Private Joint Stock Company "National Power Company "Ukrenergo"

Financial Statements
for the Year Ended 31 December 2019

PRIVATE JOINT STOCK COMPANY "NATIONAL POWER COMPANY "UKRENERGO"

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PRIVATE JOINT STOCK COMPANY "NATIONAL POWER COMPANY "UKRENERGO"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Management is responsible for the preparation of the financial statements that present fairly the financial position of Private Joint Stock Company "National Power Company "Ukrenergo" (the "Company") as of 31 December 2019, and the results of its operations, cash flows, and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS"), and the requirements to financial statements preparation under the Law of Ukraine "On accounting and financial reporting in Ukraine" ("Law on accounting and financial reporting").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the Company's financial position and financial performance; and
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing, and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with the Ukrainian legislation and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Detecting and preventing fraud and other irregularities.

The financial statements of the Company for the year ended 31 December 2019 were approved by management on 27 April 2020.

On behalf of management:

V. D. Kudrytskyi,
Acting Director

L. V. Opalko,
Acting Chief Accountant

LLC "Deloitte & Touche USC"
48, 50A, Zhylyanska Street
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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Management of Private Joint Stock Company "National Power Company "Ukrenergo":

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Private Joint Stock Company "National Power Company "Ukrenergo" (the "Company"), which comprise the statement of financial position as of 31 December 2019, the statement of financial results (other comprehensive income), the statement of cash flows (under direct method), and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements to financial statements preparation under the Law of Ukraine "On accounting and financial reporting in Ukraine" ("Law on accounting and financial reporting").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's 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' *Code of Ethics for Professional Accountants* (the "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 those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Operating Environment

We draw your attention to Note 2 to the financial statements, which describes that the impact of the ongoing political and economic situation in Ukraine is unpredictable and may have significant effect on the Ukrainian economy and the operations of the Company. Our opinion is not modified in respect of this matter.

Key Audit Matters

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. The below matter was 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 this matter.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Determining the fair values of property, plant, and equipment Effective from 31 December 2019, the Company applies a revaluation model to account its property, plant, and equipment. As described in Note 6 "Property, Plant, and Equipment", the latest revaluation of property, plant, and equipment was conducted as of 31 July 2019 based on the valuation report of independent professional appraiser. As a result of revaluation the Company recognized net revaluation surplus of UAH 28,067,374 thousand (including UAH 3,166,942 thousand of impairment in other operating expense and UAH 31,234,316 thousand of revaluation surplus in other comprehensive income). Determining the fair values of property, plant, and equipment is a key audit matter since it requires applying subjective unobservable inputs and assumptions. In addition, the fair value model is highly sensitive to certain assumptions used to determine economic impairment, such as the volumes of energy transmitted, tariffs for energy transmission and dispatcher (operating and technical) management and the discount rate. Details are provided in Note 5 "Critical Accounting Judgments and Key Sources of Estimation Uncertainty", Note 6 "Property, Plant, and Equipment", as well as in Note 26 "Fair Value".	We obtained understanding of and evaluated the Company's policies, processes, methods, and assumptions used to assess the fair values of property, plant, and equipment. With the assistance of our valuation experts, we performed the following procedures: • Assessed whether the methodology applied and the model used comply with the requirements of International Valuation Standards and IFRS 13 *Fair Value Measurement*; • Challenged management's judgments and analyzed validity of the assumptions used in determining the fair values of property, plant, and equipment based on our experience with the Company and our knowledge of its business activities and the industry in which the Company operates; • Assessed the accuracy of inputs used in the valuation model by tracing them on a sample basis to source documents; • Checked the mathematical accuracy of the model and correctness of the amounts recorded and presented in the financial statements; • Assessed completeness and accuracy of the information disclosed in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the annual information of the securities' issuer and management report, which also includes the corporate governance report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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. When we read the management report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. 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 IFRSs and the Law on accounting and 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.

Auditor's 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 auditor's 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 skepticism 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. 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, related safeguards.

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, which constitute the key audit matters included herein. We describe these matters in our auditor's report, except for the cases when a law or regulation prohibits a public disclosure of a specific matter or, in extremely adverse circumstances, we determine that such an matter should not be addressed in our report, as negative consequences from such a disclosure may predictably outweigh its usefulness for interests of the public.

Report on Other Legal Requirements

We were appointed as auditor of the Company by the Supervisory Board on 23 December 2019. In view of the previous renewals and reappointments, we conducted audits from 18 April 2014 to the date of this report.

We confirm that the audit opinion is consistent with the additional report to the Audit Committee.

We confirm that the prohibited non-audited services referred to in ISAs or requirements of Article 6, Paragraph 4 of the Law of Ukraine "On Audit of Financial Statements and Audit Activities" were not provided and that the audit engagement partner and audit firm remained independent of the Company in conducting the audit.

Basic Information About Audit Firm

Name: LIMITED LIABILITY COMPANY "DELOITTE & TOUCHE UKRAINIAN SERVICES COMPANY".

Address of registration and location of audit firm: 48, 50a Zhylianska Str., Kyiv, 01033, Ukraine.

"Limited Liability Company "Deloitte & Touche Ukrainian Services Company" was enrolled to Sections of "Audit Entities", "Audit Entities and Auditors That Have the Right to Conduct Statutory Audits of Financial Statements", and "Audit Entities and Auditors That Have the Right to Conduct Statutory Audits of Financial Statements of Public Interest Entities" of the Register of Auditors and Auditing Entities of the Audit Chamber of Ukraine under #1973".

LLC "Deloitte & Touche USC

Certified Auditor Victor Lukashuk

Auditor's Certificate # 007615
Issued by the Audit Chamber of Ukraine on 22 February 2018
on the basis of Resolution of the Audit Chamber of Ukraine # 355/2
Registration Number in the Register of Auditors and Auditing Entities 102252

LLC "Deloitte & Touche Ukrainian Services Company"
48, 50a Zhylianska Str., Kyiv, 01033, Ukraine

27 April 2020

PRIVATE JOINT STOCK COMPANY "NATIONAL POWER COMPANY "UKRENERGO"

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2019
In Ukrainian Hryvnias and in thousands

ASSETS	Line code	Notes	31 December 2019	31 December 2018 (restated)
1	2	3	4	5
I. Non-current assets				
Intangible assets	1000		341,559	111,833
Historical cost	1001		502,599	261,359
Accumulated amortization	1002		(161,040)	(149,526)
Construction in progress	1005	6	11,236,387	12,398,395
Property, plant, and equipment	1010	6	44,308,472	13,138,364
Historical cost	1011		44,521,914	17,574,885
Accumulated depreciation	1012		(213,442)	(4,436,521)
Investment property	1015		-	-
Cost of investment property	1016		-	-
Accumulated depreciation of investment property	1017		-	-
Non-current financial investments:				
Accounted for under equity method of other entities	1030		-	-
Other financial investments	1035		-	-
Non-current accounts receivable	1040		9,303	10,470
Deferred tax assets	1045	13	-	147,813
Other non-current assets	1090		-	-
Total on Section I	**1095**		**55,895,721**	**25,806,875**
II. Current assets				
Inventories	1100		268,381	236,221
Production inventories	1101		225,981	202,400
Work in progress	1102		39,989	31,095
Finished goods	1103		2,046	2,336
Merchandise	1104		365	390
Current biological assets	1110		-	-
Trade accounts receivable	1125	7	3,927,933	195,300
Other accounts receivable:				
Advances given	1130	8	826,550	4,097
Taxes receivable	1135		3,545	448,317
Including income taxes	1136		2,762	33,780
Interest receivable	1140		27,303	26,109
Other current accounts receivable	1155		11,346	44,942
Current financial investments	1160		-	-
Cash and cash equivalents	1165	9	2,951,240	2,324,418
Cash on hand	1166		21	24
Accounts with banks	1167		2,951,201	2,324,390
Prepaid expenses	1170		28,894	22,617
Other current assets	1190		473,059	78,103
Total on Section II	**1195**		**8,518,251**	**3,380,124**
III. Non-current assets held for sale and disposal groups	**1200**		**-**	**-**
TOTAL ASSETS	**1300**		**64,413,972**	**29,186,999**

The accompanying notes on pages from 13 to 57 form an integral part of these financial statements.

PRIVATE JOINT STOCK COMPANY "NATIONAL POWER COMPANY "UKRENERGO"

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2019 (CONTINUED)
In Ukrainian Hryvnias and in thousands

EQUITY AND LIABILITIES	Line code	Notes	31 December 2019	31 December 2018 (restated)
1	2	3	4	5
I. Equity				
Share capital	1400	10	37,160,209	1,226,355
Revaluation reserve	1405	10	25,614,081	-
Additional capital	1410	10	-	-
Reserve capital	1415	10	93,205	-
Retained earnings	1420		10,499,516	10,372,667
Unpaid capital	1425	10	(35,933,854)	-
Total on Section I	**1495**		**37,433,157**	**11,599,022**
II. Non-current liabilities and provisions				
Deferred tax liabilities	1500	13	4,233,401	-
Retirement benefit obligations	1505	12	551,432	316,709
Long-term borrowings from banks	1510	14	4,627,263	4,889,841
Other non-current liabilities	1515		139,394	138,341
Non-current provisions	1520		-	6,337
Special purpose funding	1525	11	1,012,831	872,168
Total on Section II	**1595**		**10,564,321**	**6,223,396**
III. Current liabilities and provisions				
Short-term borrowings from banks	1600	14	7,952,427	9,752,048
Current accounts payable:				
Current portion of non-current liabilities	1610	14	409,106	175,617
Trade accounts payable	1615	15	4,732,452	702,664
Settlements with the state budget	1620	17	1,174,926	65,725
Including income taxes	1621		677,206	-
Insurance	1625		231	1,455
Settlements with employees	1630		72	7,005
Advances received	1635		931,621	150,346
Current accounts payable on settlements with participants	1640		-	-
Current accounts payable on insurance activities	1650		-	-
Provisions	1660	18	846,707	203,799
Deferred income	1665	11	33,889	46,139
Other current liabilities	1690	16	335,063	259,783
Total on Section III	**1695**		**16,416,494**	**11,364,581**
TOTAL EQUITY AND LIABILITIES	**1900**		**64,413,972**	**29,186,999**

On behalf of the Company:

V. D. Kudrytskyi,
Acting Director

L. V. Opalko,
Acting Chief Accountant

The accompanying notes on pages from 13 to 57 form an integral part of these financial statements.

PRIVATE JOINT STOCK COMPANY "NATIONAL POWER COMPANY "UKRENERGO"

STATEMENT OF FINANCIAL RESULTS (OTHER COMPREHENSIVE INCOME)
FOR THE YEAR ENDED 31 DECEMBER 2019
In Ukrainian Hryvnias and in thousands

I. FINANCIAL RESULTS

Items	Line code	Notes	Reporting period	Similar period of the prior year (restated)
1	2	3	4	5
Revenue	2000	19	26,326,366	6,044,712
Cost of sales	2050	19	(20,081,866)	(2,930,571)
Gross:				
Profit	**2090**		**6,244,500**	**3,114,141**
Loss	2095		-	-
Other operating income	2120	21	556,642	542,277
Administrative expenses	2130		(529,354)	(433,217)
Distribution costs	2150		-	-
Other operating expense	2180		(6,318,769)	(593,902)
Financial results from operating activities:				
Profit	**2190**		-	**2,629,299**
Loss	2195		**(46,981)**	-
Finance income	2220	22	2,705,065	915,843
Other income	2240		-	-
Finance costs	2250	23	(339,958)	(322,729)
Other expense	2270		-	-
Financial results from ordinary activities before tax:				
Profit	**2290**		**2,318,126**	**3,222,413**
Loss	2295		-	-
Income tax expense	2300	13	(454,031)	(619,688)
Net financial result:				
Profit	**2350**		**1,864,095**	**2,602,725**
Loss	2355		-	-

II. OTHER COMPREHENSIVE INCOME

Items	Line code	Notes	Reporting period	Similar period of the prior year
1	2	3	4	5
Items that will not be reclassified subsequently to profit or loss, net of income tax:				
Revaluation increase in the value of non-current assets	2400	6	31,234,316	-
Cumulative exchange differences	2410		-	-
Other comprehensive (loss)/income	2445	12	(179,748)	52,778
Other comprehensive income before tax	**2450**		**31,054,568**	**52,778**
Income taxes attributable to other comprehensive income	2455	13	(5,620,235)	-
Other comprehensive income after tax	**2460**		**25,434,333**	**52,778**
Comprehensive income	**2465**		**27,298,428**	**2,655,503**

The accompanying notes on pages from 13 to 57 form an integral part of these financial statements

III. ELEMENTS OF OPERATING COSTS*

Items	Line code	Notes	Reporting period	Similar period of the prior year
1	2	3	4	5
Material expenditures	2500		10,662,592	429,829
Staff costs	2505	20	2,233,823	1,883,439
Social charges	2510	20	457,463	400,189
Depreciation and amortization	2515	20	979,777	811,435
Other	2520		12,596,334	432,798
Total	**2550**	**20**	**26,929,989**	**3,957,690**

* Operating expense consists of cost of sales, administrative expenses and other operating expenses indicated in statement of financial results.

IV. CALCULATION OF PROFITABILITY RATIOS PER SHARE

Items	Line code	Reporting period	Similar period of the prior year
1	2	3	4
Average annual number of ordinary shares	2600	-	-
Adjusted average annual number of ordinary shares	2605	-	-
Net earnings per ordinary share	2610	-	-
Adjusted net earnings per ordinary share	2615	-	-
Dividends per ordinary share	2650	-	-

On behalf of the Company:

V. D. Kudrytskyi,
Acting Director

L. V. Opalko,
Acting Chief Accountant

PRIVATE JOINT STOCK COMPANY "NATIONAL POWER COMPANY "UKRENERGO"

STATEMENT OF CASH FLOWS (UNDER DIRECT METHOD)
FOR THE YEAR ENDED 31 DECEMBER 2019
In Ukrainian Hryvnias and in thousands

Items	Line code	Reporting period	Previous year (restated)
1	2	3	4
I. Cash flows from operating activities			
Cash inflows from:			
Sales of products (goods, works, services)	3000	13,144,729	6,850,583
Return of taxes and duties	3005	784	-
Including value added tax	3006	-	-
Special purpose funding	3010	174,112	88,071
Subsidies, grants received	3011	-	-
Advances from buyers and customers	3015	11,329,790	707,509
Advances returned	3020	9,098	2,744
Interest on current accounts with banking institutions	3025	375,111	311,236
Forfeits (fines, penalties) from counterparties	3035	10,582	2,214
Operating leases	3040	2,079	2,477
Other proceeds	3095	701,420	374,685
Cash outflows to:			
Goods (works, services)	3100	(15,172,334)	(789,929)
Staff costs	3105	(1,861,854)	(1,577,215)
Social charges	3110	(453,192)	(417,711)
Liabilities on taxes and duties:	3115	(3,023,463)	(1,306,647)
Income taxes	3116	(984,827)	(337,401)
Value added tax	3117	(1,548,499)	(543,887)
Other taxes and duties	3118	(490,137)	(425,359)
Advance payments	3135	(258,526)	(392,226)
Return of advances	3140	(8,167)	-
Other expense	3190	(426,028)	(327,533)
Net cash flow from operating activities	**3195**	**4,544,141**	**3,528,258**
II. Cash flows from investing activities			
Proceeds on received:			
Interests	3215	-	-
Dividends	3220	-	-
Purchases of:			
Financial investments	3255	-	-
Non-current assets	3260	(2,079,540)	(1,915,187)
Other payments	3290	(281,256)	(1,037,161)
Net cash flow from investing activities	**3295**	**(2,360,796)**	**(2,952,348)**
III. Cash flows from financing activities			
Inflows on:			
Borrowings received	3305	868,421	1,189,270
Outflows to:			
Borrowings repaid	3350	(1,386,800)	(1,437,631)
Dividends paid	3355	(498,041)	-
Interest paid	3360	(495,803)	(502,846)
Other payments	3390	(4,176)	-
Net cash flow from financing activities	**3395**	**(1,516,399)**	**(751,207)**
Net cash flows for the reporting period	**3400**	**666,946**	**(175,297)**
Cash balance at the beginning of the year	**3405**	**2,324,418**	**2,483,444**
Effect of changes in foreign exchange rates on cash balances	3410	(40,124)	16,271
Cash balance at the end of the year	**3415**	**2,951,240**	**2,324,418**

Significant non-cash transactions

In Ukrainian Hryvnias and in thousands	**Notes**	**Reporting period**	**Previous year (as restated, Note 4)**
Payments to acquire property, plant, and equipment and capital construction services by a lending bank	27	1,011,437	702,949

On behalf of the Company:

V. D. Kudrytskyi,
Acting Director

L. V. Opalko,
Acting Chief Accountant

The accompanying notes on pages from 13 to 57 form an integral part of these financial statements.

PRIVATE JOINT STOCK COMPANY "NATIONAL POWER COMPANY "UKRENERGO"

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
In Ukrainian Hryvnias and in thousands

Items	Line code	Share capital	Revaluation reserve	Additional capital	Reserve capital	Retained earnings	Unpaid capital	Total
1	2	3	4	5	6	7	8	9
Balance at the beginning of the year	**4000**	**1,226,355**	**-**	**190,106**	**-**	**10,206,375**	**-**	**11,622,836**
Adjustments for:								
Changes in accounting policies	4005	-	-	-	-	-	-	-
Correction of errors (Note 4)	4010	-	-	(190,106)	-	166,292	-	**(23,814)**
Other changes	4090	-	-	-	-	-	-	-
Adjusted balance at the beginning of the year	**4095**	**1,226,355**	**-**	**-**	**-**	**10,372,667**	**-**	**11,599,022**
Net profit (loss) for the reporting period	**4100**	**-**	**-**	**-**	**-**	**1,864,095**	**-**	**1,864,095**
Other comprehensive income for the reporting period	**4110**	**-**	**25,614,081**	**-**	**-**	**(179,748)**	**-**	**25,434,333**
Revaluation increase (decrease) in non-current assets	4111	-	25,614,081	-	-	-	-	**25,614,081**
Revaluation increase (decrease) in financial instruments	4112	-	-	-	-	-	-	-
Cumulative exchange differences	4113	-	-	-	-	-	-	-
Share of other comprehensive income in associates and joint ventures	4114	-	-	-	-	-	-	-
Other comprehensive income	4116	-	-	-	-	(179,748)	-	**(179,748)**
Distribution of profits:								
Payments to equity holders (dividends) (Note 10)	4200	-	-	-	-	(559,229)	-	**(559,229)**
Allocation of profit to share capital	4205	-	-	-	-	-	-	-
Charges to reserve capital	4210	-	-	-	93,205	(93,205)	-	-
Net profits distributable to the state budget in accordance with the legislation (Note 10)	4215	-	-	-	-	(905,064)	-	**(905,064)**
Contributions of equity holders:								
Contributions to equity	4240	-	-	-	-	-	-	-
Repayment of equity liabilities	4245	-	-	-	-	-	-	-
Withdrawal of capital:								
Redemption of shares (stakes)	4260	-	-	-	-	-	-	-
Resale of treasury shares (stakes)	4265	-	-	-	-	-	-	-
Cancellation of treasury shares (stakes)	4270	-	-	-	-	-	-	-
Withdrawal of stakes in equity	4275	-	-	-	-	-	-	-
Other changes in capital (Note 10)	4290	35,933,854	-	-	-	-	(35,933,854)	-
Total changes in equity	**4295**	**35,933,854**	**25,614,081**	**-**	**93,205**	**126,849**	**(35,933,854)**	**25,834,135**
Balance at the end of the year	**4300**	**37,160,209**	**25,614,081**	**-**	**93,205**	**10,499,516**	**(35,933,854)**	**37,433,157**

The accompanying notes on pages from 13 to 57 form an integral part of these financial statements.

PRIVATE JOINT STOCK COMPANY "NATIONAL POWER COMPANY "UKRENERGO"

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)
In Ukrainian Hryvnias and in thousands

Items	Line code	Registered capital	Revaluation reserve	Additional capital	Reserve capital	Retained earnings	Unpaid capital	Total
1	2	3	4	5	6	7	8	9
Balance at the beginning of the year	**4000**	**1,226,355**	**-**	**190,106**	**-**	**7,550,269**	**-**	**8,966,730**
Adjustments for:								
Changes in accounting policies	4005	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-
Adjusted balance at the beginning of the year	**4095**	**1,226,355**	**-**	**190,106**	**-**	**7,550,269**	**-**	**8,966,730**
Net profit (loss) for the reporting period	**4100**	**-**	**-**	**-**	**-**	**2,603,328**	**-**	**2,603,328**
Other comprehensive income for the reporting period	**4110**	**-**	**-**	**-**	**-**	**52,778**	**-**	**52,778**
Revaluation increase (decrease) in non-current assets	4111	-	-	-	-	-	-	-
Revaluation increase (decrease) in financial instruments	4112	-	-	-	-	-	-	-
Cumulative exchange differences	4113	-	-	-	-	-	-	-
Share of other comprehensive income in associates and joint ventures	4114	-	-	-	-	-	-	-
Other comprehensive income	4116	-	-	-	-	52,778	-	**52,778**
Distribution of profits:								
Payments to equity holders (dividends)	4200	-	-	-	-	-	-	-
Allocation of profit to share capital	4205	-	-	-	-	-	-	-
Charges to reserve capital	4210	-	-	-	-	-	-	-
Net profits distributable to the state budget in accordance with the legislation	4215	-	-	-	-	-	-	-
Contributions of equity holders:								
Contributions to equity	4240	-	-	-	-	-	-	-
Repayment of equity liabilities	4245	-	-	-	-	-	-	-
Withdrawal of capital:								
Redemption of shares (stakes)	4260	-	-	-	-	-	-	-
Resale of treasury shares (stakes)	4265	-	-	-	-	-	-	-
Cancellation of treasury shares (stakes)	4270	-	-	-	-	-	-	-
Withdrawal of stakes in equity	4275	-	-	-	-	-	-	-
Other changes in capital	4290	-	-	-	-	-	-	-
Total changes in equity	**4295**	-	-	-	-	**2,656,106**	-	**2,656,106**
Balance at the end of the year	**4300**	**1,226,355**	**-**	**190,106**	**-**	**10,206,375**	**-**	**11,622,836**

On behalf of the Company:

V. D. Kudrytskyi,
Acting Director

L. V. Opalko,
Acting Chief Accountant

The accompanying notes on pages from 13 to 57 form an integral part of these financial statements.

1. GENERAL INFORMATION

State Enterprise "National Power Company "Ukrenergo" (the "Company") was incorporated as a result of combination of state-owned enterprises "National Dispatcher Center of Ukraine" and State Electric Company "Ukrelektroperedacha" in accordance with the requirements of the Law of Ukraine "On Energy Industry" and the Order of the Ministry of Fuel and Energy of Ukraine dated 15 April 1998. The Company was subordinated to the Ministry of Energy and Coal Industry of Ukraine that approved the Company's Charter by its Order dated 24 July 2000. On 4 February 2019, the Acceptance Act was signed on the transfer of integral property complex, according to which the Company was placed under management of the Ministry of Finance of Ukraine.

On 1 March 2019, the Ministry of Finance of Ukraine, by its Order # 95, approved an action plan on reorganization (conversion) of the Company into a private joint stock company (PrJSC), with 100% shares owned by the state. Effective from 29 July 2019, the Company has been registered as Private Joint Stock Company, with 100% shares owned by the state. Order on the Company's conversion into Private Joint Stock Company was approved by the Ministry of Finance of Ukraine on 29 July 2019. The Company's shares are not listed on international or national stock exchange.

The Company's principal activities are represented by providing services of electric energy transmission and dispatcher (operating and technical) management, energy sales and purchases to regulate imbalances and balancing purposes. Effective from July 2019, the Company was assigned with public service obligations to increase of the share of energy generation from renewable sources (Note 2).

The Company is a natural monopoly in transmitting electric energy via high voltage lines. Tariffs for electricity transmission and services of dispatcher (operating and technical) management are regulated and approved by the National Commission for Regulation of Energy and Utilities (the "NCREU"). Title of ownership to property, plant, and equipment and construction in progress forming a part of Integrated Energy System of Ukraine and used by the Company in its business activities belongs to the Government of Ukraine. According to Article 73 of the Commercial Code of Ukraine, properties of a state-owned entity belong to the state and assigned to the entity on the right of economic management or the right of operating management (Note 6).

As of 31 December 2019, the Company comprised 11 separated units. The Company's Head Office is located at: 25 Symona Petliury Street, Kyiv, Ukraine.

2. OPERATING ENVIRONMENT

General economic conditions

Since 2016, the Ukrainian economy has demonstrated signs of stabilization after years of political and economic tension. In 2019, the Ukrainian economy continued its recovery and achieved real GDP growth of around 3.6% (2018: 3.3%), modest annual inflation of 4.1% (2018: 9.8%), and stabilization of the national currency (appreciation of the national currency by around 5% to USD and 11% to EUR comparing to previous year averages).

Ukraine continues to limit its political and economic ties with Russia, given annexation of Crimea, an autonomous republic of Ukraine, and an armed conflict with separatists continued in certain parts of Luhanska and Donetska regions. As a result of this, the Ukrainian economy is refocusing on the European Union (the "EU") market by realizing potentials of established Deep and Comprehensive Free Trade Area with the EU.

To further facilitate business activities in Ukraine, the National Bank of Ukraine (the "NBU") starting from 20 June 2019 has lifted the surrender requirement for foreign currency proceeds, cancelled all limits on repatriation of dividends since July 2019 and gradually decreased the discount rate for the first time during the recent two years, from 18.0% in April 2019 to 8.0% in April 2020.

The degree of macroeconomic uncertainty in Ukraine in 2019 still remains high due to a significant amount of public debt scheduled for repayment in 2019–2020, which requires mobilizing substantial domestic and external financing in an increasingly challenging financing environment for emerging markets. At the same time, Ukraine has passed through the period of presidential and parliamentary elections. All newly elected authorities have demonstrated their commitment to introduce reforms in order to boost economic growth, while maintaining macro-fiscal stability and liberalizing economic environment. These changes have resulted in, inter alia, improved Fitch's rating of Ukraine's Long-Term Foreign- and Local-Currency Issuer Default Ratings from "B-" to "B", with a positive outlook.

Further economic growth depends, to a large extent, upon success of the Ukrainian government in realization of planned structural reforms and effective cooperation with the International Monetary Fund (the "IMF").

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Company may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Company's business largely depends on the duration and the incidence of the pandemic effects on the world and Ukrainian economy.

The Company, together with the NCREU and other government authorities, works on measures aimed at mitigating consequences of a possible drop in volumes of electric energy transmission and possible deterioration of its counterparties' solvency, in particular: changes in the Market Rules, including a change in the mechanism of assigning public service obligations, a revision of tariffs on electric energy transmission and dispatcher (operating and technical) management. At the same time, the Company negotiates on attracting additional borrowings to finance its working capital and fulfill public service obligations, monitors on a consistent basis its liquidity, controls its operating and other expense, and maintains capital investments at the minimum required level. Until this uncertainty with the adverse consequences of COVID-19 persists, the Company will continue tracking carefully the situation and mitigating potential negative consequences.

Government regulation and transition to a new model of electric power market

Effective from 1 July 2019, Ukraine, pursuant to the Law of Ukraine "On Electric Energy Market" (hereinafter, the "Law"), has introduced a full-scale electric energy market. Adoption of the Law # 2019-VIII dated 13 July 2017 was made within the framework of fulfilling Ukraine's commitments under the Agreement on the Energy Community's Establishment and the Association Agreement between Ukraine, of the one part, and the European Union, the European Atomic Energy Community, and its member states, of the other part.

A leading role in the new electric energy market shall be played by NPC "Ukrenergo" as a transmission system operator (hereinafter, the "TSO").

According to Article 33 of the Law, the TSO is responsible for fulfilling the following basic functions:

- Dispatcher (operating and technical) management of operating modes of the integrated energy system of Ukraine in accordance with the Law, the code of transmission system and other regulations governing operations of the electric energy market;
- Transmission of electric energy via high voltage lines from generating facilities to regional networks of energy supplying companies;
- Administrator of commercial accounting;
- Administrator of settlements in the electric energy market;
- Operator of the balancing market and related services market.

Balancing market

In the balancing market, the Transmission System Operator purchases and sells energy for the purpose of balancing the electric energy demand and supply during the current day and also purchases and sells energy for the purpose of regulating electric energy imbalances of the parties responsible for balance.

Energy generators are obliged to participate in the balancing market, except for the cases stipulated by the Market Rules (with an obligatory transfer of requests for supplies in the balancing market to the scope of at least 10% of the installed capacity), to unload the system in the scope of at least 5% of the installed capacity. The right to participate in the balancing market is also enjoyed by generators of alternative energy (according to the Market Rules) and electric energy consumers (representatives of demand).

Public service obligations fulfilled

According to Part 8, Article 33 of the Law, the TSO shall perform the functions related to public service obligations to increase the share of alternative energy generation, improve the efficiency of combined electric and heat generation, and other service obligations.

To ensure for meeting the general public interests, the Transmission System Operator shall purchase the services provided to it on an obligatory basis by the market participants determined in accordance with the Law based on service agreements aimed at satisfying general public interest. According to Part 7, Article 65 of the Law, to ensure for coverage of economically reasonable costs of SE "Guaranteed Buyer" in fulfillment of public service obligations on the purchase of electric energy at "green" tariffs and at tender prices, the guaranteed buyer shall provide the Transmission System Operator with the service aimed at increasing the share of alternative energy generation. Such a service shall be provided by the Guaranteed Buyer during the life of the "green" tariff and period of support to the generators who, based on the tender results, have received the right to such a support based on the standard agreement on rendering services to support the increase in alternative energy generation (in the form approved by the Regulator).

Thus, the Guaranteed Buyer shall purchase from a "green" energy business entity the electric energy at specified prices, and NPC "Ukrenergo", in performing its functions of the Transmission System Operator, shall reimburse to the Guaranteed Buyer all costs related electric energy purchases at "green" tariffs. The Company satisfies the financial liabilities of NPC "Ukrenergo" arising from the need to cover economically reasonable costs of the Guaranteed Buyer in fulfillment of public service obligations on the purchase of electric energy at "green" tariffs and at tender prices at the cost of the tariff on electric energy transmission services.

The tariff on electric energy transmission services for NPC "Ukrenergo" is set by the National Commission for Regulation of Energy and Utilities in accordance with the Procedure on Setting (Creating) a Tariff on Electric Energy Transmission Services, as approved by Resolution of the NCREU # 585 dated 22 April 2019. The mechanism for assigning public service obligations is determined based on Resolution of the Cabinet of Ministers of Ukraine # 483 dated 5 June 2019 (as subsequently amended).

Going concern and management's plans

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

At the same time, the following events and conditions existed at the reporting date:

- As of 31 December 2019 and 2018, the Company breached a number of financial covenants on certain part of its borrowings (Note 14). As a result, as of 31 December 2019 the related borrowing balances in the amount of UAH 6,943,987 (2018: UAH 8,428,552 thousand) were reclassified to current liabilities, which caused the excess of the Company's current liabilities over current assets in the amount of UAH 7,898,243 thousand (2018: UAH 7,984,457 thousand).

Management of the Company believes that preparation of the accompanying financial statements on a going concern basis is appropriate due to the following reasons:

- The Company was profitable for both 2019 and 2018. Tariffs set for the Company by the NCREU for the next year are high enough to sustain profitable activities in 2020. Since the Company is the operator of the electric power system of Ukraine and plays a strategic role in the economy of Ukraine and functioning of the state, management believes that the Government of Ukraine, if required, will support the Company.
- In spite of the failure to comply with certain financial covenants established by borrowing agreements (Note 14) as of 31 December 2019 and to the date these financial statements were authorized for issue, the Company did not receive any notices on cessation of further funding or notifications with claims of immediate repayment of any loans. Borrowings were obtained in the form of sub-loans from the Ministry of Finance and are guaranteed by the Government of Ukraine (Note 24).
- Subsequent to 31 December 2019, the Company repaid borrowings in accordance with relevant schedules without any delays (Note 28).

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Adoption of new and revised Standards

The following Standards and Interpretations have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2019:

- IFRS 16 *Leases*;
- Interpretation of IFRS IC 23 *Uncertainty over Income Tax Treatments*;
- Amendments to IFRS 9 Financial Instruments – Prepayment features with negative compensation;
- Amendments to IAS 28 *Investment in Associates and Joint Ventures* – Long-term interests in associates and joint ventures;
- Amendments to IAS 19 *Employee Benefits* – Plan amendment, curtailment, or settlement;
- Annual Improvements to IFRS 2015–2017 Cycle.

The effect on adoption of IFRS 16 *Leases* and the Company's relevant accounting policies are detailed in Note 4 below. The adoption of amendments to other Standards have not had any effect on the financial position or performance reported in the financial statements and have not resulted in any changes to the Company's accounting policies and the amounts reported for the current or prior years.

Standards and interpretations in issue, but not yet effective

At the date of authorization of these financial statements, the following Standards and Interpretations, as well as amendments to the Standards were in issue but not yet effective:

Standards/Interpretations	Effective for annual accounting periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3 *Business Combinations* – Definition of business	1 January 2020
Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates, and Errors* – Definition of material	1 January 2020
IFRS 17 *Insurance Contracts*	1 January 2021
Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, and IFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*	1 January 2021

Standards/Interpretations	Effective for annual accounting periods beginning on or after
Amendments to IAS 1 *Presentation of Financial Statements* – Classification of liabilities as current and non-current	1 January 2022
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* – Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Management anticipates that the adoption of new Standards and Interpretations in the future periods will not have a material effect on the Company's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and requirements of current legislation on the preparation and presentation of financial statements.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for items of property, plant, and equipment that, effective from 31 December 2019, are measured at revalued amounts, post-employment benefits, which are measured in accordance with IAS 19 *Employee Benefits*.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

These policies have been consistently applied to all periods presented, unless otherwise indicated.

In preparing these financial statements, the Company uses the financial statement forms determined by Ukrainian Accounting Standards.

Changes in accounting policies and restatement of comparative information

Effective from 1 January 2019, the Company has changed its accounting policies in respect of preparation of the statement of cash flows from operating activities from indirect to direct method. Data for the previous period were restated in accordance with the new accounting policy. Management believes that such accounting policy is more appropriate, since, under International Accounting Standard 7 *Statement of Cash Flows*, the use of direct method allows to obtain information that is useful for assessing future cash flows and which is not available in the case of using indirect method.

Effective from 31 December 2019, the Company applies a revaluation model to account for its property, plant, and equipment. As described in Note 6, the Company recorded net revaluation surplus in the amount of UAH 28,067,374 thousand (including UAH 3,166,942 thousand of impairment within other operating expense and UAH 31,234,316 thousand of surplus within other comprehensive income).

The Company approved the financial statements for the year ended 31 December 2018 on 26 April 2019. After those financial statements were authorized for issue, management identified non-cash transactions relating to the year ended 31 December 2018 in the amount of UAH 702,949 thousand, which were mistakenly presented in the statement of cash flows within financing and investing activities. This error did not have an impact on other statements. The error was corrected retrospectively in these financial statements for the year ended 31 December 2019.

In addition, subsequent to the authorization of the financial statements for the year ended 31 December 2018, a number of errors were identified that had no significant effect on the financial position as of 31 December 2018 and the Company's performance for 2018 and prior years. Together with reclassification adjustments to improve the presentation, those corrections were reflected retrospectively in the financial statements for the year ended 31 December 2018.

The effect of corrected errors and reclassification adjustments on the statement of financial position as of 31 December 2018 was as follows:

ASSETS	**Line code**	**31 December 2018 (as previously reported)**	**Effect of adjustments and changes in presentation**	**31 December 2018 (restated)**
1	**2**	**3**	**4**	**5**
I. Non-current assets				
Construction in progress	1005	12,192,983	205,412	12,398,395
Non-current financial investments:				
Other financial investments	1035	698	(698)	-
Deferred tax assets	1045	142,168	5,645	147,813
Total on Section I	**1095**	**25,596,516**	**210,359**	**25,806,875**
II. Current assets				
Inventories	1100	182,323	53,898	236,221
Trade accounts receivable	1125	192,071	3,229	195,300
Other accounts receivable:				
Advances given	1130	34,351	(30,254)	4,097
Taxes receivable	1135	424,978	23,339	448,317
Including income taxes	1136	17,399	16,381	33,780
Interest receivable	1140	14,852	11,257	26,109
Other current accounts receivable	1155	21,710	23,232	44,942
Other current assets	1190	-	78,103	78,103
Total on Section II	**1195**	**3,217,320**	**162,804**	**3,380,124**
III. Non-current assets held for sale and disposal groups	**1200**	**-**	**-**	**-**
TOTAL ASSETS	**1300**	**28,813,836**	**373,163**	**29,186,999**

EQUITY AND LIABILITIES	Line code	31 December 2018 (as previously reported)	Effect of adjustments and changes in presentation	31 December 2018 (restated)
1	2	3	4	5
I. Equity				
Additional capital	1410	190,106	(190,106)	-
Retained earnings	1420	10,206,375	166,292	10,372,667
Total on Section I	**1495**	**11,622,836**	**(23,814)**	**11,599,022**
II. Non-current liabilities and provisions				
Other non-current liabilities	1515	121,551	16,790	138,341
Non-current provisions	1520	6,482	(145)	6,337
Total on Section II	**1595**	**6,206,751**	**16,645**	**6,223,396**
III. Current liabilities and provisions				
Current accounts payable:				
Trade accounts payable	1615	444,707	257,957	702,664
Settlements with the state budget	1620	91,996	(26,271)	65,725
Insurance	1625	(18,052)	19,507	1,455
Advances received	1635	137,533	12,813	150,346
Provisions	1660	203,654	145	203,799
Deferred income	1665	16,695	29,444	46,139
Other current liabilities	1690	173,046	86,737	259,783
Total on Section III	**1695**	**10,984,249**	**380,332**	**11,364,581**
TOTAL EQUITY AND LIABILITIES	**1900**	**28,813,836**	**373,163**	**29,186,999**

The effect of errors and reclassification adjustments on the statement of financial results for the year ended 31 December 2018 was as follows:

Items	Line code	2018 (as previously reported)	Effect of adjustments	2018 (restated)
1	2	3	4	5
Cost of sales	2050	(2,928,820)	(1,751)	(2,930,571)
Administrative expenses	2130	(429,952)	(3,265)	(433,217)
Other operating expense	2180	(572,439)	(1,232)	(573,671)
Income tax expense	2300	(625,333)	5,645	(619,688)
Net profit for the year	**2350**	**2,603,328**	**(603)**	**2,602,725**

Functional and presentation currency

The functional and presentation currency of the financial statements of the Company is Ukrainian Hryvnia ("UAH"). Transactions in currencies, other than the functional currency of the Company, are treated as transactions in foreign currencies.

Foreign currency transactions

Transactions denominated in currencies, other than the functional currency, are translated into the functional currency using the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair value was determined. Exchange differences on monetary items are recognized in statement of financial results in the period in which they arise.

The exchange rates used in preparing these financial statements were as follows:

Currency	As of 31 December 2019	Average exchange rate for 2019	As of 31 December 2018	Average exchange rate for 2018
UAH/USD	23.69	25.85	27.69	27.20
UAH/EUR	26.42	28.95	31.71	32.14

Revenue recognition

The Company generates revenues on varied types of activities, the primary of which include services on electric energy transmission, services on dispatcher (operating and technical) management, as well as revenue on services of granting access to the transmission capacity of interstate power networks. Due to implementation of new electricity market in Ukraine described in Note 2 the Company started to participate in the balancing market and regulate imbalances.

The Company recognizes revenues on services to customers in the amount of the consideration to which the Company expects to be entitled in exchange for those contractual services. Such considerations are recorded net of rebates and value added tax ("VAT"). A 5-step approach to revenue recognition is used by the Company:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognize revenue when (or as) the Company satisfies a performance obligation.

Revenue on electric power transmission and dispatcher (operating and technical) management

Revenue on electric energy transmission services is determined as the product of volumes of transmission (consumption), including the export of electricity and the tariff for electricity transmission services. Revenue from the services of dispatcher (operating and technical) management is defined as the product of volumes of transmission (consumption) of electricity, including export of electricity, volumes of discharged electricity by producers of electricity, volumes of import of electricity and tariff for dispatcher (operating and technical) management services.

Tariffs for the services of electric power transmission and dispatcher (operating and technical) management are approved by Resolutions of the National Commission for Regulation of Energy and Utilities (the "NCREU"). Separate agreements are concluded with each market participant on the services of electric power transmission and dispatcher (operating and technical) management. Revenue on such services is recognized when the services are rendered. Invoices for the services of electric power transmission and dispatcher (operating and technical) management are billed on a prepayment basis according to the terms of concluded contracts and on a monthly basis for actually rendered services.

Starting from July 2019 the Company should fulfill its public service obligation ("PSO") related to reimbursement to producers of renewable energy of difference between market price on electric energy and "green" tariff established by regulator. This PSO is included in tariff on electric energy transmission services.

Revenue on participation in the balancing market and regulating imbalances (balancing electric power and responsibility for electric power imbalances)

The Company ensures for sufficiency of the electric power and energy required for balancing in a real time mode, in particular, commercial balance, for which purpose it purchases and sells electric energy for balancing the volumes of energy demand and supply within the current day and for the purpose of regulating electric energy imbalances of the parties responsible for the balance in the balancing market of electric energy. Cost of electric energy imbalance for the party responsible for the balance is calculated by the Company for each hour of the day based on the volume of electric energy imbalance caused by this party and prices of electric energy imbalances determined by the Market Rules. Revenue on this type of goods is determined on the fact of actual release/withdrawal. Invoices are billed, in accordance with the Market Rules, on a 10 day basis when all components are actually ready to be billed in the system of MMS.

Revenue on services of access to the transmission capacity of interstate power networks

The available throughput capacity of interstate power networks is distributed by the Company by using the procedure of electronic tenders with the help of electronic document flow and electronic digital signature. The access to throughput capacity of interstate power networks is provided to energy suppliers based on the results of yearly, monthly, and daily tenders.

In the event the total demand to throughput capacity of interstate power networks is lower than the amount of available throughput capacity of interstate power networks, the access service is provided free of charge to all participants of the tender. Otherwise, the access service is rendered using the principle of prioritized satisfaction of tender participants' applications that offer the highest price. In such a case the access price to the throughput capacity of a relevant direction is determined at the minimum price of satisfied applications of the tender participants. Revenue on providing the access to throughput capacity is determined on the basis of the price set during the tender, volumes of the distributed throughput capacity, and period of providing such a access. Revenue on this type of services is recognized after the service is actually rendered with reference to limitations. Invoices on rendering the service of access to interstate power networks are billed as follows: for yearly and monthly tenders – one time during the month preceding the month of actual delivery of the service, and for daily tenders – every 10 days based on actually provided services.

Expense recognition

Expenditures are recognized as expenses of a certain period simultaneously with the recognition of related revenues. Expenditures that cannot be directly related to the revenues of a certain period are included into the expenses of the period in which they have been incurred.

Finance income and costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific loans pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in statement of financial results (other comprehensive income) in the period in which they are incurred. Finance income comprises interest income on the funds invested. Finance income is recognized as it is accrued, taking into account the effective yield on the asset.

Deferred income

Funds received as government grants or financing from other institutions whose primary condition is that the Company should purchase, construct, or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and amortized to statement of financial results (other comprehensive income) on a systemic and rational basis over the useful lives of the corresponding assets.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Post-employment and other long-term employee benefit obligations

State defined contribution pension plan

The Company pays to the State Pension Fund of Ukraine an amount based on each employee's wages. The Company's costs for these contributions are included in the caption of "Staff Costs" in the statement of financial results (other comprehensive income). These amounts are expensed when incurred.

Defined benefit pension obligations

The Company is obliged to compensate the Ukrainian state for pensions that are paid by the state to employees of the Company who worked in a hazardous environment and, therefore, are eligible for early retirement and pensions until the normal retirement age as defined by the statutory regulations.

These defined benefit plans (the "Plans") are not funded and have no Plan assets. Costs relating to the Plans are accrued in these financial statements using the projected unit credit method in respect of the employees entitled to such payments.

The Company's net obligation in respect of the Plans is calculated separately for each Plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is then discounted to determine the present value of the obligation, which is recorded in the statement of financial position. A discount rate is estimated using the effective yield of high-class corporate or government securities with the same maturity as the respective retirement obligation and traded at the world stock markets and is adjusted for an average expected inflation rate.

Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest income/(expense); and
- Re-measurement.

The Company presents the current service cost in financial results in the line item of "Staff Costs" of the period in which they arise. Net interest income/(expense) is included in finance costs of the period of origination. Re-measurement that includes actuarial gains and losses is recorded immediately in the statement of financial position, with the respective income or expense recognized in other comprehensive income of the period in which they arise. Re-measurement recognized in other comprehensive income is recorded immediately in retained earnings and will not be reclassified subsequently to the statement of financial results.

Other employee benefits

Under the Collective Agreement, the Company makes one-time payments on retirement to long-term employees amounting to up to six monthly salaries and other miscellaneous jubilee payments. The amount of payments depends on the employee's service period with the Company. These jubilee benefits represent long-term employee benefit obligations and are not funded.

The Company's net obligation in respect of those benefits is calculated using the same accounting policies as described above for the pension obligations.

Income taxes

Income taxes on the profit or loss for the year comprise the sum of current and deferred taxes.

Current taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit or loss as reported in the statement of financial results (other comprehensive income) because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred taxes

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes for the period

Current and deferred taxes are recognized as an expense or income in the statement of financial results, except when they relate to items credited or debited directly to equity or other comprehensive income, in which case the tax is also recognized directly in equity or other comprehensive income.

Property, plant, and equipment

During the year ended 31 December 2019, property, plant, and equipment were carried at their historical cost, less any accumulated depreciation and accumulated impairment losses.

The historical cost of items of property, plant, and equipment comprises (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any costs directly attributable to bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by management of the Company; (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Company incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than production activity during that period. The cost of self-constructed assets includes the cost of material, direct labor, and an appropriate portion of production overheads.

Depreciation was recognized so as to write off the cost (other than properties under construction), less their residual values, over their useful lives, using the straight-line method. The useful lives of property, plant, and equipment items were determined by expertise when the assets are put into operation. The useful lives for the Company's property, plant, and equipment used during the year ended 31 December 2019 were as follows:

Buildings and structures	20–50 years
Plant and equipment	20–50 years
Office equipment and vehicles	3–8 years

The residual value, the useful life, and depreciation method are reviewed at each financial year-end. The effect of any changes from previous estimates is accounted for as a change in an accounting estimate.

Gain or loss arising on the disposal or retirement of an item of property, plant, and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of financial results (other comprehensive income).

Construction in progress comprises costs directly related to construction of property, plant, and equipment, including an appropriate allocation of directly attributable overheads that are incurred in construction. Construction in progress is not depreciated. Depreciation of the construction in progress, on the same basis as for other property, plant, and equipment items, commences when the assets are available for use, i.e. when they are in the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company has the right to use the land on which its facilities are located, and pays a land tax as assessed annually based on the total area and use for which the land is zoned. Costs of registration of the rights to land use are capitalized as intangible assets.

On 31 December 2019, the Company switched to a revaluation model for all groups of property, plant, and equipment, except for property, plant, and equipment located on the temporary occupied territories in Crimea and Donbas regions that were fully impaired in the previous years and construction in progress carried at historical cost.

The fair values of property, plant, and equipment as of 31 December 2019 determined based on the valuation report prepared by an external independent appraiser as of 31 July 2019. As of 31 December 2019, the increase in the carrying amounts that arose as a result of revaluation was recorded in equity in revaluation reserve as other comprehensive income; the decrease in the carrying amounts that arose as a result of revaluation was recorded in the statement of financial results (other comprehensive income) as impairment loss.

When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation the accumulated depreciation is eliminated against the gross carrying amount of the asset, so that the gross carrying amount and the net carrying amount after revaluation become equal.

Under selected method of carrying value adjustment to the revalued amount, both revaluation increase and revaluation decrease, also referred to as "Impairment losses as a result of revaluation", are presented as the movement in the cost of property, plant and equipment disclosure.

Conversely, impairment losses in relation to construction in progress or revalued property, plant and equipment in the period between revaluation dates are presented as the movement in accumulated depreciation and impairment losses of property, plant and equipment disclosure.

Subsequently, on a sale or disposal of revalued assets, the amounts included in revaluation reserve are transferred to retained earnings. The frequency of revaluations in the future will be determined on the basis of materiality of changes in the fair value of assets being valued. In the period between revaluations, additions of property, plant, and equipment will be recorded at cost, and the value of revalued property, plant, and equipment will be decreased through depreciation and impairment losses.

Intangible assets

Intangible assets are stated at cost, less accumulated amortization and accumulated impairment losses. Subsequent expenditure on intangible assets is capitalized only when it increases future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized on a straight-line basis over the estimated useful lives of intangible assets which are considered not to exceed a period of seven years.

Impairment of tangible and intangible assets

At each reporting date, the Company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value, less costs to sell, and value in use. 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 assessment of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in statement of financial results.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

Leases

Effective from 1 January 2019, the Company applies IFRS 16 "Leases" ("IFRS 16"). In accordance with the transitional provisions of IFRS 16, no restatement of comparative information was performed. IFRS 16 introduced changes to the lessee accounting by removing the difference between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability from commencement of all leases. The Company made use of the practical expedient available on transition to IFRS 16 and did not reassess whether contracts concluded prior 1 January 2019 contained a lease.

In accordance with IFRS 16, the Company reflects right-of-use assets and lease liabilities in the statement of financial position measured at the present value of future lease payments that were outstanding at the lease inception discounted by using the interest rate implicit in the lease. In the event this rate is impossible to determine at once, the Company uses an incremental borrowing rate.

The Company records the depreciation of right-of-use assets and interest on lease liabilities in the statement of financial results (other comprehensive income). Total amount of paid cash on the principal is presented in financing activities in the statement of cash flows (under direct method), and interest is presented in operating activities.

The application of IFRS 16 has not had a significant effect on the Company's financial position and/or its financial performance.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the specific identification principle and includes expenditures incurred in acquiring the inventories and bringing them to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all costs necessary to make the sale.

Prepayments to suppliers

Prepayments to suppliers are stated at their cost, less an allowance for impairment.

Accounts receivable on settlements with the state budget

Accounts receivable on settlements with the state budget (prepaid profit share due to the state budget, corporate income taxes prepaid, VAT recoverable, and other taxes prepaid) are carried at the actual cost of the amounts paid. Recoverability of the allowance for accounts receivable is reviewed at the end of each reporting period.

Financial instruments

The Company has adopted IFRS 9 effective from 1 January 2018.

Initial recognition of financial instruments

Financial assets and financial liabilities are initially measured at fair value.

The Company's principal financial instruments comprise cash and cash equivalents, trade accounts receivable, other accounts receivable, borrowings, trade accounts payable, and other accounts payable.

All purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded on a transaction date basis, which is the date that the Company commits to deliver a financial instrument. All other purchases and sales are recognised on the settlement date.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets are subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

Amortized cost is calculated using the effective interest rate method and, for financial assets, it is determined net of any impairment losses. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

The Company uses a practical expedient according to which the amortized cost of financial assets with a maturity of less than one year, less any estimated credit losses, is assumed to be their face value.

Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income or expense is recognized on an effective interest rate basis for financial instruments.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on cash and cash equivalents, trade accounts payable, and other accounts receivable. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime expected credit losses ("ECLs") for trade accounts receivable and other accounts receivable. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that are expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligation.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default), and the exposure at default.
The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The Company recognizes an impairment gain or loss in statement of financial results for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including other non-current assets, trade and other accounts receivable, cash and cash equivalents) are measured at amortized cost using the effective interest rate method, less any impairment.

Interest income is recognized by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and with banks, deposits with original maturities of less than three months plus one week, and cash with banks on special purpose accounts.

Special purpose accounts are accounts through which the Company receives and makes disbursements from loans provided by International Bank for Reconstruction and Development and European Investment Bank. These special purpose accounts are allowed to be used exclusively for payments to suppliers of capital construction projects upon approval from the Ministry of Finance of Ukraine. All payments made from special purpose accounts are initiated by the Company and approved by the Ministry of Finance of Ukraine within the period of up to three months.

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Share and registered capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Obligatory profit share due to the state budget

Obligatory profit share due (dividends) to government authorities is made under the annually adopted Laws of Ukraine "On the State Budget" and is reflected as reduction of retained earnings in the period to which the profit relates.

Dividends

Dividends are recognized as liabilities and deducted from capital as at the reporting date once they are declared before or as of the reporting date. Information about dividends is disclosed when they are declared subsequent to the reporting date but before the financial statements are authorized for issue.

The Cabinet of Ministers of Ukraine approves a percentage of net profit to be distributed each year as dividend with a separate resolution. If there is no such resolution available by the end of the reporting year, the Company accrues dividend provision of 30% of its net profit to the State budget of Ukraine, as set by provisions of the Law of Ukraine "On Management of State Property Objects" #185-V dated 21 September 2006.

Financial liabilities

Financial liabilities are classified as "other financial liabilities".

Classification and subsequent measurement of financial liabilities

Financial liabilities are subsequently measured at amortized cost or fair value through profit or loss.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received, transaction costs, and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Other financial liabilities

Other financial liabilities (including loans, trade and other accounts payable, and payables for property, plant, and equipment) are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

The Company's management is of the opinion that the amortized cost of trade and other accounts payable equals to their nominal value due to the short-term nature of this instrument.

De-recognition of financial instruments

The Company derecognizes financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Company has transferred substantially all the risks and rewards of ownership of the assets, or (iii) the Company has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement of financial results (statement of comprehensive income).

Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future periods.

(i) Revaluation of property, plant, and equipment

As discussed in Note 4, effective from 31 December 2019, the Company applies a revaluation model to its property, plant, and equipment. The recent independent valuation of the Company's property, plant, and equipment was performed as of 31 July 2019. Major assumption in respect of the revaluation are disclosed in Note 26. Management analyzed whether the revaluation deliverables would differ significantly from the arrived fair value amounts if the revaluation would have been conducted at the end of the year. Such an analysis was based on the use of updated data on tariffs, rice indices, foreign exchange rates, weighted average cost of capital, and other relevant factors. Based on the results of the analysis, the Company identified no significant fluctuations in the amounts of revalued assets and decided to use them in the course of the Company's transition to the revaluation model starting from 31 December 2019. Total effect of revaluation of property, plant and equipment as of 31 December 2019 amounted to UAH 28,067,374 thousand (including UAH 3,166,942 thousand of impairment in other operating expense and UAH 31,234,316 thousand of surplus in other comprehensive income).

(ii) Allowance for expected credit losses on trade and other accounts receivable

The allowance for expected credit losses on trade and other accounts receivable is based on the Company's assessment of the expected credit losses of specific customer accounts. If there is deterioration in expected creditworthiness of major customers or actual defaults are higher than the estimates, the actual results could differ from those estimates. As of 31 December 2019 and 2018, the Company's management assessed trade accounts receivables for their recoverability, and, based on the results of this estimation, recognized the allowance in the amount of UAH 3,222,474 thousand and UAH 1,328,565 thousand, respectively (Note 7).

(iii) Useful lives of property, plant, and equipment and intangible assets

The estimation of the useful life of an item of property, plant, and equipment and intangible assets is a matter of management's judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear, and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation and amortization rates. Changes in estimated useful lives are accounted for on a prospective basis.

As a result of the revaluation, useful lives of groups of the Company's property, plant, and equipment as of 31 December 2019 were modified as follows:

Buildings and structures	25–60 years
Plant and equipment	8–45 years
Office equipment and vehicles	3–10 years

(iv) Taxation

The Company is subject to income and other taxes. A significant assessment is required in determining the provision for income tax and other taxes due to the complexity of the Ukrainian tax legislation and its varying interpretation by regional and national tax authorities. There are various transactions in relation to which the ultimate tax determination is uncertain. According to the Tax Code of Ukraine, the Company is eligible for income tax benefit within the amounts of actual expenditures made on replacement and modernization of its property, plant, and equipment. Management of the Company uses its best estimates and professional judgment to identify the qualifying expenditures for determining the income tax benefit.

(v) Post-employment and other long-term employee benefit obligations

In determining the ultimate cost of providing post-employment and other long-term employee benefits, management of the Company makes the best estimate of the variables applied that include a number of demographic assumptions about the future characteristics of current and former employees (mortality, both during and after employment, rates of employee turnover, disability, and early retirement, etc.), as well as financial assumptions (discount rates, future salaries, and benefit levels, etc.) (Note 12). Changes in management's estimates may affect the amount of liabilities in the statement of financial position and related accruals in the statement of financial results (other comprehensive income).

(vi) Provision for litigation costs

The Company acts as a plaintiff in several legal proceedings with its counterparties. A provision for litigation costs is management's estimate of possible losses that may be incurred as a result of negative court rulings (Notes 18 and 25).

Judgments in applying accounting policies

(i) Presentation of income and expense on public service obligations to increase the share of energy generation from renewable sources in gross amount

Effective from 1 July 2019, expense and income on electric energy transmission operations (including expense and income on public service obligations in the processes of electric energy market functioning), activities on dispatcher (operating and technical) management (including expense and income on performing functions of settlement administrator and administrator of commercial accounting) are accounted for separately.

In accordance with local legislation the Company is obliged to account for separately the expense and income on performing public service obligations in the processes of electric energy market functioning, and the Company's tariffs on electric energy transmission services shall include, as a separate component, the expense on fulfillment of public service obligations.

(ii) Properties of a state-owned entity

As of 31 December 2019 and 2018, title of ownership to property, plant, and equipment and construction in progress forming a part of Integrated Energy System of Ukraine and used by the Company in its business activities belongs to the Government of Ukraine. According to Article 73 of the Commercial Code of Ukraine, properties of a state-owned entity belong to the state and assigned to the entity on the right of economic management or the right of operating management.

Thus, properties were legally in ownership of the Government. However, per se, relations between the Company and the Government envisage for the right of using relevant property items during indefinite time (until they are fully depreciated, exhausted, or ruined – the Government retains no risk elements related to the residual value of assets at the end of their useful lives) and obtain economic benefits from the use of assets. Considering this, the Company recognized those items of property, plant, and equipment and construction in progress in its financial statements.

6. PROPERTY, PLANT, AND EQUIPMENT

	Buildings and structures	Plant and equipment	Office equipment and vehicles	Construction in progress	Total
Cost					
As of 1 January 2018	**5,223,069**	**8,885,488**	**1,486,508**	**11,065,269**	**26,660,334**
Reclassification	3,605,302	(2,583,137)	(1,022,165)	-	**-**
Additions	87,778	1,194,805	121,608	2,221,197	**3,625,388**
Internal transfers	18,664	724,508	5,015	(748,187)	**-**
Disposals	(110,239)	(15,063)	(47,256)	(5,125)	**(177,683)**
As of 31 December 2018	**8,824,574**	**8,206,601**	**543,710**	**12,533,154**	**30,108,039**
Additions	116,758	411,271	60,202	2,454,816	**3,043,047**
Internal transfers	521,803	2,980,044	66,773	(3,568,620)	**-**
Disposals	(123,204)	(30,488)	(21,095)	(2,928)	**(177,715)**
Impairment losses as a result of revaluation	(1,494,336)	(1,613,224)	(59,382)	-	**(3,166,942)**
Revaluation surplus	15,390,464	10,690,233	51,210	-	**26,131,907**
As of 31 December 2019	**23,236,059**	**20,644,437**	**641,418**	**11,416,422**	**55,938,336**
Accumulated depreciation and impairment losses					
As of 1 January 2018	**505,373**	**2,958,012**	**263,077**	**134,759**	**3,861,221**
Reclassification	1,195,705	(1,207,181)	11,476	-	**-**
Depreciation charges for the year	391,311	376,566	40,424	-	**808,301**
Disposals	(35,687)	(15,007)	(47,548)	-	**(98,242)**
As of 31 December 2018	**2,056,702**	**2,112,390**	**267,429**	**134,759**	**4,571,280**
Depreciation charges for the year	433,860	480,187	53,163	-	**967,210**
Disposals	(42,707)	(25,240)	(19,933)	-	**(87,880)**
Retirement of accumulated depreciation as a result of revaluation	(2,366,536)	(2,463,670)	(272,203)	-	**(5,102,409)**
Impairment losses	-	-	-	45,276	**45,276**
As of 31 December 2019	**81,319**	**103,667**	**28,456**	**180,035**	**393,477**
Net book value					
As of 31 December 2018	**6,767,872**	**6,094,211**	**276,281**	**12,398,395**	**25,536,759**
As of 31 December 2019	**23,154,740**	**20,540,770**	**612,962**	**11,236,387**	**55,544,859**

Revaluation

The Company engaged independent professional appraisers to determine the fair values of its property, plant, and equipment as of 31 July 2019. The fair values were determined on the basis of depreciated replacement cost by using income approach to determine the economic impairment or market data in accordance with International Valuation Standards. Considering the character of the Company's property, plant, and equipment, the fair values were determined by using the depreciated replacement cost of specialized assets and market evidence for non-specialized assets. The depreciated replacement cost is based on the analysis of reproduction cost or replacement of property, plant, and equipment items, with reference to physical, functional, or economic depreciation and obsolescence. The depreciated replacement cost was assessed on the basis of internal sources and analysis of available information about the market for similar property, plant, and equipment items (published data, catalogs, statistical data, etc.), as well as industry experts and suppliers.

As a result of revaluation of the Company's property, plant, and equipment, the Company recorded net revaluation increase in the amount of UAH 28,067,374 thousand (including UAH 3,166,942 thousand of impairment in other operating expense and UAH 31,234,316 thousand of surplus in other comprehensive income).

Capitalized interest

During the year ended 31 December 2019, additions to construction in progress included capitalized interest in the amount of UAH 187,884 thousand (2018: 242,911 thousand).

7. TRADE ACCOUNTS RECEVIABLE

	31 December 2019	31 December 2018 (as restated, Note 4)
Electric energy transmission services and services of dispatcher (operating and technical) management	3,586,033	1,493,878
Regulation of electric energy imbalances	2,489,281	-
Participation in the balancing market	948,337	-
Trade accounts receivable due from other entities	126,756	32,240
	7,150,407	**1,526,118**
Less: Expected credit losses on impairment of trade accounts receivable due from State Enterprise "Energorynok"	(1,675,260)	(1,313,365)
Less: Expected credit losses on impairment of trade receivable due from other entities	(1,547,214)	(17,453)
	(3,222,474)	**(1,330,818)**
Total	**3,927,933**	**195,300**

No credit limits are applied to the Company's customers. The average credit period for the Company's customers did not exceed 30 days. No interest is charged on trade accounts receivable that are not repaid within credit limits.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default), and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information and approved by Minutes of the Company's Management Board's Meeting. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

As of 31 December 2019 and 2018, aging of past due but not impaired trade accounts receivable were as follows:

	31 December 2019	31 December 2018
Within three months	1,363,811	9
From three to six months	133,365	-
From six to twelve months	52	430
More than one year	-	506
Total	**1,497,228**	**945**

Management believes that these accounts receivable will be paid within twelve months and do not require additional provisioning.

Movements in expected credit losses of trade accounts receivable for the years ended 31 December 2019 and 2018 were as follows:

	2019	2018
Balance at the beginning of the year	**1,330,818**	**1,305,980**
Charged in the statement of financial results, net	1,891,656	24,838
Balance at the end of the year	**3,222,474**	**1,330,818**

Analysis of credit quality of trade accounts receivable as of 31 December 2019 was as follows:

	Trade accounts receivable – days past due						
31 December 2019	**Not past due**	**1–90**	**91–180**	**181–270**	**271–365**	**> 365**	**Total**
Trade accounts receivable	2,942,808	2,203,258	317,556	623,681	400	1,062,704	**7,150,407**
Rate of expected credit losses	20%	38%	58%	100%	87%	100%	
Life-time expected credit losses	512,103	839,447	184,191	623,681	348	1,062,704	**3,222,474**

During 2018 and first half-year of 2019, before the reform of energy market of Ukraine (Note 2), the Company provided services only to State Enterprise "Energorynok". As of 31 December 2018, accounts receivable due from this enterprise amounted to UAH 1,493,878 thousand, and expected credit losses were accrued in the amount of UAH 1,313,365 thousand.

Due to introduction of the new electric energy market effective from 1 July 2019, total amount due from Energorynok as of that day was fully provided for, since, according to management, this counterparty will most likely fail to repay to its lenders.

8. ADVANCES GIVEN

	31 December 2019	31 December 2018 (as restated, Note 4)
Advances issued on electric energy	444,183	-
Compensating payments in green tariffs	358,862	-
Advances issued on goods, works, services	138,281	4,097
	941,326	**4,097**
Less: Allowance for impairment of advances given	(114,776)	-
Total	**826,550**	**4,097**

9. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on current accounts with banks	2,353,297	1,036,638
Cash on deposit accounts with banks	-	874,461
Cash on special purpose accounts	597,922	413,295
Cash on hand	21	24
Total	**2,951,240**	**2,324,418**

10. EQUITY

Registered charter/share capital

	Number of ordinary shares	Charter/share capital	Unpaid capital (corporati-zation effect)	Total
31 December 2018	**-**	**1,226,355**	**-**	**1,226,355**
31 December 2019	**37,160,209**	**37,160,209**	**(35,933,854)**	**1,226,355**

As of 31 December 2018, the Company was registered in the form of a state-owned entity in accordance with the definition specified in the legislation of Ukraine. As of 31 December 2018, registered charter capital of the Company was UAH 1,226,355 thousand.

On 29 July 2019, as a result of the reorganization (Note 1) and conversion of the Company into Private Joint Stock Company (corporatization), the Company's share capital was registered in the amount of UAH 37,160,209 thousand and consisted of 37,160,209 ordinary registered shares at par value of UAH 1,000 each.

Value of NPC "Ukrenergo" shares was assessed by engaging an independent appraiser in accordance with the rules developed for valuation of shares by the State Property Fund of Ukraine.

The Company's shares are not subject to alienation, they are not registered on a stock exchange, and are not traded in the market. A formal owner of the Company is the Ministry of Finance of Ukraine, which owns rights to 100% of share capital in the Company (before 29 July 2019 – the Ministry of Fuel and Energy of Ukraine). NPC "Ukrenergo" is a legal successor of the state-owned entity.

Unpaid capital – corporatization effect

The value of shares of NPC "Ukrenergo" was assessed by engaging an independent appraiser who assessed the fair values of the Company's assets and liabilities in accordance with the rules developed for valuation of shares by the State Property Fund of Ukraine. The fair value measurement is required by corporatization rules so that the Government could determine the share capital value of a new business entity. Since the new entity, NPC "Ukrenergo", is the continuation of the existing business, as well as assets and liabilities of the previous legal entity, the above fair value of assets and liabilities could not be reflected in the Company's financial statements. Correspondingly, the effect of forming the share capital of the new company reflected the corporatization effect in the amount of UAH 35,933,854 thousand, which resulted in unpaid capital. This element of equity was calculated as the difference between the value of share and earlier registered capital of the Company before its conversion.

Additional capital

Additional capital represents the value of property, plant, and equipment and other assets transferred by the Government of Ukraine free of charge into the Company's ownership.

As discussed in Note 4, effective from 1 January 2019, the Company changed its accounting policies and presentation of the statement of financial position. This resulted in reclassification of additional capital in the amount of UAH 190,106 thousand to the Company's retained earnings.

Revaluation reserve

In accordance with the new accounting policy described in Note 431 December 2019, the Company switched to the revaluation model for its property, plant, and equipment. The fair values were determined by an external independent appraiser. Net revaluation surplus as of 31 December 2019 amounted to UAH 25,614,081 thousand, net of income taxes, and was recorded within Revaluation reserve.

Reserve capital

To cover possible losses on business activities, the Company creates reserve capital in the amount of 15% of the Company's share capital. To achieve this amount of reserve capital, the amount of annual charges should be not less than 5% of the Company's profits for the year.

Total charges for 2019 amounted to UAH 93,205 thousand (2018: nil).

Obligatory profit share due to the state budget

During the period from 1 January to 29 July 2019, the Company as the state-owned entity accrued and paid to the state budget a portion of its net profits in the amount of 90% pursuant to Part 1, Article 11 of the Law of Ukraine "On Management of State-Owned Properties" and Resolution of the Cabinet of Ministers of Ukraine # 138 dated 23 February 2011 "On Approval of the Procedure on Payments to the State Budget of a Portion of Net Profits (Income) by State Unitarian Entities and Their Associations" in its effective version.

For the year ended 31 December 2019, a portion of net profits accrued by the Company for payment to the state budget amounted to UAH 905,064 thousand and was repaid in Quarter 3 of 2019 in full by offsetting the overpayment in the amount of UAH 407,023 thousand and cash payment of UAH 498,041 thousand.

Dividends

Effective from 29 July 2019, the Company changed its legal form from the state-owned entity to a private joint stock company. According to Part 5, Article 11 of the Law of Ukraine "On Management of State-Owned Properties" # 185-V dated 21 September 2006, in its effective version (hereinafter, "Law # 185"), a business entity, in the share capital of which the state has corporate rights, should pay a portion of net profits, based on the performance of the calendar year, as dividends in accordance with the procedure approved by the Cabinet of Ministers of Ukraine.

As of 31 December 2019 there were no resolution from the Cabinet of Ministers of Ukraine that would specify share of net profit for 2019 to be distributed as dividends. In the absence of such resolution, the Company accrued dividend provision of UAH 559,229 thousand, which was calculated as 30% from its net profit for 2019, in accordance with the provisions of the Law of Ukraine "On Management of State Property Objects" #185-V dated 21 September 2006.

11. SPECIAL PURPOSE FUNDING AND DEFERRED INCOME

Special purpose funding is a funding from the state budget and customers for construction of new high-voltage lines and reconstruction of certain assets, that is accounted for as deferred income.

As of 31 December 2019 and 2018, deferred income was as follows:

	31 December 2019	31 December 2018 (as restated, Note 4)
Special purpose funding (non-current portion of deferred income)	1,012,831	872,168
Deferred income that will be realised in the next period	33,889	46,139
Total	**1,046,720**	**918,307**

Movements in special purpose funding for the years ended 31 December 2019 and 2018 were as follows:

	2019	2018 (as restated, Note 4)
As of 1 January	**918,307**	**786,670**
Financing obtained	164,570	148,332
Amortized during the year	(36,157)	(16,695)
As of 31 December	**1,046,720**	**918,307**

12. RETIREMENT BENEFIT OBLIGATIONS

State defined contribution plans

Employees of the Company are eligible for obtaining pension benefits from the Government in accordance with the pension legislation of Ukraine. Total amount of contributions to the State Pension Fund of Ukraine recognized in the statement of financial results (other comprehensive income) for the year ended 31 December 2019 amounted to UAH 378,563 thousand (2018: UAH 362,188 thousand).

Defined benefit pension plans

The Company is also obliged to compensate to the State Pension Fund of Ukraine the amounts of pensions provided to certain groups of former employees who worked in hazardous environment as defined by the statutory regulations and, therefore, are eligible for early retirement and pensions before the normal retirement age. These additional contributions are reimbursed by the Company in accordance with monthly calculations of actual compensations provided by the State Pension Fund of Ukraine. Furthermore, the Company includes into its defined benefit obligations onetime payments to long-service employees upon their retirement and other jubilee payments.

As of 31 December 2019 and 2018, the present value of unfunded post-employment employee benefit obligations was UAH 572,281 thousand and UAH 334,496 thousand, respectively.

Reconciliation of the present value of post-employment and other long-term employee benefit obligation balances for the years ended 31 December 2019 and 2018 was as follows:

	2019	2018
Balance at the beginning of the year	**334,496**	**336,520**
Current service cost	35,470	20,178
Interest expense (Note 23)	47,617	42,065
Actuarial (gain)/loss recognized in other comprehensive income	179,748	(52,778)
Actuarial (gain)/loss recognized in financial results	243	-
Gain on budget cuts	(17,049)	-
Benefits paid during the year	(8,244)	(11,489)
Balance at the end of the year	**572,281**	**334,496**

Post-employment and other long-term employee benefit obligations as of 31 December 2019 and 2018 were presented in the statement of financial position as follows:

	31 December 2019	31 December 2018
Non-current obligations*	551,432	316,709
Current obligations*	20,849	17,787
Total	**572,281**	**334,496**

* In the Company's statement of financial position, non-current obligations are included in Line 1505 "Retirement Benefit Obligations", and current obligations are included in Line 1660 "Current Provisions".

Amounts recognized in the statement of financial results (other comprehensive income) in respect of these defined benefit pension plans were as follows:

	2019	2018
Interest expense (Note 23)	47,617	42,065
Current service cost	35,470	20,178
Actuarial (gain)/loss recognized in financial results	243	-
Gain on budget cuts	(17,049)	-
Total	**66,281**	**62,243**

During the year ended 31 December 2019, the Company included in other comprehensive income actuarial losses in the amount of UAH 179,748 thousand that were primarily driven by changes in actuarial assumptions (2018: gains in the amount of UAH 52,778 thousand).

Main assumptions used for actuarial assessment as of 31 December 2019 and 2018 were as follows:

	31 December 2019	31 December 2018
Discount rate	10.3%	15.00%
Expected salary growth rate	11.4%	11.2%
Staff turnover	4.5%	4.5%

Life expectancy was determined by reference to the data published by the State Statistics Service of Ukraine for 2016.

To determine the discount rate, management uses market yields on high quality corporate bonds as of the end of the reporting period adjusted for the estimated effects of the difference in duration. The salary growth rate is based on management's expectations regarding future payroll growth.

13. INCOME TAXES

The Company's profit is subject to corporate income tax. During the years ended 31 December 2019 and 2018, the Company's profit was subject to corporate income tax in Ukraine at the rate of 18%.

Components of income tax expense of the Company for the years ended 31 December 2019 and 2018 were as follows:

	2019	2018 (as restated, Note 4)
Current income tax	1,693,052	593,563
Deferred income tax (expense)/benefit	(1,239,021)	26,125
Total income tax expense	**454,031**	**619,688**

Profit before income tax multiplied by the statutory income tax rate and income tax expense for the years ended 31 December 2019 and 2018 can be reconciled as follows:

	2019	2018 (as restated, Note 4)
Profit before income tax	**2,318,126**	**3,222,413**
Income tax expense at the statutory income tax rate of 18%	417,263	580,034
Effect of non-deductible expense in determining taxable profit	36,768	39,654
Total income tax expense	**454,031**	**619,688**

As of 31 December 2019 and 2018, deferred tax assets and liabilities related to the following:

	31 December 2019	31 December 2018 (as restated, Note 4)
Trade and other accounts receivable	625,269	257,674
Post-employment and other long-term employee benefit obligations	3,753	38,763
Provisions for litigation costs	13,462	-
Accrued expenses	277,623	-
Deferred tax assets	**920,107**	**296,437**
Property, plant, and equipment and intangible assets	(5,153,508)	(148,624)
Deferred tax liability	**(5,153,508)**	**(148,624)**
Net deferred tax (liabilities)/assets	**(4,233,401)**	**147,813**

Deferred income tax liabilities increased significantly due to revaluation of property, plant, and equipment as of 31 December 2019. Revaluation surplus was netted off on income tax expense.

Movements in deferred income taxes for the years ended 31 December 2019 and 2018 were as follows:

	2019	2018 (as restated, Note 4)
Net deferred tax assets as of the beginning of the year	**147,813**	**173,938**
Deferred income tax benefit/(expense) for the year recognized in financial results	1,239,021	(26,125)
Deferred income tax expense for the year recognized in other comprehensive income	(5,620,235)	-
Net deferred tax (liabilities)/assets as of the end of the year	**(4,233,401)**	**147,813**

14. BORROWINGS

	Currency	31 December 2019	31 December 2018
Ministry of Finance of Ukraine, # 4868-UA	USD	2,891,814	3,706,005
Ministry of Finance of Ukraine, # 24668-UA	EUR	2,356,457	2,840,199
Ministry of Finance of Ukraine, # 40147-UA	EUR	2,212,642	2,877,196
Ministry of Finance of Ukraine, # FIN 31.143 SEPARIS №20090117	EUR	1,916,476	1,902,848
Ministry of Finance of Ukraine, # 37598	EUR	1,466,853	2,347,537
Ministry of Finance of Ukraine, # 8462-UA	USD	1,413,589	815,277
Ministry of Finance of Ukraine, # 27406	EUR	426,323	-
Ministry of Finance of Ukraine, # 2006 66 537	EUR	293,229	322,411
Ministry of Finance of Ukraine, # TF017661	USD	11,413	6,033
Total borrowings		**12,988,796**	**14,817,506**

As of 31 December 2019 and 2018 interests accrued on borrowings amounted to UAH 113,467 and 139,401 thousand respectively (Note 16).

As of 31 December 2019 and 2018, the borrowings presented by maturities were as follows:

	31 December 2019	31 December 2018
Long-term borrowings from banks	4,627,263	4,889,841
Short-term borrowings from banks*	7,952,427	9,752,048
Current portion of long-term borrowings	409,106	175,617
Total	**12,988,796**	**14,817,506**

* As of 31 December 2019 and 2018, part of long-term borrowings were reclassified to current liabilities due to the Company's failure to comply with financial covenants in amount of UAH 6,943,987 and 8,428,552 thousand respectively.

As of 31 December 2019 and 2018, the effective interest rates calculated based on the basic variable interest rates of the borrowings were as follows:

	31 December 2019	31 December 2018
Ministry of Finance of Ukraine, # 4868-UA	4.01%	4.92%
Ministry of Finance of Ukraine, # 24668-UA	2.62%	2.59%
Ministry of Finance of Ukraine, # 40147-UA	3.19%	2.80%
Ministry of Finance of Ukraine, # FIN 31.143 SEPARIS №20090117	2.46%	2.50%
Ministry of Finance of Ukraine, # 37598	3.33%	2.80%
Ministry of Finance of Ukraine, # 8462-UA	6.03%	5.27%
Ministry of Finance of Ukraine, # 27406	4.17%	-
Ministry of Finance of Ukraine, # 2006 66 537	2.77%	2.79%
Ministry of Finance of Ukraine, # TF017661	2.69%	2.79%

Ministry of Finance of Ukraine, Borrowing # 4868-UA

In 2007, the long-term loan agreement # 4868-UA for the total amount of USD 200,000 thousand was concluded between the Government of Ukraine and the International Bank for Reconstruction and Development (the "IBRD") to implement the Power Transmission Project. The sub-loan agreement between the Company and the Ministry of Finance of Ukraine was concluded on 23 August 2007. The interest rate of the loan is a floating interest rate based on LIBOR plus a variable spread, plus a margin of 2.00% payable to the Ministry of Finance of Ukraine. As of 31 December 2019, there was no undrawn balance under the loan (2018: USD 6,178 thousand or UAH 171,058 thousand). The loan is repayable in accordance with the settlement schedule specified in the agreement, starting from 15 March 2013 to 15 September 2027.

According to the terms of the IBRD loan agreement, the Company, inter alia, should comply with the following specified ratios:

a) Ratio of debt servicing coverage should be not less than 1.50;
b) Own source funds in the equivalent of not less than 25% of average annual expenses of the Company incurred or planned to be incurred for the current year, previous financial year, and next five financial years ("self-financing ratio").

As of 31 December 2019, the Company maintained the ratio of debt servicing coverage at the level of 3.41 (2018: 0.13) and the self-financing ratio amounted to 82.2% (2018: -11%).

As of 31 December 2019, the ratio was calculated by using a different formula than as of 31 December 2018, following clarifications as to the calculation methodology with the IBRD representatives subsequent to the date of reporting authorization for 2018.

As of 31 December 2019, the ratio of debt servicing coverage was calculated as the amount of monetary income on operating activities, less monetary expenses on operating activities, divided by total amount of loans repaid, plus interest paid during the year. As of 31 December 2018, the calculation was performed by deducting cash (in the numerator) directed to capital expenditures, which explains the difference in the ratio values.

As of 31 December 2018, the Company failed to comply with the ratio of debt servicing coverage. According to the general terms and conditions of the loan agreement with the IBRD, in the event of non-compliance with any of the terms and conditions thereunder, including the covenants, the IBRD may suspend further disbursements of the loan and/or require that the Company repay in full the outstanding amounts. As of 31 December 2018, the Company's management classified this loan as current due to the failure to comply with the terms of the loan agreement.

Ministry of Finance of Ukraine, Borrowing # 37598

In 2008, long-term loan agreement # 37598 for the total amount of EUR 150,000 thousand was concluded between the Government of Ukraine and the EBRD to implement Rivnenska AES-Kyivska high voltage line construction project. The sub-loan agreement between the Company and the Ministry of Finance of Ukraine was concluded on 7 December 2007. The interest rate of this loan is a floating interest rate based on EURIBOR+1.00%, plus a margin of 2.00% payable to the Ministry of Finance of Ukraine. In addition, the Company is charged a commission of 0.50% applied to the undrawn balance of the loan. As of 31 December 2019, the undrawn balance under the loan amounted to EUR 40 thousand or UAH 1,057 thousand (2017: EUR 4,178 thousand or UAH 132,497 thousand). The loan is repayable in equal semi-annual instalments starting from 15 May 2011 to 15 November 2022.

According to the terms of the EBRD loan agreement, the Company, inter alia, should comply with the following specified ratios:

a) Ratio of debt servicing coverage (calculated as operating cash flows, plus interest paid, less capital expenditures, divided by the total amount of loan repayments, plus interest paid for the year) should be not less than 1.20;
b) Liquidity ratio calculated as the ratio of current assets to current liabilities should be maintained at the level of not less than 1.10; and
c) Ratio of Debt to EBITDA should be maintained at the level of not more than 3.00.

As of 31 December 2019, the Company maintained the ratios at the following levels: ratio of debt servicing coverage at the level of 1.42 (2018: 0.13), ratio of current assets to current liabilities at the level of 0.90 (2018: 3.51), ratio of Debt to EBITDA at the level of 4.07 (2018: 3.45).

As of 31 December 2019, the Company failed to comply with the liquidity ratio and ratio of Debt to EBITDA. As of 31 December 2018, the Company failed to comply with the ratios of debt servicing coverage and ratio of Debt to EBITDA. According to the terms and conditions of the loan agreement with the EBRD, in the event of the failure to comply with financial covenants thereunder, the EBRD may suspend further disbursements under the loan and/or require that the Company repay in full the outstanding amounts.

Thus, as of 31 December 2019 and 2018, management classified this loan as current due to the failure to comply with the specific terms of the loan agreement.

Ministry of Finance of Ukraine, Borrowing # 40147-UA

In 2010, long-term loan agreement # 40147 for the total amount of EUR 175,000 thousand was concluded between the Government of Ukraine and the EBRD to implement Zaporizka AES-Kakhovska high voltage line construction project. The sub-loan agreement between the Company and the Ministry of Finance of Ukraine was concluded on 18 November 2010. The interest rate of this loan is a floating interest rate based on EURIBOR+1.00%, plus a margin of 2.00% payable to the Ministry of Finance of Ukraine. In addition, the Company is charged a commission of 0.50% applied to the undrawn balance of the loan. As of 31 December 2019, the undrawn balance under the loan amounted to EUR 25,512 thousand or UAH 674,070 thousand (2018: EUR 47,353 thousand or UAH 1,501,758 thousand). The loan is repayable in equal semi-annual instalments starting from 20 April 2014 to 20 October 2025.

According to the terms of the EBRD loan agreement, the Company, inter alia, should comply with the following specified ratios:

a) Ratio of debt servicing coverage (calculated as operating cash flows, plus interest paid, less capital expenditures, divided by the total amount of loan repayments, plus interest paid for the year) should be not less than 1.20;
b) Liquidity ratio calculated as the ratio of current assets to current liabilities should be maintained at the level of not less than 1.10; and
c) Ratio of Debt to EBITDA should be maintained at the level of not more than 3.00.

As of 31 December 2019, the Company maintained the ratios at the following levels: ratio of debt servicing coverage at the level of 1.42 (2018: 0.13), ratio of current assets to current liabilities at the level of 0.90 (2018: 3.51), ratio of Debt to EBITDA 4.07 (2018: 3.45).

As of 31 December 2019, the Company failed to comply with the liquidity ratio and ratio of Debt to EBITDA. As of 31 December 2018, the Company failed to comply with the ratios of debt servicing coverage and ratio of Debt to EBITDA. According to the general terms and conditions of the loan agreement, in the event of the failure to comply with financial covenants thereunder, the EBRD may suspend further disbursements under the loan and/or require that the Company repay in full the outstanding amounts.

Thus, as of 31 December 2019 and 2018, management classified this loan as current due to the failure to comply with the specific terms of the loan agreement.

Ministry of Finance of Ukraine, Borrowing # 24668-UA

In 2008, long-term loan agreement # 24668-UA for the total amount of EUR 150,000 thousand was concluded between the Government of Ukraine and European Investment Bank ("EIB") to implement Rivnenska AES-Kyivska high voltage line construction project. The sub-loan agreement between the Company and the Ministry of Finance of Ukraine was concluded on 8 October 2008. The interest rate of this loan is a floating interest rate based on EURIBOR+0.787%, plus a margin of 2.00% payable to the Ministry of Finance of Ukraine. In addition, the Company is charged a commission of 0.10% applied to the undrawn balance of the loan. As of 31 December 2019, the undrawn balance under the loan amounted to EUR 47,550 thousand or UAH 1,256,366 thousand (2018: EUR 52,550 thousand or UAH 1,666,578 thousand). The first tranche under this loan was received by the Company in 2012. Each loan tranche is repayable in equal semi-annual instalments within the 12 year period and starting from the third year the loan tranche was received. The final maturity date under this loan is 20 February 2035.

Ministry of Finance of Ukraine, Borrowing # FIN 31.143 SEPARIS #20090117

In 2011, long-term loan agreement # FIN 31.143 SEPARIS №20090117 for the total amount of EUR 175,000 thousand was concluded between the Government of Ukraine and the EIB to implement Zaporizka AES-Kakhovska high voltage line construction project. The sub-loan agreement between the Company and the Ministry of Finance of Ukraine was concluded on 2 July 2012. The interest rate of this loan is a floating interest rate based on EURIBOR+0.70%, plus a margin of 2.00% payable to the Ministry of Finance of Ukraine. In addition, the Company is charged a commission of 0.10% applied to the undrawn balance of the loan. As of 31 December 2019, the undrawn balance under the loan amounted to EUR 102,300 thousand or UAH 2,702,971 thousand (2018: EUR 115,000 thousand or UAH 3,851,974 thousand).

Borrowing agreements with the EIB # FIN 31.143 SEPARIS №20090117 and # 24668-UA contain a provision on cross default, with references to financial agreement of the EBRD and the EU. Considering this fact, as 31 December 2019, the Company failed to comply special terms and conditions under loan agreements with the EBRD # 37598 and # 40147-UA, and those borrowings were classified as current, and loan agreements with the EIB were also classified as current due to the failure to meet the cross default provision.

Ministry of Finance of Ukraine, Borrowing # 2006 66 537

In 2011, long-term loan agreement # 2006 66 537 for the total amount of EUR 65,500 thousand was concluded between the Government of Ukraine and Kreditanstalt für Wiederaufbau Bank (Germany) to implement the Electricity Transmission Efficiency Improvement Project (substation modernization). The sub-loan agreement between the Company and the Ministry of Finance of Ukraine was concluded on 10 July 2012. In 2015, pursuant to the additional letter to the loan agreement, the total amount of the loan was reduced to EUR 40,500 thousand. The loan has a floating interest rate 0.75%, plus a margin of 2.00% payable to the Ministry of Finance of Ukraine. In addition, the Company is charged a commission of 0.25% applied to the undrawn balance of the loan. As of 31 December 2019, the undrawn balance under the loan amounted to EUR 29,402 thousand or UAH 766,862 thousand (2018: EUR 55,334 thousand or UAH 1,754,875 thousand).

Ministry of Finance of Ukraine, Borrowing № 8462-UA

In 2015, long-term loan agreement # 8462-UA for the total amount of USD 330,000 thousand was concluded between the Government of Ukraine and the IBRD to implement the Second Power Transmission Project. In accordance with the sub-loan agreement between the Company and the Ministry of Finance of Ukraine concluded on 25 May 2015, the sub-lender re-credited a portion of funds in the amount of USD 327,494 thousand. The interest rate of the loan is a floating interest rate based on 6mLIBOR, plus a variable spread. In addition, the Company is charged a commission of 0.25% for the undrawn loan amount and a margin of 2.00% payable to the Ministry of Finance of Ukraine. In May 2019, the borrower and the IBRD signed amendments to Loan Agreement # 8462-UA, according to which they agreed to reduce the amount of borrowing funds by USD 60,000,000 and extend the final completion of the Project from 30 June 2020 to 29 June 2022. As of 31 December 2019, the undrawn balance under the loan amounted to USD 201,843 thousand or UAH 4,780,885 thousand (2018: USD 298,049 thousand or UAH 8,252,456 thousand). The loan is repayable in accordance with the settlement schedule specified in the agreement, starting from 15 January 2020 to 15 July 2032.

Ministry of Finance of Ukraine, Borrowing № TF017661

In 2015, long-term loan agreement # TF017661 for the total amount of USD 48,425 thousand was concluded between the Government of Ukraine and the IBRD to implement the Second Power Transmission Project. The sub-loan agreement between the Company and the Ministry of Finance of Ukraine was concluded on 25 May 2015. The interest rate of the loan is a fixed interest rate of 0.75%. As of 31 December 2019, the undrawn balance under the loan amounted to USD 47,943 thousand or UAH 1,135,589 thousand (2018: USD 48,207 thousand or UAH 1,334,768 thousand). The loan is repayable in accordance with the settlement schedule specified in the agreement, starting from 15 January 2025 to 15 July 2034.

In accordance with terms and conditions of loan agreements with the IBRD # 8462-UA and # TF017661, the Company, inter alia, should comply with the following specified ratios:

a) Ratio of debt servicing coverage (calculated as operating cash flows, plus interest paid, less capital expenditures, divided by the total amount of loan repayments, plus interest paid for the year) should be not less than 1.20;
b) Own source funds in the equivalent of not less than 25% of average annual expenses of the Company incurred or planned to be incurred for the current year, previous financial year, and next five financial years ("self-financing ratio").

As of 31 December 2019, the Company maintained the ratio of debt servicing coverage at the level of 3.41 (2018: 0.13) and the self-financing ratio amounted to 82.2% (2018: -11%).

According to the general terms and conditions of the loan agreement with the IBRD, in the event of non-compliance with any of the terms and conditions thereunder, including the covenants, the IBRD may suspend further disbursements of the loan and/or require that the Company repay in full the outstanding amounts. As of 31 December 2018, the Company's management classified this loan as current due to the failure to comply with the terms of the loan agreement.

Ministry of Finance of Ukraine, Borrowing № 27406

In 2016, long-term loan agreement # 27406 for the amount not higher than totally EUR 150,000 thousand was concluded between the Government of Ukraine and Kreditanstalt für Wiederaufbau Bank (Germany) to implement the Rehabilitation of Substations in the Eastern Part of Ukraine Project. The sub-loan agreement between the Company and the Ministry of Finance of Ukraine was concluded on 21 March 2017. The loan is repayable in accordance with the settlement schedule specified in the agreement to 30 December 2031. The interest rate of the loan is a fixed interest rate of 3.97%. In addition, the Company will be charged a margin of 2.00% payable to the Ministry of Finance of Ukraine. As of 31 December 2019, the undrawn balance under the loan amounted to EUR 133,865 thousand or UAH 3,536,975 thousand. During 2018, there were no withdrawals for this loan, therefore, only the commission for undrawn amount was paid.

European Bank for Reconstruction and Development, Borrowing # 49235

In July 2019, long-term loan agreement for the total amount of EUR 149,000 thousand was concluded between the Company and the European Bank for Reconstruction and Development to implement the Project on Modernization of Transmission Network (purchase of new transformers and modernization of twelve substations in key regions of Ukraine). The interest rate of this loan is a floating interest rate based on EURIBOR+1.00%, plus a margin of 1.00% payable to the Ministry of Finance of Ukraine for the government guarantee granted for the total loan amount. In addition, the Company is charged a commission of 0.50% applied to the undrawn balance of the loan. During 2019, there were no withdrawals for this loan.

As of 31 December 2019 and 2018, interest rates on the Company's loans were approximately equal to prevailing rates of return for financial instruments that have substantially the same terms and conditions, remaining periods to repayment of the principal, as well as currencies.

The following table details the Company's remaining contractual maturities also taking into account the effect of breaching of covenants for its long-term loans as of 31 December 2019 and 2018. On all loan facility balances at the relevant dates, the Company had no unconditional right to extend the maturities at least for twelve months from the reporting date. As a result, the loans are presented in the table below in the category of "due within twelve months" with the future interest payments and undrawn facility commission payments under those loans for the next year. The table has been drawn up based on the undiscounted cash flows of the loans and includes both interest and principal cash flows.

	31 December 2019	**31 December 2018**
Due within twelve months	9,474,860	10,104,992
Due after twelve months	5,320,727	5,193,983
Total cash flows	**14,795,587**	**15,298,975**

As of 31 December 2019 and 2018 and until the date of these financial statements were authorized for issue, the Company did not receive any notices about the cease of further financing or any notices with a demand for immediate repayment of any of the borrowings mentioned above.

15. TRADE ACCOUNTS PAYABLE

	31 December 2019	**31 December 2018 (as restated, Note 4)**
Trade accounts payable on:		
- Regulation of electric energy imbalances	2,565,839	-
- Participation in the balancing market	1,210,060	-
- Acquisition, construction, modernization, reconstruction of non-current assets	541,188	632,043
- Consideration under "green tariffs"	296,332	-
Other	119,033	70,621
Total	**4,732,452**	**702,664**

The average credit period on purchases is from 1 to 5 months (2018: from 6 to 8 months).

16. OTHER CURRENT LIABILITIES

	31 December 2019	31 December 2018 (as restated, Note 4)
Financial guarantees of market participants	176,475	26,377
Interest accrued on borrowings	113,467	139,401
Other	45,121	94,005
Total	**335,063**	**259,783**

17. CURRENT ACCOUNTS PAYABLE ON SETTLEMENTS WITH THE STATE BUDGET

	31 December 2019	31 December 2018 (as restated, Note 4)
Payables on income taxes	677,206	-
Payables on value added tax	496,713	64,115
Other	1,007	1,610
Total	**1,174,926**	**65,725**

Current accounts payable on taxes are explained by business activities of the Company. Income taxes and value added tax of the Company are calculated in accordance with the tax legislation of Ukraine (statutory income tax rate in 2018–2019 amounted to 18%, and value added tax rate in 2018–2019 amounted to 20%).

18. PROVISIONS

	Annual leaves	Additional pension benefits	Financial incentives	Dividends	Litigation costs	Other	Total
As of 31 December 2017	**67,281**	**-**	**-**	**-**	**54,517**	**-**	**121,798**
Charged	193,685	17,787	94,090	-	-	-	**305,562**
Used/reversed	(169,044)	-	-	-	(54,517)	-	**(223,561)**
As of 31 December 2018	**91,922**	**17,787**	**94,090**	**-**	**-**	**-**	**203,799**
Charged	216,313	20,849	305,575	559,229	74,790	2,833	**1,179,589**
Used/reversed	(199,761)	(17,787)	(319,133)	-	-	-	**(536,681)**
As of 31 December 2019	**108,474**	**20,849**	**80,532**	**559,229**	**74,790**	**2,833**	**846,707**

Provision for dividends

As of 31 December 2019, the Company accrued provisions for future payments of dividends in 2020 based on the financial and business performance of 2019, as it had the legal organization form of Private Joint Stock Company. Dividends will be paid not later than on 1 July 2020. Provisions for future payment of dividends amounted to UAH 559,229 thousand calculated at the rate of 30% of net profits for 2019 (Note 10).

Provision for annual leaves, financial incentives, and additional pension benefits

The Company creates provisions for short-term cumulative reimbursable absences and performance bonuses for the year in accordance with the terms and conditions of the Collective Agreement, in respect of which the Company has a constructive obligation to pay such benefits as a result of past events. Costs on provisions for performance bonuses for the year are included in staff costs and related social charges.

Provision for litigation costs

The Company acts as a plaintiff in several legal proceedings with its counterparties. A provision for litigation costs is management's estimate of probable losses that may be incurred as a result of negative court rulings (Note 25).

19. REVENUE AND COST OF SALES

	2019	2018
Revenue on electric energy transmission and dispatcher (operating and technical) management	16,452,108	5,394,311
Revenue on regulation of imbalances and balancing	8,618,573	-
Revenue on granted access to interstate networks	1,206,293	650,401
Revenue on sale of reactive energy	49,392	-
Total	**26,326,366**	**6,044,712**

	2019	2018 (as restated, Note 4)
Cost of electric energy transmission services	10,561,260	2,215,449
Cost of services on dispatcher (operating and technical) management	549,479	715,122
Cost of regulating imbalances and balancing	8,971,127	-
Total	**20,081,866**	**2,930,571**

20. OPERATING EXPENSE

	2019	2018 (as restated, Note 4)
Purchases of electric energy for the balancing market and regulating imbalances	8,971,128	-
Compensating payments on green tariffs	6,352,046	-
Losses on impairment of property, plant, and equipment due to revaluation	3,166,942	-
Staff costs	2,691,286	2,398,471
Impairment of trade and other accounts receivable	2,205,120	105,937
Settlements for electricity to compensate technological losses	1,337,523	-
Depreciation and amortization	979,777	811,435
Repairs and maintenance	260,631	296,405
Impairment of advances given	114,776	-
Provision for litigation and other costs	77,623	-
Other taxes	50,759	36,869
Losses on impairment of construction in progress and intangible assets	48,984	-
Other expense	673,394	308,573
Total	**26,929,989**	**3,957,690**

Additionally to the audit fees related to the mandatory audit as included to other expense, are other audit fees for 2019 amounting to UAH 180 thousand (2018: UAH 1,972 thousand).

21. OTHER OPERATING INCOME

	2019	2018
Recovery of earlier written off debt	275,499	81,099
Income on operating foreign exchange differences, net	57,465	76,094
Materials surplus on stocktake	37,289	79,127
Materials capitalized upon write off	36,611	9,146
Gain on property, plant, and equipment received free of charge	32,984	19,792
Income on sale of inventories	29,939	135,183
Fines, penalties, forfeits received	26,497	5,271
Gain on budget cuts under actuarial liabilities (Note 12)	17,049	-
Gain on reversal of provision for litigation costs	-	54,517
Other	43,309	82,048
Total	**556,642**	**542,277**

22. FINANCE INCOME

	2019	2018
Income on non-operating foreign exchange differences on borrowings, net	2,321,768	595,800
Interest income on current accounts with banks	305,499	115,095
Interest income on deposit accounts with banks	70,794	204,948
Income on discounting non-current amounts due	6,493	-
Income on discount unwinding	511	-
Total	**2,705,065**	**915,843**

23. FINANCE COSTS

	2019	2018
Interest expense on loans	469,868	523,575
Capitalized interest	(194,446)	(242,911)
Interest expense on post-employment and other long-term employee benefit obligations (Note 12)	47,617	42,065
Interest on discount amortization of non-current amounts due	14,394	-
Expense on discount of lease rights	2,525	-
Total	**339,958**	**322,729**

24. RELATED PARTIES

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operating decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions, and amounts as transactions between unrelated parties.

Ultimate controlling party of the Company is the Government of Ukraine represented by the Ministry of Finance of Ukraine, effective from 29 July 2019 (before 29 July 2019, the Ministry of Energy and Coal Industry of Ukraine) (the Company's shareholder). The Company's related parties include key management personnel and their close family members, as well as state-owned entities and institutions. Major related parties with which the Company had operations during the year are: State Enterprise "Energorynok", State Enterprise "Guaranteed Buyer" (established on 20 July 2019), State Enterprise of Foreign Economic Activities "Ukrinterenergo", Private Joint Stock Company "Ukrhydroenergo", JSC "State Savings Bank of Ukraine", JSC "State Export-Import Bank of Ukraine", PJSC "Ukrgazbank", PJSC "Privatbank", and other entities.

In 2019 key management personnel consisted on average of 5 Executive Board members (2018: 6 Executive Board members). Compensation to the key management personnel included into operating expenses consists of salary and additional current bonuses and comprises UAH 22,143 thousand in 2019 (2018: UAH 18,257 thousand).

During 2019 the Company also incurred UAH 8,818 thousand of compensation to the members of Supervisory Board (2018: UAH 761 thousand). In 2019 Supervisory Board consisted on average of 6 members (2018: 5 members). The Supervisory Board started to operate in October 2018.

As of 31 December 2019 and 2018, the Company had the following outstanding balances with its major related parties, the state-controlled entities:

	31 December 2019	31 December 2018
Assets		
Trade accounts receivable from State Enterprise "Guaranteed Buyer"	1,025,366	-
Trade accounts receivable from State Enterprise "Ukrinterenergo"	321,899	3,598
Trade accounts receivable from PrJSC "Ukrhydroenergo"	797,477	-
Trade accounts receivable from State Enterprise "Energorynok"	11	180,513
Trade accounts receivable from other related parties	606,924	-
Total trade accounts receivable from related parties	**2,751,677**	**184,111**
Advances issued to State Enterprise "Guaranteed Buyer"	358,862	-
Advances issued to PrJSC "Ukrhydroenergo"	197,471	-
Advances issued to other related parties	186	-
Total advances issued to related parties	**556,519**	**-**
Cash and cash equivalents placed with JSC "Ukrgazbank"	719,462	1,299,451
Cash on special purpose accounts placed with JSC "State Export-Import Bank of Ukraine"	430,428	413,295
Cash and cash equivalents placed with JSC "State Savings Bank of Ukraine"	745,828	124,117
Cash and cash equivalents placed with JSC "State Export-Import Bank of Ukraine"	481,883	64,151
Cash and cash equivalents placed with PJSC "Privatbank"	80	464
Total cash placed with related parties	**2,377,681**	**1,901,478**
Total assets from related parties	**5,685,877**	**2,085,589**

	31 December 2019	31 December 2018
Liabilities		
Trade accounts payable to State Enterprise "Guaranteed Buyer"	1,135,703	-
Trade accounts payable to PrJSC "Ukrhydroenergo"	904,058	-
Trade accounts payable to other related parties	527,954	-
Total accounts payable to related parties	**2,567,715**	**-**
Advances received from PrJSC "Ukrhydroenergo"	502,447	-
Advances received from related parties	20,253	-
Borrowings from the Ministry of Finance of Ukraine (Note 14)	12,988,796	14,817,506
Interests accrued on borrowings	113,467	139,401
Total liabilities to related parties	**16,192,678**	**14,956,907**

During the years ended 31 December 2019 and 2018, the Company entered into the following transactions with its major related parties, as represented by the state-controlled entities:

	2019	2018
Revenue from State Enterprise "Energorynok"	3,132,695	5,394,311
Revenue from State Enterprise "Guaranteed Buyer"	871,460	-
Revenue from PrJSC "Ukrhydroenergo"	1,233,482	-
Revenue from State Enterprise "Ukrinterenergo"	744,504	36,013
Revenue from other related parties	3,212,280	-
Total revenue from related parties	**9,194,421**	**5,430,324**
Purchases from State Enterprise "Guaranteed Buyer"	7,336,794	-
Purchases from Energoatom-Trading of SE "NAEC "Energoatom"	1,171,594	-
Purchases from PrJSC "Ukrhydroenergo"	1,349,486	-
Purchases from other related parties	1,166,173	-
Total purchases from related parties	**11,024,047**	**-**
Income on repayment of earlier written off accounts receivable from State Enterprise "Energorynok"	258,996	76,545
Interest income on deposit accounts placed with JSC "Ukrgazbank"	35,859	97,222
Interest income on current accounts placed with JSC "State Export-Import Bank of Ukraine"	30,422	76,382
Interest income on current accounts placed with JSC "State Savings Bank of Ukraine"	43,465	21,883
Interest income on deposit accounts placed with JSC "State Savings Bank of Ukraine"	3,681	12,368
Interest income on current accounts placed with JSC "Ukrgazbank"	200,733	7,580
Interest income on current accounts placed with PJSC "Privatbank"	30	-
Total other income from related parties	**573,186**	**291,980**
Other expense on impairment of accounts receivable from State Enterprise "Energorynok"	(623,547)	(277,749)
Other expense on impairment of accounts receivable from other related parties	(679,667)	-
Purchases of other goods and services	(123,004)	(87,407)
Finance costs on borrowings received from the Ministry of Finance of Ukraine (including capitalized costs)	(469,868)	(523,294)
Total other expense from related parties	**(1,896,086)**	**(888,450)**

As of 31 December 2019, the Government of Ukraine provided guarantees for the borrowings obtained from the Ministry of Finance of Ukraine under sub-loan agreements in the total amount of UAH 12,988,796 thousand (2018: UAH 14,817,506 thousand) (Note 14).

Effective from 1 July 2019, Ukraine, pursuant to the Law of Ukraine "On Electric Energy Market" (hereinafter, the "Law") adopted in 2017, has introduced a new model of electric energy market. As the system operator, the Company makes electric power purchases and sales in the balancing market with the purpose of balancing volumes of electric energy demand and supply in the current day, as well as purchases and sales of electric energy to regulate energy imbalances of the parties responsible for the balance.

During 2018 and first half of 2019, before the reform of electricity market in Ukraine, the Company rendered services only to State Enterprise "Energorynok" (Note 2).

25. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

Taxation

The Ukrainian legislation and regulations regarding taxation and customs continue to evolve. The legislation and regulations are not always clearly written and are subject to varying interpretations and inconsistent enforcement by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual.

Management believes that its interpretation of the relevant legislation is appropriate and that the Company has complied with all regulations, and paid or accrued all taxes and withholdings that are applicable.

Legal issues

Legal proceedings

In the normal course of business, the Company is subject to legal claims. Where the risk of outflow of financial resources associated with such claims is assumed as probable, a respective liability is recognised as the provision for litigations (Note 18). Where management estimates the risk of outflow of financial resources associated with such claims as possible, or amount of outflow cannot be measured reliably, no provision is recognised, and respective amount is disclosed in financial statements. Management believes that it provided for all probable losses from litigation in these financial statements.

Claims of the electricity market participants against NCREU

In the second half of 2019 several electricity market participants filed claims against National Commission for Regulation of Energy and Utilities (NCREU) that challenged the legitimacy of NCREU decrees stipulating the increased tariffs from transmission and dispatching services applied by the Company in the second half of 2019. The Company was indicated as the third party in the mentioned claims.

In the first quarter of 2020 by decision of the first instance court respective NCREU decrees were abolished. NCREU and the Company filed the claim of appeal to the court of appeal. The legal case has been in progress to date. If the dispute is lost by NCREU in the final court, the difference between tariffs disputed and earlier adopted tariffs would create the maximum exposure to NCREU and the Company of UAH 5,883 million. At the same time having analysed the strengths of its legal position, management of the Company believes that the risk of the outflow of financial resources associated with the mentioned claims is remote and no provision is required as at the reporting date.

Capital commitments

As of 31 December 2019, the Company had contractual capital commitments for the purchase of property, plant, and equipment in the amount of UAH 6,574,884 thousand (2018: UAH 6,487,309 thousand).

Investment program

In accordance with Resolution of the NCREU # 563 dated 4 May 2006 and Resolutions of the NCREU # 585 and # 586 dated 22 April 2019 (as subsequently amended), a part of the tariff calculated for the Company for its energy transmission and dispatcher (operating and technical) management services includes a component allocated to fund the Company's investment program for replacement and modernization of its property, plant, and equipment. In 2019, for the purposes intended by the investment program, the Company effectively used UAH 3,008,320 thousand (2018: UAH 2,758,418 thousand).

In the event of failure to implement the investment program in full, the NCREU has the right to make deductions from the Company's future earnings by reducing the investment component in the tariff applied by the Company in subsequent periods by the total amount for which the program has not been previously fulfilled.

On an annual basis, based on the actual data, the NCREU adjusts income of the planned year (withdrawals and compensations) which considers actual volumes of the investment program fulfilled.

It is expected that, during 2020, the Company will allocate UAH 6,389,460 thousand to its investment program.

Insurance

The Company does not have full coverage for its plant facilities, business interruption, or third party liability for property or environmental damage arising from accidents on the Company's property or relating to its operations. In the absence of insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

Environmental contingencies

The Company and its predecessor entities have operated in the energy industry in Ukraine for many years. The normal activities of the Company may result in damage to the environment.
The enforcement of environmental regulation in Ukraine is evolving and the enforcement stance of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. If obligations are determined, they would be recognised immediately. If no current or future benefit is discernible, the related costs would be expensed. Expenditures which extend the life of the related property or mitigate or prevent future environmental contamination would be capitalized. Potential liabilities, which might arise as a result of stricter enforcement of the existing regulations, civil litigation, or changes in the legislation or regulation, cannot be reliably estimated.

In the current enforcement climate under the existing legislation, management believes that there are no significant liabilities for environmental damage that require accrual in the financial statements.

26. FAIR VALUE

IFRS determine fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent they are available and relevant valuation techniques. However, in determining the estimated fair value, it is required to apply judgments to interpret market information. Management has used all available market information to measure fair value. The estimates presented herein are not necessarily indicative of the amounts the Company could realize in a market exchange from the sale of its full holdings of a particular instrument or pay in the course of transfer of liabilities.

Fair value of the Company's property, plant, and equipment

The Company's property, plant, and equipment are measured at fair value based on the categories of Levels 2 and 3 of the fair value hierarchy (inputs are unobservable for an assets). The Company engages independent professional appraisers to determine the fair value of its property, plant, and equipment by using the replacement method for most groups. The fair value is defined as the cost of construction of those items at current prices, less economic impairment, functional and physical wear and tear at the relevant date. A key parameter used in the valuation technique is the present cost of construction of substations and electric power lines.

For the items that have market analogs (mainly administrative buildings), income approach is applied, prices of market offers for leases of comparable properties are adjusted considering differences in major parameters (such as property space). A key parameter used in this valuation technique is lease price of one square meter of property.

The Company's property, plant, and equipment are assessed by using the replacement cost method with the use of income approach to determine economic impairment. Information about inputs used to assess the Company's property, plant, and equipment as of 31 July 2019 is provided below:

Valuation technique	**Unobservable inputs**	**Range of unobservable inputs as of 31 July 2019**	**Range of unobservable inputs as of 31 December 2019**	**Relationships between key unobservable inputs and fair value measurement**
Replacement cost method with the use of income approach to determine economic impairment	Factor of functional impairment (optimization)	0.6–0.9	0.6–0.9	The higher the factor, the lower fair value
	Date of transfer to incentive based pricing	01.01.2021	01.01.2021	The later transition date, the lower fair value
	Rate of return on regulatory base of assets	12.5%	11.9%	The higher income rate, the higher fair value
	Nominal weighted average cost of capital on UAH-denominated cash flows	13.7%	11.9%–13%	The higher weighted average capital cost, the lower fair value

The table below provides information about property, plant, and equipment recognized at fair value upon initial recognition with the use of fair value hierarchy:

31 December 2019	**Level 2**	**Level 3**	**Total**
Property, plant, and equipment	612,962	43,695,510	**44,308,472**
Total	**612,962**	**43,695,510**	**44,308,472**

Financial instruments

	31 December 2019	**31 December 2018**
Financial assets		
Trade accounts receivable	3,927,933	195,300
Cash and cash equivalents	2,951,240	2,324,418
Other current accounts receivable	11,346	44,942
Interest receivable	27,303	26,109
Non-current accounts receivable	9,303	10,470
Total financial assets	**6,927,125**	**2,601,239**
Financial liabilities		
Borrowings from banks	12,988,796	14,817,506
Trade accounts payable	4,732,452	702,664
Other non-current liabilities*	122,190	127,567
Other current liabilities (interest accrued and financial guarantees)	289,942	165,778
Total financial liabilities	**18,133,380**	**15,813,515**

* Included in financial instruments is the value of only other non-current liabilities that meet definition of financial liabilities.

As of 31 December 2019 and 2018, the Company used the following assumptions in assessing the fair value of each class of its financial instruments:

- Fair values of current trade and other accounts receivable, cash and cash equivalents, trade and other accounts payable are equal to their carrying amounts due to the short-term nature of the relevant instruments.
- As of 31 December 2019 and 2018, the Company calculated effective interest rates for loans based on the basic variable interest rates and estimated lives and maturities of loans. Calculated effective interest rates as of the reporting dates corresponded to the market rates for similar instruments, thus, the fair values of such financial instruments were equal to their carrying amounts.

Categories of the fair value hierarchy as of 31 December 2019 were as follows:

	Fair value hierarchy as of 31 December 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Borrowings	-	-	12,988,796	**12,988,796**
Total	**-**	**-**	**12,988,796**	**12,988,796**

Categories of the fair value hierarchy as of 31 December 2018 were as follows:

	Fair value hierarchy as of 31 December 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Borrowings	-	-	14,956,907	**14,956,907**
Total	**-**	**-**	**14,956,907**	**14,956,907**

27. RISK MANAGEMENT

Capital risk management

The Company considers borrowings, share capital, and retained earnings as its main funding sources. The main objective in managing the Company's capital is to maintain reasonable solvency and ratios of capital adequacy to ensure the Company's ability to continue as a going concern. The Company monitors its capital using a gearing ratio calculated as the ratio of net liabilities to share capital and net debt. The Company includes in calculation of net liabilities interest-bearing borrowings, net of cash and short-term deposits.

The Company's policies towards capital management are aimed at ensuring and supporting the optimal capital structure in order to mitigate general capital costs and ensure flexibility required for the Company's access to capital markets.

	31 December 2019	**31 December 2018**
Borrowings from banks	12,988,796	14,817,506
Other current liabilities (interest accrued)	113,467	139,401
Less: Cash and cash equivalents	(2,951,240)	(2,324,418)
Net debt	**10,151,023**	**12,632,489**
Equity	37,433,157	11,599,022
Equity and net debt	**47,584,180**	**24,231,511**
Gearing ratio	**0.21**	**0.52**

Market risks

The Company's activities expose it to a variety of financial risks, including the effects of changes in tariffs, changes in foreign currency exchange rates, changes in interest rates, and collectability of receivables.

Risk of changes in tariffs

Risk of changes in tariffs is the risk that the Company's current or future earnings will be adversely impacted in the event the NCREU reduces tariffs for electric energy transmission and dispatcher (operating and technical) management services. The NCREU has the power to review tariffs on an annual basis in the event the Company does not comply with the requirements of its operating license, regulations of the NCREU, or other regulatory requirements; as well as in the event the Company does not fulfill its investment program to the extent that all the funds accumulated by the investment component in the tariff are used up.

The Company manages this risk by adhering its activities to and by ensuring full compliance with all regulatory requirements, as well as by undertaking adequate measures as to the fulfilment of the investment program and compliance with the approve tariff structures.

Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Company on a timely basis, leading to financial losses to the Company. As of 31 December 2019 and 2018, the maximum exposure of credit risk was represented by the carrying amounts of financial assets, net of impairment losses on such assets, and comprised the following:

	31 December 2019	**31 December 2018**
Trade accounts receivable	3,927,933	195,300
Cash and cash equivalents	2,951,240	2,324,418
Other current accounts receivable	11,346	44,942
Interest receivable	27,303	26,109
Non-current accounts receivable	9,303	10,470
Total	**6,927,125**	**2,601,239**

For the year ended 31 December 2019, the Company recognized impairment loss on trade accounts receivable in the amount of UAH 1,891,656 thousand (2018: UAH 24,838 thousand).

Cash on special purpose accounts is placed in the banks that are approved by the Ministry of Finance of Ukraine.

As at 31 December 2019 and 2018, the credit risk on cash and cash equivalents was limited because the Company placed almost all of its funds in state-owned banks rated by Fitch in the range from B to B+ (2018: from CCC to B-).

The Company requires granting banking and financial guarantees from its counterparties.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle all liabilities as they fall due. The Company manages liquidity risk by complying with the financial discipline in accordance with the financial plan which is approved annually. The key source of financing is receipts from operating activities of the Company. In case of any liquidity problems, the level of receipts is regulated by increasing tariffs for electricity transmission and dispatcher (operating and technical) management by the NCREU through introduced changes in the Company's financial plan.

As of 31 December 2019 and 2018, the Company recognized loan liabilities in the amount of UAH 6,943,987 and 8,428,552 thousand, respectively, within current liabilities due to its failure to comply with the financial covenants stipulated by the loan agreements (Note 14). This led to a deficit of working capital in the amount of UAH 7,898,243 and 7,984,457 thousand respectively (Note 2).

Maturity profile of the Company's financial liabilities as of 31 December 2019 and 2018 based on contractual payments is presented in Note 14.

Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial performance of the Company. The Company primarily borrows on a variable interest rate basis.

The table below details the Company's sensitivity to increase of floating rates by 1%. The analysis was applied to interest-bearing loans based on the assumption that the amount of liability outstanding as of the reporting date was outstanding for the whole year.

	LIBOR, EURIBOR – impact	
	2019	**2018**
Loss	122,578	136,738

The effect of interest rate sensitivity on equity is equal to that on financial results.

Foreign currency risk

Foreign currency risk is the risk that the financial performance of the Company will be adversely impacted by changes in foreign exchange rates to which the Company is exposed. Energy transmission and dispatcher (operating and technical) management services are provided by the Company in the internal market of Ukraine at the prices fixed in UAH.

The Company's borrowings are denominated in foreign currencies, as well as certain agreements on the import of equipment. The Company does not use any derivatives to manage its foreign currency risk exposure. Carrying amounts of the Company's foreign currency denominated monetary assets and liabilities as of the reporting dates were as follows:

	USD		EUR	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Assets				
Cash and cash equivalents	216,184	175,398	215,184	239,054
Liabilities				
Borrowings from banks	(4,316,816)	(4,605,684)	(8,671,980)	(10,351,223)
Accounts payable on goods, works, services	(180,089)	(21,137)	(171,683)	(192,881)
Other non-current liabilities	(90,031)	(28,519)	(32,159)	(99,065)
Net position	**(4,370,752)**	**(4,479,942)**	**(8,660,638)**	**(10,404,115)**

The following table details the Company's sensitivity to a 10% strengthening and weakening of UAH against USD and EUR in respect to the transaction balances as of 31 December 2019 and 2018. These sensitivity levels represent management's assessment at the reporting dates of reasonably possible changes in foreign exchange rates.

	2019		2018	
	USD – impact	**EUR – impact**	**USD – impact**	**EUR – impact**
Profit at strengthening by 10%	437,075	866,064	447,994	1,040,412
Loss at weakening by 10%	(437,075)	(866,064)	(447,994)	(1,040,412)

Reconciliation of liabilities arising from financing activities

The table below details main changes in the Company's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are obligations in respect of which cash flows were or future cash flows will be classified in the Company's statement of cash flows (under direct method) as cash flows from financing activities.

	2019	**2018 (as restated, Note 4)**	**2018 (as previously reported)**
As of 1 January	**14,956,908**	**14,897,698**	**14,897,698**
Cash proceeds to the Company's accounts	868,421	1,189,270	2,071,911
Direct payments of a lending bank to counterparties	1,011,437	702,949	-
Reversal of discount	-	179,692	-
Cash payments	(1,386,800)	(1,437,631)	(1,437,631)
Interest expense	469,868	523,575	523,575
Interest paid	(495,803)	(502,846)	(502,846)
Foreign exchange differences, net	(2,321,768)	(595,800)	(595,800)
As of 31 December	**13,102,263**	**14,956,907**	**14,956,907**

28. EVENTS AFTER THE REPORTING PERIOD

Due to the recent development of the COVID-19 pandemic, many countries, including Ukraine, have introduced quarantine measures that have affected the level and scale of business activity of market participants. It is expected that both the pandemic itself and measures to minimize its effects can affect the performance of companies in various industries. The Company views this pandemic as a non-adjusting event after the reporting period, the quantitative effect of which cannot be estimated with sufficient certainty.

Subsequent to 31 December 2019 the Company made repayments of the principal amounts on the borrowings in amount of UAH 493,337 thousand.