United Mining and Chemical Company, JSC

Financial statements for the year ended 31 December 2020

CONTENTS

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Management of United Mining and Chemical Company, JSC (hereinafter referred to as the Company) is responsible for preparation of the financial statements that present fairly, in all material respects, the financial position of the Company as at 31 December 2020, as well as its operating performance, cash flows and changes in equity for the year ended 31 December 2020, in accordance with International Financial Reporting Standards (hereinafter referred to as IFRS).

In preparing the IFRS financial statements, the Company's management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRS have been followed, subject to any material departures from IFRS disclosed and explained in the notes to the financial statements;
- prepare the IFRS financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business for the foreseeable future;
- identify, account for, and disclose related party relationships and transactions;
- identify, account for, and disclose all events after the balance sheet date that require adjustment or disclosure in the financial statements;
- disclose all claims in connection with lawsuits that were, or may be in the near future;
- disclose fairly in the financial statements information on all loans granted or guarantees on behalf of the Company's management.

The Company's management is also responsible for:

- development, implementation and operation of an effective and reliable internal control system in the Company;
- accounting in accordance with the legislation and accounting standards;
- taking measures within its competence to protect the Company's assets;
- detection and prevention of fraud and other irregularities.

These IFRS financial statements as at 31 December 2020 have been approved by the Company's management on 23 April 2020.

On behalf of the Company's management:

Acting Chairman of the Board of Directors
Artur Somov

Chief Accountant
Svitlana Poltorak

KRESTON GCG

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Management Board

United Mining and Chemical Company, JSC

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of United Mining and Chemical Company, JSC (hereinafter as the Company), which comprise the balance sheet (statement of financial position) as at 31 December 2020, the statement of financial performance (statement of comprehensive income), the statement of changes in equity and the statement of cash flows (direct method) for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the impact of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) the requirements for the preparation of financial statements set out in the Law of Ukraine *On Accounting and Financial Reporting in Ukraine* dated 16 July 1999 No.996-XIV.

Basis for qualified opinion

1. In performing transition of the financial statements to International Financial Reporting Standards (IFRS) starting from 1 January 2016, the Company used the fair value of property, plant and equipment, including work in progress and intangible assets as their 'deemed cost', in accordance with IFRS 1 *First-time Adoption of IFRS*. Certain assumptions and methodologies used in determining such fair value by an independent appraiser as at 31 July 2016, were not acceptable, so the measured value of property, plant and equipment, and intangible assets could not be used by the Company for the purposes of IFRS 1. In addition, the use of fair value for intangible assets is permitted only for those assets that meet the criteria for IAS 38 *Intangible Assets* for revaluation (including the existence of an active market). Due to inherent audit limitations, we have not been able to determine the impact of this departure from IFRS on the current financial statements.

2. As at 31 December 2018, the Company recognized an impairment losses for property, plant and equipment, and intangible assets in the amount of UAH 346,426 thousand. The results of such impairment have been recognized by reducing the value of an individual asset within a single cash-generating unit, contrary to the requirements of IAS 36 *Impairment of Assets*. Due to inherent audit limitations, we have not been able to obtain sufficient appropriate audit evidence of the impact of this departure from IFRS on the current financial statements.

3. As at 31 December 2019, the Company did not recognize additional provisions for the payment of dividends for 2018, in accordance with the Resolution of the Cabinet of Ministers of Ukraine No. 1015 dated 4 December 2019. Thus, the current provisions in the Company's financial statements as at 31 December 2019 was understated by UAH 68,932 thousand, and the retained earnings were overstated by the above amount.

4. In the financial statements as at and for the years ended 31 December 2020 and 31 December 2019, the Company recognized the cost of financial incentives to employees through the use of additional capital (incentive fund) in the Statement of changes in equity in the amount of UAH 8,707 thousand and UAH 32,423 thousand, respectively, which does not meet the requirements of IAS 1 Presentation of Financial Statements. Thus, the net profit for the years ended 31 December 2020 and 31 December 2019, was overstated by UAH 8,707 thousand and UAH 32,423 thousand, respectively, and the retained earnings as at 31 December 2020 were overstated by UAH 41,130 thousand.

We have conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants matterd by the International Ethics Standards Board for Accountants (IESBA Code) and ethical requirements applicable in Ukraine to our audit of the financial statements, and perform other duties of ethics 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 qualified opinion.

Explanatory paragraph – the impact of the economic and epidemiological crisis, and political instability

We draw attention to Note 1 to the financial statements which states that the impact of the economic crisis, political instability and epidemiological condition associated with the spread of coronavirus COVID-19, which continue in Ukraine and around the world, as well as their final settlement cannot be predicted with sufficient probability, and they may adversely affect the economy of Ukraine and the Company's operating activities.

Our opinion is not modified in respect of this matter.

Key audit matters

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

An estimate of expected credit losses on trade receivables (line code 1125), UAH 555,263 thousand

Refer to Note 9

We focused on this area as a key audit matter due to the fact that at the time of analyzing the data used by the Company to determine the allowance for expected credit losses: on trade receivables, and the fact that IFRS 9 *Financial Instruments* is a complex financial reporting standard that required the management to make significant judgments to determine the allowance for expected credit losses.

The key areas of judgment include management's interpretation of the requirements for impairment measurement in applying IFRS 9, which are reflected in the Company's expected credit loss model, and the assumptions used in the expected credit loss model, such as the buyer's financial condition, expected future cash flows.

Our procedures included, but not limited to:

- an analysis of the accounting policies for expected credit losses on trade receivables;
- an evaluation of the methods and methodology for modeling expected credit losses in accordance with the requirements of IFRS 9;
- an evaluation of the data used by the Company in the expected credit losses model to determine provision for impairment:
- an analysis of the data on the maturity of trade receivables before and after the reporting date;
- testing the calculation of expected credit losses recognized on an individual basis;
- an evaluation of the sufficiency of the created provision and the sufficiency and

accuracy of the disclosure in the financial statements.

Other matters

The audit of the Company's financial statements for the year ended 31 December 2019 has been performed by another auditor who, on 9 July 2020, expressed a qualified opinion to these financial statements regarding a misstatement of the carrying amount of property, plant and equipment and intangible assets when performing transition to IFRS, misstatement in the accounting of the results of property, plant and equipment impairment, incorrect application of the IFRS requirements when recognizing the provisions for reclamation, non-recognition of the additional provisions for dividends, and presentation of the cost of financial incentives to employees through the use of additional capital.

Other information

The Company's management is responsible for the other information prepared as at and for the year ended 31 December 2020. The other information comprises the information included the following reports:

1. Management Report for the year 2020, prepared in accordance with Article 6 and Article 11 of the Law of Ukraine On Accounting and Financial Reporting in Ukraine No. 996-XIV dated 16 July 1999;
2. Annual information of the issuer of securities for the year 2020, prepared in accordance with the requirements of the Regulation on Disclosure of Information by Issuers of Securities, approved by the Decision of the National Commission on Securities and Stock Market, No. 2826 dated 3 December 2013.

The other information 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, it is our responsibility to review the other information mentioned above and to consider whether there is significant inconsistency between the other information and the financial statements or our knowledge gained during the audit, or whether this information is containing a substantial misstatement. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Management Report for 2020

The Company has prepared the Management Report for 2020. In the Management Report, we found no material inconsistency between the other information and the financial statements or our knowledge obtained in the audit, except for incomplete description of the internal control and risk management system, and the information referred to in paragraphs 1-4 of the Basis for Qualified Opinion section of our report Accordingly, we cannot conclude whether the other information contains a material misstatement in relation to these matters.

Annual Information on the Issuer of Securities for 2020

The Company plans to prepare and matter the 2020 Annual Information on the Issuer of Securities after the date of issuance of this Independent Auditor's Report. When we read the 2020 Annual Information on the Issuer of Securities, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

The Company's management is responsible for preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Law of Ukraine *On Accounting and Financial Reporting in Ukraine No. 996-XIV* dated 16 July 1999, regarding preparation of financial statements, and for such internal control system as the management determines necessary to ensure preparation of the financial statements that are free from material misstatements, 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 matter 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 ISA, we exercise professional judgment and maintain professional skepticism throughout the audit engagement. 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, and not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies applied 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 to 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 and are therefore the key audit matters. We describe these matters in our auditor's report unless a law or regulation precludes public disclosure of such matter or when, in extremely rare circumstances, we determine that such matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the requirements of other laws and regulations

Other matters

— expressing an opinion on the information specified in paragraphs 5-9 of Part 3 of Article 40-1, and verification of the information specified in paragraphs 1-4 of Part 3 of Article 40-1 of the Law of Ukraine On Securities and Stock Market No. 3480-IV dated 24 September 2020 (hereinafter as the Law 3480-IV) regarding the Company's Management Report to be included in the 2020 Annual Information on the Issuer of Securities

Based on the work performed during the audit, we came to the conclusion that the information, namely: a description of the main characteristics of the Company's internal control and risk management systems; a list of persons who directly or indirectly own a significant stake in the Company; information on any restriction of the rights of participation and voting of shareholders (participants) at the general meeting of the issuer; the procedure for appointment and dismissal of the Company's officials; the powers of the Company's officials, is disclosed in the Management Report as at 31 December 2020 as required by paragraphs 5-9 of Part 3 of Article 40-1 of the Law 3480-IV

In addition, we have checked the information included in the Corporate Governance Report, the disclosure of which is required by paragraphs 1-4 of Part 3 of Article 40-1 of the Law 3480-IV, namely:

- reference to its own corporate governance code by which the Company is guided, that the Company voluntarily decided to apply with disclosure of relevant information on corporate governance practices applied in excess of requirements specified by the legislation;
- information on the general meeting of shareholders (participants) and general description of the decisions taken at the meeting;
- information on the personal composition of the Supervisory Board and collegial executive body of the Company and committees (if any), information about the meetings and general description of the decisions taken.

The information contained in the 2020 Corporate Governance Report is disclosed in accordance with the requirements of paragraphs 1-4 of Part 3 of Article 40.1 of the Law 3480-IV (except for the existence of its own corporate governance code, which the Company did not accept for use and creation of the Supervisory Board) and is consistent with the financial statements.

Information disclosed in our Independent Auditor's Report in compliance with the requirements of Part 4 of Article 14 of the Law of Ukraine *On Audit of Financial Reporting and Audit Activity* No. 2258-VIII dated 21 December 2017 (hereinafter as the Law):

The purpose of our audit is to increase the confidence of identified users in the financial statements of the Company.

We have determined the scope of the audit in such a way as to allow us to obtain sufficient audit evidence to express our opinion on whether the Company's financial statements have been prepared in all material respects in accordance with the applicable conceptual framework for financial reporting, taking into account the reasonableness of accounting estimates, controls as well the specifics of the industry in which the Company operates.

Our audit has been conducted in accordance with ISA and relevant ethical requirements and provides us with an opportunity to formulate such an opinion. Due to the inherent limitations of an audit, most of the audit evidence on which our conclusions and our opinion are based, is more convincing than conclusive, and therefore the audit does not provide an absolute guarantee that the financial statements are free of misstatement and our audit does not guarantee the future viability of the Company, efficiency or effectiveness of the Company's business management.

Appointment and duration of the audit engagement

We were appointed auditors on 27 November 2020 by the decision of the Company's Board of Directors to perform a statutory audit of the Company's financial statements for the year ended 31 December 2020. The total duration of the engagement of Kreston GCG Audit LLC for statutory audit of the financial statements the Company is 850 hours.

Identifying and measuring risks of material misstatement due to fraud or error at the level of financial statements and assertions due to the understanding of the Client and his environment, including internal control

General procedures for identifying and measuring risks of material misstatement due to fraud or error that were used during our audit:
- directing the work of the audit team in important areas of the audit;
- analysis of the information and measurements obtained in previous periods;
- review of disclosures to financial statements and testing of supporting documentation to assess compliance with the relevant laws and regulations addressed in this section;
- analysis of the Company's internal control environment, the process of identifying business risks relevant to the Company's financial reporting purposes, assessing the significance of risks, the probability of their occurrence, as well as the Company's decisions on the mechanism for examining these risks;
- external confirmation procedures, including the balances of receivables and their terms, as well as inspection of the documents after the end of the period and the internal control system of the Company related to the payment of receivables and other financial assets;
- requests to the management, those charged with governance, and internal lawyers regarding existing and potential lawsuits and claims;
- testing of journal entries;
- understanding the IT control measures, including related business processes pertinent to financial reporting, the main measures that the Company uses to monitor internal control over financial reporting;
- analysis of regulatory risks (regulatory environment, including the applied conceptual framework for financial reporting, legal and political environment); At the same time, we paid special attention to those laws and regulations that directly affected the financial statements or that had a fundamental impact on the Company's activities. The key laws and regulations we considered in this context, included the Law of Ukraine On Electricity, the Law of Ukraine On the Electricity Market, and the regulations of the National Energy and Utilities Regulatory Commission, and relevant tax legislation.
- an assessment of whether judgments and decisions made by management in determining accounting estimates, indicate bias;
- performing analytical procedures together with detailed tests in accordance with the requirements of professional standards related to reflected amounts and/or ratios, taking into account the source, comparability, nature, and relevance of available information, and measures of internal control over financial reporting;
- an analysis of the circumstances affecting the coefficients used to assess the Company's financial position, performance, or cash flows that were expected to lead to misstatements, including changes in trends or significant coefficients of the financial statements or their ratios.
- we also reported relevant identified laws and regulations, the potential risks of fraud to all members of the audit engagement team, including internal experts, and remained vigilant throughout the audit for any signs of fraud or non-compliance with laws and regulations.

Among the risks we identified that were significant during the audit of the Company's financial statements for the current period, which according to our professional judgment should have been addressed and which led to the modification of our opinion, described in the *Basis for Qualified Opinion* section of our report.

Our actions in response to the assessed risks included: assessment of the Company's accounting policy, analysis of revaluation, impairment of property, plant and equipment, and intangible assets, making provisions, analysis of cost classification and inclusion of relevant data in the accounting. Requests for supporting records and discussion with management. We have also checked the relevant disclosures in the financial statements.

We included the description of the matters that are disclosed in the Company's financial statements and are, in our professional judgment, also worth attention in the Explanatory Paragraph section of our report. Without qualifying our opinion, these matters were addressed in the context of our audit of the financial statements as a whole, and are fundamental to understanding financial statements by users.

Those matters that were of most significance in the audit of the Company's current period financial statements and that, in our professional judgment, requiring to be drawn to the attention are listed in the Key Audit Matters section of our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In performing this statutory audit engagement, we analyzed the areas in which there were risks of bias and formation of subjective judgments by management, for example, on significant accounting estimates, which included the application of assumptions and consideration of future events that are uncertain due to their nature. All significant risks identified by us, which we consider appropriate to disclose in accordance with Part 3 of Article 14 of Law No. 2258 VIII, are listed in the Key Audit Matters section of this report and have been discussed with the Company's top management.

According to the results of our audit, all identified breaches being significant risks were discussed with the Company's top management, those that required corrections in the financial statements were corrected (described in the additional report for the audit committee), except for those that remained in the Basis for Qualified Opinion section of our report.

The breaches we found are not associated wlth a risk of fraud.

Consistency with the Supplementary Report for the Audit Committee

Although there is a regulatory requirement for the Company to establish an audit committee or to assign appropriate functions to a revision group or supervisory board, as at the date of our report, neither audit committee nor supervisory board was formed. Based on the above, our Supplementary Report for the audit committee was submitted to the Company's Board of Directors. We confirm that our audit opinion on the financial statements set out in this Independent Auditor's Report is consistent with the Supplementary Report addressed to the Supervisory Board on 9 April 2021.

The information contained in the Independent Auditor's Report which is presented on 23 April 2021 upon the results of the audit of the financial statements for the year ended 31 December 2020, is consistent with the information in the Supplementary Report for the Supervisory Board of Directors dated 9 April 2021. We did not find any inconsistencies between the Supplementary Report for the Audit Committee and the information provided in the Independent Auditor's Report.

Providing non-audit services and independence

We confirm that, to the best of our knowledge and belief, we have not provided the Company or its controlled entities with the non-audit services specified by law in Part 4 of Article 6 of Law No. 2258 VIII. In addition, we did not provide the Company or its controlled entities with services other than statutory audit services that were not disclosed in the financial statements or in the Management Report.

Kreston GCG Audit LLC and the key audit partner are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board of Directors for Accountants ("IESBA Code") and ethical requirements applicable in Ukraine to our audit of the financial statements, and performed other duties of ethics in accordance with those requirements and the IESBA Code. During the audit, we did not identify any additional facts or matters that could affect our independence, and which we would like to draw attention to.

1	Name of the audit firm	KRESTON GCG AUDIT, LLC
2	Legal entity identification code	31586485
3	Registration number of audit firm in the Register of auditors and audit entities	2846

The engagement partner

responsible for the audit resulting in this independent auditor's report is: Serhii Holub

Registration number in the Register of auditors and audit entities: 101821

For and on behalf of KRESTON GCG AUDIT, LLC

Director Andrii Domrachov

Registration number in the Register of auditors and audit entities: 101004

Palladium City BC

172 Horkoho (Antonovycha) Street

Kyiv, 03150, Ukraine

23 April 2021

KRESTON GCG

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Management Board

United Mining and Chemical Company, JSC

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of United Mining and Chemical Company, JSC (hereinafter as the Company), which comprise the balance sheet (statement of financial position) as at 31 December 2020, the statement of financial performance (statement of comprehensive income), the statement of changes in equity and the statement of cash flows (direct method) for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the impact of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) the requirements for the preparation of financial statements set out in the Law of Ukraine *On Accounting and Financial Reporting in Ukraine* dated 16 July 1999 No.996-XIV.

Basis for qualified opinion

1. In performing transition of the financial statements to International Financial Reporting Standards (IFRS) starting from 1 January 2016, the Company used the fair value of property, plant and equipment, including work in progress and intangible assets as their 'deemed cost', in accordance with IFRS 1 *First-time Adoption of IFRS*. Certain assumptions and methodologies used in determining such fair value by an independent appraiser as at 31 July 2016, were not acceptable, so the measured value of property, plant and equipment, and intangible assets could not be used by the Company for the purposes of IFRS 1. In addition, the use of fair value for intangible assets is permitted only for those assets that meet the criteria for IAS 38 *Intangible Assets* for revaluation (including the existence of an active market). Due to inherent audit limitations, we have not been able to determine the impact of this departure from IFRS on the current financial statements.

2. As at 31 December 2018, the Company recognized an impairment losses for property, plant and equipment, and intangible assets in the amount of UAH 346,426 thousand. The results of such impairment have been recognized by reducing the value of an individual asset within a single cash-generating unit, contrary to the requirements of IAS 36 *Impairment of Assets*. Due to inherent audit limitations, we have not been able to obtain sufficient appropriate audit evidence of the impact of this departure from IFRS on the current financial statements.

3. As at 31 December 2019, the Company did not recognize additional provisions for the payment of dividends for 2018, in accordance with the Resolution of the Cabinet of Ministers of Ukraine No. 1015 dated 4 December 2019. Thus, the current provisions in the Company's financial statements as at 31 December 2019 was understated by UAH 68,932 thousand, and the retained earnings were overstated by the above amount.

4. In the financial statements as at and for the years ended 31 December 2020 and 31 December 2019, the Company recognized the cost of financial incentives to employees through the use of additional capital (incentive fund) in the Statement of changes in equity in the amount of UAH 8,707 thousand and UAH 32,423 thousand, respectively, which does not meet the requirements of IAS 1 Presentation of Financial Statements. Thus, the net profit for the years ended 31 December 2020 and 31 December 2019, was overstated by UAH 8,707 thousand and UAH 32,423 thousand, respectively, and the retained earnings as at 31 December 2020 were overstated by UAH 41,130 thousand.

We have conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants matterd by the International Ethics Standards Board for Accountants (IESBA Code) and ethical requirements applicable in Ukraine to our audit of the financial statements, and perform other duties of ethics 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 qualified opinion.

Explanatory paragraph – the impact of the economic and epidemiological crisis, and political instability

We draw attention to Note 1 to the financial statements which states that the impact of the economic crisis, political instability and epidemiological condition associated with the spread of coronavirus COVID-19, which continue in Ukraine and around the world, as well as their final settlement cannot be predicted with sufficient probability, and they may adversely affect the economy of Ukraine and the Company's operating activities.

Our opinion is not modified in respect of this matter.

Key audit matters

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

An estimate of expected credit losses on trade receivables (line code 1125), UAH 555,263 thousand

Refer to Note 9

We focused on this area as a key audit matter due to the fact that at the time of analyzing the data used by the Company to determine the allowance for expected credit losses: on trade receivables, and the fact that IFRS 9 *Financial Instruments* is a complex financial reporting standard that required the management to make significant judgments to determine the allowance for expected credit losses.

The key areas of judgment include management's interpretation of the requirements for impairment measurement in applying IFRS 9, which are reflected in the Company's expected credit loss model, and the assumptions used in the expected credit loss model, such as the buyer's financial condition, expected future cash flows.

Our procedures included, but not limited to:

- an analysis of the accounting policies for expected credit losses on trade receivables;
- an evaluation of the methods and methodology for modeling expected credit losses in accordance with the requirements of IFRS 9;
- an evaluation of the data used by the Company in the expected credit losses model to determine provision for impairment:
- an analysis of the data on the maturity of trade receivables before and after the reporting date;
- testing the calculation of expected credit losses recognized on an individual basis;
- an evaluation of the sufficiency of the created provision and the sufficiency and

accuracy of the disclosure in the financial statements.

Other matters

The audit of the Company's financial statements for the year ended 31 December 2019 has been performed by another auditor who, on 9 July 2020, expressed a qualified opinion to these financial statements regarding a misstatement of the carrying amount of property, plant and equipment and intangible assets when performing transition to IFRS, misstatement in the accounting of the results of property, plant and equipment impairment, incorrect application of the IFRS requirements when recognizing the provisions for reclamation, non-recognition of the additional provisions for dividends, and presentation of the cost of financial incentives to employees through the use of additional capital.

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The Company's management is responsible for the other information prepared as at and for the year ended 31 December 2020. The other information comprises the information included the following reports:

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The other information 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, it is our responsibility to review the other information mentioned above and to consider whether there is significant inconsistency between the other information and the financial statements or our knowledge gained during the audit, or whether this information is containing a substantial misstatement. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Management Report for 2020

The Company has prepared the Management Report for 2020. In the Management Report, we found no material inconsistency between the other information and the financial statements or our knowledge obtained in the audit, except for incomplete description of the internal control and risk management system, and the information referred to in paragraphs 1-4 of the Basis for Qualified Opinion section of our report Accordingly, we cannot conclude whether the other information contains a material misstatement in relation to these matters.

Annual Information on the Issuer of Securities for 2020

The Company plans to prepare and matter the 2020 Annual Information on the Issuer of Securities after the date of issuance of this Independent Auditor's Report. When we read the 2020 Annual Information on the Issuer of Securities, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

The Company's management is responsible for preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Law of Ukraine *On Accounting and Financial Reporting in Ukraine No. 996-XIV* dated 16 July 1999, regarding preparation of financial statements, and for such internal control system as the management determines necessary to ensure preparation of the financial statements that are free from material misstatements, 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 matter 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 ISA, we exercise professional judgment and maintain professional skepticism throughout the audit engagement. 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, and not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies applied 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 to 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 and are therefore the key audit matters. We describe these matters in our auditor's report unless a law or regulation precludes public disclosure of such matter or when, in extremely rare circumstances, we determine that such matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the requirements of other laws and regulations

Other matters

— expressing an opinion on the information specified in paragraphs 5-9 of Part 3 of Article 40-1, and verification of the information specified in paragraphs 1-4 of Part 3 of Article 40-1 of the Law of Ukraine On Securities and Stock Market No. 3480-IV dated 24 September 2020 (hereinafter as the Law 3480-IV) regarding the Company's Management Report to be included in the 2020 Annual Information on the Issuer of Securities

Based on the work performed during the audit, we came to the conclusion that the information, namely: a description of the main characteristics of the Company's internal control and risk management systems; a list of persons who directly or indirectly own a significant stake in the Company; information on any restriction of the rights of participation and voting of shareholders (participants) at the general meeting of the issuer; the procedure for appointment and dismissal of the Company's officials; the powers of the Company's officials, is disclosed in the Management Report as at 31 December 2020 as required by paragraphs 5-9 of Part 3 of Article 40-1 of the Law 3480-IV

In addition, we have checked the information included in the Corporate Governance Report, the disclosure of which is required by paragraphs 1-4 of Part 3 of Article 40-1 of the Law 3480-IV, namely:

- reference to its own corporate governance code by which the Company is guided, that the Company voluntarily decided to apply with disclosure of relevant information on corporate governance practices applied in excess of requirements specified by the legislation;
- information on the general meeting of shareholders (participants) and general description of the decisions taken at the meeting;
- information on the personal composition of the Supervisory Board and collegial executive body of the Company and committees (if any), information about the meetings and general description of the decisions taken.

The information contained in the 2020 Corporate Governance Report is disclosed in accordance with the requirements of paragraphs 1-4 of Part 3 of Article 40.1 of the Law 3480-IV (except for the existence of its own corporate governance code, which the Company did not accept for use and creation of the Supervisory Board) and is consistent with the financial statements.

Information disclosed in our Independent Auditor's Report in compliance with the requirements of Part 4 of Article 14 of the Law of Ukraine *On Audit of Financial Reporting and Audit Activity* No. 2258-VIII dated 21 December 2017 (hereinafter as the Law):

The purpose of our audit is to increase the confidence of identified users in the financial statements of the Company.

We have determined the scope of the audit in such a way as to allow us to obtain sufficient audit evidence to express our opinion on whether the Company's financial statements have been prepared in all material respects in accordance with the applicable conceptual framework for financial reporting, taking into account the reasonableness of accounting estimates, controls as well the specifics of the industry in which the Company operates.

Our audit has been conducted in accordance with ISA and relevant ethical requirements and provides us with an opportunity to formulate such an opinion. Due to the inherent limitations of an audit, most of the audit evidence on which our conclusions and our opinion are based, is more convincing than conclusive, and therefore the audit does not provide an absolute guarantee that the financial statements are free of misstatement and our audit does not guarantee the future viability of the Company, efficiency or effectiveness of the Company's business management.

Appointment and duration of the audit engagement

We were appointed auditors on 27 November 2020 by the decision of the Company's Board of Directors to perform a statutory audit of the Company's financial statements for the year ended 31 December 2020. The total duration of the engagement of Kreston GCG Audit LLC for statutory audit of the financial statements the Company is 850 hours.

Identifying and measuring risks of material misstatement due to fraud or error at the level of financial statements and assertions due to the understanding of the Client and his environment, including internal control

General procedures for identifying and measuring risks of material misstatement due to fraud or error that were used during our audit:

- directing the work of the audit team in important areas of the audit;
- analysis of the information and measurements obtained in previous periods;
- review of disclosures to financial statements and testing of supporting documentation to assess compliance with the relevant laws and regulations addressed in this section;
- analysis of the Company's internal control environment, the process of identifying business risks relevant to the Company's financial reporting purposes, assessing the significance of risks, the probability of their occurrence, as well as the Company's decisions on the mechanism for examining these risks;
- external confirmation procedures, including the balances of receivables and their terms, as well as inspection of the documents after the end of the period and the internal control system of the Company related to the payment of receivables and other financial assets;
- requests to the management, those charged with governance, and internal lawyers regarding existing and potential lawsuits and claims;
- testing of journal entries;
- understanding the IT control measures, including related business processes pertinent to financial reporting, the main measures that the Company uses to monitor internal control over financial reporting;
- analysis of regulatory risks (regulatory environment, including the applied conceptual framework for financial reporting, legal and political environment); At the same time, we paid special attention to those laws and regulations that directly affected the financial statements or that had a fundamental impact on the Company's activities. The key laws and regulations we considered in this context, included the Law of Ukraine On Electricity, the Law of Ukraine On the Electricity Market, and the regulations of the National Energy and Utilities Regulatory Commission, and relevant tax legislation.
- an assessment of whether judgments and decisions made by management in determining accounting estimates, indicate bias;
- performing analytical procedures together with detailed tests in accordance with the requirements of professional standards related to reflected amounts and/or ratios, taking into account the source, comparability, nature, and relevance of available information, and measures of internal control over financial reporting;
- an analysis of the circumstances affecting the coefficients used to assess the Company's financial position, performance, or cash flows that were expected to lead to misstatements, including changes in trends or significant coefficients of the financial statements or their ratios.
- we also reported relevant identified laws and regulations, the potential risks of fraud to all members of the audit engagement team, including internal experts, and remained vigilant throughout the audit for any signs of fraud or non-compliance with laws and regulations.

Among the risks we identified that were significant during the audit of the Company's financial statements for the current period, which according to our professional judgment should have been addressed and which led to the modification of our opinion, described in the *Basis for Qualified Opinion* section of our report.

Our actions in response to the assessed risks included: assessment of the Company's accounting policy, analysis of revaluation, impairment of property, plant and equipment, and intangible assets, making provisions, analysis of cost classification and inclusion of relevant data in the accounting. Requests for supporting records and discussion with management. We have also checked the relevant disclosures in the financial statements.

We included the description of the matters that are disclosed in the Company's financial statements and are, in our professional judgment, also worth attention in the Explanatory Paragraph section of our report. Without qualifying our opinion, these matters were addressed in the context of our audit of the financial statements as a whole, and are fundamental to understanding financial statements by users.

Those matters that were of most significance in the audit of the Company's current period financial statements and that, in our professional judgment, requiring to be drawn to the attention are listed in the Key Audit Matters section of our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In performing this statutory audit engagement, we analyzed the areas in which there were risks of bias and formation of subjective judgments by management, for example, on significant accounting estimates, which included the application of assumptions and consideration of future events that are uncertain due to their nature. All significant risks identified by us, which we consider appropriate to disclose in accordance with Part 3 of Article 14 of Law No. 2258 VIII, are listed in the Key Audit Matters section of this report and have been discussed with the Company's top management.

According to the results of our audit, all identified breaches being significant risks were discussed with the Company's top management, those that required corrections in the financial statements were corrected (described in the additional report for the audit committee), except for those that remained in the Basis for Qualified Opinion section of our report.

The breaches we found are not associated with a risk of fraud.

Consistency with the Supplementary Report for the Audit Committee

Although there is a regulatory requirement for the Company to establish an audit committee or to assign appropriate functions to a revision group or supervisory board, as at the date of our report, neither audit committee nor supervisory board was formed. Based on the above, our Supplementary Report for the audit committee was submitted to the Company's Board of Directors. We confirm that our audit opinion on the financial statements set out in this Independent Auditor's Report is consistent with the Supplementary Report addressed to the Supervisory Board on 9 April 2021.

The information contained in the Independent Auditor's Report which is presented on 23 April 2021 upon the results of the audit of the financial statements for the year ended 31 December 2020, is consistent with the information in the Supplementary Report for the Supervisory Board of Directors dated 9 April 2021. We did not find any inconsistencies between the Supplementary Report for the Audit Committee and the information provided in the Independent Auditor's Report.

Providing non-audit services and independence

We confirm that, to the best of our knowledge and belief, we have not provided the Company or its controlled entities with the non-audit services specified by law in Part 4 of Article 6 of Law No. 2258 VIII. In addition, we did not provide the Company or its controlled entities with services other than statutory audit services that were not disclosed in the financial statements or in the Management Report.

Kreston GCG Audit LLC and the key audit partner are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board of Directors for Accountants ("IESBA Code") and ethical requirements applicable in Ukraine to our audit of the financial statements, and performed other duties of ethics in accordance with those requirements and the IESBA Code. During the audit, we did not identify any additional facts or matters that could affect our independence, and which we would like to draw attention to.

1	Name of the audit firm	KRESTON GCG AUDIT, LLC
2	Legal entity identification code	31586485
3	Registration number of audit firm in the Register of auditors and audit entities	2846

The engagement partner

responsible for the audit resulting in this independent auditor's report is: Serhii Holub

Registration number in the Register of auditors and audit entities: 101821

For and on behalf of KRESTON GCG AUDIT, LLC

Director Andrii Domrachov

Registration number in the Register of auditors and audit entities: 101004

Palladium City BC

172 Horkoho (Antonovycha) Street

Kyiv, 03150, Ukraine

23 April 2021

	CODES		
	2021	01	01
Entity: United Mining and Chemical Company, JSC	USREOU Code	36716128	
Territory: City of Kyiv	KOATUU code	8038900000	
Organizational and legal form of business: Joint Stock Company	KOPFG code:	240	
Type of economic activity: Mining of ores of other non-ferrous metals	KVED code	7.29	

The average number of employees : 5,238
Address, telephone: 3 Surikova Str., City of Kyiv, Tel. 044 22 90 247
Unit of measurement: thousands of hryvnias without decimal place
Prepared (mark V in the appropriate cell):

as per National Regulations (Standards) of Accounting	
as per International Financial Reporting Standards	V

BALANCE (STATEMENT OF FINANCIAL POSITION)
As at 31 December 2020

Form No. 1 DKUD code: 1801001

Assets 1	Line code 2	At the beginning of the reporting period 3	At the end of the reporting period 4	Notes
I. Non-current assets				
Intangible assets	1000	65,387	61,571	6
historical cost	*1001*	*83,443*	*84,065*	
accumulated amortization	*1002*	*(18,056)*	*(22,494)*	
Construction in progress	1005	118,405	90,604	6
Property, plant and equipment	1010	1,112,852	1,179,364	6
historical cost	*1011*	*2,123,149*	*2,389,220*	
depreciation	*1012*	*(1,010,297)*	*(1,209,856)*	
Non-current financial investments:				
accounted for using the equity method	1030	-	-	
other financial investments	1035	-	-	
Non-current receivables	1040	-	-	
Deferred tax assets	1045	21,722	111,720	24
Other non-current assets	1090	4,023	12,492	7
Total Section I	**1095**	**1,322,388**	**1,455,751**	
II. Current assets				
Inventories	1100	843,804	1,094,131	8
Production stock	*1101*	*251,396*	*252,500*	
Work in progress	*1102*	*53,209*	*59,378*	
Finished goods	*1103*	*539,177*	*782,248*	
Merchandise	*1104*	*22*	*5*	
Current biological assets	1110	-	-	
Trade receivables	1125	608,598	555,263	9
Receivables related to:				
advances paid	1130	117,828	64,258	
budget settlements	1135	98,709	23,721	
including income tax	1136	-	-	
Accrued receivables	1140	203	161	
Other current receivables	1155	2,203	821,879	10
Current financial investments	1160	-	-	
Cash and cash equivalents	1165	405,292	34,928	11
Cash in hand	*1166*	*5*	*3*	
Cash at bank	*1167*	*22,240*	*34,925*	
Prepaid expenses	1170	-	-	
Other current assets	1190	*24,557*	*27,334*	
Total Section II	**1195**	**2,101,194**	**2,621,675**	
III. Non-current assets held for sale	**1200**	-	-	
Balance	**1300**	**3,423,582**	**4,077,426**	

Liabilities	Line code	At the beginning of the reporting period	At the end of the reporting period	Notes
1	2	3	4	
I. Equity				
Registered (share) capital	1400	1,944,000	1,944,000	12
Revaluation surplus	1405	-	-	
Additional paid-in capital	1410	503,146	524,488	12
Cumulative exchange differences	1412	-	-	
Reserve capital	1415	60,102	63,853	12
Retained earnings (accumulated deficit)	1420	(115,038)	23,340	12
Unpaid capital	1425	-	-	
Withdrawn capital	1430	-	-	
Total Section I	**1495**	**2,392,210**	**2,555,681**	
II. Non-current liabilities and provisions				
Deferred tax liabilities	1500	-	-	24
Non-current bank loans	1510	-	-	
Other non-current liabilities	1515	2,669	8,705	
Non-current provisions	1520	651,338	766,861	
Long-term provisions for labor costs	*1521*	160,413	207,285	*13*
Reclamation reserve	*1522*	490,925	559,576	*14*
Special-purpose financing	1525	-	-	
Total Section II	**1595**	**654,007**	**775,566**	
III. Current liabilities and provisions				
Short-term bank loans	1600	-	-	
Current payables relating to:				
non-current liabilities	1610	1,793	4,745	7
trade payables	1615	96,778	223,035	16
budget settlements	1620	32,159	111,696	16
including income tax	1621	3,489	40,346	16
insurance	1625	7,302	9,314	
payroll	1630	27,249	34,724	
Current payables on advances received	1635	6,909	10,434	
Due to shareholders	1640	-	-	
Current payables on internal payments	1645	-	-	
Current provisions	1660	184,085	335,443	15
Deferred income	1665	-	-	
Other current liabilities	1690	21,090	16,788	
Total Section III	**1695**	**377,365**	**746,179**	
IV. Liabilities related to non-current assets held for sale and disposal groups	**1700**	-	-	
Balance	**1900**	**3,423,582**	**4,077,426**	

On behalf of the Company's management:

Acting Chairman of the Board of Directors
Artur Somov

Chief Accountant
Svitlana Poltorak

CODES

		Date (year, month, day)	2021 01 01
Entity:	United Mining and Chemical Company, JSC	EDRPOU Code	36716128

STATEMENT OF FINANCIAL PERFORMANCE (STATEMENT OF COMPREHENSIVE INCOME)
for 2020

Form No. 2 DKUD code: 1801008

I. FINANCIAL PERFORMANCE

Item	Line code	For the reporting period	For the same period of the previous year	Notes
1	2	3	4	
Sales revenue (goods, works, services)	2000	3,127,625	3,535,397	17
Cost of sales (goods, works, services)	2050	(2,074,819)	(2,475,050)	18
Gross:				
profit	2090	**1,052,806**	**1,060,347**	
loss	2095	-	-	
Other operating income	2120	237,772	65,529	21
Administrative expenses	2130	(226,785)	(190,352)	19
Sales costs	2150	(187 380)	(265,547)	20
Other operating costs	2180	(379,521)	(397,231)	22
Financial performance from operating activities:				
profit	**2190**	**496,892**	**272,746**	
loss	2195	-	-	
Equity income	2200	-	-	
Other finance income	2220	1,684	1,505	
Other income	2240	11,032	11,258	
Finance costs	2250	(91,878)	(87,634)	23
Equity expenses	2255	-	-	
Other costs	2270	(24)	(73,192)	
Profit/(loss) before taxation:				
profit	2290	417,706	**124,683**	
loss	2295	-	-	
Income tax benefit (expenses)	2300	(48,529)	(36,811)	24
Profit/(loss) on discontinued operations after taxation	2305	-	-	
Net profit/(loss):				
profit	2350	**369,177**	**87,872**	
loss	2355	-	-	

On behalf of the Company's management:

Acting Chairman of the Board of Directors
Artur Somov

Акціонерне товариство «Об'єднана гірничо-хімічна компанія» ідентифікаційний код 36716128 м. Київ Україна

Chief Accountant
Svitlana Poltorak

II. COMPREHENSIVE INCOME

Item	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Upward/(downward) revaluation of non-current assets	2400	-	-
Upward/(downward) revaluation of financial instruments	2405	-	-
Cumulative exchange differences	2410	-	
Share of other comprehensive income of associates and joint ventures	2415	-	-
Other comprehensive income	2445	(10,618)	(18,492)
Other comprehensive income before tax	**2450**	**(10,618)**	**(18,492)**
Income tax related to items of other comprehensive income	2455	(1,911)	(3,328)
Other comprehensive income after tax	2460	**(8,707)**	**(15,164)**
Comprehensive income (sum of lines 2350, 2355 and 2460)	2465	**360,470**	**72,708**

III. OPERATING EXPENSES BY ELEMENTS

Item	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Material costs	2500	(947,123)	(1,274,209)
Labor costs	2505	(699,777)	(706,398)
Social charges	2510	(174,392)	(176,557)
Depreciation and amortization	2515	(193,589)	(288,470)
Other operating costs	2520	(853,624)	(882,546)
Total	**2550**	**(2,868,505)**	**(3,328,180)**

IV. PER SHARE DATA

Item	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Average annual number of ordinary shares	2600	1,944,000,000	1,944,000,000
Diluted average number of ordinary shares	2605	1,944,000,000	1,944,000,000
Basic net earnings (loss) per ordinary share	2610	0.18991	0.04520
Diluted net earnings (loss) per ordinary share	2615	0.18991	0.04520
Dividends per ordinary share	2650	-	-

On behalf of the Company's management:

Acting Chairman of the Board of Directors
Artur Somov

Chief Accountant
Svitlana Poltorak

Акціонерне товариство «Об'єднана гірничо-хімічна компанія» Ідентифікаційний код 36716128 м. Київ * Україна *

CODES

Entity:	United Mining and Chemical Company, JSC	Date (year, month, day)	2021 01 01	
		EDRPOU Code	36716128	

STATEMENT OF CASH FLOWS
(Direct Method)
for 2020

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
I. Cash flows from operating activities			
Proceeds from:			
Sales of finished goods (merchandise, works and services)	3000	1,579,850	3,283,049
Refunds of taxes and duties	3005	264,040	280,230
including VAT	3006	264,040	
Targeted financing	3010	11,762	210
Prepayments from buyers and customers	3015	870,808	203,616
Receipts from the repayment of advances	3020	35,923	66,728
Interests on current bank accounts	3025	8,701	15,410
Penalties, fines and forfeits received	3035	5,321	496
Other proceeds	3095	2,073	15,822
Expenditures on:			
Purchase of goods, works and services	3100	(939,719)	(1,395,637)
Wages and salaries	3105	(588,928)	(555,222)
Social charges	3110	(159,683)	(151,924)
Taxes and duties payable	3115	(431,006)	(409,480)
Income tax paid	3116	(100,673)	(78,413)
Other taxes and duties paid	3117	()	(2)
Other taxes and duties paid	3118	(330,333)	(331,065)
Advances paid	3135	(787,420)	(899,854)
Repayment of advances	3140	(2,333)	(332)
Other expenditures	3190	(44,134)	(62,056)
Net cash flow from operating activities	**3195**	**(174,745)**	**391,056**
II. Cash flows from investing activities			
Receipts from sales of:			
financial investments	3200	-	-
non-current assets	3205	-	-
Proceeds from:			
Interests received	3215	-	-
Dividends received	3220	-	-
Receipts from derivatives	3225	-	-
Other proceeds	3250	-	-
Payments for acquisition of:			
financial investments	3255	-	-
non-current assets	3260	(168,808)	(142,539)
Payments for derivatives	3270	-	-
Other payments	3290	-	-
Net cash flow (used in)/from investing activities	**3295**	**(168,808)**	**(142,539)**

STATEMENT OF CASH FLOWS (continued)
(Direct Method)
For the Year **2020**

Item	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
III. Cash flows from financing activities			
Proceeds from:			
Equity	3300	-	-
Loans received	3305	-	-
Other proceeds	3340	-	-
Expenditures for:			
Purchase of treasury shares	3345	-	-
Repayment of loans	3350	-	-
Payment of dividends	3355	(50,368)	(34,466)
Interest paid	3360	-	-
Other payments	3390	-	-
Net cash flow (used in)/from financing activities	**3395**	**(50,368)**	**(34,466)**
Net cash flow for the reporting period	**3400**	(393,921)	214,051
Cash and cash equivalents at the beginning of the reporting period	**3405**	**405,292**	**264,036**
Effect of exchange rate changes on cash and cash equivalents	3410	23,557	(72,795)
Cash and cash equivalents at the end of the reporting period	**3415**	**34,928**	**405,292**

On behalf of the Company's management:

Acting Chairman of the Board of Directors
Artur Somov

Chief Accountant
Svitlana Poltorak

Акціонерне товариство «Об'єднана гірничо-хімічна компанія» Ідентифікаційний код 36716128 м. Київ Україна

	CODES		
Date (year, month, day)	2021	01	01
EDRPOU Code	36716128		

Entity: United Mining and Chemical Company, JSC

STATEMENT OF CHANGES IN EQUITY
for 2020

Item	Line code	Registered (share) capital	Revaluation surplus	Additional paid-in capital	Reserve capital	Retained earnings (accumulated deficit)	Unpaid capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	4000	**1,944,000**	**-**	**503,146**	**60,102**	**(115,038)**	**-**	**-**	**2,392,210**
Adjustments:	4005	-	-	-	-	-	-	-	-
Changes in accounting policy									
Correction of errors	4010	-	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-	-
Balance at the beginning of the year (restated)	**4095**	**1,944,000**	**-**	**503,146**	**60,102**	**(115,038)**	**-**	**-**	**2,392,210**
Net profit/(loss) for the reporting period	4100	-	-	-	-	369,177	-	-	369,177
Other comprehensive income for the reporting period	**4110**	**-**	**-**	**(8,707)**	**-**	**(8,707)**	**-**	**-**	**(17,414)**
Distribution of profit:									
Payments to owners (dividends)	4200	-	-	-	-	-	-	-	-
Transfer to share capital	4205	-	-	-	-	-	-	-	-
Transfer to reserve capital	4210	-	-	-	3,751	(3,751)	-	-	-
Portion of net profit attributable to the State	4215	-	-	-	-	(184,589)	-	-	(184,589)
Portion of net profit for the creation of special funds	4220	-	-	26,253	-	(26,253)	-	-	-
Portion of net profit for financial incentives	4225	-	-	7,501	-	(7,501)			-
Contributions by shareholders:	4240								-
Contributions to share capital		-	-	-	-	-	-	-	-
Repayment of unpaid capital	4245	-	-	-	-	-	-	-	-
Withdrawal of capital:	4260								-
Repurchase of shares									
Sale of treasury shares	4265	-	-	-	-	-	-	-	-
Cancellation of treasury shares	4270	-	-	-	-	-	-	-	-
Withdrawal of the share in equity	4275	-	-	-	-	-	-	-	-
Other changes in equity	4290	-	-	(3,705)	-	2	-	-	(3 703)
		-	-		-	-	-	-	
Total changes in equity	4295	**-**	**-**	**21,342**	**3,751**	**138,378**	**-**	**-**	**163,471**
Balance at the end	4300	**1,944,000**	**-**	**524,488**	**63,853**	**23,340**	**-**	**-**	**2,555,681**

On behalf of the Company's management:

Acting Chairman of the Board of Directors
Artur Somov

Chief Accountant
Svitlana Poltorak

		CODES		
	Date (year, month, day)	2020	01	01
Entity: United Mining and Chemical Company, JSC	EDRPOU Code	36716128		

STATEMENT OF CHANGES IN EQUITY
for 2019

Item	Line code	Registered (share) capital	Revaluation surplus	Additional paid-in capital	Reserve capital	Retained earnings (accumulated deficit)	Unpaid capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	**4000**	**1,944,000**	**-**	**472,136**	**54,358**	**(115,087)**	**-**	**-**	**2,355,407**
Adjustments:	4005	-	-	-	-	-	-	-	-
Changes in accounting policy									
Correction of errors	4010	-	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-	-
Balance at the beginning of the year (restated)	**4095**	**1,944,000**	**-**	**472,136**	**54,358**	**(115,087)**	**-**	**-**	**2,355,407**
Net profit/(loss) for the reporting period	**4100**	-	-	-	-	87,872	-	-	87,872
Other comprehensive income for the reporting period	**4110**	-	-	-	-	(15,164)	-	-	(15,164)
Distribution of profit:									
Payments to owners (dividends)	4200	-	-	-	-	-	-	-	-
Transfer to share capital	4205	-	-	-	-	-	-	-	-
Transfer to reserve capital	4210	-	-	-	5,744	(5,744)	-	-	-
Portion of net profit attributable to the State	4215	-	-		-	(43,936)	-	-	(43,936)
Portion of net profit for the creation of special funds	4220	-	-	51,699	-	(51,699)	-	-	
Portion of net profit for financial incentives	4225			22,977	-	(22,977)			
Contributions by shareholders:	4240	-	-						**-**
Contributions to share capital									-
Withdrawal of capital:	4260	-	-	-	-	-	-	-	-
Repurchase of shares									-
Cancellation of treasury shares	4270	-	-	-	-	-	-	-	-
Withdrawal of the share in equity	4275	-	-	-	-	-	-	-	-
Other changes in equity	4290	-	-	(43,666)	-	51,698	-	-	8031
Total changes in equity	**4295**	**-**	**-**	**31,010**	**5,744**	**49**	**-**	**-**	**36,803**

On behalf of the Company's management:

Acting Chairman of the Board of Directors
Artur Somov

Chief Accountant
Svitlana Poltorak

1. General information

Organizational structure and activities

Pursuant to Order No. 1074 of the Ministry of Economic Development and Trade of Ukraine dated 6 September 2014, the right of economic management of the integral property complexes Vilnohirsk State Mining and Metallurgical Plant and Irshansky State Mining and Processing Plant were assigned to the State Enterprise United Mining and Chemical Company (Public Joint Stock Company United Mining and Chemical Company since 15 November 2016). Prior to this date, these integral property complexes were transferred by the State Property Fund of Ukraine for a short-term lease to another company. Upon the expiration of the lease agreement in 2014, the integral property complexes were put to the books of the enterprise on the rights of economic management and in January 2015 were contributed to the share capital of the State Enterprise United Mining and Chemical Company.

The Company hired people who had previously worked for a private company, and in February 2015 received special permits for subsoil use. As a result of these events, the Company acquired a titanium ore mining business.

30 December 2015 The Cabinet of Ministers of Ukraine decided to transform the State Enterprise United Mining and Chemical Company into a joint stock company, one hundred percent of the shares of which belong to the state (according to Order No. 1420-r). The Company Transformation Plan is approved by the Order of the Ministry of Economic Development and Trade of Ukraine No. 553 dated 30 March 2016.

In 2017, the Company passed the procedure of stock issuance registration in the National Commission on Securities and Stock Market of Ukraine

In 2018, the type of the Company was changed from a Public Joint Stock Company to a Private Joint Stock Company and renamed to the Joint Stock Company United Mining and Chemical Company (hereinafter as the Company) based on the Order of the Ministry of Economic Development and Trade of Ukraine No. 1955 dated 22 December 2018.

Legal address of the Company: 03035, City of Kyiv, 3 Surikova Str. Location: 01033, City of Kyiv, 35 Zhylianska Str.

The Company has two separate divisions (branches with a separate balance sheet), which are differentiated by geographical location:

- the branch Vilnohirsk Mining and Metallurgical Plant (hereinafter as VMMP branch);
- the branch Irshansky Mining and Processing Plant (hereinafter as IMPP branch).

The core activities of the Company include extraction of non-ferrous metal ores, beneficiation production (preparation of sands for beneficiation, gravity beneficiation and production of collective concentrate) (zircon, ilmenite, rutile, distene-sillimanite, staurolite and quartz sand) and wholesale of metal ores.

Corporative Management

According to the Charter, the Company is managed by the following bodies:

- The General meeting of Shareholders;
- The Supervisory Board;
- The Board of Directors.

The supreme body of the Company is the General Meeting of Shareholders which is convened at least once a year. The executive body of the Company is the Board of Directors which is headed by the Chairman of the Board of Directors. The members of the Supervisory Board are elected and appointed by the General Meeting of Shareholders.

Having completed the reorganization, the Company is in the process of establishing supervisory authorities. As at the date of these financial statements, no Supervisory Board, as provided for by the Charter, was appointed.

Conditions of business activities in Ukraine

The Company operates in Ukraine. Although the Ukrainian economy is considered a market economy, it continues to show certain characteristics of a developing economy. These characteristics include, but are not limited to, low liquidity in capital markets, high inflation rate, and a significant deficit in the balance of public finances and foreign trade.

After a significant deterioration in 2014 and 2015, the current political and economic situation in Ukraine remains volatile. In 2020, the Ukrainian government continues to implement a comprehensive structural reform program aimed at eliminating existing imbalances in the economy, public finances and governance, fighting corruption, and reforming the judiciary to provide conditions for economic recovery in the country.

The stabilization of Ukraine's economy in the near future depends on the success of the government's actions and the provision of continuous financial support to Ukraine by international donors and international financial institutions.

The National Bank of Ukraine continues to adhere to the policy of the floating exchange rate of the hryvnia. During 2020, the official exchange rate of hryvnia to the US dollar of the National Bank of Ukraine increased by 16% from UAH 23.6862 for USD 1 as at 1 January 2020 to UAH 28.2746 for USD 1 as at 31 December 2020. During 2020, the National Bank of Ukraine reduced the accounting rate from 13.5% to 6.0%.

In 2020, consumer inflation rose to 5.0% (from 4.1% in 2019), and real GDP growth amounted to 3.3%. Both the negative dynamics of food prices and the weakening of the hryvnia exchange rate due to the introduction of quarantine measures throughout 2020, contributed to the rise in inflation.

On 31 December 2019, the World Health Organization was informed that a limited number of cases of pneumonia of unknown origin were 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 evolution and spread of COVID-19 has led to a great number of related events. The beginning of 2020 was characterized by the spread of the pandemic caused by the coronavirus COVID-19. The first case of coronavirus was detected in Ukraine on 3 March 2020.

To prevent the spread of COVID-19 in Ukraine, in March 2020 the Government of Ukraine introduced temporary restrictions at the state border, ensured the abolition of regular transport and introduced other restrictions for the period of national quarantine. Quarantine measures are periodically weakened and strengthened.

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

International rating agencies Fitch and Standard & Poor's have kept the Ukraine's sovereign rating at B level awarded in September of the last year. The agencies noted that Ukraine had managed to demonstrate 'timely access to fiscal and external financing, improved macroeconomic stability and reduced budget debt'.

In preparing these financial statements, the known and estimated results of the above events on the financial position and performance of the Company in the reporting period were taken into account.

2. Basis and general principles of preparation of financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The IFRS include standards and interpretations approved by the International Financial Reporting Standards Board (IFRS Board), International Accounting Standards (IAS) and interpretations of the Standing Interpretations Committee (SIC) approved by the International Standards Board which remain effective.

Going concern

These financial statements have been prepared on the going concern basis which provides for the sale of assets and settlement of liabilities in the normal course of business.

Basis of estimate

The financial statements have been prepared on the initial (historical) cost basis, except for property, plant and equipment, including construction in progress and intangible assets carried at the deemed cost as at the date of the Company's transition to IFRS (Notes 3e and 3g).

Functional and presentation currency

The national currency of Ukraine is the hryvnia, which is the functional currency of the Company and the currency in which the indicators of these financial statements are presented. All financial information presented in UAH was rounded to the nearest thousand unless otherwise stated.

3. Significant accounting policies

(a) Basis of preparation

The accounting policies adopted by the Company during the preparation of the financial statements are consistent with the accounting policies applied in the preparation of the annual financial statements for the year ended 31 December 2020, except for the adoption of new standards and interpretations effective from 1 January 2021. The Company has not early adopted any other standards, interpretations or amendments that have been matterd but are not yet effective. Information on the nature and impact of these amendments is disclosed in Note 4. The new standards do not have a material impact on either the Company's annual financial statements or its financial statements.

(b) Foreign currency

Transactions in foreign currencies

Transactions in foreign currencies are initially recorded in the presentation currency by converting the amounts in foreign currency into Ukrainian hryvnia at the exchange rate ruling at the date of the transaction.

In February 2014, the National Bank of Ukraine announced the transition to a floating exchange rate regime. The official NBU exchange rates are not necessarily the exchange rates at which foreign currency is available at the reporting date. In practice, market participants need to pay additional fees and commissions in order to purchase foreign currency. In addition, the supply of the required amount of foreign currency may not be available on the market.

Notwithstanding the above, management believes that the official NBU exchange rates provide the best approximation to the exchange rates at the reporting date. Thus, in preparing these financial statements, the official exchange rates of the NBU obtained from officially published sources are used to translate transactions and balances in foreign currency.

As at 31 December and for the period ended 31 December 2020 and 31 December 2019, the exchange rate of hryvnia to major currencies is presented as follows:

Currency	As at Dec 31, 2020	Average rate for the year ended Dec 31, 2020	As at Dec 31, 2019	Average rate for the year ended Dec 31, 2019
USD/UAH	28.27	26.96	23.69	25.84
EUR/UAH	34.74	30.80	26.42	28.94

The hryvnia is not a freely convertible currency outside Ukraine and, therefore, any conversion of UAH in USD should be treated as a statement that amounts in UAH have been, may be or will be in the future converted into USD at the presented rate, or any other rate.

Foreign exchange gains and losses on monetary items are the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest rate and payments during the period, and the amortized cost in foreign currency translated at the exchange rates on a quarterly basis.

Non-monetary items denominated in foreign currencies that are carried at fair value, are translated to the functional currency at the exchange rate at the date of the fair value measurement. Non-monetary items denominated in foreign currencies that are carried at historical cost, are translated at the exchange rate at the date of the transaction.

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

(c) Financial instruments

(i) Financial instruments - basic approaches to measuring

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. The best proof of fair value is the market quotation in an active market. An active market is one in which transactions on assets and liabilities occur with sufficient frequency and volume to provide pricing information on a current basis.

A fair value of financial instruments traded in an active market is measured as the amount obtained by multiplying the quoted market price of an individual asset or liability by the number of instruments held by the entity. This happens even when the normal daily trading turnover of the market is insufficient to absorb the number of assets and liabilities that the organization has, and the placement of orders for the sale of positions in a single transaction may affect market quotations.

Measurement models, such as the discounted cash flow model, as well as the models based on data from similar transactions performed under market conditions, or on the results of an analysis of the financial data of an investment object, are used to determine the fair value of financial instruments for which there is market information about the transaction price. Results of fair value measurement are analyzed and divided by levels in the fair value hierarchy as follows: (i) Level 1 estimates are quoted market prices (not adjusted) in active markets for identical assets or liabilities; (ii) Level 2 measurements are the ones obtained with the help of the measurement models in which all used significant inputs that are either directly (for example, price) or indirectly (for example, calculated on the basis of price) are observed for the asset or liability, and (iii) Level 3 measurements are the ones which are not based solely on observable market data (i.e. a significant amount of non-observable inputs is required for the measurement). Transfers between the fair value hierarchy levels are those that occurred at the end of the reporting period (Note 23).

Transaction costs are incremental costs that are directly attributable to the acquisition, matter or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include premiums or discounts on debt obligations' financing expenses, internal administrative expenses, or storage expenses.

Depreciable cost is the amount at which a financial instrument was measured at initial recognition less any repayment of the principal amount of the debt, reduced or increased by accrued interest, and for financial assets less the amount of impairment losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including any fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

(ii) Initial recognition of financial instruments.

Financial instruments that are measured at fair value through profit or loss, are initially recognized at fair value. All other financial instruments are initially recognized at fair value including transaction costs. The best evidence of fair value at initial recognition is the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction costs which can be evidenced by other observable current market transactions with the same instrument or by the measurement model whose inputs include only observable markets data. After initial recognition of financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, an estimated provision for expected credit losses is recognized, resulting in recognition of the accounting loss immediately after initial recognition of the asset.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recorded at the trade date, which is the date on which the Company commits to purchase or sell a financial asset. All other purchases are recognized when the entity becomes a party to a contract.

(iii) Classification and subsequent measurement of financial assets: measurement category

On initial recognition, financial assets are classified as measured at amortized cost, FVOCI or FVTPL, based on the following two criteria: (i) the entity's business model for managing financial assets; and (ii) the contractual characteristics of the cash flows of the financial asset. As at 31 December 2019 and 31 December 2020 The Company had no financial assets measured at fair value through other comprehensive income.

(iv) Classification and subsequent measurement of financial assets: business model

The business model reflects how the Company manages the assets in order to generate cash flows. whether or not the Company's objective is (i) only to collect the contractual cash flows from the assets ('hold to collect the contractual cash flows), or (ii) to collect both the contractual cash flows and cash flows arising from the sale of the assets ('hold to collect the contractual cash flows'), or, if neither (i) nor (ii) can be applied, the financial assets are classified as "other" business models and are measured at fair value through profit or loss.

Business model is identified for a group of assets (on a portfolio level) based on all relevant evidence of the activities that the Company intends to carry out in order to achieve the objective set out for the portfolio available at the date of the measurement. The factors considered by the Company in identifying the business model include the objective and composition of the portfolio, past experience in obtaining cash flows from relevant assets, approaches to measuring and risk management, methods of measuring return on assets, and the scheme of payments to managers.

(v) Classification and subsequent measurement of financial assets: cash flow characteristics

Where a business model provides for the holding of assets to collect contractual cash flows or to collect contractual cash flows and sales, the Company estimates whether the cash flows represent solely payments of principal and interest ('Solely Payments of Principal and Interest' or 'SPPI Test'). Financial assets with embedded derivatives are treated in combination to determine whether cash flows on them are the payments solely on account of principal and interest.

In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic loan arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic loan agreement risks and profit margin.

If the terms of the agreement provide for sensitivity to credit risk or volatility that do not meet the terms of the basic loan agreement, the relevant financial asset is classified and measured at fair value through profit or loss. A SPPI test is performed at initial recognition of the asset, and further revaluation is not carried out.

The Company's trade receivables are held for contractual cash flows and are therefore subsequently measured at amortized cost using the effective interest method. Details of the Company's impairment and expected credit loss policy are provided in Note 8.

(vi) Classification of financial assets

Financial instruments are only reclassified if the business model of managing this portfolio changes as a whole. Reclassification is carried out prospectively from the beginning of the first reporting period after the change of the business model. The Company has not changed its business model during the current or comparative period and no reclassification has been done.

(vii) Impairment of financial assets.: estimated provision for expected credit losses

Based on the forecasts, the Company estimates the expected credit losses associated with debt instruments measured at amortized cost and fair value through other comprehensive income, and with the risks arising from loan commitments and financial guarantee agreements. The Company estimates expected credit losses and recognizes an estimated provision for credit losses at each reporting date. Expected credit loss estimate presents: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supported information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The Company's financial assets, which are subject to the new model of expected credit losses provided for in IFRS 9, are represented by trade receivables. The Company applies the simplified approach provided in IFRS 9 to the estimation of expected credit losses, which applies a provision for expected credit losses for the entire term for all trade and other receivables and assets under the agreement. Cash and cash equivalents are also subject to the requirements of IFRS 9 for impairment, the impairment loss was insignificant.

(viii) Write-off of financial assets:

Financial assets are written off in whole or in part when the Company has exhausted all practical possibilities for collecting them and has come to the conclusion that expectations for the recovery of such assets are unfounded. Write-off refers to derecognition. Signs of an absence of reasonable expectations for recovery include:

- the counterparty is experiencing significant financial difficulties which is evidenced by financial information about the counterparty at the disposal of the Company;
- the counterparty considers the possibility of declaring bankruptcy or financial reorganization;
- there is a negative change in the payment status of the counterparty due to changes in national or local economic conditions that affect the counterparty.

The Company may write off financial assets that are still subject to enforcement measures when the Company attempts to recover amounts owed under the contract, although there are no reasonable expectations for their recovery.

(ix) Derivatives

Derivatives, including foreign exchange contracts, interest rate futures, future interest rate agreements, currency and interest rate swaps, and currency and interest rate options, are carried at fair value. All derivatives are recognized as assets if the fair value of those instruments is positive, and as liabilities, if their fair value is negative. Changes in the fair value of derivatives are included in profit or loss for the year. The Company does not apply hedge accounting. As at 31 December 2019 and 31 December 2020 The Company had no derivatives.

Some derivatives embedded in financial liabilities and other non-financial contracts are separated from the basic contract if their risks and economic characteristics are not closely related to the risks and characteristics of the basic contract.

(x) Modification of financial assets

Sometimes the Company reviews or otherwise modifies the contractual terms of financial assets. The Company estimates whether the modification of the contractual cash flows is significant, taking into account, inter alia, the following factors: the existence of new contractual terms that have a significant impact on the risk profile of the asset (for example, participation in income or return on capital), significant changes in interest rates, changes in currency denomination, the emergence of new or additional loan collateral that have a significant impact on credit risk, associated with the asset, or a significant extension of the loan in cases where the borrower has no financial difficulties.

If the modified terms differ significantly, so that the rights to cash flows from the original asset emerge, the Company derecognizes the original financial asset and recognizes the new asset at fair value. The renegotiation date is the date of initial recognition for the purpose of calculating further impairment, including determining whether there is a significant increase in credit risk. The Company also estimates whether a new loan or debt instrument meets the criteria for making payments solely on account of the principal amount of the debt and interest. Any discrepancies between the carrying amount of the original asset that has been derecognized and the fair value of a new substantially modified asset is recognized in profit or loss, unless the difference is essentially related to a capital transaction with the owners.

Where the revision of the terms was caused by the counterparty's financial difficulties and its inability to make the initially agreed payments, the Company compares the initial and adjusted expected cash flows with the assets for significant differences in risks and rewards as a result of modifications to the terms of the contract. If the risks and rewards do not change, then there is no significant difference between the modified asset and the original asset, and its modification does not result in derecognition. The Company recalculates the gross book value by discounting the modified cash flows under the agreement at the original effective interest rate (or at an effective interest rate adjusted for credit risk for acquired or created credit-impaired financial assets) and recognizes the profit or loss from the modification in profit or loss.

(xi) Categories of financial liability measurement

Financial liabilities are classified as subsequently measured at amortized cost, except for: (i) financial liabilities that are measured at fair value through profit or loss: this classification applies to derivatives, financial liabilities held for trading, contingent consideration recognized by the acquirer in a business combination, and other financial liabilities recognized as such on initial recognition; and (ii) a financial guarantee agreement and loan commitments. The Company had no financial guarantee agreements or loan commitments as at 31 December 2019 and 31 December 2020.

(xii) Derecognition of financial liabilities

Financial liabilities are derecognized when they are discharged (i.e. when either the liability specified in the agreement is discharged or the due date expires).

Exchanges of debt instruments with terms that differ materially between the Company and its original creditors, as well as significant modifications to the terms of existing financial liabilities, are treated as derecognition of the original financial liability and recognition of the new financial liability. The terms are considered to be materially different if the discounted present value of the cash flows in accordance with the new terms, including all remuneration paid less any consideration received, discounted using an original effective interest rate of at least 10% from the discounted present value of other cash flows under the original financial liability.

In addition, other qualitative factors are taken into account, such as the currency in which the instrument is denominated, the change in the type of interest rate, the new terms of conversion of the instrument and the change in the restrictive terms of the loan. If an exchange of debt instruments or a modification of the terms is treated as derecognition, all costs or remunerations paid are recognized in profit or loss from derecognition. If an exchange or modification is not treated as derecognition, all costs or remunerations paid are recognized as an adjustment to the carrying amount of the liabilities or amortized over the remaining life of the modified liability.

Modifications of liabilities that do not lead to their derecognition are treated as changes in the estimates by the cumulative depreciation method retrospectively, with profit or loss recognized in profit or loss, if the economic content of differences in book value does not relate to capital transactions with the owners.

(xiii) Offsetting financial instruments

Financial assets or liabilities are offset and the statement of financial position reflects the net amount only when there is a legally established right to offset the amounts reflected, as well as the intention to either offset or simultaneously sell the asset and settle the liability. The right to offset under consideration (a) should not depend on possible future events and (b) should have a legal possibility to be exercised in the following circumstances: (i) in the ordinary course of business, (ii) in the event of failure to comply with liabilities (events of default), and (iii) in the event of insolvency or bankruptcy.

(d) Equity

(i) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the matter of new shares are recognized as decrease in equity less any tax effects.

(ii) Additional paid-in capital

Other additional capital includes the amount of surplus of non-current assets and financial instruments, which is carried out in cases provided by law and the provisions of International Financial Reporting Standards (if any), as well as residential properties, water supply facilities, civil defense facilities, roads that cannot be transferred to the Company's share capital due to legal restrictions. The balance of additional capital on this sub-account decreases in case of revaluation and disposal or depreciation of these assets, their impairment.

Additional capital also includes the amount of the formed fund of production development and the fund of financial incentives for employees, by deducting a percentage of the amount of net profit for the period. The balance of such capital is reduced by the amount of use of such funds for the needs of the entity and increases by contributions as a result of redistribution of net profit.

(iii) Reserve capital

The Company's reserve capital is formed in accordance with the requirements of the current legislation of Ukraine and by a resolution of the general meeting of shareholders, by deducting a percentage of the amount of net profit for the reporting period.

(e) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at their initial (historical) cost. The deemed cost of property, plant and equipment, including construction in progress, and intangible assets, as at 1 January 2016, the date of the Company's transition to IFRS, was determined based on their fair value at that date. The fair value of property, plant and equipment, including construction in progress, and intangible assets, was determined on the basis of an expert assessment as at 31 July 2016, performed for corporatization purposes, and applied as at 8 December 2016 at the date of transformation of the SE UMCC in the PJSC UMCC, and adjusted for depreciation for the period from 1 January to 30 November 2016.

Acquisition cost includes costs that are directly attributable to the acquisition of an asset. The value of the assets created for the account of own funds, includes the cost of materials, labor costs of key employees, and any other costs directly related to bringing the asset into working condition for its intended use, the cost of dismantling and transportation, the cost of restoration of the territory on which these assets were located.

If significant components of a unit of property, plant, and equipment have different useful lives, they are treated as separate units (principal components) of property, plant, and equipment.

Liquidation value is determined for all items of property, plant and equipment. The Company reviews the liquidation value and useful life of the asset at the end of each financial year.

Profit or loss on disposal of a unit of property, plant, and equipment is determined by comparing proceeds from disposal with carrying amount of property, plant, and equipment and recognized on a net basis in other income/other costs in profit or loss.

Subsequent costs

The replacement cost of a portion of an item of property, plant and equipment is recognized in the carrying amount of that item if it is probable that future economic benefits , associated with the item will flow to the Company and the cost of the item can be measured reliably. At the same time, the carrying amount of the replaced part is derecognized. Expenses for the routine maintenance of property, plant and equipment are recognized in profit or loss in the period in which they are incurred.

Depreciation

Depreciation of property, plant and equipment is calculated from the time they are installed and ready for use, or, in the case of assets created by the entity itself, from the time the asset is completed and ready for use. Depreciation is calculated on the basis of the value of the asset, reduced by its estimated liquidation value. Depreciation is calculated on a straight-line basis and recognized in profit or loss over the estimated useful lives of specific assets. Depreciation on land and construction in progress (work in progress) is not calculated.

The useful lives at initial recognition of the Company's property, plant and equipment are as follows:

Groups	**Useful lives**
Buildings and structures	10-50 years;
Machinery and equipment	5-25 years
Vehicles	5-10 years;
Other property, plant and equipment	1-12 years;
Specialized asset for the restoration of land	8-18 years

Depreciation methods, useful lives, and liquidation values of property, plant, and equipment are reviewed at the end of each financial year and adjusted if necessary.

(g) Intangible assets

(i) Recognition and measurement

Intangible assets are measured at their initial (historical) cost. The deemed cost of intangible assets as at 1 January 2016, the date of the Company's transition to IFRS, was determined based on their fair value at that date. The fair value of intangible assets was determined on the basis of an expert assessment as at 31 July 2016, performed for corporatization purposes, and applied as at 8 December 2016 at the date of transformation of the SE UMCC in the PJSC UMCC, and adjusted for amortization charge for the period from 1 January to 30 November 2016.

(ii) Subsequent costs

Subsequent costs are capitalized only when they increase the future economic benefits inherent in the particular asset to which they are attributable. All other costs are recognized in profit or loss in the period in which they are incurred.

(iii) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

The useful life of intangible assets is determined for each item separately, at the time of its carrying over to the balance sheet, based on:

- the expected useful life of an item;
- the expected physical and moral wear and tear;
- legal or other restrictions on the life of an item and other factors.

The useful lives at initial recognition of the Company's intangible assets are 2 - 20 years. The right to use land with an indefinite term of the right of exploitation is not subject to depreciation.

The amortization method, liquidation value and useful life of property, plant and equipment, and intangible assets are accounting estimates that are subject to analysis and adjusted when it is reasonably necessary.

(h) Inventories

Inventories are stated at the lower of: cost or net realizable value. The actual cost of work in progress is determined by the weighted average cost formula. The cost of production inventories is determined by the first-in first-out method (FIFO). The cost of inventories includes the cost of acquiring inventories, the cost of production or processing, and other costs of delivering them to their current location and bringing them to a condition suitable for use. The cost of inventories produced and work in progress includes the corresponding share of production overheads based on the Company's normal capacity utilization.

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

(i) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets, other than deferred tax assets, is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an estimate of the amount of the expected recovery of the asset is estimated. Amount of expected recovery intangible assets that have indefinite useful lives or are not yet ready for use are estimated annually on the same date. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its expected recoverable amount.

The expected recoverable amount of an asset or cash-generating unit is the greater of the two values: value in use or fair value less costs of sale. When estimating the value in use, future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to an asset or cash-generating unit. For impairment testing, assets that cannot be individually audited are grouped into the smallest group of assets that generates cash inflows from the continuing use of the asset that are virtually independent of cash inflows from other assets or groups of assets, or cash generating units.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated in such a way as to reduce the carrying amount of the assets that are part of the cash-generating unit on a pro-rata basis.

Impairment losses recognized in previous periods, are measured at each reporting date to determine whether there is any indication that the loss decreased or no longer exists. An impairment loss is reversed if the estimates used to determine the expected recoverable amount changed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would be determined net of depreciation or amortization if no impairment loss had been recognized.

(j) Employee benefits

State defined contribution plans

The Company makes contributions for the benefit of its employees to the State Pension Fund and the Social Protection Fund. These amounts are recognized in expenses in the period in which they are deducted.

State defined benefit plans

The Company makes one-time payments to its employees upon retirement in the manner prescribed by collective agreements.

In addition, the Company is obliged to reimburse the state for the amount of pension payments made by the state to employees who worked in hazardous industries or in difficult conditions, and therefore have the right to retire and the appropriate pension before retirement age under Ukrainian law.

Expenses on such liabilities were accrued in these financial statements using the projected unit credit method in respect of employees who are entitled to such benefits.

The net liability is calculated by estimating the amount of future benefits that employees have earned for their services in the current and prior periods; the amount of such payments is discounted to determine their present value, which is recognized in the balance sheet (statement of financial position). The discount rate is determined based on various sources of information, including the yield on government bonds and high-quality corporate long-term bonds as at reporting date.

Revaluation of the net liability on defined benefit plans that includes actuarial gains and losses, income from plan assets (except for interest), and the effect of an established maximum asset value of the pension plan (if any, other than interest) is recognized immediately in other comprehensive income. The Company determines net interest expenses on defined benefit plan liabilities for the period using the discount rate used to measure the defined benefit plan liability at the beginning of the year, up to the net defined benefit plan liability at that time, taking into account any changes in the net defined benefit plan liability over the period as a result of the contributions and payments made. Net interest expenses and other costs associated with defined benefit plans are recognized in profit or loss.

If benefits under the plan change or if the plan is reduced, the change in benefits relating to services previously provided by employees or the gain or loss on the reduction of the plan is recognized immediately in profit or loss. The Company recognizes gains and losses from settlements under the defined benefit plan in the period in which those settlements are made.

Other long-term benefits

The company pays one-time benefits to employees who reach a certain age. In respect of such payments, long-term employee benefit liabilities are created which are covered by cash from operating activities.

The Company's net liability for long-term benefits to employees that are not retirement benefits, is determined based on the amount of future benefits earned by employees in the current and prior periods. Thereafter, the amount of the benefits is discounted to determine its present value and the fair value of the plan assets is removed from accounting. The discount rate is determined taking into account various sources of information. The calculation is performed using the projected unit credit method. actuarial gains and losses are recognized in profit or loss in the period in which they occur.

Reserve for reclamation of disturbed land plots

Reserve for reclamation of disturbed land plots are formed for expected future costs, for closing and restoration of the asset, as well as costs for environmental rehabilitation of the asset (determined by an independent expert) in the reporting period during which the relevant environmental intervention occurs. The amount of provisions is discounted, and the increase in the provisions over time is included in financial expenses. The reserve is capitalized as part of specialized assets and depreciated over the future operation of the land plot to which it belongs. The reserve for reclamation of disturbed land plots is reviewed annually for changes in cost estimates, discount rates or service life. Changes in the estimate of future costs or in the discount rate are added or deducted from the relevant asset.

(k) Provisions

Provisions are recognized when the Company has a current legal or constructive liability as a result of a past event, which can be measured reliably, and when it is probable that an outflow of resources embodying economic benefits will be required to settle this liability. The amount of provisions is determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks inherent in the particular liability. Release of the discount is recognized as part of financial expenses.

(l) Recognition of net sales (revenue)

Revenue is income that arises in the normal course of business of the Company. Revenue is recognized in the amount of the transaction price. Transaction price is the amount of consideration the right for which the Company expects to receive in exchange for the transfer of control over the promised goods or services to the customer, excluding amounts received on behalf of third parties.

Revenue is recognized net of discounts, refunds and value added tax, export duties and other similar mandatory payments.

The Company's contracts with customers are fixed-fee contracts and usually include advance and deferred payments for a single contract. Typically, sales are made with a credit term of 60-120 days and, as a result, trade receivables are classified as current assets.

Receivable are recognized when the goods are delivered in accordance with the terms of delivery specified in the contract, as at this time the consideration is unconditional based on the fact that the due date is due only over time (Note 8). Assets under contracts are insignificant and, accordingly, are not listed separately in the financial statements.

Obligations under a contract is the obligation of the entity to transfer to the customer goods or services for which the entity has received consideration from the customer. Obligations under a contract are recognized in the item "Current payables on advances received" of the statement of financial position.

Revenue from sales of finished goods

Revenue is recognized at the moment of the transfer of control over the goods, i.e. when the goods are delivered to the customer, the customer has full discretion over the goods and there is no default that could affect the customer's acceptance of the goods. Delivery is deemed to have taken place when the goods have been delivered to the designated place, the risks of depreciation and loss have passed to the customer and the customer has accepted the goods in accordance with the contract, the validity of the acceptance regulations has expired or the Company has objective evidence that all acceptance criteria have been met.

Revenue from sales at a discount is recognized on the basis of the price specified in the contract, less estimated discounts for the volume. The expected value method based on accumulated experience is used to calculate and create a provision for discounts, and revenue is recognized only in the amount for which there is a high probability that in the future there will be no significant reduction in the recognized amount. Repayment obligation is recognized in relation to the expected discounts on the amount payable to customers in respect of sales made before the end of the reporting period.

Revenue from rendering of services

Revenue from rendering of services is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date

Components of financing

The Company does not enter into contracts in which the period between the transfer of promised goods or services to the customer and payment by the customer exceeds one year. Accordingly, the Company does not adjust the transaction price to the effect of the value of money over time.

(m) Other operating income and other operating expenses

Other operating income includes interest income on cash and cash equivalents in bank accounts, income from operating exchange differences, income from the sale of other current assets, income from the provision of other services and other operating income. Interest income is recognized as it accrues in profit or loss using the effective interest method.

Other operating expenses include deductions to the provision for doubtful debts, deductions to the provision for litigation, maintenance costs for housing and utility services and sanatorium-and-health-resort facilities, interest for the use of income tax installments and other operating expenses.

Foreign exchange gains and losses are recognized on a net basis as other operating income or other operating expenses, depending on exchange rate fluctuations that result in either a net profit or a net loss item.

(n) Finance costs

Finance costs include interest expense on pension plan payments and amortization of the provisions for reclamation.

(o) Income tax

Income tax expenses consist of current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except when they relate to items recognized directly in equity or other comprehensive income. In this case, it is recognized in other comprehensive income or equity.

Current income tax consists of expected tax payable or recoverable, calculated on the basis of taxable profit or loss for the year, using tax rates effective or substantively effective at the reporting date, and any adjustments to tax payable on the taxable income for previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences at their reversal, in accordance with the laws effective or substantively effective at the reporting date. Deferred tax assets and liabilities are derecognized if there is a legal right to offset current assets and liabilities, if they relate to income tax levied by the same tax authority on the same taxable entity, or from different entities, but if such entities intend to make settlements on current tax liabilities and assets on a net basis or their tax assets will be sold simultaneously with the repayment of their tax liabilities.

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

(p) Segment reporting

An operating segment is a component of the Company that conducts business activities that may result in revenue and expenses incurred, including revenue and expenses from transactions with other components of the Company. All results of the operating segment are regularly analyzed by management in order to make decisions about the allocation of resources between segments and evaluate their financial results for each operating segment.

Segment results that are reported by management include items that relate to the segment directly, as well as those that can be attributed to it on a reasonable basis. Items that have not been segmented include mainly corporate assets, head office expenses, and income tax assets and liabilities.

In order to manage the Company, it is divided into business divisions, based on the Company's structural divisions, which carry out production and provision of services. Based on geographical location, the Company is divided into two segments:

- the branch Vilnohirsk Mining and Metallurgical Plant;
- the branch Irshansky Mining and Processing Plant.

(r) Leases

The determination of whether a transaction is or contains a lease is based on an analysis of the substance of the transaction. An entire contract, or parts thereof, is a lease if the contract conveys a right to control the use of an identified asset for a specified period in return for compensation.

Company as a lessee

At the commencement of the lease, the Company as a lessee measures a right-of-use asset at cost, which should comprise the following:

- the amount equal to the lease liability at its initial recognition;
- lease payments made at or before the commencement of the lease less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset after the end of the contract.

At the commencement of the lease term, the Company measures its lease liabilities at the present value of the lease payments not yet made at that date. Lease payments are discounted at the interest rate implicit in the lease agreement. If such a rate cannot be easily determined, the Company uses the effective interest rate of additional borrowed funds in the same currency, calculated from the last annual or interim financial statements made as of the date of the contract conclusion.

Where the lease contract provides for the transfer to the lessee at the end of the lease term of substantially all the risks and rewards of ownership of a tangible non-current asset, including the option to purchase the asset at residual value, the Company accounts for property, plant and equipment on its balance sheet in accordance with IAS 16 *Property, Plant and Equipment*. In other cases, the lessee accounts for the lease right as a right to use an asset in accordance with IAS 38 *Intangible Assets*.

The Company does not apply the above requirements to recognize assets and liabilities under short-term leases or leases where the underlying asset has a value less than UAH 200 thousand.

The lessee recognizes lease payments under such leases as expenses on a straight-line basis over the lease term

Company as a lessor

Leases where the Company has substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are included in the carrying amount of the leased asset and recognized over the lease term pro rata to the income from the lease. Contingent lease payments are recognized as income in the period in which they are accrued.

Right-of-use assets and lease liabilities

The value of the right-of-use assets and lease liabilities depends on management's assessment of the lease term and the applied rate of attraction of additional borrowing.

The lease term corresponds to the term of the lease agreement, which is not subject to termination, except when there is sufficient confidence in the extension of this contract.

When assessing the lease terms, the Company's management analyzes all the facts and circumstances that may affect the economic feasibility of prolongation of lease agreements.

The rates of additional borrowing of the lessee are defined as interest rates that the Company would have to pay for borrowing funds for a similar period and with similar collateral required to obtain an asset with a value comparable to the value of the asset from the right to use in a similar economic environment.

Range of useful lives of right-of-use assets:

Type of asset	Asset depreciation rate (years)
Buildings, structures and other property	2-5

4. New standards, interpretations and amendments to existing standards and interpretations

Joint Stock Company United Mining and Chemical Company adopts the following amendments to IFRS, adopted as at 31 December 2020:

1. IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and measurement,* IAS 7 *Financial Instruments: Disclosures,* IFRS 4 *Insurance Contracts*, and IFRS 16 Leases. In August 2020, the IFRS Board, as part of the IBOR Reform, published amendments that complement those issued in 2019 and focus on the implications of the interest rate benchmark reform on a company's financial statements that arise when, for example, the interest rate benchmark used to calculate interest on a financial asset is replaced by an alternative interest rate benchmark. The phase 2 amendments address matters that may affect financial reporting during the interest rate benchmark reform, including the effects of changes in contractual cash flows or hedging relationships arising from the replacement of the interest rate benchmark by an alternative interest rate benchmark (replacement matters). During the phase 2 of their project, the Board amended the requirements of the mentioned standards concerning:

changes in contractual cash flows - a company will not have to derecognize or restate carrying amount of financial instruments for the changes required by the reform, but instead update the effective interest rate to reflect the change to an alternative interest rate benchmark;

hedge accounting - a company will not have to stop hedge accounting exclusively because it makes the changes required by the reform if the hedging meets other hedge accounting criteria; and

disclosures – an entity shall disclose information about new risks arising from the reform and how it manages the transition to alternative interest rates.

The Phase 2 amendments apply only to changes required by the interest rate benchmark reform for financial instruments and hedging relationships (effective date is January 1, 2021).

2. IAS 16 *Property, Plant and Equipment.* The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, the Company recognizes such sales proceeds and related cost in profit or loss (effective date is 1 January 2022).

3. IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* The amendments clarify that 'contract performance costs' are costs directly related to the contract - i.e. either additional contract performance costs (for example, direct labor and material costs) or the allocation of other costs that are also directly related to the contract (for example, the distribution of depreciation of the item of the property, plant and equipment used in performing the contract) (effective date is 1 January 2022).

4. IFRS 3 *Business Combinations.* Updating the references in IFRS 3 to the Conceptual Framework Basis of Financial Reporting without changing the accounting requirements for business combinations. An exception for liabilities and contingent liabilities has been added. This exception requires that for certain types of liabilities and contingent liabilities, an entity that applies IFRS 3 must refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, or Interpretations of IFRIC 21 *Levies*, and not to the Conceptual Framework for Financial Reporting of 2018 (effective date is 1 January 2022).

5. Annual amendments to IFRS (2018-2020): IFRS 1. A subsidiary that first applied IFRS. The amendment allows a subsidiary that applies IFRS 1 to: D16 (a) (which adopts IFRS later than its parent company), to estimate the cumulative effect of exchange rate differences on other comprehensive income - based on such an assessment by the parent company on the date of its transition to IFRS (effective date is 1 January 2022).

6. Annual amendments to IFRS (2018-2020): IFRS 9. Commissions to be included in the 10 percent test when derecognizing financial liabilities. The amendment clarifies the nature of such commissions - they include only the consideration paid between the lender and the borrower, including the consideration paid or received from the person of other parties (effective date is January 1, 2022).

7. Annual amendments to IFRS (2018-2020): IFRS 16. *Facilitating lease payments.* The amendment clarifies illustrative example No. 13 to IFRS 16 by excluding the example of accounting for the recoverable amount received by a lessee from a lessor as compensation for costs incurred to improve the leased item.

8. Annual amendments to IFRS (2018-2020): IAS 41. Tax effects in fair value measurement. The amendment excludes the requirement in IAS 41:22, which states that tax-related cash flows are not included in the calculation of the fair value of biological assets. The amendment reconciles IAS 41 and IFR (effective date is January 1, 2022).

9. IAS 1 Presentation of Financial Statements The amendments clarify the criterion in IAS 1 for classifying a liability as long-term: a requirement for an entity to have the right to defer repayment for at least 12 months after the reporting period. The essence of the amendments:

- it is clarified that a liability is classified as long-term if an entity has the right to defer settlement of the liability for at least 12 months and a company's right to defer settlements must exist at the end of the reporting period;

- the classification depends only on the existence of such a right and does not depend on the probability that a company plans to exercise this right - the classification is not affected by the intentions or expectations of management as to whether the company exercises its right to defer settlements;

- clarification of the effect of credit terms on the classification - if the right to defer settlement of a liability depends on an entity's compliance with certain conditions, then this right exists at the end of the reporting period only if the entity meets those conditions at the end of the reporting period. The entity shall comply with these conditions by the end of the reporting period, even if the creditor verifies their compliance at a later date; and

- clarification of the requirements related to the classification of the liabilities that a company may repay by issuing its own equity instruments (effective date is 1 January 2023).

10. IFRS 17 *Insurance Contracts.* Exclusion of certain types of contracts from the scope of IFRS 17. Simplified presentation of assets and liabilities related to insurance contracts in the statement of financial position. The effect of accounting estimates made in previous interim financial statements. Recognition and allocation of acquisition cash flows. Change in the recognition of compensation under reinsurance contracts in the statement of income or loss. Allocation of the margin for investment services provided by the insurance contract (CSM). Ability to reduce financial risk for inward reinsurance contracts and non-derivative financial instruments. Deferring the effective date of IFRS 17, as well as extension of the period of relief from applying IFRS 9 for insurance companies until January 1, 2023. Simplified accounting for loss settlement under contracts that arose before the date of transition to IFRS 17. Easing in the use of techniques to reduce financial risk. Ability to define an investment contract with the conditions of discretionary participation at the time of transition to the new standard rather than at the time of the contract (effective date is January 1, 2023).

5. Significant judgments, estimates and assumptions

The preparation of the Company's IFRS financial statements requires management to make judgments, estimates and assumptions that affect the amounts of income and expenses, assets and liabilities recognized in the financial statements, and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates may have consequences that may require significant adjustments to the carrying amount of assets or liabilities in the future.

The key assumptions concerning possible future events and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are given below:

Management makes this assessment on an ongoing basis, based on past results and experience, expert advice, trends, and other methods that management considers appropriate in certain circumstances, as well as forecasts of how they may change in the future. However, existing circumstances and assumptions about future events may change due to changes in the market or circumstances that arise outside the Company's control. Such changes are reflected in assumptions as they occur.

Fair value measurement

Some of the Company's accounting policies and disclosure rules require measurement of

the fair value of both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. The fair value was measured for the purpose of estimating and disclosing information using the following methods. Where necessary, additional information about assumptions made in the process of measuring the fair value of an asset or liability is disclosed in the notes relating to that asset or liability. In assessing the fair value of a non-financial asset consideration is given to the ability of a market participant to generate economic benefits through the best and most efficient use of the asset or through its sale to another market participant that would use the asset in the best and most efficient manner.

Receivable for products, goods, works, services and other current receivables

The fair value of receivables for products, goods, works, services and other current receivables is measured as the present value of future cash flows, discounted at the market interest rate at the reporting date. This fair value is measured for disclosure purposes or in the case of receiving receivables for products, goods, works, services and other current receivables as a result of a business combination.

Depreciation

The Company calculates depreciation of property, plant and equipment based on their expected useful lives. These assumptions are based on management's knowledge of these assets and their application. Assumptions about expected useful lives are reviewed annually.

Loss from impairment of property, plant and equipment

The Company annually estimates property, plant and equipment for impairment. In determining the need to attribute an impairment loss to the cost, the Company estimates whether there is any data available for study that evidence reduction of the expected future cash flows from the asset. Management makes assumptions about both the amount and timing of future cash flows. If applicable, the Company applies the discounted cash flow method to determine the net present value.

The impairment test used fair value models of assets that belong to Category 3 (assumptions and indicators that cannot be compared with market quotations).

Net realizable value of inventories

Management estimates the need to recognize inventories at realizable value, taking into account the prices formed after the end of the reporting period and the purposes for which inventories were created. If the cost of purchasing inventories cannot be fully recovered, the Company will need to adjust the cost of inventories to their net realizable value.

Reserve for reclamation of disturbed land plots

The company estimates the reclamation reserve. Management makes significant estimates and assumptions in determining the reserve because there are many factors that may affect the actual final amount of the liability. These factors include an estimate of the reclamation area and the costs required for reclamation, changes in legislation, changes in inflation and the discount rate. Such uncertainties may cause actual costs to differ from the created reserve. The reserve at the reporting date is management's most appropriate estimate of the present value of future reclamation costs.

Estimate of expected credit losses

An estimate of expected credit losses is a significant estimation value, for which the estimation methodology, models and initial data are used. Details of the methodology of expected credit losses estimation are disclosed in Note 24. The Company regularly reviews and validates the models and initial data for the models in order to reduce the discrepancies between the estimated expected credit losses and the actual loan losses.

Write-off policy

Financial assets are written off in whole or in part when the Company has exhausted all practical possibilities for collecting them and has come to the conclusion that expectations for the recovery of such assets are unfounded. Determining cash flows for which there are no reasonable expectations of recovery requires judgments. Management has considered the following indications of a lack of reasonable expectations that the following assets will be recovered: liquidation process, bankruptcy proceedings, fair value of security below recovery costs or continuation of enforcement measures.

6. Property, plant and equipment, intangible assets and construction in progress

The movement of property, plant and equipment, intangible assets, construction in progress for the year ended 31 December 2020 and for the year ended 31 December 2019 was presented as follows:

	Buildings and structures	Machinery and equipment	Vehicles	Specialized assets	Other property, plant and equipment	Intangible assets	Construction in progress	Total
Historical cost								
As at Dec 31, 2018	605,915	659,380	330,724	99,027	329,681	84,644	46,635	2,156,004
Receipts	34,838	63,597	9,902	14,946	10,251	1,734	107,418	**242,686**
Disposals	-		-	-	(806)	-	-	**(806)**
Transfer	22,660	10,431	857	-	(3,402)	-	(30,548)	**-**
Impairment	(25 955)-	(20,507)	(1,225)	(16,328)	(837)	(2,935)	(5,100)	**(72,887)**
As at Dec 31, 2019	**637,458**	**712,901**	**340,258**	**97,645**	**334,887**	**83,443**	**118,405**	**2,324,997**
Receipts	25,916	64,917	47,376	16,497	41,343	622	238,285	**434,956**
Disposals	-	(16)	(2,113)	-	(567)	-	(224,009)	**(226,705)**
Transfer	24,954	22,721	8,571	-	16,472	-	(42,077)	**30,641**
Impairment	-	-	-	-	-	-	-	-
As at Dec 31, 2020	**688,328**	**800,523**	**394,092**	**114,142**	**392,135**	**84,065**	**90,604**	**2,563,889**
Accumulated depreciation and amortization								
As at Dec 31, 2018	**(110,726)**	**(383,500)**	**(101,025)**	**9,514**	**(159,116)**	**(14,075)**	**-**	**(758,928)**
Depreciation and amortization charges	(56,642)	(123,890)	(60,936)	(17,473)	(7,309)	(3,981)	-	**(270,231)**
Removal of depreciation and amortization	-		-	-	806		-	**806**
As at Dec 31, 2019	**(167,368)**	**(507,390)**	**(161,961)**	**(7,959)**	**(165,619)**	**(18,056)**	**-**	**(1,028,353)**
Depreciation and amortization charges	(40,129)	(57,800)	(53,445)	(8,405)	(40,374)	(4,438)	-	**(204,591)**
Removal of depreciation and amortization	-		-	-	594		-	**594**
As at Dec 31, 2020	**(207,497)**	**(565,190)**	**(215,406)**	**(16,364)**	**(205,399)**	**(22,494)**	**-**	**(1,232,350)**
Net carrying amount								
As at Dec 31, 2018	**495,189**	**275,880**	**229,699**	**108,541**	**170,565**	**70,569**	**46,635**	**1,397,076**
As at Dec 31, 2019	**470,090**	**205,511**	**178,297**	**89,686**	**169,268**	**65,387**	**118,405**	**1,296,644**
As at Dec 31, 2020	**480,831**	**235,333**	**178,686**	**97,778**	**186,736**	**61,571**	**90,604**	**1,331,539**

As at 31 December 2020, the initial cost of fully depreciated items that are still in use was UAH 154,450 thousand (31 December 2019: UAH 165,467 thousand).

As at 31 December 2020, the carrying amount of property, plant and equipment that is temporarily not used amounted to UAH 29,456 thousand (31 December 2019: UAH 23,167 thousand).

As at 31 December 2020, the carrying amount of property, plant and equipment that was retired from use and not classified as held for sale amounted to UAH 81,372 thousand (31 December 2019: UAH 77,761 thousand).

The amount of materials capitalized in the value of property, plant and equipment as at the year ended 31 December 2020 amounted to UAH 18,658 thousand (for 12 months of 2019: UAH 53,334 thousand).

Value of property, plant and equipment

As at 31 July 2016, an independent appraiser has determined the fair value of the Company's intangible assets and property, plant and equipment, including construction in progress, to determine their fair value for the purposes of corporatization. This fair value of intangible assets and property, plant and equipment, including construction in progress, was used to determine the Company's contributions to the Company's share capital as at 8 December 2016, the date of the Company's transformation from a state-owned enterprise to a public joint stock company, and adjusted for depreciation and amortization from 1 January 2016 to 30 November 2016. The obtained value in the amount of UAH 113,613 thousand of intangible assets, UAH 1,602,546 thousand of property, plant and equipment, and UAH 14,759 thousand of construction in progress was accepted by the Company's management as a deemed value as at 1 January 2016, the date of the Company's transition to International Financial Reporting Standards.

In addition, the Company increased the cost of property, plant and equipment, including construction in progress, acquired during the seven months ended 31 July 2016, to their fair value as at 31 July 2016, determined by an independent appraiser at that date. This change amounting to UAH 19,320 thousand was recognized by the Company as part of other changes in equity in the statement of changes in equity, as it was made to determine the value of net assets, which was used to calculate the increase in the share capital in the process of corporatization.

Most of the property, plant and equipment and construction in progress are highly specialized equipment that is infrequently sold on the open market, except when it occurs as a part of an ongoing business. Apart from a few buildings, the valuation of which was carried out on the basis of recent market transactions with similar buildings in a similar technical condition, the market for such property, plant and equipment is not active in Ukraine and does not provide sufficient comparable sales, which does not allow market approach to determine fair value.

Therefore, the fair value of property, plant and equipment was determined mainly using the replacement cost method less depreciation. According to this method, the cost of restoration or replacement of property, plant and equipment, adjusted for physical, functional or economic wear and tear, as well as for obsolescence, is taken into account. Economic depreciation was determined using the discounted cash flow method.

The replacement cost less depreciation is estimated on the basis of data obtained from domestic sources and the results of the analysis of the Ukrainian and international markets for similar property, plant and equipment. Various market data are collected from published information, catalogs, statistics, etc. In addition, industry experts were involved in the evaluation process.

An analysis of the existence of economic impairment was also performed using the discounted cash flow method in determining the fair value of property, plant and equipment, which did not result in an adjustment to the revalued fair value.

Specialized assets

On 31 December 2018, the Company has for the first time recognized provisions for the reclamation of disturbed land in accordance with International Financial Reporting Standard IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* As at 31 December 2020, the amount of the provisions was fully included in the cost of property, plant and equipment in the group 'Specialized Assets' in the amount of UAH 620,285 thousand. (Note 12). The increase in the cost of property, plant and equipment of this group resulted in the impairment of assets which was recognized as an individual impairment of specialized assets as at 31 December 2019, as well as the impairment as at 31 December 31, 2019. Due to the absence of signs of impairment, no impairment test was performed in the reporting period.

Test for impairment of property, plant and equipment

As at 30 September 2019, the Company performed a test for impairment of property, plant and equipment, construction in progress, and intangible assets. The impairment test was performed using historical financial information, as well as key macro indicators that are characteristic of Ukraine's economy in the coming years.

The test was conducted based on the calculation of the cost of use of property, plant and equipment, construction in progress, and intangible assets by building discounted cash flows for the next 5 years. For the purposes of impairment testing, the Company has identified two cash-generating units (hereinafter as CGUs): production of ilmenite concentrate – the branch Irshansky Mining and Processing Plant and production of zirconium, rutile and ilmenite concentrates and other products from extraction of non-ferrous metal ores - the branch Vilnohirsk Mining and Metallurgical Plant.

Discounted cash flows were determined based on the nominal pre-tax discount rate of 23.5% -23.7% (2017: 25.4%-25.9%).

The determined cost of use for the branch Vilnohirsk Mining and Metallurgical Plant CGU exceeded its book value as at 30 September 2019.

The determined cost of use for the branch the branch Irshansky Mining and Processing Plant CGU was below its book value as at 30 September 2019. The Company recognized the amount of impairment for the relevant groups of property, plant and equipment, construction in progress, and intangible assets as at 30 September 2019, with the corresponding impact on profit and loss in the item 'Other expenses' in the amount of UAH 72,887 thousand.

Due to the absence of signs of impairment, the Company did not conduct an impairment test as at 31 December 2020.

7. Right-of-use assets and lease liabilities

As at 31 December 2020 and 31 December 2019, the carrying amount of the Company's right-of-use assets and lease liabilities were presented as follows:

Right-of-use assets and lease liabilities in the statement of financial position	Dec 31, 2020	Dec 31, 2019
Right-of-use assets		
Buildings, structures and other property	12,492	4,023
Total	**12,492**	**4,023**
Lease liabilities		
Long-term lease liabilities	8,705	2,669
Current portion of long-term lease liabilities	4,745	1,793
Total	**13,450**	**4,462**

Right-of-use assets are represented by office space lease agreements. The lease agreements are concluded for the period from 21 July 2020 to 30 June 2023 inclusive.

As at 31 December 2020 and 31 December 2019, the book value of the Company's right-of-use assets was as follows:

Movement of right-of-use assets by groups	Buildings and structures
Historical cost	5,173
Accumulated depreciation	(1,150)
Net carrying amount as at 31 December 2019	**4,023**
Asset receipts	14,990
Asset disposals	(5,173)
Depreciation	(2,498)
Removal of depreciation	1,150
Net carrying amount as at 31 December 2020	**12,492**

During the reporting period, the lease agreement was terminated due to the early disposal of the right-of-use asset. Also, in July 2020, a new lease agreement was concluded (receipt of a right-of-use asset). The net book value of the asset at the reporting date is UAH 12,492 thousand.

The total cash outflow from the lease in 2020 amounted to UAH 7,232 thousand including VAT, in 2019 - UAH 3,541 thousand including VAT.

The Company applies the requirements of IFRS 16 Leases to agreements that were effective as at 31 December 2020 and meet the criteria for lease recognition.

8. Inventories

As at 31 December 2020 and 31 December, the inventories were presented as follows:

	31 December 2020	31 December 2019
Finished goods	782,248	539,177
Production stock	257,496	256,794
Reserve for impairment of production stock	(4,996)	(5,398)
Work in progress	59,378	53,209
Merchandise	5	22
	1,094,131	**843,804**

Production stock

	31 December 2020	31 December 2019
Spare parts	132,475	123,456
Raw materials	57,402	63,529
Purchasing semi-finished products and accessories	43,097	37,098
Fuel	12,435	14,352
Construction materials and components	12,087	18,359
Reserve for impairment of production stock	(4,996)	(5,398)
	252,500	**251,396**

9. Receivables

The trade receivables as at 31 December 2020 and 31 December 2019 were presented as follows:

	31 December 2020	31 December 2019
Trade receivables	571,375	664,314
Expected credit losses	(16,112)	(55,716)
	555,263	**608,598**

The Company applies the simplified method provided in IFRS 9 to the estimation of expected credit losses, which applies an estimated provision for expected credit losses for the entire term for all trade and other receivables.
Levels of expected credit losses are based on sales payment schedules for the twelve months till 31 December 2019, respectively, and similar historical credit losses incurred during this period. Levels of losses of the past periods are not adjusted for current and projected information on macroeconomic factors, as the commitments to improve contract terms are short-term and the effect of adjustments is not material.
The estimated provision for credit losses, as at 31 December 2020, in respect of trade receivables is determined in accordance with the matrix of provisions presented in the table below. The provision matrix is based on the number of overdue days of an asset:

	Carrying amount	Expected credit losses for the entire period
Current	493,973	(5,017)
With a delay in payment of up to 30 days	62,264	(1,767)
With a delay in payment of 31-90 days	3,063	(163)
With a delay in payment of 91-180 days	4,729	(1,819)
With a delay in payment of 181-360 days	7,347	(7,347)
With a delay in payment above 360 days	(0)	(0)
Total financial assets as part of trade receivables	**571,375**	**(16,112)**
Estimated provision for credit losses	**(16,112)**	
Total financial assets as part of trade receivables (carrying amount)	**555,263**	

Changes in the provision for credit losses for trade receivables during the year ended 31 December 2020, determined according to a simplified model of expected credit losses, were presented as follows:

	31 December 2020	31 December 2019
Settlements with the state target funds	2,247	874
Other current debts	976	1,006
Settlements on claims	1,127,018	20,343
Provision for expected credit losses from debts on claims	(308,362)	(20,020)
	821,879	**2,203**

The Company's management believes that the invaluable but overdue receivables will be received in full. An analysis of credit risk on trade receivables is provided in Note 27.

Changes in the provision for losses from trade receivables impairment during the years ended 31 December 2019 were presented as follows:

	2019
Balance at January 1	**(57,716)**
Changes in estimates and assumptions	(28,986)
Debt recovery income	29,826
Exchange rate difference	1,160
Balance at December 31	**(55,716)**

10. Other current receivables

Other current receivables as at 31 December 2020 and 31 December 2019 were presented as follows:

	31 December 2020	31 December 2019
Settlements with the State target funds	2,247	874
Other current debts	976	1,006
Settlements on claims	1,127,018	20,343
Provision for expected credit losses from debts on claims	(308,362)	(20,020)
	821,879	**2,203**

In May 2020, the Company terminated its contracts with Bollwerk Finanzierungs -und Industriemanagement AG and Defessa Trans F.Z.E., the main sales counterparties, and acknowledged the default of these counterparties' receivables to the Company. The approach of discounting expected cash flows was used to calculate the provisions for expected credit losses. The expected loss provision for receivables of these counterparties was 23% and 22% for Bollwerk Finanzierungs -und Industriemanagement AG and Defessa Trans F.Z.E., respectively. Currently, the Company has filed lawsuits against counterparties to recover receivables, these amounts are presented as Settlements on claims.

	Bollwerk	Defessa Trans	Total
Trade receivables	661,332	363,534	**1,024,866**
Expected credit losses	(150,519)	(81,688)	**(232,207)**
Net carrying amount	**510,813**	**281,846**	**792,659**

Changes in the provision for credit losses on trade receivables during the year ended 31 December 2020, determined according to a simplified model of expected credit losses, were presented as follows:

	2020
Balance at January 1	**(20,020)**
Debt recovery income	14,566
Transfer to other current receivables	(47,690)
Impairment losses	(251,284)
Exchange rate difference	(3,934)
Balance at December 31	**(308,362)**

11. Cash and cash equivalents

The cash and cash equivalents as at 31 December 2020 and 31 December 2019 were presented as follows:

	Dec 31, 2020	Dec 31, 2019
Balances on current bank accounts	34,925	22,240
Balances on short-term deposit bank accounts	-	383,047
Cash	3	5
	34,928	**405,292**

The following table provides an analysis of cash and cash equivalents placed on bank accounts according to the ratings of banks awarded by the rating agency Fitch, or their equivalents:

	Dec 31, 2020	Dec 31, 2019
B	34,850	133,380
BBB	75	-
Caa2	-	35,045
Rating is not available	-	236,862
	34,925	**405,287**

12. Equity

As at 31 December 2020 and 31 December 2019, the Company's share capital amounts to UAH 1,944,000,000 (one billion nine hundred forty-four million hryvnias 00 kopecks). The Company's share capital is divided into 1,944,000,000 (one billion nine hundred and forty-four million) ordinary registered shares with a nominal value of 1.00 (one hryvnia) each.

The Company's share capital was formed by adding to it the assets of the United Mining and Chemical Company in the process of corporatization.

The sole shareholder of the Company is the state represented by the authorized management body, which directly without convening a general meeting of the Company exercises the authority to manage the corporate rights of the Company.

Dividends

The profit for each reporting period available for distribution to owners is determined on the basis of financial statements prepared in accordance with IFRS. Under Ukrainian law, the amount of dividends is limited to the amount of net income for the reporting period or the amount of any other reserves to be distributed, but not more than the amount of retained earnings calculated in accordance with the data of the IFRS financial statements.

For business entities, the share capital of which contains corporate rights of the state, the size of the rate of deduction of the share of profit based on the results of each reporting year is set by the Cabinet of Ministers of Ukraine.

Dividends for 2018

For the year 2018, part of the Company's net profit was directed to the payment of dividends in the amount of UAH 34,466.1 thousand at a rate of 30% in accordance with the Resolution of the Cabinet of Ministers of Ukraine No. 364 dated 24 April 2019. The Company paid dividends in June 2019.

In accordance with the Resolution of the Cabinet of Ministers of Ukraine No. 1015 dated 4 December 2019, amendments were made to the Resolution of the Cabinet of Ministers of Ukraine No. 364 dated 24 April 2019, which determines the basic rate of a profit share deduction which is directed to the payment of dividends on the results of financial and economic activities in 2018 of business entities whose share capital includes corporate rights of the state in the amount of 90%.

Prior to these amendments, the rate of profit-sharing for 2018 was set for the Company at 30%. In accordance with this rate and the order of the Ministry of Economic Development and Trade of Ukraine No. 723 dated 24 April 2019 the Company's net profit for 2018 was distributed in full, the share distributed on dividends amounted to 30% or UAH 34,466 thousand.

According to the amended rate in the amount of 90%, the share of profit for 2018 which is used to pay dividends, shall be UAH 103,398 thousand. The additional amount of dividends is UAH 68,932 thousand.

In order to pay dividends by a joint-stock company, in accordance with the Law of Ukraine № 514-VI On Joint-Stock Companies dated 17 September 2008, a corresponding resolution of the general meeting of such joint-stock company is required. Distribution of the net profit for 2018 and the payment of dividends for 2018 took place in accordance with the current legislation of Ukraine. The Company has no other resolution of the general meeting, except for the order of the Ministry of Economic Development and Trade of Ukraine No. 723 dated 24 April 2019. The absence of a resolution of the general meeting on redistribution of the net income for 2018 and the payment of dividends in the amount of 90% in accordance with the Resolution of the Cabinet of Ministers No. 1015 dated 4 December 2019 makes it impossible to recognize the adjustment of previously recognized dividends and funds for 2018.

In January 2020, the Company filed a lawsuit with the Cabinet of Ministers of Ukraine to declare illegal and cancel the requirements of the Resolution of the Cabinet of Ministers of Ukraine No. 1015 dated 4 December 2019 on changes to the basic rate of a profit share deduction. Thus, the Company's management did not create provisions for possible future payments of additional dividends for 2018.

Dividends for 2020

As at the date of approval of these financial statements, the basic rate of the profit share allocation for companies whose share capital has corporate rights of the state, approved by the Cabinet of Ministers of Ukraine, is expected in 2020 at 50%, so the Company has created appropriate provisions for the future transfer of the profit share to the State Budget of Ukraine as part of current provisions at the level of the allocation rate (Note 13). As at the date of approval of these statements for matter, the Cabinet of Ministers of Ukraine has sent for revision a draft resolution on the basic rate of a profit share deduction of state-owned enterprises, which is aimed at paying dividends for 2020. The corresponding resolution was approved at a meeting of the Cabinet of Ministers on 21 April 2020 at the suggestion of the Economy Minister Ihor Petrashko.

(b) Additional paid-in capital

As at 31 December 2020 and 31 December 2019, the additional paid-in capital is presented as follows:

	Production development fund	Financial incentive fund	Other additional paid-in capital	Total
Balance at 31 December 2018	356,183	20,140	95,813	472,136
Capital formation	51,699	22,977	-	**74,676**
Changes due to depreciation and amortization	-	-	(11,243)	**(11,243)**
Use of capital	-	(32,423)	-	**(32,423)**
Balance at 31 December 2019	**407,882**	**10,694**	**84,570**	**503,146**
Capital formation	26,253	7,501		**33,754**
Changes due to depreciation and amortization			(3,705)	**(3,705)**
Use of capital		(8,707)		**(8,707)**
Balance at 31 December 2020	**434,135**	**9,488**	**80,865**	**524,488**

Production development and financial incentive fund

In accordance with the orders of the Ministry of Economic Development and Trade of Ukraine, the Company forms a fund for the development of production and financial incentives.

The production development fund was formed by distributing 35% of net profit for 2020 after settlements on dividends (in 2019 - 15% of net profit after settlements on dividends).

The financial incentive fund was formed by distributing 10% of net profit for 2020 after settlements on dividends (in 2019 - 5% of net profit after settlements on dividends).

Other additional paid-in capital

Other additional paid-in capital was formed at the expense of the housing, water supply and civil defense facilities and roads, which due to legal restrictions cannot be transferred to the share capital of the Company during reorganization from a state enterprise into a joint stock company, but are included in the Company's assets.

(d) Reserve capital

In accordance with the orders of the Ministry of Economic Development and Trade of Ukraine, the Company forms a reserve fund by distributing 5% of net profit for 2020 (in 2019 - 5% of net profit)

(e) Capital management

The Company's policy is to maintain a stable level of capital to ensure the confidence of investors, creditors and other market participants, as well as to ensure the sustainable development of business activities in the future. Management controls the return on capital, which the Company defines as the ratio of operating income to the amount of equity. There were no changes in approaches to capital management during the reporting period.

13. Retirement benefit liabilities

As at 31 December 2020, the retirement benefit liabilities in the statement of financial position were presented as follows:

	Pension liabilities	Other non-current liabilities	Total
Non-current portion of liabilities	190,701	16,584	**207,285**
Current portion of liabilities (Note 13)	41,666	3,230	**44,896**
	232,367	**19,814**	**252,181**

As at 31 December 2019, the retirement benefit liabilities in the statement of financial position were presented as follows:

	Pension liabilities	Other non-current liabilities	Total
Non-current portion of liabilities	147,261	13,153	**160,414**
Current portion of liabilities (Note 13)	33,997	2,463	**36,460**
	181,258	**15,616**	**196,873**

Changes in retirement benefit and other liabilities in the statement of financial performance were presented as follows:

	Pension liabilities	Other non-current liabilities	Total
Net liability as at 31 December 2018	**127,800**	**15,711**	**143,511**
Payments made	(5,904)	(2,526)	**(8,430)**
Losses recognized in profit or loss	39,611	3,689	**43,300**
Actuarial gain recognized in other comprehensive income	19,748	(1,256)	**18,492**
Net liability as at 31 December 2019	**181,255**	**15,618**	**196,873**
Payments made	(7,474)	(2,344)	**(9,818)**
Losses recognized in profit or loss	47,073	7,436	**54,509**
Actuarial gain recognized in other comprehensive income	11,511	(893)	**10,618**
Net liability as at 31 December 2020	**232,367**	**19,814**	**252,181**

The amounts recognized in profit or loss for the year ended 31 December 2020 are presented as follows:

	Pension liabilities	Other non-current liabilities	Total
Changes in provisions	37,481	7,037	**44,518**
Cost of current services	26,465	2,406	**28,871**
Interest expenses on retirement benefit liabilities	20,608	1,685	**22,293**
	84,554	**11,128**	**95,682**

The amounts recognized in profit or loss for the year ended 31 December 2019 are presented as follows:

	Pension liabilities	Other non-current liabilities	Total
Changes in provisions	-	(1,194)	**(1,194)**
Cost of current services	23,662	2,735	**26,397**
Interest expenses on retirement benefit liabilities	15,948	1,855	**17,803**
	39,611	**3,396**	**43,007**

The key assumptions used in determining the amount of retirement benefit liabilities were presented as follows:

	2020	2019
Discount rate (IMPP branch)	11.00%	11.29%
Discount rate (VMMP branch)	11.01%	11.69%
Wage growth rates (IMPP branch)	10.00%	10.0%
Wage growth rates (VMMP branch)	10.00%	10.0%

14. Reserve for reclamation of disturbed land plots

As at 31 December 2020 and 31 December 2019, the reserve for reclamation of disturbed land plots was presented as follows:

	31 December 2020	31 December 2019
Non-current portion of liabilities	559,576	490,925
Current portion of liabilities (Note 13)	60,709	47,673
	620,285	**538,598**

	VMMP branch	IMPP branch	Total
Carrying amount as at 31 December 2019	**415,164**	**123,433**	**538,597**
Additional provisions made during the period and change in estimated assumptions	(9,116)	3,165	**(5,951)**
Amounts used during the period	(11,468)	(1,639)	**(13,107)**
An increase over a period of the discounted amount that arises over time	52,471	15,666	**68,137**
Effect of any change in the discount rate	17,637	14,972	**32,609**
Carrying amount as at 31 December 2020	**464,688**	**155,597**	**620,285**

According to the legislation of Ukraine, the Company is obliged to indemnify the damage caused to the environment as a result of its mining activities. The Company's management believes that by 31 December 2018 the Company did not have sufficient grounds to reliably determine the value of the costs necessary to rehabilitate the land plots disturbed in connection with the extraction of minerals.

As at 31 December 2018, the Company has for the first time recognized provisions for reclamation of disturbed land plots in accordance with International Financial Reporting Standard IAS 37 Provisions, Contingent Liabilities and Contingent Assets. As at 31 December 2020, the Company has recalculated such liabilities.

The cost of reclamation of disturbed land plots is determined on the basis of amounts calculated by an independent expert. The cost of reclamation is the discounted estimated cost of reclamation of disturbed land plots after depletion of their reserves. As at 31 December 2020, the cost of reclamation was calculated on the basis of the nominal pre-tax discount rate.

The key assumptions used in determining the amount of the commitment to rehabilitate the disturbed land plots were presented as follows:

	31 December 2020	31 December 2019
Discount rate (IMPP branch)	11.4%	12.7%
Discount rate (VMMP branch)	11.8%	12.6%
Long-term inflation rate (IMPP branch)	5.0%	5.2%
Long-term inflation rate (VMMP branch)	5.2%	5.8%

The impact of changes in the key assumptions on the commitment to rehabilitate disturbed land plots is as follows:

	Change the amount of liabilities	
	31 December 2020	**31 December 2019**
Increase/decrease of the discount rate by 1% (IMPP branch)	(7.7%) / 8.5%	(8.5%) / 9.5%
Increase/decrease of the discount rate by 1% (VMMP branch)	(4.7%) / 5.0%	(4.9%) / 5.3%
Increase/decrease of the inflation rate by 1% (IMPP branch)	9.0% / (8.2%)	10.2% / (9.2%)
Increase/decrease of the inflation rate by 1% (VMMP branch)	5.3% / (5.0%)	5.6% / (5.3%)

15. Current provisions

Current provisions as at 31 December 2020 and 31 December 2019 were presented as follows:

	31 December 2020	31 December 2019
Current provisions for dividend payments (Note 10 (a))	190,773	43,936
Current portion of reclamation liabilities	60,709	47,673
Current portion of defined benefit pension plan liabilities (Note 11)	44,896	36,460
Provisions for unused leave	31,065	28,122
Provisions for lawsuits and potential fines	8,000	27,894
	335,443	**184,085**

16. Current payables

(a) Current trade payables

As at 31 December 2020 and 31 December 2019, the current trade payables were presented as follows:

	31 December 2020	31 December 2019
Payables for fuel and gas	36,835	20,338
Payables for raw materials and supplies	37,675	7,780
Payables for transportation services	8,243	12,440
Payables for services of mining preparation activities	43,049	18,243
Payables for packaging and spare parts	25,334	12,451
Accounts payable for property, plant and equipment	9,628	5,884
Other payables	62,272	1,750
	223,035	**96,778**

(b) Current payables for settlements with the budget

	31 December 2020	31 December 2019
Subsoil use payable	58,406	18,563
Income tax payable	40,346	3,488
Personal income tax payable	7,948	6,259
Other tax payable	4,996	3,848
	111,696	**32,158**

17. Net sales revenue

The net sales revenue for the year ended 31 December 2020 and 31 December 2019 was presented as follows:

	2020	2019
Revenue from sales of goods	3,109,755	3,516,692
Revenue from rendering services	17,870	18,705
	3,127,625	**3,535,397**

For the year 2020, revenues from the Company's two main customers represented approximately 35% or UAH 1,102,742 thousand of the Company's net income (2019: 80% or UAH 2 832 533 thousand).

18. Cost of sales

The cost of sales for the year ended 31 December 2020 and 31 December 2019 was presented as follows:

	2020	2019
Cost of sales	2,074,002	2,474,141
Cost of services provided	817	909
	2,074,819	**2,475,050**

19. Administrative expenses

Administrative expenses for the year ended 31 December 2020 and 31 December 2019 were presented as follows:

	2020	2019
Salaries, wages, and relevant accruals	(149,516)	(142,134)
Third-party company services	(43,715)	(5,051)
Depreciation and amortization	(11,304)	(4,414)
Materials	(7,330)	(9,075)
Electricity and gas	(4,041)	(4,927)
Bank services	(3,068)	(3,626)
Leases	(1,771)	(1,923)
Fuels and lubricants	(1,626)	(7,469)
Other administrative expenses	(4,414)	(11,733)
	(226,785)	**(190,352)**

20. Sales expenses

Sales expenses for the year ended 31 December 2020 and 31 December 2019 were presented as follows:

	2020	2019
Transportation and shipping expenses	(155,801)	(148,576)
Salaries, wages, and relevant accruals	(14,539)	(36,947)
Tangible costs	(7,604)	(18,168)
Depreciation and amortization	(1,513)	(14,902)
Fuels and lubricants	(2,482)	(9,073)
Electricity and gas	(646)	(1,857)
Other sales expenses	(4,796)	(36,024)
	(187,380)	**(265,547)**

21. Other operating income

The other operating income for the year ended 31 December 2020 and 31 December 2019 was presented as follows:

	2020	2019
Income from repayment of previously impaired doubtful debts	15,454	30,593
Income from operating exchange rate difference	202,178	-
Interest received	7,301	14,066
Fines, penalties and forfeits	3,406	10,495
Other operating income	9,433	10,533
	237,772	**65,529**

22. Other operating costs

The other operating costs for the year ended 31 December 2020 and 31 December 2019 were presented as follows:

	2020	2019
Losses from operating exchange rate difference	-	(178,380)
Costs of the maintenance of used quarries and factories that are temporarily not used	(17,108)	(70,470)-
Deductions to the reserve for doubtful debts of trade and other receivables	(264,209)	(21,642)
Maintenance of housing and utility services and sanatorium-and-health-resort facilities	(25,199)	(20,566)
Expenses for the creation of pensions, salaries and related accruals	(51,669)	(47,507)
Costs associated with legal proceedings	-	(8,024)
Other operating costs	(21,336)	(24,456)
	(379,521)	**(397,231)**

23. Finance costs

For the year ended 31 December 2020 and 31 December 2019, finance costs were presented as follows:

	2020	2019
Finance costs associated with the reclamation reserve (Note 12)	(68,137)	(68,859)
Finance costs attributable to the defined retirement benefit plan (Note 11)	(22,293)	(17,803)
Finance costs related to lease accounting;	(1,448)	(972)
	(91,878)	**(87,634)**

24. Income tax expense

For the year ended 31 December 2020 and 31 December 2019, the income tax rate for Ukrainian entities was 18%.

The components of income tax expenses are presented as follows:

	2020	2019
Current income tax		
Current income tax expenses	136,616	69,925
Deferred income tax		
Associated with the occurrence and reversal of temporary differences	(88,087)	(33,114)
Income tax expense	**48,529**	**36,811**

The difference between the total expected amount of income tax expense, calculated using the current pre-tax income tax rate, and the actual amount of income tax expense is presented as follows:

	2020	2019
Profit before income tax	417,706	124,683
Income tax at the actual rate (18%)	75,187	22,443
Impact of income not included in expenses for tax calculation purposes	(26,658)	14,368
Income tax expense	**48,529**	**36,811**

As at 31 December 2020, the recognized deferred tax assets and liabilities relate to the following items:

	31 December 2019	Recognized in profit and loss	Recognized in other	31 December 2020

			comprehensive income	
Deferred tax liabilities	**(34,250)**	**5,233**		**(29,017)**
Property, plant and equipment	(33,207)	4,325		(28,882)
Intangible assets	(319)	11		(308)
Right of lease	(724)	896		172
Deferred tax assets	**55,971**	**82,854**	**1,911**	**140,737**
Employee benefits	35,634	(28,093)	1,911	9,452
Current receivables	15,311	51,923	-	67,234
Other current provisions	3,252	61,978	-	65,230
Production stock	972	(292)	-	680
Other liabilities	803	1,618	-	2,421
Net deferred tax assets/(liabilities)	**21,721**	**88,087**	**1,911**	**111,720**

	31 December 2018	Recognized in profit and loss	Recognized in other comprehensive income	31 December 2019
Deferred tax liabilities	**(57,571)**	**23,321**	**-**	**(34,250)**
Property, plant and equipment	(56,834)	23 627	-	(33 207)
Intangible assets	(737)	418	-	(319)
Right of lease	-	(724)	-	(724)
Deferred tax assets	**42,850**	**9,793**	**3,328**	**140,737**
Employee benefits	26,933	5,373	3,328	9,452
Current receivables	13,669	1,641	-	67,234
Other current provisions	1,811	1,441	-	65,230
Production stock	437	535	-	680
Other liabilities	-	803	-	2,421
Net deferred tax assets/(liabilities)	**(14,721)**	**33,114**	**3,328**	**21,721**

25. Related parties

Balances on settlements with related parties as at 31 December 2020 were presented as follows:

	Business entities controlled by shareholders	Other entities	Total
Assets			
Trade receivables	-	32,544	**32,544**
Receivables on advances paid	-	-	**-**
Other current receivables	-	8,539	**8,539**
Other current assets	-	-	**-**
Cash and cash equivalents	-	12,759	**12,759**
Liabilities			
Current trade payables	-	-	**-**
Current payables on advances received	-	-	**-**
Current provisions for dividend payments	(184,279)	-	**(184,279)**

The balances on settlements with related parties as at 31 December 2019 were presented as follows:

	Business entities controlled by shareholders	Other entities	Total
Assets			
Trade receivables	-	17	**17**
Receivables on advances paid	-	1,529	**1,529**
Other current receivables	-	143	**143**
Other current assets	-	1,177	**1,177**
Cash and cash equivalents	-	254,437	**254,437**
Liabilities			
Current trade payables	-	(800)	**(800)**
Current payables on advances received	(1)	(4,928)	**(4,929)**
Current provisions for dividend payments	(43,907)	-	**(43,907)**

Related party transactions for the year ended 31 December 2020 were presented as follows:

	Business entities controlled by shareholders	Other entities	Total
Sales of finished goods	-	71,203	**71,203**
Costs			
Acquisition of gas and electricity	-	(12,573)	**(12,573)**
Other acquisitions	-	(19,971)	**(19,971)**

Related party transactions for the year ended 31 December 2019 were presented as follows:

	Business entities controlled by shareholders	Other entities	Total
Sales of finished goods	-	92,387	**92,387**
Costs			
Acquisition of gas and electricity	-	(11,277)	**(11,277)**
Other acquisitions	(1,102)	(17,414)	**(18,516)**

(a) Terms and conditions of related party transactions

Purchase and sale transactions with related parties are carried out at normal prices, mostly the same as with unrelated suppliers and customers. Outstanding balances at the end of the year are unsecured and interest free. Settlements are made in cash, except for advances received and prepayments. No guarantees were given or received for receivables or payables from related parties. Each year, the Company estimates the impairment of receivables from related parties by reviewing the financial position of the related party and the market in which the related party operates.

As at 31 December 2020 and 31 December 2019, the terms of repayment of receivables from related parties do not exceed 12 months.

(b) Key management personnel compensation

The key management personnel is considered to be the Company's Board of Directors, consisting of 7 persons (2019: 8 persons). For the year ended 31 December 2020, the expenses for the key management personnel consideration consisted mainly of salaries and related accruals and amounted to UAH 6,082 thousand (for 2019: UAH 5,724 thousand).

26. Fair value of financial instruments

As at 31 December 2020 and 31 December 2019, the carrying amount of the Company's financial instruments was approximately equal to their fair value. The fair value of financial assets and financial liabilities with a maturity of up to one year, less any estimated adjustments, is considered to be their carrying amount due to the short maturities of these instruments. However, when the effect of the time value of money is significant, the fair value of short-term financial instruments is measured by discounting future contractual cash flows at the current market interest rate used by the Company for similar financial instruments.

The fair value of financial liabilities is measured by discounting future contractual cash flows at the current market interest rate used by the Company for similar financial instruments.

27. Financial instruments and risk management

In the course of its activities, the Company is exposed to credit risk, liquidity risk and market risk (including currency risk and interest rate risk). The Company does not hedge such risks.

This note provides information on the level of each of these risks, the objectives, policies and processes of risk assessment and management. More detailed quantitative information is disclosed in the relevant notes to these financial statements.

Management bears general responsibility for establishing and overseeing the risk management structure.

The risk management policies are approved to identify and analyze the risks faced by the Company, to establish appropriate risk limits and controls, monitor risks and comply with the limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the Company's activities. Using training tools and management standards and procedures, the Company seeks to create a disciplining and constructive control environment in which all employees understand their roles and responsibilities.

(a) Credit risk

The Company is exposed to credit risk, i.e. the risk that a party to a contract will fail to fulfill its obligations and, as a result, the Company will incur a financial loss. Credit risk arises from cash and cash equivalents, deposits with banks, and credit risks from transactions with counterparties, including outstanding trade and other receivables.

When signing agreements with new counterparties, the Company estimates the creditworthiness of the potential counterparty and determines credit limits that are individual for each counterparty. Counterparty credit limits are regularly reviewed at least annually.

The maximum amount of the Company's credit risk is equal to the carrying amount of the financial assets presented in the Company's financial statements less impairment losses.

As at 31 December 2020 and 31 December 2019, the Company's credit risk on trade and other receivables, including receivables from related parties, by categories of customers was as follows:

Customers non-residents of Ukraine	1,084,367	600,804
Customers residents of Ukraine	292,775	63,510
Total	**1,377,142**	**664,314**

Estimate of expected credit losses

The Company applies the simplified approach provided in IFRS 9 to the estimation of expected credit losses, which applies an estimated provision for expected credit losses for the entire term for all trade and other receivables and contractual assets.

To estimate expected credit losses, trade and other receivables were grouped on the basis of general credit risk characteristics and the number of overdue days. Other receivables are work in progress, for which no invoices have yet been issued, and have essentially the same risk characteristics as trade receivables under the same contracts. See information on the levels of expected credit losses on trade receivables in Note 8. To determine the probability of default, the Company defines default as a situation where the sensitivity to risk meets one or more of the following criteria:

- the borrower's delay in payments under the agreement exceeds 90 days;
- international rating agencies include the borrower in the class of default ratings;
- the borrower meets the criteria of probable insolvency specified below:
    - insolvency of the client;
    - breach by the client of one or more financial restrictive conditions (covenant);
    - occurrence of the probability of the client's bankruptcy.

(b) Liquidity risk

Liquidity risk is that the Company may have difficulty in meeting its financial obligations, which are settled through the transfer of cash or another financial asset. The Company's approach to liquidity management involves ensuring, as far as possible, that there is sufficient liquidity to meet the obligations as they fall due, both in normal circumstances and in emergencies, while avoiding unacceptable losses and the risk of reputational damage to the Company.

The maturities of non-derivative interest-bearing financial liabilities under the agreements, including interest payments (undiscounted cash flows) as at 31 December 2020 and 31 December 2019, are as follows:

	Carrying amount	Cash flows under contracts	Up to 1 year	On request
As at 31 December 2020				
Other non-current liabilities	**8,705**	8,705	0	8,705
Current payables on long-term liabilities	**4,745**	4,745	4,745	0
Current trade payables	**223,035**	223,035	188,226	34,808
As at 31 December 2019				
Current trade payables	**96,778**	96,778	81,674	15,104

It is not expected that the cash flows included in the maturity analysis may arise much earlier or will differ significantly in amount.

Market risk

Market risk consists in the fact that changes in market rates, such as exchange rates, interest rates and securities rates, will affect the Company's income or value of its financial instruments. The purpose of market risk management is to manage and control the level of market risk within acceptable parameters in addition to profitability optimization. All similar transactions are carried out in accordance with the instructions of management.

Currency risk

The Company faces currency risk in connection with sales, purchases, balances in banks, denominated in foreign currencies. The currencies in which these transactions are mostly denominated are USD and Euro.

The currency risk level is presented as follows:

	USD	EUR
As at 31 December 2020		
Trade receivables	389,171	154,002
Cash and cash equivalents	32,874	-
	422,045	**154,002**
As at 31 December 2019		
Trade receivables	600,803	-
Cash and cash equivalents	13,621	3,202
	614,424	**3,202**

A weakening of the hryvnia exchange rate by 10% against the currencies listed in the following table would lead to an increase (decrease) in equity and net income by the following amounts. This analysis assumes that all other variables, including interest rates, will remain unchanged.

	31 December 2020	31 December 2019
USD	42,205	61,442
EUR	15,400	320
	57,605	**61,762**

Risk of concentration

In 2020, revenues from the Company's two main customers represented approximately 35% or UAH 1,102,742 thousand of the Company's net income (2019: 80 % or UAH 2 832 533 thousand).

The Company's management takes measures to reduce the concentration of sales revenue.

As at 31 December 2020, UAH 546,271 thousand or 37% of the total amount of receivables and other receivables are represented by the debts of two main customers (31 December 2019: UAH 515,785 thousand or 78%).

As at 31 December 2020, UAH 99,282 thousand or 39% of the total amount of payables is represented by debts to two main suppliers (December 31, 2019: UAH 35,929 thousand or 37%).

28. Liabilities and contingent liabilities

(a) Investment liabilities

As at 31 December 2020, the Company has investment liabilities in the amount of UAH 184,589 thousand (31 December 2019: UAH 43,230 thousand).

(b) Legal proceedings

From time to time, and in the ordinary course of business, certain claims are made against the Company. If the risk of an outflow of resources embodying economic benefits is perceived to be probable, a liability is recognized in the provision for legal proceedings and potential penalties (Note 13).

If management estimates that the risk of an outflow of resources embodying economic benefits is unlikely to be probable, or the cost cannot be estimated reliably, the provision is not recognized and the related amount is disclosed in the financial statements. Management believes that it has formed provisions for all material losses in these financial statements.

Management believes that the maximum responsibility for liabilities that may arise from such legal proceedings and disputes will not have a material adverse effect on the financial position or performance of the Company's future transactions, other than those included in the provisions for legal proceedings. The Company also identifies potential liabilities that management estimates not to be mandatory. Such potential liabilities may become actual and the Company will be required to recognize additional amounts of losses.

(c) Contingent tax liabilities

The Company carries out most of its transactions in Ukraine, and therefore must comply with the requirements of the tax legislation of Ukraine. The Ukrainian tax system is characterized by the presence of numerous taxes and frequently changing legislation, which can be applied retrospectively, have different interpretations, and in some cases is contradictory. Conflicts in the interpretation of tax legislation often arise between local, regional and national tax administrations and between the Ministry of Finance and other state bodies. Tax returns are subject to verification by various authorities, which according to the legislation are authorized to apply severe penalties, as well as to collect fines. A tax year remains open for tax audits for the next three calendar years, but in certain circumstances this tax year may be extended.

The company carries out export transactions that could potentially fall within the scope of the new rules of Ukrainian transfer pricing (TP) legislation.

Management believes that the Company complies with the TP requirements. As there is currently no established practice of implementing new transfer pricing rules and the wording of some rules may be interpreted differently, the impact of potential risks of appealing by the tax authorities to the Company's position on transfer pricing cannot be reliably estimated.

These facts create much more serious tax risks than those typical of countries with more developed tax systems. Management believes that, based on their interpretation of the tax laws, official explanations and court decisions, tax liabilities have been properly reflected in the accounting. However, the relevant authorities may have a different interpretation of the above provisions.

No amounts related to contingent tax liabilities have been recognized in these financial statements because management estimates cash outflows or reductions in tax receivables to be unlikely.

During 2020, criminal proceedings against the Company's dismissed officials continued. Despite the fact that the matter of tax assessment is not the subject of legal proceedings in the case, the Company does not exclude possible risks of taking into account the results of criminal proceedings by the tax authorities in conducting tax audits. If these risks are realized, it may lead to a possible surcharge by the tax authorities of income tax and appropriate penalties, as well as to further legal proceedings with the tax authorities. The effect on the financial statements cannot be determined.

29. Segment disclosures

The Company distinguishes two segments by geographical area: VMMP branch and IMPP branch The accounting policies of the reporting segments are the same as the accounting policies of the Company described in Note 3 to these financial statements. Information on the results of each of the reporting segments is provided below. Performance is assessed on the basis of sales for the period, as well as the cost of goods sold, provided monthly for inspection by management.

These financial indicators are the basis for assessing the effectiveness of activities, as management believes that such information is most relevant for the purpose of comparing the results of individual segments with the results of other entities operating in the same industries.

A brief overview of the activities performed by the Company's reporting segments is provided below.

Performance indicators for the periods ended 31 December 2020 and 31 December 2019 were presented as follows:

	VMMP branch	IMPP branch	Unallocated items	Total
The year ended 31 December 2020				
Sales revenue (goods, works, services)	2,358,466	769,159	-	**3,127,625**
Cost of sales (goods, works, services)	(1,566,509)	(508,310)	-	**(2,074,819)**
Gross profit of the segment	**791,957**	**260,849**	-	**1,052,806**
Other disclosures				
Depreciation of non-current assets	(133,876)	(68,672)	(2,016)	**(204,564)**
Other operating income	149,728	52,131	35,913	**237,772**
Other operating costs	(90,098)	(40,046)	(249,377)	**(379,521)**
Finance costs	(70,603)	(19,827)	(1,448)	**(91,878)**

	VMMP branch	IMPP branch	Unallocated items	Total
The year ended 31 December 2019				
Sales revenue (goods, works, services)	2,863,831	671,566	-	**3,535,397**
Cost of sales (goods, works, services)	(1,937,183)	(537,867)	-	**(2,475,050)**
Gross profit of the segment	**926,648**	**133,699**		**1,060,347**
Other disclosures				
Depreciation of non-current assets	(182,356)	(87,263)	(613)	**(270,232)**
Other operating income	29,150	4,896	31,483	**65,529**
Other operating costs	(103,574)	(102,360)	(191,297)	**(397,231)**
Finance costs	(69,574)	(17,088)	(972)	**(87,634)**

	VMMP branch	IMPP branch	Unallocated items	Total
As at 31 December 2020				
Assets	2,188,645	922,398	34,646	**3,145,689**
Liabilities	987,881	326,433	207,431	**1,521,745**
As at 31 December 2019				
Assets	2,292,301	851,948	255,241	**3,399,490**
Liabilities	743,478	217,147	70,747	**1,031,372**

The reconciliation of profit for the year ended 31 December 2020 and 31 December 2019 was presented as follows:

	2020	2019
Gross profit	1,052,806	1,060,347
Other operating income	237,772	65,529
Other operating costs	(379,521)	(397,231)
Administrative expenses	(226,785)	(190,352)
Sales costs	(187,380)	(265,547)
Other income	11,032	11,258
Other finance income	1,684	1,505
Finance costs	(91,878)	(87,634)
Other costs	(24)	(73,192)
Financial result before tax:	**417,706**	**124,683**

30. Events after the reporting period

The following significant events took place after the reporting date:

1) The starting price and conditions of privatization of JSC UMCC have been submitted to the government for approval

The starting price at the auction for the sale of UMCC, which was determined and offered by the entity's privatization advisor, is UAH 3.7 billion. The privatization auction is scheduled for July 2021 by the State Property Fund of Ukraine.