

DTEK Oil&Gas Holdings B.V.

Annual Report

31 December 2020

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Directors' Report

Introduction

The Management Board of DTEK Oil&Gas Holdings 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 Holdings B.V. is a private limited liability company incorporated on 30 June 2020, under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. The Company is 100% owned by DTEK B.V.

As a part of an internal reorganization of the Oil&Gas business of DTEK B.V. Group in 2020, the DTEK Oil&Gas B.V., which previously consolidated all the Oil&Gas business, was split and part of its subsidiaries were transferred to DTEK Oil&Gas Development B.V. which had been dormant before this transaction.

Further in 2020 DTEK B.V. made a share premium contribution to the equity of the Company by means of 100% of the shareholding in DTEK Oil&Gas B.V. and DTEK Oil&Gas Development B.V., the companies which were fully owned by DTEK B.V. Group and the Company is an intermediary holding company which fully owns DTEK Oil&Gas B.V. and DTEK Oil&Gas Development B.V.

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

The principal activities of the Company and its subsidiaries (together referred to as "the Group" or "DTEK Oil&Gas Holdings") are exploration, development and production of gas and gas condensate in Ukraine. As at 31 December 2020, the Group has six licensed oil and gas fields in Poltava and Kharkiv regions.

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

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

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

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

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

Changes in the group structure

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

Details of these disposals are described in Note 28.

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

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

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

Discontinued operations

Disposal group acquired exclusively with a purpose for resale:

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

The Group purchased these entities with a 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 28).

Financial position, financial performance and solvency

Revenue of DTEK Oil&Gas Holdings for the year ended 31 December 2020 was UAH 7,394 million (for the year ended 31 December 2019: UAH 10,226 million) and loss was UAH 2,412 million (for the year ended 31 December 2019: profit was UAH 7,273 million). On 31 December 2020 the total assets of the DTEK Oil&Gas Holdings were UAH 31,110 million (as at 31 December 2019: UAH 51,908 million) and the equity UAH 2,065 million (as at 31 December 2019: UAH 22,497 million). Decrease in equity was caused mainly by share premium distribution. For the year ended 31 December 2020, the Group received positive cash flows generated from operating activities in the amount of UAH 5,128 million (for the year ended 31 December 2019: UAH 9,706 million). On 31 December 2020 current assets of DTEK Oil&Gas Holdings exceeded its current liabilities by UAH 2,068 million (as at 31 December 2019: current assets exceeded current liabilities by UAH 21,954 million). The Group's debt to equity ratio as at 31 December 2020 was 12.00 (31 December 2019: 0.94). The Group's total liabilities to total assets ratio as at 31 December 2020 was 93.4% (31 December 2019: 56.7%).

Liquidity and capital resources

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

As at 31 December 2020, the Group's current liquidity ratio was at 1.22 (31 December 2019: 2.31), quick liquidity ratio 0.03 (31 December 2019: 0.02).

The current ratio is a liquidity ratio that measures a Group's ability to pay short-term obligations or those due within one year. The management assesses this level of liquidity as sufficient.

Issued Capital and Capital Distributions

As at 31 December 2020 the authorised share capital of DTEK Oil&Gas Holdings B.V. equals to fully paid share capital and comprises 1,000 ordinary shares with a par value of Euro 1 per share in total amount of Euro 1,000. All shares carry one vote. All issued shares are fully paid.

In 2020 DTEK Oil&Gas Holdings B.V. distributed share premium in the amount of UAH 14,653 million to its direct parent in order to settle with receivables from parent for provided financial investments.

Financing activity

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

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

Additionally, DTEK Oil&Gas Holdings developed a compliance function to monitor and analyse financial, reputational 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 annual audits by an external independent auditor.

Additionally, the Group switched to a new reporting system named SAP S/4 Hana starting from 1 January 2020. This system implemented advanced internal controls for making sure that the Group's established processes and procedures in key business processes are followed, thus providing additional comfort over 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 30 to the accompanying Consolidated Financial Statements.

Principal risks and uncertainties

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

- **Supply chain.** The gas produced is ultimately supplied to the a group of industrial customers, who at the date of these consolidated financial statements are operating and supply their goods internationally. From perspective of the risks related to supply chains the level of the risk was assessed by management as not significant. The Group purchases major components such as tubing, methanol, industry-specific spare parts, drilling and supervisory services, geological data interpretations by contracting with a diverse group of top-tier suppliers, which are reputable and well-known in the Oil & Gas industry. The Group selects suppliers based on a number of factors including expected cost, reliability, warranty coverage, availability and performance guarantees, installation complexity and other ancillary costs.
- **Revenues and profitability.** The gas price in Ukraine is indirectly linked to the EU prices where the gas prices forward curves as of the date of these consolidated financial statements indicate a stable dynamics over the next 8 months. As such, management does not consider the impact of Covid -19 on its revenues and profits to be a significant business risk.
- **Impairments.** Decrease in gas price and related consequences of the pandemic did not result in an impairment of the Group's assets in 2020 and as at date of signing 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, generate 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 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:

- Risk of delays of new gas extracting facilities, commissioning, which were scheduled for 2020.
- Deterioration of economic conditions on the gas market due to global decrease in gas price based mainly on its overproduction.
- 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 Supervisory Board of the Company. The financial statements are submitted to Dutch Chamber of Commerce and published on the official site of DTEK.

Reputational Risks:

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

Corporate Governance and Compliance Risks:

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

IT risks:

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

Covid -19:

As explained in note 2 to 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. The Covid-19 pandemic did not have a material impact on the operations of the Group.

Human resources' risks:

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

Industrial engineering:

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

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

Interest rate risk and cash flow risk:

Interest rate risk and cash flow risk are assessed as low by management as such no specific monitoring of the risks is performed.

Environmental and social responsibility

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

The Group complies with regional environmental laws and regulations.

Social responsibility and commitment to the principles of sustainable development are key values and an integral part of ESG-strategy of the Group. That is why DTEK Oil&Gas Holdings 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 Oil&Gas Holdings is consistently developing its activities in the field of sustainable development, guided by the principles of the ESG and the UN Sustainable Development Goals (12 of 17) and strives to work in accordance with international standards for sustainable development. The practice of responsible financing is aimed at an integrated and balanced approach to business development and the observance of the interests of the community. The Group being one of the biggest national employer and a social investor, participates in the socio-economic development of the regions in which it operates.

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

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

The Group is a member of the UN Global Compact Network and in its activities follows the principles and goals of sustainable development proclaimed by the UN. DTEK Oil&Gas Holdings 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 Holdings openly declares its anti-corruption standards and adheres to the principle of zero tolerance for corruption. DTEK Oil&Gas Holdings continues to report on social corporate responsibility and sustainable development. The report on sustainable development for 2020 is expected by the middle of 2021.

Research and Development Costs

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

Human resources

During 2020 the Group employed an average of 311 employees (2019: 264 employees).

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

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

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

Strategic goal of Academy DTEK is to become a leader in the adult education market in the life-long learning concept. Academy DTEK expands international cooperation and is a member of international associations such as CEEMAN, EFMD bringing the world's best education practices to Ukraine. Academy DTEK works in partnerships with top international business schools and professional associations: INSEAD, IE Business School, LBS, ACCA, Coursera and is official partner of the certification institute HRCI (Human Resources Certification Institute). Academy DTEK implements training programs for public sector, contributing to the education system's reform in Ukraine. For this activity, Academy DTEK was recognized as the best Corporate University in the world in corporate and social responsibility in 2019. Academy DTEK is the first organization in Ukraine that approved professional standards for 64 working professions at the state level. During 2020, 130 employees used the educational products including from DTEK Academy (2019: 75 employees used the educational products including from DTEK Academy).

Code of Ethics

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

Male/female ratio of Management/Supervisory Board

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

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

Future Developments

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

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

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

The Group will focus on the following key areas:

- Focus on further improvement of operational efficiency;
- Optimise operating costs and capex investments;
- Further increase in gas extraction.

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

On 17 May 2021, following the orders of High Court of Justice of England and Wales of 14 May 2021 sanctioning the Schemes, the Trustee under DTEK Energy Eurobonds enforced security over the debt provided to the Group by DTEK Energy B.V. and subsequently exchanged into Eurobonds of the Group (Note 33).

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

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 that disclosed in the Notes 2 and 33 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

DTEK Oil&Gas Holdings B.V.
Consolidated Balance Sheet

<i>In millions of Ukrainian Hryvnia</i>	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	8	12,406	11,889
Intangible assets	9	1,087	451
Financial investments	10	5,839	422
Deferred income tax asset	26	-	381
Total non-current assets		19,332	13,143
Current assets			
Inventories	11	179	184
Trade and other receivables	12	317	251
Financial investments	10	11,127	26,501
Cash and cash equivalents	13	156	126
Total current assets		11,779	27,062
Assets of disposal group classified as held for sale		-	11,703
TOTAL ASSETS		31,111	51,908
EQUITY			
Share capital	14	0	-
Share premium	15	25,521	-
Other reserves	16	502	665
(Accumulated deficit) / Retained earnings		(32,967)	12,645
Merge reserve		-	0
Equity attributable to owners of the parent		(6,944)	13,310
Non-controlling interest in equity		9,009	7,876
Non-controlling interest of disposal group		-	1,311
TOTAL EQUITY		2,065	22,497
LIABILITIES			
Non-current liabilities			
Other financial liabilities	18	17,777	10,459
Provisions for other liabilities and charges		18	15
Deferred income tax liability	26	1,719	2,126
Total non-current liabilities		19,514	12,600
Current liabilities			
Bank borrowings	17	806	614
Other financial liabilities	18	6,189	10,071
Prepayments received	7	1,204	1,240
Trade and other payables	19	792	1,645
Current income tax payable		330	291
Other taxes payable	20	211	147
Total current liabilities		9,532	14,008
Liabilities of disposal group classified as held for sale		-	2,803
TOTAL LIABILITIES		29,046	29,411
TOTAL LIABILITIES AND EQUITY		31,111	51,908

Signed by entire Management Board,
 ____ May 2021

Mr. Maksym Timchenko, Director

Approved for issue and signed by entire
 Supervisory Board

Oleg Popov

DTEK Oil&Gas Holdings B.V.
Consolidated Balance Sheet

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

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

Sergey Korovin_____

Iryna Mykh_____

Damir Akhmetov_____

Robert Sheppard_____

DTEK Oil&Gas Holdings B.V.
Consolidated Income Statement

<i>In millions of Ukrainian Hryvnia</i>	Note	2020	2019
Continuing operations:			
Revenue	21	7,394	10,226
Cost of sales	22	(3,539)	(3,275)
Gross profit		3,855	6,951
Other operating income		46	58
General and administrative expenses	23	(362)	(313)
Selling expenses		(196)	(167)
Other operating expenses	24	(2,832)	(336)
Reversal of impairment / (impairment losses) on financial assets		66	(80)
Net foreign exchange (loss) / gain on operating activities		(4)	188
Operating profit		573	6,301
Net foreign exchange (loss) / gain on financing and investing activities		(1,495)	1,235
Finance income	25	767	2,124
Finance costs	25	(1,748)	(1,833)
(Loss) / profit before income tax		(1,903)	7,827
Income tax expense	26	(1,179)	(1,730)
(Loss) / profit for the year from continuing operations		(3,082)	6,097
(Loss) / profit is attributable to:			
Equity holders of the Company		(4,691)	5,514
Non-controlling interest		1,609	583
Profit for the year from discontinued operations	28	670	1,176
Profit is attributable to:			
Equity holders of the Company		541	994
Non-controlling interest		129	182
(Loss) / profit for the year		(2,412)	7,273

Consolidated Statement of Comprehensive Income

<i>In millions of Ukrainian Hryvnia</i>	Note	2020	2019
(Loss) / profit for the period		(2,412)	7,273
Items that may not be reclassified to profit or loss:			
Property, plant and equipment:			
- Decrease in valuation of property plant and equipment		(42)	-
- Income tax recorded on revaluation of property plant and equipment	26	8	-
Other comprehensive loss for the year		(34)	-
Total comprehensive (loss) / income for the year		(2,446)	7,273
Total comprehensive (loss) / income attributable to:			
Equity holders of the Company		(4,175)	6,508
Non-controlling interest		1,729	765
Total comprehensive (loss) / income for the year		(2,446)	7,273

Total comprehensive (loss) / income for the period attributable to equity holders of the Company arises from:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Continuing operations	(3,116)	6,097
Discontinued operations	670	1,176

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

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

<i>In millions of Ukrainian Hryvnia</i>	Attributable to equity holders of the Company					Total	Non-controlling interest	Total Equity
	Share capital	Share premium	Other reserves	(Accumulated deficit) / Retained earnings	Merge reserve			
Balance at 1 January 2019	-	-	810	5,992	0	6,802	7,495	14,297
Profit for the year from continuing operations	-	-	-	5,514	-	5,514	583	6,097
Profit for the year from discontinued operations	-	-	-	994	-	994	182	1,176
Total comprehensive income for 2019	-	-	-	6,508	-	6,508	765	7,273
Acquisition of disposal group classified as held for sale	-	-	-	-	-	-	1,129	1,129
Dividends' distribution (Note 14)	-	-	-	-	-	-	(202)	(202)
Property, plant and equipment:								
- Realised revaluation reserve (Note 16)	-	-	(177)	177	-	-	-	-
- Deferred tax related to realised revaluation reserve (Note 16)	-	-	32	(32)	-	-	-	-
Balance at 31 December 2019	-	-	665	12,645	0	13,310	9,187	22,497
(Loss) / profit for the year from continuing operations	-	-	-	(4,691)	-	(4,691)	1,609	(3,082)
Other comprehensive loss	-	-	(25)	-	-	(25)	(9)	(34)
Profit for the year from discontinued operations	-	-	-	541	-	541	129	670
Total comprehensive (loss) / income for 2020	-	-	(25)	(4,150)	-	(4,175)	1,729	(2,446)
Loss from sale of a disposal group classified as held for sale (Note 28)	-	-	-	(2,595)	-	(2,595)	(1,440)	(4,035)
Disposal of subsidiaries (Note 1)	-	-	-	1,169	-	1,169	-	1,169
Group reorganization (Note 1)	0	40,174	-	(40,174)	(0)	-	-	-
Share premium distribution (Note 15)	-	(14,653)	-	-	-	(14,653)	-	(14,653)
Dividends' distribution (Note 14)	-	-	-	-	-	-	(467)	(467)
Property, plant and equipment:								
- Realised revaluation reserve (Note 16)	-	-	(169)	169	-	-	-	-
- Deferred tax related to realised revaluation reserve (Note 16)	-	-	31	(31)	-	-	-	-
Balance at 31 December 2020	0	25,521	502	(32,967)	-	(6,944)	9,009	2,065

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

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

<i>In millions of Ukrainian Hryvnia</i>	Note	2020	2019
Cash flows from operating activities			
(Loss) / profit before income tax from continuing operations		(1,903)	7,827
Adjustments for:			
Net foreign exchange loss / (gain) on investing and financing activities and unrealised foreign exchange differences on operating activity		1,510	(1,364)
Finance costs / (income), net	25	981	(291)
Result from the sale of investments	24	22	-
Depreciation of property, plant and equipment and amortisation of intangible assets		1,953	1,308
Fair value loss on forward derivative contracts	24	2,488	-
Net change in provision for financial instruments and trade and other receivables		(66)	(20)
Impairment of property, plant and equipment, inventory		58	206
Losses less gains on disposals of property, plant and equipment		38	12
Change in provisions for other liabilities and charges		3	(6)
Other		(44)	(90)
Operating cash flows before working capital changes		5,040	7,582
Trade and other receivables		443	401
Inventories		(28)	(46)
Prepayments received		(36)	(100)
Trade and other payables		(262)	1,177
Taxes payable other than corporate income tax		64	(158)
Cash generated from operations		5,221	8,856
Income taxes paid (including payment of withholding tax)		(926)	(1,537)
Interest paid		(276)	(180)
Interest received		438	109
Net cash generated from operating activities of continuing operations		4,457	7,248
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		(2,841)	(2,500)
Placement of restricted cash		(25)	(83)
Loans and financial aids provided	10	(4,864)	(8,245)
Proceeds from disposal of subsidiaries acquired with a purpose for resale	10	1,662	-
Purchase of corporate bonds	18	(445)	-
Acquisition of subsidiary with a purpose for resale	10, 27	-	(6,432)
Sale of shares to a related party	10	293	-
Consideration settlements on a related party debts	18	(128)	(670)
Consideration received for reassigned loan	10	276	-
Settlement of loans and financial aids provided	10	3,587	1,394
Net cash used in investing activities		(2,485)	(16,536)
Net cash used in investing activities of disposal group		(252)	(968)
Cash flows from financing activities			
Debt repayment under the assigned agreement	18	-	653
Consideration received for reassigned loan	18	-	2,365
Bank borrowings received	17	182	614
Loans and financial aid received from related parties	18	255	2,629
Repayment of loans from related parties	18	(1,845)	(889)
Repayment of financial aid from third parties	18	(21)	-
Dividends paid to non-controlling participants		(432)	(171)
Net cash (used in) / generated from financing activities		(1,861)	5,201
Net cash used in financing activities of disposal group		(9)	(909)
Continuing operations:			
Net increase/(decrease) in cash and cash equivalents		111	(4,087)
Cash and cash equivalents at the beginning of the year	13	56	4,160
Exchange losses on cash and cash equivalents		(11)	(17)
Cash and cash equivalents at the end of the year	13	156	56
Disposal group:			
Net increase in cash and cash equivalents		411	581
Cash and cash equivalents at the acquisition date/at the beginning of the year		890	309
Cash and cash equivalents at the date of disposal		1,301	890

1 The Organisation and its Operations

DTEK Oil&Gas Holdings B.V. (the “Company”) is a private limited liability company incorporated on 30 June 2020, under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands.

As a part of an internal reorganization of the Oil&Gas business of DTEK B.V. Group in 2020, DTEK Oil&Gas B.V., which previously consolidated all the Oil&Gas business, was split and part of its subsidiaries were transferred to DTEK Oil&Gas Development B.V. which had been dormant before this transaction.

Further in 2020 DTEK B.V. made a share premium contribution to the equity of the Company by means of 100% of the shareholding in DTEK Oil&Gas B.V. and DTEK Oil&Gas Development B.V., the companies which are fully owned by DTEK B.V. As such, the Company started to consolidate all the Oil&Gas business of DTEK B.V. Group and the Company is an intermediary holding company which fully owns DTEK Oil&Gas B.V. and DTEK Oil&Gas Development B.V. The Company is 100% owned by DTEK B.V.

Resulting from this reorganization transaction, the Group recognized Share premium in the amount of UAH 40,174 million, which was accounted at the fair value of the investments contributed to the equity of DTEK Oil&Gas Holdings B.V. and reduced the Retained earnings by the same amount.

The principal activities of the Company and its subsidiaries (together referred to as “the Group” or “DTEK Oil&Gas Holdings”) are exploration, development and production of gas and gas condensate in Ukraine. As at 31 December 2020, the Group has six 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.

During 2019 the Group incorporated seven legal entities as wholly owned subsidiaries of DTEK Oil&Gas B.V.

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

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

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

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

In November 2020 the Group incorporated NGD Holding LLC as wholly owned subsidiary of DTEK Oil&Gas B.V. The Company is registered at Strawinskylaan 1531 Tower B, Lev 1077 XX Amsterdam, the Netherlands, Dutch Chamber of Commerce registration number is 78447208. The address of Ukrainian office is 8 Khokhlov Family str (20D), 041119 Kyiv, Ukraine.

The Group employed approximately 311 people during 2020 (2019: 264 people), including one person (2019: one person) employed by Netherlands companies on full time equivalent. All employees are allocated within the Group's single operating segment - exploration, development and production of gas and gas condensate.

1 The Organisation and its Operations (Continued)

The principal subsidiaries are presented below:

Name	% interest held as at 31 December		Country of incorporation
	2020	2019	
DTEK Oil&Gas B.V.	100.00	-	
DTEK Oil&Gas Development B.V.	100.00	-	
Naftogazvydobuvannya PrJSC	73.00	73.00	Ukraine
DTEK Oil & Gas LLC	100.00	99.98	Ukraine
Winburg Investments Ltd.	100.00	100.00	Cyprus
NGD Holdings B.V.	100.00	100.00	Netherlands
Oil&Gas Overseas Trading B.V. (former NGD B.V.)	100.00	100.00	Netherlands
Investecogaz LLC	100.00	100.00	Ukraine
Neftegazrazrabotka LLC	100.00	100.00	Ukraine
NGR B.V.	100.00	100.00	Netherlands
Alfredo Trading Ltd.	100.00	100.00	Cyprus
Power Trade LLC	-	100.00	Ukraine
Oil & Gas Systems LLC	100.00	100.00	Ukraine
Oil & Gas Exploitation 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
Wolford Holding LTD	50.00	50.00	Cyprus
NGD Holding LLC	100.00	-	Ukraine
Kosul LLC	100.00	-	Ukraine

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 led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and depreciation of the national currency against major foreign currencies. In 2019 Ukraine held presidential elections at the end of March and extraordinary parliamentary elections in July. In 2020 Ukraine was required to make major public debt repayments, which required mobilizing substantial domestic and external financing in an increasingly challenging financing environment for emerging markets and future cooperation with the IMF that depends on many factors, including the desire to comply by the new Ukrainian government with the program conditions.

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

Throughout 2019-2020 due to favorable economic conditions the NBU gradually lifted effective currency restrictions, which were introduced in 2017, in particular 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 3.5 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 did not result in an impairment of the Group's assets as at 31 December 2020.

2 Operating Environment of the Group (Continued)

COVID-19 impact

The trends in the global markets due to the Coronavirus epidemic (COVID-19) may further affect the Group's operations. Late 2019 news about Coronavirus emerged from China. The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organization. In the first few months of 2020 the virus had spread globally and its negative impact has gained momentum. The spread of the virus had a significant negative impact on the economic activity in the world, including a drop in capital markets and a sharp decrease of commodity prices. In the middle of March 2020, the Government of Ukraine started to take restrictive measures to prevent the spread of the virus in the country including the introduction of quarantine modes during periods of high virus spread. In particular, restrictions were imposed on public transportation, air traffic between the majority of countries, work of public institutions and events.

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

3 Summary of Significant Accounting Policies

Basis of preparation. As discussed in Note 1, the Group was legally formed through restructuring of Oil&Gas business of DTEK B.V. which was previously consolidated and reported as DTEK Oil&Gas B.V. Group. As such the Group, as a successor of it, uses predecessor's accounting values for presenting the balances and transactions before the date of legal restructuring of the Group.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union using the historical cost convention, as modified by the revaluation of property, plant and equipment (revaluation model under IAS 16: *Property, plant and equipment*), and certain financial instruments measured in accordance with the requirements of IFRS 9: Financial instruments. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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

Going concern assumption: As of 31 December 2020 the Group had net current assets of UAH 2,247 million (31 December 2019: net current assets of UAH 21,954 million). The Group incurred a net loss from continuing operations of UAH 3,082 million for the year ended 31 December 2020 (31 December 2019: net profit from continuing operations of UAH 6,097 million), which is driven mainly by recognised fair value loss on forward derivative contracts. For the year ended 31 December 2020, the Group received positive cash flows generated from operating activities of continuing operations in the amount of UAH 4,457 million (for the year ended 31 December 2019: UAH 7,248 million).

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

3 Summary of Significant Accounting Policies (Continued)

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

As at 31 December 2020, the exchange rates used for translating foreign currency balances were USD 1 = UAH 28.27 (31 December 2019: USD 1 = UAH 23.69); EUR 1 = UAH 34.74 (31 December 2019: EUR 1 = UAH 26.42); RUB 10 = UAH 3.78 (31 December 2019: RUB 10 = UAH 3.82).

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.

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

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

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

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

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

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

Common control business combinations. Purchases of subsidiaries from parties under common control are recorded using the predecessor values. Under this method the subsidiaries results, assets and liabilities are incorporated prospectively from the date, on which business combination between entities under common control occurred. The corresponding amounts for the previous year are not restated. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying values. The difference between the consideration given and the aggregate carrying value of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to equity. No additional goodwill is created by such purchases.

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

3 Summary of Significant Accounting Policies (Continued)

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

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

The frequency of revaluation depends upon the movements in the fair values of the assets being revalued. Subsequent additions to property plant and equipment are recorded at cost. Cost includes expenditure directly attributable to acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads.

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

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

Gains and losses on disposals determined by comparing proceeds with carrying amount of property, plant and equipment are recognised in the consolidated income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

The estimated useful lives are as follows:

	<u>Useful lives in years</u>
Plant and machinery	from 2 to 30
Furniture, fittings and equipment	from 2 to 15

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

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

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

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

Intangible assets. All of the Group’s intangible assets have definite useful lives and primarily include licenses for operating of the gas fields as well as capitalised computer software and capitalised services for seismic development. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring them to use. Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell. Intangibles assets are amortised on a straight-line basis over estimated useful life of 1 - 20 years.

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

Non-current assets classified as held for sale (or disposal group). Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use and a sale is considered highly probable. Assets are classified as held for sale when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active program 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, which are specifically exempt from this requirement. An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

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

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

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

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.

3 Summary of Significant Accounting Policies (Continued)

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.

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

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

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

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. 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.

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.

3 Summary of Significant Accounting Policies (Continued)

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, Cypriot and Dutch legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the income statement unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

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

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

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

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the first in first out basis for gas and gas condensate, raw materials and spare parts, 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.

Merge reserve. The merge reserve is the difference between the fair value of investments of the parent company in respect of the subsidiaries share capital acquisition and the nominal value of the share capital of the subsidiaries. The merge reserve subsequently will be utilised through the positive amount of retaining earnings.

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

3 Summary of Significant Accounting Policies (Continued)

Value added tax (“VAT”). In Ukraine VAT is levied at two rates: 20% on sales and imports of goods within the country, works and services and 0% on the export of goods and provision of works or services to be used outside Ukraine. A taxpayer’s VAT liability equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. A VAT credit is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period.

Rights to VAT credit arise when a VAT invoice is received, which is issued on the earlier of the date of payment to the supplier or the date goods are received. VAT related to sales and purchases is recognised in the consolidated balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Trade and other payables. Trade and other payables are recognised and initially measured under the policy for financial instruments mentioned above. Subsequently, instruments with a fixed maturity are re-measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

3 Summary of Significant Accounting Policies (Continued)

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

4 Critical Accounting Estimates and Judgements

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

Revaluation of property, plant and equipment.

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

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

The carrying value and depreciation of property, plant and equipment are affected by the estimates of depreciated replacement cost and remaining useful life. Changes in these assumptions could have a material impact to the fair value of property, plant and equipment.

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

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

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

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

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

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

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.

4 Critical Accounting Estimates and Judgements (Continued)

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.

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

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

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

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

Related party transactions. In the normal course of business the Group enters into transactions with related parties. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions.

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

ECL measurement of consideration receivable for 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 nominal consideration of UAH 6,432 million, denominated in UAH. Out of total consideration receivable, UAH 1,662 million was settled to the Group in cash. Remaining balance of consideration receivable contractually is due on demand, while management expects that the balance will not be settled before 28 February 2023 (Note 10). 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.

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 accounts 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.

4 Critical Accounting Estimates and Judgements (Continued)

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

5 Adoption of New or Revised Standards and Interpretations

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

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

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

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

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

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

6 Subsidiaries with Material Non-controlling Interest

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

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

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

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6 Subsidiaries with Material Non-controlling Interest (Continued)

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

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 balances outstanding at 31 December 2020 and 2019 are detailed below.

<i>In millions of Ukrainian Hryvnia</i>	Parent - DTEK BV	DTEK BV Group subsidiaries	2020 Entities under common control and joint ventures of SCM
Loans receivable from related parties (Note 10)	-	187	2,152
Financial aid receivable from related parties (Note 10)	-	5,002	4,809
Equity securities (Note 10)	-	7	-
Receivables for bonds and shares sold to related parties (Note 10)	-	4,641	-
Trade and other receivables	-	4	4
Cash and cash equivalents	-	-	41
Loans, interest payable and other liabilities (Note 18)	-	(21,973)	-
Prepayments received	-	(20)	(1,184)
Payables to related parties (Note 19)	-	(359)	-

<i>In millions of Ukrainian Hryvnia</i>	Parent - DTEK BV	DTEK BV Group subsidiaries	2019 Entities under common control and joint ventures of SCM
Loans receivable from related parties (Note 10)	4,625	8	4,231
Financial aid receivable from related parties (Note 10)	-	4,041	5,529
Other financial investments from related parties (Note 10)	-	-	17
Equity securities (Note 10)	-	168	-
Receivables for bonds and shares sold to related parties (Note 10)	4,848	-	-
Receivable on assignment agreement from related parties (Note 10)	3,291	-	-
Trade and other receivables	-	131	-
Cash and cash equivalents	-	-	78
Loans, interest payable and other liabilities (Note 18)	-	(16,526)	(2,327)
Prepayments received	-	(1)	(1,239)
Payables to related parties (Note 19)	-	(1,037)	(284)

DTEK Oil&Gas Holdings B.V.
Notes to the Consolidation Financial Statement – 31 December 2020

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:

<i>In millions of Ukrainian Hryvnia</i>	2020			2019		
	Parent - DTEK BV	DTEK BV Group subsidiaries	Entities under common control and joint ventures of SCM	Parent - DTEK BV	DTEK BV Group subsidiaries	Entities under common control and joint ventures of SCM
Sales of gas	-	6,685	-	-	9,392	-
Sales of gas condensate	-	699	-	-	805	-
Purchase of goods and services	(4)	(133)	-	-	(76)	(6)
Fair value loss on forward derivative contracts (Note 24)	-	2,488	-	-	-	-
Interest income on bank deposits	-	-	4	-	-	8
Interest income on loans and corporate bonds provided (Note 25)	104	56	153	110	-	204
Interest expense on loans received (Note 25)	-	(1,039)	(13)	-	(823)	(99)

Prepayments received

Prepayments received as at 31 December 2020 and 31 December 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 and 31 December 2019 are unsecured.

Key management personnel compensation

Key management personnel consist of twelve top executives (2019: 13 top executives). In 2020 total compensation to key management personnel amounted to UAH 83 million (2019: UAH 98 million). Compensation to the key management personnel consists of salary and bonus payments.

8 Property, Plant and Equipment

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

<i>In millions of Ukrainian Hryvnia</i>	Oil and gas assets	Oil and gas properties	Plant and machinery	Furniture, fittings and equipment	Construction in progress	Total
At 1 January 2019						
Cost or valuation	6,856	3,166	2,776	116	1,210	14,124
Accumulated depreciation and impairment	(2,297)	(797)	(211)	(13)	-	(3,318)
NBV at 1 January 2019	4,559	2,369	2,565	103	1,210	10,806
Additions	-	-	-	-	2,565	2,565
Disposals	-	(33)	(17)	-	-	(50)
Depreciation charge	(246)	(777)	(223)	(16)	-	(1,262)
Impairment of property, plant and equipment	-	(168)	-	(2)	-	(170)
Transfer	-	1,955	238	8	(2,201)	-
NBV at 31 December 2019	4,313	3,346	2,563	93	1,574	11,889
At 31 December 2019						
Cost or valuation	6,856	5,088	2,997	124	1,574	16,639
Accumulated depreciation and impairment	(2,543)	(1,742)	(434)	(31)	-	(4,750)
NBV at 31 December 2019	4,313	3,346	2,563	93	1,574	11,889
Additions	-	-	-	-	2,524	2,524
Disposals	-	-	(29)	-	(9)	(38)
Depreciation charge	(230)	(1,376)	(281)	(14)	-	(1,901)
Impairment of property, plant and equipment	-	(68)	-	-	-	(68)
Transfer	-	1,158	1,643	6	(2,807)	-
NBV at 31 December 2020	4,083	3,060	3,896	85	1,282	12,406
At 31 December 2020						
Cost or valuation	6,856	6,241	4,611	130	1,282	19,120
Accumulated depreciation and impairment	(2,773)	(3,181)	(715)	(45)	-	(6,714)
NBV at 31 December 2020	4,083	3,060	3,896	85	1,282	12,406

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

In 2020, the depreciation expense of UAH 1,891 million (2019: UAH 1,249 million) was included in cost of sales, UAH 8 million (2019: UAH 7 million) in general and administrative expenses and UAH 2 million (2019: UAH 6 million) in other operating expenses.

9 Intangible Assets

The movements of intangible assets were as follows:

<i>In millions of Ukrainian Hryvnia</i>	Cost	Accumulated amortisation and impairment	Net book value
As at 1 January 2019	528	(135)	393
Additions / (Charge) for the year	104	(46)	58
As at 31 December 2019	632	(181)	451
Additions / (Charge) for the year	688	(52)	636
As at 31 December 2020	1,320	(233)	1,087

9 Intangible Assets (Continued)

In March 2019 the Group acquired a new license for gas extraction in the Kharkiv region for a 20 years term for a cash consideration of UAH 85 million.

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

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

In 2020, the amortisation expense of UAH 43 million (2019: UAH 41 million) was included to cost of sales and UAH 9 million (2019: UAH 5 million) into general and administrative expenses.

10 Financial Investments

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Receivables for shares sold to related parties (Note 7)	3,302	-
Loans receivable from related parties (Note 7)	2,106	8
Corporate bonds issued by related parties (Note 7)	411	-
Equity securities (Note 7)	7	168
Financial aid receivable from related party (Note 7)	-	227
Other	13	19
Total	5,839	422

Receivables for shares sold to related parties

As described in Note 4 and Note 28 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 nominal consideration of UAH 6,432 million, denominated in UAH. Out of total consideration receivable, UAH 1,662 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. The asset was recognised as an originated credit-impaired asset (POCI) as at origination date. After the initial recognition, the Group recognised UAH 338 million of net impairment gain for 2020, which represent cumulative changes in ECL during the period debited to gross carrying value of the instrument. 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 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 loans receivable from related parties.

Non-current loans receivable from related parties are recognised at fair value, bear nominal interest rate of 6.5%, which is equal to the effective rate. As at 31 December 2020 UAH 2,108 million of financial investments were denominated in US dollars (31 December 2019: UAH 8,330 million) and UAH 188 million in EUR (31 December 2019: UAH nil million) and are due in 2022-2023.

Equity securities

Equity securities are carried at fair value as at 31 December 2020. The balance included non-controlling interest of 1.46% in the share capital of DTEK Mironovskaya TPP LLC.

Equity securities were carried at fair value as at 31 December 2019. The balance included UAH 143 million non-controlling interest of 1.46% in the share capital of DTEK Dniproenergo JSC, 2.76% in the share capital of DTEK Westenergy JSC, and 5.48% in the share capital of Kharkivskiyi Machine-Building Plant Svitlo Shakhtarya PJSC for the total amount UAH 142 million and was disposed in April 2020 upon sale of shares of Power Trade LLC to an entity under common control of DTEK B.V. (Note 1). Also balance included UAH 26 million non-controlling interest in the share capital of Kyiv Grids LLC and was sold to DTEK Grids B.V. Group for a consideration of UAH 26 million. Balance of consideration receivable was settled in cash (presented in investing activities in the consolidated statement of cash flows).

Financial aid receivable from related party

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.

10 Financial investments (Continued)

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Financial aid receivable from related parties (Note 7)	9,811	9,343
Receivables for shares sold to related parties (Note 7)	928	2,395
Loans receivable from related parties (Note 7)	233	8,856
Financial aid receivable	149	146
Receivables for bonds sold to related parties (Note 7)	-	2,453
Receivable on assignment agreements from related parties (Note 7)	-	3,291
Other financial investments	6	17
Total	11,127	26,501

Financial assets receivable from DTEK B.V.

As at 31 December 2019 current financial investments included UAH 12,764 million of financial assets denominated in UAH receivable from the direct parent – DTEK B.V. Out of this total balance, UAH 4,625 million was included into loans receivable from related parties, UAH 2,453 million into receivables for bonds sold to related parties, UAH 2,395 million to receivables for shares sold to related parties and UAH 3,291 million into receivables on assignment agreements from related parties. The abovementioned financial assets had contractual maturity on or before 31 December 2019 and were expected to be settled via means of set-off during future distributions of dividends by the Group to DTEK B.V. As at 31 December 2019 the Group had sufficient net assets and ability for the dividends distribution and therefore, DTEK B.V. could settle the balances once dividends were declared by their decision. Consequently, balances were classified as current and no material credit loss allowance was charged as at 31 December 2019.

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

- UAH 2,290 million was set-off with the loan payable by the Group to DTEK Renewables B.V. Group as at 31 December 2019, which was further novated by the latter to DTEK B.V. in 2020 (Note 18), further UAH 2,290 million of financial investments which recognised under novation agreement was set-off with share premium distribution payable to DTEK B.V (Note 15);
- UAH 12,363 million of receivables was further offset with share premium distribution payable to DTEK B.V (Note 15).

Prior to settlement, the Group recognised on the aforementioned balances UAH 103 million of interest income and UAH 136 million of unwinding of discount. Other changes are due to the change in the amount of expected credit losses and due to foreign exchange gain.

Loans receivable from related parties.

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

In March 2020 the Group acquired 25% of Donetsk Grids LLC, 20.99% of Kyiv Grids LLC and 25% of Dnipro Grids LLC for a total consideration of UAH 891 million from a related party. The consideration payable was settled via set-off with corresponding balance of loans issued to related parties. The acquired shares were further sold to DTEK Grids B.V. Group for a consideration of UAH 891 million. From total balance of consideration receivable, UAH 267 million were settled in cash (presented in investing activities in the consolidated statement of cash flows) and UAH 624 million of receivables remained unsettled as at 31 December 2020.

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

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

Financial aid receivable from related parties.

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 (31 December 2019: UAH 6,609 million of interest free financial aid receivable in January 2020, UAH 2,734 million receivable on demand).

10 Financial investments (Continued)

Financial aid receivable.

In 2019 management revised its estimate and recognised 100% ECL charge for UAH 715 million for financial aid previously issued to third parties due to continued non-payment. Management is, however, taking necessary legal steps to recover this financial aid. Also in 2019 the Group issued additional UAH 146 million of interest free financial aid to third parties. As at 31 December 2019 balances were recognised at fair value approximating their carrying value, bore no interest and were due on demand. During 2020 UAH 14 million were settled in cash. Other changes are due to the change in the amount of expected credit losses.

As at 31 December 2020 UAH 2,157 million of the financial investments were denominated in US dollars (31 December 2019: UAH 8,330 million) and UAH 188 million in Euro (31 December 2019: UAH 2,277 million). Remaining balance of the financial investments was denominated in Ukrainian hryvnia.

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

<i>In millions of Ukrainian Hryvnia</i>	2020
Opening balance as at 1 January	26,923
Cash movements	
Loans and financial aids provided	4,864
Proceeds from loans and financial aid provided	(3,587)
Proceeds from sale of shares of electricity distribution entities to a related party	(293)
Interest received	(438)
Consideration received for reassigned loan (Note 19)	(276)
Proceeds from sale of subsidiaries that were acquired with a view for resale (Note 28)	(1,662)
Non-cash movements	
Net increase in expected credit losses	(94)
Reversal of impairment loss for credit-impaired financial investments	138
Foreign exchange gain	2,224
Finance income	749
Set-off with share premium contribution (Note 15)	(14,653)
Set-off with other financial liabilities and payables	(3,748)
Assignment of receivables from related parties (Note 19)	276
Recognition of receivable from selling of shares of electricity distribution entities to a related party	891
Purchase bonds of related party	445
Recognition of receivable from sale of subsidiaries that were acquired with a view for resale (Note 28)	5,142
Recognition of financial investments upon Group reorganisation	173
Disposal of subsidiary	(108)
Closing balance as at 31 December	16,966

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

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

<i>In millions of Ukrainian Hryvnia</i>	2020		2019	
	Stage 1 (12 months ECL)	POCI (Lifetime ECL)	Stage 1 (12 months ECL)	POCI (Lifetime ECL)
Provision for impairment at 1 January	1,593	-	1,587	-
Provision for impairment during the year	393	200	551	-
Reversal of provision	(332)	-	(470)	-
Exchange rate difference	84	-	(104)	-
Changes as a result of disposal of subsidiaries*	(478)	-	-	-
Changes in estimates and assumptions	33	-	29	-
Provision for impairment at 31 December	1,293	200	1,593	-

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

10 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:

<i>In millions of Ukrainian Hryvnia</i>	Expected annual loss rate	Gross carrying amount	Lifetime ECL	Basis
Financial investments issued to related parties	4.5-8.39%	17,467	671	Adjusted yield to maturity on corporate bonds
Financial investments issued to other counterparties	10%	189	19	Adjusted yield to maturity on corporate bonds

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

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

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

As at 31 December 2020 for financial investments with overdue period for more than 1 year with gross carrying amount of UAH 803 million allowance were measured based on ECL rate 100% (31 December 2019: UAH 1,297 million).

11 Inventories

As at 31 December, inventories were as follows:

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

12 Trade and Other Receivables

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Trade receivables (less provision of UAH nil million) (2019: provision of UAH 6 million)	5	131
Other receivables (less provision of UAH 4 million) (2019: provision of UAH 4 million)	92	19
Total financial assets	97	150
Prepayments to suppliers (less provision of UAH nil) (2019: UAH nil)	220	101
Total non-financial assets	220	101
Total trade and other current receivables	317	251

As at 31 December 2020 other receivables include prepaid interests for deferred consideration for acquisition of PrJSC Naftogazvydobuvannya (Note 18).

As at 31 December 2020 UAH 95 million of trade and other receivables were denominated in US dollars (31 December 2019: UAH 2 million) and UAH 2 million in UAH (31 December 2019: UAH 148 million).

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12 Trade and Other Receivables (Continued)

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Provision for impairment at 31 December	10	40
Provision for impairment during the year	3	11
Reversal of provision	(9)	(41)
Provision for impairment at 31 December	4	10

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

<i>In millions of Ukrainian Hryvnia</i>	Expected loss rate	Gross carrying amount	Lifetime ECL	Basis
Trade receivables from related parties	7.46%	2	0	Adjusted yield to maturity on corporate bonds
Other receivables from other counterparties	0%-10%	96	1	Adjusted yield to maturity on corporate bonds

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

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

As at 31 December 2020 for trade receivables with overdue period for more than 1 year with gross carrying amount of UAH 3 million allowance was measured based on ECL rate 100% (31 December 2019: UAH 4 million).

13 Cash and Cash Equivalents

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Bank balances receivable on demand	156	50
Restricted cash	-	70
Term deposits with original maturity of less than three months	-	6
Total cash and cash equivalents	156	126

As at 31 December 2020 cash and cash equivalents of UAH 52 million were denominated in US dollars (31 December 2019: UAH 83 million), UAH 32 million were denominated in EUR (31 December 2019: UAH 3 million) and UAH 72 million were denominated in UAH (31 December 2019: UAH 40 million).

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

<i>In millions of Ukrainian Hryvnia</i>	2020			2019		
	Bank balances payable on demand	Term deposits	Restricted cash	Bank balances payable on demand	Term deposits	Restricted cash
<i>Rating by Moody's Investors Service</i>						
- A1 rated	8	-	-	15	-	-
- Caa1 rated	-	-	-	1	-	-
<i>Non-rated</i>	148	-	-	34	6	70
Total	156	-	-	50	6	70

14 Share Capital

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

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

15 Share Premium

In 2020 DTEK B.V. made a share premium contribution to the equity of the Company by means of 100% of the shareholding in DTEK Oil&Gas B.V. and DTEK Oil&Gas Development B.V., the companies which are fully owned by DTEK B.V. As such, the Company started to consolidate all the Oil&Gas business of DTEK B.V. Group and the Company is an intermediary holding company which fully owns DTEK Oil&Gas B.V. and DTEK Oil&Gas Development B.V. The Company is 100% owned by DTEK B.V.

Resulting from this reorganization transaction, the Group recognized Share premium in the amount of UAH 40,174 million, which was accounted at the fair value of the investments contributed to the equity of DTEK Oil&Gas Holdings B.V. and reduced the Retained earnings by the same amount.

In 2020 the Company distributed its share premium in the amount of UAH 14,653 million to its direct parent. Payable for distributed share premium was settled by means of set-off with financial investments (Note 10) following reassignment of financial instruments receivable from related parties.

16 Other Reserves

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

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

17 Bank Borrowings

During 2019 the Group signed a revolving credit line agreement with JSB Ukrgasbank with a total limit of UAH 615 million (the initial limit of UAH 603 million, which million was revised in 2020). The loan is denominated in Ukrainian hryvnia and bears 10.11% 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.

In August 2020 the Group signed a credit agreement with First Ukrainian International Bank with a total of USD 200 million. The loan is multi-currency and bears 7% -15.5% (7% for EUR, 7.5% for USD and 15.5% for UAH) effective interest with maturity in August 2021.

In, December 2020 the Group signed an addendum to a revolving credit line agreement with JSC Kredobank received in 2019, with a total limit of USD 1,625 thousand (2019: USD 1,240 thousand) bearing effective 5.5% interest (2019: 5.5% interest) with maturity in December 2021 (2019: in December 2020). As at 31 December 2020, the Group has withdrawn UAH 46 million (2019: UAH 29 million).

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17 Bank Borrowings (Continued)

As at 31 December, Bank borrowings comprised:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Bank borrowings	806	614
Total	806	614

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Opening balance as at 1 January	614	-
Cash movements		
Receipt of loan	182	614
Repayment of interest expenses	(87)	(54)
Non-cash movements		
Interest expense	92	54
Exchange rate difference	5	-
Closing balance as at 31 December	806	614

As at 31 December 2020 bank borrowings of UAH 46 million were denominated in US dollars (31 December 2019: UAH 29 million), and UAH 760 million were denominated in UAH (31 December 2019: UAH 585 million).

18 Other Financial Liabilities

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Loans payable to related parties (Note 7)	16,231	10,459
Deferred consideration for acquisition	1,543	-
Other liabilities	3	-
Total non-current other financial liabilities	17,777	10,459

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

<i>In millions of Ukrainian Hryvnia</i>	2020	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)	449	4,068
Deferred consideration for acquisition	447	1,668
Loans payable to related parties (Note 7)	280	1,697
Other liabilities	-	9
Total current other financial liabilities	6,189	10,071

Loans payable to related parties.

Loans payable to related parties in the amount of UAH 16,511 million (31 December 2019: UAH 12,156 million) are represented by loans received from DTEK Energy B.V. in the amount of UAH 14,185 million and Primorskaya WEP B.V. in the amount of UAH 2,326 million (31 December 2019: DTEK Energy B.V. and DTEK Renewables B.V.), entities under common control. Loans payable to DTEK Energy B.V. are recognised at fair value, bear nominal interest 8% before 1 January 2021 and 9% afterwards until maturity in 2023-2024 and are accounted at amortised cost using an effective interest of 11.396%.

On 17 May 2021, following the orders of High Court of Justice of England and Wales of 14 May 2021 sanctioning the Schemes, the Trustee under DTEK Energy Eurobonds enforced security over the debt provided to the Group by DTEK Energy B.V. and subsequently exchanged into Eurobonds of the Group (Note 33).

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

18 Other Financial Liabilities (Continued)

As at 31 December 2019 loan payable to DTEK Renewables B.V. in the amount of UAH 1,697 million was recognized at fair value, bear nominal and effective interest rate of 5% and is due in 2020. In 2020 the loan was novated to DTEK B.V. Prior to that, the Group provided a loan in the amount of UAH 135 million and recognised UAH 91 million of interest income. Further in 2020 UAH 2,290 million of loan was fully offset with financial investments which were outstanding as at 31 December 2019. Other changes are due to foreign exchange difference.

During 2020 DTEK B.V., the Parent Company, reassigned to the Group its obligation to repay their loans due to Primorskaya WEP B.V., entity under common control of DTEK B.V. Out of the total of balance of loans, UAH 2,143 million is denominated in USD, bears 6% and has maturity in July 2023, and 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 with previously existing intragroup receivable reassigned to related party.

Deferred consideration for acquisition of PrJSC Naftogazvydobuvannya.

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

During 2020 UAH 97 million of interest under deferred consideration was accrued and fully paid (2019: UAH 126 million). In addition the Group prepaid UAH 92 million of interest to be recognised for twelve months ended 2021, which is recognised as other receivables as at 31 December 2020 (Note 12). The remaining change in deferred consideration is due to foreign exchange loss.

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

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

Financial liabilities on debt assignment agreements.

In 2019, before acquisition by the Group (Note 27), DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC and their ultimate controlling party assigned to the Group their obligation to repay their loans obtained from the related party, payable in 2020 and bearing 5% interest rate. The Group accepted this assignment in exchange for a consideration equal to the carrying value of the loans including the interests accrued to date which was considered to be a fair value of the liability and equals to UAH 2,365 million. As of 31 December 2019 financial liability on debts assignment agreements line includes UAH 2,327 million of carrying value of outstanding debt on this transaction. The respective consideration was paid in full after the acquisition of DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC and was included into the financing activity from continuing operations in the consolidated statement of cash flows for 2019. During 2020 UAH 13 million of interest was accrued. Further UAH 2,674 million was settled via a non-cash set-off with loan issued to a related party, which was outstanding as at 31 December 2019. Remaining change is due to foreign exchange gain.

Further during 2019 the Group assigned the right to claim UAH 1,741 million on previously intragroup loan to DTEK Grids B.V. for a consideration receivable on demand and equal to nominal amount of the financial aid. The right to claim on this loan was further reassigned by DTEK Grids B.V. to DTEK B.V. Based on this transaction the Group recognised additional UAH 1,741 payable to a related party, approximating the fair value of the instrument. The loan payable bore 3.95% + Libor 3m, was denominated in USD and had maturity in March 2020. During 2020 UAH 46 million of interest was accrued and UAH 1,612 million was settled in cash and classified as outflow from financing activity in consolidated cash flow statement. Based on these transactions UAH 449 million of financial liabilities remained unsettled as at 31 December 2020. Remaining change is due to foreign exchange gain.

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.

Financial aid payable to related parties.

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

18 Other Financial Liabilities (Continued)

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 million of m3 of gas during 2021 for a fixed selling price at specified time intervals (709.06 million of m3 of gas (7,505.4 MW) for the period April - September 2021 at the selling price of 12.3 Euro per 1 MW of gas, 604.14 million m3 of gas (6,394.8 MW) for the period January - December 2021 at the selling price of 12.5 Euro per 1 MW of gas, 82.61 million m3 of gas (874,396 MW) for the period January - March 2021 at the selling price of 12.36 Euro per 1 MW 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.

As at 31 December 2020 UAH 15,600 million of loans and interest payable were denominated in US dollars (31 December 2019: UAH 11,733 million) and UAH 5,841 million in Euro (31 December 2019: UAH 4,491 million), remaining balances were denominated in Ukrainian hryvnia.

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

In millions of Ukrainian Hryvnia	2020	2019
Opening balance as at 1 January	20,530	15,788
Cash movements		
Consideration received for reassigned debt to a related party	-	2,365
Receipt of loans, bonds and financial aid from related parties	255	2,629
Purchase of corporate bonds	(445)	-
Repayment of loans, bonds and financial aid from related party	(1,845)	(889)
Financing received from a related party to settle its obligations	-	653
Interest on deferred consideration paid	(97)	(126)
Repayment of financial aid from third parties	(21)	-
Non-cash movements		
Set-off of with financial assets	(5,855)	(653)
Fair value loss on forward derivative contracts (Note 24)	2,488	-
Interest accrued on loans received from related parties (Note 25)	1,052	898
Unwinding of discount on loans received from related parties (Note 25)	489	437
Interest expense on deferred consideration	97	126
Foreign exchange losses less gains / (gains less losses)	3,687	(2,401)
Increase in obligation to related party following reassignment	2,290	1,741
Recognition of payable for acquired shares of electricity distribution entities (Note 10)	891	-
Purchase of bonds from related parties	445	-
Other	5	(38)
Closing balance as at 31 December	23,966	20,530

19 Trade and Other Payables

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Payables to related party (Note 7)	359	1,321
Liabilities for purchased property, plant and equipment	189	168
Trade payables	59	48
Dividends payable	43	31
Other creditors	62	10
Total financial payables	712	1,578
Wages and salaries payable	63	56
Accruals for employees' unused vacations	17	11
Total non-financial payables	80	67
Total	792	1,645

19 Trade and Other Payables (Continued)

Payables to related party

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

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

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

As at 31 December 2020, UAH 332 million of trade and other payables was denominated in USD (31 December 2019: UAH 344), UAH 39 million in EUR (31 December 2019: UAH 26 million) and UAH 341 million in UAH (31 December 2019: UAH 1,208 million).

20 Other Taxes Payable

As at 31 December other taxes payable were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Subsoil tax payable	106	82
Value-added tax	104	65
Other taxes payable	1	-
Total other taxes payable	211	147

21 Revenue

Analysis of revenue by category is as follows:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Revenue from sales of gas	6,695	9,421
Revenue from sales of gas condensate	699	805
Total	7,394	10,226

Group recognises revenue at a point of time.

22 Cost of Sales

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Depreciation of property, plant and equipment, depletion and amortisation of intangible assets	1,934	1,290
Subsoil tax	880	1,319
Production overheads and other costs	302	174
Raw materials	133	80
Wages and bonuses	107	83
Equipment maintenance and repairs	107	65
Cost of goods sold	31	79
Impairment of property, plant and equipment	25	170
Social charges	20	15
Total	3,539	3,275

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

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

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23 General and Administrative Expenses

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Professional fees	150	120
Salaries and bonuses	136	134
Rent costs	25	14
Depreciation of property, plant and equipment, depletion and amortisation of intangible assets	17	12
Social charges	11	9
Other costs	23	24
Total	362	313

During 2020 the Group employed an average of 82 employees of administrative personnel (2019: 79 employees)

24 Other Operating Expenses

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Fair value loss on forward derivative contracts (Note 7)	2,488	-
Insurance	213	205
Impairment provision for inventory	33	36
Charitable donations and sponsorship	33	18
Result from the sale of investments	22	-
Depreciation of property, plant and equipment, depletion and amortisation of intangible assets	2	6
Other	41	71
Total	2,832	336

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

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Audit of the financial statements including audit fee of PricewaterhouseCoopers Accountants N.V. of UAH 3 million (31 December 2019: UAH 1 million)	11	4
Other audit services	-	-
Tax services	3	1
Other non-audit services	-	-
Total audit fees	14	5

25 Finance Income and Finance Costs

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Unwinding of discount on financial investments provided to related parties	272	1,515
Interest income on loans provided to related parties (Note 7)	267	314
Gain on early repayment of loan provided to related parties	166	82
Interest income on corporate bonds provided to related parties (Note 7)	46	-
Interest income on bank deposits	16	109
Unwinding of discount on financial aids provided to other parties	-	58
Other	-	46
Total finance income	767	2,124
Interest expense on loans received from related parties (Note 7)	1,052	898
Unwinding of discount on loans received from related parties	489	437
Interest expense on deferred consideration	97	126
Interest expense on bank loans from other parties	92	30
Loss on initial recognition of loans provided to other parties	14	-
Loss on initial recognition of financial investments provided to related parties	-	318
Interest expense on bank loans from related parties (Note 7)	-	24
Other finance costs	4	-
Total finance costs	1,748	1,833

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26 Income Taxes

Income tax expense comprises the following:

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Current tax	965	1,324
Deferred tax	214	406
Income tax from continuing operations	1,179	1,730
Income tax from discontinued operations (Note 28)	111	205
Income tax expense	1,290	1,935

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

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
(Loss) / profit before income tax from continuing operations	(1,903)	7,827
Profit before income tax from discontinued operations (Note 28)	781	1,381
Total, profit/(loss) before income tax, including	(1,122)	9,208
Profit before income tax of Ukrainian companies	2,123	6,853
(Loss) / profit before income tax of non-Ukrainian companies	(3,245)	2,355
Income tax at statutory rates 18% (Ukrainian operations)	382	1,234
Profit / (Loss) taxed at different rates 25% (Dutch operations)	(804)	594
Profit / (Loss) taxed at different rates 12.5% (Cyprus operations)	(4)	(3)
Tax effect of non-taxable gains / non-deductible expenses on Dutch subsidiaries	938	(367)
Tax effect of items not deductible or assessable for taxation purposes:		
- non-deductible expenses	-	-
- non-taxable income	(30)	(67)
Recognition of temporary differences on post-acquisition profits of subsidiaries	(75)	544
Utilized tax losses	(7)	-
Non recognised DTA on tax losses carried forward	2	-
Write-down or non-recognition of deferred tax assets on deductible temporary differences	888	-
Income tax expense	1,290	1,935

The parent and its subsidiaries are separate tax payers and therefore the deferred tax assets and liabilities are presented on an individual basis.

As at 31 December 2020 the Group wrote down deferred tax assets in respect of deductible temporary differences of UAH 888 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.

The deferred tax liabilities and assets reflected in the consolidated balance sheets as at 31 December are as follows:

<i>In millions of Ukrainian Hryvnia</i>	1 January 2020	Charged to equity	Credited/ (charged) to income	31 December 2020
Inventories	1	-	-	1
Financial investments	383	231	(614)	-
Trade and other receivables	18	-	(17)	1
Gross deferred tax asset	402	231	(631)	2
Less offsetting with deferred tax liabilities	(21)	(231)	250	(2)
Recognized deferred tax asset	381	-	(381)	-
Property, plant and equipment	(834)	8	222	(604)
Other financial liabilities	(769)	-	121	(648)
Investment in subsidiaries	(544)	-	75	(469)
Gross deferred tax liability	(2,147)	8	418	(1,721)
Less offsetting with deferred tax assets	21	231	(250)	2
Recognized deferred tax liability	(2,126)	239	168	(1,719)
Recognized net deferred tax liability	(1,745)	239	(213)	(1,719)

Net deferred tax benefit charged to equity represents deferred tax effects on recognition of financial instruments upon the sale of subsidiaries.

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26 Income Taxes (Continued)

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

Following the release of NBU restriction on dividends payments abroad, in 2019 PrJSC Naftogazvydobuvannya started to pay dividends and the respective withholding taxes. Consequently, as at 31 December 2020 the Group recognised UAH 469 million (31 December 2019: UAH 544 million) of deferred tax liability relating to post-acquisition profits of its subsidiaries. The decrease was due to the DTEK Oil & Gas BV sale of shares to the subsidiary of Group, which is registered in Ukraine. Dividends for this company are not subject to withholding taxes.

27 Business Combinations

In January 2019 the entities under control of DTEK B.V. Group signed several contracts to acquire 93.9978% of shares in DTEK Kyiv Regional Grids PrJSC and 68.2949% of shares in DTEK Odesa Grids JSC. DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC are grids entities located respectively in the Kyiv region (except Kyiv city) and the Odessa region and are major Distribution System Operators in those regions. In a sequence of transactions during January - March 2019 the Group acquired 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 the 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 obtaining control by the Group over DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC as at that date. Despite legally these acquisitions were 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 and supporting processes optimization. Such synergies from combining operations of the acquiree and the acquirer are represented by the Goodwill acquired in the business combination and recognised in the financial statements as at the acquisition of control date. The goodwill is primarily attributable to the profitability of the acquired business, the significant synergies and combined cost savings expected to arise, which is relevant for DTEK B.V. Group rather than to the Group itself. The goodwill will not be deductible for tax purposes in future periods.

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

27 Business Combinations (Continued)

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

<i>In millions of Ukrainian Hryvnia</i>	DTEK Kyiv Regional Grids PrJSC	DTEK Odesa Grids JSC	Total
Cash	92	217	309
Property, plant and equipment	3,878	3,720	7,598
Intangible assets	6	23	29
Deferred income tax asset	21	17	38
Inventories	98	121	219
Trade and other receivables	1,226	430	1,656
Retirement benefit obligation	(25)	-	(25)
Deferred income tax liability	(187)	-	(187)
Trade and other payables	(1,775)	(1,459)	(3,234)
Fair value of net assets 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 for as acquisition of a non-controlling interest accordingly.

The Group purchased these entities with a view of further resale to DTEK Grids B.V. Group. Correspondingly, assets and liabilities of DTEK Kyiv Regional Grids PrJSC and DTEK Odesa Grids JSC were classified as assets and liabilities of a disposal group held for sale and presented separately in the consolidated balance sheet as at 31 December 2019 and the result for the period was presented as a 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 into the disposal group were not depreciated.

28 Discontinued Operations

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 a total consideration of UAH 5,142 million, denominated in UAH.

Out of the total consideration receivable, UAH 1,662 million was settled to the Group in cash. The remaining balance of the 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 10). The asset was recognised as an originated credit-impaired asset (POCI) as at origination date and at the 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.

28 Discontinued Operations (Continued)

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

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

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

<i>In millions of Ukrainian Hryvnia</i>	2020	2019
Discontinued operations that represent purchased entities with a view of future resale		
Profit before income tax from a discontinued operations that represent purchased entities with a view of future resale	781	1,381
Income tax expense	(111)	(205)
Profit for the year from a discontinued operations that represent purchased entities with a view of future resale	670	1,176

29 Contingencies, Commitments and Operating Risks

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

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

The Group has income tax liabilities in various countries. The ultimate tax consequences of many transactions and calculations are uncertain, partly because of uncertainty concerning their timing. The Group continually assesses such matters and where final tax sums differ from the estimates such differences are recognised as income tax provisions in the period in which the differences become apparent. As at 31 December 2020 the Group's contingent liabilities in relation to uncertain tax positions are equal to UAH 287 million (31 December 2019: UAH 544 million).

29 Contingencies, Commitments and Operating Risks (Continued)

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

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

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

Environmental matters. The enforcement of environmental regulation in Ukraine is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately.

Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. Management believes that there are no significant liabilities for environmental damage.

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

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

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

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

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

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

Assets pledged and restricted.

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

At the date of signing these Consolidated Financial Statements, pledge was removed.

Product sharing agreement with the Government of Ukraine.

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

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

30 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policies seek to minimise the potential adverse effects on the Group's financial performance for those risks that are manageable or noncore to oil and gas exploration activities.

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

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

Credit risk is managed on an entity by entity basis with oversight by the Group. Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions. For Banks only SCM related banks or upper tier Ukrainian banks are accepted, which are considered at time of deposit to have minimal risk of default. The exposure to credit risk for other customers is approved and monitored on an ongoing basis individually for all significant customers. The Group does not require collateral in respect of trade and other receivables.

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

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

Counterparty	Classification in balance sheet	31 December 2020	31 December 2019
Entities under common control of SCM			
First Ukrainian International Bank (FUIB)	Cash and cash equivalents	45	93
DTEK Grids LLC	Financial investments	24,748	473
SCM PrJSC	Financial investments	4,809	5,529
Rainwell Limited	Financial investments	6,587	3,065
D. Trading LLC	Financial investments	1,355	413
Solar Farm-1 LLC	Financial investments	1,324	1,324
DTEK LLC	Financial investments	965	417
DTEK Grids B.V.	Financial investments	4,010	-
Primorskaya WPP-2 LLC	Financial investments	411	1,410
DTEK Service LLC	Financial investments	20	-
DTEK B.V.	Financial investments	-	12,765
SCM Consulting Ltd	Financial investments	-	1,166
DTEK Trading LLC	Financial investments	-	126
Total of entities under common control of SCM		44,274	26,781
Other entities			
Ukrgazbank JSB	Cash and cash equivalents	53	30
Credobank JSC	Cash and cash equivalents	46	-
CREDIT SUISSE AG	Cash and cash equivalents	8	-
Ukrresurs LLC	Financial investments	85	85
Advance Rent LLC	Financial investments	57	57
Foloux Consulting Limited	Trade and other receivables	92	-
Total of other entities		341	172

The maximum exposure to credit risk at the reporting date is UAH 17,174 million (2019: UAH 26,953 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.

30 Financial Risk Management (Continued)

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.

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

Currency risk. The Group primarily operates within Ukraine and accordingly its exposure to foreign currency risk is determined mainly by borrowings, financial liabilities, cash balances and deposits, which are denominated in or linked to USD and EUR. Increasing domestic uncertainty led to volatility in the currency exchange market and resulted in significant downward pressure on the Ukrainian Hryvnia relative to major foreign currencies.

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

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

<i>In millions of Ukrainian Hryvnia</i>	At 31 December 2020		At 31 December 2019	
	Impact on	Impact on	Impact on	Impact on
	profit or	equity	profit or loss	equity
	loss			
USD strengthening by 10% (2019: 10%)	(1,368)	(1,368)	(536)	(536)
USD weakening by 10% (2019: 10%)	1,368	1,368	536	536
Euro strengthening by 10% (2019: 10%)	(566)	(566)	(224)	(224)
Euro weakening by 10% (2019: 10%)	566	566	224	224

Liquidity risk. Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding to meet existing obligations as they fall due.

Management monitors liquidity on a daily basis, management incentive programs use key performance indicators such as EBITDA, free cash flow and cash collections to ensure liquidity targets are actively monitored. Prepayments are commonly used to manage both liquidity and credit risks. The Group has capital construction programs which can be funded through existing business cash flows, however the Group also has significant investment and acquisition targets which will probably require incremental debt finance.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are undiscounted cash flows.

The maturity analysis of financial liabilities at 31 December 2020 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	Up to 6	6 -12	1 - 2	2 - 5	Over 5	Total
	months	months	years	years	years	
Liabilities						
Other financial liabilities - external	5,076	1,237	1,836	22,038	-	30,187
Bank borrowings	1,591	30	-	-	-	1,621
Trade and other payables	712	-	-	-	-	712
Total future payments, including future principal and interest payments	7,379	1,267	1,836	22,038	-	32,520

30 Financial Risk Management (Continued)

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

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

31 Management of Capital

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

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

As at 31 December 2020 the total net debt and the total capital of the Group were UAH 24,616 million and UAH 2,065 million respectively (31 December 2019: UAH 21,088 million and UAH 22,497 million), the net debt to equity ratio was 11.92 (31 December 2019: 0.94).

32 Fair Value of Assets and Liabilities

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

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

Financial instruments carried at fair value through profit or loss. Equity securities and derivative financial instruments are carried in the statement of financial position at their fair values. Fair values were determined based on quoted market prices or third party valuations using discounted cash flows techniques.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis, except for equity securities and derivative financial instruments, as at 31 December 2020. Commodity derivative financial instruments 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.

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

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

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

32 Fair Value of Assets and Liabilities (Continued)

a) Recurring fair value measurements

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

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

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

The Group's property, plant and equipment are mainly categorised as Level 3 in the fair value hierarchy, but minority are categorised as Level 2 in the fair value hierarchy, including buildings, in particular administrative buildings, and transport groups. Administrative buildings were valued using the income approach based on market offers of rental rates. Transport vehicles were valued using the market approach based on relevant market offers.

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

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.

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

<i>In millions of Ukrainian Hryvnia</i>	31 December 2020	31 December 2019
	Level 2	Level 2
FINANCIAL LIABILITIES		
Financial liabilities		
- Financial liabilities on forward derivative contracts (Note 18)	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.

Significant differences were identified for the following instruments at 31 December 2020:

<i>In millions of Ukrainian Hryvnia</i>	31 December 2020		31 December 2019	
	Level 2	Carrying value	Level 2	Carrying value
FINANCIAL Liabilities				
Loans payable to related parties (Note 18)	18,601	16,511	12,156	12,156
Total LIABILITIES	18,601	16,511	12,156	12,156

32 Fair Value of Assets and Liabilities (Continued)

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

<i>In millions of Ukrainian Hryvnia</i>	31 December 2020	31 December 2019	Valuation technique	Inputs used
FINANCIAL ASSETS				
Loans receivable from related parties (Note 10)	2,339	8,864	Discounted cash flows	Interest on loans pursuant to statistical data of Ukrainian banks
FINANCIAL LIABILITIES				
Loans payable to related parties (Note 18)	16,511	12,156	Discounted cash flows	

33 Subsequent Events

Eurobonds issued:

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

The terms of the Eurobonds issued include, but are not limited to:

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

Company financial statements

31 December 2020

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

<i>In millions of Ukrainian Hryvnia</i>	Note	31 December 2020
ASSETS		
Non-current assets		
Investments in subsidiaries	3	8,418
Total non-current assets		8,418
Current assets		
Other financial investments	4	802
Total current assets		802
TOTAL ASSETS		9,220
EQUITY		
Share capital	5	0
Share premium	5	25,521
Accumulated losses	5	(18,061)
Result for the year	5	1,759
TOTAL EQUITY		9,219
LIABILITIES		
Current liabilities		
Trade and other payables		1
Total current liabilities		1
TOTAL LIABILITIES		1
TOTAL LIABILITIES AND EQUITY		9,220

DTEK Oil&Gas Holdings B.V.
Company Income Statement

<i>In millions of Ukrainian Hryvnia</i>	Note	Result for the period from the date of incorporation to 31 December 2020
Share of result of subsidiaries	3	1,825
Other expense after taxation		(66)
Net income attributable to shareholders		1,759

1 The Organisation and its Operations

General

DTEK Oil&Gas Holdings B.V. (“the Company”) is a private limited liability company incorporated on 30 June 2020, 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. The Company is 100% owned by DTEK B.V. The main activity of Company relates to the holdings equity interests on possible acquisitions of subsidiaries in future.

Dutch Chamber of Commerce registration number of the Company is 78447208.

Supervisory Board

The Board consists of 5 (five) members. For the period from the date of incorporation to 31 December 2020 DTEK Oil&Gas Holdings B.V. and its subsidiaries paid remuneration to the Supervisory Board in the amount of UAH 3 million.

Management Board

The Board consists of 2 (two) members. For the period from the date of incorporation to 31 December 2020 DTEK Oil&Gas Holdings B.V. and its subsidiaries paid remuneration to The Management Board in the amount of UAH 4 million.

Basis of presentation of the company financial statements

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

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

2 Accounting Policies

General

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

Since the income statement for 2020 and 2019 of DTEK Oil&Gas Holdings 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 Holdings entities. They are derecognised from the date that control ceases.

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

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

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.

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

Investments unrealised gains and losses

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

Amounts due from investments

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

Elements of shareholders' equity

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

The latter four reserves have been combined under other reserves.

The part of other reserves - revaluation reserve (art. 2:390 part 1 DCC) is maintained in respect of unrealised fair value increase held by companies forming part of DTEK Oil&Gas Holdings B.V.

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

3 Investments in Subsidiaries

Movements in investments in subsidiaries are as follows:

<i>In millions of Ukrainian Hryvnia</i>	
Carrying amount at the date of incorporation	-
Contribution of investments in share capital	40,174
Share of result of subsidiaries	1,825
Dividends declared	(15,520)
Losses from group structuring	(18,061)
Carrying amount at 31 December 2020	8,418

Company's subsidiaries declared dividends during the year ended 31 December 2020 in amount of UAH 15,520 million.

In July 2020 DTEK B.V. contributed the shares of DTEK Oil&Gas B.V. and DTEK Oil&Gas Development B.V. to the share capital of the company. The contribution was recognized at the fair value of investments.

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

4 Other Financial Investments

The movement in loans to related parties during the period from the date of incorporation to 31 December 2020 is presented in the table below:

<i>In millions of Ukrainian Hryvnia</i>	
Balance at the date of incorporation	-
Increase in loans issued due to Novation/Assignment agreement	15,344
Set-off	(14,653)
Interest accrued during the period	2
Accrual and change in provision for ECL according to IFRS 9	(74)
Foreign exchange gain	183
Balance at 31 December	802

4 Other Financial Investments (Continued)

As at 31 December 2020 current financial investments are presented as a loans and receivable on assignment agreements from related parties. Financial investments are neither past due nor impaired and are non-rated.

Credit loss allowance at 31 December 2020 was charged as 12-months expected credit losses. Expected credit loss rate as at 31 December 2020 for loans receivable from related parties was determined based on adjusted yield to maturity of corporate bonds and was 7.46%.

The carrying amounts approximate their fair values.

As of 31 December 2020 UAH 187 million of loans receivable from related parties are recognised at fair value, bear nominal interest rate of 6,5%, which is equal to the effective rate and UAH 615 million of receivable on assignment agreements are non-interest bearing.

As at 31 December 2020 UAH 187 million were denominated in EUR and UAH 615 million were denominated in UAH.

As at 31 December 2020 UAH 187 million of loans fall due within one year, and UAH 615 million of receivable on assignment agreements from related parties fall due within one year.

All loans to related parties are not secured.

5 Equity

Movements in equity are as follows:

<i>In millions of Ukrainian Hryvnia</i>	Share capital	Share premium	Accumulated losses	Result for the year	Total
Balance at the date of incorporation	-	-	-	-	-
Shares issued	0	-	-	-	0
Contribution of shares in the capital	-	40,174	(18,061)	-	22,113
Result for the period from the date of incorporation to 31 December 2020	-	-	-	1,759	1,759
Repay to Shareholder from the share premium	-	(14,653)	-	-	(14,653)
Balance at 31 December 2020	0	25,521	(18,061)	1,759	9,219

The authorised share capital of DTEK Oil&Gas Holdings B.V. equals to fully paid share capital and comprises 1,000 ordinary shares with a par value of Euro 1 per share in total amount of Euro 1,000 which is equivalent of UAH 34,740 as at 31 December 2020. All shares carry one vote.

Proposed profit appropriation

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

<i>In millions of Ukrainian Hryvnia</i>	2020
Profit to retained earnings	1,759
Profit for the period	1,759

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 16,163 million, as well as the result according to the Company income statement and result according to the consolidated income statement of UAH 5,934 million is due to the fact that the Company recognises 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.

6 Average Number of Employees

For the period from the date of incorporation to 31 December 2020, the average number of employees, based on full time equivalents, was nil.

7 Directors Remuneration

The directors of the Company received remuneration of UAH 4 million.

8 Independent Auditor's Remuneration

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

<i>In millions of Ukrainian Hryvnia</i>	Result for the period from the date of incorporation to 31 December 2020
Audit of the financial statements including audit fee of PricewaterhouseCoopers Accountants N.V. of UAH 1 million	1
Other audit services	-
Tax services	-
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. 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 Holdings B.V. financial statements.

The current income tax is UAH nil million for 2020. Dividends are not subject to withholding taxes. The Company has not submitted its tax declaration for 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 77 million towards fiscal unity.

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 nil million.

11 Subsequent Events

There were no material subsequent events that require disclosure in these 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

Approved for issue and signed by entire
 Supervisory Board

Oleg Popov_____

Sergey Korovin_____

Iryna Mykh_____

Damir Akhmetov_____

Robert Sheppard_____

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 HOLDINGS B.V.

Report on the financial statements 2020

Our opinion

In our opinion:

- the consolidated financial statements of DTEK OIL&GAS HOLDINGS 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 HOLDINGS 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 HOLDINGS B.V., Amsterdam. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

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

The company financial statements comprise:

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

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

FV7TCMR7R25C-1991173209-114

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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 HOLDINGS 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 HOLDINGS 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.