DTEK Oil&Gas B.V.

Annual Report

31 December 2019

CONTENTS

Directors' Report

The Management Board of DTEK Oil&Gas B.V. (the "Company") presents their report in order to disclose the results of the activity of the Company for the year ended 31 December 2019.

Principal activities

DTEK Oil&Gas B.V. (formerly DTEK Investment B.V.) ("the Company") is a private limited liability company incorporated on 12 October, 2007, under the laws of The Netherlands, with its corporate seat in Amsterdam, The Netherlands. On 19 of September 2014 the Company changed its direct shareholder to DTEK B.V.

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

The principal activities of the Company and its subsidiaries (together referred to as "the Group" or "DTEK Oil&Gas") are exploration, development and production of gas and gas condensate in Ukraine in order to meet mission of developing Ukraine as energy independent country. As at 31 December 2019, the Group has two licensed gas and gas condensate fields in Poltava region, Horoshovskoye and Svitankovo-Logivskoye licensed gas and gas condensate fields in Kharkov regions of Ukraine.

The Company is the holding entity of the exploration, development and production of gas and gas condensate activities within the Group, which are in Ukraine. Currently DTEK Oil&Gas and its subsidiaries are producing and selling the gas and gas condensate extracted from licensed fields in Ukraine mainly to related party for further distribution to various customers and are developing further projects for extracting hydrocarbons and oil in Ukraine. Due to deficit of gaz produced in country which is required by Ukraine internal needs, all produced gas is purchased without any advertisement, marketing or other distribution activities.

Quality of extracted gas, which is transferred to magistral tube, is strictly controlled by legislation requirements, since gas must pass all necessary treatment and preparation before dispatch.

The Group purchases major components such as tubings, methanol, industry-specific spare parts, drilling and supervisory services, geological data interpretations by contracting with a diverse group of top-tier suppliers, which are highly recognised in 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 services to control the construction process from reputable international technical advisors.

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

Financial position, financial performance and solvency

Revenue of DTEK Oil&Gas for the year ended 31 December 2019 was UAH 10,226 million and net profit was UAH 7,273 million. Revenue of DTEK Oil&Gas for the year ended 31 December 2018 was UAH 14,645 million and net profit was UAH 7,075 million. On 31 December 2019 the total assets of the DTEK Oil&Gas were UAH 51,908 million (as at 31 December 2018: UAH 35,649 million) and the equity UAH 22,497 million (as at 31 December 2018: UAH 14,297 million). For the year ended 31 December 2019, the Group received positive cash flows generated from its operations in the amount of UAH 9,706 million (for the year ended 31 December 2018: UAH 9,071 million). On 31 December 2019 current assets of DTEK Oil&Gas exceeded its current liabilities by UAH 21,954 million (as at 31 December 2018: current assets exceeded current liabilities by UAH 13,728 million). The Group's debt to equity ratio as at 31 December 2019 reached 1.31, Debt/Equity (31 December 2018: 1.49). The Group's total liabilities to total assets ratio as at 31 December 2019 has reached 56.7% (31 December 2018: 59.9%).

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 2019, the Group`s current liquidity ratio stood at 2.31 (31 December 2018: 3.15), quick liquidity ratio 0.02 (31 December 2018: 0.75).

Share Capital and Capital Distributions

As at 31 December 2019 and as at 31 December 2018 the authorised and issued ordinary share capital amounted to Euro 18 000, divided into 18 000 shares with a par value of Euro 1 per share. All issued shares are fully paid.
There is scheduled dividends distribution in the foreseeable future.

Financing activity

Financing activity of the Company consists mainly of intra-group loans, which are managed centrally by the Corporate Finance department together with the Treasury department. The DTEK Group's overall risk management policies are also applicable to the DTEK Oil&Gas and seek to minimise the potential adverse effects on the DTEK Group's financial performance for those risks that are manageable or noncore to the oil and gas business.

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

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

Financial reporting, internal and external provision of information

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

Additionally, during 2019 the Group finished all necessary procedures in order to switch-off to a new system for reporting named SAP Hana starting from 1 January 2020.

This system implemented advanced internal controls for making sure that Group's established processes and procedures in key business processes are followed, thus providing additional comfort in quality of information for external and internal users of financial reports.

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

Financial risk management

Exposure of the Group to different financial risks is disclosed in Note 28 of the accompanying Consolidated Financial Statements.

Principal risks and uncertainties

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.

During 2016 the DTEK Energy B.V. Group entered into restructuring engagements with its lenders. Company's main subsidiary - Naftogazvydobuvannya PrJSC was part of this restructuring which has financial and non-financial covenants.

As of 31 December 2019 Naftogazvydobuvannya PrJSC and NGD Holdings B.V. were in compliance with the covenants relating to the restructured debt.

Impact of Covid-19 pandemic

As explained in notes 2 and 32 in the consolidated financial statements, the COVID-19 outbreak and resulting measures taken by various governments to contain the virus have certain negative impact on the Group's business in the first four months of 2020.

The Group has experienced a decline in revenues for the first four months of 2020 compared to the same period in 2019 of 45 %. A preliminary operating profit decreased during the first four months of 2020 by UAH 1,731 million. The decline was determined mainly by general developments in the gas market and corresponding decrease in gas prices (Note 2), with certain further impact due to the COVID-19 pandemic, though there was no direct impact on the gas demand/prices. Developments in revenues and profitability in the remainder of 2020 and further is dependent on developments in overall gas market and the period during which the regions in which we operate are exposed to COVID-19, the extent to which government measures may be prolonged, expanded or scaled down. Based on management assessment, the consequences of COVID-19 related downturn had no effect on impairment of the Group's assets neither in 2019 nor for the first four months of 2020.

The is no urgent need for the Group to do any substantial capex programme, though the Group will limit its investments to necessary replacements of assets until it has clarity as to when government measures will end and business activity will improve. The Group does currently not intend to reduce its workforce, as such neither anticipated soon nor already announced restructuring took place. However, if the COVID-19 pandemic continues for a longer period, this may have to be reconsidered, to be on the safe side.

Based on the current financial position and results, there is no risk that we may not meet our covenant ratios at the next measurement date. Our standing dividend policy remains in place this year.

Risk Management Framework

The risk management function is managed by the DTEK Group's Corporate Center level as well as the level of production units. Risk management approaches are the same for all units (unified process of management by risks and opportunities, unified insurance principles).

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 defence 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.

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

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.

There are no other control measures except above mentioned for any of the principal risks and uncertainties.

During 2019 the Group considered the following main risks:

Strategic risks:

- Risk of start-up delays of new gas extracting facilities, which were scheduled for commissioning during 2019;
- Deterioration of economic conditions on the gas market due to global decrease in gas price based mainly on its overproduction and warm winter in 2019/2020;
- 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.

Financial risks:

In order to mitigate liquidity risk and ensure timely repayment of debt, DTEK Oil&Gas diligently plans and monitors cash inflows and outflows on daily basis and takes measures to optimize working capital structure in order to eliminate possible liquidity gaps in future.

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.

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 executes make proactive and reactive communications at the local and international level in order to minimize the impact of reputational risks.

Corporate Governance and Compliance Risks:

In order to manage compliance risks, the Group follows restrictions of 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 programmes, 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.

IT risks:

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

COVID-19:

As explained in note 2 in the consolidated financial statements, the COVID-19 outbreak and resulting measures taken by various governments to contain the virus have already negatively affected the Group's business in the first four months of 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.

● **Supply chain.** The gas produced is ultimately supplied to the Group of industrial customers, who at the date of these consolidated financial statements are operating and supply its goods internationally. From perspective of the risks related to supply chains the level of the risk was assessed by management as not significant.

● **Revenues and profitability**. The gas price in Ukraine is indirectly linked to the EU prices where the gas prices forward curves as of the date of these consolidated financial statements indicate a flat dynamics in the next 6 months and increase by 50% in the 4th quarter of 2020. As such, management does not considered the impact of COVID-19 on its revenues and profits to be a significant business risk, unless the downturn continues beyond the reasonably expected period of time.

● **Impairments**. Decrease in gas price and related consequences of the pandemic had no effect on effect on impairment of the Group's assets neither in 2019 nor for the first four months of 2020.

● **Government assistance.** The Group does not have any significant government assistance that it used, thus has no material exposure to the risks that this 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 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.

Environmental and social responsibility

DTEK Oil&Gas activities are tightly connected with production cycles impacting heavily the environment. That is why maintaining high ecological compliance standards is a crucial point for the business development of the Group both in Ukraine and European markets.

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 the strategy of the Group. That is why DTEK Oil&Gas invests significant funds in improving the safety, efficiency and environmental friendliness of its enterprises, labour protection, health improvement and professional development of employees, the development of local communities and improving the quality of life of people in the regions of activity. The Group systematically develops its activities in the field of sustainable development and strives to work in accordance with international standards for sustainable development, remaining an internal employer and social investor, participating in the socio-economic development of the regions in which it operates, while not replacing the functions of the state.

The Group's core idea of sustainable development is a fusion of environmental security, energy efficiency, economic development, technical progress and people's wellbeing.

DTEK Group's main principle is to maintain partnership between the authorities, business and society, for the implementation of which the Group implements the Social Partnership Programme. The programme is developed on the basis of international standards for sustainable development and aims to improve energy efficiency in the public sector, improve the quality of health services, education. In the long term, the Group considers the development of the regions in which it operates as a competitive advantage. In 2019 DTEK Oil&Gas investments in this area comprise almost UAH 14 million (2018: UAH 17 million). These investments were mainly directed to the social partnership programmes with local communities and charity.

The Group is a member of the UN Global Compact Network and in its activities follows the principles and goals of sustainable development proclaimed by the UN. DTEK Oil&Gas strives to protect the environment, improve production and management processes, and invest in environmental activities in all areas of its enterprises. Environmental activities are an integral part of the Group's successful business and are based on DTEK's Environmental Policy, developed in accordance with the international standard ISO 14001: 2015. Unconditional priority of the Group's activities is the conduct of ethical, legal and open business. DTEK Oil&Gas openly declares its anti-corruption standards and adheres to the principle of zero tolerance for corruption. DTEK Oil&Gas continues to report on social corporate responsibility and sustainable development. The report on sustainable development for 2019 is expected by the middle of 2020.

Research and Development Costs

During 2019 and 2018 the Group undertook limited research and development activities.

Human resources

During 2019 the Group employed an average of 264 employees (2018: 232 employees).

To ensure the constant development of its employees, in 2010 the DTEK Group launched its corporate university – DTEK Academy. The main goal in this area is to prepare internal candidates for 80% of the top positions. Two key programmes are aimed to developed human resources and develop successor practice for main managerial positions in the Group that are "Leader's Energy" and "Energy of Knowledge", developed by Kyiv-Mohyla Business School and INSEAD. In 2011, DTEK Academy joined CEEMAN (Association for the Development of Management in Central and Eastern Europe) and EFMD (European Foundation for Management Development). During 2019, 75 employees used the educational products including from DTEK Academy (2018: 70 employees used the educational products including from DTEK Academy). DTEK Academy is the first organization in Ukraine approved at the state level 31 professional and educational standards for working professions.

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.

Male/female ratio of Executive/Supervisory Board

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

As at 31 December 2019, the Supervisory Board consists of one woman and four men. Selection of members of the Board of Directors will continue to be based on experience, background, skills, knowledge and insights, with due regard for the importance of a balanced composition.

Dutch legislation, the 'Wet Bestuur en Toezicht', was implemented in 2013. This law provides guidance on disclosure in the Directors' Report with regard to the composition of the Board of (Supervisory) Directors and its division among men and women. 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 2019 and further in 2020, the Group continues implementing its long-term strategy, aimed to complete the reorganisation in the management structure and integration of newly acquired assets to the Group.

The next stages are devoted to further improving efficiency of operations (such as scaling up lean projects, launching innovative technologies, covering the period 2016-2020) and 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. Priority for further market penetration is focused on Central and Eastern Europe and CIS countries.

In Note 2 of the consolidated financial statements, the political and economic situation in Ukraine, including uncertainty, has been set out in detail.

The final resolution and the ongoing effects of the political and economic situation are difficult to predict.

Taking into account uncertainties in the year 2020 the Group will focus on the following key areas:

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

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

Internal structure

Group's operations in Ukraine are managed by CEO of DTEK Neftegaz LLC, a subsidiary established under the laws of Ukraine. Exploration and Prospective Development' Direction drives Group's business strategy, its expansion objections and projects in their development stage. The Construction Division of the main operation entity Naftogazvydobuvannya PrJSC is in-charge of engineering and construction activities. The Extraction and Processing Direction is responsible for day-to-day running of facilities once they are commissioned. Other activities, e.g. financing, human resource management, legal and public relations activities are headed by the Executive Direction.

Post balance sheet events

There are no special events that should be taken into account for the financial statements except for the developments after the balance sheet date are disclosed in the Notes 2 and 32 to the accompanying Consolidated Financial Statements.

Mr. Maksym Timchenko, Director

SCM Management B.V., Director

___ June 2020

DTEK Oil&Gas B.V.
Consolidated Balance Sheet

In millions of Ukrainian Hryvnia	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	8	11,889	10,806
Intangible assets	9	451	393
Financial investments	10	422	3,707
Deferred income tax asset	25	381	630
Total non-current assets		**13,143**	**15,536**
Current assets			
Inventories	11	184	174
Trade and other receivables	12	251	619
Financial investments	10	26,501	15,144
Cash and cash equivalents	13	126	4,176
Total current assets		**27,062**	**20,113**
Assets of disposal group classified as held for sale		**11,703**	-
TOTAL ASSETS		**51,908**	**35,649**
EQUITY			
Share capital	14	0	0
Other reserves	15	665	810
Retained earnings		12,645	5,992
Equity attributable to owners of the parent		**13,310**	**6,802**
Non-controlling interest in equity		**7,876**	**7,495**
Non-controlling interest of disposal group		**1,311**	**-**
TOTAL EQUITY		**22,497**	**14,297**
LIABILITIES			
Non-current liabilities			
Other financial liabilities	17	10,459	12,977
Provisions for other liabilities and charges		15	21
Deferred income tax liability	25	2,126	1,969
Total non-current liabilities		**12,600**	**14,967**
Current liabilities			
Bank borrowings	16	614	-
Other financial liabilities	17	10,071	2,811
Prepayments received		1,240	1,322
Trade and other payables	18	1,645	1,451
Current income tax payable		291	504
Other taxes payable	19	147	297
Total current liabilities		**14,008**	**6,385**
Liabilities of disposal group classified as held for sale		**2,803**	-
TOTAL LIABILITIES		**29,411**	**21,352**
TOTAL LIABILITIES AND EQUITY		**51,908**	**35,649**

Signed by entire Management Board,
___ June 2020

Mr. Maksym Timchenko, Director

____

Approved for issue and signed by entire Supervisory Board

Oleg Popov

____

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

SCM Management B.V., Director

Sergey Korovin________________________

____

Iryna Mykh___________________________

Damir Akhmetov_______________________

Robert Sheppard_______________________

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

In millions of Ukrainian Hryvnia	Note	2019	2018
Continuing operations:			
Revenue	20	10,226	14,645
Cost of sales	21	(3,275)	(3,717)
Gross profit		**6,951**	**10,928**
Other operating income		58	18
General and administrative expenses	22	(313)	(227)
Selling expenses		(167)	(4)
Other operating expenses	23	(336)	(304)
Net impairment losses on financial assets	10,12	(80)	(429)
Net foreign exchange gain on operating activities		188	123
Operating profit		**6,301**	**10,105**
Foreign exchange gains less losses on financing and investing activities		1,235	(155)
Finance income	24	2,124	1,749
Finance costs	24	(1,833)	(2,972)
Profit before income tax		**7,827**	**8,727**
Income tax expense	25	(1,730)	(1,652)
Profit for the year from continuing operations		**6,097**	**7,075**
Profit is attributable to:			
Equity holders of the Company		5,514	5,993
Non-controlling interest		583	1,082
Profit/(Loss) for the year from discontinued operations		**1,176**	**-**
Profit is attributable to:			
Equity holders of the Company		994	-
Non-controlling interest		182	-
Profit for the year		**7,273**	**7,075**

Consolidated Statement of Comprehensive Income

In millions of Ukrainian Hryvnia	Note	2019	2018
Profit for the period		7,273	7,075
Items that may not be reclassified to profit or loss:			
Property, plant and equipment:			
- Revaluation of property plant and equipment	8	-	-
- Income tax recorded on revaluation of property plant and equipment	25	-	-
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the period		**7,273**	**7,075**
Total comprehensive income attributable to:			
Equity holders of the Company		6,508	5,993
Non-controlling interest		765	1,082
Total comprehensive income for the period		**7,273**	**7,075**

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

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

In millions of Ukrainian Hryvnia	**Attributable to equity holders of the Company**				**Non-controlling interest**	**Total Equity**
	Share capital	**Other reserves**	**Retained earnings**	**Total**		
Balance at 1 January 2018	**0**	**1,004**	**(506)**	**498**	**5,798**	**6,296**
Profit for 2018	-	-	5,993	**5,993**	**1,082**	**7,075**
Other comprehensive income for 2018 (Note 15)	-	-	-	**-**	**-**	**-**
Total comprehensive income for 2018	-	-	5,993	**5,993**	**1,082**	**7,075**
Disposal of non-controlling interest in subsidiary	-	-	311	**311**	615	**926**
Property, plant and equipment: - Realised revaluation reserve (Note 15)	-	(237)	237	**-**	-	**-**
- Deferred tax related to realised revaluation reserve (Note 15)	-	43	(43)	**-**	-	**-**
Balance at 31 December 2018		**810**	**5,992**	**6,802**	**7,495**	**14,297**
Profit for 2019	-	-	5,514	**5,514**	**583**	**6,097**
Profit/(Loss) for the year from discontinued operations	-	-	994	**994**	**182**	**1,176**
Total comprehensive income for 2019	**0**	**-**	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 15)	-	(177)	177	**-**	-	**-**
- Deferred tax related to realised revaluation reserve (Note 15)	-	32	(32)	**-**	-	**-**
Balance at 31 December 2019	**0**	**665**	**12,645**	**13,310**	**9,187**	**22,497**

In millions of Ukrainian Hryvnia	Note	2019	2018
Cash flows from operating activities			
Profit before income tax from continuing operations		7,827	8,727
Adjustments for:			
Foreign exchange gain on investing and financing activities and unrealised foreign exchange gains on operating activity		(1,364)	(37)
Finance costs / (income), net	24	(291)	1,223
Depreciation and impairment of property, plant and equipment and amortisation of intangible assets		1,478	1,372
Net change in provision for financial instruments and trade and other receivables		(20)	429
Losses less gains on disposals of property, plant and equipment		12	9
Change in provisions for other liabilities and charges		(6)	2
Other		(54)	20
Operating cash flows before working capital changes		**7,582**	**11,745**
Trade and other receivables		401	2,055
Inventories		(46)	(59)
Prepayments received		(100)	(2,458)
Trade and other payables		1,177	69
Taxes payable other than corporate income tax		(158)	(42)
Cash generated from operations		**8,856**	**11,310**
Income taxes paid		(1,537)	(2,256)
Interest paid	16,17	(180)	(131)
Interest received		109	148
Net cash generated from operating activities of continuing operations		**7,248**	**9,071**
Net cash generated from operating activities of disposal group		**2,458**	**-**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(2,500)	(1,692)
Placement of restricted cash		(83)	(15)
Loans and financial aids provided		(8,245)	(7,258)
Acquisition of subsidiary with a purpose for resale	10, 26	(6,432)	(2,394)
Consideration settlements on a related party debts	18	(670)	4,331
Acquisition of bonds issued by a related party	10	-	(2,453)
Repayment of loans and financial aids provided		1,394	997
Net cash used in investing activities		**(16,536)**	**(8,484)**
Net cash used in investing activities of disposal group		**(968)**	**-**
Cash flows from financing activities			
Financing received from a related party to settle its obligations	17	653	-
Consideration received for reassigned loan	17	2,365	-
Bank borrowings received	16	614	-
Loans and financial aid received from related parties	17	2,629	2,649
Repayment of loans from related parties	17	(889)	-
Dividends paid to non-controlling participants	14	(171)	-
Net cash generated in financing activities		**5,201**	**2,649**
Net cash used in financing activities of disposal group		**(909)**	**-**
Net increase/(decrease) in cash and cash equivalents of continuing operations		**(4,087)**	**3,236**
Cash and cash equivalents at the beginning of the year	13	**4,160**	**920**
Exchange gains on cash and cash equivalents		(17)	4
Cash and cash equivalents at the end of the year		**56**	**4,160**
Net (decrease)/increase in cash and cash equivalents of disposal group		**581**	**-**
Cash and cash equivalents at the acquisition date of disposal group		**309**	**-**
Cash and cash equivalents of disposal group at the end of the year		**890**	**-**

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

1 The Organisation and its Operations

DTEK Oil&Gas B.V. (former DTEK Investment B.V.) (“the Company”) is a private limited liability company incorporated on 12 October 2007, under the laws of The Netherlands, with its corporate seat in Amsterdam, The Netherlands. On 19 of September 2014 the Company changed its direct shareholder to DTEK B.V.

The principal activities of the Company and its subsidiaries (together referred to as “the Group” or “DTEK Oil and Gas”) are exploration, development and production of gas and gas condensate in Ukraine.

As at 31 December 2019, the Company has two licensed gas and gas condensate fields in Poltava and two licensed gas and gas condensate field in Kharkov regions of Ukraine.

The Group is beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management (“SCM” or ultimate parent). Mr. Akhmetov has a number of other business interests outside of the Group. Related party transactions are detailed in Note 7.

In 2013 DTEK Group companies acquired an effective 50% plus one share in the shares of the Naftogazvydobuvannya PrJSC. This transaction was completed in December 2013. In a series of transactions through February 2015 to February 2017 the Group acquired an additional 24,9999% of Naftogazvydobuvannya PrJSC. In December 2018 the Group disposed 2% share of Naftogazvydobuvannya PrJSC (Note 16).

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 PJSC Kyivoblenergo and 70.4150% of shares in JSC Odessaoblenergo with a purpose of its further resale to another business branch of DTEK B.V. Group companies – DTEK Grids B.V. (Note 25).

The principal subsidiaries are presented below:

Name	% interest held as at 31 December 2019	% interest held as at 31 December 2018	Country of incorporation
Naftogazvydobuvannya PrJSC	73.00	73.00	Ukraine
DTEK Neftegaz LLC	99.98	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	100.00	Ukraine
OIL&GAS SYSTEMS LLC	100.00	-	Ukraine
OIL&GAS EXPLOITATION LLC	100.00	-	Ukraine
OIL&GAS ENERGY LLC	100.00	-	Ukraine
OIL&GAS GEOEXPLORING LLC	100.00	-	Ukraine
OIL&GAS GLOBAL DEVELOPMENT B.V.	100.00	-	Netherlands
OIL&GAS GLOBAL EXTRACTION B.V.	100.00	-	Netherlands
OIL&GAS INNOVATION STREAM B.V.	100.00	-	Netherlands
JSC “Odessaoblenergo”	70.42	-	Ukraine
PrJSC “Kyivoblenergo”	94.00	-	Ukraine

The Company is registered at Chamber of Commerce is Strawinskylaan 1531 Tower B, Lev 1077 XX Amsterdam, the Netherlands. The principal place of business of its operating subsidiaries is 57 Lva Tolstogo str, 01032 Kyiv, Ukraine.

The Group employed approximately 264 people during 2019 (2018: 232 people), including one person (2018: one person) employed by non-Ukrainian 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.

2 Operating Environment of the Group

In 2019, the Ukrainian economy was showing signs of stabilisation after years of political and economic tensions. The year over year inflation rate in Ukraine decreased to 4.1% during 2019 (as compared to 9.8% in 2018 and 13.7% in 2017) while GDP continued to grow at estimated 3.5% (after 3.3% growth in 2018).

After several years of devaluation, Ukrainian currency started strengthening and in 2019 appreciated by 14% (as at 31 December 2019, the official NBU exchange rate of Hryvnia against USD was UAH 23.69 per USD 1, compared to

2 Operating Environment of the Group (Continued)

UAH 27.69 per USD 1 as at 31 December 2018). Among the key mitigating factors for the hryvnia were strong revenues of agricultural exporters, tight UAH liquidity, growth in remittances from labour migrants and high demand for government debt instruments.

Starting from April 2019, the National Bank of Ukraine ("NBU") launched the cycle of easing of the monetary policy and a gradual decrease of its discount rate for the first time in the last two years from 18% in April 2019 to 11% in January 2020, which is justified by a sustainable trend of inflation deceleration.

During 2018-2019 there was easing of the currency control restrictions that were introduced in 2014–2015. And starting from July 2019 National Bank of Ukraine allowed Ukrainian companies to pay dividends to non-residents without any limits regardless of the period.

In December 2018, the IMF Board of Directors approved the stand-by assistance (SBA) 14-month programme for Ukraine, totalling USD 3.9 billion. In December 2018, Ukraine received USD 2 billion from the IMF and the EU, as well as USD 750 million credit guarantees from the World Bank. IMF programme's approval significantly increased the chance of Ukraine to meet foreign currency obligations in 2019, and thus supported the financial and macroeconomic stability of the country. Continuation of cooperation with the IMF depends on Ukraine's success in implementing policies and reforms that underpin a new IMF-supported programme.

In 2020, Ukraine faces major public debt repayments, which will require mobilising substantial domestic and external financing in an increasingly challenging financing environment for emerging markets.

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.

Ukraine faced presidential elections in March-April 2019, and then early parliamentary elections in July 2019. Amid double elections, the degree of uncertainty including in respect of the future direction of the reforms in 2020 remains very high. Despite certain improvements in 2019, the final resolution and the ongoing effects of the political and economic situation are difficult to predict but they may have further severe effects on the Ukrainian economy and the Company's business.

Gas market developments.
During 2019 there was a substantial decline in gas prices in Ukraine which is consistent with the developments of a European gas market. As such the Group's average selling price in 2019 comparing to 2018 decreased from UAH 8.9 thousand to UAH 6.2 thousand per 1 thousand of m3 of gas, which is a 30.2% decrease. This affected the Group's revenues in 2019 respectively and continues to affect in the first months of 2020. This has been considered as an impairment trigger event and considered in the impairment testing of property, plant and equipment (Note 8).
If any further substantial decrease in gas price, this may impact the strategic plan of the Group, particularly through deferring of investment program extent and timeline.

Impact of Covid-19 pandemic.
Late in 2019 news first emerged from China about the COVID-19 (coronavirus). In the first few months of 2020 the virus spread globally causing disruptions to business and economic activity. In March 2020 World Health Organization recognised the coronavirus as a pandemic. The spread of the virus has had a significant negative impact on the economic activity in the world, including a drop on capital markets and a sharp decrease of commodity prices. Resulting from this Ukrainian sovereign credit default swaps increased in March 2020 more than twice as compared to 31 December 2019 and more than three times from its five year historical minimum reached in February 2020. Similarly, as of the day of this report the Ukrainian hryvna depreciated to UAH 26.64 per 1 US dollar.
In March 2020, the Government of Ukraine took a number of restrictive measures to prevent the spread of the virus in the country. In particular, restrictions were imposed on public transportation (including intercity), air traffic between countries, work of public institutions and events. The government also encouraged businesses to switch to a work from home regime for its employees. Further, on 17 March 2020, the Ukrainian Parliament passed new laws aimed to mitigating the effects of novel coronavirus. The regulations eased some tax requirements, in order to provide financial relief for businesses, employees and pensioners hurt by the economic slowdown. Among other changes, the Law suggests exemption from penalties for tax legislation violations during the period from March 1 to May 31. The law also bans tax audits for businesses over the same period. In response to the COVID-19 pandemic, on 25 March 2020 the Government of Ukraine instituted an emergency regime situation across the entire territory of Ukraine and extended quarantine measures until May 22, 2020.

The Group considers this outbreak to be a non-adjusting post balance sheet event. The restrictive measures applied by the Ukrainian Government to combat the coronavirus are likely to negatively affect the overall Ukrainian economy and the State budget. As such it may have indirect negative effect to the Group through delays in settlement of financial investments due from the related parties and potential need to increase a provision, decrease of demand for gas, local currency devaluation, etc. The situation continues to evolve and its consequences are currently uncertain.

At the date of this report, the Group continues to operate. Production facilities are operating at their planned capacity and are being supervised by a required minimum of staff who take necessary safety measures. Administrative activities

2 Operating Environment of the Group (Continued)

are being managed remotely to ensure that critical activities for the Group are maintained, e.g. reporting and treasury functions.

Management believes that impact of COVID-19 pandemic does not have a material effect on the oil and gas industry and the Group as:

- there is no urgent need to do any substantial capex programme by the Group;
- the gas price in Ukraine is indirectly linked to the EU prices where the gas prices forward curves as of the date of these financial statements indicate a flat dynamics in the next 6 months and increase by 50% in the 4th quarter of 2020;
- the gas produced is ultimately supplied to the Group of industrial customers, who at the date of these financial statements are operating and supply its goods internationally;
- the Company's operational sites do not require many production workers.

As the situation is fluid and rapidly evolving, management do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group. Management will continue to monitor the potential impact of governmental restrictive measures and will take all steps possible to mitigate any negative effects.

Though the gas market developments have negative effect to the Group's profitability and COVID-19 may bring some uncertainties to the future performance projections, management considers that there is no material uncertainty in ability of the Group to continue as going concern because of strong current liquidity position, significant volumes of proved developed producing reserves available and ability to sell gas produced to customers.

3 Summary of Significant Accounting Policies

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

New IFRS standards. The group has applied IFRS 16 standard for the first time for their annual reporting period commencing 1 January 2019. The Group had to change its accounting policies as a result of adopting this new standard. There has been no material effect from adoption of this standard.

Going concern assumption: Despite the continuing political and economic uncertainties in Ukraine, the Management considers that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate and these IFRS financial statements have been prepared on a going concern basis. Considerations regarding COVID-19 effects to going concern assessment are disclosed in Note 2.

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. The effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

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

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

3 Summary of Significant Accounting Policies (Continued)

liabilities are classified in consolidated income statement as "Foreign exchange losses less gains on financing and investing activities".

As at 31 December 2019, the exchange rates used for translating foreign currency balances were USD 1 = UAH 23.69 (31 December 2018: USD 1 = UAH 27.69); EUR 1 = UAH 26.42 (31 December 2018: EUR 1 = UAH 31.71); RUB 10 = UAH 3.82 (31 December 2018: RUB 10 = UAH 3.98).

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If a subsidiary is acquired in stages it is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date when the investment became an associate. 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.

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 valuers.

3 Summary of Significant Accounting Policies (Continued)

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

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

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 continued use of the asset.

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

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

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

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

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

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

The estimated useful lives are as follows:

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Initial recognition of financial instruments. The Group's principal financial instruments comprise loans and borrowings, cash and cash equivalents and short-term deposits. The Group has various other financial instruments, such as trade debtors and trade creditors, which arise directly from its operations.

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

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 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

3 Summary of Significant Accounting Policies (Continued)

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.

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

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

Income taxes. Income taxes have been provided for in the financial statements in accordance with Ukrainian and Dutch legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the income statement unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting

3 Summary of Significant Accounting Policies (Continued)

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.

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

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

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

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

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

Provisions for liabilities and charges. Provisions for liabilities and charges are provisions for 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.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

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

Finance income and costs. Finance income and costs comprise interest expense on borrowings, losses on early repayment of loans, interest income on funds invested, income on origination of financial instruments, unwinding of interest of decommissioning provision, and foreign exchange gains and losses.

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

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

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

4 Critical Accounting Estimates and Judgements (Continued)

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 plan and equipment differ materially from the carrying amounts, further revaluation is performed involving independent valuers.

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 2019 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.

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

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

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

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

4 Critical Accounting Estimates and Judgements (Continued)

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 as at 31 December 2019 by an independent oil and gas appraiser.

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 of financial instruments receivable from the direct parent. The estimates used to assess the impairment (if any) of financial assets receivable from the direct parent is impacted by the major uncertainty with respect to the timing of settlement of these balances. As at 31 December 2019 the gross carrying amount of interest free financial assets receivable from DTEK B.V. comprises UAH 10,484 million (31 December 2018: UAH 7,583 million). The abovementioned financial assets have contractual maturity on or before 31 December 2019 and will 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 has sufficient net assets and ability for the dividends distribution and therefore, DTEK B.V. can settle the balances once dividends are declared by their decision. Consequently, balances are classified as current and nil credit loss allowance was charged as at 31 December 2019. Actual period of settlement may be longer depending on the DTEK B.V. Group liquidity management.

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 2019:

- ***IFRIC 23 Uncertainty over Income Tax Treatments*** (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019);
- ***Annual Improvements to IFRS Standards 2015-2017 Cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*** (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019);g
- ***Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*** (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019);
- ***IFRS 16 – Leases*** (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019)
- ***Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures***
- ***Prepayment Features with Negative Compensation – Amendments to IFRS 9***;

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

- ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28*** (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB);
- ***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);
- **Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7)** (issued on 26 September 2019, the amendments will be effective for annual periods beginning on or after January 1, 2020 and must be applied retrospectively. Early application is permitted).
- **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);

5 Adoption of New or Revised Standards and Interpretations (Continued)

- ***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).
- **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)**.**

These 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:

In millions of Ukranian Hryvnia	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary
Year ended 31 December 2019					
Naftogazvydobuvannya PrJSC	Ukraine	27.00%	27.00%	583	7,876
JSC “Odessaoblenergo”	Ukraine	29.58%	29.58%	140	1,069
PrJSC “Kyivoblenergo”	Ukraine	6%	6%	42	242
Year ended 31 December 2018					
Naftogazvydobuvannya PrJSC	Ukraine	27.00%	27.00%	1,082	7,495

As at 31 December 2018 subsidiary Naftogazvydobuvannya PrJSC booked UAH 3,024 million impairment charge against intragroup balance of accounts receivable, where UAH 817 million relate to non-controlling interest. During 2019 Naftogazvydobuvannya PrJSC booked additional impairment charge against intragroup balance of accounts receivable in the amount of UAH 1,795 million, where UAH 484 million relates to non-controlling interest.

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

In millions of Ukranian Hryvnia	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/ Loss	Total compre-hensive income	Cash flows
Year ended 31 December 2019								
Naftogazvydobuvannya PrJSC	7,367	23,579	883	893	8,596	2,162	2,162	65
JSC “Odessaoblenergo””	1,032	4,014	1,257	174	2,042	472	472	103
PrJSC “Kyivoblenergo”	1,148	4,441	1,322	239	2,077	704	704	478
Year ended 31 December 2018								
Naftogazvydobuvannya PrJSC	11,824	18,049	980	1,134	13,445	4,567	4,567	6

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 are detailed below.

In millions of Ukrainian Hryvnia	**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 17)	-	(16,526)	(2,327)
Prepayments received		(1)	(1,239)
Payables to related parties (Note 18)	-	(1,037)	(284)

In millions of Ukrainian Hryvnia	**Parent – DTEK BV**	**DTEK BV Group subsidiaries**	**2018 Entities under common control and joint ventures of SCM**
Loans receivable from related parties (Note 10)	4,716	12	4,843
Financial aid receivable from related parties (Note 10)	-	2,502	2,165
Equity securities (Note 10)		105	
Receivables for bonds and shares sold to related parties (Note 10)	3,739	-	-
Receivable on assignment agreement from related parties (Note 10)	-	-	-
Trade and other receivables	-	513	-
Cash and cash equivalents	-	-	1,319
Loans, interest payable and other liabilities (Note 17)	-	(13,828)	-
Prepayments received	-	-	(1,322)
Payables to related parties (Note 18)	-	(68)	(1,108)

Loans receivable
The loans receivable as at 31 December 2019 due from entities under common control of SCM and DTEK B.V. Group comprise interest bearing loans and interest-free financial aid. The balances outstanding from related parties as at 31 December 2019 are unsecured and settlements are made either in cash or by means of debt set-off with declared dividends payable or Group payable for acquisition of additional shares in the Group businesses. As at 31 December 2019 the Group created provision for lifetime ECL for loans receivable under expected loss rate of 2.86%-4.09% (as at 31 December 2018: 5.77%-6.47%) (Note 10).

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:

	2019			2018		
In millions of Ukrainian Hryvnia	**Parent - DTEK BV**	**DTEK BV Group subsidiaries**	**Entities under common control of SCM**	**Parent - DTEK BV**	**DTEK BV Group subsidiaries**	**Entities under common control of SCM**
Sales of gas	-	9,392	-	-	13,771	-
Sales of gas condensate	-	805	-	-	414	-
Purchase of goods and services	-	(76)	(6)	-	(30)	(7)
Interest income on bank deposits	-	-	8	-	-	98
Interest income on loans provided (Note 24)	110	-	204	123	-	395
Interest expense on loans received (Note 24)	-	(823)	(99)	-	(843)	-

Sales of gas, prepayments received

Prepayments received as at 31 December 2019 and 31 December 2018 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 2019 and 2018 are unsecured.

Key management personnel compensation

Key management personnel consist of thirteen top executives (2018: 12 top executives). In 2019 total compensation to key management personnel amounted to UAH 98 million (2018: UAH 86 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:

In millions of Ukrainian Hryvnia	Oil and gas assets	Oil and gas properties	Plant and machinery	Furniture, fittings and equipment	Construction in progress	Total
At 1 January 2018						
Cost or valuation	6,868	4,733	545	107	901	**13,154**
Accumulated depreciation	(2,049)	(613)	(31)	-	-	**(2,693)**
NBV at 1 January 2018	**4,819**	**4,120**	**514**	**107**	**901**	**10,461**
Additions	-	-	-	-	1,684	**1,684**
Disposals	-	(5)	(2)	(3)	-	**(10)**
Depreciation charge	(248)	(801)	(252)	(14)	-	**(1,315)**
Impairment of property, plant and equipment	-	-	(8)	(6)	-	**(14)**
Transfer	-	449	903	8	(1,360)	**-**
Reclassification among categories	-	(867)	867	-	-	**-**
NBV at 31 December 2018	**4,571**	**2,896**	**2,022**	**92**	**1,225**	**10,806**
At 31 December 2018						
Cost or valuation	6,868	4,230	2,385	106	1,225	**14,814**
Accumulated depreciation and impairment	(2,297)	(1,414)	(283)	(14)	-	**(4,008)**
NBV at 31 December 2018	**4,571**	**2,896**	**2,022**	**92**	**1,225**	**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	**4,325**	**3,873**	**2,020**	**82**	**1,589**	**11,889**
At 31 December 2019						
Cost or valuation	6,868	5,984	2,606	112	1,589	**17,159**
Accumulated depreciation and impairment	(2,543)	(2,191)	(506)	(30)	-	**(5,270)**
NBV at 31 December 2019	**4,325**	**3,873**	**2,020**	**82**	**1,589**	**11,889**
NBV without revaluation at 31 December 2018	**4,571**	**2,305**	**1,610**	**87**	**1,224**	**9,797**
NBV without revaluation at 31 December 2019	**4,325**	**3,419**	**1,384**	**69**	**1,588**	**10,785**

In 2019 the Group engaged independent appraisers to assess 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 slight decrease of its depreciation charge up to UAH 777 million in 2019 (2018: UAH 801 million).

In 2019, the depreciation expense of UAH 1,249 million (2018: UAH 1,308 million) was included in cost of sales, UAH 7 million (2018: UAH 4 million) in general and administrative expenses and UAH 6 million (2018: UAH 3 million) in other operating expenses.

9 Intangible Assets

The movements of intangible assets were as follows:

In millions of Ukrainian Hryvnia	Cost	Accumulated amortisation and impairment	Net book value
As at 1 January 2018	**504**	**(92)**	**412**
Additions / (Charge) for the year	24	(43)	(19)
As at 31 December 2018	**528**	**(135)**	**393**
Additions / (Charge) for the year	104	(46)	58
As at 31 December 2019	**632**	**(181)**	**451**

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

In 2019, the amortisation expense of UAH 41 million (2018: UAH 38 million) was included to cost of sales and UAH 5 million (2018: UAH 5 million) to general and administrative expenses.

10 Financial Investments

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

In millions of Ukrainian Hryvnia	2019	2018
Financial aid receivable from related party (Note 7)	227	-
Equity securities (Note 7)	168	105
Loans receivable from related parties (Note 7)	8	3,602
Other	19	-
Total	**422**	**3,707**

Non-current interest free financial aid receivable from related party 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.

Equity securities are carried at fair value.

Non-current loans receivable from related parties as at 31 December 2018 are recognised at fair value, bear nominal interest rate of 5% and are accounted for under amortised cost at an effective interest rate of 10.38% at origination dates and are due in 2020. Out of the total balance, UAH 1,209 million of the loans receivable were denominated in US dollars and UAH 2,393 million in Euro. As at 31 December 2019 the Group reclassified UAH 3,447 million of loans receivable to current financial investments.

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

In millions of Ukrainian Hryvnia	2019	2018
Loans receivable from related parties (Note 7)	8,856	5,969
Financial aid receivable from related parties (Note 7)	9,343	4,667
Receivables for bonds sold to related parties (Note 7)	2,453	1,891
Receivables for shares sold to related parties (Note 7)	2,395	1,848
Receivable on assignment agreements from related parties	3,291	-
Financial aid receivable	146	640
Government bonds	-	129
Other financial investments from related parties (Note 7)	17	-
Total	**26,501**	**15,144**

10 Financial investments (Continued)

Financial assets receivable from DTEK B.V. As at 31 December 2019 current financial investments include UAH 10,484 million of interest free financial assets denominated in UAH receivable from the direct parent – DTEK B.V. Out of this total balance, UAH 2,345 million is included to loans receivable from related parties, UAH 2,453 million to receivables for bonds sold to related parties, UAH 2,395 million to receivables for shares sold to related parties and UAH 3,291 million to receivables on assignment agreements from related parties. The abovementioned financial assets have contractual maturity on or before 31 December 2019 and will 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 has sufficient net assets and ability for the dividends distribution and therefore, DTEK B.V. can settle the balances once dividends are declared by their decision. Consequently, balances are classified as current and nil credit loss allowance was charged as at 31 December 2019. Actual period of settlement may be longer depending on the DTEK B.V. Group liquidity management.

Receivables for bonds sold to related parties include receivables for DTEK Renewables B.V. Group bonds (initially acquired by the Group in 2018), which were sold in 2018 to DTEK B.V. for UAH 2,453 million consideration payable on 31 December 2019. The receivables were recognised at fair value at 21.3% effective interest rate with loss on initial recognition recorded in finance costs. As of 31 December 2018 these are carried at amortised cost value of UAH 2,022 million less ECL charged in the amount of UAH 130 million. As of 31 December 2019 these were not yet settled.

In December 2018 the Group acquired shares of electricity distribution entities from DTEK Energy B.V. for a cash consideration of UAH 2,395 million, which was paid in full. These were further resold to DTEK B.V. for the equal nominal amount of cash consideration payable on 31 December 2019. The receivables were recognised at fair value at 10% effective interest rate with loss on initial recognition recorded in finance costs. As of 31 December 2018 these are carried at amortised cost value of UAH 1,970 million less ECL charged in the amount of UAH 127 million. As of 31 December 2019 these were not yet settled.

During 2019 the Group issued UAH 1,550 million of interest free financial aid to subsidiaries of DTEK Renewables B.V. Group. Receivables on this instrument were further reassigned to DTEK B.V. for a consideration receivable on demand and equal to nominal amount of financial aid. As of 31 December 2019 these were not yet settled.

Further during 2019 the Group issued UAH 1,741 million intragroup loan to its subsidiary. Right to claim this instrument was further reassigned to DTEK Grids B.V. - the company under common control, for a consideration receivable on demand and equal to nominal amount of financial aid. The later was further reassigned to DTEK B.V. on the similar terms. Based on this transaction the Group recognised additional UAH 1,741 million of interest free receivables on assignment agreements from DTEK B.V. and loan payable to DTEK Grids B.V. (Note 17).

Current loans receivable from related parties are recognised at fair value, bear nominal interest rate of 5%, accounted for under amortised cost at an effective interest of 10.38% and 11.39% at 31 December 2019 and 31 December 2018 with corresponding loss on origination recognised within finance costs (Note 24) and are due in 2020. Financial aid receivable from related partied is interest free and is receivable in January 2020, apart from UAH 2,734 million, which is receivable on demand (31 December 2018: UAH 4,667 million of interest free financial aid receivable in January 2019). Out of total balance of financial aid receivable from related parties as at 31 December 2019, UAH 6,647 million were repaid in January 2020 (31 December 2018: UAH 3,303 million were repaid in January 2019).

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 continuing non-payment. Management is, however, taking necessary legal steps to recover this financial aid. Further in 2019 the Group issued additional UAH 146 million of interest free financial aid to third parties. Balances are recognised at fair value approximating their carrying value, bear no interest and are due on demand.

Expected credit losses on UAH 2,734 million of financial aid due on demand from DTEK Renewables B.V. were not charged as the Group owes to them similar payables. Cash management on such balances is performed at DTEK B.V. level and it is not expected that any credit loss shall be incurred.

As at 31 December 2019 UAH 8,330 million of financial investments were denominated in US dollars (31 December 2018: UAH 7,307 million) and UAH 2,277 million in Euro (31 December 2018: UAH 2,393 million). Remaining balance of financial investments was denominated in Ukrainian hryvnia.

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

10 Financial investments (Continued)

In millions of Ukrainian Hryvnia	2019	2018
Provision for impairment at 31 December	**1,587**	**779**
Impact from the adoption of IFRS 9	-	408
Provision for impairment during the year	551	359
Reversal of provision	(470)	(163)
Exchange rate difference	(104)	(9)
Amounts written off during the year	-	(79)
Changes in estimates and assumptions	29	292
Provision for impairment at 31 December	**1,593**	**1,587**

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

In millions of Ukrainian Hryvnia	Expected annual loss rate	Gross carrying amount	Lifetime ECL	Basis
Financial investments issued to related parties	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

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 2018:

In millions of Ukrainian Hryvnia	Expected annual loss rate	Gross carrying amount	Lifetime ECL	Basis
Financial investments issued to related parties	5.77-6.47%	19,981	990	Adjusted yield to maturity on corporate bonds
Financial investments issued to other counterparties	6.19-6.77%	859	33	Adjusted yield to maturity on corporate bonds

As at 31 December 2019, the Group has decreased ECL as compared to 31 December 2018 due to decrease in credit spread on corporate and government bonds used as a basis for IFRS 9 expected credit losses measurement.

As at 31 December 2019 for financial investments with overdue period for more than 1 year with gross carrying amount of UAH 1,297 million allowance was measured based on ECL rate 100% (31 December 2018: UAH 564 million).

11 Inventories

As at 31 December, inventories were as follows:

In millions of Ukrainian Hryvnia	2019	2018
Raw materials	144	94
Gas	-	35
Spare parts	29	32
Other inventory	11	13
Total inventories	**184**	**174**

12 Trade and Other Receivables

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

In millions of Ukrainian Hryvnia	2019	2018
Trade receivables (less provision of UAH 6 million) (2018: provision of UAH 38 million)	131	508
Other receivables (less provision of UAH 4 million) (2018: provision of UAH2 million)	19	28
Total financial assets	***150***	***536***
Prepayments to suppliers (less provision of UAH nil) (2018: UAH nil)	101	83
Total non-financial assets	***101***	***83***
Total trade and other receivables	**251**	**619**

As at 31 December 2019 UAH 2 million of trade and other receivables were denominated in US dollars (31 December 2018: UAH 9 million) and UAH 249 million in UAH (31 December 2018: UAH 610 million).

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

In millions of Ukrainian Hryvnia	2019	2018
Provision for impairment at 31 December	**40**	**6**
Impact from the adoption of IFRS 9	-	93
Provision for impairment during the year	11	-
Reversal of provision	(41)	(138)
Changes in estimates and assumptions	-	79
Provision for impairment at 31 December	**10**	**40**

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

In millions of Ukrainian Hryvnia	Expected loss rate	Gross carrying amount	Lifetime ECL	Basis
Trade receivables from related parties	4.09%	137	6	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 2018:

In millions of Ukrainian Hryvnia	Expected loss rate	Gross carrying amount	Lifetime ECL	Basis
Financial receivables from related parties	6.47%	546	38	Adjusted yield to maturity on corporate bonds
Financial receivables from other counterparties	6.77%	30	2	Adjusted yield to maturity on corporate bonds

As at 31 December 2019 for trade receivables with overdue period for more than 1 year with gross carrying amount of UAH 4 million allowance was measured based on ECL rate 100% (31 December 2018: UAH nil).

13 Cash and Cash Equivalents

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

In millions of Ukrainian Hryvnia	**2019**	**2018**
Restricted cash	70	16
Bank balances payable on demand	50	1,617
Term deposits with original maturity of less than three months	6	2,543
Total cash and cash equivalents	**126**	**4,176**

As at 31 December 2019 cash and cash equivalents of UAH 83 million were denominated in US dollars (31 December 2018: UAH 2,285 million), UAH 3 million were denominated in EUR (31 December 2018: UAH 8 million) and UAH 40 million were denominated in UAH (31 December 2018: UAH 1,883 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:

	2019			**2018**		
In millions of Ukrainian Hryvnia	**Bank balances payable on demand**	**Term deposits**	**Restricted cash**	**Bank balances payable on demand**	**Term deposits**	**Restricted cash**
Rating by Moody's Investors Service						
- A3 rated	15	-	-	1,417	-	-
- Baa2 rated	-	-	-	-	-	-
- Caa1 rated	1	-	-	-	-	-
*Non-rated**	34	6	70	200	2,543	16
Total	**50**	**6**	**70**	**1,617**	**2,543**	**16**

* Non-rated banks rank in the top 10 Ukrainian banks by size of total assets and capital (per National Bank of Ukraine).

14 Share Capital

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

In 2019 main operating entity Naftogazvydobuvannya PrJSC partially distributed dividends for 2013 in the amount of UAH 748 million, UAH 546 million of which is attributable of entities of the Group and UAH 202 million to non-controlling interest.

No further dividends' distribution of parent company DTEK Oil&Gas B.V. were announced till 31 December 2019.

15 Other Reserves

In millions of Ukrainian Hryvnia	**Financial liabilities remeasure-ment reserve**	**Revaluation reserve**	**Total**
Balance at 1 January 2018	**-**	**1,004**	**1,004**
Other movement in other reserves posted directly through equity:			
- Realised revaluation reserve	-	(237)	**(237)**
- Realised income tax recorded in equity	-	43	**43**
Balance at 31 December 2018	**-**	**810**	**810**
Other movement in other reserves posted directly through equity:			
- Realised revaluation reserve	-	(177)	**(177)**
- Realised income tax recorded in equity	-	32	**32**
Balance at 31 December 2019	**-**	**665**	**665**

The revaluation reserve and financial liabilities remeasurement reserve are not distributable to the shareholders until they are transferred to retained earnings.

16 Bank borrowings

In January 2019 the Group signed the revolving credit line agreement with JB Ukrgasbank with a total limit of UAH 603 million. The loan is denominated in Ukrainian hryvnia and bears 18.95% interest with maturity in July 2020. As at 31 December 2019, the Group has withdrawn UAH 585 million.

Additionally, in December 2019 the Group signed credit line agreement with JSC Kredobank with a total limit of USD 1,240 thousand bearing 5.5% interest with maturity in December 2020. As at 31 December 2019, the Group has withdrawn UAH 29 million.

As at 31 December, Bank borrowings comprised:In millions of Ukrainian Hryvnia	**2019**	**2018**
Bank borrowings	614	-
Total	**614**	**-**

As at 31 December 2019 bank borrowings of UAH 29 million were denominated in US dollars, and UAH 585 million were denominated in UAH.

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

In millions of Ukrainian Hryvnia	**2019**	**2018**
Opening balance as at 1 January	**-**	**-**
Cash movements		
Receipt of loan	614	-
Repayment of interest expenses	(54)	-
Non-cash movements		-
Interest expense	54	-
Closing balance as at 31 December	614	-

17 Other Financial Liabilities

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

In millions of Ukrainian Hryvnia	2019	2018
Loans payable to related parties (Note 7)	10,459	11,024
Deferred consideration for acquisition	-	1,950
Other liabilities		3
Total non-current other financial liabilities	**10,459**	**12,977**

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

In millions of Ukrainian Hryvnia	2019	2018
Financial liabilities on debts assignment agreements (Note 7)	4,068	-
Financial aid payable to related parties (Note 7)	2,629	-
Loans payable to related parties (Note 7)	1,697	2,804
Deferred consideration for acquisition	1,668	-
Other liabilities	9	7
Total current other financial liabilities	**10,071**	**2,811**

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. In December 2018 the Group disposed 2% share of Naftogazvydobuvannya. Resulting from the disposal of non-controlling interest in PrJSC Naftogazvydobuvannya, the amount of deferred consideration was decreased by UAH 874 million, resulting difference in this transaction was credited to retained earnings. In addition, deferred consideration decreased due to its remeasurement by UAH 52 million, which was credited to retained earnings.

During 2019 UAH 126 million (2018: UAH 131 million) of interest under deferred consideration was accrued and UAH 126 million (2018: UAH 131 million) was paid (Note 25). Remaining change in deferred consideration is due to foreign exchange gain.

Loans payable to related parties in the amount of UAH 12,156 million (31 December 2018: UAH 13,828 million) are represented by loans received from DTEK Energy B.V. and DTEK Renewables B.V., both 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 before maturity and are accounted under amortised cost at an effective interest of 11.396%, loans are due in 2023-2024. Loan payable to DTEK Renewables B.V. is recognized at fair value, bear nominal and effective interest rate of 5% and is due in 2020.

In 2019, before acquisition by the Group (Note 26), PJSC Kyivoblenergo and JSC Odessaoblenergo and their ultimate controlling party assigned to the Group its 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 of cash 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 2,365 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 PJSC Kyivoblenergo and JSC Odessaoblenergo and is included into the financing activity from continuing operations in the consolidated statement of cash flows.

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 (Note 10). Based on this transaction the Group recognised additional UAH 1,741 payable to the related party, approximating the fair value of the instrument. The loan payable bears 3.95% + Libor 3m and is denominated in USD and has maturity in March 2020.

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 aids payable to related parties were received in cash, bear no interest and are recognized at fair value approximating their carrying value. Part of these balances in amount of UAH 2,337 million are payable on demand, the remaining UAH 292 million are due on January-February 2020.

17 Other Financial Liabilities (Continued)

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

In millions of Ukrainian Hryvnia	**2019**	**2018**
Opening balance as at 1 January	**15,788**	**12,670**
Impact from adoption of IFRS 9	**-**	**377**
Cash movements		
Consideration received for reassigned debt to a related party	2,365	-
Receipt of loans and financial aid from related parties	2,629	2,649
Repayment of loan from related party	(889)	-
Financing received from a related party to settle its obligations	653	-
Repayment of interest expense on deferred consideration	(126)	(131)
Non-cash movements		
Set-off of reassigned payable with loans issued to related parties	(653)	-
Interest expense on loans received from related parties (Note 24)	898	843
Unwinding of discount on loans received from related parties (Note 24)	437	339
Interest expense on deferred consideration	126	131
Disposal of non-controlling interest	-	(926)
Foreign exchange gains less losses	(2,401)	(164)
Increase in obligation to related party following reassignment of intercompany loan	1,741	-
Other	(38)	-
Closing balance as at 31 December	**20,530**	**15,788**

As at 31 December 2019 UAH 11,733 million of loans and interest payable were denominated in US dollars (31 December 2018: UAH 11,496 million) and UAH 4,491 million in Euro (31 December 2018: UAH 2,332 million), remaining balances were denominated in Ukrainian hryvnia.

18 Trade and Other Payables

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

In millions of Ukrainian Hryvnia	**2019**	**2018**
Payables to related party (Note 7)	1,321	1,176
Liabilities for purchased property, plant and equipment	168	132
Trade payables	48	55
Dividends' payable	31	-
Other creditors	10	22
Total financial payables	**1,578**	**1,385**
Wages and salaries payable	56	56
Accruals for employees' unused vacations	11	10
Total non-financial payables	**67**	**66**
Total	**1,645**	**1,451**

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 amount of UAH 4,331 million (equivalent of USD 154 million) from DTEK Energy B.V. Group (included into investing activity in the consolidated statement of cash flows). Out of 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 related party as at 31 December 2018. In 2019 UAH 670 million of this balance was repaid in cash and UAH 284 million are outstanding as at 31 December 2019.

18 Trade and Other Payables (Continued)

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. The balance is payable on demand and will be settled in cash or by future gas sales. By 31 December 2019 the Group received whole amount of its receivables on assignment transaction in cash (included into operating activity in the consolidated statement of cash flows).

As at 31 December 2019, UAH 344 million of trade and other payables were denominated in USD (31 December 2018: UAH 1,166), UAH 26 million in EUR (31 December 2018: UAH 28 million) and UAH 1,275 million in UAH (31 December 2018: UAH 257 million). Analysis by future undiscounted cash flows of financial trade and other payables is as follows:

31 December 2019

In millions of Ukrainian Hryvnia	**Payables to related party (Note 7)**	**Liabilities for purchased property, plant and equipment**	**Trade payables**	**Dividends' payable**	**Other creditors**
Future undiscounted cash flow analysis:					
Up to 3 months	1,321	168	48	31	10
From 3 to 6 months	-	-	-	-	-
From 6 to 12 months	-	-	-	-	-
Total	**1,321**	**168**	**48**	**31**	**10**

31 December 2018

In millions of Ukrainian Hryvnia	**Payables to related party (Note 7)**	**Liabilities for purchased property, plant and equipment**	**Trade payables**	**Dividends' payable**	**Other creditors**
Future undiscounted cash flow analysis:					
Up to 3 months	-	132	57	-	87
From 3 to 6 months	1,108	-	1	-	-
From 6 to 12 months	-	-	-	-	-
Total	**1,108**	**132**	**58**	**-**	**87**

19 Other Taxes Payable

As at 31 December other taxes payable were as follows:

In millions of Ukrainian Hryvnia	**2019**	**2018**
Subsoil tax payable	82	184
Value-added tax	65	109
Other taxes payable	-	4
Total other taxes payable	**147**	**297**

20 Revenue

Analysis of revenue by category is as follows:

In millions of Ukrainian Hryvnia	**2019**	**2018**
Revenue from sales of gas	9,421	13,791
Revenue from sales of gas condensate	805	854
Total	**10,226**	**14,645**

Group recognises revenue at a point of time.

21 Cost of Sales

In millions of Ukrainian Hryvnia	**2019**	**2018**
Subsoil tax	1,319	1,968
Depreciation of property, plant and equipment, depletion and amortisation of intangible assets	1,290	1,346
Production overheads and other costs	174	142
Impairment of property, plant and equipment	170	14
Wages and bonuses	83	69
Raw materials	80	97
Cost of goods sold	79	-
Equipment maintenance and repairs	65	69
Social charges	15	12
Total	**3,275**	**3,717**

Subsoil tax is directly linked to gas price, and its significant decrease of prices during 2019 year impacted subsoil tax accordingly.

During 2019 the Group employed an average of 185 employees of production personnel (2018: 173 employees).

22 General and Administrative Expenses

In millions of Ukrainian Hryvnia	**2019**	**2018**
Salaries and bonuses	134	118
Professional fees	120	55
Rent costs	14	16
Depreciation of property, plant and equipment, depletion and amortisation of intangible assets	12	9
Social charges	9	6
Other costs	24	23
Total	**313**	**227**

During 2019 the Group employed an average of 79 employees of administrative personnel (2018: 59 employees).

23 Other Operating Expenses

In millions of Ukrainian Hryvnia	**2019**	**2018**
Insurance *	205	230
Impairment provision for inventory	36	-
Charitable donations and sponsorship	18	21
Depreciation of property, plant and equipment, depletion and amortisation of intangible assets	6	9
Other	71	44
Total	**336**	**304**

*At present, the Group 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 2019.

24 Finance Income and Finance Costs

In millions of Ukrainian Hryvnia	2019	2018
Unwinding of discount on financial investments provided to related parties	1,515	742
Interest income on loans provided to related parties	314	518
Interest income on bank deposits	109	141
Gain on early repayment of loan provided to related parties	82	180
Unwinding of discount on financial aids provided to other parties	58	117
Other	46	51
Total finance income	**2,124**	**1,749**
Interest expense on loans received from related parties	898	843
Unwinding of discount on loans received from related parties	437	339
Loss on initial recognition of financial investments provided to related parties	318	1,608
Interest expense on deferred consideration	126	131
Interest expense on bank loans from related parties	24	-
Interest expense on bank loans from other parties	30	-
Loss on initial recognition of loans provided to other parties	-	39
Other finance costs	-	12
Total finance costs	**1,833**	**2,972**

25 Income Taxes

Income tax expense comprises the following:

In millions of Ukrainian Hryvnia	2019	2018
Current tax	1,324	2,112
Deferred tax	406	(460)
Income tax expense	**1,730**	**1,652**

In 2019 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18% (2018: 18%). In 2019 the tax rate for Dutch operations was 25% (2018: 25%). In 2019 the tax rate for Cyprus operations was 12.5% (2018: 12.5%).

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

In millions of Ukrainian Hryvnia	2019	2018
Profit before income tax, including	**7,827**	**8,727**
Profit before income tax of Ukrainian companies	5,472	10,110
Profit/(Loss) before income tax of non-Ukrainian companies	2,355	(1,383)
Income tax at statutory rates 18% (Ukrainian operations)	985	1,820
Profit taxed at different rates 25% (Dutch operations)	594	(346)
Profit taxed at different rates 12.5% (Cyprus operations)	(3)	-
Tax effect of items not deductible or assessable for taxation purposes:		
- non-deductible expenses	269	112
- non-taxable income	(188)	(249)
Recognition of temporary differences on post-acquisition profits of subsidiaries	544	-
Utilised tax losses	-	348
Tax effect of non-taxable foreign exchange gains	(471)	(33)
Income tax expense	**1,730**	**1,652**

25 Income Taxes (Continued)

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

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

Following the release of NBU restriction on dividends payments abroad, in 2019 PrJSC Naftogazvydobuvannya started to pay dividends and the respective withholding taxes. Consequently, as at 31 December 2019 the Group recognised UAH 544 million of deferred tax liability relating to post-acquisition profits of its subsidiaries.

In millions of Ukrainian Hryvnia	1 January 2018	Charged to equity	Credited/ (charged) to income	31 December 2018
Tax effect of deductible temporary differences				
Provisions for other liabilities and charges	2		(2)	0
Inventories	1		22	23
Financial investments	417	3	(43)	377
Accounts receivable	-	16	216	232
Gross deferred tax asset	**420**	**19**	**193**	**632**
Less offsetting with deferred tax liabilities	(35)	-	33	(2)
Recognized deferred tax asset	**385**	**19**	**226**	**630**
Tax effect of taxable temporary differences				
Property, plant and equipment	(1,251)	-	158	(1,093)
Other financial liabilities	(1,082)	95	109	(878)
Gross deferred tax liability	**(2,333)**	**95**	**267**	**(1,971)**
Less offsetting with deferred tax assets	35	-	(33)	2
Recognized deferred tax liability	**(2,298)**	**95**	**234**	**(1,969)**
Recognized net deferred tax liability	**(1,913)**	**114**	**460**	**(1,339)**

26 Business Combinations

In January 2019 the entities under control of DTEK B.V. Group signed several contracts to acquire 93.9978% of shares in PJSC Kyivoblenergo and 68.2949% of shares in JSC Odessaoblenergo. PJSC Kyivoblenergo and JSC Odessaoblenergo are grids entities located respectively in Kyiv region (except Kyiv city) and Odessa region and are major Distribution System Operators in that regions. In a sequence of transactions during January - March 2019 the Group acquired 16.77% of shares in JSC Odessaoblenergo and 24.99% of shares in PJSC Kyivoblenergo. Finalisation of acquisition was subject to obtaining of relevant Antimonopoly Committee approvals and legal transfer of shares. On 25 April 2019 the Group obtained such approvals from all relevant bodies. The final transfer of remaining shares under these contracts was executed on 10 May 2019, resulting in obtaining control by the Group over PJSC Kyivoblenergo and JSC Odessaoblenergo 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.

The following table describes summary of the fair values of the net assets acquired in a business combination of Kyivoblenergo PJSC and Odessaoblenergo JSC:

In millions of Ukrainian Hryvnia	**PrJSC "Kyivoblenergo"**	**JSC "Odessaoblenergo"**	**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)	0	**(25)**
Deferred income tax liability	(187)	0	**(187)**
Trade and other payables	(1,775)	(1,459)	**(3,234)**
Fair value of net assets/(liabilities) of acquired entities	**3,334**	**3,069**	**6,403**
Less: non-controlling interest	(200)	(973)	**(1,173)**
Net assets acquired	**3,134**	**2,096**	**5,230**
Purchase consideration paid			**(6,392)**
Goodwill recognised as a result of acquisition of subsidiaries			**1,162**
Cash flows on acquisition of subsidiaries			
Cash and cash equivalents of the subsidiaries			**309**
Consideration paid for acquisition of subsidiaries			**(6,342)**
Net outflow of cash on acquisition of subsidiaries			**(6,033)**

26 Business Combinations (Continued)

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 JSC Odessaoblenergo were purchased for UAH 40 million and accounted as acquistion of a non-controlling interest accordingly.

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

In March 2020 the Group sold 93.9978% of shares in PJSC Kyivoblenergo and 70.4149% of shares in JSC Odessaoblenergo to DTEK Grids B.V. Group (Note 33).

27 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 2019 the Group's contingent liabilities in relation to uncertain tax positions are equal to UAH 594 million (31 December 2018: nil).

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

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

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

Because of non-explicit requirements of the applicable tax legislation, some past transactions of the Group companies may be challenged. As at 31 December 2019 the management estimated potential tax risk exposure as UAH 547 million (31 December 2018: UAH 811 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.

27 Contingencies, Commitments and Operating Risks (Continued)

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 2019 there is no contingent asset in relation to uncertain tax position (As at 31 December 2018: UAH nil).

License maintenance commitments. The Group has an obligation to comply with exploration license requirements representing capital expenditure programmes. Under these license maintenance commitments the Group is required to commit seismic, geophysical, exploratory drilling works on licensed fields according to the capital expenditure programmes. Although these commitments are not binding and may be modified based on results of exploration work, as at 31 December 2019 the Group's potential capital expenditures relating to qualifying activities on gas and gas condensate are UAH 1 million (2018: UAH 6 million). Justified deviation from the capital expenditures committed is permitted and should be agreed with the licensor, while failure to commit exploration works and substantiate the different capital expenditure schedule may result in termination of the license.

Purchase commitments. As at 31 December 2019 the Group has purchase commitments for the property, plant and equipment in the amount of UAH 830 million (31 December 2018: UAH 370 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.
There are no assets pledged as collateral as at 31 December 2019.

28 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.

28 Financial Risk Management (Continued)

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 2019	31 December 2018
First Ukrainian International Bank (FUIB)	Cash and cash equivalents	93	1,336
Ukrgazbank	Cash and cash equivalents	30	1,423
Deutsche Bank AG Amsterdam	Cash and cash equivalents	-	1,417
DTEK B.V	Financial investments	12,765	8,455
SCM PrJSC	Financial investments	5,529	2,163
Rainwell Limited	Financial investments	3,065	3,643
SCM Consulting Ltd	Financial investments	1,166	1,197
Primorskaya WPP-2 LLC	Financial investments	1,410	561
Solar Farm-1 LLC	Financial investments	1,324	1,359
Atrius Group LLC	Financial investments	-	205
DTEK Grids LLC	Financial investments	473	-
D. TRADING LLC	Financial investments	413	-
Value Assets LLC	Financial investments	-	426
DTEK LLC	Financial investments	417	579
UKRRESURS LLC	Financial investments	85	-
ADVANCE RENT LLC	Financial investments	57	-
Government of Ukraine	Financial investments	-	129
DTEK Trading LLC	Trade and other receivables	126	504

The maximum exposure to credit risk at the reporting date is UAH 26,953 million (2018: UAH 23,397 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.

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

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

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

	At 31 December 2019		At 31 December 2018	
In millions of Ukrainian Hryvnia	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD strengthening by 25% (2018: 25%)	(1,340)	(1,340)	(1,253)	(1,253)
USD weakening by 25% (2018: 25%)	1,340	1,340	1,253	1,253
Euro strengthening by 25% (2018: 25%)	(559)	(559)	10	10
Euro weakening by 25% (2018: 25%)	559	559	(10)	(10)

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

28 Financial Risk Management (Continued)

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 2019 is as follows:

In millions of Ukrainian Hryvnia	Up to 6 months	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Other financial liabilities - 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**

The maturity analysis of financial liabilities at 31 December 2018 is as follows:

In millions of Ukrainian Hryvnia	Up to 6 months	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Other financial liabilities - external	2,974	41	1,535	15,037	4,932	**24,519**
Trade and other payables	1,385	-	-	-	-	**1,385**
Total future payments, including future principal and interest payments	**4,359**	**41**	**1,535**	**15,037**	**4,932**	**25,904**

29 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 borrowing (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 2019 the total net debt and total capital of the Group were UAH 21,088 million and UAH 22,497 million respectively (31 December 2018: UAH 11,628 million and UAH 14,297 million), the net debt to equity ratio was 0.94 (31 December 2018: 0.81).

30 Fair Value of Assets and Liabilities

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

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

Financial instruments carried at fair value. Trading and available-for-sale investments are carried in the balance sheet at their fair value. Fair values were determined based on quoted market prices or third party valuations using discounted cash flows techniques.

30 Fair Value of Assets and Liabilities (Continued)

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

Liabilities carried at amortised cost. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid.
Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

a) Recurring fair value measurements

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.

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

In millions of Ukrainian Hryvnia	**31 December 2019 Level 1**	**31 December 2018 Level 1**
FINANCIAL ASSETS		
Financial investments		
- Government bonds (Note 10)	-	129
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	**-**	**129**

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 all categorised as Level 3 in the fair value hierarchy. During the year there were no transfers between the levels of the fair value hierarchy.

30 Fair Value of Assets and Liabilities (Continued)

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

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

In millions of Ukrainian Hryvnia	31 December 2019		31 December 2018	
	Level 2	**Carrying value**	**Level 2**	**Carrying value**
FINANCIAL ASSETS				
Cash and cash equivalents (Note 13)				
- Restricted cash	70	70	16	16
- Bank balances payable on demand	50	50	1,617	1,617
- Term deposits with original maturity of less than three months	6	6	2,543	2,543
Trade and other receivables (Note 12)				
- Trade receivables	131	131	508	508
Financial investments (Note 10)				
- Loans and financial aid receivable	18,597	18,597	14,878	14,878
- Receivables for bonds and shares sold to related parties	4,848	4,848	3,739	3,739
Receivable on assignment agreements from related parties	3,291	3,291	-	-
TOTAL ASSETS	**26,993**	**26,993**	**23,301**	**23,301**
FINANCIAL LIABILITIES				
Bank borrowings (Note 16)	614	614	-	-
Other financial Liabilities (Note 17)	18,853	18,853	13,828	13,828
Deferred consideration (Note 17)	1,668	1,668	1,950	1,950
Trade and other payables (Note 18)	1,578	1,578	1,385	1,385
TOTAL LIABILITIES	**22,713**	**22,713**	**17,163**	**17,163**

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

In millions of Ukrainian Hryvnia	**2019**	**2018**	**Valuation technique**	**Inputs used**
FAIR VALUE OF FINANCIAL ASSETS				
FINANCIAL ASSETS				
Trading securities				
Cash and cash equivalents (Note 13)				
- Restricted cash	70	16	Current cost accounting	
- Bank balances payable on demand	50	1,617	Current cost accounting	
- Term deposits with original maturity of less than three months	6	2,543	Current cost accounting	
Trade and other receivables (Note 12)				
- Trade receivables	131	508	Current cost accounting	
Financial investments (Note 10)				
- Loans receivable	9,108	14,878	Discounted cash flows	Interest on loans pursuant to statistical data of Ukrainian banks
- Financial aids receivable	9,489	-	Current cost accounting	
- Receivables for bonds and shares sold to related parties	4,848	3,739	Current cost accounting	
Receivable on assignment agreements from related parties	3,291	-	Current cost accounting	
FAIR VALUE OF FINANCIAL LIABILITIES				
Bank borrowings (Note 16)	614	-	Current cost accounting	
Other financial liabilities (Note 17)	18,536	13,765	Discounted cash flows	
Deferred consideration (Note 17)	1,668	1,950	Current cost accounting	
Interest payable on loans received from related parties (Note 16)	317	63	Current cost accounting	
Trade and other payables (Note 18)	1,578	1,385	Current cost accounting	

30 Fair Value of Assets and Liabilities (Continued)

Property, plant and equipment at fair value.

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.

31 Reconciliation of Classes of Financial Instruments with Measurement Categories

All of the Group's financial assets and financial liabilities are carried at amortised cost, except for equity securities which are carried at fair value.

32 Subsequent events

COVID-19 outbreak. The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and prevent the effects of the COVID-19 virus such safety and health measures for our people (like social distancing and working from home) and securing the supply of materials that are essential to our production process. At this stage, the impact on the Group's business and results is limited. We will continue to follow the various national institutes policies and advice and in parallel will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people. We also refer to note 2 for detailed discussions of the impact of the COVID-19 on the Groups business in 2020.

Disposal of a disposal group held for sale. In March 2020 the Group sold 93.9978% of shares in PJSC Kyivoblenergo and 70.4150% of shares in JSC Odessaoblenergo to its related party DTEK Grids LLC for total nominal consideration of UAH 6,432 million. As at date of these financial statements consideration is not settled and is expected to be settled within a year.

Acquisition and sale of shares. In March 2020 the Group acquired 25% of Donetsk Grids LLC, 20.99% of Kyiv Grids LLC and 25% of Dnipro Grids LLC for a total consideration of UAH 891 million from a related party. The consideration payable was settled via set-off with corresponding balance of loans issued to related parties. The acquired shares were further sold to Grids B.V. Group for a consideration of UAH 891 million. As at date of these financial statements consideration is not settled and is expected to be settled within a year.

Further in in March 2020 the subsidiary of the Group Power Trade LLC purchased 5.48% in Kharkiv machinery plant "Svitlo Shahtarya" PJSC for total consideration of UAH 15.6 million. Subsequently, in April 2020 the Group disposed its 100% in Power Trade LLC to DTEK Energy B.V. for total consideration of 500 USD.

In early June 2020 the Group sold its 100% shares in DTEK OIL&GAS LLC to related party for total consideration of USD 72 million.

Financial aid provided. Till the date of this report the total amount of outstanding debt of related parties increased by UAH 318 million. Loans and financial aid provided to related parties are associated with future acquisitions of businesses planned by the Group.

Revision of maturity of deferred consideration. The part of deferred consideration in amount of UAH 1,293 million (equivalent of USD 54 million) was prolonged in February 2020 for the next 12 months.

Company financial statements

31 December 2019

In millions of Ukrainian Hryvnia	Note	31 December 2019	31 December 2018 (as restated)
ASSETS			
Non-current assets			
Investments in subsidiaries	3	20,249	15,126
Loans to related parties	4	114	4,082
Other investments		40	-
Deferred income tax asset		-	10
Total non-current assets		**20,403**	**19,218**
Current assets			
Trade and other receivables	5	4,305	2,030
Loans to related parties	4	8,855	6,115
Cash and cash equivalents	5	13	1,413
Total current assets		**13,173**	**9,558**
TOTAL ASSETS		**33,576**	**28,776**
EQUITY			
Share capital	7	-	-
Share premium	7	1	1
Other reserves	7	443	539
Retained earnings	6,7	9,348	6,178
Result for the year	7	5,930	3,074
TOTAL EQUITY		**15,722**	**9,792**
LIABILITIES			
Provisions	14	301	-
Non-current liabilities			
Financial liabilities	8	989	2,010
Deferred consideration for subsidiary acquisition	8	-	1,950
Deferred income	3	1,743	1,296
Total non-current liabilities		**2,732**	**5,256**
Current liabilities			
Financial liabilities	8	8,005	4,684
Trade and other payables	9	5,119	6,240
Loans from related parties	10	1,697	2,804
Total current liabilities		**14,821**	**13,728**
TOTAL LIABILITIES		**17,553**	**18,984**
TOTAL PROVISIONS, LIABILITIES AND EQUITY		**33,576**	**28,776**

In millions of Ukrainian Hryvnia	**Note**	**2019**	**2018**
Share of result of subsidiaries	3	5,760	3,995
Other income / (expense) after taxation		170	(921)
Net income attributable to shareholders		**5,930**	**3,074**

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

1 The Organisation and its Operations

General

DTEK Oil&Gas B.V. (former DTEK Investment B.V.) ("the Company") is a private company limited liability incorporated on 12 October, 2007, under the laws of The Netherlands, with its corporate seat in Amsterdam, The Netherlands with the following registered and actual address: Strawinskylaan 1531, Tower B, Level 15, grid TB-15-046/089, 1077XX Amsterdam the Netherlands. At 19 of September 2014 the Company has changed its direct shareholder to DTEK B.V. The Company is 100% owned by DTEK B.V. The main activity of DTEK Oil&Gas B.V. relates to the holding equity interests on possible acquisitions of subsidiaries in future.

Dutch Chamber of Commerce registration number of the Company is 818603355.

Supervisory Board

The Board consists of 5 (five) members (2018: 5 (five) members). In 2019 DTEK Oil&Gas B.V. and its subsidiaries paid remuneration to The Supervisory Board in the amount of UAH 5.1 million (2018: UAH 5.2 million).

Management Board

The Board consists of 2 (two) members (20178: 2 (two) members). In 2019 DTEK Oil&Gas B.V. and its subsidiaries paid remuneration to The Management Board in the amount of UAH 4 million (2018: UAH 2.4 million).

Basis of presentation of the company financial statements

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

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

2 Accounting Policies

General

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

Since the income statement for 2019 and 2018 of DTEK Oil&Gas B.V. is included in the consolidated financial statements, an abridged income statement has been disclosed in accordance with art. 2:402, DCC.

Investments in consolidated subsidiaries

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

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

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

2 Accounting Policies (Continued)

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

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

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

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), reserve for remeasurement of liabilities related to purchase of shares in subsidiaries and the reserve for participating interests (only to the extent that profits and other equity increases are both not distributed and not freely distributable at the intention of the entity).

The latter four reserves have been combined under other reserves.

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

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:

In millions of Ukrainian Hryvnia	**2019**	**2018**
Carrying amount at 1 January	**15,126**	**12,083**
Share of result of subsidiaries	5,760	3,995
Share of equity movements	-	
Sale of investments in subsidiaries	-	(613)
Dividends accrued	(637)	(339)
Carrying amount at 31 December	**20,249**	**15,126**

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. Company's subsidiaries declared dividends during the year ended 31 December 2019 in amount of 1,084 (2018: UAH 1,635 million) out of which UAH 637 million (2018: UAH 339 million) was credited to investments in subsidiaries and the remaining portion in amount of UAH 447 million (2018: UAH 1,296 million) was recognised as deferred income.

On 31 December 2019 the Company keeps a direct holding in Naftogazvydobuvannya PrJSC at 48%.

4 Loans to related parties

During 2019 Loans to related parties are changed as follows:

In millions of Ukrainian Hryvnia	**2019**	**2018**
Balance at 1 January	**10,197**	**8,772**
New loans issued	2,742	1,363
(Decrease)/Increase in loans issued due to Novation/Assignment agreement	(2,402)	607
Settlement of loans issued	(878)	(187)
Unwinding of discount	689	678
Loss on initial recognition	(198)	(733)
Interest accrued during the period	410	388
Interest paid	(144)	-
Accrual and change in provision for ECL according to IFRS 9	315	(357)
Foreign exchange gain/(loss)	(1,762)	(334)
Balance at 31 December	**8,969**	**10,197**

As at 31 December 2019 and 2018 non-current and current financial investments are presented as a loans and interest receivable from DTEK Group's and other related companies. Loans receivable are neither past due nor impaired and are non-rated.

Credit loss allowance both as at 31 December 2019 and 31 December 2018 was charged as 12-months expected credit losses. Expected credit loss rate as at 31 December 2019 for loans receivable from related parties was determined based on adjusted yield to maturity of corporate bonds and was in range from 2.86% up to 4.09% (31 December 2018: in range from 5.77% up to 6.47%).

All receivables from direct parent Company - DTEK B.V. expected to be settled via means of set-off during future dividends distribution, while profit of the Company is already available for distribution.

Thus expected credit losses on receivables in respect of parent outstanding debt seems to be closed to zero, so the Company didn't accrue allowance for receivables from direct parent Company - DTEK B.V. as at 31 December 2019 and reversed earlier accrued provision.

The carrying amounts of loans approximate their fair values.

Loans receivable from DTEK Group's companies are due in 2020 and 2025.

The loans are recognised at fair value and accounted for under amortised cost at effective interest of 10.38%.

As at 31 December 2019 UAH 6,678 million were denominated in US dollars (31 December 2018: UAH 7,883 million) and UAH 2,291 million were denominated in EUR (31 December 2018: UAH 2,492 million).

As at 31 December 2019 UAH 8,855 million of loans fall due within one year.

All loans to related parties are not secured.

5 Current assets

As at 31 December, current assets were as follows:

In millions of Ukrainian Hryvnia	**31 December 2019**	**31 December 2018**
Accounts receivable from related parties for bonds sold (less provision and discounting effect of UAH zero million) (2018: UAH 562 million)	2,453	1,891
Receivable on assignment agreements from related parties (less provision of UAH nil million and discounting effect of UAH nil)	1,741	-
Dividend receivable from related parties (less provision of UAH 3.5 millon) (2018: UAH 9 million)	110	137
Other receivables	1	2
Cash and cash equivalents	13	1,413
Total current assets	**4,318**	**3,443**

5 Current assets (Continued)

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

Accounts receivable from related parties (DTEK B.V.) for bonds sold are denominated in UAH, recognised at fair value and accounted for under amortised cost at effective interest of 21.3%.

During 2019 the Group obtained another financial asset in the amount of UAH 1,741 million as receivable on assignment agreements, which was result of novation agreements with related parties. This financial asset is receivable from DTEK B.V., due on demand and contractually interest free.
Receivables on assignment agreements of 2019 are recognised at fair value being carrying value.

All receivables from direct parent Company - DTEK B.V. expected to be settled via means of set-off during future dividends distribution, while profit of the Company is already available for distribution.

Expected credit losses on receivables in respect of such outstanding debt seems to be closed to zero, so the Company didn’t accrue allowance for receivables from direct parent Company - DTEK B.V. as at 31 December 2019.

Credit loss allowance both as at 31 December 2019 and 31 December 2018 was charged as 12-months expected credit losses. Expected credit loss rate as at 31 December 2019 for loans receivable from related parties was determined based on adjusted yield to maturity of corporate bonds and was in range from 2.86% up to 4.09% (31 December 2018: in range from 5.77% up to 6.47%).

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

The share of UAH 970.5 million of the dividends were paid out to the Company as at 31 December 2019.

The management determined that expected credit losses on the dividends receivable balance as at 31 December 2019 was UAH 3.5 million at the rate of 3.06%.

Credit loss allowance both as at 31 December 2019 and 31 December 2018 was charged as 12-months expected credit losses. Expected credit loss rate as at 31 December 2019 for loans receivable from related parties was determined based on adjusted yield to maturity of corporate bonds and was in range from 2.86% up to 4.09% (31 December 2018: in range from 5.77% up to 6.47%).

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

All receivables fall due within one year.

No cash and cash equivalents were restricted as at 31 December 2019 and 31 December 2018.

6 Effect from restatement

In 2019 the effect from adoption of new accounting policy for investments in subsidiary was reviewed with the following impact on financial statements as at 31 December 2018:

In millions of Ukrainian Hryvnia	**2018 (as restated)**	**Restatement**	**2018**
Equity			
Retained earnings	6,178	**1,326**	4,852
Non-current liabilities			
Financial liabilities	2,010	**(1,511)**	3,521
Current liabilities			
Trade and other payables	6,240	**185**	6,055

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

7 Equity

Movements in equity are as follows:

In millions of Ukrainian Hryvnia	Share capital	Share premium	Other reserves	Retained earnings	Result for the year	Total
Balance at 1 January 2018	**0**	**1**	**669**	**(6,381)**	**10,792**	**5,081**
Profit appropriation	-	-	-	10,792	(10,792)	**-**
Result for the year ended 31 December 2018	-	-	-	-	3,074	**3,074**
Remeasurement of financial liabilities following disposal of non-controlling interest in subsidiary	-	-	-	311	-	**311**
Property, plant and equipment:						
- Realised revaluation reserve	-	-	(158)	158	-	**-**
- Deferred tax related to realised revaluation reserve	-	-	28	(28)	-	**-**
Balance at 31 December 2018	**0**	**1**	**539**	**4,852**	**3,074**	**8,466**
Effect from restatement (Note 6)	**-**	**-**	**-**	**1,326**	**-**	**1,326**
Balance at 31 December 2018 after restatement	**0**	**1**	**539**	**6,178**	**3,074**	**9,792**
Profit appropriation	-	-	-	3,074	(3,074)	**-**
Result for the year ended 31 December 2019	-	-	-	-	5,930	**5,930**
Property, plant and equipment:						
- Realised revaluation reserve	-	-	(117)	117	-	**-**
- Deferred tax related to realised revaluation reserve	-	-	21	(21)	-	**-**
Balance at 31 December 2019	**0**	**1**	**443**	**9,348**	**5,930**	**15,722**

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

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

Proposed profit appropriation

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

In millions of Ukrainian Hryvnia	2019	2018
Dividends	-	-
Gain to retained earnings	5,930	3,074
Profit for the period	**5,930**	**3,074**

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 2,412 million (2018 (as restated): UAH 2,990 million), as well as the result according to the Company income statement and result according to the consolidated income statement of UAH 578 million (2018: UAH 2,919 million) is due to the fact that the Company recognise losses of the subsidiaries only to the extent of net investment in subsidiaries which includes long-term receivables that in substance form part of the net investment in the subsidiary. In the event the net equity value of a subsidiary becomes negative additional losses are not recognised.

8 Financial liabilities

As at 31 December financial liabilities were as follows:

In thousands of Ukrainian Hryvnia	2019	2018 (as restated)
Non-current		
Obligation to related parties for bonds acquired	-	1,912
Loans from related parties and accrued interest	989	-
Other payables from related parties	-	98
Total non-current financial liabilities	**989**	**2,010**
Current		
Obligation to related parties for bonds acquired	4,212	2,453
Liabilities to related parties due to Novation/Assignment agreement	2,118	2,223
Deferred consideration for subsidiary acquisition	1,668	-
Interest payable	7	8
Total current loans from related parties	**8,005**	**4,684**

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

In millions of Ukrainian Hryvnia	2019	2018 (as restated)
Carrying amount at 1 January	**2,010**	**2,138**
Reclass of liabilities for bonds purchased from non-current to current	(1,759)	-
Gain on initial recognition of obligation for bonds acquired	-	(108)
Unwinding of discount on obligation for bonds acquired	219	-
Increase in loans payable to related parties	980	5
Interest accrued during the period	43	-
Loans/interest repaid	(1)	-
Foreign exchange loss	(503)	(25)
Carrying amount at 31 December	**989**	**2,010**

The movements in current financial liabilities were as follows:

In millions of Ukrainian Hryvnia	2019	2018
Carrying amount at 1 January	**4,684**	**5,538**
Reclass of liabilities for bonds purchased from non-current to current	1,759	0
Increase in liabilities for bonds purchased from related parties	-	2 453
Unwinding of discount	253	631
Change in liability due to Novation/Assignment agreements, netto	-	(3,687)
Gain on initial recognition of liability due to Novation/Assignment agreement	-	(254)
Foreign exchange loss/gain	(359)	3
Carrying amount at 31 December	**6,337**	**4,684**

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

Accounts payable to related parties and obligations for bonds are recognised at fair value and are accounted for under amortised cost at an effective interest of 11.396% and 10.38% respectively.

Accounts payable to related parties in the amount of UAH 2,118 million were denominated in USD.

Obligations for bonds acquired in the amount of UAH 1,759 million were denominated in EUR and UAH 2,453 million in UAH.

Deferred consideration for subsidiary acquisition is represented by obligation to pay compensation as exit fee to ex-shareholder of Naftogazvydobuvannya PrJSC and is denominated in USD.

Change in netto amount of deferred consideration liability during 2019 caused due to foreign exchange gain.

8 Financial liabilities (Continued)

Additionally, during 2019 UAH 127 million of interest under deferred consideration was accrued and UAH 127 million was paid (2018: UAH 131 million accrued, UAH 131 million paid).

All current financial liabilities fall due within one year.

All non-current financial liabilities fall due less than two years and denominated in USD.

All financial liabilities are not secured.

9 Trade and other payables

Accounts payable to related party at 31 December 2019 is UAH 5,119 million UAH (2018 (as restated): UAH 6,240 million), which is due on 31 December 2019.

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

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

10 Loans from related parties

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

In millions of Ukrainian Hryvnia	**2019**	**2018**
Carrying amount at 1 January	**2,804**	**-**
New borrowings	122	2,645
Settlement of borrowings	(1,011)	-
Interest accrued during the period	95	64
Foreign exchange loss/gain	(313)	95
Carrying amount at 31 December	**1,697**	**2,804**

During 2019 new loan was provided to the Company from related party.

Loan is denominated in USD.

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

11 Average number of employees

During the years ended 31 December 2019 and 2018, the average number of employees, based on full time equivalents, was one person.

12 Directors remuneration

The directors of the Company received remuneration of UAH 4 million (2018: UAH 2.4 million).

13 Independent auditor's Remuneration

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

In millions of Ukrainian Hryvnia	**2019**	**2018**
Audit of the financial statements	4	2
Other audit procedures	-	-
Tax services	1	0
Other non-audit services	0	-
Total audit fees	**5**	**2**

14 Taxation

The Company is subject to corporation tax on taxable profits at the rate of 20% for profits up to EUR 200 thousand and at the rate of 25% for profits exceeding EUR 200 thousand per annum.

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. DTEK B.V. settles the CIT with the tax authorities based on the taxable profit of the subsidiary subject to an allocation of the benefits of the tax group at the various companies, which form part of the fiscal unity. 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. Under the standard conditions, the members of the tax group are jointly and severally liable for any taxes payable by the income tax group. As at 31 December 2019 no current income tax is recognised in the DTEK Oil&Gas B.V. financial statements.

The current income tax expense is UAH nil million for 2019 (2018: expense of UAH nil million). Deferred income tax expense for the Company is UAH 311 million for 2019 (2018: benefit of UAH 316 million). Increase in deferred tax liability was majorly driven by recognised UAH 357 million of deferred income tax liability relating to post-acquisition profits of its subsidiaries.

The Company has not submitted yet its tax declaration for 2018 and 2019. Based on estimate at 31 December 2019 the Company's payable position amounts to UAH 8 million towards fiscal unity (2018: UAH 9 million). The tax declaration will be filed by the head of the fiscal unity (DTEK B.V.).

15 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 2019 the Company's contingent liabilities in relation to uncertain tax positions are equal to UAH nil million (31 December 2018: UAH nil million).

16 Subsequent events

We refer to Note 32 of the notes to the consolidated financial statements.

Signed by entire Management Board,
_____June 2020

Mr. Maksym Timchenko, Director

____

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 and the supervisory board of DTEK Oil&Gas B.V.

Report on the financial statements 2019

Our opinion

In our opinion:

- the consolidated financial statements of DTEK Oil&Gas B.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2019 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of DTEK Oil&Gas B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2019 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 2019 of DTEK Oil&Gas B.V., Amsterdam. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2019;
- the following statements for 2019: 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 2019;
- 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.

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, the Netherlands
T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl

The basis for our opinion

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

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

Independence

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

Report on the other information included in the annual report

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

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

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

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

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

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

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

Responsibilities for the financial statements and the audit

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

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

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

The supervisory board is responsible for overseeing the Company's financial reporting process.

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.

Amsterdam, 11 June 2020
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A.G.J. Gerritsen RA

Appendix to our auditor's report on the financial statements 2019 of DTEK Oil&Gas B.V.

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

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

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

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

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

We communicate with the supervisory board 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.