December 2019: UAH 38,598 million). On 31 December 2020 the Group has negative equity in the amount of UAH 5,798 million (as at 31 December 2019: positive equity in the amount of UAH 2,958 million). For the year ended 31 December 2020, the Group received positive cash flows of continuing operations from operation activities in the amount of UAH 1,236 million (for the year ended 31 December 2019: UAH 2,223 million). On 31 December 2020 current liabilities of DTEK Oil&Gas Development exceeded its current assets by UAH 10,391 million (as at 31 December 2019: by UAH 6,498 million). The Group's total liabilities to total assets ratio as at 31 December 2020 was 133.3% (31 December 2019: 92.3%).

The appropriateness of the going concern assumption for the preparation of these consolidated financial statements is disclosed in Note 3 to the accompanying Consolidated Financial Statements.

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 0.5 (31 December 2019: 0.8).

As disclosed in Note 3 to the accompanying Consolidated Financial Statements, as at 31 December 2020 current liabilities of the Group include UAH 10,674 million of current trade accounts payable for a supplied gas payable to the company under common control of DTEK Oil&Gas Holdings B.V. (the Parent). The Group has received a written letter of support from the company under common control of the Parent that they will not claim for an immediate payment for the aforementioned balances in case this would cause financial difficulty to the Group.

Share Capital and Capital Distributions

The authorised share capital of DTEK Oil&Gas Development B.V. equals to fully paid share capital and comprises 10,000 ordinary shares with a par value of Euro 1 per share in total amount of Euro 10,000. All shares carry one vote.

There is no scheduled dividends distribution in the foreseeable future.

Financing activity

Financing activity of the Company consists mainly of intra-group loans. The DTEK Group's (which refers to DTEK B.V. and it's subsidiaries) overall risk management policies are also applicable to the DTEK Oil&Gas Development and seek to minimise the potential adverse effects on the DTEK Group's financial performance for 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. The Treasury department identifies, evaluates and proposes risk management techniques to minimise these exposures.

Additionally, DTEK Oil&Gas Development 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 audits by an independent auditor and internal auditors.

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.

Financial risk management

Exposure of the Group to different financial risks is disclosed in Note 26 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 purchased from related parties 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 as at 31 December 2020 and as at date of these financial statements.

● **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.

● **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 3.6 thousand per 1 thousand of m3 of gas, which is a 42% decrease. However, starting from August 2020, gas prices started rising in both domestic and world markets, and in April 2021 Group's average selling price was UAH 6.3 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.

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:

- Deterioration of economic conditions on the gas market due to global decrease in gas price based mainly on its overproduction;
- Unavailability of debt capital on Ukrainian, or international markets to fund Group's expansion.

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 Management Board of the Company. The financial statements will be 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 Development executes 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.

Social responsibility and sustainable development

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 Development 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 DTEK 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 implementation of which the Group implements the Social Partnership Programme. The programme 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.

The DTEK 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 Development 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 Development openly declares its anti-corruption standards and adheres to the principle of zero tolerance for corruption. DTEK Oil&Gas Development continues to report on social corporate responsibility and sustainable development.

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 58 employees (2019: 54 employees).

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

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, 61 employees used the educational products including from DTEK Academy (2019: 53 employees used the educational products including from DTEK Academy).

Code of Ethics

The DTEK Group's Code of Ethics is applied to the DTEK Oil&Gas Development. 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 Board

The Company strives to get the best applicable persons in the Management Board despite the gender or culture. Selection of members of the Management Board will continue to be based on experience, background, skills, knowledge and insights, with due regard for the importance of a balanced composition.

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. The Management Board of the Company consists of one legal person and one man. The Company has not created the Supervisory Board as at 31 December 2020. 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 reorganisation in the management structure and integration of newly acquired assets to the Group.

The next stages are devoted to 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.

Taking into account the price recovery in 2021 the Group will focus on the following key areas:

- Additional exploration and development of hard-to-recover reserves at the Group's current fields;
- Optimisation of operating costs and capex investments.

In 2022 the Group plans to start drilling of oil and gas wells at new licensed fields in Poltava region.

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 30 to the accompanying Consolidated Financial Statements.

Signed by entire Management Board,
___ May 2021

________________________________ Mr. Maksym Timchenko, Director

________________________________ Ms. Nataliya Muktan, SCM Management B.V., Director

________________________________ Ms. Eliza den Aantrekker, SCM Management B.V., Director

In millions of Ukrainian Hryvnia	Note	31 December 2020	31 December 2019	1 January 2019
ASSETS				
Non-current assets				
Property, plant and equipment		38	14	7
Intangible assets	8	767	111	27
Financial investments	9	5,840	271	-
Deferred income tax asset	22	-	164	147
Total non-current assets		**6,645**	**560**	**181**
Current assets				
Inventories	10	-	-	163
Trade and other receivables	11	69	131	508
Financial investments	9	10,662	26,170	20,041
Cash and cash equivalents	12	60	34	2,630
Total current assets		**10,791**	**26,335**	**23,342**
Assets of disposal group classified as held for sale	24, 25	**-**	**11,703**	**-**
TOTAL ASSETS		**17,436**	**38,598**	**23,523**
EQUITY				
Share capital	13	0	0	0
Retained earnings / (Accumulated loss)		(5,798)	1,647	419
Equity attributable to owners of the parent		**(5,798)**	**1,647**	**419**
Non-controlling interest of disposal group	6	**-**	**1,311**	**-**
TOTAL EQUITY / (DEFICIT IN EQUITY)		**(5,798)**	**2,958**	**419**
LIABILITIES				
Non-current liabilities				
Other financial liabilities	16	2,052	4	2
Total non-current liabilities		**2,052**	**4**	**2**
Current liabilities				
Bank borrowings	14	760	585	-
Other financial liabilities	15	8,092	6,704	7
Trade and other payables	16	12,307	25,458	22,998
Current income tax payable		23	52	79
Other taxes payable		-	34	18
Total current liabilities		**21,182**	**32,833**	**23,102**
Liabilities of disposal group classified as held for sale	24, 25	**-**	**2,803**	**-**
TOTAL LIABILITIES		**23,234**	**35,640**	**23,104**
TOTAL LIABILITIES AND EQUITY		**17,436**	**38,598**	**23,523**

Signed by entire Management Board,
____ May 2021

______________________________ Mr. Maksym Timchenko, Director

______________________________ Ms. Nataliya Muktan, SCM Management B.V., Director

______________________________ Ms. Eliza den Aantrekker, SCM Management B.V., Director

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

In millions of Ukrainian Hryvnia	Note	2020	2019
Continuing operations:			
Revenue	17	6,682	9,395
Cost of sales	18	(6,516)	(7,929)
Gross profit		**166**	**1,466**
Other operating income		-	2
General and administrative expenses	19	(190)	(178)
Selling expenses		(5)	(11)
Other operating expenses	20	(2,493)	(13)
Net impairment losses on financial assets		(194)	(501)
Net foreign exchange loss on operating activities		(4)	(222)
Operating (loss) / profit		**(2,720)**	**543**
Net foreign exchange gain on financing and investing activities		450	268
Finance income	21	141	627
Finance costs	21	(218)	(331)
(Loss) / profit before income tax		**(2,347)**	**1,107**
Income tax expense	22	(532)	(149)
(Loss) / profit for the year from continuing operations		**(2,879)**	**958**
(Loss) / profit is attributable to:			
Equity holders of the Company		(2,879)	958
Non-controlling interest		-	-
Profit for the year from discontinued operations	24	**670**	**1,176**
Profit is attributable to:			
Equity holders of the Company		541	994
Non-controlling interest		129	182
(Loss) / profit for the year		**(2,209)**	**2,134**

In millions of Ukrainian Hryvnia	Attributable to equity holders of the Company			Non-controlling interest	Total Equity
	Share capital	Retained earnings	Total		
Balance at 1 January 2019	**0**	**419**	**419**	**-**	**419**
Profit for the year from continuing operations	-	958	**958**	**-**	**958**
Profit for the year from discontinued operations	-	994	**994**	**182**	**1,176**
Total comprehensive income for 2019	-	**1,952**	**1,952**	**182**	**2,134**
Incorporation of subsidiary	-	1	**1**	-	**1**
Acquisition of disposal group classified as held for sale	-	-	**-**	1,129	**1,129**
Dividends' distribution (Note 13)	-	(725)	**(725)**	-	**(725)**
Balance at 31 December 2019	**0**	**1,647**	**1,647**	**1,311**	**2,958**
Loss for the year from continuing operations	-	(2,879)	**(2,879)**	**-**	**(2,879)**
Profit for the year from discontinued operations	-	541	**541**	129	**670**
Total comprehensive loss for 2020	**-**	**(2,338)**	**(2,338)**	**129**	**(2,209)**
Dividends' distribution (Note 13)	-	(462)	**(462)**	-	**(462)**
Loss from sale of a disposal group classified as held for sale (Note 25)	-	(2,595)	**(2,595)**	(1,440)	**(4,035)**
Loss from the Group reorganisation (Note 24)	-	(2,050)	**(2,050)**	-	**(2,050)**
Balance at 31 December 2020	**0**	(5,798)	**(5,798)**	-	**(5,798)**

In millions of Ukrainian Hryvnia	Note	2020	2019
Cash flows from operating activities			
(Loss) / profit before income tax from continuing operations		(2,347)	1,107
Adjustments for:			
Foreign exchange gain on investing and financing activities and unrealised foreign exchange gains on operating activity		(446)	(46)
Finance costs / (income), net	21	77	(296)
Depreciation and impairment of property, plant and equipment and amortisation of intangible assets		7	10
Net change in provision for financial instruments and trade and other receivables		194	501
Fair value loss on forward derivative contracts	20	2,488	-
Other		3	-
Operating cash flows before working capital changes		**(24)**	**1,276**
Trade and other receivables		239	407
Inventories		-	163
Trade and other payables		1,251	515
Taxes payable other than corporate income tax		(34)	16
Cash generated from operations		**1,432**	**2,377**
Income taxes paid		(166)	(193)
Interest paid	14	(85)	(54)
Interest received		55	93
Net cash generated from operating activities of continuing operations		**1,236**	**2,223**
Net cash generated from operating activities of disposal group		**672**	**2,458**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(687)	(101)
Proceeds from disposal of subsidiaries acquired with a purpose for resale	25	1,666	-
Loans and financial aids provided		(4,712)	(7,978)
Purchase of corporate bonds		(445)	-
Repayment of loans and financial aids provided		4,617	1,777
Consideration received for reassigned payable	15	2,175	-
Acquisition of subsidiary with a purpose for resale	23	-	(6,432)
Net cash generated from / (used) in investing activities		**2,614**	**(12,734)**
Net cash used in investing activities of disposal group		**(252)**	**(968)**
Cash flows from financing activities			
Consideration paid for reassigned receivable	15	(2,007)	-
Bank borrowings received	14	170	585
Loans and financial aid received from related parties	15	121	4,518
Repayment of loans from related parties	15	(1,844)	-
Consideration received for reassigned loan	15	-	2,365
Financing received from a related party to settle its obligations	15, 16	-	1,246
Dividends paid		(253)	(789)
Net cash (used in) / generated from financing activities		**(3,813)**	**7,925**
Net cash used in financing activities of disposal group		**(9)**	**(909)**
Net increase/(decrease) in cash and cash equivalents of continuing operations		**37**	**(2,586)**
Cash and cash equivalents at the beginning of the year	12	34	**2,630**
Exchange loss on cash and cash equivalents		(11)	(10)
Cash and cash equivalents at the end of the year	12	**60**	**34**
Net increase in cash and cash equivalents of disposal group		**411**	**581**
Cash and cash equivalents at the disposal date/acquisition date of disposal group		**890**	**309**
Cash and cash equivalents of disposal group at disposal date / at the end of the year		**1,301**	**890**

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

1 The Organisation and its Operations

DTEK Oil&Gas Development B.V. (former Premium Household B.V.) (“the Company”) is a private limited liability company incorporated on 25 August 2015, under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands.

On 14 May 2020, 100% corporate rights of the Company were acquired by DTEK B. V., legal entity incorporated under the laws of the Netherlands, from the entities under common control of SCM.

From 1 July 2020, 100% corporate rights of the Company were transferred to DTEK Oil&Gas Holdings B.V., legal entity incorporated under the laws of the Netherlands, which is fully owned by DTEK B.V. Company and its subsidiaries (together referred to as “the Group” or “DTEK Oil&Gas Development”) formed a Group during 2020 as a result of the internal reorganisation of DTEK Oil&Gas B.V. and its subsidiaries. As the result of the reorganisation, the Company acquired ten legal entities (six of them were incorporated during 2019), which were previously owned by DTEK Oil&Gas B.V. and which are involved into trading of gas and hold licences for future exploration and development of gas fields.

The acquisition was accounted for as a capital reorganisation, where the Group recognised pre-combination book values of the acquired entities with comparative information on these entities presented for all periods. The difference between the cost of the transaction and the carrying value of the net assets was recorded in equity (Note 24).

The principal activities of the Company and its subsidiaries are gas trading and development of oil and gas fields in Ukraine. As at 31 December 2020, the Group has three licensed oil and gas fields in Poltava and Kharkiv regions.

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 7.

In 2019 in a sequence of transactions the Group acquired 93.9978% of shares in PJSC DTEK Kyiv Regional Grids and 70.4150% of shares in JSC DTEK Odesa Grids with a purpose of its further resale. In March 2020 the Group sold these shares to its related party DTEK Grids B.V. (Note 25).

The principal subsidiaries are presented below:

Name	% interest held as at			Country of incorporation
	31 December 2020	31 December 2019	1 January 2019	
DTEK OIL&GAS LLC	100.00	99.98	99.98	Ukraine
Investecogaz LLC	100.00	100.00	100.00	Ukraine
Neftegazrazrabotka LLC	100.00	100.00	100.00	Ukraine
NGR B.V.	100.00	100.00	100.00	Netherlands
OIL&GAS SYSTEMS LLC	100.00	100.00	-	Ukraine
OIL&GAS ENERGY LLC	100.00	100.00	-	Ukraine
OIL&GAS GEOEXPLORING LLC	100.00	100.00	-	Ukraine
OIL&GAS GLOBAL DEVELOPMENT B.V.	100.00	100.00	-	Netherlands
OIL&GAS GLOBAL EXTRACTION B.V.	100.00	100.00	-	Netherlands
OIL&GAS INNOVATION STREAM B.V.	100.00	100.00	-	Netherlands
DTEK Odesa Grids JSC	-	70.42	-	Ukraine
DTEK Kyiv Regional Grids PrJSC	-	94.00	-	Ukraine

The Company is registered at Strawinskylaan 1531, Tower B, Level 15, grid TB-15-046/089, 1077XX Amsterdam, the Netherlands, Dutch Chamber of Commerce registration number 63972735. The address of Ukrainian’s office is 8 Khokhlov Family str (20D), 041119 Kyiv, Ukraine.

The Group employed approximately 58 employees during 2020 (2019: 54 employees). No employees are employed by non-Ukrainian companies. All employees are allocated within the Group’s single operating segment - exploration, development, production and trading of oil and gas.

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.

2 Operating Environment of the Group (continued)

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

Throughout 2019-2020 due to favourable 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.

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 3.6 thousand per 1 thousand of m3 of gas, which is a 42% decrease. However, starting from August 2020, gas prices started rising in both domestic and world markets, and in April 2021 Group's average selling price was UAH 6.3 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, decline of gas prices in the first half of 2020 had no effect on impairment of the Group's assets as at 31 December 2020.

COVID-19 impact

Negative 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.

Until the end of 2020, multiple vaccines have been successfully developed and some countries have started vaccination process. 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. Administrative activities of the Group are partially being managed remotely to ensure that activities for the Group are maintained in the normal course of business. The COVID-19 pandemic did not have a material impact on the operations of the Group.

3 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 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 consolidated financial statements are the Group's first annual consolidated financial statements that comply with IFRS. The Group's IFRS transition date is 1 January 2019. Subject to certain exceptions, IFRS 1 requires retrospective application of the version of standards and interpretations effective as of 31 December 2020 in preparing the opening IFRS consolidated statement of financial position at 1 January 2019 and throughout all periods presented in its first IFRS consolidated financial statements. In preparing these consolidated financial statements, the Group has applied the mandatory exceptions to the retrospective application of other IFRSs and has applied the following optional exemption:

- The assets and liabilities of the subsidiaries were measured at carrying amounts that would be included in the previous parent's consolidated financial statements (DTEK Oil&Gas B.V.), based on the previous parent's date of transition to IFRS.

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).

3 Significant Accounting Policies (continued)

Going concern assumption. As at 31 December 2020 the Group's current liabilities exceeded its current assets by UAH 10,391 million (31 December 2019: current liabilities exceeded current assets by UAH 6,498 million; 1 January 2019: current assets exceeded current liabilities by UAH 240 million) and it generated positive cash flows of continuing operations from operating activities in the amount of UAH 1,236 million for 2020 year (2019: UAH 2,223 million). The Group incurred a net loss from continuing operations of UAH 2,879 million for the year ended 31 December 2020 (UAH 958 million of profit for 2019), which is driven mainly by recognised fair value loss on forward derivative contracts.

As at 31 December 2020 current liabilities of the Group include UAH 10,674 million (Note 16) of current trade accounts payable for a supplied gas payable to the company under common control of DTEK Oil&Gas Holdings B.V. (the Parent). The Group has received a written letter of support from the company under common control of the Parent that they will not claim for an immediate payment for the aforementioned balances in case this would cause financial difficulty to the Group as well as that it will provide the Group entities financial support to enable it to continue its operation for at least the next eighteen months from the balance sheet date in case of financial liquidity issues.

Considering aforementioned financial support from company under common control of the Parent and the fact that the Group's main operational activity will begin in 2021-2022, management remains confident that the Group will be able to generate sufficient cash flows from its operating activities to meet its obligations in the future.

The Management considers that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate and these financial statements have been prepared on a going concern basis.

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

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

Transactions denominated in currencies other than the relevant functional currency are translated into the functional currency, using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses, resulting from settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities at year end, are recognised in the income statement. Translation at year end does not apply to non-monetary items including equity investments 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; 1 January 2019: USD 1 = UAH 27.69); EUR 1 = UAH 34.74 (31 December 2019: EUR 1 = UAH 26.42; 1 January 2019: EUR 1 = UAH 31.71).

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.

3 Significant Accounting Policies (continued)

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.

Group reorganisations. Upon a capital re-organisation, the consolidated financial statements of the Parent should reflect the pre-combination book values of acquired entities with comparative information of these entities presented for all periods. No new goodwill upon result of re-organisation is recorded. The difference between the cost of the transaction and the carrying value of the net assets under capital reorganisation is recorded in equity. The consolidated financial statements will include the acquired entities' full-year results (including comparatives).

In early 2020 the DTEK Group took decision about internal reorganisation of DTEK Oil&Gas B.V. Group. In May the selling plan was approved and during 2-3 June 2020 DTEK Oil&Gas B.V. sold corporate rights of a number of its subsidiaries to a new Parent - DTEK Oil&Gas Development B.V. (Note 24). The acquisition was accounted as a capital reorganisation, where the Group recognised pre-combination book values of acquired entities with comparative information of these entities presented for all periods. The difference between the cost of the transaction and the carrying value of the net assets was recorded in equity.

Leases. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group's lease contracts refer to lease of the office premises 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 licences 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.

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.

3 Significant Accounting Policies (continued)

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 continuing 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 co-ordinated 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 continued 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.

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.

Financial instruments carried at fair value through profit and loss. The Group's gas forward derivative contracts are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. Fair values were determined based on quoted market prices.

3 Significant Accounting Policies (continued)

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.

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.

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. 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.

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. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

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 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, raw materials and spare parts, specific identification principle for goods for resale. 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.

3 Significant Accounting Policies (continued)

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.

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 legal claims which are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

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

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

Revenue recognition. 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.

Other operating expenses. Fair value loss on the financial instrument represents loss from change in fair value of gas forward derivative contracts.

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.

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

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.

4 Critical Accounting Estimates and Judgements (continued)

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:

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 consideration receivable for PJSC DTEK Kyiv Regional Grids and JSC DTEK Odesa Grids. In March 2020 the Group sold 93.9978% of shares in PJSC DTEK Kyiv Regional Grids and 70.4149% of shares in JSC DTEK Odesa Grids to DTEK Grids B.V. Group for a total nominal consideration of UAH 6,432 million, denominated in UAH. Out of total consideration receivable, UAH 1,666 million was settled to the Group in cash in 2020. Remaining balance of consideration receivable contractually is due on demand, while management expects that it will not be settled before 28 February 2023 (Note 9). The asset was recognised as an originated credit-impaired asset (POCI) as at origination date and at origination date the nominal balance 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. Would the period of settlement of such receivables be 1 year longer than currently expected, the carrying amount of the financial investments as of 31 December 2020 would be UAH 423 million lower and respectively consolidated profit before tax for 2020 would be UAH 73 million lower.

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

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

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

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.

Transactions with owners in their capacity as owners. In 2020 the Group sold a disposal group classified as held for sale. This transaction was done with the entities under common control of DTEK B.V. (refer to Note 1 and Note 25 for the details). The Group considered the nature and conditions of this transaction and concluded this is transaction with owners in their capacity as owners and therefore recognised the result from it directly in equity. If another treatment was applied, the result of this transaction would be accounted for in profit and loss for the period.

Gas forward contracts accounting. In the normal course of business, the Group enters forward contracts to buy or sell gas at a future date. Some of these contracts are entered into and continue to be held for the purpose of the delivery of the commodity in accordance with the contractual arrangements. As these contracts satisfy "own use" exemption under IFRS 9, the Group does not recognize such forward contract as derivatives and account them for as executory contracts. The remaining part of forward contracts, which are expected to be settled net in cash or by exchanging with other financial instruments, are recognized as derivatives according to IFRS 9 and held at fair value through profit and loss. Classification of forward contracts is performed at inception date based on management expectations regarding the subsequent contract fulfilment.

5 Adoption of New or Revised Standards and Interpretations

New and amended standards adopted by the group. The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group:

- 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).
- 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).

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:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB);
- 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).
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

These will likely have no material impact on the Group.

6 Subsidiaries with Material Non-controlling Interest

The Group has no subsidiaries with material non-controlling interest for the year ended 31 December 2020 and as at 1 January 2019.

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group for the year ended 31 December 2019:

In millions of Ukrainian Hryvnia	**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**
DTEK Odesa Grids JSC	Ukraine	29.58%	29.58%	140	1,069
DTEK Kyiv Regional Grids PrJSC	Ukraine	6%	6%	42	242

6 Subsidiaries with Material Non-controlling Interest (continued)

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

In millions of Ukrainian Hryvnia	Current assets	Non-current assets	Current liabilities	Non-current liabili-ties	Revenue	Profit/ Loss	Total compre-hensive income	Cash flows
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

7 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 outstanding balances are detailed below.

	31 December 2020		
In millions of Ukrainian Hryvnia	Parent [1]	DTEK BV Group subsidiaries	Entities under common control and joint ventures of SCM
Loans receivable from related parties (Note 9)	-	-	2,152
Financial aid receivable from related parties (Note 9)	-	5,039	4,809
Other financial investments from related parties (Note 9)	-	-	3
Receivables for bonds and shares sold to related parties (Note 9)	-	3,613	-
Receivable on assignment agreement from related parties (Note 9)	-	308	-
Corporate bonds issued by related parties (Note 9)	-	411	-
Cash and cash equivalents	-	-	4
Loans, interest payable and other liabilities (Note 15)	-	(7,656)	-
Financial liabilities on forward derivative contracts (Note 15)	-	(2,488)	-
Prepayments received (Note 16)	-	(26)	(1,184)
Trade and other accounts payable (Note 16)	-	(10,747)	-
Dividends payable (Note 16)	-	(292)	-

7 Balances and Transactions with Related Parties (continued)

	31 December 2019		
In millions of Ukrainian Hryvnia	**Parent [2]**	**DTEK BV Group subsidiaries**	**Entities under common control and joint ventures of SCM**
Financial aid receivable from related parties (Note 9)	-	6,943	5,529
Other financial investments from related parties (Note 9)	-	-	18
Equity securities (Note 9)	-	26	-
Receivables for bonds and shares sold to related parties (Note 9)	4,842	-	-
Receivable on assignment agreement from related parties (Note 9)	6,351	2,568	-
Trade and other receivables (Note 11)	-	126	-
Cash and cash equivalents	-	-	1
Loans, interest payable and other liabilities (Note 15)	(4)	(4,370)	(2,327)
Prepayments received (Note 16)	-	(2)	(1,238)
Trade and other accounts payable (Note 16)	-	(24,085)	-
Dividends payable (Note 16)	-	(83)	-

	1 January 2019		
In millions of Ukrainian Hryvnia	**Parent [2]**	**DTEK BV Group subsidiaries**	**Entities under common control and joint ventures of SCM**
Financial aid receivable from related parties (Note 9)	-	5,747	2,163
Other financial investments from related parties (Note 9)	1	-	19
Receivables for bonds and shares sold to related parties (Note 9)	4,295	-	-
Receivable on assignment agreement from related parties (Note 9)	5,746	1,340	-
Trade and other receivables (Note 11)	-	500	-
Cash and cash equivalents	-	-	1,207
Loans, interest payable and other liabilities (Note 15)	(2)	-	-
Prepayments received (Note 16)	-	-	(1,322)
Trade and other accounts payable (Note 16)	-	(21,476)	-
Dividends payable (Note 16)	-	(147)	-

1 Balances with related parties as at 31 December 2020 include outstanding balances with immediate parent company (DTEK Holdings B.V.) and an ultimate parent company (DTEK B.V.)

2 Balances with related parties as at 31 December 2019 and 1 January 2019 include outstanding balances with previous immediate parent company (DTEK Oil&Gas B.V.) and an ultimate parent company (DTEK B.V.)

Loans receivable

The loans receivable as at 31 December 2020 due from entities under common control of SCM comprise interest bearing loans. The balances outstanding from related parties as at 31 December 2020 are unsecured and settlements are made either in cash or by means of debt set-off with Group payable. As at 31 December 2020 the Group created provision for lifetime ECL for loans receivable under expected loss rate of 4.5% (Note 9).

Prepayments received

Prepayments received as at 31 December 2020, 31 December 2019 and 1 January 2019 from entities under common control of SCM and DTEK BV Group subsidiaries are non-interest bearing. The balances outstanding from related parties as at 31 December 2020, 31 December 2019 and 1 January 2019 are unsecured.

7 Balances and Transactions with Related Parties (continued)

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

In millions of Ukrainian Hryvnia	2020 Parent [1]	2020 DTEK BV Group subsidiaries	2020 Entities under common control of SCM	2019 Parent [2]	2019 DTEK BV Group subsidiaries	2019 Entities under common control of SCM
Revenue from resale of gas	-	6,682	-	-	9,392	-
Purchase of gas and services	-	(6,552)	-	-	(7,788)	(1)
Fair value loss on forward derivative contracts (Note 20)	-	(2,488)	-	-	-	-
Interest income on bank deposits	-	-	2	-	-	8
Interest income on loans provided (Note 21)	-	-	44	-	-	-
Interest income on corporate bonds	-	46	-			
Interest expense on bank borrowings and loans received (Note 21)	(48)	(62)	(13)	(79)	(2)	(100)

1 Transactions with related parties for the year ended 31 December 2020 include income and expense items with immediate parent company (DTEK Holdings B.V.) and intermediate parent company (DTEK B.V.)

2 Transactions with related parties for the year ended 31 December 2019 include income and expense items with previous immediate parent company (DTEK Oil&Gas B.V.) and intermediate parent company (DTEK B.V.)

Key management personnel compensation

Key management personnel consist of seven top executives (2019: 8 top executives). In 2020 total compensation to key management personnel amounted to UAH 70 million (2019: UAH 83 million). Compensation to the key management personnel consists of salary and bonus payments.

8 Intangible Assets

The movements of intangible assets were as follows:

In millions of Ukrainian Hryvnia	Cost	Accumulated amortisation and impairment	Net book value
As at 1 January 2019	**34**	**(7)**	**27**
Additions / (Charge) for the year	89	(5)	84
As at 31 December 2019	**123**	**(12)**	**111**
Additions / (Charge) for the year	663	(7)	656
As at 31 December 2020	**786**	**(19)**	**767**

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.

In October 2020 the Group acquired a new licence for oil and gas extraction in the Poltava region for a 20 years term for a cash consideration of UAH 650 million.

9 Financial Investments

Non-current financial investments comprised:

In millions of Ukrainian Hryvnia	31 December 2020	31 December 2019	1 January 2019
Receivables for shares sold to related parties (Note 7)	3,302	-	-
Loans receivable from related parties (Note 7)	2,108	-	-
Corporate bonds issued by related parties (Note 7)	411	-	-
Equity securities (Note 7)	6	26	-
Financial aid receivable from related party (Note 7)	-	227	-
Other	13	18	-
Total	**5,840**	**271**	**-**

Financial assets receivable from DTEK Grids B.V. Group. As described in Note 4 and Note 25, in March 2020 the Group sold 93.9978% of shares in PJSC DTEK Kyiv Regional Grids and 70.4149% of shares in JSC DTEK Odesa Grids to DTEK Grids B.V. Group for a total nominal consideration of UAH 6,432 million, denominated in UAH.

The part of the consideration receivable in the amount of UAH 311 million is shown within current financial investments. This amount was fully settled in March 2021. Remaining balance is recognised within non-current financial investments as a purchased originated credit-impaired asset (POCI).

Non-current loans receivable from related parties. Non-current loans receivable from related parties are denominated in US dollars, repayable by 31 December 2023 and carry effective interest 6.5% per annum.

Non-current corporate bonds issued by related parties. Non-current corporate bonds issued by related parties as at 31 December 2020 are recognised at fair value, bear nominal interest rate of 18% and are accounted for under amortised cost at an effective interest rate of 19.79% at origination date and are due in December 2030.

Non-current interest free financial aid receivable from related party as at 31 December 2019 is recognised at fair value and is accounted for under amortised cost at an effective interest rate of 14.64% at origination date and is due in September 2021. As at 31 December 2020 the Group reclassified UAH 227 million of financial aid receivable to current financial investments.

Equity securities are carried at fair value.

Current financial investments were as follows:

In millions of Ukrainian Hryvnia	31 December 2020	31 December 2019	1 January 2019
Financial aid receivable from related parties (Note 7)	9,848	12,245	7,910
Receivable on assignment agreements from related parties (Note 7)	308	8,919	7,086
Receivables for shares sold to related parties (Note 7)	311	2,389	1,842
Financial aid receivable	148	146	631
Loans receivable from related parties (Note 7)	44	-	-
Receivables for bonds sold to related parties (Note 7)	-	2,453	2,453
Government bonds	-	-	91
Other financial investments from related parties (Note 7)	3	18	20
Other	-	-	8
Total	**10,662**	**26,170**	**20,041**

Financial assets receivable from DTEK B.V. As at 31 December 2019 and 1 January 2019 current financial investments include respectively UAH 3,936 million and UAH 1,842 million of interest free financial assets denominated in UAH receivable from the ultimate parent – DTEK B.V. As at 31 December 2019 UAH 2,389 million was included into receivables for shares sold to related parties and UAH 1,547 million into receivables on assignment agreements from related parties. As at 1 January 2019 UAH 1,842 million is included to receivables for shares sold to related parties.

As at 1 January 2019 the Group has charged credit loss for these receivables in the amount of UAH 127 million. During 2019 management revised its estimate with respect to the timing of settlement of these balances and as at 31 December 2019, balances are classified as current with no material credit loss allowance charged.

9 Financial Investments (Continued)

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 2,389 million of receivables was set-off with payables for gas of the Group to subsidiaries of DTEK Oil&Gas B.V. payable as at 31 December 2019 (Note 16);
- UAH 1,547 million of receivables was set-off with payables on debts assignment agreements of the Group to related party payable as at 31 December 2019, which were transferred to DTEK Oil&Gas B.V in 2020 (Note 15).

Financial assets receivable from DTEK Oil&Gas B.V. Group. As at 31 December 2019 and 1 January 2019 current financial investments included respectively UAH 9,539 million and UAH 9,825 million of interest free financial assets receivable from the previous Parent Company – DTEK Oil&Gas B.V. and its subsidiaries. As at 31 December 2019 UAH 7,372 million was included into receivables on assignment agreements from related parties and UAH 2,453 million into receivables for bonds sold to related parties. As at 1 January 2019 UAH 7,086 million was included into receivables on assignment agreements from related parties and UAH 2,453 million into receivables for bonds sold to related parties. As at 31 December 2019 and 1 January 2019 the Group has not charged any material credit loss allowance for these receivables.

As at 31 December 2020 these receivables were fully settled by the Group. The settlement was performed via a non-cash set-off with payables for gas of the Group to subsidiaries of DTEK Oil&Gas B.V. payable as at 31 December 2019 (Note 16). Other changes are due to the foreign exchange gains.

Financial aid receivable. Financial aid receivable from related parties is interest free and is receivable in January-March 2021, apart from UAH 2,039 million, which is receivable on demand and UAH 251 million, which is receivable in September 2021 (31 December 2019: UAH 9,511 million of interest free financial aid receivable in January 2020, UAH 2,734 million receivable on demand; 1 January 2019: UAH 4,667 million of interest free financial aid receivable in January 2019). Out of total balance of the financial aid receivable from related parties as at 31 December 2020, UAH 8,274 million were settled in January-March 2021 (Note 30).

In 2019 management revised its estimate and recognised 100% ECL charge for UAH 715 million of interest free financial aid previously issued to third parties due to continuing non-payment. Management is, however, taking necessary legal steps to recover this financial aid.

As at 31 December 2020 and 31 December 2019 expected credit losses on UAH 1,324 million and UAH 2,734 million of financial aid respectively due on demand from DTEK Renewables B.V. were not charged as the Group owes to them similar payables, which will be settled not earlier than settlement of receivables. Cash management on such balances is performed at DTEK B.V. level and it is not expected that any credit loss shall be incurred.

As at 31 December 2020 UAH 2,274 million of the financial investments were denominated in US dollars (31 December 2019: UAH 4,133 million; 1 January 2019: UAH 3,940 million) and UAH 189 million of the financial investments were denominated in EUR (31 December 2019 and 1 January 2019: nil). Remaining balance of the financial investments was denominated in Ukrainian hryvnia.

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

	2020			2019	
In millions of Ukrainian Hryvnia	**Stage 1 (12-months ECL)**	**Stage 3 (lifetime ECL for credit im-paired)**	**POCI**	**Stage 1 (12-months ECL)**	**Stage 3 (lifetime ECL for credit im-paired)**
Provision for impairment at 1 January	**68**	**807**	**-**	**261**	**92**
Provision for impairment during the year	339	-	200	72	693
Reversal of provision	-	-	-	(241)	-
Transfer of certain financial assets to credit impaired	-	-	-	(22)	22
Exchange rate difference	11	-	-	(9)	-
Changes in estimates and assumptions	28	(16)	-	7	-
Provision for impairment at 31 December	**446**	**791**	**200**	**68**	**807**

9 Financial Investments (continued)

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:

In millions of Ukrainian Hryvnia	Expected annual loss rate	Gross carrying amount	Lifetime ECL	Basis
Financial investments issued to related parties	4.0%-8.39%	15,640	629	Adjusted yield to maturity on corporate bonds
Financial investments issued to other counterparties	10%	172	17	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:

In millions of Ukrainian Hryvnia	Expected annual loss rate	Gross carrying amount	Lifetime ECL	Basis
Financial investments issued to related parties	0.4%-4.09%	14,163	51	Adjusted yield to maturity on corporate bonds
Financial investments issued to other counterparties	10.0%	178	17	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 1 January 2019:

In millions of Ukrainian Hryvnia	Expected annual loss rate	Gross carrying amount	Lifetime ECL	Basis
Financial investments issued to related parties	3.36%-6.47%	6,750	227	Adjusted yield to maturity on corporate bonds
Financial investments issued to other counterparties	4.19%-6.77%	814	34	Adjusted yield to maturity on corporate bonds

As at 31 December 2020 and 31 December 2019, the Group increased ECL as compared to previous date 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 791 million allowance were measured based on ECL rate 100% (31 December 2019: UAH 807 million; 1 January 2019: UAH 92 million).

10 Inventories

As at 1 January 2019, inventories were fully represented by gas in responsible storage at Ukrtransgas LLC in underground gas storage facilities. This was a one-off case and as at 31 December 2019 and 31 December 2020 the Group did not have inventories.

11 Trade and Other Receivables

Current trade and other receivables were as follows:

In millions of Ukrainian Hryvnia	31 December 2020	31 December 2019	1 January 2019
Trade receivables due from related parties (31 December 2019: less provision of UAH 5 million; 1 January 2019: less provision of UAH 35 million)	-	126	500
Other receivables	62	2	1
Total financial assets	**62**	**128**	**501**
Prepayments to suppliers	7	3	7
Total non-financial assets	**7**	**3**	**7**
Total trade and other receivables	**69**	**131**	**508**

11 Trade and Other Receivables (continued)

As at 31 December 2020, 31 December 2019 and 1 January 2019 trade and other receivables were denominated in Ukrainian hryvnia.

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

In millions of Ukrainian Hryvnia	2020	2019
Provision for impairment at 1 January	**5**	**35**
Provision for impairment during the year	-	-
Reversal of provision	(5)	(27)
Changes in estimates and assumptions	-	(3)
Provision for impairment at 31 December	**-**	**5**

The impairment provision for financial receivables as at 31 December 2020 is not material.

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

In millions of Ukrainian Hryvnia	Expected loss rate	Gross carrying amount	Lifetime ECL	Basis
Trade receivables from related parties	3.83%	131	5	Adjusted yield to maturity on corporate bonds

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 1 January 2019:

In millions of Ukrainian Hryvnia	Expected loss rate	Gross carrying amount	Lifetime ECL	Basis
Trade receivables from related parties	6.55%	535	35	Adjusted yield to maturity on corporate bonds

12 Cash and Cash Equivalents

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

In millions of Ukrainian Hryvnia	31 December 2020	31 December 2019	1 January 2019
Bank balances receivable on demand	60	34	102
Term deposits with original maturity of less than three months	-	-	2,528
Total cash and cash equivalents	**60**	**34**	**2,630**

As at 31 December 2020 and 31 December 2019 cash and cash equivalents were denominated in Ukrainian hryvnia. As at 1 January 2019 cash and cash equivalents of UAH 774 million were denominated in US dollars and UAH 1,856 million were denominated in Ukrainian hryvnia.

As at 31 December 2020, 31 December 2019 and 1 January 2019, cash and cash equivalents are held with Ukrainian banks, not rated by Moody's rating agency. Non-rated banks ranked in the top 10 Ukrainian banks by size of total assets and capital (per National Bank of Ukraine).

13 Share Capital

The authorised share capital of DTEK Oil&Gas Development B.V. equals to fully paid share capital and comprises 10,000 ordinary shares with a par value of Euro 1 per share in total amount of Euro 10,000. All shares carry one vote.

In 2020 DTEK Oil&Gas LLC distributed dividends for 2019 (2019: for 2018) in the amount of UAH 462 million (2019: UAH 445 million), which are attributable to its previous Parent Company. In 2019 Investecogaz LLC distributed dividends for 2018 in the amount of UAH 280 million to its previous Parent Company.

No dividends' distribution were announced by parent company DTEK Oil&Gas Development B.V. as at 31 December 2020.

14 Bank Borrowings

During 2019 the Group signed a revolving credit line agreement with JSB Ukrgasbank with a total limit of UAH 615 million. The loan is denominated in Ukrainian hryvnia and bears 10.11% interest with maturity in December 2021 (31 December 2019: 18.95% interest with maturity in July 2020). As at 31 December 2020 and 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% interest with maturity in January 2021. As at 31 December 2020, the Group has withdrawn UAH 170 million.

Bank borrowings comprised:

In millions of Ukrainian Hryvnia	**31 December 2020**	**31 December 2019**	**1 January 2019**
Bank borrowings	760	585	-
Total	**760**	**585**	**-**

No assets of the Group are pledged under these loan agreements.

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

In millions of Ukrainian Hryvnia	**2020**	**2019**
Opening balance as at 1 January	**585**	**-**
Cash movements		
Receipt of loan	170	585
Repayment of interest expenses	(85)	(54)
Non-cash movements		
Interest expense	90	54
Closing balance as at 31 December	**760**	**585**

15 Other Financial Liabilities

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

In millions of Ukrainian Hryvnia	**31 December 2020**	**31 December 2019**	**1 January 2019**
Loans payable to related parties (Note 7)	2,046	-	-
Other liabilities	6	4	2
Total non-current other financial liabilities	**2,052**	**4**	**2**

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

In millions of Ukrainian Hryvnia	**31 December 2020**	**31 December 2019**	**1 January 2019**
Financial aid payable to related parties (Note 7)	2,525	2,629	-
Financial liabilities on forward derivative contracts (Note 7)	2,488	-	-
Financial liabilities on debts assignment agreements (Note 7)	2,350	2,327	-
Loans payable to related parties (Note 7)	729	1,741	-
Other liabilities	-	7	7
Total current other financial liabilities	**8,092**	**6,704**	**7**

Loans payable to related parties. During 2020 the previous Parent Company reassigned to the Group its obligation to repay their loans due to DTEK Renewables B.V. Group, entities under common control of DTEK B.V. The loan payable in the amount of UAH 2,143 million is denominated in USD, bears 6% and has maturity in July 2023. Remaining loan payable in the amount of UAH 183 million is denominated in EUR, bears 6.11% and has maturity in September 2022. The Group accepted this assignment in exchange for a consideration equal to the carrying value of the loan including the interests accrued to date which was considered to be a fair value of the liability and equals to UAH 2,290 million. As of 31 December 2020 financial liability on loans payable to related parties line includes UAH 2,326 million of carrying value of outstanding debt on this transaction. The respective consideration was further offset upon a number of reassignments with financial liabilities on debts assignment agreements.

15 Other Financial Liabilities (continued)

During 2019 the Group received UAH 1,741 million of loan from a related party. The recognised payable approximates the fair value of the instrument. The loan payable bears 3.95% + Libor 3m and is denominated in USD and is payable on demand (31 December 2019: has maturity in March 2020). During 2020 UAH 46 million of interest was accrued and UAH 1,612 million was settled by cash and included to line "Repayment of loan from related party" within financing activity of the consolidated statement of cash flows. As of 31 December 2020 financial liability on loans payable to related parties line includes UAH 449 million of carrying value of outstanding debt on this transaction. Remaining change is due to foreign exchange loss.

Financial aid payable to related parties. Financial aid payable to related parties is received in cash, bear no interest and is recognized at fair value approximating its carrying value. Part of this balances in the amount of UAH 2,242 million is payable on demand, the remaining UAH 283 million is due on January-March 2021 (31 December 2019: UAH 2,337 million was payable on demand, UAH 292 million was due on January-February 2020).

Financial liabilities on forward derivative contracts. Financial liabilities on forward derivative contracts in the amount of UAH 2,488 million represented by fair value measurement of gas forward derivative contracts through profit or loss (financial instruments measured at FVTPL). The contracts will be settled in the period from January to December 2021 based on the market prices defined according to the contracts provisions at the date of settlement. As at 31 December 2020 fair value of contracts were determined based on forward market prices on observable market data at the reporting date.

Forward derivative contracts were concluded with related parties in November 2020 for a sale of 1,395.81 millions of m3 of gas during 2021 for a fixed selling price at specified time intervals (709.06 million of m3 of gas (7,505,401 MWh) for the period April - September 2021 at the selling price of 12.3 Euro per 1 MWh of gas, 604.14 million m3 of gas (6,394,800 MWh) for the period January - December 2021 at the selling price of 12.5 Euro per 1 MWh of gas, 82.61 million m3 of gas (874,395 MWh) for the period January - March 2021 at the selling price of 12.36 Euro per 1 MWh of gas). The parties would compensate for the differences between the spot price of gas based on a defined trading platform and the contracted price at the time of settlement. Thus, if the quoted market price (i.e. spot price) of gas exceeds the contracted price, the Group is obligated to compensate the difference to counterparty, otherwise - the counterparty must compensate the difference to the Group.

Financial liabilities on debts assignment agreements. During 2020 the previous Parent Company assigned to the Group its obligation to repay UAH 2,390 million to a related party. The Group accepted this assignment in exchange for a consideration equal to the carrying value of financial liability assigned, which was considered to be a fair value of the liability. The financial liability assigned is denominated in USD, bears no interest and is payable on demand. Part of this liability in the amount UAH 391 million was further offset with loans issued to related party. As of 31 December 2020 financial liabilities on debts assignment agreements line includes UAH 2,145 million of carrying value of outstanding debt on this transaction.

During 2020 the previous Parent Company assigned to the Group its payable for acquisition of shares owned to a third party in the amount of UAH 3,241 million. The Group accepted this assignment in exchange for a consideration equal to the carrying value of financial liability assigned, which was considered to be a fair value of the liability. Part of respective consideration in the amount UAH 2,175 million was settled by cash and classified as an investing cash inflow in the consolidated cash flow statement. Remaining balance was further offset upon a number of reassignments with financial liabilities on debts assignment agreements.

In 2019, before acquisition by the Group (Note 24), PJSC DTEK Kyiv Regional Grids and JSC DTEK Odesa Grids 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. The respective consideration was paid in full after the acquisition of PJSC DTEK Kyiv Regional Grids and JSC DTEK Odesa Grids and is included into the financing activity from continuing operations in the consolidated statement of cash flows for 2019. During 2020 payables in the amount UAH 2,517 million were partly settled by transferring of debt to related party with further set-off. As of 31 December 2020 financial liability on debts assignment agreements line includes UAH 205 million of carrying value of outstanding debt on this transaction (31 December 2019: UAH 2,327 million).

During 2020 Power Trade LLC, an entity under common control of DTEK B.V., assigned to the Group its receivable on assignment agreements in the amount of 2,007 million due from Group's previous Parent Company for an equal consideration. The respective consideration was paid in full by the Group and is included into the financing activity in the consolidated statement of cash flows. The reassigned receivables were further offset with the previously existing Group's financial liabilities on debts assignment agreements.

In May 2019 the DTEK Energy B.V. Group assigned to the Group its obligation to pay UAH 653 million (equivalent of USD 24.5 million) to a related party for an equal consideration. These assigned payables were further offset with the previously existing Group's loan receivable from the same related party. By 31 December 2019 the Group received the whole amount of its receivables on assignment transaction from DTEK Energy B.V. Group in cash.

15 Other Financial Liabilities (continued)

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

In millions of Ukrainian Hryvnia	2020	2019
Opening balance as at 1 January	**6,708**	**9**
Cash movements		
Receipt of loans and financial aid from related parties	121	4,518
Repayment of loan from related party	(1,844)	-
Consideration paid for reassigned receivable	(2,007)	-
Consideration received for reassigned debt to a related party	-	2,365
Financing received from a related party to settle its obligations	-	653
Non-cash movements		
Interest expense on loans received from related parties (Note 21)	123	157
Foreign exchange gains less losses	747	(341)
Fair value loss on forward derivative contracts (Note 20)	2,488	-
Increase in obligation to related parties following reassignment of receivable	2,007	-
Increase in obligation to related party following reassignment of payable for acquisition of shares	3,241	-
Acquisition of share in subsidiaries as part of Group reorganisation (Note 24)	2,057	-
Increase in obligation to related parties according to reassigned loans from related parties	2,290	-
Increase in obligation to related parties according to novation agreement	2,390	-
Set-off of with financial assets	(8,177)	(653)
Closing balance as at 31 December	**10,144**	**6,708**

As at 31 December 2020 UAH 4,738 million of loans and interest payable were denominated in US dollars (31 December 2019: UAH 1,741 million; 1 January 2019: UAH nil) and UAH 2,882 million in Euro (31 December 2019: UAH 2,327 million; 1 January 2019: UAH nil), remaining balances were denominated in Ukrainian hryvnia.

16 Trade and Other Payables

Trade and other payables were as follows:

In millions of Ukrainian Hryvnia	31 December 2020	31 December 2019	1 January 2019
Trade payables to related party for gas (Note 7)	10,674	23,121	21,475
Dividends' payable (Note 7)	292	83	147
Other payables to related party (Note 7)	73	964	1
Trade payables	3	1	4
Total financial payables	**11,042**	**24,169**	**21,627**
Prepayments received	1,210	1,240	1,322
Wages and salaries payable	48	45	45
Accruals for employees' unused vacations	7	4	4
Total non-financial payables	**1,265**	**1,289**	**1,371**
Total	**12,307**	**25,458**	**22,998**

During 2020 the Group converted part of its trade payables to related party for gas in the amount of UAH 14,203 million by issuing promissory notes. As at 31 December 2020 the Group settled promissory notes issued via a non-cash set-off, where:

- UAH 2,389 million of payable was set-off with receivables for shares sold to related parties (Note 9);
- UAH 2,453 million of payable was set-off with receivables for bonds sold to related parties (Note 9);
- UAH 7,852 million of payable was set-off with receivable on assignment agreements from related parties (Note 9);
- UAH 1,509 million of payable was set-off with receivable on assignment agreements from related parties, novated during 2020 to subsidiaries of DTEK Oil&Gas B.V. Group.

16 Trade and Other Payables (continued)

Other payables to related party as at 31 December 2019 mainly represented by reassigned payable for electricity in the amount UAH 593 million and reassigned payables for gas in the amount UAH 354 million. During 2020 reassigned payables were fully settled in cash.

As at 31 December 2020, 31 December 2019 and 1 January 2019 trade and other payables were denominated in Ukrainian hryvnia.

17 Revenue

Revenue for the years ended 31 December 20 and 31 December 19 is represented by revenues from resale of gas mainly to related parties. Group recognises revenue at a point of time.

Group has single revenue stream generated in Ukraine, its primary geographical market.

18 Cost of Sales

In millions of Ukrainian Hryvnia	**2020**	**2019**
Gas purchased from related party	6,516	7,766
Gas purchased from third party	-	163
Total	**6,516**	**7,929**

19 General and Administrative Expenses

In millions of Ukrainian Hryvnia	**2020**	**2019**
Salaries and bonuses	133	130
Professional fees	26	40
Office rent	19	-
Depreciation of property, plant and equipment, depletion and amortisation of intangible assets	7	3
Other costs	5	5
Total	**190**	**178**

During 2020 the Group employed an average of 58 employees of administrative personnel (2019: 54 employees).

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

In millions of Ukrainian Hryvnia	**2020**	**2019**
Audit of the financial statements, including audit fee of PricewaterhouseCoopers Accountants N.V. of UAH 1 million (2019: UAH nil million)	2	2
Tax services	-	-
Total audit fees	**2**	**2**

20 Other Operating Expenses

In millions of Ukrainian Hryvnia	**2020**	**2019**
Fair value loss on forward derivative contracts (Note 15)	2,488	-
Other costs	5	13
Total	**2,493**	**13**

21 Finance Income and Finance Costs

In millions of Ukrainian Hryvnia	2020	2019
Interest income on corporate bonds	46	-
Interest income on loans provided to related parties (Note 7)	44	-
Unwinding of discount on financial investments provided to related parties	36	431
Interest income on bank deposits	15	93
Gain on early repayment of loan provided to related parties	-	44
Unwinding of discount on financial aids provided to other parties	-	59
Total finance income	**141**	**627**
Interest expense on loans received from related parties (Note 7)	123	157
Interest expense on bank loans from other parties	90	30
Loss on initial recognition of financial investments provided to related parties	-	120
Interest expense on bank loans from related parties	-	24
Other finance costs	5	-
Total finance costs	**218**	**331**

22 Income Tax Expense

Income tax expense comprises the following:

In millions of Ukrainian Hryvnia	2020	2019
Current tax	137	166
Deferred tax	395	(17)
Income tax expense	**532**	**149**

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%).

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

In millions of Ukrainian Hryvnia	2020	2019
(Loss) / profit before income tax, including	**(2,347)**	**1,107**
(Loss) / profit before income tax of Ukrainian companies	(1,833)	901
(Loss) / profit before income tax of non-Ukrainian companies	(514)	206
Income tax at statutory rates 18% (Ukrainian operations)	(330)	162
Profit / (loss) taxed at different rates 25% (Dutch operations)	(129)	52
Tax effect of items not deductible or assessable for taxation purposes:		
- non-deductible expenses	41	3
Change in recognised deductible temporary differences due to write-down of deferred tax assets	858	-
Tax effect of non-taxable foreign exchange gains /(losses)	92	(68)
Income tax expense	**532**	**149**

As at 31 December 2020 the Group has written-down deferred tax assets in respect of deductible temporary differences of UAH 858 million. These are mainly represented by tax losses on forward derivative contracts recorded in 2020. Deferred tax assets have been derecognised in respect of these items because there is no objective certainty that taxable profit during future 5 years' period will be available against which the Group can utilise the benefits therefrom.

22 Income Tax Expense (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:

In millions of Ukrainian Hryvnia	1 January 2020	Charged to equity	Credited/ (charged) to income	31 December 2020
Financial investments	163	231	(394)	-
Trade and other receivables	1	-	(1)	-
Gross deferred tax asset	**164**	**231**	**(395)**	**-**
Less offsetting with deferred tax liabilities	-	-	-	-
Recognized deferred tax asset	**164**	**231**	**(395)**	**-**
Recognized deferred tax liability	**-**	**-**	**-**	**-**
Recognized net deferred tax asset	**164**	**231**	**(395)**	**-**

In millions of Ukrainian Hryvnia	1 January 2019	Charged to equity	Credited/ (charged) to income	31 December 2019
Financial investments	141	-	22	163
Trade and other receivables	6	-	(5)	1
Gross deferred tax asset	**147**	**-**	**17**	**164**
Less offsetting with deferred tax liabilities	-			
Recognized deferred tax asset	**147**	**-**	**17**	**164**
Recognized deferred tax liability	**-**	**-**	**-**	**-**
Recognized net deferred tax asset	**147**	**-**	**17**	**164**

The Group has unrecognised potential deferred tax assets in respect of deductible temporary differences of UAH 858 million as at 31 December 2020 (31 December 2019 and 1 January 2019: nil). The deductible temporary differences do not expire under current tax legislation.

23 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.

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.

23 Contingencies, Commitments and Operating Risks (continued)

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 potential tax risk exposure as UAH 221 million (31 December 2019: UAH 419 million; 1 January 2019: UAH 712 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, 31 December 2019 and 1 January 2019 there is no contingent asset in relation to uncertain tax position.

Assets pledged and restricted. There are no assets pledged as collateral as at 31 December 2020, 31 December 2019 and 1 January 2019.

24 Business Combinations and Group reorganisation

Group reorganisation

In early 2020 DTEK Oil & Gas B.V. Group took decision of selling it's subsidiaries, which were involved into trading of gas and gas condensate and held licences 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 Oil&Gas 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.

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 from DTEK Oil&Gas B.V. to a new parent - DTEK Oil & Gas Development B.V.

The fair value of the purchase consideration amounted USD 76 million (equivalent of UAH 2,057 million at the official NBU rate referenced in the share purchase agreements), which remained outstanding as at 31 December 2020.

The acquisition was accounted as a capital reorganisation, where the Group recognised pre-combination book values of acquired entities with comparative information of these entities presented for all periods. The loss from the transaction in the amount of UAH 2,050 million, being a difference between the cost of the transaction and the carrying value of the net assets was recorded in equity.

Acquisition of shares in DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC

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.

24 Business Combinations and Group reorganisation (continued)

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:

In millions of Ukrainian Hryvnia	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.

The Group purchased these entities with an intention 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.

25 Discontinued Operations

Disposal of shares in DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC

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.

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

In millions of Ukrainian Hryvnia	DTEK Kyiv Regional Grids PrJSC	DTEK Odesa Grids JSC	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**
Deferred income tax asset	17	-	**17**
Total assets	**5,637**	**5,783**	**12,582**
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	-	(169)	**(169)**
Total liabilities	(1,540)	(1,461)	**(3,001)**
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 temporary differences			**231**
Loss for the year from disposal of assets classified as held for sale			**(2,595)**

Out of total consideration receivable, UAH 1,666 million was settled to the Group in cash. Remaining balance of consideration receivable in the amount UAH 3,613 million at fair value contractually is due on demand, while management expects that the part of this balance in the amount UAH 3,302 million will not be settled before 28 February 2023 (Note 9). The asset was recognised as an originated credit-impaired asset (POCI) as at origination date and at origination date the nominal balance 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.

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

26 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. The Group treasury identifies, evaluates and proposes risk management techniques to minimise these exposures.

26 Financial Risk Management (continued)

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	1 January 2019
Entities under common control of SCM				
First Ukrainian International Bank (FUIB)	Cash and cash equivalents	4	1	1,207
DTEK Grids LLC	Financial investments	4 950	473	-
SCM PrJSC	Financial investments	4 809	5,529	2,163
Rainwell Limited	Financial investments	2 152	-	-
D. TRADING LLC	Financial investments	1 355	413	-
Solar Farm-1 LLC	Financial investments	1 324	1,324	1,359
DTEK LLC	Financial investments	965	416	580
Primorskaya WPP-2 LLC	Financial investments	411	1,410	561
DTEK Oil&Gas B.V.	Financial investments	309	7,258	8,200
DTEK Service LLC	Financial investments	20	-	-
DTEK B.V	Financial investments	-	3,936	1,842
Power Trade LLC	Financial investments	-	2,901	3,247
OIL&GAS OVERSEAS TRADING B.V.	Financial investments	-	2,567	1,339
DTEK Trading LLC	Trade and other receivables	-	126	500
Total of entities under common control of SCM		**16,299**	**26,354**	**20,998**
Other entities				
Ukrgazbank JSB	Cash and cash equivalents	56	33	1,423
UKRRESURS LLC	Financial investments	85	85	-
ADVANCE RENT LLC	Financial investments	57	57	-
Value Assets LLC	Financial investments	-	-	426
Atrius Group LLC	Financial investments	-	-	205
Government of Ukraine	Financial investments	-	-	91
Total of other entities		**198**	**175**	**2,145**

The maximum exposure to credit risk at the reporting date is UAH 16,631 million (31 December 2019: UAH 26,606 million; 1 January 2019: UAH 23,179 million) being carrying value of financial investments, trade and other receivables and cash.

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.

Commodity price risk. The Group's exposure to commodity price risk arises from derivative financial instruments held by the Group and classified in the balance sheet at fair value through profit or loss (FVTPL) and results from changes in market prices of natural gas.

The table below summarises the impact of increases/decreases of forward commodity prices on the Group's equity and pre-tax profit for the period. The analysis is based on the assumption that the forward commodity prices on observable markets used in measurement of fair value of derivative financial instruments had increased/decreased by 10% with all other variables held constant.

	At 31 December 2020	
In millions of Ukrainian Hryvnia	**Impact on profit or loss**	**Impact on equity**
Central European Gas Hub prices - increase 10%	(885)	(885)
Central European Gas Hub prices - decrease 10%	885	885

26 Financial Risk Management (continued)

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.

	At 31 December 2020		**At 31 December 2019**		**At 1 January 2019**	
In millions of Ukrainian Hryvnia	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
USD strengthening by 10%	(248)	(248)	239	239	471	471
USD weakening by 10%	248	248	(239)	(239)	(471)	(471)
Euro strengthening by 10%	(270)	(270)	(233)	(233)	-	-
Euro weakening by 10%	270	270	233	233	-	-

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:

In millions of Ukrainian Hryvnia	**Up to 6 months**	**6 -12 months**	**1 - 2 years**	**2 - 5 years**	**Over 5 years**	**Total**
Liabilities						
Other financial liabilities	6,980	1,237	299	1,932	-	**10,448**
Bank borrowings	200	615	-	-	-	**815**
Trade and other payables	11,042	-	-	-	-	**11,042**
Total future payments, including future principal and interest payments	**18,222**	**1,852**	**299**	**1,932**	**-**	**22,305**

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

In millions of Ukrainian Hryvnia	**Up to 6 months**	**6 -12 months**	**1 - 2 years**	**2 - 5 years**	**Over 5 years**	**Total**
Liabilities						
Other financial liabilities	6,728	-	4	-	-	**6,732**
Bank borrowings	640	-	-	-	-	**640**
Trade and other payables	24,169	-	-	-	-	**24,169**
Total future payments, including future principal and interest payments	**31,537**	**-**	**4**	**-**	**-**	**31,541**

The maturity analysis of financial liabilities at 1 January 2019 is as follows:

In millions of Ukrainian Hryvnia	**Up to 6 months**	**6 -12 months**	**1 - 2 years**	**2 - 5 years**	**Over 5 years**	**Total**
Liabilities						
Other financial liabilities	7	-	2	-	-	**9**
Trade and other payables	21,627	-	-	-	-	**21,627**
Total future payments, including future principal and interest payments	**21,634**	**-**	**2**	**-**	**-**	**21,636**

27 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 the 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 negative net assets of the Group were UAH 10,844 million and UAH 5,798 million respectively (31 December 2019: UAH 7,259 million net debt and UAH 2,958 million positive net assets).

Current liabilities of the Group are mainly payable on demand to the companies under common control of DTEK BV (the ultimate parent company), that will not claim for an immediate payment for the aforementioned financing in case this would cause financial difficulty of the Group.

The Group plans to cover existing deficit in net assets through earnings of profits in the future reporting periods.

28 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.

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

Financial instruments carried at fair value

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. Equity securities are carried in the statement of financial position at their fair values.

Financial liabilities on forward derivative contracts are classified as level 2 financial instruments as fair value is defined based on observable market data and rely as little as possible on entity-specific estimates.

28 Fair Value of Assets and Liabilities (Continued)

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In millions of Ukrainian Hryvnia	**31 December 2020 Level 2**	**31 December 2019 Level 1**	**1 January 2019 Level 1**
FINANCIAL ASSETS			
Financial investments			
- Government bonds (Note 7)	-	-	91
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	**-**	**-**	**91**
FINANCIAL LIABILITIES			
Financial liabilities			
- Financial liabilities on forward derivative contracts (Note 15)	2,488	-	-
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	**2,488**	**-**	**-**

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

Majority of the Group financial assets and liabilities are carried at amortised cost using the effective interest method. These assets are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements:

In millions of Ukrainian Hryvnia	**31 December 2020**	**31 December 2019**	**1 January 2019**	**Valuation technique**	**Inputs used**
FINANCIAL ASSETS					
Loans and financial aid receivable (Note 9)	12,011	12,618	8,541	Discounted cash flows	Interest on loans pursuant to statistical data of Ukrainian banks
FINANCIAL LIABILITIES					
Other financial liabilities (Note 15)	7,030	6,531	8	Discounted cash flows	

29 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 derivative liabilities, which are carried at fair value.

30 Subsequent Events

Acquisition of shares. In April 2021 the Group purchased 100% shares in Kosul LLC from a related party for the total consideration of USD 5 million. This transaction did not have a material impact on the consolidated financial statements.

Financial aid provided. In January-March 2021 the Group received from its related parties settlement for UAH 8,274 million of interest free financial aid, which was outstanding as at 31 December 2020.

Bank borrowings. In January 2021 the Group repaid tranche in the amount UAH 170 million according to a revolving credit line agreement with JSC Tascombank.

Company financial statements

for the year ended 31 December 2020

In millions of Ukrainian Hryvnia	**Note**	**31 December 2020**	**31 December 2019**
ASSETS			
Non-current assets			
Investments in subsidiaries	3	9	-
Total non-current assets		**9**	**-**
Current assets			
Cash and cash equivalents		-	0
Total current assets		**-**	**0**
TOTAL ASSETS		**9**	**0**
EQUITY			
Share capital	4	0	0
Accumulated deficit	4	(2,048)	(0)
Result for the year	4	(116)	(0)
TOTAL EQUITY		**(2,164)**	**(0)**
LIABILITIES			
Non-current liabilities			
Financial liabilities		1	-
Total non-current liabilities		**1**	**-**
Current liabilities			
Financial liabilities	5	2,154	0
Trade and other payables		18	-
Total current liabilities		**2,172**	**0**
TOTAL LIABILITIES		**2,173**	**0**
TOTAL LIABILITIES AND EQUITY		**9**	**0**

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In millions of Ukrainian Hryvnia	Note	2020	2019
Share of result of subsidiaries	3	-	-
Other expenses after taxation		(116)	(0)
Net loss attributable to shareholders		**(116)**	**(0)**

1 The Organisation and its Operations

General

DTEK Oil&Gas Development B.V. (former Premium Household B.V.) ("the Company") is a private limited liability company incorporated on 25 August 2015, 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. On 14 May 2020, 100% corporate rights of the Company were acquired by DTEK B. V., legal entity incorporated under the laws of the Netherlands. On 1 July 2020, 100% corporate rights of the Company were transferred to DTEK Oil&Gas Holdings B.V., legal entity incorporated under the laws of the Netherlands.

The main activity of DTEK Oil&Gas Development B.V. relates to the holding equity interests on possible acquisitions of subsidiaries in the future.

Dutch Chamber of Commerce registration number of the Company is 63972735.

Basis of presentation of the company financial statements

The company financial statements of DTEK Oil&Gas Development 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 principal 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 Development 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.

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.

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.

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.

2 Accounting Policies (continued)

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.

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.

3 Investments in subsidiaries

Movements in investments in subsidiaries are as follows:

In millions of Ukrainian Hryvnia	**2020**
Carrying amount at 1 January	**-**
Acquisition of share in subsidiaries	**9**
Share of result of subsidiaries	**-**
Carrying amount at 31 December	**9**

In 2020 the Company purchased from entities under common control 100% of shares of the following entities: DTEK Oil&Gas 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 UAH 2,048 million of excess of consideration payable (UAH 2,057 million) over net assets of subsidiaries at predesessor values (UAH 9 million) at the acquisition date was charged directly to equity.

Acquisition of share in subsidiaries is disclosed in Note 24 of the accompanying Consolidated Financial Statements. For the country of registration refer to Note 1 of the accompanying Consolidated Financial Statements. All Nethrelands subsidiaries are registered in Amsterdam.

4 Equity

Movements in equity are as follows:

In millions of Ukrainian Hryvnia	**Share capital**	**Accumulated deficit**	**Result for the year**	**Total**
Balance at 1 January 2019	**0**	**(0)**	**(0)**	**(0)**
Loss appropriation	-	(0)	0	**-**
Result for the year ended 31 December 2019	-	-	(0)	**(0)**
Balance at 31 December 2019	**0**	**(0)**	**(0)**	**(0)**
Loss appropriation	-	(0)	0	**-**
Result of acquisition of subsidiaries in the under common control transaction (Note 3).	-	(2,048)	-	**(2,048)**
Result for the year ended 31 December 2020	-	-	(116)	**(116)**
Balance at 31 December 2020	**0**	**(2,048)**	**(116)**	**(2,164)**

The authorised share capital of DTEK Oil&Gas Development B.V. equals to fully paid share capital and comprises 10,000 ordinary shares with a par value of Euro 1 per share in total amount of Euro 10,000, which is equivalent of UAH 347,400 as at 31 December 2020. All shares carry one vote.

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4 Equity (continued)

Proposed loss appropriation

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

In millions of Ukrainian Hryvnia	2020	2019
Losses to accumulated deficit	(116)	(0)
Losses for the period	**(116)**	**(0)**

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 3,634 million, as well as the result according to the Company income statement and result according to the consolidated income statement of UAH 2,222 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.

5 Financial liabilities

As at 31 December financial liabilities were as follows:

In millions of Ukrainian Hryvnia	31 December 2020	31 December 2019
Financial liabilities on debts assignment agreements	2,145	-
Financial liabilities for shares	9	-
Loans payable to related parties	-	0
Total current financial liabilities	**2,154**	**0**

The movements in current financial liabilities were as follows:

In millions of Ukrainian Hryvnia	2020
Carrying amount at 1 January	**0**
Acquisition of share in subsidiaries from related party	2,057
Set-off of payables for shares with reassigned receivable from related parties	(2,043)
Increase in obligation to related parties according to debt assignment agreements	2,012
Foreign exchange loss	128
Carrying amount at 31 December	**2,154**

Financial liabilities on debts assignment agreements and financial liabilities for shares are recognised at fair value, bears no interest and are payable on demand.

All current financial liabilities fall due within one year and denominated in US dollars and Euro.

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

All financial liabilities are not secured.

6 Average number of employees

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

7 Directors remuneration

The directors of the Company received remuneration of UAH 0 million (2019: UAH nil million).

8 Independent auditor's Remuneration

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

In millions of Ukrainian Hryvnia	2020	2019
Audit of the financial statements, including audit fee of PricewaterhouseCoopers Accountants N.V. of UAH 1 million	1	-
Other audit services	-	-
Tax services	0	-
Other non-audit services	-	-
Total audit fees	1	-

9 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. The Company is merged to the DTEK BV fiscal unity as of 1 June 2020. 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 Developments B.V. financial statements.

The current income tax is UAH nil million for 2020 (2019: income tax UAH nil million). Deferred income tax expense for the Company is UAH nil million for 2020 (2019: UAH nil million).

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 57 million towards fiscal unity.

Contingent liabilities in relation to tax litigations are disclosed in Note 23 of the accompanying Consolidated Financial Statements.

10 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 42 million (31 December 2019: UAH nil million).

11 Subsequent events

We refer to Note 30 of the notes to the consolidated financial statements.

Signed by entire Management Board,
___ May 2021

_______________________________ Mr. Maksym Timchenko, Director

_______________________________ Ms. Nataliya Muktan, SCM Management B.V., Director

_______________________________ Ms. Eliza den Aantrekker, 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 DEVELOPMENT B.V.

Report on the financial statements 2020

Our opinion

In our opinion:

- the consolidated financial statements of DTEK OIL&GAS DEVELOPMENT 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 DEVELOPMENT 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 DEVELOPMENT 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.

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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 DEVELOPMENT 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.

The 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 the management

The 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 the 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, the management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management should prepare the financial statements using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The 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, 27 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 DEVELOPMENT 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 the management.
- Concluding on the appropriateness of the 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 the 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.