

**State Company “Market Operator”**

**Financial Statements  
and Independent Auditor’s Report**

for the year ended 31 December 2019

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## INDEPENDENT AUDITOR'S REPORT

*To Management of the State Company "Market Operator"*

### Report on the Audit of the Financial Statements

#### Opinion

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We have audited the financial statements of State Company "Market Operator" ("the Company") that include:

- Balance Sheet (Statement of Financial Position) as at 31 December 2019;
- Income Statement (Statement of Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended; and
- Notes to 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 at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Ukrainian Accounting Standards ("UAS") and the financial reporting requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine".

#### Basis for Opinion

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We conducted our audit in accordance with the International Standards on Auditing ("ISA"). Our responsibility in accordance with these standards is set out in the *Auditor's Responsibility for the Audit of Financial Statements* 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 ("*IESBA Code*") together with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Other Information

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Management is responsible for the other information. The other information includes the management report for 2019 prepared in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" and

other applicable laws and regulations (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 do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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. We identified no material misstatements in the management report.

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

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Management is responsible for the preparation and fair presentation of the financial statements in accordance with UAS and financial reporting requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", 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**

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The objectives of our audit 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 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.

**Partner**

BAKER TILLY UKRAINE LLP [signed] Serhii Kesariev

Auditor registration number in the Register of Auditors and Auditing Entities: No. 100804

*[round seal: Kyiv \* Limited Liability Company "Baker Tilly Ukraine" \* identification code 30373906 \* FOR CONCLUSIONS AND REPORTS]*

22 May 2020

Kyiv, Ukraine

*Main information about the audit firm:*

Full name: Limited Liability Company "BAKER TILLY UKRAINE".

Location: room 9, 3, Hrekova St., 04112 Kyiv

Actual address: 28, Fizkultury St., 03150 Kyiv,.

Registration number in the Register of Auditors and Auditing Entities: No. 2091.

Appendix 1  
to National Policy (Standard) of  
Accounting 1 General Requirements  
for Financial Reporting

Codes		
2020	01	01
43064445		
8039100000		
140		
35.14		

Organisation STATE COMPANY "MARKET OPERATOR"

Location SHEVCHENKIVSKYI DISTRICT, KYIV

Form of incorporation State Company

Economic activity Trade of electricity

Average number of employees <sup>1</sup> 95

Address, phone no. 27, Symona Petliury Street, Kyiv, Ukraine

Unit of account: thousands of UAH, no decimal point (except for section IV of the Income Statement)

(Statement of Comprehensive Income) (Form No. 2) in which monetary figures are presented in Ukrainian hryvnia and kopecks).

Prepared (mark "v" in the appropriate cell):

in accordance with National Policy (Standard) of Accounting

in accordance with International Financial Reporting Standards

Date (YYYY MM DD)

EDRPOU code

KOATUU code

KOPFG code

KVED code

V

### Balance Sheet (Statement of Financial Position)

as at 31 December 2019

Form No. 1 DKUD code **1801001**

Assets	Line code	at the beginning of the reporting period	at the end of the reporting period
1	2	3	4
<b>I. Non-current assets</b>			
Intangible assets	1000	-	16,674
historical cost	1001	-	18,451
accumulated depreciation	1002	-	(1,777)
Construction in progress	1005	-	2,052
Property, plant and equipment	1010	-	26,348
historical cost	1011	-	39,051
accum depreciation	1012	-	(12,703)
Investment property	1015	-	-
Long-term biological assets	1020	-	-
Long-term financial investments:			
accounted for under the equity method	1030	-	-
other financial investments	1035	-	-
Long-term accounts receivable	1040	-	-
Deferred tax assets	1045	-	-
Other non-current assets	1090	-	-
<b>Total of section I</b>	<b>1095</b>	<b>-</b>	<b>45,074</b>
<b>II. Current assets</b>			
Inventories	1100	-	705
Current biological assets	1110	-	-
Accounts receivable for products, goods, works, services	1125	-	399,294
Accounts receivable for settlements:			
on advances paid	1130	-	321
with the budget	1135	-	-
including income tax	1136	-	-
Other current accounts receivable	1155	-	345
Current financial investments	1160	-	-
Cash and cash equivalents	1165	-	20,104
Cash on hand	1166	-	-
Cash at banks	1167	-	20,104
Deferred expenses	1170	-	74
Other current assets	1190	-	67,654
<b>Total of section II</b>	<b>1195</b>	<b>-</b>	<b>488,497</b>
<b>III. Non-current assets held for sale and disposal groups</b>			
<b>Balance</b>	<b>1300</b>	<b>-</b>	<b>533,571</b>



Date (YYYY MM DD)  
EDRPOU code

Codes		
2020	01	01
43064445		

Organisation STATE COMPANY "MARKET OPERATOR"  
(name)

## Income Statement (Statement of Comprehensive Income)

for 2019

Form No. 2

DKUD code 1801003

### I. FINANCIAL RESULTS

Item	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Net revenue from sales (goods, works, services)	2000	38,339,344	-
Cost of goods sold (goods, works, services)	2050	(38,210,403)	-
<b>Gross:</b>			
Profit	2090	128,941	-
Loss	2095	-	-
Other operating income	2120	3,458	-
Administrative expenses	2130	(75,894)	-
Selling expenses	2150	(36,742)	-
Other operating expense	2180	(395)	-
<b>Financial result from operating activities:</b>			
Profit	2190	19,368	-
Loss	2195	-	-
Income from equity participation	2200	-	-
Other finance income	2220	-	-
Other income	2240	39	-
Finance costs	2250	-	-
Losses from equity participation	2255	-	-
Other expenses	2270	-	-
<b>Financial result before tax:</b>			
Profit	2290	19,407	-
Loss	2295	-	-
Income tax expense (benefit)	2300	(4,982)	-
Profit (loss) from discontinued operations after tax	2305	-	-
<b>Net financial result:</b>			
Profit	2350	14,425	-
Loss	2355	-	-

### II. COMPREHENSIVE INCOME

Item	Line code	For the reporting period	For the similar period of the previous year
1	2	3	4
Increase/decrease in valuation of non-current assets	2400	-	-
Increase/decrease in valuation of financial instruments	2405	-	-
Accumulated exchange differences	2410	-	-
Share of other comprehensive income of associates and joint ventures	2415	-	-
Other comprehensive income	2445	-	-
<b>Other comprehensive income before tax</b>	<b>2450</b>	-	-
Income tax related to other comprehensive income	2455	-	-
<b>Other comprehensive income after tax</b>	<b>2460</b>	-	-
<b>Comprehensive income (sum of lines 2350, 2355 and 2460)</b>	<b>2465</b>	<b>14,425</b>	-





Organisation STATE COMPANY "MARKET OPERATOR"  
(name)

### Statement of Cash Flows (direct method)

2019

Form No. 3 DKUD code 1801004

Item	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
<b>I. Cash flows from operating activities</b>			
Receipts from:			
Sales (goods, works, services)	3000	44,881,238	-
Refund of taxes and duties	3005	-	-
including VAT	3006	-	-
Earmarked funding	3010	106	-
Receipts from subsidies, grants	3011	106	-
Receipt of advances from buyers and customers	3015	728,185	-
Receipts from advances returned	3020	79	-
Receipts from interest on balances in current accounts	3025	2,896	-
Receipts from forfeit debtors (fines, penalties)	3035	6	-
Other receipts	3095	56,520	-
Expenses from payments for:			
Goods (works, services)	3100	(44,749,509)	-
Labour costs	3105	(38,091)	-
Deductions for social activities	3110	(6,314)	-
Tax and duty liabilities	3115	(52,489)	-
Expense from paying on income tax liabilities	3116	(4,795)	-
Expense from paying on VAT liabilities	3117	(21,578)	-
Expense from paying on other tax liabilities and duties	3118	(26,116)	-
Expense from advance payments	3135	(730,649)	-
Expense from returning advance payments	3140	(23)	-
Other expenses	3190	(36,078)	-
<b>Net cash flow from operating activities</b>	<b>3195</b>	<b>55,877</b>	<b>-</b>
<b>II. Cash flows from/to investment activities</b>			
Receipts from the sale of:			
financial investments	3200	-	-
non-current assets	3205	-	-
Receipts from received:			
Interest	3215	-	-
Dividends	3220	-	-
Other receipts	3250	-	-
Expenses from acquisition of:			
financial investments	3255	-	-
non-current assets	3260	(9,135)	-
Other payments	3290	-	-
<b>Net cash flow from investment activities</b>	<b>3295</b>	<b>(9,135)</b>	<b>-</b>
<b>III. Cash flow from financing activities</b>			
Receipts from:			
Equity	3300	-	-
Loans received	3305	-	-
Other receipts	3340	-	-
Expenses from:			
Redemption of treasury shares	3345	-	-
Loan repayment	3350	-	-
Payment of dividends	3355	(26,638)	-
Other payments	3390	-	-



Date (YYYY MM DD)

EDRPOU code

Codes

2020	01	01
43064445		

Organisation

STATE COMPANY "MARKET OPERATOR"  
(name)

## Statement of Changes in Equity

for 2019

Form No. 4

DKUD code

180100 5
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Item	Line code	Registered (share) capital	Revaluation surplus	Additional capital	Statutory reserve	Retained earnings (uncovered losses)	Unpaid capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
<b>Opening balance</b>	<b>4000</b>	-	-	-	-	-	-	-	-
<b>Adjustments:</b>									
Changes in accounting policy	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-	-
<b>Adjusted opening balance</b>	<b>4095</b>	-	-	-	-	-	-	-	-
<b>Net profit (loss) for the reporting period</b>	<b>4100</b>	-	-	-	-	<b>14,425</b>	-	-	<b>14,425</b>
<b>Other comprehensive income for the reporting period</b>	<b>4110</b>	-	<b>4,653</b>	<b>1,387</b>	-	-	-	-	<b>6,040</b>
<b>Distribution of profits:</b>									
Payments to owners (dividends)	4200	-	-	-	-	-	-	-	-
Distribution of profits to registered capital	4205	-	-	-	-	-	-	-	-
Distribution to statutory reserve	4210	-	-	-	-	-	-	-	-
<b>Contributions of participants:</b>									
Capital contributions	4240	1	-	-	-	-	-	-	1
Repayment of capital	4245	-	-	-	-	-	-	-	-
<b>Withdrawal of capital:</b>									
Redemption of shares	4260	-	-	-	-	-	-	-	-
Resale of treasury shares	4265	-	-	-	-	-	-	-	-
Cancellation of treasury shares	4270	-	-	-	-	-	-	-	-
Withdrawal of the share in capital	4275	-	-	-	-	-	-	-	-
Other changes in equity	4290	-	-	-	-	31,710	-	-	31,710
<b>Total changes in equity</b>	<b>4295</b>	<b>1</b>	<b>4,653</b>	<b>1,387</b>	-	<b>46,135</b>	-	-	<b>52,176</b>
<b>Closing balance</b>	<b>4300</b>	<b>1</b>	<b>4,653</b>	<b>1,387</b>	-	<b>46,135</b>	-	-	<b>52,176</b>

Director

[signed]

Yevdokimov V.A.

Chief Accountant

[signed]

Lepchenko O.V.

[round seal: Kyiv \* Ukraine \* Cabinet of Ministers of Ukraine \* State Company "Market Operator" \* identification code 43064445]

**APPROVED**

by the Order of the Ministry of Finance

dated 29 November 2000 No. 302

(as amended by order dated 28/10/2003 no. 602)

Organisation: STATE COMPANY "MARKET OPERATOR"  
 Territory SHEVCHENKIVSKYI DISTRICT, KYIV  
 Authority Cabinet of Ministers of Ukraine  
 Form of incorporation State Company  
 Economic activity Trade of electricity

Date (YYYY MM DD)

EDRPOU code

KOATUU code

SPODU code

KOPFG code

KVED code

CODES		
2020	01	01
43064445		
8039100000		
140		
35.14		

Unit of account: UAH '000

**NOTES**  
**to the Annual Financial Statements**

for **2019**

Form No. 5 DKUD code

1801008

**I. Intangible assets**

Groups of intangible assets	Line code	Opening balance		Additions in the year	Revaluation (increase +, decrease -)		Disposals for the year		amort. charges for the year	Impairment losses for the year	Other changes for the year		Closing balance	
		historical (revalued) cost	accum. amort.		historical (revalued) cost	accum. amort.	historical (revalued) cost	accum. amort.			historical (revalued) cost	accum. amort.	historical (revalued) cost	accum. amort.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Rights to use natural resources	010	-	-	-	-	-	-	-	-	-	-	-	-	-
Rights to use property	020	-	-	-	-	-	-	-	-	-	-	-	-	-
Rights to commercial designations	030	-	-	-	-	-	-	-	-	-	-	-	-	-
Rights to industrial property items	040	-	-	-	-	-	-	-	-	-	-	-	-	-

Copyright and allied rights	050	-	-	1,499	-	-	-	-	932	-	16,372	728	17,871	1,660
	060	-	-	-	-	-	-	-	-	-	-	-	-	-
Other intangible assets	070	-	-	580	-	-	-	-	117	-	-	-	580	117
Total	080	-	-	2,079	-	-	-	-	1,049	-	16,372	728	18,451	1,777
Goodwill	090	-	-	-	-	-	-	-	-	-	-	-	-	-

From line 080, column 14

cost of intangible assets restricted on title

(081) -

cost of pledged intangible assets

(082) -

cost of self-constructed intangible assets

(083) -

From line 080, column 5

cost of intangible assets received through earmarked funding

(084) -

From line 080, column 15

Accumulated amortisation of intangible assets restricted on title

(085) -

## II. Property, plant and equipment

Groups of property, plant and equipment	Line code	Opening balance		Additions in the year	Revaluation (increase +, decrease -)		Disposals in the year		Depreciation charges for the year	Impairment losses	Other changes for the year		Closing balance		including			
		historical (revalued) cost	depreciation		historical (revalued) cost	Depreciation	historical (revalued) cost	depreciation			historical (revalued) cost	depreciation	historical (revalued) cost	depreciation	received under a finance lease		transferred under an operating lease	
															historical (revalued) cost	depreciation	historical (revalued) cost	depreciation
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Land plots	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	105	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital costs of land improvement	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings, constructions and transmission equipment	120	-	-	131	-	-	-	-	120	-	5,764	1,301	5,895	1,421	-	-	-	-
Machinery and equipment	130	-	-	5,422	-	-	-	-	2,795	-	23,999	7,264	29,421	10,059	-	-	-	-
Vehicles	140	-	-	2	-	-	-	-	136	-	2,847	284	2,849	420	-	-	-	-
Furniture, fixtures, and equipment	150	-	-	-	-	-	-	-	22	-	482	386	482	408	-	-	-	-
Livestock	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Perennial plants	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Other property, plant and equipment	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Library assets	190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Low-value non-current tangible assets	200	-	-	345	-	-	-	-	345	-	59	50	404	395	-	-	-	-
Temporary buildings	210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Natural resources	220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reusable containers	230	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hire items	240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current tangible assets	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>260</b>	<b>-</b>	<b>-</b>	<b>5,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,418</b>	<b>-</b>	<b>33,151</b>	<b>9,285</b>	<b>39,051</b>	<b>12,703</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

From line 260,  
column 14

cost of PP&E restricted on title under the applicable law  
cost of pledged PP&E

(261) -  
(262) -

residual value of temporarily idle PP&E (conservation, reconstruction, etc.)

(263) -

historical (revalued) cost of fully depreciated PP&E  
PP&E of leased integral property complexes

(264) 646  
(2641) -

From line 260,  
column 8

cost of PP&E held for sale  
residual value of PP&E lost due to accidents

(265) -  
(2651) -

From line 260,  
column 5

cost of PP&E purchased for earmarked funding

(266) -

Cost of PP&E received under an operating  
lease

(267) -

From line 260,  
column 15

depreciation of PP&E restricted on title

(268) -

From line 105,  
column 14

cost of investment property valued at fair value

(269) -

### III. Construction in progress

Item	Line code	For the year	At the year-end
1	2	3	4
Capital construction	280	-	-

Purchase (construction) of PP&E	290	7,595	2,040
Purchase (construction) of other non-current tangible assets	300	357	12
Purchase (manufacturing) of intangible assets	310	2,079	-
Purchase (growing) of long-term biological assets	320	-	-
Other	330	-	-
Total	340	10,031	2,052

From line 340,  
column 3

capital investments in investment property  
finance costs included in financial investments

(341)

(342)

-

-



**IV. Financial investments**

Item	Line code	For the year	At the year-end	
			non-current	current
1	2	3	4	5
<b>A. Financial investments under equity method into:</b>				
Associates	350	-	-	-
Subsidiaries	360	-	-	-
joint arrangements	370	-	-	-
<b>B. Other financial investments in:</b>				
shares and units of other entities' authorised capital	380	-	-	-
Shares	390	-	-	-
Bonds	400	-	-	-
Other	410	-	-	-
Total (section A + section B)	420	-	-	-

From line 1035 column 4  
of the Balance Sheet  
(Statement of Financial  
Position)

Other long-term financial investments stated:  
at cost  
at fair value  
at amortised cost

(421)  
(422)  
(423)

-  
-  
-

From line 1160 column 4  
of the Balance Sheet  
(Statement of Financial  
Position)

Current financial investments stated:  
at cost  
at fair value  
at amortised cost

(424)  
(425)  
(426)

-  
-  
-

## V. Income and expenses

Item	Line code	Income	Expense
1	2	3	4
<b>A. Other operating income and expenses</b>			
Operating lease of assets	440	-	-
Operating exchange difference	450	230	77
Sales of other current assets	460	-	-
Fines and penalties	470	2	-
Maintenance of housing and utility and social assets	480	-	-
Other operating income and expenses	490	3,226	318
including:			
charges to provision for doubtful debts	491	X	23
non-productive expenses and losses	492	X	-
<b>B. Income and expenses from participation in equity of:</b>			
Associates	500	-	-
Subsidiaries	510	-	-
joint arrangements	520	-	-
<b>C. Other finance income and costs</b>			
Dividends	530	-	X
Interest	540	X	-
Finance lease of assets	550	-	-
Other finance income and costs	560	-	-
<b>D. Other income and expenses</b>			
Sale of financial investments	570	-	-
Income from business combinations	580	-	-
Result of impairment test	590	-	-
Non-operating exchange difference	600	-	-
Assets received for free	610	39	X
Write-off of non-current assets	620	X	-
Other income and expenses	630	-	-

Barter transactions with goods, works and services

(631) -

Share in sales revenue from sales of goods, works and services under barter agreements with related parties

(632) - %

Finance costs included in cost of assets

(633) -

From line 540-560, column 4

## VI. Cash

Item	Line code	At the year-end
1	2	3
Cash on hand	640	-
Current bank account	650	19,792
Other bank accounts (letters of credit, cheque books)	660	312
Cash in transit	670	-
Cash equivalents	680	-
<b>Total</b>	<b>690</b>	<b>20,104</b>

From line 1090 column 4 of the Balance Sheet (Statement of Financial Position)    Restricted cash

(691)    -

## VII. Provisions

Type of provision	Line code	Opening balance	Increase for the reporting period		Used in the reporting year	Reversal of unused amount during the reporting year	Expected compensation of losses by the other party provided for in the provision assessment	Closing balance
			accrued (created)	additional charges				
1	2	3	4	5	6	7	8	9
Provision for unused vacation	710	-	4,192	-	-	-	4,192	4,192
Provision for additional future pension expenses	720	-	-	-	-	-	-	-
Provision for future expenses related to guarantees	730	-	-	-	-	-	-	-
Provision for future restructuring expenses	740	-	-	-	-	-	-	-
Provision for future expenses related to onerous contracts	750	-	-	-	-	-	-	-
	760	-	-	-	-	-	-	-
	770	-	-	-	-	-	-	-
Provision for doubtful debts	775	-	23	-	-	-	-	23
<b>Total</b>	<b>780</b>	<b>-</b>	<b>4,215</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,192</b>	<b>4,215</b>

### VIII. Inventories

Item	Line code	Carrying amount at the end of the year	Remeasurements for the year	
			increase in the net realisable value*	revaluation decrease
1	2	3	4	5
Raw and other materials	800	229	-	-
Bought-in semi-finished products and component parts	810	-	-	-
Fuel	820	65	-	-
Containers and packing materials	830	1	-	-
Construction materials	840	-	-	-
Spare parts	850	401	-	-
Agricultural materials	860	-	-	-
Current biological assets	870	-	-	-
Low-value non-durables	880	9	-	-
Work in progress	890	-	-	-
Finished products	900	-	-	-
Goods	910	-	-	-
Total	920	705	-	-

From line 920, column 3

Carrying amount of inventories:  
 carried at net realisable value  
 transferred for processing  
 pledged as collateral  
 transferred on commission

(921)			-		
			-		
			-		
			-		
			-		
			-		

Assets held in a fiduciary capacity – account 02  
 From line 1200 column 4 of the Balance Sheet  
 Statement of Financial Position)

Inventories held for sale

(926)			-		
			-		

\* determined according to para. 28 of *Ukrainian Accounting Standard 9 Inventories*.

### IX. Accounts receivable

Item	Line code	Total at year-end	including by ageing:		
			Less than 12 months	From 12 to 18 months	From 18 to 36 months
1	2	3	4	5	6
Accounts receivable for goods, works, services	940	399,294	399,294	-	-
Other current accounts receivable	950	345	345	-	-

Bad accounts receivable written-off during the reporting year

(951)           -

From lines 940 and 950, column 3, accounts receivable with related parties

(952)           -

### X. Losses and shortages resulting from damages

Item	Line code	Amount
1	2	3
Losses and shortages identified (written-of) during the year	960	-
Recognised as debts of the guilty parties during the year	970	-
Losses and shortages where guilty parties are not identified at year-end (off-balance sheet account 072)	980	-

### XI. Construction contracts

Item	Line code	Amount
1	2	3
Revenue from construction contracts for current year	1110	-
Amounts outstanding at the reporting year-end:		
from customers, gross	1120	-
to customers, gross	1130	-
on advances received	1140	-
Delayed amounts at year-end	1150	-
Cost of work done by subcontractors under construction contracts in progress	1160	-

## XII. Income Tax

Item	Line code	Amount
1	2	3
Current income tax	1210	4,865
Deferred tax assets:		
at the beginning of year	1220	-
at the end of year	1225	-
Deferred tax liabilities		
at the beginning of year	1230	-
at the end of year	1235	1,024
Included in the Income Statement – total	1240	(4,982)
including:		
current income tax	1241	4,865
decrease (increase) of deferred tax assets	1242	-
increase (decrease) of deferred tax liabilities	1243	(116)
Recorded in equity – total	1250	1,140

### XIII. Use of amortisation and depreciation charges

Item	Line code	Amount
1	2	3
Charged for the year	1300	4,467
Used during the year – total	1310	-
Including for:	1311	-
purchase (construction) and improvements of PP&E	1312	-
including machinery and equipment	1313	-
Purchase (construction) of intangible assets	1314	-
repayment of loans received for capital investments	1315	-
	1316	-
	1317	-

**Director**

Yevdokimov V.A. **[signed]**

(sign here)

**Chief Accountant**

Lepchenko O.V. **[signed]**

(sign here)

*[round seal: Kyiv \* Ukraine \* Cabinet of Ministers of Ukraine \* State Company "Market Operator" \* identification code 43064445]*

APPENDIX TO THE NOTES TO ANNUAL FINANCIAL STATEMENTS “SEGMENT INFORMATION”

Organisation	State Company “Market Operator”	EDRPOU	CODES		
Territory		KOATUU	2020	01	01
Authority	Cabinet of Ministers of Ukraine	SPODU	43064445		
Form of incorporation	State Company	KOPFG	8039100000		
Economic activity	Trade of electricity	KVED	140		
Unit of account: UAH ‘000			35.14		

APPENDIX TO THE NOTES TO ANNUAL FINANCIAL STATEMENTS  
“SEGMENT INFORMATION”  
for 2019

DKUD code

1801009

**I. Indicators of priority reportable business segments**  
(economic, geographical production, geographical sales segments)

Item	Line code	Reportable segment				Unallocated items		Total	
		DAM		IDM		Reporting year	Previous year	Reporting year	Previous year
		Reporting year	Previous year	Reporting year	Previous year				
1	2	3	4	5	6	15	16	17	18
<b>1. Reportable segment income:</b>									
Reportable segment operating income	010	37,059,019	-	1,151,384	-	128,941	-	38,339,344	-
of which: revenues from sales (goods, works, services):									
to external customers	011	37,059,019	-	1,151,384	-	128,941	-	38,339,344	-
to other reportable segments	012	-	-	-	-	-	-	-	-
other operating income	013	-	-	-	-	-	-	-	-
Reportable segment finance income	020	-	-	-	-	-	-	-	-
of which: income from equity participation directly attributable to the reportable segment	021	-	-	-	-	-	-	-	-
other finance income	022	-	-	-	-	-	-	-	-
Other income	030	-	-	-	-	39	-	39	-
<b>Total income of reportable segments</b>	040	37,059,019	-	1,151,384	-	128,980	-	38,339,383	-
Unallocated income	050	x	x	x	x	3,458	-	3,458	-
of which: operating income	051	x	x	x	x	3,458	-	3,458	-



finance income	052	x	x	x	x		-	-	-
Less revenues from sales (goods, works, services) of other reportable segments	060	-	-	-	-	-	-	-	-
<b>Total income of the entity</b> (line 040 + line 050 - line 060)	070	37,059,019	-	1,151,384	-	132,438	-	38,342,841	-
<b>2. Reportable segment expenses:</b>									
Operating expense	080	37,059,019	-	1,151,384	-	0	-	38,210,403	-
of which: cost of goods sold (goods, works, services): to external customers	081	37,059,019	-	1,151,384	-	0	-	38,210,403	-
to other reportable segments	082	-	-	-	-	-	-	-	-
Administrative expenses	090	-	-	-	-	-	-	-	-
Selling expenses	100	-	-	-	-	-	-	-	-
Other operating expense	110	-	-	-	-	-	-	-	-
Reportable segment finance costs	120	-	-	-	-	-	-	-	-
of which:		-	-	-	-	-	-	-	-
loss from equity participation directly attributable to the reportable segment	121	-	-	-	-	-	-	-	-
Other expenses	130	-	-	-	-	-	-	-	-
<b>Total expenses of reportable segments</b>	140	37,059,019	-	1,151,384	-	0	-	38,210,403	-
Unallocated expenses	150	x	x	x	x	118,013	-	118,013	-
of which: administrative, selling and other operating expenses unallocated to reportable segments	151	x	x	x	x	113,031	-	113,031	-
finance costs	152	x	x	x	x	-	-	-	-
income tax	154	x	x	x	x	4,982	-	4,982	-
Less cost of goods sold (goods, works, services) to other reportable segments	160	-	-	-	-	-	-	-	-
<b>Total expenses of the entity</b> (line 140 + line 150 - line 160)	170	37,059,019	-	1,151,384	-	118,013	-	38,328,416	-
<b>3. Financial result of the segment's performance</b> (line 040 - line 140)	180	0	-	0	-	128,980	-	128,980	-
<b>4. Financial result of the entity's performance</b> (line 070 - line 170)	190	0	-	0	-	14,425	-	14,425	-
<b>5. Reportable segment assets</b>	200	382,136	-	14,887	-	2,271	-	399,294	-
of which: Long-term accounts receivable for electricity	201	-	-	-	-	-	-	-	-
Accounts receivable for electricity and services	202	382,136	-	14,887	-	2,271	-	399,294	-
Other current accounts receivable for electricity	203	-	-	-	-	-	-	-	-

<b>Unallocated assets</b>	220	x	x	x	x	134,277	-	134,277	-
Non-current assets, other than long-term receivables for electricity	221	x	x	x	x	45,074	-	45,074	-
Current assets, other than accounts receivable for electricity and services, and other current receivables	222	x	x	x	x	89,203	-	89,203	-
<b>Total assets of the entity</b>	230	382,136	-	14,887	-	136,548	-	533,571	-
<b>6. Reportable segment liabilities</b>	240	382,136	-	14,887	-	2,405	-	399,428	-
of which: Other long-term liabilities for electricity	241	-	-	-	-	-	-	-	-
Current accounts payable for long-term, current liabilities for electricity	242	382,136	-	14,887	-	2,405	-	399,428	-
<b>Unallocated liabilities</b>	260	x	x	x	x	80,942	-	80,942	-
Performance obligations, except for other long-term, current long-term, and current liabilities for electricity	261	x	x	x	x	80,942	-	80,942	-
<b>Total liabilities of the entity</b> (line 240 + line 260)	270	382,136	-	14,887	-	83,347	-	480,370	-
<b>7. Capital investments</b>	280	-	-	-	-	10,031	-	10,031	-
<b>8. Depreciation of non-current assets</b>	290	-	-	-	-	4,467	-	4,467	-

**II. Indicators of additional reportable \_\_\_\_\_ segments**  
(economic, geographical production, geographical sales segments)

Item	Line code	Reportable segment				Unallocated items		Total	
		Eastern		Northern		Reporting year	Previous year	Reporting year	Previous year
		Reporting year	Previous year	Reporting year	Previous year				
1	2	3	4	5	6	15	16	17	18
Revenues from sales (goods, works, services) to external customers	300	-	-	-	-	-	-	-	-
Carrying amount of reportable segment assets	310	-	-	-	-	-	-	-	-
Capital investments	320	-	-	-	-	-	-	-	-
	330	-	-	-	-	-	-	-	-
	340	-	-	-	-	-	-	-	-

**III. Indicators of additional reportable geographical \_\_\_\_\_ segments**  
(production, sales segments)

Item	Line code	Reportable segment				Unallocated items		Total	
		Eastern		Northern		Reporting year	Previous year	Reporting year	Previous year
		Reporting year	Previous year	Reporting year	Previous year				
1	2	3	4	5	6	15	16	17	18
Revenues from sales (goods, works, services) to external customers	350	-	-	-	-	-	-	-	-
Carrying amount of reportable segment assets	360	-	-	-	-	-	-	-	-
Capital investments	370	-	-	-	-	-	-	-	-
	380	-	-	-	-	-	-	-	-
	390	-	-	-	-	-	-	-	-

Director \_\_\_\_\_ *[signed]*

V.A. Yevdokimov

Chief Accountant \_\_\_\_\_ *[signed]*

O.V. Lepchenko

*[round seal: Kyiv \* Ukraine \* Cabinet of Ministers of Ukraine \* State Company "Market Operator" \* identification code 43064445]*

## OTHER NOTES TO THE FINANCIAL STATEMENTS

### 1. Corporate information

In compliance with the Law of Ukraine No. 2019-VIII dated 13 April 2017 “On the Electricity Market” (“Law No. 2019-VIII”) of the Cabinet of Ministers of Ukraine, Resolution No. 324 dated 17 April 2019, the State Company “Market Operator” was established by way of a spin-off from the State-owned Enterprise “Energoynok”.

According to the Resolution of the Cabinet of Ministers No. 454 dated 22 May 2019, the Articles of Association of the State Company “Market Operator” were approved and according to the Resolution of the Cabinet of Ministers No. 398-p, the Director of State Company “Market Operator” was appointed. According to the Resolution of the Cabinet of Ministers No. 403-p dated 12 June 2019, the Spin-off balance sheet was approved for spin-off of the State-owned Company “Guaranteed Buyer” and State Company “Market Operator” as at 31 May 2019. On 18 June 2019, the State Company “Market Operator” became a legal entity having its records registered with the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organisations. According to the Resolution of the National Commission for State Regulation of Energy and Public Utilities (“NCSREPU”) No. 1169 dated 24 June 2019 “On Changes to the NCSREPU Resolution No. 308 dated 14 March 2018”, Market Rules were adopted for the day-ahead market and the intraday market (“Market Rules”); according to the NCSREPU Resolution No. 1216 dated 25 June 2019, State Company “Market Operator” obtained a licence to conduct business activity of a market operator.

The new electricity market model required by the Law of Ukraine No. 2019-VIII “On the Electricity Market” was launched on time on 1 July 2019, while the first trading session in the day-ahead market began on 30 June 2019.

On 1 July 2019, SC “Market Operator” acquired the status of VAT payer after it was included to the Register of VAT payers.

According to the Articles of Association, the Company operates on the principles of full economic independence and self-sufficiency, bears responsibility for its business results and performance of obligations to partners and the state.

Key lines of business of SC “Market Operator” are ensuring operation of the day-ahead market and intraday market, and organisation of the sale and purchase of electricity in these market segments.

In the day-ahead market, electricity is purchased and sold on the next day following after the trading day. The price in this market segment is determined on the marginal pricing principle by minimising prices and maximising trade.

In the intraday market, electricity is continuously purchased and sold after the end of trading in the day-ahead market and throughout the whole day up to the physical delivery of electricity. This market segment allows market participants to adjust their trading positions.

In compliance with the Law of Ukraine No. 2019-VIII, payments for the electricity bought or sold in the day-ahead and intraday markets are carried out using escrow accounts opened by market participants with the Authorised Bank – JSC “Oshchadbank”.

Escrow accounts have prevented the occurrence of debt in the new day-ahead and intraday market segments, minimised risks for SC “Market Operator” and ensured that market participants met their financial obligations. From 1 July until 31 December 2019, SC “Market Operator” has ensured 100% of payments for electricity in the day-ahead and intraday markets.

The cost of services of SC “Market Operator” comprises two components: a fixed payment for participating in the day-ahead and intraday markets, and a payment for the sale and purchase of electricity in these market segments. The size of the financial payment and tariff for conducting transactions in accordance with the Market Rules is approved by the Resolution of NCSREPU No. 1249 dated 27 June 2019.

Average number of employees of SC “Market Operator” in 2019 was 95 people.

The financial statements of the Company for the year ended 31 December 2019 were authorised for issue and signed by Management on 22 May 2020.

### 2. Basis of preparation

According to the Spin-off Balance Sheet underlying the spin-off of the state-owned company “Guaranteed Buyer” and state company “Market Operator” as at 31 May 2019 (“Spin-off Balance Sheet”), 31 June 2019 and 31 August 2019, balance sheet items were transferred under acceptance certificates.

The financial statements have been prepared as at 31 December 2019 and cover the period from 1 July 2019 until 31 December 2019.

STATE COMPANY “MARKET OPERATOR”  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019  
*(in thousands of Ukrainian hryvnia unless otherwise stated)*

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The financial statements are presented in the national currency – the Ukrainian hryvnia (UAH). All financial information is presented in the Ukrainian hryvnia and all values are rounded to the nearest thousand (UAH thousand, UAH ‘000), unless otherwise stated.

*Statement of compliance*

The financial statements of the Company are prepared in accordance with the National Policy (Standard) of Accounting approved by the Ministry of Finance of Ukraine and registered with the Ministry of Justice of Ukraine as at the reporting date and other accounting and financial reporting regulations adopted in Ukraine.

*Going concern*

These financial statements are prepared on the going concern basis that contemplates realisation of assets and settlement of liabilities in the ordinary course of business. These financial statements do not include any adjustments to reflect probable future consequences relating to recoverability and classification of recorded asset amounts or amounts and classification of liabilities that may arise from such an uncertainty.

**3. Use of accounting estimates and assumptions**

Estimates and assumptions include:

- useful life of property, plant and equipment;
- provisions for doubtful debts

*Useful life of property, plant and equipment*

Useful lives of property, plant and equipment range from 12 to 240 months, including for the following groups:

- buildings, structures - 233 to 240 months;
- machinery and equipment - 24 to 72 months;
- vehicles - 84 months or less;
- furniture, fixtures, and equipment - 24 to 120 months.

*Provisions for doubtful debts*

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The provision for doubtful debts is accrued using the absolute amount of doubtful debt on the basis of solvency analysis of specific debtors.

**4. Significant accounting policies**

According to the Order on the Accounting Policy of SC “Market Operator” No. 5 dated 19 June 2019, certain economic transactions of SC “Market Operator” are accounted for in the procedure identified below.

*Property, plant and equipment*

Property, plant and equipment are tangible assets held for use in the production or supply of goods and services, for rental to others, or for administrative and social purposes whose estimated useful life is more than one year and whose value exceeds UAH 6,000 (six thousand).

Property, plant and equipment are carried at cost. Property, plant and equipment is depreciated on a straight-line basis. Low-value non-current tangible assets are depreciated in the first month of the asset's use in the amount of 100% of its value.

*Intangible assets*

Intangible assets are amortised on a straight-line basis. Useful life of intangible assets included under the heading “Copyright and allied rights” and “Other intangible assets” ranges from 12 to 120 months.

STATE COMPANY “MARKET OPERATOR”  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019  
*(in thousands of Ukrainian hryvnia unless otherwise stated)*

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*Inventories*

In the event of release to production or other disposal, the Company applies the FIFO method. The name of inventory items was chosen as their unit of account. There were no transportation and procurement costs.

The cost of low-value non-durables put into operation was excluded from assets (written-off from the balance sheet to expense accounts). To ensure the safety of these assets, we carry out the qualitative administrative accounting of such assets on the off-balance sheet account at the operating sites and by accountable parties.

*Trade and other accounts receivable*

Trade and other accounts receivable are initially carried at fair value. The provision for doubtful debts is reviewed annually at the date of financial statements.

*Revenue recognition*

Revenue from services rendered is recognised by reference to the stage of completion of the transaction at the balance sheet date (transaction result that can be estimated reliably).

Revenue earned from the sale of electricity is recognised on the date on which the bill of sale of electricity is signed with counterparties. Amount and cost of electricity underlying the bill of sale are determined in the contracts concluded in accordance with the Law of Ukraine “On the Electricity Market” and other regulations governing the Company’s business.

*Recognition of expenses*

Expenses are recognised on an accrual basis.

Recognised expenses are classified in accounting records by the following groups:

- operating expenses (purchase of electricity). Composition of operating expenses incurred from the purchase of electricity is as follows:
  - electricity purchased in the day-ahead market;
  - electricity purchased in the intraday market;
- administrative expenses;
- selling expenses;
- other operating expenses;
- finance costs;
- other expenses.

Provisions are created to reimburse subsequent (future) operating expenses from regular vacation payments to employees, including unified social tax charges.

*Liabilities*

Deferred tax assets and deferred tax liabilities in the interim financial statements are presented in the balance sheet in the amount of these assets and liabilities as at 31 December of the previous year without their calculation at the date of interim financial statements. The heading “Income tax expense (benefit)” of the Income Statement (Statement of Comprehensive Income) displays only the amount of current income tax, while income tax expenses are respectively adjusted (upward, downward) in the accounting records and financial statements at the date of annual balance sheet with reference to the changes of deferred tax assets and deferred tax liabilities for the reporting year.

*Income tax*

The amount of current tax is determined by the amount of taxable profit for the year. Current income tax is calculated using the rates approved by law at the reporting date. The amount of income tax paid in excess over the payable amount is recognised as a receivable.

*Value added tax (VAT)*

The Company applies a value added tax rate of 20%, in accordance with the requirements of the Tax Code of Ukraine (“TCU”). According to para. 44 subsection 2 section XX of the TCU, VAT payers that supply electricity shall determine the date of VAT liabilities and VAT credit under the cash basis.

According to para. 187.1 Article 187 section V of the TCU, the date of tax liabilities associated with the delivery of services of ensuring public service interests shall be the date within the tax period on which either the crediting of cash, or the actual delivery of services has taken place, whichever is earlier.

STATE COMPANY “MARKET OPERATOR”  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019  
(in thousands of Ukrainian hryvnia unless otherwise stated)

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*Other*

In preparing the financial statements, the direct method was applied to the Statement of Cash Flows.

Notes to the financial statements “Segment information” were prepared with a breakdown by business segments. The sales business segment is determined by the type of product (goods, works, services) of the customers.

Quantitative criteria of materiality of information about business transactions and events associated with changes in the composition (movement) of assets, liabilities, equity are based on the value of all respective assets and amounts to 3 per cent.

The basis of determining the materiality of information about business transactions and events in respect of income and expenses is the entity’s net profit (loss) in the amount of 2 per cent.

In order to disclose segment information when determining the reportable segment, the quantitative criterion of materiality is determined to be 10 per cent of the net revenue from sales (goods, works, services).

Materiality of information about other business transactions and events is determined by taking into account the volume of the entity’s business, nature of the accounting item’s influence on decisions of the users and other qualitative factors and amounts to 5 per cent of the net revenue (goods, works, services).

Balance sheet items are material if the balance sheet total is 5 per cent.

For income statement items, the materiality basis is the amount of net revenues from sales (goods, works, services) of 5 per cent.

For items of the statement of cash flows, the materiality basis is the amount of net cash flows from operating activities with the quantitative criterion of 5 per cent.

For items of the statement of changes in equity, the materiality basis is the amount of equity in the amount of 5 per cent.

**5. Correction of errors**

There were no corrections of prior period errors.

**6. Cash flows**

On 26 June 2019, UAH 23,448 thousand were transferred to the settlement account of SE “Energorynok” in accordance with the Spin-off Balance Sheet.

As at 31 December 2019, the Company's balance in current accounts with banking institutions in the national currency is UAH 20,104 thousand.

**Cash flows from operating activities:**

*Receipts from:*

- sales of goods, services – UAH 44,881,238 thousand;
- advances from customers – UAH 728,185 thousand;
- repayment of advances – UAH 79 thousand;
- interest on balances in current accounts – UAH 2,896 thousand;
- receipt of subsidies, grants – UAH 106 thousand;
- forfeit debtors (fines, penalties) – UAH 6 thousand;
- other receipts – UAH 56,520 thousand, including:
  - receipt of mistakenly transferred cash – Spin-off Balance Sheet – UAH 23,448 thousand;
  - compensation of the unused portion of vacation at the expense of SE “Energorynok” – UAH 818 thousand;
  - other – UAH 11 thousand;

Total receipts UAH 45,669,030 thousand.

*Expenses from payments for:*

- goods (works, services) – UAH 44,749,509 thousand;
- advances – UAH 730,649 thousand;
- repayment of advances – UAH 23 thousand;
- wages and salaries to employees – UAH 38,091 thousand;
- social charges – UAH 6,314 thousand;
- tax and duty liabilities – UAH 52,489 thousand;
- other expenses – UAH 36,078 thousand, including:
  - return of mistakenly received cash – UAH 32,200 thousand;

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- mandatory insurance of property – UAH 100 thousand;
- contributions to the Kyiv City Committee of Trade Unions, Trade Union Committee of the SC “Market Operator” – UAH 505 thousand;
- cash and settlement service of JSC “Oshchadbank” – UAH 1,562 thousand;
- utility services – UAH 57 thousand;
- purchase and sale of foreign currency – UAH 243 thousand;
- business travel expenses – UAH 269 thousand;
- insurance fee paid to the insurance company as per employees’ applications – UAH 446 thousand;
- compensation of the unused portion of vacation at the expense of SE “Energorynok” – UAH 671 thousand;
- other – UAH 25 thousand.

Total expenses – UAH 45,613,153 thousand.

Net cash flow from operating activities is UAH 55,877 thousand.

**Cash flows from investment activities:**

Cash flows from investment activities associated with the acquisition of non-current assets in the amount of UAH 9,135 thousand.

Net cash flow from investment activities is UAH 9,135 thousand.

**Cash flows from financing activities:**

Cash flows from financing activities associated with the recalculation of net profit for 9 months of 2019 in the amount of UAH 26,638 thousand.

Net cash flows from financing activities is – UAH 26,638 thousand.

Net cash flows for the reporting period is UAH 20,104 thousand.

In the reporting period, the Company did not acquire property complexes.

**7. Changes in equity**

According to the Spin-off Balance Sheet, the registered (share) capital of UAH 1 thousand, additional capital of UAH 1,425 thousand, revaluation surplus of UAH 6,320 thousand and retained earnings of UAH 57,588 thousand were transferred to the SE “Energorynok”.

Registered (share) capital has not changed since the incorporation of the Company.

Additional capital in 2019 decreased due to depreciation charges of UAH 38 thousand, which were accrued on the parts of building acquired for free, and amounted to UAH 1,387 thousand at the year-end.

In 2019, revaluation surplus (i) decreased due to depreciation of the revalued property, plant and equipment in the amount of UAH 646 thousand and due to the accrued deferred tax liability, which arose from the revaluation of assets, that, in accordance with National Policy (Standard) of Accounting, reflect a decrease in equity by UAH 1,137 thousand and in the deferred tax liability at the amount of depreciation of the revalued property, plant and equipment by UAH - 116 thousand, and (ii) amounted to UAH 4,653 thousand at the year-end.

SC “Market Operator” earned UAH 14,425 thousand in net profit as a result of financial and economic activity in 2019. A portion of net profit deductible to the state budget was UAH 26,638 thousand at the end of 2019.

Balance of retained earnings at the year-end amounted to UAH 46,135 thousand.

Total equity of SC “Market Operator” amounted to UAH 52,176 thousand at the close of 31 December 2019.

**8. Note to the line item 2000 “Net revenue from sales (goods, works, services)” of the Income Statement**

In the reporting period, the Company sold electricity and rendered market operator services to DAM/IDM participants, net of VAT, totalling UAH 38,210,403 thousand.

The cost of market operator services rendered to DAM/IDM participants, net of VAT, amounts to UAH 128,941 thousand.

Net revenue from sales of electricity and bank services rendered is UAH 38,339,344 thousand.



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**9. Note to the line item 2120 “Other operating income” of the Income Statement**

The Company earned UAH 3,458 thousand in other operating income, including:

- operating exchange gain – UAH 240 thousand;
- revenue from court penalties, interest per annum, inflation to the benefit of SC “Market Operator” – UAH 2 thousand;
- interest revenue from current account balances with banking institutions – UAH 3,216 thousand.

**10. Note to the line item 2050 “Cost of goods sold (goods, works, services)” of the Income Statement**

Cost of goods sold (goods, works, services) amounted to UAH 38,210,403 thousand, including:

- purchase of electricity in the day-ahead market – UAH 37,059,020 thousand;
- purchase of electricity in the intraday market – UAH 1,151,384 thousand.

**11. Note to the line item 2130 “Administrative expenses” of the Income Statement**

	<b>2019</b>
Labour costs	46,268
Taxes and duties	16,702
Social charges	5,271
Depreciation/amortisation	4,391
Other expenses	3,262
<b>Total</b>	<b>75,894</b>

**12. Note to the line item 2150 “Selling expenses” of the Income Statement**

	<b>2019</b>
Software implementation and support	23,354
Labour costs	11,431
Social charges	1,775
Other expenses	182
<b>Total</b>	<b>36,742</b>

**13. Note to the line item 2180 “Other operating expenses” of the Income Statement**

	<b>2019</b>
Operating exchange loss	228
Shop-floor Trade Union Organisation of SC “Market Operator”	144
Provision for doubtful debt	23
<b>Total</b>	<b>395</b>

**14. Note to the line item 2300 “Income tax expense (benefit)” of the Income Statement**

In 2019, the Ukrainian corporate income tax was levied on taxable income, less allowable expenses, at the rate of 18%.

In 2019, the components of the income tax expenses were as follows:

	<b>2019</b>
Current income tax	(4,865)
Deferred tax	(116)
<b>Total</b>	<b>(4,982)</b>

In the reporting year, income tax expenses amounted to UAH 4,982 thousand and included the income tax for 2019 calculated in accordance with the Tax Code of Ukraine; deferred tax liabilities and deferred tax assets were calculated in accordance with *Ukrainian Accounting Standard 17 Income Tax*.

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Reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	<b>2019</b>
<b>Profit/(loss) before tax</b>	19,407
Income tax expense/(benefit) at the tax rate of 18% (2019: 18%)	(3,493)
Effect of accumulated uncovered losses	-
Other differences	(1,489)
<b>Income tax expense/(benefit)</b>	<b>(4,982)</b>

The following table presents deferred tax liabilities and assets recognised by the Company and changes for the year:

	<b>1 January 2019</b>	<b>Recognised in OCI</b>	<b>Recognised in profit or loss</b>	<b>31 December 2019</b>
Tax effect of deductible temporary differences	-	1,140	(116)	1,024
Property, plant and equipment		1,140	(116)	1,024
Tax effect of taxable temporary differences	-	-	-	-
<b>Deferred tax assets/(liabilities)</b>	<b>-</b>	<b>1,140</b>	<b>(116)</b>	<b>1,024</b>

**15. Notes to the line item 1125 “Accounts receivable for products, goods, works, services”, line item 1155 “Other current accounts receivable” and line item 1190 “Other current assets” of the Statement of Financial Position**

As the close of 31 December 2019, accounts receivable amounted to UAH 399,294 thousand.

Current accounts receivable for goods, works and services is the debt of suppliers for the electricity purchased in the day-ahead/intraday market, which amounted to UAH 399,294 thousand as at 31 December 2019, including by ageing:

- up to 12 months – UAH 399,294 thousand.

Other current accounts receivable as at 31 December 2019 amount to UAH 345 thousand and consist of:

- settlements with other debtors (interest on current account balances with banking institutions) – UAH 320 thousand;
- settlements with other debtors – UAH 25 thousand.

As at 31 December 2019, the provision for doubtful debt of UAH 23 thousand was charged in respect of:

- LLC Scientific-Production Enterprise “Energiya-Novoyavorivsk” – UAH 15 thousand (arrear with fixed payment for participating in the day-ahead/intraday market and payment for conducting transactions in the day-ahead/intraday market);
- LLC “CHYSTA ENERGIYA” – UAH 4 thousand (arrear with fixed payment for participating in the day-ahead/intraday market);
- LLC “MEGACONSULT GROUP” – UAH 4 thousand (arrear with fixed payment for participating in the day-ahead/intraday market).

The Company has repeatedly sent letters to the aforementioned companies where it pointed to the necessity of complying with the DAM/IDM participation contracts as far as making the fixed payments for participating in the day-ahead/intraday market. Therefore, there is an uncertainty with the repayment of the debt identified above.

As of today, claim-related work is ongoing to collect the debt from these companies.

Other current assets are represented by a tax credit of UAH 67,654 thousand.

**16. Note to the line item 1615 “Current accounts payable for goods, works, services” and line item 1690 “Other current liabilities” of the Statement of Financial Position**

As at 31 December 2019, current accounts payable for goods, works, services amounted to UAH 397,920 thousand, including by ageing:

- up to 12 months – UAH 397,920 thousand.

Other current liabilities as at 31 December 2019 of UAH 66,530 thousand comprise of:

- VAT credit – UAH 65,971 thousand;
- payments on other liabilities – UAH 559 thousand.

**17. Note to the line item 1000 “Intangible assets” of the Statement of Financial Position**

As at 30 June 2019, intangible assets at the Spin-off Balance Sheet.

The historical cost of intangible assets at the end of the year was UAH 18,451 thousand. In 2019, intangible assets of UAH 2,079 thousand were recognised in the Company’s balance sheet. Accumulated amortisation of intangible assets as at 31 December 2019 is UAH 1,777 thousand. The increase in the accumulated amortisation of intangible assets is associated with amortisation charges of UAH 1,049 thousand in the reporting period. As at 31 December 2019, the Company does not account for intangible assets restricted on title.

Intangible assets were not revalued in the reporting period.

**18. Note to the line item 1005 “Capital investments in progress” of the Statement of Financial Position**

As at 30 June 2019, capital investments in progress totalling UAH 373 thousand were transferred to the Company under the Spin-off Balance Sheet:

- purchase (construction) of PP&E – UAH 176 thousand;
- purchase (construction) of other non-current assets – UAH 197 thousand.

In the reporting year, capital investments were directed to:

- purchase (construction) of PP&E – UAH 7,595 thousand;
- purchase (construction) of intangible assets – UAH 2,079 thousand.
- purchase (construction) of other non-current assets UAH – 357 thousand.

As at 31 December 2019, capital investments in progress of UAH 2,052 thousand were represented as investments in:

- purchase (construction) of PP&E – UAH 2,040 thousand;
- purchase (construction) of other non-current assets – UAH 12 thousand.

**19. Note to the line item 1010 “Property, plant and equipment” of the Statement of Financial Position**

In 2019, property, plant and equipment totalling UAH 5,900 thousand were put into operation. Depreciation of property, plant and equipment accrued for 2019 is UAH 3,418 thousand. Balance of property, plant and equipment at the year-end amounts to UAH 39,051 thousand, depreciation – UAH 12,703 thousand. Residual value at the close of 31 December 2019 is UAH 26,348 thousand.

Total cost of machinery and equipment at the year-end is UAH 29,421 thousand. In the reporting year, SC “Market Operator” did not lease any non-current assets.

The historical cost of fully depreciated property, plant and equipment as at 31 December 2019, which remain in use, is UAH 646 thousand.

The property, plant and equipment of the Company are not encumbered. Property, plant and equipment were not revalued in the reporting period.

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**20. Note to the line item 1100 “Inventories” of the Statement of Financial Position**

At the end of 2019, inventories amount to UAH 705 thousand and comprise of the following:

- containers and packing materials – UAH 1 thousand;
- spare parts – UAH 401 thousand;
- fuel – UAH 65 thousand;
- other materials – UAH 229 thousand;
- low-value non-durables – UAH 9 thousand.

In the reporting year, the inventories received from suppliers amounted to UAH 1,739 thousand. During the year, inventories of UAH 737 thousand were used in business activities.

**21. Note to the line item 1660 “Current provisions” of the Statement of Financial Position**

SC “Market Operator” charges a provision (allowance) for regular vacation payments to employees, gross of unified social tax deductible from these amounts. The provision accrued for the year amounts to UAH 4,192 thousand and, accordingly, the closing balance is UAH 4,192 thousand.

*Results of inventory count*

During the annual inventory count of assets and liabilities of SC “Market Operator”, inventory count commissions did not identify mismatches between accounting records and actual assets.

**22. Notes to the annual financial statements “Segment Information”**

In 2019, the Company identified priority reportable sales segments by type of electricity (DAM/IDM) supplied to external customers. Total segment revenue from sales to external customers amounted to UAH 38,210,403 thousand, including:

- DAM – UAH 37,059,019 thousand;
- IDM – UAH 1,151,384 thousand.

**23. Financial risk management**

Key financial instruments of the Company are accounts receivable for goods, works, services and other receivables, accounts payable. The Company has no transactions with derivatives.

*Currency risk*

The Company is exposed to the currency risk during sales and purchases because 99% of payments are made in the national currency.

*Fair value*

The carrying amount of the Company’s financial assets and financial liabilities recognised in financial statements is their fair value.

Fair value of financial assets/liabilities as at 31 December 2019 is as follows (UAH ‘000):

<b>Financial assets/liabilities</b>	<b>Carrying value</b>	<b>Fair value</b>
Accounts receivable for goods, works, services	399,294	399,294
Other current accounts receivable	345	345
Cash and cash equivalents	20,104	20,104
Accounts payable for goods, works, services	(397,920)	(397,920)
Other liabilities and accounts payable	(66,530)	(66,530)

*Liquidity risk*

Financial liabilities of the Company are grouped by ageing with reference to the remaining maturity at the close of 31 December 2019. Amounts presented in the table are undiscounted cash flows of principal and interest.

Financial liabilities and their maturities as at 31 December 2019 (UAH ‘000):

<b>Financial liabilities</b>	<b>Total</b>	<b>Less than 6 months</b>	<b>From 6 to 12 months</b>
Accounts payable for goods, works, services	397,920	397,920	-
Other liabilities and accounts payable	66,530	66,530	-

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*Credit risk*

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. This risk generally occurs in connection with receivables from the Company’s counterparties.

<b>Financial assets</b>	<b>31 December 2019</b>
Accounts receivable for goods, works, services	399,294
Other current accounts receivable	345
Cash and cash equivalents	20,104
<b>Total</b>	<b>419,743</b>

*Concentration risk*

For the year ended 31 December 2019, 10 of the Company’s largest counterparties account for UAH 22,152,084 of revenue. Accounts receivable for electricity from counterparties at the close of 31 December 2019 amount to UAH 21,442,781.

TOP 10 corporate purchasers of electricity for 2019 (UAH ‘000):

<b>Counterparty</b>	<b>Net revenue</b>	<b>Balance of receivables (with VAT)</b>
LLC “D.TRADING”	11,786,406	186,096
LLC “Enerho Zbut Trans”	1,570,104	-
PrJSC “KHARKIVENERGOZBUT”	1,512,534	17,687
LLC “Lvivenergozbut”	1,495,634	12,936
SE “Guaranteed Buyer”	1,539,029	75
LLC “ENERA SUMY”	989,954	7,359
LLC “KYIV REGION ENERGY SUPPLY COMPANY”	946,433	15,301
LLC “ORESC”	832,399	879
LLC “KHERSON REGION ENERGY SUPPLY COMPANY”	756,423	5,071
LLC “ENERA VINNYTSIA”	723,169	6,445
<b>Total</b>	<b>22,152,085</b>	<b>251,849</b>

**24. Related party disclosures**

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

The Company’s ultimate controlling party is the Ukrainian government represented by the Cabinet of Ministers of Ukraine and, therefore, all entities controlled by the government are treated as related parties under common control.

*Related party transactions and balances*

<b>Revenue from sales, purchases and other income</b>	<b>2019</b>
Net revenue	4,347,506
Purchases and other expenses	29,231,591
Accrued interest on balances	3,216
<b>Accounts receivable, cash and cash equivalents, investments and accounts payable</b>	<b>2019</b>
Accounts receivable for goods, works, services	25,885
Cash and cash equivalents	20,104
Current accounts payable for goods, works, services	(284,465)
Current accounts payable on advances received	(188)

*Key management personnel*

Key management personnel are those members of management who have the authority and responsibility for planning, directing and controlling the activities of the Company. According to the Articles of Association of SC “Market Operator” approved by the Resolution of the Cabinet of Ministers of Ukraine No. 454 dated 22 May 2019, the Company is managed by its director. Director is assigned and terminated from office by the Cabinet of Ministers of Ukraine and shall independently solve matters related to the Company’s activities. Key management personnel compensation for 7 months ended 31 December 2019 is represented by salary of UAH 3,635 thousand (including taxes).

## **25. Contingencies and commitments**

### *Capital commitments*

The contractual amount underlying future purchase of property, plant and equipment is UAH 137 thousand at the close of 31 December 2019.

### *Litigations and claims*

The Company believes that there is a chance that potential litigations, individually or collectively, will have a significant adverse effect on its financial position or returns.

## **26. Subsequent events**

In compliance with the Resolution of the Cabinet of Ministers of Ukraine No. 534-p dated 13 May 2020, SC “Market Operator” is beginning the corporatisation process. At the government session as of 13 May 2020, the Cabinet of Ministers of Ukraine has passed the resolution to transform the State Company “Market Operator” into a joint stock company with 100% of its authorised capital being owned by the state and it will not be subject to privatisation or any other divestment.

### *Information about Coronavirus*

On 31 December 2019, the World Health Organization reported a limited number of cases of pneumonia of unknown origin detected in Wuhan, Hubei. On 7 January 2020, the Chinese authorities identified a new type of coronavirus (COVID-19) as the cause. Since 31 December 2019, the development and spread of COVID-19 have led to a multitude of associated events. Early 2020 was characterised by the spread of the pandemic caused by the COVID-19 coronavirus. In Ukraine, the first case of a coronavirus was detected on March 3.

To stop the COVID-19 virus from spreading in Ukraine, in March 2020 the Government of Ukraine introduced temporary restrictions at the state border, provided cancellation of regular transport and introduced other restrictions for the period of the nation-wide quarantine. Depending on further developments with the pandemic, the restrictive measure may be lifted or extended.

It cannot be excluded that an economic slowdown could also emerge with potential implications, not yet quantifiable, for the Company's returns, mainly with reference to the operating income and cost of risk.

Following the COVID-19 outbreak, the company continues to monitor the situation carefully and take precautions in accordance with the recommendations of the World Health Organization and local authorities.