



DONBASSKERAMIKA LLC

Independent Auditor's Report

**Financial Statements in accordance with
Ukrainian accounting Standards**

As of and for the year ended 31 December 2018

CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018	2
INDEPENDENT AUDITOR'S REPORT	3
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018.....	6
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018	7

LLC "DONBASSKERAMIKA"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The following statement is made by the management of LLC Donbasskeramika (hereinafter "the Company") in connection with the expression by Audit Firm "Mazars Ukraine", LLC of an independent opinion on the compliance of financial statements of the Company with the requirements of Ukrainian accounting standards (UAS). Independent auditor's opinion is set out on pages 3-5.

The Company's management is responsible for preparing of financial statements in accordance with Ukrainian accounting standards.

Management responsibility is to ensure the organization and operation of internal controls to obtain reasonable assurance about the reliability of financial statements, effectiveness of performance and compliance with legislation.

Management is also responsible for development of control system, implementing of policies and procedures in order to achieve appropriate and effective business operation of the Company as much as it is possible. This responsibility includes development and implementation of controls relating to the objectives of the Company to prepare financial statements that would fairly reflect the Company's financial position and management of the risks that could cause material misstatements in financial statements.

In preparing the financial statements the following requirements were met:

- The selected accounting policy has been developed on the basis of UAS and other regulatory requirements for accounting and financial reporting in Ukraine;
- The implementation of chosen accounting policy is consistent;
- The financial statements have been prepared under going concern assumption;
- Assumptions and estimates that were used in the preparation of financial statements have been made on the basis of best practices available and based on our knowledge and experience;
- Financial statements and information contained in the explanatory notes to the financial statements are complete and accurate.

The Company's management also takes appropriate measures to safeguard the assets of the Company, to maintain them in good working condition and to prevent fraud.

5 June 2019

Director



Malchenko Y.V.

Chief Accountant



Molchanova K.L.



INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Managements of Limited liability company "DONBASSKERAMIKA"

Qualified Opinion

We have audited the financial statements of Limited liability company "DONBASSKERAMIKA" (the "Company"), which comprise the statement of financial position as at 31 December 2018 and income statement for the year then ended.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Ukrainian Accounting Standards (UAS).

Basis for Qualified Opinion

Due to the fact that we were appointed by the Company's auditors after 31 December 2018, we were not presented during counting of physical inventories at the end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 December 2018, the amount of inventories comprised UAH 7,068 thousands in the statement of financial position. In connection with this, we were unable to determine whether any adjustments might have been found necessary in respect of the inventories and elements those comprised and financial statements as of and for the year then ended 31 December 2018.

The Company recognized restoration provision in the amount of UAH 3,733 thousand in the statement of financial position as of 31 December 2017. The provision was fully reflected in the cost of sales of 2017 instead of recognition of the respective amount in previous period and accrual of finance expenses relating to the unwinding of discount. Had the Company recognized restoration provision properly, opening accumulated deficit would have increased and net loss would have decreased by UAH 2,512 thousand as of and the year ended 31 December 2017. In addition, had the Company classified the unwinding of discount on restoration provision properly, cost of sales would have decreased and other expenses would have increased by UAH 573 thousand for the year ended 31 December 2017.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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 Yevgeniya Kopystyanska.

5 June 2019
Kyiv, Ukraine



Yevgeniya Kopystyanska



LLC "Audit firm "Mazars Ukraine"

Ukraine, Kyiv, 01034, 20/24, Reitarska str., office 2, Registration code 38516608

Certificate of inclusion to the register of audit firms No.4555 dated 31 January 2013

LLC "DONBASSKERAMIKA"

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(in thousands of Ukrainian Hryvnias)

Assets	Line code	At the beginning of reporting period	At the end of reporting period
1	2	3	4
I. Non-current assets			
Construction in progress	1005	525	1,548
Fixed assets:	1010	10,894	10,103
Initial cost	1011	32,624	32,853
Accumulated depreciation	1012	(21,730)	(22,750)
Long-term biological assets	1020	-	-
Long-term financial investments	1030	8,079	7,596
Other non-current assets	1090	-	-
Total Section I	1095	19,498	19,247
II. Current assets			
Inventory	1100	3,852	7,068
Including finished products	1103	2,952	6,504
Current biological assets	1110	-	-
Accounts receivable for goods, works, services	1125	9,050	7,161
Accounts receivable with the state budget	1135	3,870	5,409
Including profit tax	1136	-	-
Other current accounts receivable	1155	999	1,323
Current financial investments	1160	-	-
Cash and cash equivalents	1165	747	2,132
Deferred expenses	1170	390	1,981
Other current assets	1190	3,904	922
Total section II	1195	22,812	25,996
III. Non-current assets and groups of disposal, available for sale	1200	-	-
Total assets	1300	42,310	45,243

Passive	Line code	At the beginning of reporting period	At the end of reporting period
1	2	3	4
I. Equity			
Statutory fund	1400	24,373	24,373
Additional paid-in capital	1410	-	-
Reserve capital	1415	1	1
Retained earnings	1420	(15,456)	(14,235)
Unpaid capital	1425	-	-
Total Section I	1495	8,918	10,139
II. Long-term liabilities and provision	1595	4,270	3,473
III. Current liabilities			
Short-term bank loans	1600	13,988	14,382
Current liabilities on settlements:			
long-term liabilities	1610	153	475
goods, works and services	1615	10,157	14,265
with the state budget	1620	143	515
including profit tax	1621	97	253
on insurance	1625	-	-
on wages and salaries	1630	18	252
Deferred income	1665	-	-
Other current liabilities	1690	4,663	1,742
Total section III	1695	29,122	31,631
IV. Liabilities on non-current assets and groups of disposal available for sale	1700	-	-
TOTAL EQUITY AND LIABILITIES	1900	42,310	45,243

Director

Malchenko Y.V.

Chief Accountant

Molchanova K.L.

LLC "DONBASSKERAMIKA"

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of Ukrainian Hryvnias)

Item	Line code	For the reporting period	For the previous period
1	2	3	4
Revenue (income) from sale of products (goods, works and services)	2000	76,235	73,395
Other operating income	2120	4,794	3,336
Other income	2240	1,472	725
Total income	2280	82,501	77,456
Cost of products (goods, works, services) sold	2050	(15,437)	(13,678)
Other operating expenses	2180	(62,129)	(64,704)
Other expenses	2270	(2,318)	(2,557)
Total expenses	2285	(79,884)	(80,939)
Financial results before tax	2290	2,617	(3,483)
Profit tax	2300	(822)	(1,088)
Net profit/(loss)	2350	1,795	(4,571)

Director

Malchenko Y.V.

Chief Accountant

Molchanova K.L.