ERU Trading LLC

Financial Statements
as at and for the year
ended 31 December 2020

These financial statements contain 33 pages

Contents

(in thousands of Ukrainian hryvnias)	**Note**	**31 December 2020**	31 December 2019
Assets			
Property, plant and equipment		**5,665**	6,480
Right-of-use assets		**2,062**	4,722
Deferred tax assets	8	**-**	2,480
Non-current assets		**7,727**	13,682
Inventories	10	**2,171,128**	1,670,045
Trade and other receivables	11	**2,967,287**	824,753
Prepayments made	12	**1,466,953**	794,993
Cash and cash equivalents	13	**98,442**	74,122
Restricted cash balances and guarantee deposits	14	**29,116**	39,685
Current assets		**6,732,926**	3,403,598
Total assets		**6,740,653**	3,417,280
Equity	15		
Charter capital		**100**	100
Additional paid-in capital		**329,130**	93,888
Retained earnings		**806,288**	219,079
Total equity		**1,135,518**	313,067
Non-current liabilities			
Deferred tax liabilities	8	**68,740**	-
Non-current lease liabilities		**-**	1,914
Long-term loans and borrowings	17	**253,045**	200,367
Total non-current liabilities		**321,785**	202,281
Current liabilities			
Current lease liabilities		**1,914**	2,678
Loans and borrowings	17	**1,241,886**	503,430
Trade and other payables	18	**3,694,433**	1,015,844
Contract liabilities	19	**209,516**	1,369,179
Income tax payable		**125,090**	3,766
Other taxes payable		**10,511**	7,035
Total current liabilities		**5,283,350**	2,901,932
Total liabilities		**5,605,135**	3,104,213
Total equity and liabilities		**6,740,653**	3,417,280

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 7 to 33.

(in thousands of Ukrainian hryvnias)	Note	2020	2019
Revenue	6	**16,206,126**	11,635,336
Cost of sales		**(14,179,176)**	(11,205,479)
Gross profit		**2,026,950**	429,857
Administrative expenses	7(a)	**(757,098)**	(392,753)
Distribution expenses	7(b)	**(27,615)**	(38,734)
Other operating expenses	7(d)	**(4,465)**	(9,817)
Other operating income		**10,431**	2,509
Results from operating activities		**1,248,203**	(8,938)
Finance costs	7(e)	**(544,708)**	(59,762)
Finance income	7(e)	**10,867**	145,291
Profit before income tax		**714,362**	76,591
Income tax expense	8	**(127,153)**	(13,646)
Net profit and total comprehensive income for the year		**587,209**	62,945

These financial statements were approved by management on 10 June 2021 and were signed on its behalf by:

Yaroslav Mudryy
General Director

Tetyana Gayduk
Finance Director

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 7 to 33.

(in thousands of Ukrainian hryvnias)	**Note**	**Charter capital**	**Additional paid-in capital**	**Retained earnings**	**Total equity**
Balance as at 1 January 2019		100	6,900	156,134	163,134
Total comprehensive income for the year:					
Profit for the year		-	-	62,945	62,945
Total comprehensive income for the year		-	-	62,945	62,945
Transactions with owners recorded directly in equity:					
Contributions by participants acting in capacity of shareholders	15(c)	-	86,988	-	86,988
Total contributions by participants		-	86,988	-	86,988
Balance as at 31 December 2019		100	93,888	219,079	313,067
Total comprehensive income for the year:					
Profit for the year		-	-	**587,209**	**587,209**
Total comprehensive income for the year		-	-	**587,209**	**587,209**
Transactions with owners recorded directly in equity:					
Contributions by participants acting in capacity of shareholders	15(c)	-	**235,242**	-	**235,242**
Total contributions by participants		-	**235,242**	-	**235,242**
Balance as at 31 December 2020		**100**	**329,130**	**806,288**	**1,135,518**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 7 to 33.

(in thousands of Ukrainian hryvnias)	**Note**	**2020**	2019
Cash flows from operating activities			
Net profit for the year		**587,209**	62,945
Adjustments for:			
Depreciation	7(a)	**7,112**	3,777
Foreign exchange loss/(gain)	7(e)	**463,396**	(115,767)
Interest expense	7(e)	**54,542**	42,895
Interest income	7(e)	**(10,867)**	(29,524)
Income tax expense	8	**127,153**	13,646
Cash flows generated from/(used in) operations before working capital changes		**1,228,545**	(22,028)
Changes in:			
Inventories		**(501,083)**	(905,503)
Trade and other receivables		**(2,106,821)**	699,708
Prepayments made		**(671,960)**	(405,325)
Restricted cash		**10,569**	19,353
Other taxes receivable/payable		**3,476**	134,099
Trade and other payables		**2,321,015**	(672,216)
Contract liabilities		**(1,159,663)**	657,769
Income tax paid		**(5,404)**	(30,535)
Interest paid	17(d)	**(44,361)**	(60,548)
Interest received		**12,292**	29,524
Net cash flows used in operating activities		**(913,395)**	(555,702)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(3,637)**	(5,592)
Proceeds from bank deposits, net		**-**	2,280
Net cash flows used in investing activities		**(3,637)**	(3,312)
Cash flows from financing activities			
Proceeds from loans and borrowings	17(d)	**4,530,621**	2,295,677
Repayments of loans and borrowings	17(d)	**(3,612,684)**	(2,080,293)
Repayment of lease liabilities		**(2,863)**	(2,632)
Cash flows from financing activities		**915,074**	212,752
Net decrease in cash and cash equivalents		**(1,958)**	(346,262)
Cash and cash equivalents at 1 January		**74,122**	425,920
Effect of movements in exchange rates on cash and cash equivalents		**26,278**	(5,536)
Cash and cash equivalents at 31 December	13	**98,442**	74,122

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 7 to 33.

1. Reporting entity

(a) Organization and operations

ERU Trading LLC (the "Company") was established on 25 March 2016 as a part of Energy Resources of Ukraine Group (the "Group"). The Group was formed in Ukraine in 2014 and was reorganized in 2018.

The Company's registered office is 58 Yaroslavska street, Kyiv, Ukraine.

The Company's principal activity is distribution of natural gas and electricity to domestic and foreign customers and trading by other goods.

The ultimate parent company of the Company is ERU Management Services LLC, USA. The immediate parent company is ERU Corporation, USA, which holds 100% ownership interest in the Company. Neither the ultimate parent company nor intermediate parent company produce consolidated financial statements that are available for public use.

As at 31 December 2020 and 2019, the Company is beneficially owned by two individuals.

(b) Business environment

The Company's operations are located in Ukraine. The political and economic situation in Ukraine has been subject to significant turbulence in recent years. Consequently, operations in the country involve risks that do not typically exist in other markets.

An armed conflict in certain parts of Lugansk and Donetsk regions, which started in spring 2014, has not been resolved and part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory. Various events in March 2014 led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation.

After economic crisis in 2014-2015, the Ukrainian economy recovered considerably in the last couple of years, with a slowed down inflation, stable Hryvnia exchange rate, growing GDP and general revival in business activity.

In 2019, Verkhovna Rada passed new Law of Ukraine on foreign currency and currency transactions. The new law abolished a number of restrictions, defined new principles of currency operations, currency regulation and supervision, and resulted in significant liberalization of foreign currency transactions and capital movements. In particular, the requirement of mandatory sale of foreign currency proceeds on the interbank market was cancelled, while the settlement period for export-import transactions in foreign currency was increased considerably. Furthermore, all restrictions on international transfers of currency for payment of dividends were lifted.

The new Law on Transfer Pricing approved in January 2020 introduced significant changes to the Tax Code of Ukraine. The Company is obliged to comply with the Law.

In November 2020, Moody's B3 rating of Ukraine Government Bonds was confirmed given a stable outlook that reflects recent government reforms and improved international relations. Further stabilization of economic and political environment depends on the step-by-step implementation of structural reforms and other factors. Despite high risk, Ukraine has moved away from the point of default.

COVID-19 impact

On 11 March 2020, the World Health Organization declared COVID-19 pandemic due to its rapid global spread. Most governments have been taking increasingly strict steps to stop spread of the virus, including mandatory self-isolation / quarantine, social distancing, and control over or close of borders and "lockdowns" in cities / regions or even entire countries. These measures are being gradually cancelled in many jurisdictions; however, general economic uncertainty still exists, as pandemic continues to expand. Government of Ukraine extends adaptive quarantine until 30 June 2021. Certain organizations also instructed their personnel to stay at home and restricted or temporarily closed down the business.

These events have had wide adverse effects on the economy, including:

- Disruption of business activities that has negative impact on supply chains and causes defaults on contracts;
- A significant obstacle for business in certain sectors, both in domestic market and in export-oriented business highly dependent on external markets. The most affected sectors include retail trade, travel and tourism, entertainment and hospitality sector, transportation, oil industry, construction, automotive, insurance and financial sectors;
- Significant reduction of demand for goods and services of low significance;
- Increased economic uncertainty and related fluctuations of asset prices and foreign exchange rates.

Despite quarantine restrictions, the Company increased its revenues for the year compared to revenues for the previous year.

Whilst management believes it is taking appropriate measures to support the sustainability of the Company business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Company results and financial position in a manner not currently determinable. These financial statements reflect management current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2. Basis of accounting

(a) Statement of compliance

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Ukrainian legislation on financial reporting.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

3. Functional and presentation currency

The national currency of Ukraine is the Ukrainian hryvnia ("UAH"), which is the Company's functional currency and the currency in which these financial statements are presented. All financial information presented in UAH has been rounded to the nearest thousand, except when otherwise indicated.

4. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements and have a significant risk of resulting in a material adjustment within the next financial year is described below:

- Measurement of ECL allowance for trade accounts receivable and contract assets – Note 20(b)*(ii)*.
- Presentation of participants' interest in the Company – Note 23(j).

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 17 – loans and borrowings;
- Note 20(e) – fair values of financial instruments.

5. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2020 with earlier application permitted. However, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amendments to standards and interpretations are not expected to have a significant effect on the financial statements of the Company:

- *Onerous contracts - cost of contract performance (Amendments to IAS 37).*
- *Basic reform of interest rates - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16).*
- *Accounting for Lease Concessions Related to COVID-19 (Amendment to IFRS 16).*
- *Property, plant and equipment: additions before use according to their purpose (Amendments to IAS 16).*
- *References to Conceptual Framework (Amendments to IFRS 3).*
- *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1).*
- *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.*

6. Revenue

Revenue from contracts with customers for the year ended 31 December is as follows:

(in thousands of Ukrainian hryvnias)	**Wholesale**	**End-user customer**
2020		
Natural gas	**12,894,879**	**1,088,948**
Electricity	**703,683**	**687,506**
Fuel	**809,361**	**-**
Other goods and services	**159**	**21,590**
	14,408,082	**1,798,044**
2019		
Natural gas	5,546,707	3,326,481
Electricity	1,396,441	654,676
Fuel	681,867	-
Other goods and services	4,739	24,425
	7,629,754	4,005,582

Approximately 99% of the Company's sales are conducted in Ukraine (2019: 99%) and the remaining population relates to other countries.

In the normal course of business, the Company engages in sale and purchase transactions with the purpose of exchanging of natural gas in various locations to fulfil the Company's sales commitments, reduce transport and pumping costs, meet immediate inventory needs. In accordance with the Company's accounting policy, revenue is not recognized with respect to non-monetary exchange transactions involving goods of similar nature and value. The Company management applies judgment to determine whether each particular transaction represents an exchange or a transaction that generates revenue. In making this judgment, management considers whether the underlying natural gases are of similar type and quality, as well as whether the time passed between the transfer and receipt of the underlying goods indicates that the substance of the transaction is non-monetary exchange of similar goods. In 2020, the amount of exchange transactions involving natural gas

amounted to UAH 479,703 thousand (2019: UAH 20,625 thousand), which was not recognized as revenues.

7. Expenses

Expenses for the year ended 31 December are as follows:

(a) Administrative expenses

(in thousands of Ukrainian hryvnias)	**2020**	2019
Salary and related charges	**670,972**	332,751
Provision for unused vacation	**46,886**	30,228
Bank charges	**15,898**	11,379
Legal, audit and other professional services	**7,701**	6,646
Depreciation	**7,112**	3,777
Rent	**1,226**	956
Other	**7,303**	7,016
	757,098	392,753

For transactions with related parties refer to Note 22.

(b) Distribution expenses

(in thousands of Ukrainian hryvnias)	**2020**	2019
Salary and related charges	**22,605**	26,872
Commission fees for sale of natural gas	**1,185**	5,568
Advertising expenses	**100**	608
Provision for unused vacation	**-**	1,709
Other	**3,725**	3,977
	27,615	38,734

(c) Employee benefit expenses

(in thousands of Ukrainian hryvnias)	**2020**	2019
Bonuses to personnel	**668,521**	339,196
Provision for unused vacation	**46,335**	31,937
Wages and salaries	**21,951**	18,169
Social security contributions	**2,554**	2,258
	739,361	391,560

For the year ended 31 December 2020, bonuses to personnel includes bonuses to management of UAH 641,000 thousand (31 December 2019: UAH 301,181 thousand). For transactions with related parties refer to Note 22.

(d) Other operating expenses

In 2020, other operating expenses are mainly represented by accrual of additional VAT liability of UAH 2,000 thousand (2019: UAH 6,146 thousand).

(e) Net finance costs

(in thousands of Ukrainian hryvnias)	**2020**	2019
Finance income		
Interest income calculated under the effective interest method	**10,867**	29,524
Net foreign exchange gain	**-**	115,767
	10,867	145,291
Finance costs		
Net foreign exchange loss	**(463,396)**	**-**
Interest expenses on loans and lease liabilities	**(54,542)**	42,895
Finance costs for servicing of bank guarantees and letters of credit	**(26,770)**	16,867
Total finance costs	**(544,708)**	59,762
Net finance (costs)/income recognized in profit or loss	**(533,841)**	85,829

8. Income taxes

(a) Amounts recognized in profit or loss

The applicable statutory tax rate for the years ended 31 December 2020 and 2019 was 18%.

(in thousands of Ukrainian hryvnias)	**2020**	2019
Current tax expense	**126,728**	25,527
Deferred tax expense/(benefit)	**425**	(11,881)
Total income tax expense	**127,153**	13,646

(b) Reconciliation of effective tax rate

The difference between the total expected income tax expense computed by applying the statutory income tax rate to the net profit before tax and the reported income tax expense is as follows:

(in thousands of Ukrainian hryvnias)	**2020**	**%**	2019	%
Profit before tax	**714,362**	**100%**	76,591	100%
Income tax at applicable tax rate	**128,585**	**18%**	13,786	18%
Permanent differences	**(1,432)**	**0%**	(140)	0%
Effective income tax expense	**127,153**	**18%**	13,646	18%

(c) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
(in thousands of Ukrainian hryvnias)	**2020**	2019	**2020**	2019	**2020**	2019
Property, plant and equipment	**84**	-	**-**	(10)	**84**	(10)
Inventories	**-**	-	**-**	(135)	**-**	(135)
Trade and other payables	**1,971**	2,612	**-**	-	**1,971**	2,612
Loans and borrowings	**-**	-	**(70,795)**	-	**(70,795)**	-
Other	**-**	873	**-**	(860)	**-**	13
Tax assets/(liabilities)	**2,055**	3,485	**(70,795)**	(1,005)	**(68,740)**	2,480
Set off of tax	**(2,055)**	(1,005)	**2,055**	1,005	**-**	-
Net tax assets/ (liabilities)	**-**	2,480	**(68,740)**	-	**(68,740)**	2,480

(d) Movement in recognized temporary differences during the year

(in thousands of Ukrainian hryvnias)	**2020**	2019
1 January	**2,480**	(9,401)
Recognized in profit or loss	**(425)**	11,881
Recognized directly in equity	**(70,795)**	-
31 December	**(68,740)**	2,480

9. Adjusted earnings before interest, tax, depreciation and amortization (EBITDA)

Management of the Company have presented the performance measure Adjusted EBITDA as they monitor this performance measure and they believe this measure is relevant to an understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of depreciation and amortization and bonuses to management.

Adjusted EBITDA is not a defined performance measure in IFRS. The Company's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of adjusted EBITDA before bonuses to profit from continuing operations

(in thousands of Ukrainian hryvnias)	**Note**	**2020**	2019
Results from operating activities		**1,248,203**	(8,938)
Adjusted for:			
- Depreciation and amortization	7(a)	**7,112**	3,777
- Bonuses to management	7(c)	**641,000**	301,181
Adjusted EBITDA before bonuses		**1,896,315**	296,020

10. Inventories

Inventories as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2020**	2019
Natural gas for resale	**2,170,977**	1,669,891
Other	**151**	154
	2,171,128	1,670,045

During the years ended 31 December 2020 and 31 December 2019, the Company had no write-downs or reversals of write-downs of inventories to net realizable value.

As at 31 December 2020 natural gas with carrying amount of UAH 315,512 thousand is pledged to secure loans and borrowings (2019: UAH 364,930 thousand) (Note 17(c)).

11. Trade and other receivables

Trade and other receivables by nature as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2020**	2019
Trade receivables	**2,939,012**	819,039
Other accounts receivable	**28,275**	5,714
	2,967,287	824,753

Trade and other receivables by counterparties as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2020**	2019
End-user customer	**238,606**	451,954
Wholesale customer	**2,689,840**	367,085
Other	**38,841**	5,714
	2,967,287	824,753

The Company's exposure to credit risk and impairment losses related to trade and other receivables is further disclosed in Note 20(b)*(ii)*.

12. Prepayments made

Prepayments made as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2020**	2019
Prepayments for inventory	**1,446,526**	748,036
Prepayments for services	**20,427**	46,957
	1,466,953	794,993

13. Cash and cash equivalents

Cash and cash equivalents for the years ended 31 December 2020 and 31 December 2019 are presented by cash held with domestic banks.

Cash and cash equivalents held with banks by their external credit ratings (Moody's equivalent) as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2020**	2019
B2	**91,371**	61,083
B3	**6,326**	-
Caa1	**-**	11,495
Unrated	**745**	1,544
	98,442	74,122

As at 31 December 2020 and 2019 cash and cash equivalents held with banks are not credit impaired or overdue. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis (Stage 1) and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit rating of its banks. Consequently, no allowance for impairment was recognized as the amounts are immaterial.

14. Restricted cash balances and guarantee deposits

As at 31 December 2018 cash in amount of UAH 29,116 thousand was placed on current account of domestic financial institution and is pledged as the security for borrowing from this financial institution. As at 31 December 2020, this deposit was not returned to the Company. Legal case was initiated by the Company to claim repayment of this balance.

As at 31 December 2019, the Company placed a guarantee deposit with a supplier of UAH 10,569 thousand (EUR 400 thousand equivalent). Such deposits serve as a guaranty to the Company's obligations under purchases made from this counterparty, however those deposits are only utilized in case of any payment short-falls or defaults and are returned in full in normal course of business.

The Company considers that its restricted cash balances have low credit risk and are not impaired. Impairment on restricted cash balances has been measured on a 12-month expected loss basis (Stage 1) and reflects the short maturities of the exposures. Consequently, no allowance for impairment was recognized as the amounts are immaterial.

15. Capital and reserves

(a) Charter capital

Participants in a limited liability company have voting, profit distribution, and capital repayment rights proportionally to the size of their contribution to the charter capital, including the right of unilateral withdrawal of their share of the Company's assets.

As at 31 December 2020 and 31 December 2019, the charter capital amounts to UAH 100 thousand.

The Company is indirectly beneficially owned by two individuals. Participation interest and voting rights of those individuals were as follows:

in %	**31 December 2020**	31 December 2019
Dale Perry	**51.00%**	51.00%
Yaroslav Mudryy	**49.00%**	49.00%
	100%	100%

None of these individuals has the power to direct the transactions of the Company at his own discretion and for his own benefit.

(b) Retained earnings

In accordance with the Ukrainian legislation, entities can distribute all statutory profits as dividends or transfer them to reserves as specified in their charters. Subsequent use of amounts transferred to reserves may be legally restricted; amounts transferred to reserves typically must be used for the purpose designated when the transfer is made. Profit distributions by the Company are normally only declared from current or retained earnings as shown in the Ukrainian statutory financial statements, and not out of amounts previously transferred to reserves.

(c) Additional paid-in capital

Additional paid-in capital, presented in these financial statements, included differences on origination of financial instruments due to or due from related parties acting in capacity of owners.

At initial recognition, the difference between loan amount received from the owners and its fair value (calculated with the reference to current market rates prevailing on similar instruments) is treated as an equity contribution to the Group, representing a further investment by the owners and included in additional paid-in capital. The same accounting treatment is applied to the results of any modifications of existing loan facilities from owners or their structured entities, to the extent that any such modifications differ from market terms.

On 31 December 2019, the Company modified repayment terms for UAH-denominated interest-free borrowing from a related party, one of the ultimate beneficiary owners, previously payable on demand. As a result of such modification, repayment term was postponed to 31 December 2044. Upon modification, this borrowing was recognized at fair value determined by management using the market interest rate for similar financial instruments of 17.3%. The difference between the nominal amount and fair value upon initial recognition of UAH 86,988 thousand, is accounted for as additional paid-in capital directly in equity (Note 17(b)).

On 31 December 2020, ultimate beneficiary owner granted UAH-denominated interest-free borrowing, payable to 31 December 2045. This borrowing was recognized at fair value determined by management using the market interest rate for similar financial instruments of 13.4%. The difference between the nominal amount and fair value upon initial recognition of UAH 235,242 thousand, net of deferred tax, is accounted for as additional paid-in capital directly in equity.

16. Capital management

The Company has no formal policy for capital management, but management seeks to maintain a sufficient capital base for meeting the Company's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Company's revenues and EBITDA/profit, and long-term investment plans mainly financed by the Company's operating cash flows. With these measures, the Company aims for steady profits growth. There were no changes in the Company's approach to capital management during the year.

17. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risks, see Note 20.

(in thousands of Ukrainian hryvnias)	**2020**	2019
Non-current liabilities		
Loan from Immediate Parent Company	**226,197**	189,490
Interest-free borrowing from shareholder	**26,848**	1,629
Loans from domestic financial institution	**-**	9,248
	253,045	200,367

(in thousands of Ukrainian hryvnias)	**2020**	2019
Current liabilities		
Loans from domestic financial institutions	**1,082,192**	221,685
Loan from Ultimate Parent Company	**86,849**	-
Interest-free borrowings from domestic non-financial institutions	**48,376**	8,034
Interest payable	**24,469**	9,491
Loan from foreign financial institution	**-**	264,220
	1,241,886	503,430

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

(in thousands of Ukrainian hryvnias)	**Currency**	**Nominal interest rate**	**Year of maturity**	**Carrying amount as at 31 December 2020**
Loan from Immediate Parent Company	USD	4.0%	2022	**226,197**
Loan from Ultimate Parent Company	EUR	6.0%	2021	**86,849**
Loan from domestic financial institution	EUR	5.5%	2021	**679,854**
Loan from domestic financial institution	EUR	5.75%	2021	**208,438**
Loan from domestic financial institution	UAH	10.5%	2021	**103,900**
Loan from domestic financial institution	UAH	15.0%	2021	**90,000**
Interest-free borrowings from shareholder	UAH	0.0%	2044-2045	**26,848**
Interest-free borrowing from domestic non-financial institution	UAH	0.0%	2021	**40,342**
Interest-free borrowing from domestic non-financial institution	UAH	0.0%	On demand	**8,034**
Interest payable	UAH			**24,469**
Total loans and borrowings				**1,494,931**

(in thousands of Ukrainian hryvnias)	Currency	Nominal interest rate	Year of maturity	Carrying amount as at 31 December 2019
Loan from Immediate Parent Company	USD	4.0%	2022	189,490
Loan from foreign financial institution	EUR	4.0%	2020	264,220
Loan from domestic financial institution	UAH	22.5%	2020	88,794
Loans from domestic financial institution	UAH	Various rates	2020	781
Loan from domestic financial institution	EUR	8.0%	2020	132,110
Loan from domestic financial institution	EUR	7.0%	2020	9,248
Interest-free borrowings from shareholder	UAH	0.0%	2044	1,629
Interest-free borrowing from domestic non-financial institution	UAH	0.0%	On demand	8,034
Interest payable	UAH			9,491
Total loans and borrowings				703,797

(b) Modification of loans and borrowings

On 31 December 2019, the Company modified repayment terms for UAH-denominated interest-free borrowing from a related party, one of the ultimate beneficiary owners, previously payable on demand. As a result of such modification, repayment term was postponed to 31 December 2044. Upon modification, this borrowing was recognized at fair value determined by management using the market interest rate for similar financial instruments of 17.3%. The difference between the nominal amount and fair value upon initial recognition of UAH 86,988 thousand, is accounted for as additional paid-in capital directly in equity (Note 15(c)).

(c) Pledges

(in thousands of Ukrainian hryvnias)	**Note**	**2020**	**2019**
Inventories	10	**315,512**	364,930
Property, plant and equipment		**630**	829

During the year ended 31 December 2020, the Company concluded a foreign currency credit line agreement with the ultimate parent company for EUR 50,000 thousand. As at 31 December 2020, the amount of EUR 2,500,000 thousand were received by the Company under this agreement.

As at 31 December 2020, the Company has pledged inventories with carrying amount of UAH 315,512 thousand as a collateral for loan agreement with domestic financial institution.

As at 31 December 2019, the Company has pledged inventories with carrying amount of UAH 364,930 thousand as a collateral for natural gas purchase agreements with the Ultimate Parent Company.

As at 31 December 2020, in addition to the table above, loans and borrowings are secured by trade accounts receivable of UAH 1,024,828 thousand (2019: UAH 75,590 thousand) and future proceeds from sales agreements of UAH 339,750 thousand (2019: UAH 459,893 thousand).

(d) Reconciliation of movements of liabilities to cash flows arising from financing activities

(in thousands of Ukrainian hryvnias)		**Loans and borrowings**	
		2020	2019
Balance as at 1 January		**703,797**	**630,785**
Changes from financing cash flows			
Proceeds from loans and borrowings		**4,530,621**	**2,295,677**
Repayment of borrowings		**(3,612,684)**	**(2,080,293)**
Total changes from financing cash flows		**917,937**	215,384
The effect of changes in foreign exchange rates		**169,304**	(38,203)
Other changes			
Liability-related			
Interest expense		**54,357**	42,580
Interest paid		**(44,361)**	(60,548)
Non-cash movements		**-**	787
Equity-related			
Initial recognition and modification of borrowings, received from ultimate beneficiary owner	15(c)	**(306,103)**	(86,988)
Total other changes		**(296,107)**	(104,169)
Balance as at 31 December		**1,494,931**	703,797

18. Trade and other payables

Trade and other payables as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2020**	2019
Trade accounts payable	**2,925,997**	559,138
Provision for bonuses to employees	**491,000**	48,839
Salary and salary related charges payable	**213,187**	388,968
Provision for unused vacation	**51,731**	5,396
Other payables and accrued expenses	**12,518**	13,503
	3,694,433	1,015,844

The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 20.

19. Contract liabilities

As at 31 December 2020 and 2019, the contract liabilities primarily relate to the advance consideration received from domestic and foreign customers for natural gas dispatching, which is expected to occur over the next year.

The amount of UAH 1,369,179 thousand and UAH 711,410 thousand recognized in contract liabilities at the beginning of respective periods has been recognized as revenue for the years ended 31 December 2020 and 31 December 2019, respectively.

20. Fair values and risk management

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

Management has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from receivables from customers.

(i) Exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

(ii) Trade and other receivables

Management has no formal credit policy in place for customers and exposure to credit risk is approved and monitored on an ongoing basis individually for each customer.

The Company does not require collateral in respect of trade and other receivables. The Company establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

The following table summarizes the Company's exposure to concentration risk as at and for the year ended 31 December 2020:

(in thousands of Ukrainian hryvnias)	**Revenue**		**Trade and other accounts receivable**	
	Amount	**% from total**	**Amount**	**% from total**
Counterparty 1	**4,814,150**	**30%**	**818,910**	**28%**
Counterparty 2	**4,212,607**	**26%**	**1,389,893**	**46%**
Counterparty 3	**2,080,708**	**13%**	**-**	**0%**
Counterparty 4	**873,936**	**5%**	**40**	**0%**
Counterparty 5	**809,361**	**5%**	**199,144**	**7%**
Other	**3,415,364**	**21%**	**559,300**	**19%**
Total	**16,206,126**	**100%**	**2,967,287**	**100%**

The following table summarizes the Company's exposure to concentration risk as at and for the year ended 31 December 2019:

(in thousands of Ukrainian hryvnias)	Revenue		Trade and other accounts receivable	
	Amount	% from total	Amount	% from total
Counterparty 1	3,063,011	26%	42,860	5%
Counterparty 6	2,024,303	17%	26,400	3%
Counterparty 7	1,037,001	9%	3,075	0%
Counterparty 8	902,850	8%	90,803	11%
Counterparty 5	638,902	5%	146,916	18%
Counterparty 9	286,296	2%	187,764	23%
Other	3,682,973	33%	326,935	40%
Total	11,635,336	100%	824,753	100%

The ageing of outstanding trade and other receivables is as follows:

(in thousands of Ukrainian hryvnias)	**31 December 2020**			31 December 2019		
	Not credit-impaired	**Loss allowance**	**Carrying amount**	Not credit-impaired	Loss allowance	Carrying amount
Not past due	**2,536,417**	**-**	**2,536,417**	655,247	-	655,247
Past due						
Past due 1-30 days	**192,182**	**-**	**192,182**	77,885	-	77,885
Past due 31-90 days	**136,353**	**-**	**136,353**	66,875	-	66,875
Past due more than 90 days	**102,335**	**-**	**102,335**	24,746	-	24,746
Total trade receivables and other receivables	**2,967,287**	**-**	**2,967,287**	824,753	-	824,753

Receivables past due more than 90 days are represented by numerous individual domestic end-user customer receivables. These financial assets were categorized as not credit-impaired as the Company has rebutted this presumption based on historic payment behavior and an analysis of customer credit risk. Majority of past due 1-90 days customers have more than 1 year of trading history with the Company.

The Company believes that all receivables are collectible, based on historic payment behavior and an analysis of customer credit risk.

For circumstances considered by the Company in order to assess a financial asset as credit-impaired refer to Note 23(k)*(i)*.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, to the maximum extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(in thousands of Ukrainian hryvnias)	**Carrying amount**	**Contractual cash flows**	**On demand**	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**
31 December 2020						
Non-derivative financial liabilities						
Loans and borrowings	**1,494,931**	**1,921,878**	**40,690**	**1,237,456**	**235,245**	**408,487**
Trade payables and other payables	**2,938,515**	**2,938,515**	**-**	**2,938,515**	**-**	**-**
Lease liabilities	**1,914**	**2,074**	**-**	**2,074**	**-**	**-**
	4,435,360	**4,862,467**	**40,690**	**4,178,045**	**235,245**	**408,487**
31 December 2019						
Non-derivative financial liabilities						
Loans and borrowings	703,797	840,495	17,524	518,831	215,523	88,617
Trade payables and other payables	572,640	572,640	-	572,640	-	-
Lease liabilities	4,592	4,818	-	2,868	1.950	-
	1,281,029	1,417,953	17,524	1,094,339	217,473	88,617

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the carrying value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company's exposure to applicable market risks is presented below.

(i) Currency risk

The Company is primarily exposed to currency risk on sales and purchases, loans and borrowings that are denominated in a currency other than Ukrainian hryvnias. These transactions are primarily denominated in USD and EUR.

Exposure to currency risk

The Company's exposure to foreign currency risk (USD/EUR) was as follows based on notional amounts:

(in thousands of Ukrainian hryvnias)	**2020**		2019	
	USD	**EUR**	USD	EUR
Restricted cash balance	-	-	-	10,569
Cash and cash equivalents	3	160	3	176
Trade and other accounts receivable	-	55,757	-	1,459
Trade and other accounts payable	(4,920)	(1,815,384)	(4,565)	(291,323)
Loans and borrowings	(226,197)	(975,141)	(197,069)	(405,725)
Lease liabilities	(1,914)	-	(4,592)	-
Net exposure	**(233,028)**	**(2,734,608)**	(206,223)	(684,844)

Sensitivity analysis

A change of UAH exchange rates, as indicated below, against the USD and EUR at the reporting dates would have (decreased)/increased Company's profit and equity by the amounts presented below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of each reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

(in thousands of Ukrainian hryvnias)	**Change of foreign currency rate**		**Effect on net profit and equity**	
	Increase	Decrease	Decrease	Increase
31 December 2020				
Change in USD exchange rate	**10%**	**-10%**	**(19,108)**	**19,108**
Change in EUR exchange rate	**10%**	**-10%**	**(224,238)**	**224,238**
Net effect			**(243,346)**	**243,346**
31 December 2019				
Change in USD exchange rate	10%	-10%	(16,910)	16,910
Change in EUR exchange rate	10%	-10%	(56,157)	56,157
Net effect			(73,067)	72,691

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Company's exposure should be to fixed or variable rates.

However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Company over the expected period until maturity. The information about maturity dates and interest rates of loans and borrowings (all bear fixed rates) is disclosed in Note 17(a).

The Company does not account for any fixed-rate financial instruments as fair value through profit or loss or as fair value through other comprehensive income. Therefore, a change in interest rates at the reporting date would not have an effect on profit or loss or on equity.

(e) Fair values

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 realized 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.

The estimated fair values of financial assets and liabilities are determined using discounted cash flow and other appropriate valuation methodologies at the reporting date and are not indicative of the fair value of those instruments at the date these financial statements are prepared or distributed. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire holdings of a particular financial instrument. Fair value estimates are based on judgments regarding future expected cash flows, current economic conditions, risk characteristics of various financial instruments and other factors.

For all the financial assets and liabilities, the carrying value is estimated to be not significantly different from the fair value as at 31 December 2020 and 31 December 2019.

21. Contingencies

(a) Taxation contingencies

The Company performs most of its operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the Ministry of Finance and other state authorities are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

These facts create tax risks substantially more significant than typically found in countries with more developed systems. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements in the manner not currently determinable, if the authorities were successful in enforcing their interpretations.

(b) Litigations

The Company is subject to legal actions and complaints in its ordinary course of business. Management believes that it is unlikely that a significant settlement or loss of assets will arise out of such lawsuits and no respective provision is required in the Company's financial statements as at 31 December 2020.

(c) Other contingencies

As at 31 December 2020, the Company disputes the amount of services claimed to have been provided by a counterparty with a total amount of UAH 5,623 thousand, which was prepaid by the Company to this counterparty.

22. Related parties

(a) Parent and ultimate controlling party

The Company's immediate participants and beneficiaries are disclosed in Note 1(a).

No publicly available financial statements are produced by the Company's ultimate parent company or any other intermediate parent company.

(b) Transactions with key management personnel

(i) Key management remuneration

Key management personnel remuneration for the year ended 31 December 2020 is UAH 655,138 thousand (2019: UAH 336,122 thousand). Management remuneration includes salary payable in cash, bonuses and short-term employee benefits. Key management personnel include the General Director and Head of Finance Department.

(c) Other related party transactions

(in thousands of Ukrainian hryvnias)	**Transaction value for 2020**	Transaction value for 2019	**Outstanding balance**	
			31 December 2020	31 December 2019
Purchases				
Ultimate Parent Company	**(3,125,002)**	(3,461,860)	**(1,593,615)**	(185,051)
Immediate Parent Company	**-**	-	**(4,920)**	(4,121)
Prepayments made				
Ultimate Parent Company			**1,270,062**	454,896
Contract liabilities				
Ultimate Parent Company			**-**	(955,777)
Borrowings				
Immediate parent company			**(226,197)**	(197,070)
Ultimate parent company			**(86,849)**	-
Interest free borrowings from shareholder			**(26,848)**	(1,629)

All outstanding trade balances due to related parties are to be settled within one year from the reporting date. None of the balances are secured or interest-bearing. For terms of borrowings refer to Note 17.

23. Significant accounting policies

The accounting policies set out below have been applied consistently in all reporting periods presented in these financial statements and are consistent with those of the previous financial year.

(a) Revenue

The Company accounts for revenue in accordance with IFRS 15 *Revenue from Contracts with Customers.*

The Company defines the contract with the customer as an agreement between two or more parties that creates enforceable rights and obligations, where customer is a party that has contracted with an

entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Enforceability of the rights and obligations in a contract is a matter of law. The contracts of the Company are concluded in written form. The Company has no complex sales arrangements, customers' contracts are expected to have single performance obligation and the contracts have neither variable nor non-cash consideration.

The Company determined that there is one performance obligation under contracts with customers on sale of goods. Performance obligation under these contracts is satisfied when goods are transmitted to particular virtual point of entry of the gas transmission system, provided by contracts. There is no related shipping and handling activities related to sale of goods and contract prescribes pre/post payment for goods sold without any sales incentives.

The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor, has pricing latitude and is also exposed to inventory and credit risks.

(i) Sale of natural gas

Revenue from the sale of natural gas is recognized in profit or loss at a point in time, when control of the goods is transferred to the customer.

The indicators that control has passed are assessed by the management for each contract and include the customer having:

- a present obligation to pay;
- physical possession;
- legal title;
- the risks and rewards of ownership; and
- accepted the asset.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good to a customer.

Customers obtain control when the goods are delivered to and have been accepted by the customer. Invoices are generated at that point in time. Invoices are usually payable within 30-60 days. No discounts are provided.

Control is passed when the goods are physically transferred into gas metering stations, gas metering points and gas metering units at the line part of the main gas pipeline.

(ii) Sale of electricity

The company has been exporting electricity from August 2018. Revenue is recognized over time based on the acts signed with customers, because electricity represents a promise to transfer to the customer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer.

Till 1 July 2019, Company sold electricity purchased from SE Energorynok (wholesale electricity market), a state-owned electricity distribution monopoly, to foreign customers. The amount of exported electricity was determined by the transmission capacity bought by the Company from NPC Ukrenergo at the cross-border capacity (CBC) auctions, where the Company is a permanent participant. Revenue from sale of electricity was the value of units supplied during the year.

Since 1 July 2019 in accordance with the Law of Ukraine "On the Electricity Market", the new electricity market has been launched. As part of the transition to the new electricity market, the Company has agreed and signed bilateral electricity purchase and sale contracts with market participants and binding electricity market contracts with the market operator, which made it possible

to switch over to the new market model in time. In accordance with the purchase and sale contracts in the "bilateral contract" market segment, payments for electricity are made mainly in advance, and the prices are agreed between the parties without any limitations.

In accordance with the purchase and sale contracts in the "day-ahead" market segment, payments for electricity are made mainly in advance, and the prices are set via tenders conducted by the market operator based on the market participants' bids.

(iii) Sale of other goods

Revenue is measured based on the consideration promised in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product to a customer. Revenue is presented net of refunds expected and discounts granted to customers.

The Company sells goods using the contracts with different terms of delivery and terms of transfer of risks and rewards.

The Company recognizes sales of goods when a customer obtains control of them.

For the majority of its sales of goods, the Company transfers control and recognizes a sale once the goods have been placed at the customer's disposal at the specified location, the customer is then responsible for all costs and risks related to the goods. Related shipping and handling activities occur before control of the goods has been transferred to the customer and no separate performance obligation in respect of shipping and handling activities is recognized.

The Company determined that there is one performance obligation under contracts with customers on sale of goods. Performance obligation under these contracts is satisfied when goods are dispatched to particular location provided by contracts under applicable incoterms.

(iv) Financing component

The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. So, as a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

(b) Finance income and costs

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise foreign currency losses, interest expenses and finance costs of servicing of guarantees.

Foreign currency exchange gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

(c) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning

of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognized in profit or loss, except for differences arising on the translation of available-for-sale equity instruments which are recognized in other comprehensive income.

The principal UAH exchange rates as determined by the National Bank of Ukraine (NBU) used in the preparation of the financial statements are as follows:

Currency	**31 December 2020**	31 December 2019
Euro (EUR)	**34.74**	26.42
US dollar (USD)	**28.28**	23.69

(d) Employee benefits

The Company makes contributions for the benefit of employees to the State Fiscal Authorities of Ukraine that are responsible for administration of such benefits.

Those amounts comprise defined contribution plans and are recognized as an employee benefit expense in profit or loss, when they are due. The Company has no further payment obligations once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. The Company has no other liabilities in respect of pensions or employee retirement benefits.

In addition, a liability is recognized for the amount expected to be paid under cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(e) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Prepayments made

Prepayments made are stated at cost less impairment losses.

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized net within other income/other expenses in profit or loss.

(ii) Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the individual assets. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation commences when the asset is available for use.

The estimated useful lives for the current and comparative periods are as follows:

Computers and office equipment	2 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(i) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company's financial assets comprise trade and other receivables and cash and cash equivalents and are classified as measured at amortized cost category. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company measures all of its financial liabilities at amortized cost.

(ii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(j) Charter capital

According to Ukrainian legislation, each of the participants of a limited liability company has a legally enforceable right to claim the withdrawal of its interest from the Company. In such case, the Company is required to pay to the participant the value of the Company's property proportionate to the participant's interest in the charter capital. The payment is to be made upon approval of the financial statements for the year of the participant's withdrawal within 12 months from the withdrawal date.

The Company classifies participants' interests as equity, if, as well as other criteria being met, the total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in recognized net assets or the change in the fair value of the recognized and unrecognized net assets over the life of the instrument and there are no other instruments issued that have cash flows based substantially on the total cash flows of the above items or restrict or fix the residual return to the puttable instrument holders.

Management concluded that above mentioned criteria are met. On this basis management concluded that such participants' interests represent residual interest in the Company and meet all equity instrument classification criteria under IFRS. Therefore, participants' interests are presented as equity on all reporting dates in these financial statements.

(k) Impairment

(i) Non-derivative financial assets

The Company recognizes loss allowances for expected credit losses ('ECLs') on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due (if not rebutted).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets

that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(m) Leases

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property as a separate line item in the statement of financial position and lease liabilities in "non-current lease liabilities" and "current lease liabilities" in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company has applied judgement to determine the lease term for lease of office premises. The Company considers that enforceability of the lease is established by the written contract (including penalty clauses and useful life of leasehold improvements) in combination with applicable legislation related to renewal or termination rights (specifically the lessee's preferential rights to renew the lease) and other lease and non-lease agreements concluded, which may influence the economic decision to renew or terminate. Thus, lease term is determined by reference to contract maturity of respective lease agreement.

24. Subsequent events

After 31 December 2020, the Company received a tranche under the foreign currency credit line from the ultimate parent company, opened in 2020 in the amount of UAH 802,000 thousand (equivalent to EUR 23,940 thousand).

These financial statements were approved by the Company's management on 10 June 2021 and signed on their behalf by:

Yaroslav Mudryy
General Director

Tetyana Gayduk
Finance Director

Independent Auditors' Report

To the Participant of Limited Liability Company "ERU Trading"

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Limited Liability Company "ERU Trading" (the "Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of Ukrainian legislation on financial reporting.

Basis for Qualified Opinion

As at 31 December 2020 and 31 December 2019, management has not assessed the amount of expected credit losses on overdue restricted cash balances amounting to UAH 29,116 thousand, as management believes the balance to be recoverable. IFRS 9 *Financial Instruments* requires an entity to recognise a loss allowance for expected credit losses on such financial assets. The effects of this departure from International Financial Reporting Standards on the financial statements have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters Incorporating the Most Significant Risks of Material Misstatements, Including Assessed Risk of Material Misstatements Due to Fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matter described below to be the key audit matter to be communicated in our report.

Revenue recognition	
Please refer to the Notes 6 and 23(a) in the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
In accordance with ISAs there is a presumed fraud risk relating to revenue recognition. We considered that this risk is primarily focused on appropriateness of timing of revenue recognition close to the end of the reporting period.	Our audit procedures to assess the recognition of revenue included the following: — Analysing the Company's revenue recognition policies to assess whether they appropriately reflect the requirements of IFRS 15. — Obtaining, on a sample basis, confirmations from the Company's customers on balances as at 31 December 2020, including contractual terms and conditions. — Reconciling, on a sample basis, specific revenue transactions recognised close to the year-end with the underlying primary documents to determine whether revenue has been recognised in the appropriate period.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of Ukrainian legislation on financial reporting, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 override of internal control.

— Obtain 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.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events 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 auditors' 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

auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 14(4) of the Law of Ukraine on "*Audit of the Financial Statements and the Audit Activity*" we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of ISAs.

Appointment of the Auditor and Period of Engagement

We were appointed by management on 14 January 2021 to audit the financial statements of the Company as at and for the year ended 31 December 2020. Our total uninterrupted period of audit engagements is five years, covering the years ended 31 December 2016 to 31 December 2020.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 6(4) of the Law of Ukraine on "*Audit of the Financial Statements and the Audit Activity*" were provided.

In addition, for the period to which our statutory audit relates, we have not provided any services to the Company in addition to the audit.

Additional Report to Those Charged with Governance

We confirm that our auditors' report is consistent with the additional report to those charged with governance of the Company.

The engagement partner on the audit resulting in this independent auditors' report is:

Yulia Tereshchenko

Registration No. 101451 in the Register of Auditors and Audit Organisations

Deputy Director

PJSC KPMG Audit

10 June 2021

Kyiv, Ukraine