

**LIMITED LIABILITY COMPANY  
"KARPATENWIND"**

FINANCIAL STATEMENTS  
For the year ended 31 December 2018  
With Independent Auditor's Report

# LIMITED LIABILITY COMPANY "KARPATENWIND"

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## FINANCIAL STATEMENTS For the year ended 31 December 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Owners of the Limited Liability Company "Karpatenwind"

### Opinion

We have audited the financial statements of Limited Liability Company "Karpatenwind" (the "Company"), which comprise the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for opinion

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

### Emphasis of Matter

Without qualifying our opinion, we draw attention to the Note 2 which discloses the Company's current operating environment in Ukraine. Additionally, we draw attention to Note 20, which discloses that Company has failed to meet requirements for some financial ratios, and to Note 26, which outlines significant volume of transactions with related parties. We did not take these issues into consideration when expressing our opinion.

### Other Matter

This report can only be presented to owners of the Company, representatives of the European Bank for Reconstruction and Development and cannot be used by any other parties.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this independent auditor's report is Roman Bilyk.

Audit Company "DK-Ukraine" LLC  
Lviv, 29 March 2019



## LIMITED LIABILITY COMPANY "KARPATENWIND"

### STATEMENT ON MANAGEMENT'S RESPONSIBILITY FOR PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

The hereinafter statement, which should be read together with the description of the duties of independent auditor, included in the above presented independent auditor's report, is made in order to differentiate between the responsibilities of the management of the Limited Liability Company "Karpatenwind" (hereinafter referred to as "the "Company") and mentioned independent auditor as to the financial statements of the Company.

Management of the Company is responsible for the preparation of the financial statements that present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS").

In the course of preparation of the financial statements the management of the Company is responsible for:

- Selecting, applying and consistent application of appropriate accounting policies;
- Applying reasonable estimates and assumptions;
- Following the corresponding IFRS and disclosure of all material variances in the notes to the financial statements;
- Preparation of the financial statements based on the assumption that the Company will continue as a going concern except for the cases when such assumption is illegal.

Management is also responsible for:

- Designing, implementing and maintaining the effective and reliable internal control;
- Support of the accounting system which enables to prepare the information concerning the financial position of the Company with an appropriate level of accuracy at any time and guarantee the compliance of the financial statements with the requirements of IFRS;
- Taking measures within one's competence in order to ensure safekeeping of the assets of the Company;
- Prevention and detection of frauds and other abuses.

The financial statements of the Company as of 31 December 2018 were approved by management on 29 March 2019.

Director / Maksym Kozytskyy

Chief accountant / Natalya Bugzin



**LIMITED LIABILITY COMPANY "KARPATENWIND"**

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2018**  
(In thousands of UAH, unless otherwise stated)

	Note	2018	2017
Revenue from contracts with customers	6	125 731	44 561
Cost of sales	7	(79 060)	(13 519)
<b>Gross income</b>		<b>46 671</b>	<b>31 042</b>
Administrative expenses	8	(3 501)	(1 652)
Other operating income	9	9	3 677
Other operating expenses	10	(458)	(711)
<b>Operating income</b>		<b>42 721</b>	<b>32 356</b>
Financial income	11	11 893	3 180
Financial expenses	11	(70 351)	(18 567)
Non-operating foreign currency exchange gain/(loss), net		49 197	(125 327)
<b>Financial result before tax</b>		<b>33 460</b>	<b>(108 358)</b>
Income tax	12	(6 062)	17 902
<b>Net income /(loss)</b>		<b>27 398</b>	<b>(90 456)</b>

Director / Maksym Kozyt'skyy

Chief accountant / Natalia Buzyn



**LIMITED LIABILITY COMPANY "KARPATENWIND"**

**STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2018**

(In thousands of UAH, unless otherwise stated)

	Note	31.12.2018	31.12.2017 restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	706 335	776 122
Intangible assets		35	46
Deferred tax assets	12	12 475	18 537
Other non-current assets	14	8 450	9 248
		<b>727 295</b>	<b>803 953</b>
<b>Current assets</b>			
Inventories		81	38
Trade and other receivables	15	30 234	13 123
Current tax assets	16	1 015	9 523
Prepayments and other current assets	17	775	4 898
Cash and cash equivalents	18	150 053	242 681
		<b>182 158</b>	<b>270 263</b>
<b>Total assets</b>		<b>909 453</b>	<b>1 074 216</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity and reserves</b>			
Authorised capital	19	200	200
Accumulated loss		(65 959)	(93 357)
		<b>(65 759)</b>	<b>(93 157)</b>
<b>Long-term liabilities</b>			
Loans and borrowings	20	772 572	975 038
Trade and other payables	21	102 933	108 714
		<b>875 505</b>	<b>1 083 752</b>
<b>Current liabilities</b>			
Loans and borrowings	20	93 072	81 340
Trade and other payables	21	50	81
Current tax liabilities	22	6 495	2 167
Provisions	23	90	33
		<b>99 707</b>	<b>83 621</b>
<b>Total liabilities</b>		<b>975 212</b>	<b>1 167 373</b>
<b>Total equity and liabilities</b>		<b>909 453</b>	<b>1 074 216</b>



Director / Maksym Kozyskyy

Chief accountant / Natalia Budzin

**LIMITED LIABILITY COMPANY "KARPATENWIND"**

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2018**  
(In thousands of UAH, unless otherwise stated)

	<b>2018</b>	<b>2017 restated</b>
<b>Cash flows from operating activity</b>		
Cash received from customers	133 766	40 661
Interest on current accounts received	11 893	5 119
Reimbursement of VAT	-	136 219
Payments of taxes and other obligatory payments	(10 703)	(109 288)
Payments to suppliers for goods and services	(8 332)	(5 415)
Cash paid to employees	(1 442)	(376)
Other receipts and payments related to operating activities	3 469	(59)
<b>Net cash flow from operating activities</b>	<b>128 651</b>	<b>66 861</b>
<b>Cash flows from investment activities</b>		
Repayment of interest-free borrowings	366 000	70
Grants received	-	697
Interest-free borrowings granted	(366 070)	-
Purchase of non-current assets	(3 385)	(267 195)
Repayment of capitalised borrowing costs	-	(14 148)
Other cash receipts and payments for investment activities	-	5 415
<b>Net cash used in investment activities</b>	<b>(3 455)</b>	<b>(275 161)</b>
<b>Cash flow from financial activities</b>		
Receipt of interest-bearing loans and borrowings	-	441 313
Receipt of interest-free borrowings	-	44 596
Repayment of interest-bearing loans and borrowings	(135 504)	-
Interest paid	(48 681)	-
Repayment of interest-free borrowings	(27 434)	(42 146)
Other receipts and payments related to financial activities	(1 034)	(394)
<b>Net cash flow from financial activities</b>	<b>(212 653)</b>	<b>443 369</b>
<b>Net cash flow for the period</b>	<b>(87 457)</b>	<b>235 069</b>
Net influence of currency exchange differences on the closing cash balance	(4 156)	7 574
Cash and cash equivalents at 1 January	242 681	38
<b>Cash and cash equivalents at 31 December</b>	<b>151 068</b>	<b>242 681</b>

**Additional information about cash flow**

*Non-monetary transactions*

Payment for charges, commissions and fee under loan agreements repaid by related party through issuing a power of attorney	-	2 139
Payments for non-current assets paid by NEFCO and EBRD	-	434 597
	-	<b>436 736</b>



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Director / Maksym Kozytskyy

Chief accountant / Natalia Budzin



## LIMITED LIABILITY COMPANY "KARPATENWIND"

### STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2018 (In thousands of UAH, unless otherwise stated)

	Authorised capital	Accumulated loss	Total
<b>As of 31 December 2016</b>	<b>200</b>	<b>(2 901)</b>	<b>(2 701)</b>
Net loss for the period	-	(90 456)	<b>(90 456)</b>
<b>As of 31 December 2017</b>	<b>200</b>	<b>(93 357)</b>	<b>(93 157)</b>
Net profit for the period	-	27 398	<b>27 398</b>
<b>As of 31 December 2018</b>	<b>200</b>	<b>(65 959)</b>	<b>(65 759)</b>

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Director / Maksym Kozytskyy

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Chief accountant / Natalia Buzin



## LIMITED LIABILITY COMPANY "KARPATENWIND"

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### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(in thousands of UAH, unless otherwise stated)

#### 1. Information about the Company and its core activities

Limited Liability Company "Karpatenwind" (hereinafter the "Company") was established on 9 November 2011 in accordance with the requirements of the Ukrainian legislation.

Registered address of the Company: 82000, Lviv Region, Staryi Sambir, Leva Galytskogo str. 96A.

De-facto address of the Company: 79000, Lviv, 12/9 Sichovykh Striltsiv str.

The principal activities of the Company:

- electrical power generation;
- electrical power transmission;
- electrical power distribution;
- electricity trading;
- construction of electricity power plants and telecommunications.

The Company started construction of a wind power plant in Staryi Sambir on February 16, 2015. Completion of construction and commissioning of wind power plant with electricity production has been finished in October 2017.

For the purposes of financing of the construction, the Company has signed loan agreements with European Bank for Reconstruction and Development ("EBRD"), Nordic Environment Finance Corporation ("NEFCO") and Deravest Limited.

The number of employees in the Company as at 31 December 2018 was 16 persons (as at 31 December 2017 – 10 persons).

#### 2. The Company's operating environment

The Ukrainian economy, just as before, continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy is significantly impacted by the Government's policies and actions with regard to administrative, legal, and economic reforms. The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. As a result, operations in Ukraine involve risks that are not typical for developed economies.

In the recent years, Ukraine has been in a political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. In 2018, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions. These events resulted in higher inflation, devaluation of the national currency against major foreign currencies, decrease of GDP, illiquidity, and volatility of financial markets.

In 2018, annual inflation rate amounted to 9.8% compared to 13.7% in 2017. The Ukrainian economy proceeded recovery from the economic and political crisis of previous years that resulted in real GDP smooth growth of around 3.3% (2017: 2.5%) and stabilisation of national currency. From trading perspective, the economy was demonstrating refocusing on the European Union ("EU") market, which was a result of the signed Association Agreement with the EU in January 2016 that established the Deep and Comprehensive Free Trade Area ("DCFTA"). Under this agreement, Ukraine has committed to harmonise its national trade-related rules, norms, and standards with those of the EU, progressively reduce import customs duties for the goods originating from the EU member states, and abolish export customs duties during a 10-year transitional period. Implementation of DCFTA began on 1 January 2017.

The stabilization of the economic and political situation largely depends on the efficient measures taken by the Ukrainian government and the National Bank of Ukraine. Further stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian government's efforts, yet further economic and political developments are currently difficult to predict.

The financial statements reflect the estimate by the key management of the potential impact of the economic situation in Ukraine on the activities and financial position of the Company. Further changes in the country's economic situation can differ considerably from the management's estimate.

#### 3. Basis of preparation

##### 3.1. Statement of compliance

These financial statements were prepared according to the International Financial Reporting Standards ("IFRS"), approved by the International Accounting Standards Board ("IASB"), as well as the interpretations issued by the IFRS Interpretations Committee ("IFRIC").

## LIMITED LIABILITY COMPANY "KARPATENWIND"

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### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(in thousands of UAH, unless otherwise stated)

The Company maintains its accounting records in accordance with Ukrainian Accounting Standards (National GAAP). The financial statements differ from the financial statements prepared and reported in accordance with National GAAP because it contains the certain adjustments that are not reflected in the accounting registers of the Company and are necessary for the presentation of Company's financial position, financial performance and cash flows in accordance with IFRS.

#### 3.2. Basis for measurement and preparation

These financial statements have been prepared on the accrual and historical cost basis.

In practice the substance of transactions and other circumstances and events does not always conform to the legal form. The Company arranged and maintains records and business transactions and other events according to their substance and economic nature, not merely their legal form.

#### 3.3. Functional and presentation currency

The functional currency of the Company is Ukrainian Hryvnia, being the currency of the environment in which all business transactions are performed. Ukrainian Hryvnia is not a fully convertible currency outside Ukraine. The financial statements have been prepared in thousands of UAH, unless otherwise stated.

#### 3.4. Significant accounting estimates, judgments, and management assumptions

Preparation of financial statements in accordance with the IFRS requires from the Company's management to make estimates and assumptions which influence the presentation in the financial statements of the amounts of assets and liabilities, incomes and expenses recognized in the financial statements, as well as the disclosure of information about contingent assets and liabilities.

These management estimates and assumptions are based on the information available on the date of preparation of the financial statements. Actual results can differ from the current estimates. These estimates and assumptions are reviewed from time to time, and, if adjustments are necessary, such adjustments are presented in income statement for the period in which it became known about them. Information on the most significant accounting judgments and assumptions of the Company's management is presented below.

##### *Application of IAS 29 "Financial Reporting in Hyperinflationary Economy"*

The Company did not apply the requirements of IAS 29, which are set for the financial statements in a hyperinflationary economy, based on the following assumptions and estimates:

- IAS 29 specifies that all companies and banks operating under hyperinflation in one country shall apply the requirements of IAS 29 starting with the same period of time. The Company's management is unaware of the fact that Ukrainian companies started applying IAS 29. Moreover, the actual examples of Ukrainian public companies and banks show evidence of non-applying of IAS 29 when preparing their financial statements within annual reporting periods ended 31 December 2017 and 31 December 2018;
- The Ministry of Finance of Ukraine, as an authority responsible for the state policy in accounting, did not acknowledge Ukraine as a hyperinflationary economy. International organizations that cooperate with Ukraine to different extents (particularly, the International Monetary Fund) did not acknowledge it either;
- The current economic situation was brought about by emergency events in the country caused predominantly by non-economic factors. The management does not expect an exacerbation of unstable economic situation to continue into the foreseeable future.

##### *Impairment of property, plant and equipment*

At each reporting date the Company assesses whether there are indicators of possible impairment of a specific asset or a group of assets forming a cash generating unit. The evaluation of impairment of property, plant and equipment requires application of estimates which include the establishment of the reason, time, and the amount of impairment. The estimation of impairment is based on a number of factors such as change in current competitive environment, expectation of the expansion of industry, increase in capital cost, changes in future accessibility of financing, technological deterioration, termination of a certain type of activity, current cost of reimbursement, and other changes in circumstances leading to the impairment recognition.

On the reporting dates, presented in these financial statements, estimate of the recoverable amount was higher than carrying amount of assets, therefore no impairment loss was identified.

##### *Useful lives of property, plant and equipment*

The Company estimates the remaining useful lives of property, plant and equipment at least at the end of each financial year. Sometimes new expectations differ from previous estimates; these changes are considered to be a change in accounting estimates and are accounted for prospectively. These estimates can have a material influence on the carrying amount of property, plant and equipment and a depreciation charge recognized in the statement of comprehensive income.

## LIMITED LIABILITY COMPANY "KARPATENWIND"

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### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(in thousands of UAH, unless otherwise stated)

#### *Allowance for expected credit losses*

The Company uses an allowance matrix to calculate expected credit losses for trade and other receivables and contract assets. The allowance rates are based on days past due for groupings of various customer segments that have similar loss patterns. The allowance matrix is based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and in forecast of economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Company has not created allowance for expected losses in these financial statements due to its insignificance.

#### *Measurement of payables under power of attorney agreement at amortized cost*

Payables under power of attorney agreement are classified as financial liabilities which upon initial recognition have to be measured at amortised cost. However, the Company's management has significant uncertainty in maturities and dates of repayment of these liabilities, since they have been received from related parties. Accordingly, all further decisions on prolongation of the validity of attorney agreements will depend on many factors, both external and internal. This uncertainty of future cash flows does not make it possible to define accurately the amortised cost of these liabilities. Therefore, payables under power of attorney agreement are recorded in the financial statements at cost, and not at amortised cost.

#### *Granted and received non-interest bearing loans*

Granted and received non-interest bearing loans are classified as financial assets and liabilities which upon initial recognition have to be measured at amortised cost. However, the Company's management has significant uncertainty in maturities and dates of repayment of these loans, since the majority of them have been granted to (received from) related parties. Accordingly, all further decisions on prolongation of the validity of loan agreements or their early repayment will depend on many factors, both external and internal. This uncertainty of future cash flows does not make it possible to define accurately the amortised cost of these loans. Therefore, granted and received non-interest bearing loans are recorded in the financial statements at cost, and not at amortised cost.

#### *Taxes*

There is uncertainty concerning interpretation of complicated tax laws as well as amounts and terms of generation of future taxable income. With a view of nature of operations of the Company and complicated nature of contractual terms the difference which arises between the actual results and assumptions, or future changes in such assumptions, can result in significant adjustments in already presented income and expenses from income tax. The Company does not create provisions, based on reasonable assumptions. Deferred tax assets are recognized in respect of all unused tax losses to the extent to which taxable income is probable. Significant management assumptions concerning the expected amounts of taxable income, terms of its generation, and tax planning strategy are required to define the amount of deferred tax assets.

#### *Deferred Tax Recognition*

Deferred tax assets, including those arising from unused tax losses are recognized to the extent that it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profit. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax planning strategies. As of 31 December 2018, based upon projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, management believes it is probable that the Company will realize the benefits of deferred tax assets recognized in the financial statements with respect to tax losses carried forward.

#### **Going concern assumption**

In the foreseeable future the Company could suffer from the effect of unstable economy of the country. Due to this fact, there is uncertainty which may affect future operations and the possibility of recovering the value of Company's assets, as well as its ability to maintain and repay its liabilities as they mature.

Financial statements of the Company have been prepared on the basis of the going concern assumption, which means realization of assets and repaying liabilities in the course of ordinary activities. Therefore, the financial statements do not contain any adjustments, which could have been necessary if the Company were not able to continue its activity in future and if it were realizing its assets not in the course of its ordinary activities.

#### **3.5. Application of new and revised IFRS**

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except for the adoption

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

(in thousands of UAH, unless otherwise stated)

of new standards effective as of 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these amendments apply for the first time in 2018, they do not have a material impact on the financial statements of the Company. The nature and the impact of each amendment are described below:

***IFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions***

Amendments clarify how to account for certain types of share-based payment transactions, specifically the following:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are not relevant to the Company.

***IFRS 4 Insurance Contracts – Applying IFRS 9 with IFRS 4***

The amendments in Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- 1) an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets – an overlay approach;
- 2) an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 – a deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

These amendments are not relevant to the Company.

***IFRS 9 Financial instruments– Recognition and Measurement***

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

These amendments had an impact of classification of financial assets, namely loans issued and receivables are now classified as assets measured at amortized cost.

Implementation of IFRS 9 had insignificant effect on measurement of financial assets and liabilities hence values were not adjusted in these financial statements.

***IFRS 15 Revenue from Contracts with Customers***

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. It replaces the following standards and interpretations: IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, SIC-31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract;
- recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

Application of IFRS 15 had no effect on the Company's financial position and performance; however, the Company had to provide additional disclosures in its financial statements. The Company has provided the information for both the current and the comparative period in Note 6.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(in thousands of UAH, unless otherwise stated)

#### ***Annual Improvements to IFRS 2014-2016 Cycle***

The amendments are applicable to annual periods beginning on 1 January 2018.

Amendments to the following standards:

- *IFRS 1 "First-time adoption of international reporting standards"*: deleted Annex E on *short-term exemptions during the application of the present standard*.

- *IAS 28 "Investments in associates and joint ventures"*: clarifies that the election to measure at fair value through profit or loss and investment in an associate or a joint venture that is held by an entity that is a venture capital organization is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

These amendments do not have any impact on the Company's financial statements.

#### ***IFRIC 22 Foreign Currency Transactions and Advance Consideration***

IFRIC 22 addresses how to determine the "date of transaction" for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

Application of IFRIC 22 had no effect on the Company's financial position and performance.

#### **4. Summary of significant accounting policies**

These financial statements have been prepared in accordance with IFRS that prevailing at the reporting date. The main principles of the accounting policy which have been used while preparing these financial statements are presented below. This policy has been consistently applied during all accounting periods presented in these financial statements.

##### **Foreign currency transactions**

Transactions in a foreign currency are initially recorded in UAH at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities, denominated in foreign currency, are translated into UAH at exchange rate as of reporting date. All foreign exchange gains and losses arising in the course of transactions and as a result of remeasurement of assets and liabilities are reflected in the Statement of Comprehensive Income as foreign currency exchange gains or losses.

Non-monetary items measured at historical cost in foreign currency are translated in UAH using the exchange rates at the date of initial transaction. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates prevailing at the date when the fair value was determined.

##### **Recognition of revenue and expenses**

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

Expenses are recognised as expenses of the period simultaneously with recognition of revenue, for generation of which they are incurred. Expenses that cannot be directly linked to the income of the certain period are recognized as expenses in the reporting period in which they were incurred. If the asset ensures generation of economic benefits during several reporting periods, expenses are recognised using systematic distribution approach over respective reporting periods.

##### ***Sales of own electricity***

The main activity of the Company is sale of the electricity to the State Enterprise "Energorynok" in accordance to terms of written agreement. The rights of each party with respect to the transmitted electricity are defined in this agreement and state that the Company is obliged to sell, and the State Enterprise "Energorynok" is obliged to buy the produced electricity at the points of delivery - on the boundary of the electrical networks.

### NOTES TO THE FINANCIAL STATEMENTS

#### For the year ended 31 December 2018

(in thousands of UAH, unless otherwise stated)

The Company has the right for compensation in exchange for the electricity transmitted. The amount of compensation corresponds to the price determined by the National Electricity Regulatory Committee of Ukraine (NERC), multiplied by the amount of electricity provided. Payment for the purchased electricity is made in cash and carried out on by the 15th day of the month following the month in which electricity was transferred.

The contract does not include modifications, variable consideration, the existence of significant financing component, non-cash consideration or consideration payable to the customer. Obligations for performance under the contract are the transmission of electricity. The Company recognizes revenue over time, as it meets the performance obligations by transferring of the electricity. Transmission of a certain amount of electricity within a month is confirmed by an act of acceptance of works performed.

#### Contract balances

##### *Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company satisfies its performance obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

The Company does not have contract assets in an ordinary course of business, as generally control is transferred in the same moment when the Company obtains unconditional right for the payment.

##### *Trade receivables*

At initial recognition, the Company measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component in accordance with IFRS 15. Subsequently, receivables are measured at amortized cost using the effective interest method, less allowance for expected credit losses.

The Company measures the loss allowance in an amount equal to lifetime expected credit losses by using an allowance matrix. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of profit or loss.

##### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company satisfies performance obligations.

#### Taxes

##### *Current income tax*

Current income tax assets and liabilities for the respective period are measured at the amount expected to be recovered from or paid to the taxation authorities according to Ukrainian legislation. The tax rates and tax laws used to compute the amount of tax are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

##### *Deferred income tax*

Deferred tax is recognised on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

## LIMITED LIABILITY COMPANY "KARPATENWIND"

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(in thousands of UAH, unless otherwise stated)

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items credited or charged directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Value Added Tax**

Income, expenses, and assets are recognized net of VAT, except for the below cases:

- VAT that arises on purchase of assets or services that is not refunded by the tax authority; in this case VAT is recognized as part of cost of purchase of an asset or part of the expense item, depending on the circumstances;
- receivables and payables comprise the VAT amount.

A net VAT amount that is refundable by the tax authority or is payable to it is included in receivables or payables presented in a statement of financial position.

#### **Property, plant, and equipment**

Cost of property, plant and equipment comprises purchase price, including import duties and non-refundable purchase taxes and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating.

The cost of capital construction and other further expenses are included in the carrying amount of the property, plant and equipment, if they result in increase of future economic benefits of the Company, originally expected from use of the asset. Expenses related to improvement of the item are depreciated pursuant to a useful life period of that item of property, plant and equipment. After initial recognition property, plant, and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

Construction in progress includes expenses for construction and reconstruction of the items of property, plant and equipment and for incomplete capital investments. Construction in progress as at the date of preparing financial statements is recorded at cost less any impairment losses. Construction in progress is not depreciated, until the assets are available for use.

The Company uses a straight-line method of depreciation pursuant to which the value of each asset is written off to its liquidation value within a useful life period. Depreciation of an item of property, plant and equipment starts when this asset is ready for use, that is when it is delivered to the location and brought to ready-to-use state, but not earlier than the next month after the asset has been commissioned (inputted into operation).

The useful life of the groups of similar assets the Company uses to calculate the depreciation is the following:

<b>Group of property, plant, and equipment</b>	<b>Useful life period, months</b>
Wind power plants	120-180
Other fixed assets	60-180

The residual value, the useful life, and depreciation method are reconsidered and, if necessary, are adjusted at the end of each financial year.



## LIMITED LIABILITY COMPANY "KARPATENWIND"

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### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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#### Intangible assets

Intangible assets acquired initially are recognized at cost and amortisation is charged on a straight-line basis over the estimated useful life.

The terms of useful life for intangible assets are set in the range of 24-60 months.

After initial recognition intangible assets are accounted for at cost less accumulated amortisation and accumulated impairment losses.

#### Impairment of assets

Assets subject to depreciation are assessed for impairment whenever any events or changes in circumstances indicate that the carrying amount of an asset may exceed its recoverable amount. The asset is impaired when the carrying value of the asset exceeds its recoverable amount. An impairment loss is recognized in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of two evaluations of an asset (or cash-generating unit): fair value less costs to sell and its value-in-use. For the purpose of the impairment assessment, the assets are grouped into the smallest groups for which it is possible to allocate separately identifiable cash flows (cash-generating units).

#### Inventories

Inventories are initially recognised at acquisition cost, including costs incurred for bringing the inventories to their present location and condition. The inventories are written off under FIFO method (*"first in – first out"*).

At the reporting date inventories are valued at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash in bank and short-term deposits with an initial maturity less than three months. For the purposes of the statement of cash flows cash and cash equivalents include cash in bank, short-term deposits, as mentioned above, less bank overdrafts.

#### Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset.

The commencement date for capitalisation is the date when the Company first meets all of the following conditions:

- a) it incurs expenditures for the asset;
- b) it incurs borrowing costs;
- c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Company capitalises borrowing costs that could be avoided if it had not made capital expenditure on qualifying assets. Borrowing costs are capitalised at the Company's average cost of funding (the weighted average interest cost is applied to the expenditures on the qualifying assets), except for the funds that are borrowed specifically for the purpose of obtaining a qualifying asset. In this case, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings, if any, are capitalised.

The Company capitalises foreign exchange differences as part of the borrowing costs which arise on the Company's borrowings portfolio denominated in foreign currencies to the extent that they are regarded as an adjustment to interest costs. If the net foreign exchange differences in the financial year are not economically substantiated by the interest rate parity, they are not included into capitalised cost.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### Financial assets

##### *Initial recognition and measurement*

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

(in thousands of UAH, unless otherwise stated)

Except for trade receivables at initial recognition, the Company measures a financial asset at its fair value minus (in the case of a financial asset not at fair value through profit or loss) transaction costs that are directly attributable to the acquisition of the financial asset.

On initial recognition of financial assets, the Company allocates them to a respective category. Unless the Company changes its business model for managing financial assets, the Company does not change category chosen on initial recognition.

***Subsequent measurement***

Subsequently, a financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

The Company does not have financial assets measured at fair value.

- ***Financial assets at amortized cost***

The Company measures financial assets at amortized cost if both of the following conditions are met:

- a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes trade and other receivables and cash and cash equivalents.

***Impairment***

The Company recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

The Company's approach to measuring expected credit losses is further disclosed in the notes on trade receivables and significant accounting judgements, estimates and assumptions.

***Derecognition***

A financial asset (or, where applicable a part of a financial asset) is derecognised when:

- a) the contractual rights to receive cash flows from the asset have expired;
- b) the Company retains the contractual rights to receive the cash flows of a financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients without material delay under a 'pass-through' arrangement; and either
- c) the Company has transferred substantially all the risks and rewards of the asset, or
- d) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In this case the relevant commitment for payment of received cash to the final recipient is retained.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has created or retained.

***Financial liabilities***

***Initial recognition and measurement***

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, or as other financial liabilities which are recognised at amortised cost using the effective interest rate method.

The Company measures a financial liability at its fair value plus (in the case of a financial liability not at fair value through profit or loss) transaction costs that are directly attributable to the issue of the financial liability.

On initial recognition of financial liabilities, the Company allocates them to a respective category. Subsequent reclassification of financial liabilities is not allowed.

The Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

(in thousands of UAH, unless otherwise stated)

***Subsequent measurement***

The influence of the classification of financial liabilities in case of their initial recognition on their subsequent measurement is described as follows:

- ***Loans and borrowings and trade and other payables***

Loans and borrowings and trade and other payables are the most relevant category to the Company. After initial recognition, loans and payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discounts or premiums on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

***Derecognition***

A financial liability (or part of it) is extinguished when the debtor either:

- i) discharges the liability (or part of it) by paying the creditor, normally with cash, other financial assets, goods or services;  
or
- ii) is legally released from primary responsibility for the liability (or part of it) either by process of law or by the creditor.  
(If the debtor has given a guarantee this condition may still be met.)

**Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Lease**

A lease is classified as a financial lease if it transfers substantially all the risks and rewards incidental to ownership of an asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term. When the Company is a lessor and all risks and rewards under an operating lease are not transferred to a lessee, a total amount of operating lease payments is recognised in the statement of comprehensive income using a proportionate recognition method over the lease term.

**Provisions**

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the Company expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when this reimbursement becomes probable. Amount of declared reimbursement should not exceed the amount of the provision recognised. The expense relating to any provision is recognized in the statement of comprehensive income net of any reimbursement.

In cases when the influence of the time value of money is significant, the amount of the provision has to be the present value of expenditures which, as expected, will be necessary to repay the liability. The pre-tax discount has to reflect current market estimates of the time value of money and risks attributable to the liability. If the discounting is used, the increase in the amount of the provision in the subsequent periods is recognized as financial expenses in the statement of comprehensive income.

## LIMITED LIABILITY COMPANY "KARPATENWIND"

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(in thousands of UAH, unless otherwise stated)

#### Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the financial statements unless there is the possibility of an outflow of resources embodying economic benefits for a liability repayment and a reliable estimate of such liabilities can be made. The information on contingent liabilities is disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but they are disclosed when an inflow of economic benefits is possible. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

#### Pension liabilities and other employee benefits

The Company does not have any pension arrangements separate from the state pension system, which requires current contributions by the employer as a percentage of current gross salary payments. These expenses are charged in the period when the salary expenses are incurred.

The Company has no post-retirement benefits or significant other compensating benefits requiring accrual.

#### Transactions with related parties

The parties are considered to be related if one party has a possibility of controlling the other party or influencing it considerably when taking financial or operational decisions. This definition of a related party may differ from the one under the legislation of Ukraine.

As defined by IAS 24 "Related party disclosures" related parties represent:

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

#### Events after the reporting date

Events, which took place after the reporting date and prior to the date of approval of the financial statements to be issued which provide additional information regarding the financial statements of the Company, are reflected in the financial statements.

The events which took place from the end of the reporting period to the date of approval of the financial statements which certify about the conditions that arose after the reporting period and which do not influence the financial statements of the Company as of the reporting date, are disclosed in notes to the financial statements if these events are significant.

#### 5. Standards issued but not yet effective

The Company has not adopted the following IFRS and Interpretations of IFRS Interpretations Committee published but not yet effective:

- IAS 40 Investment Property – Transfers of Investment Property – effective for annual periods beginning on or after 1 July 2018;
- IFRS 16 Leases – effective for annual periods beginning on or after 1 January 2019;

## LIMITED LIABILITY COMPANY "KARPATENWIND"

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(in thousands of UAH, unless otherwise stated)

- IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation – are to be applied retrospectively for fiscal years beginning on or after 1 January 2019;
- IAS 28 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures – effective for annual periods beginning on or after 1 January 2019;
- IAS 19 Employee Benefits - Plan Amendment, Curtailment or Settlement – effective for annual periods beginning on or after 1 January 2019;
- IFRS 3 Business Combinations – Definition of a business – effective on 1 January 2020;
- IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of "material" – effective on 1 January 2020;
- IFRS 17 Insurance Contracts – effective for annual periods beginning on or after 1 January 2021;
- IFRS 10 Consolidated Financial Statements, IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – effective date of this amendment is postponed for indefinite period of time;
- IFRIC 23 Uncertainty over Income Tax Treatments – effective for annual periods beginning on or after 1 January 2019;
- Annual Improvements to IFRS 2015-2017 Cycle.

#### ***IAS 40 Investment property – Transfers of investment property***

Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. And change in management's intentions for the use of property by itself does not constitute evidence of a change in use.

The Company believes that the changed standard will not affect the financial statements.

#### ***IFRS 16 Leases***

IFRS 16 retains the definition of a lease in IAS 17 but changes the guidance setting out how to apply it. The changes mainly relate to the concept of control used within the definition—IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17.

Applying IFRS 16, in essence for all leases, a company is required to:

- a) recognise lease assets and lease liabilities in the balance sheet, initially measured at the present value of unavoidable future lease payments;
- b) recognise depreciation of lease assets and interest on lease liabilities in the income statement separately over the lease term; and
- c) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the cash flow statement.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

IFRS 16 does not change substantially how a lessor accounts for leases. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Company believes that the changed standard may affect the financial statements; however, its exact impact is undefined.

#### ***IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation***

Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

The Company believes that the changed standard will not affect the financial statements.

## **LIMITED LIABILITY COMPANY "KARPATENWIND"**

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### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

(in thousands of UAH, unless otherwise stated)

#### ***IAS 28 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures***

The amendments in Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) are:

- Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

The Company believes that the changed standard will not affect the financial statements.

#### ***IAS 19 Employee Benefits - Plan Amendment, Curtailment or Settlement***

If a plan amendment, curtailment or settlement occurs, it is now mandatory for a company to use the updated assumptions from remeasurement of its current service cost and net interest for the remainder of the reporting period after the change to the plan.

The Company believes that the changed standard will not affect the financial statements.

#### ***IFRS 3 Business Combinations – Definition of a business***

The amended definition of a business emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

Distinguishing between a business and a group of assets is important because an acquirer recognises goodwill only when acquiring a business.

The Company believes that the changed standard will not affect the financial statements.

#### ***IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of "material"***

The updated definition of material amends IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The Company believes that the changed standard will not affect the financial statements.

#### ***IFRS 17 – Insurance Contracts***

IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. Company will be required to recognize profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the company expects to recognize in the future.

The Company believes that the changed standard will not affect the financial statements.

#### ***IFRS 10 Consolidated Financial Statements, IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

Narrow scope amendment addresses an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The Company believes that the changed standard will not affect the financial statements.

#### ***IFRIC 23 Uncertainty over Income Tax Treatments***

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively

## LIMITED LIABILITY COMPANY "KARPATENWIND"

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- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

The Company believes that the interpretation may affect the financial statements; however, its exact impact is undefined.

#### Annual Improvements to IFRS 2015-2017 Cycle

The amendments are applicable to annual periods beginning on 1 January 2019.

Amendments to the following standards:

- *IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements"*— the amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- *IAS 12 "Income Taxes"*— the amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- *IAS 23 "Borrowing Costs"*— the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Company believes that the changed standards may affect the financial statements; however, its exact impact is undefined.

#### 6. Revenue from contracts with customers

The Company sells all electricity produced by its wind power plants to Energorynok SE, a state-owned electricity distribution monopoly.

The amount of sales revenue from generation of electric power in 2018 was UAH 125'731 thousand (2017: UAH 44'561 thousand). Physical volume of sold electric power in 2018 amounted to 38'157 thousand kWh (2017: 14'105 thousand kWh).

Supplies of electricity are made on a daily basis, whereas aggregate sales are recognized at the end of each month.

As at 31 December 2018 and 2017 no contract assets or liabilities are recognized. Trade receivables are disclosed in Note 15.

#### 7. Cost of sales

	2018	2017
Depreciation and amortization	72 226	11 165
Maintenance and servicing	3 765	1 596
Insurance services	1 423	381
Salary and related charges	818	198
Security services	307	67
Materials	102	-
Business trips	72	14
Communication services	62	15
Other costs	285	83
	<b>79 060</b>	<b>13 519</b>

#### 8. Administrative expenses

	2018	2017
Salaries and related charges	1 299	425
Bank services	516	553
Depreciation and amortization	356	23
Lease	331	165
Audit and consulting fees	281	328
Materials	249	12
Travel costs	150	58
Other expenses	319	88
	<b>3 501</b>	<b>1 652</b>

## LIMITED LIABILITY COMPANY "KARPATENWIND"

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#### 9. Other operating income

	2018	2017
Refunding of losses incurred	-	3 677
Other income	9	-
	<b>9</b>	<b>3 677</b>

Due to untimely commissioning of wind turbines, the Company accrued penalties amounting to UAH 3'677 thousand due from Vestas Ukraine in 2017.

#### 10. Other operating expenses

	2018	2017
Rent of land	255	353
Charity	203	-
Other expenses	-	358
	<b>458</b>	<b>711</b>

#### 11. Financial income and expenses

	2018	2017
<b>Financial income:</b>		
Interest income	11 893	3 180
	<b>11 893</b>	<b>3 180</b>
<b>Financial expenses:</b>		
Interest expenses	(70 351)	(18 035)
Consulting and other services related with obtaining loan financing	-	(521)
Fines and penalties accrued on late fulfilment of loan obligations	-	(11)
	<b>(70 351)</b>	<b>(18 567)</b>

#### 12. Income tax

During 2018 the applicable tax rate was 18% (2017: 18%). The components of the income tax expenses for the years ended 31 December, are presented below:

	2018	2017
Current income tax	-	-
Deferred income tax	(6 062)	17 902
<b>Income tax</b>	<b>(6 062)</b>	<b>17 902</b>

The reconciliation of income tax benefit / (expenses) and a product of the recorded income before tax multiplied by the applicable tax rate is presented below:

	2018	2017
<b>Financial result before tax</b>	<b>33 460</b>	<b>(108 358)</b>
Income tax at tax rate applicable in Ukraine, 18%	(6 023)	19 504
Expenses (income) not considered for tax purposes	(39)	(1 602)
<b>Income tax</b>	<b>(6 062)</b>	<b>17 902</b>



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As of reporting dates, presented in these financial statements, the deferred taxes of the Company are presented as follows:

	31.12.2018	Origination and reversal of temporary differences	31.12.2017
<b>Deferred tax assets</b>	<b>13 379</b>		
Tax losses carried forward	10 341	(6 154)	19 533
Unused interest on loans and borrowings	3 038	(2 786) (3 368)	13 127 6 406
<b>Deferred tax liabilities</b>	<b>(904)</b>		
Property, plant and equipment	(904)	92 92	(996) (996)
<b>Net deferred tax liability</b>	<b>12 475</b>	<b>(6 062)</b>	<b>18 537</b>

**13. Property, plant, and equipment**

Below the information on balances of property, plant, and equipment in 2018 and 2017 is presented.

	31.12.2018	31.12.2017
Property, plant, and equipment	706 335	776 079
Construction in progress	-	43
	<b>706 335</b>	<b>776 122</b>

Below you can find the information on the movement in property, plant and equipment in 2018 and 2017:

	Wind power plant	Other	Total
<b>Cost</b>			
<b>As at 31 December 2016</b>	-	9	9
Additions	786 621	637	787 258
<b>As at 31 December 2017</b>	<b>786 621</b>	<b>646</b>	<b>787 267</b>
Additions	-	2 827	2 827
<b>As at 31 December 2018</b>	<b>786 621</b>	<b>3 473</b>	<b>790 094</b>
<b>Accumulated depreciation</b>			
<b>As at 31 December 2016</b>	-	4	4
Depreciation charge for the period	11 140	44	11 184
<b>As at 31 December 2017</b>	<b>11 140</b>	<b>48</b>	<b>11 188</b>
Depreciation charge for the period	72 082	489	72 571
<b>As at 31 December 2018</b>	<b>83 222</b>	<b>537</b>	<b>83 759</b>
<b>Net book value</b>			
As at 31 December 2016	-	5	5
As at 31 December 2017	775 481	598	776 079
<b>As at 31 December 2018</b>	<b>703 399</b>	<b>2 936</b>	<b>706 335</b>

As at 31 December 2016 construction in progress was pledged as security under loan agreement with EBRD. As at 31 December 2017 the pledge agreement wasn't amended to reflect the fact that wind-power plant was constructed, but this agreement was signed as at 22.02.2018 with the subject of pledge wind-power plant.

As at 31 December 2018 the carrying amount of property, plant and equipment pledged as security under loan agreement amounted to UAH 646'707 thousand.

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#### 14. Other non-current assets

	<u>31.12.2018</u>	<u>31.12.2017</u>
Borrowing costs	8 384	9 248
Long-term loans granted to personnel	66	-
	<u>8 450</u>	<u>9 248</u>

The line "Borrowing costs" includes expenses related to rising of loan from the EBRD under the loan agreement dated 17 December 2015 and from NEFCO under loan agreement dated 03 November 2016. These amounts are used when calculating the effective interest rate for respective loans.

During 2018 the Company has expensed UAH 864 thousand of borrowing costs (2017: total UAH 579 thousand of borrowing costs, out of which UAH 362 thousand were capitalised as part of wind power plant and UAH 217 thousand were expensed).

#### 15. Trade and other receivables

	<u>31.12.2018</u>	<u>31.12.2017</u>
Trade receivables	29 924	12 813
Interest-free loans granted	310	310
	<u>30 234</u>	<u>13 123</u>

As at 31 December 2018 the Company made an assessment of allowance for expected credit losses to be nil (2017: nil). As at 31 December 2018 and 2017 trade and other receivables are neither impaired nor past due.

#### 16. Current tax assets

	<u>31.12.2018</u>	<u>31.12.2017</u>
VAT	1 015	9 523
	<u>1 015</u>	<u>9 523</u>

#### 17. Prepayments and other current assets

	<u>31.12.2018</u>	<u>31.12.2017</u>
Prepaid expenses	647	1 083
Prepayments made	128	3 815
	<u>775</u>	<u>4 898</u>

#### 18. Cash and cash equivalents

	<u>31.12.2018</u>	<u>31.12.2017</u>
Current bank accounts	92 968	182 389
Cash restricted in use	57 085	60 292
	<u>150 053</u>	<u>242 681</u>

As of the reporting date the bank accounts of the Company are pledged as a security in accordance with the terms of the loan agreement.

Cash restricted in use represents amounts reserved to repay long-term loans due to EBRD.

#### 19. Authorised capital

Member	Share, %	<u>31.12.2018</u>	<u>31.12.2017</u>
Deravest Limited, Cyprus	100.00%	200	200
	<u>100.00%</u>	<u>200</u>	<u>200</u>

## LIMITED LIABILITY COMPANY "KARPATENWIND"

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As of the reporting date the stakes of the participants of the Company are pledged as a security in accordance with the terms of the loan agreement.

#### 20. Loans and borrowings

	31.12.2018	31.12.2017
<b>Non-current</b>		
Long-term interest-bearing loans	814 447	997 554
Less: current portion of long-term interest-bearing loans	(82 748)	(64 752)
Long-term interest-free loans	722	24 406
Long-term interest accrued	40 151	17 830
	<b>772 572</b>	<b>975 038</b>
<b>Current</b>		
Current portion of long-term interest-bearing loans	82 748	64 752
Current interest-free loans	-	3 750
Accrued interest	10 324	12 838
	<b>93 072</b>	<b>81 340</b>
<b>Total loans and borrowings</b>	<b>865 644</b>	<b>1 056 378</b>

As of the reporting dates interest-free loans received from related parties were denominated in UAH. In 2017 the Company received interest-bearing loans from EBRD, NEFCO and Deravest for the construction of the wind power plant in Staryi Sambir.

The table below presents information on interest-bearing loan from EBRD, NEFCO and Deravest in terms of currency, interest rate, and repayment date:

	Currency	Interest rate	Repayment date	31.12.2018	31.12.2017
EBRD Tranche 1	Euro	8%	30.09.2027	224 230	287 834
EBRD Tranche 2	Euro	3%	30.09.2029	104 066	133 876
NEFCO Tranche 1	Euro	6,6%	30.09.2029	130 317	167 345
NEFCO Tranche 2	Euro	6,6%	30.09.2029	143 349	184 080
Deravest Tranche 1	Euro	10%	20.10.2019	10 310	10 889
Deravest Tranche 2	Euro	11%	20.10.2032	202 175	213 530
				<b>814 447</b>	<b>997 554</b>

During the reporting period, EBRD loan liabilities for total amount of UAH 40'667 thousand were repaid by the Company ahead of schedule (1 Tranche: UAH 27'780 thousand, 2 Tranche: 12'887 thousand). The Company has also partially repaid its liabilities due to NEFCO in total amount of UAH 33'952 thousand.

Information on collateral is presented in notes 13, 18, and 19.

#### Compliance with borrowing agreements

The Company has to comply with covenants of borrowing agreements. The loan agreements contain different financial and non-financial covenants. The breach of these covenants can lead to negative consequences, in particular to the necessity to repay borrowings on the lender's demand, pay higher interest on loans.

As at 31 December 2018 and 2017, the Company failed to meet requirements for financial ratios referred to in the loan agreements which can adversely influence the financial and business activities of the Company.

According to terms of the loan agreements, EBRD and NEFCO may require repayment of the loans before the maturity date. Company cooperates with EBRD and NEFCO actively, so according to the management's estimates such temporary difficulties should not lead to the circumstances when the long-term part of the loan will be reclassified to the short-term one.

## LIMITED LIABILITY COMPANY "KARPATENWIND"

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For the year ended 31 December 2018

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#### Changes in liabilities arising from financing activities

	Interest-bearing loans	Interest-free loans	Accrued interest	Total
<b>As at 31 December 2016</b>	-	<b>25 706</b>	<b>313</b>	<b>26 019</b>
Cash flows	441 313	2 450	(14 148)	<b>429 615</b>
Payments for PPE made by NEFCO and EBRD	434 597	-	-	<b>434 597</b>
Repayment of loans by related party	-	-	(2 139)	<b>(2 139)</b>
Interest accrued	-	-	43 419	<b>43 419</b>
Foreign exchange movement	121 644	-	3 223	<b>124 867</b>
<b>As at 31 December 2017</b>	<b>997 554</b>	<b>28 156</b>	<b>30 668</b>	<b>1 056 378</b>
Cash flows	(135 504)	(27 434)	(48 681)	<b>(211 619)</b>
Interest accrued	-	-	69 487	<b>69 487</b>
Foreign exchange movement	(47 603)	-	(999)	<b>(48 602)</b>
<b>As at 31 December 2018</b>	<b>814 447</b>	<b>722</b>	<b>50 475</b>	<b>865 644</b>

#### 21. Trade and other payables

	31.12.2018	31.12.2017
<b>Non-current</b>		
Payables under power of attorney agreement	102 933	108 714
	<b>102 933</b>	<b>108 714</b>
<b>Current</b>		
Trade payables	25	49
Other payables	25	32
	<b>50</b>	<b>81</b>
<b>Total trade and other payables</b>	<b>102 983</b>	<b>108 795</b>

#### 22. Current tax liabilities

	2018	2017
Undeclared VAT	5 008	2 150
VAT liabilities	1 464	-
Salary related taxes	13	16
Other taxes	10	1
	<b>6 495</b>	<b>2 167</b>

Undeclared VAT liabilities represents liabilities that are to be declared upon receipt of cash from Energorynok SE and receipt of incoming tax vouchers from creditors.

#### 23. Provisions

The reconciliation of changes in the provision for unused vacations is presented below:

	2018	2017
<b>As at 1 January</b>	<b>33</b>	<b>3</b>
Utilized	(104)	(12)
Accrued	161	42
<b>As at 31 December</b>	<b>90</b>	<b>33</b>

#### 24. Fair value of financial instruments

The management of the Company believes that the carrying amount of financial assets and financial liabilities reflected in the financial statements approximately equals their fair value.

## LIMITED LIABILITY COMPANY "KARPATENWIND"

### NOTES TO THE FINANCIAL STATEMENTS

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#### Main categories of financial instruments

The main categories of financial instruments of the Company at their carrying values as of 31 December are as follows:

	<u>31.12.2018</u>	<u>31.12.2017</u>
<b>Financial assets</b>		
Trade and other receivables (note 15)	30 234	13 123
Cash and cash equivalents (note 18)	150 053	242 681
	<b>180 287</b>	<b>255 804</b>
<b>Financial liabilities</b>		
Loans and borrowings (note 20)	865 644	1 056 378
Trade and other payables (note 21)	102 983	108 795
Provisions (note 23)	90	33
	<b>968 717</b>	<b>1 165 206</b>

#### 25. Financial risk management

##### Financial risk factors

In its activity the Company is exposed to some financial risks, including market risk, credit risk, liquidity risk which result from influence of financial instruments it owns as well as operating risk and other risks.

The Company's overall risk management program is concentrated on uncertainties of financial markets and targets to minimise the potential negative consequences.

During the years ended 31 December 2018 and 2017 there were no material changes to the objectives, policies and process for the Company's risk management.

The Company's risk management policy is presented below.

##### 25.1. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, foreign currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, trade and other receivables, trade and other payables, cash and cash equivalents.

Company is affected by the following risks of changes in market prices:

##### *Interest rate risk*

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Market interest rates fluctuations affect the financial position and cash flows of the Company.

To offset this type of risk, the Company paid to their borrowers EBRD and NEFCO, which provided loans at floating rate, a fixed payment for fixing rates throughout the crediting period.

##### *Foreign currency risk*

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates in respect to the national currency. Exposure to foreign currency risk relates to monetary assets and liabilities denominated in foreign currencies.

The Company operates in the Ukrainian market and generates cash flows in Ukrainian Hryvnia (functional currency). The Company purchases non-current assets in EUR and attracts loans denominated in foreign currency and thus it is exposed to foreign currency risk. The Company has not entered into transactions designed to hedge against these foreign currency risks.

Foreign currency exchange rates in which financial liabilities of the Company are denominated in relation to UAH, according to the National Bank of Ukraine ("NBU"), were as follows:

## LIMITED LIABILITY COMPANY "KARPATENWIND"

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	EUR	2018	2017
<b>As of 1 January</b>		<b>33.4954</b>	<b>28.4226</b>
Average for the year		32.1429	30.0042
<b>As of 31 December</b>		<b>31.7141</b>	<b>33.4954</b>

The table below shows the concentration of currency risk as at the reporting dates presented in these financial statements:

	EUR	USD	PLN
<b>31.12.2018</b>			
Financial assets	92 764	-	-
Financial liabilities	(967 833)	(22)	(24)
<b>Net position</b>	<b>(875 069)</b>	<b>(22)</b>	<b>(24)</b>
<b>31.12.2017</b>			
Financial assets	125 580	-	-
Financial liabilities	(1 136 913)	(22)	-
<b>Net position</b>	<b>(1 011 333)</b>	<b>(22)</b>	<b>-</b>

The table below shows a sensitivity analysis of profit (loss) before tax of the Company to probable change in foreign currency exchange rates, provided all other variables remain stable. The effect of changes in USD and PLN exchange rates is assumed to be insignificant.

	2018	Increase (decrease) in foreign exchange rate, %	Influence on financial result before tax
EUR		10	
EUR		-10	(87 507)
			87 507
<b>2017</b>			
EUR		10	
EUR		-10	(101 133)
			101 133

#### 25.2. Credit risk

The Company faces credit risk that is determined as the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations as these fall due. Financial assets that potentially expose the Company to material credit risk are trade and other receivables and short-term deposits.

The maximum level of credit risk to the Company, as a whole, is limited by the carrying amount of financial assets at the reporting date. The influence of possible offsets of assets and liabilities on decrease in potential credit risk is insignificant.

The Company's policy on credit risk management is aimed at carrying out operations with counterparties with a positive reputation and credit history. The Company's cash is primarily held in major reputable banks located in Ukraine.

As at the reporting dates financial assets of the Company are not impaired.

#### 25.3. Liquidity risk

Liquidity risk is the risk that the Company may face difficulties while repaying of its financial liabilities as they fall due. Increase in the risk level may arise when the maturity of assets and liabilities do not match, when the maturity of financial assets exceeds the maturity of financial liabilities.

The objective of the Company's management is to keep balance between continual financing and sufficient cash and other highly liquid assets, and to keep a proper level of credit liabilities to suppliers and banks.

The Company analyses its financial assets and liabilities in terms of maturity dates and plans its liquidity depending on the expected maturity dates of the respective financial instruments.

The following table details the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities using the earliest date on which the Company can

## LIMITED LIABILITY COMPANY "KARPATENWIND"

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be required to pay. The table includes both interest and principal cash flows as of 31 December 2018 and 2017. The amounts in the table may not be equal to the statement of financial position carrying amounts since the table includes all cash outflows on an undiscounted basis.

	On demand	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
<b>31.12.2018</b>						
Interest-bearing loans, including interest	-	59 728	64 020	390 969	827 901	<b>1 342 618</b>
Payables under power of attorney agreement	-	-	-	102 933	-	<b>102 933</b>
Non-interest bearing loans	-	-	722	-	-	<b>722</b>
Provisions	90	-	-	-	-	<b>90</b>
Trade payables	-	25	-	-	-	<b>25</b>
Other payables	-	25	-	-	-	<b>25</b>
	<b>90</b>	<b>59 778</b>	<b>64 742</b>	<b>493 902</b>	<b>827 901</b>	<b>1 446 413</b>

	On demand	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
<b>31.12.2017</b>						
Interest-bearing loans, including interest	-	55 681	56 213	470 329	1 067 464	<b>1 649 687</b>
Payables under power of attorney agreement	-	-	-	108 714	-	<b>108 714</b>
Non-interest bearing loans	-	-	3 750	24 406	-	<b>28 156</b>
Trade payables	-	49	-	-	-	<b>49</b>
Provisions	33	-	-	-	-	<b>33</b>
Other payables	-	32	-	-	-	<b>32</b>
	<b>33</b>	<b>55 762</b>	<b>59 963</b>	<b>603 449</b>	<b>1 067 464</b>	<b>1 786 671</b>

During the year ended 31 December 2018, the Company made purchases from three largest suppliers for the total amount of UAH 3'738 thousand, UAH 1'152 thousand and UAH 920 thousand, making in total about 70% of the overall volume of purchases.

During the year ended 31 December 2017, the Company made purchases from three largest suppliers for the total amount of UAH 535'711 thousand, UAH 120'211 thousand and UAH 84'423 thousand, making in total about 99% of the overall volume of purchases.

#### 25.4. Capital management risk

The main purpose of the Company in capital management is to ensure the going concern of the Company with a view to maximise income, as well as to finance operating and capital expenses and support the development strategy of the Company.

The Company manages the structure of capital and adjusts it according to changes in economic environment, market trends and the development strategy. During reporting period presented in these financial statements there were no changes in the goals or policy of the Company related to capital management.

The Company manages its capital using the financial leverage that is defined as a ratio of net debt to equity and net debt. In the opinion of management, as at the reporting date the leverage does not threaten the Company which does not carry out the operating activity. Net debt includes loans and borrowings, trade and other payables, less cash and cash equivalents. Equity includes all equity components.

	31.12.2018	31.12.2017
Loans and borrowings	865 644	1 056 378
Trade and other payables	102 983	108 795
Less: Cash and cash equivalents	(150 053)	(242 681)
<b>Net debt</b>	<b>818 574</b>	<b>922 492</b>
Equity	(65 759)	(93 157)
<b>Equity and net debt</b>	<b>752 815</b>	<b>829 335</b>
<b>Financial leverage ratio</b>	<b>109%</b>	<b>111%</b>

## LIMITED LIABILITY COMPANY "KARPATENWIND"

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#### 25.5. Operating risk

The principal business activities of the Company are within Ukraine. Laws and regulations affecting businesses operating in Ukraine are subject to rapid changes and the Company's assets and operations could be at risk if there are any adverse changes in the political and business environment, among which the risk of change in tariffs for renewable wind energy is significant.

#### 26. Transactions with related parties

Related parties include the companies under common control, key management and close members of their families. The ultimate controlling party of the Company is Kozytskyy family.

The Company had the following balances with related parties:

#### Trade and other receivables, interest-free loans granted

	31.12.2018	31.12.2017
<i>For interest-free loans granted</i>		
Orivska VES LLC	310	310
	<b>310</b>	<b>310</b>

#### Trade and other payables, interest-free loans received

	31.12.2018	31.12.2017
<i>For received loans</i>		
Drilling Company "Goryzonty" LLC	722	28 156
	<b>722</b>	<b>28 156</b>
<i>Payables under power of attorney agreement</i>		
Ivena Limited, Cyprus	93 758	99 024
Deravest Limited, Cyprus	9 175	9 690
	<b>102 933</b>	<b>108 714</b>
<i>For goods, works, services</i>		
Drilling Company "Goryzonty" LLC	-	18
Goryzonty LLC	-	15
	-	<b>33</b>
<i>Key management and ultimate controlling parties</i>		
Salaries payable	3	2
Provision for unused vacations	22	4
	<b>25</b>	<b>6</b>
	<b>103 680</b>	<b>136 909</b>

#### Loans and borrowings

	31.12.2018	31.12.2017
<i>Received loans</i>		
Deravest Limited, Cyprus	212 485	224 419
	<b>212 485</b>	<b>224 419</b>
<i>Accrued interest</i>		
Deravest Limited, Cyprus	40 151	17 830
	<b>40 151</b>	<b>17 830</b>
	<b>252 636</b>	<b>242 249</b>



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The following table details transactions with related parties:

#### Sale of goods (works, services), property, plant and equipment, granting of interest-free loans

	2018	2017
<i>Interest-free loans granted</i>		
Nordic PE	(366 000)	-
	<b>(366 000)</b>	-
<i>Interest-free loans repaid</i>		
Orivska VES LLC	-	70
Nordic PE	366 000	-
	<b>366 000</b>	<b>70</b>

#### Purchase of goods (works, services), property, plant and equipment, raising of interest-free loans

	2018	2017
<i>Interest-free loans received</i>		
Eco-Optima LLC	-	17 610
Drilling Company "Goryzonty" LLC	-	26 986
	-	<b>44 596</b>
<i>Interest-free loans repaid</i>		
Eco-Optima, LLC	-	(34 520)
Drilling Company "Goryzonty" LLC	(27 434)	(3 526)
Sambirska sun station-2 LLC	-	(4000)
Kozytskyy Zinovii Yaroslavovych	-	(100)
	<b>(27 434)</b>	<b>(42 146)</b>
<i>Payables repaid by related party through issuing a power of attorney</i>		
Deravest Limited, Cyprus	-	2 139
	-	<b>2 139</b>
<i>For goods, works, services and PPE</i>		
Sambirska sun station-2 LLC	203	8
ABK-Technologies	132	45
Kozytska Tamila Askerivna	108	144
Nordic PE	-	120 211
Proekt-Bud PE	-	2 509
Drilling Company "Goryzonty" LLC	-	15
Goryzonty LLC	-	13
Precarpatian Energy Company, LLC	-	1
	<b>443</b>	<b>122 946</b>

#### Raising of loans and accrued interest

	2018	2017
<i>Loans received</i>		
Deravest Limited, Cyprus	-	191 648
	-	<b>191 648</b>
<i>Accrued interest during the year</i>		
Deravest Limited, Cyprus	23 663	16 767
	<b>23 663</b>	<b>16 767</b>

#### Transactions with key management

For the year ended 31 December 2018 the remuneration to the key management personnel amounted to UAH 151 thousand (2017: UAH 29 thousand).

#### Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. Ultimate controlling parties guarantee promptitude in payments under Company's long-term bank loans.

## LIMITED LIABILITY COMPANY "KARPATENWIND"

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### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018 (in thousands of UAH, unless otherwise stated)

For the years ended 31 December 2018 and 2017 the Company did not recognize any impairment of receivables relating to amounts owed by related parties. Receivables are assessed for impairment each financial year through examining the financial position of the related party and the market in which the related party operates.

#### **27. Reclassification and correction of errors**

During the reporting period the Company has identified and adjusted the following errors that occurred during years ended 31 December 2017.

- (a) During previous period the Company has disclosed interest received on current bank accounts as part of its investment activities. As result of correction of such error net cash flows from operating activities have increased and net cash flows from investment activities have decreased by UAH 5'119 thousand.
- (b) Comparative financial information consists of some changes in classification of tax assets and liabilities for the purposes of bringing it in line with presentation of these financial statements.

#### **28. Events after reporting date**

After the reporting date and until the date of approval of these financial statements there were no significant events which would provide additional information about the financial statements of the Company and which would have to be reflected in the financial statements.

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