

**DTEK Energy B.V.**

**Annual report**

**31 December 2023**

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## **Directors' report**

**For the year ended 31 December 2023**

## **DIRECTORS' REPORT**

### **Introduction**

The Directors of DTEK Energy B.V. (the "Company") present their report in order to disclose the results of the activity of the Company for the year ended 31 December 2023 and likely future development of the Company.

### **Principal activities**

DTEK Energy B.V. (former DTEK Holdings B.V.) is a private limited liability company incorporated in the Netherlands on 16 April 2009. The Company was formed through the contribution by System Capital Management Limited (SCM Ltd.) and InvestCom Services Limited of their 100% equity interest in DTEK Holding Limited, a Cyprus registered entity and the predecessor of the Company. On 19 September 2014 the Company changed its parent company to DTEK GROUP B.V. Starting 12 April 2021 DTEK Energy B.V. is directly owned by DTEK ENERGY HOLDINGS B.V., a private limited liability company incorporated on this date, domiciled in the Netherlands and owned by DTEK GROUP B.V. (former DTEK B.V., hereinafter referred to as DTEK GROUP B.V.). The structure regime is not applicable to DTEK Energy B.V. as it does not meet the criteria set in Book 2 of the Dutch Civil Code.

The Company and its subsidiaries (together referred to as "the Group" or "DTEK Energy") are beneficially owned by Mr. Rinat Akhmetov through various entities commonly referred to as System Capital Management ("SCM") with ultimate parent being SCM Holdings Limited, Cyprus. Mr. Akhmetov has a number of other business interests outside of the Group.

The Company and its subsidiaries is a vertically integrated coal mining and power generating group. Its principal activities are coal mining for further supply to its power generating facilities and power generation in Ukraine. In 2023 the Group's coal mines and power generation plants are located in the Donetsk, Dnipropetrovsk, Lviv, Ivano-Frankivsk, Vinnitsya and Zaporizhzhya regions of Ukraine.

DTEK Energy is focused on achieving high quality of the work and on adherence to corporate standards, meeting its obligations, efficient use of natural resources and on protecting the environment.

DTEK Energy has Supervisory Board, that is in charge for strategic management and overseeing the activities of management. Supervisory Board meetings with management are held on a regular basis to discuss and review reports on business performance, financial results and implementation of tasks and decisions.

The Group is a corporate member of EURACOAL, an association of coal and lignite sector of Europe, and a business associate member of the Union of the Electricity Industry - Eurelectric, a sector association which represents the interests of the electricity industry at pan-European level and has affiliates and associates on several other continents.

### **Business overview**

As explained in note 2 of the accompanying consolidated financial statements, the political situation in Ukraine remained tense during 2022 till- beginning 2024 following the Russian invasion of Ukraine on 24 February 2022 resulting in a full-scale military conflict across the Ukrainian state.

Escalating political tensions had an adverse effect on the Ukrainian financial markets, resulting in a hampering of ability of Ukrainian companies and banks to obtain funding from the international capital and loan markets. This has contributed to a devaluation of the Hryvnia against major currencies in 2022-2023.

Ukrainian business located outside the main war zones started to show signs of recovery from April 2022. However, the situation continues to be tense, it has an impact not only on the Ukrainian but also on the international economy, and its further impact and duration is difficult to predict and quantify.

In October 2023 DTEK Energy obtained the consent from the bond holders to amend some limitations in relation to restricted payments (including distributions to shareholders) and minimum annual redemption and repurchase, restrictions on permissible business activities and limits for affiliate transactions, amount for reconstruction and development indebtedness. Respectively, in accordance with the terms of the consent, DTEK Energy announced dividends in the amount of UAH 6,480 million, equivalent of USD 175 million and issued loans in the amount of UAH 8,546 million, equivalent of USD 225 million (Notes 13 and 9 of the accompanying consolidated financial statements). As a result of the consent a consent fee of UAH 307 million (USD 8 million) was recognized.

In March 2022 DTEK Energy lost control over operations of Luhanska TPP as a result of war with Russian Federation (Note 29). As a result of loss of control an impairment provision was charged on certain assets and related liabilities were released. DTEK Energy has determined that it retains control over the legal entities impacted in the territories, where invasion takes place, as these entities are registered in the controlled territory of Ukraine and continue to have other operations. No consideration was received, in any form, from the events or circumstances that resulted in the loss of control.

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Also on 12 October 2022 DTEK Dobropolyeugol LLC was declared by the court as a bankrupt and a liquidation procedure commenced. The court assigned a liquidator who took control over the entity from the Group. As a result of deconsolidation UAH 208 million gain was recognised (Note 29 of the accompanying consolidated financial statements).

In May 2023 DTEK Trading SA liquidation was approved and in July 2023 its status was changed to "in liquidation". As a result its name was changed to "DTEK Trading SA, en liquidation".

In February 2024 a bankruptcy procedure of DTEK Skhidenergo LLC has commenced. No major operations were carried by this subsidiary during 2023 as such impact on the consolidated financial statements is preliminary assessed as not significant.

**Revenues**

DTEK Energy consolidated revenues for the year ended 31 December 2023 amounted to UAH 67,139 million (2022: UAH 70,818 million). The decrease in revenue is mainly explained by decrease of electricity export by UAH 9,282 million or 94% as a result of absence of export during heating period and only insignificant amounts of export in spring and autumn 2023. This decrease was partially offset by growth of coal sales by UAH 2,979 million or 25% and an increase of electricity tariff as a result of increase of price caps (Note 2).

We refer to Note 6 of the accompanying Consolidated Financial Statements for description of the main reportable segment. DTEK Energy reports its business in one main segment:

- **Coal mining and power generation** comprising coal mining and sale, power generation on thermal power plants and electricity sale and sales of services and machinery. Those operations are vertically integrated and while the operating businesses are organised and managed separately, with each business unit offering different products and serving different markets, there remains significant inter-dependence between mining, generation and machinery business units. This segment is represented from the coal mining side by eight operating mines of DTEK Pavlogradugol PJSC, Belozerskaya Mine ALC and a number of coal enrichment plants; and from the power generation side (excluding Lugansk TPP lost in 2022, see Note 29 of accompanying consolidated financial statements) – by one thermal power plant of DTEK Skhidenergo LLC by 30 September 2022 and of DTEK Kurahivska TPP LLC starting from 1 October 2022, three thermal power plants of DTEK Dniproenergo JSC, three thermal power plants of DTEK Westenergy JSC. DTEK Energy's share in the coal mining production in Ukraine in 2023 and 2022 was more than 50% (only Group's entities registered in Ukraine). Power generation business comprises the production and sale of electricity to the electricity market in Ukraine and on export. The total installed capacity of all power generation units comprised 12,047 MW as at 31 December 2023 (31 December 2022: 12,047 MW). During the year ended 31 December 2023, coal mining and power generation segment third party revenue was UAH 67,139 million, representing 100% of consolidated revenue for the period.
- **Other** comprising the coal resale operations, rental and other administrative expenses. These activities are excluded from the reportable operating segments, as they are not reviewed by the Management Board on an on-going basis.

Revenues concentration by customers, exceeding 10% of total revenues for the year ended 31 December 2023 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>Coal and power generation</b>	<b>Other</b>	<b>Total</b>
Entities under common control of SCM and DTEK GROUP B.V. Group subsidiaries	53,244	-	53,244
<b>Total</b>	<b>53,244</b>	<b>-</b>	<b>53,244</b>

Revenues concentration by customers, exceeding 10% of total revenues for the year ended 31 December 2022 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>Coal and power generation</b>	<b>Other</b>	<b>Total</b>
Entities under common control of SCM and DTEK GROUP B.V. Group subsidiaries	51,980	363	52,343
<b>Total</b>	<b>51,980</b>	<b>363</b>	<b>52,343</b>

### Operating Expenses

The table below sets forth DTEK Energy operating expenses by category, including as a percentage of total revenue from continuing operations.

<i>In millions of Ukrainian Hryvnia, except percentages</i>	2023		2022	
	Amount	Percentage of total revenue	Amount	Percentage of total revenue
Cost of sales	(44,152)	65.76%	(52,484)	74.11%
General and administrative expenses	(2,524)	3.76%	(2,529)	3.57%
Distribution costs	(130)	0.19%	(116)	0.16%
Other Operating Income / (Expenses), Net	(1,189)	1.77%	(4,262)	6.04%
<b>Total operating expenses</b>	<b>(47,995)</b>	<b>71.49%</b>	<b>(59,391)</b>	<b>83.88%</b>

Consolidated cost of sales amounted to UAH 44,152 million for the year ended 31 December 2023 (2022: UAH 52,484 million from continuing operations). The main part of consolidated cost of sales for 2023 comprises the transportation services and utilities (UAH 11,564 million (2022: UAH 15,714 million), or 26% of the total consolidated cost of sales) and Staff cost, including payroll taxes (UAH 8,886 million (2022: UAH 7,891 million), or 20 % of the total consolidated cost of sales). Other significant parts of cost of sales are Depreciation of property, plant and equipment and amortisation of intangible assets (6,349 UAH million (2022: UAH 7,847 million), or 14 % of total consolidated cost of sales) and Production materials (UAH 5,129 million (2022: UAH 3,307 million), or 12 % of total consolidated cost of sales). The reasons for cost of sales change as compared to 2022 were decreasing price for gas in fuel costs, increasing price for production materials mainly as a result of inflation and reduction of electricity export transmission costs in transportation costs (Note 22 of the accompanying consolidated financial statements).

General and administrative expenses consist mainly of professional fees of UAH 1,038 million (2022: UAH 1,095 million), or 41 % of the total general and administrative expense and salaries paid to administration employees, comprising UAH 958 million (2022: UAH 954 million), or 38 % of the total consolidated general and administrative expense.

Net other operating income and expenses (excluding impairment of property, plant and equipment) for the year ended 31 December 2023 amounted to UAH 1,189 million expense (2022: UAH 4,262 million expense). Other operating income and expenses consist primarily of expenses on charitable donations and sponsorship, social payments, expenses related to social infrastructure maintenance and penalties in 2023. Charity payments, maintenance of social infrastructure expenses and social payments include such items as charitable donations to support Ukrainian people as a result of Russian invasion of Ukraine, additional payments to employees primarily at coal mining entities, maintenance of medical centres, recreational centres and employee holiday allowances and sponsorship of sports teams.

The key categories of suppliers of DTEK Energy are railway transportation services, coal and fuel and materials suppliers. Majority of suppliers are Ukrainian entities operating on Ukrainian market.

### Finance income and Finance costs

During 2022-2023 using Dutch Auction, additional buybacks of Eurobonds were performed:

- In December 2022 for a total carrying value of UAH 2,701 million (USD 74 million) with a total cash paid of UAH 724 million.
- In April 2023 for a total carrying value of UAH 6,607 million (USD 181 million) with a total cash compensation of UAH 3,241 million.
- In October 2023 for a total carrying value of UAH 2,798 million (USD 77 million) with a total cash compensation of UAH 1,818 million.

The excess of the average available cash for the first half of 2022 amounted to UAH 1,807 million was used for capitalized interest repayment and for buybacks of Eurobonds for a total carrying value of UAH 5,864 million (USD 160 million). As a result of this buy-back and buy-back in December 2022 described above financial gain of UAH 6,034 million was recorded in profit and loss in 2022, being the difference between the carrying value of bonds repurchased and cash paid for buy-backs (2023: UAH 4,346 million) (Note 26).

Finance income for the year ended 31 December 2023 is UAH 4,742 million (2022: UAH 6,539 million).

Finance income largely consists of (i) gain on bonds repurchase of UAH 4,346 million (2022: UAH 6,034 million) or 92% (2022: 92%) of the total consolidated finance income (ii) interest income on bank deposits of UAH 354 million (2022: UAH 94 million) or 7% (2022: 1%) of the total consolidated finance income.

Finance costs for the year ended 31 December 2023 amounted to UAH 5,821 million (2022: UAH 5,944 million).

Finance costs largely comprise interest expense on bank borrowings and Eurobonds issued amounted to UAH 4,103 million (2022: UAH 4,684 million), or 70% (2022: 79%) of the total consolidated finance costs. Other significant parts of the consolidated finance costs in 2023 are (i) unwinding of discounts on pension obligations amounted to UAH 1,025 million (2022: UAH 856 million), or 18% (2022: 14%) of total consolidated finance costs, (ii) commission on consent obtained amounted to UAH 307 million (2022: nil), or 5% total consolidated finance costs, (iii) unwinding of discounts on assets retirement provision amounted to UAH 244 million (2022: UAH 231 million), or 4% of total consolidated finance costs, (iv) unwinding of discounts on lease liabilities amounted to UAH 94 million (2022: UAH 79 million), or 2% (2022: 1%) of total consolidated finance costs.

#### **Cash flows**

During the year ended 31 December 2023 operating cash flow of DTEK Energy comprised UAH 31,908 million and increased as compared to 2022 by UAH 9,989 million. This was mainly achieved by changing working capital balance.

Negative financial cash flows of DTEK Energy during the year ended 31 December 2023 comprised UAH 16,211 million and increased as compared to 2022 by UAH 7,680 million. Key factor of increase is payment made under settlement agreement to DTEK GROUP B.V. in the amount of UAH 6,531 million. Other change is related to buybacks of Eurobonds performed during the year ended 31 December 2023.

Liquidity and cash flow management implies maintaining sufficient cash and the availability of funding to meet existing obligations as they fall due. Management prepares cash flow projections, analyses vs. actual results and implements mitigating actions if needed to ensure sufficient liquidity to continue serving the operating needs of the business, as well as to perform payments according to borrowings terms.

#### **Financial result for the period**

During the year ended 31 December 2023 profit of DTEK Energy comprised UAH 13,675 million (2022: loss UAH 5,798 million). Change was mainly driven by change in foreign exchange losses on financing and investing activities - as most of DTEK Energy borrowings are denominated in USD, slower devaluation of UAH against USD in 2023 as compared to 2022 had positive effect on financial results.

#### **Issued Capital and Capital Distributions**

The authorised share capital of DTEK Energy B.V. equals to fully paid share capital and comprises 3,000 ordinary shares with a par value of Euro 10.0 per share in the total amount of Euro 30,000. All shares carry one vote.

During the year ended 31 December 2023 DTEK Energy B.V. declared UAH 6,480 million dividends to its direct parent DTEK ENERGY HOLDINGS B.V. Further several reassignments took place in the amount of USD 175 million, as a result of which DTEK Energy B.V.'s own dividends payable of UAH 6,480 million were offset with receivable from its direct parent and final payment was made by DTEK Energy B.V. in cash to DTEK GROUP B.V. before 31 December 2023 in the amount of UAH 6,531 million (difference with the declared amount is recognized as loss in Foreign exchange (losses)/gains on financing and investing activities).

#### **Financing activity**

Financing activity of the Group is managed by the Finance departments together with the Treasury departments. The overall risk management policies seek to minimise the potential adverse effects on the Group's financial performance for those risks that are manageable or noncore to the power generating business.

Financial risk management is carried out by the Treasury departments working closely with the operating units, under policies approved by the Management Board. The Treasury departments identify, evaluate and propose risk management techniques to minimise these exposures. Additionally, DTEK Energy developed a compliance function to monitor and analyse financial, reputation or legal risks connected with business activities.

#### **Financial risk management**

Exposure of the Group to different financial risks is disclosed in Note 30 of the accompanying Consolidated Financial Statements.

### Going concern

The Group's business is concentrated in Ukraine, almost all the revenue is generated in Ukraine and denominated in UAH (2023: 99% and 2022: 82%, respectively), although the Group also receives part of revenue in foreign currencies from its export of electricity (unless there are export restrictions as explained below). The majority of the Group's debt is denominated in USD (as disclosed in Note 16).

As of 31 December 2023 the Group had an excess of current assets over current liabilities of UAH 948 million and UAH 7,763 million of negative net assets (31 December 2022: excess of current assets over current liabilities of UAH 9,702 million and UAH 13,011 million of negative net assets). Management plans to cover the remaining deficit in net assets through earnings of profits (including profits from operations) in the future periods.

On 24 February 2022 Russia initiated a full-scale military invasion of Ukraine. This was followed up by the immediate enactment of martial law by the Ukrainian President's Decree approved by the Parliament of Ukraine and the corresponding introduction of the related temporary restrictions that impact the economic environment and business operations.

There is a significant uncertainty resulting from the current situation and over the future development of the military invasion. The current and future developments have a short and long-term impact on the Group, its people, operations, liquidity, and assets. There could be multiple scenarios of further developments of the current situation with unknown likelihood and the magnitude of the impact on the Group might be from significant to severe. Therefore, the Group has assessed the appropriateness of Going Concern assumption. Since the start of the war, the Group has experienced a number of significant challenges and disruptions, including, but not limited to:

- lower domestic demand for electricity and accordingly electricity production in Ukraine fell by approximately 30% in 2022 compared to 2021 and further fell by approximately 5% in 2023 compared to 2022;
- variability of movements of demand and prices for electricity between the different electricity market segments;
- the cessation of all electricity exports until 28 March 2022, since when electricity export was resumed to Poland and from 30 June 2022 partially resumed to other EU countries and further cessation of all electricity exports from 11 October 2022 as a result of missile attacks on the electricity infrastructure. Export was again resumed from March 2023, but was discontinued again in summer period of 2023 as a result of higher domestic demand and further resumed in September-November 2023, discontinued in December 2023 – January 2024 and resumed in February 2024. Amount of allowed export volumes is still insignificant compared to pre-war level;
- in 2022 DTEK Energy has lost control over Luhansk TPP located in non-controlled territory (Note 29). Zaporizhzhya TPP is also located in non-controlled territory and was idle from 5<sup>th</sup> May 2022;
- during October 2022-February 2023, Russia committed multiple attacks against civilian and critical infrastructure facilities throughout Ukraine, including the Group's energy enterprises. As a result there was a lack of electricity capacity in some regions of Ukraine during November 2022-February 2023, while the situation with capacity started to stabilize at the end of February 2023, when number of attacks decreased. Energy enterprises including DTEK Energy ran a repair campaign and recovered as much damaged equipment as possible which allowed to meet the demand of winter period 2023/2024. Further from December 2023 Russia increased and continued attacks on energy enterprises with several massive attacks in March-April 2024 (Note 34), causing damages of equipment on most TPPs, and significant decrease of electricity generation capacity on the TPPs;
- moratorium for cross-border debt and capital repayments imposed by the National Bank of Ukraine.

Management already took and continues to take a number of actions starting from March 2022 to mitigate the effect of negative impact by the challenges described above and optimised operations and its cash flows, including:

- continuous balancing of necessary efficient production on the basis of its fixed and variable costs versus payment collection;
- reduction of administrative expenses, including postponement of salary increase and bonus payments;
- pursuing regulatory and national energy policy negotiations to maintain adequate business environment;
- optimising working capital through renegotiation of payment terms with suppliers;
- sales in Ukraine to 3<sup>rd</sup> parties and export of own coal (until the ongoing ban of coal export from September 2022);
- developing proper arrangements to service Eurobonds and comply with currency control restrictions.

As a result of the actions above and the operating profits, the Group was and is able to maintain a positive cash balance.

As a part of the going concern assessment, management prepared monthly cash flow projections throughout 2024 and the first four months of 2025. Based on this forecast, taking into account results of damages from missile attacks committed before the reporting date, management expects to have sufficient liquidity during the projected period.

The projected cash flows assume that:

- the military situation remains status quo as per the date of issue of these consolidated financial statements;
- the average tariffs in the projection period are expected to approximate the actual observed tariff in 2<sup>nd</sup> half of 2023;
- no significant further (after March-April 2024 attacks) negative impact as a result of the war on the demand of electricity in Ukraine and controlled assets of DTEK Energy;
- repairs and maintenance are kept at the level ensuring the ability to operate at the sufficient level;

- no material losses from non-payment by the main customers;
- moratorium for cross-border debt and capital repayments shall be lifted or modified by National Bank of Ukraine to enable the Group to make payments due abroad;
- payments of principal and interest under Eurobonds will be at the agreed level in Eurobonds documentation;
- no settlements under the guarantee issued in connection with debt to Sberbank of Russia, including due to the continuing sanctions regime imposed on the bank.

Management analysis shows that the Group will have sufficient liquidity to maintain required operating expenses, capex, other running costs and settle the external debts according to the agreed schedules during the full projection period. Some assumptions and/or preconditions containing uncertainties, existing at the date of these financial statements, in particular lifting the moratorium on payments abroad as explained above, fall beyond management control. DTEK Energy considers different options to arrange the future settlements of Eurobonds liabilities, however these future settlements may be impacted by the uncertainty as explained earlier and may require the negotiations with the bondholders in the future.

It is uncertain how the military situation will further develop and the impact thereof on operations and physical safety of Group's assets. In case the military situation worsens, management will still be able to use mitigating liquidity measures including the option to elect for partially payment-in-kind (PIK) of the interest, reduction of capital expenditure to minimum levels while maintaining minimum safety and environmental standards, varying the maintenance budget between the periods and continuing optimising working capital through renegotiation of payment terms with suppliers. In case these measures will not be sufficient to accumulate the amount due under the Eurobonds, a request on immediate full or partial repayment of loans issued to DTEK GROUP B.V. will be made subject to the terms and conditions of such loans (Note 9) or further restructuring opportunities of the existing terms of Eurobonds will be considered.

Management acknowledges that the facts and circumstances described above, in particular the current situation and the future development of military actions and resulting ability to transfer cash abroad to make scheduled payments under Eurobonds, represent material uncertainties, which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Despite these material uncertainties caused by the war in Ukraine, management is continuing taking actions to minimise the impact on the Group, and therefore believes that application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

#### **Principal Risks and Uncertainties**

Ukrainian economy has features inherent for emerging markets and its development is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment which changes rapidly.

On 24 February 2022, Russian forces commenced a full-scale invasion across the Ukrainian state, which had impact on all areas of the Ukrainian life and economy. The territories of Kyiv, Chernihiv, Sumy, Kharkiv and part of Kherson regions were occupied at the beginning of the war however were liberated subsequently. As of 31 December 2023 Crimea and the major parts of Donetsk, Luhansk, Kherson and Zaporizhzhia regions are still under occupation and active military actions are ongoing there, though with no major move of the frontline since 2022. Mobilisation of people to the Ukrainian army continues, stressing the labour market and affecting those companies and industries that are not eligible for securing its male employees from mobilisation. In 2023 Russia continued to attack the civil infrastructure, specifically targeting to damage the Ukrainian sea and Danube ports facilities since pulling out of the Black Sea grain deal in July 2023, that temporarily decreased the Ukraine's export abilities. Despite these developments export by sea was re-started from August 2023, while the additional complexities appeared for transportation by land in the end of 2023 caused by the strikes of Polish carriers blockading the border crossing points with Ukraine.

As of 31 December 2023, the Group had significant balances receivable from and prepayments made to the State and entities dependant on government financing, including the trade receivables from Energorynok SE with gross carrying amount of UAH 6,157 million, VAT recoverable of UAH 14,822 million, prepaid income taxes of UAH 94 million. The timing of settlement of these balances is uncertain and is dependent upon the availability of State funds and amounts of future taxable profits of the Group's subsidiaries.

The situation remains tense, it has an impact not only on the Ukrainian but also on the international economy, and its further impact and duration is difficult to predict and quantify (reference is given to the Notes 2 and 3 of the accompanying Consolidated Financial Statements).

## **Risk Management Framework**

In order to mitigate and minimise the principal risks and uncertainties including fraud DTEK Energy implemented Internal Control and Risk Management system, which is based on Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. It is fully integrated into strategic and tactical planning, including but not limited to business planning and budgeting processes, investment projects, etc. The risk management function covers all levels of business and production units (risk managers and coordinators). Risk management approach and processes are unified across all units, iterative bottom-up and top-down approaches are in place for identification, and assessment of risks and opportunities, three-lines of defence principle is used. The COSO framework is designed in a way to help management in the achievement of its objectives, namely to enable effectiveness and efficiency of controls in the key business processes (purchases, sales, capex etc.) and operations, to ensure reliability of financial reports and compliance with applicable laws and regulations.

The DTEK Energy's Executive Board is responsible in general for the development of strategic and operational targets and for identification, assessment and mitigation of associated risks. The Executive Board established the Risk Management Committee, which tackles risk management issues on a regular basis. For the identified risks deemed to be material, comprehensive mitigating action plans are developed and reviewed on a regular basis to ensure that the risks' levels remain at acceptable levels. Management is kept informed via regular risk reports and understands how risks influence the achievement of business targets, so managements decisions are made based on existent/potential risks and opportunities. DTEK Energy implements necessary internal controls into the business processes based on performed risk assessments. The primary objective in setting up an internal control system is to ensure the reliability of DTEK Energy's financial information (statements), to meet the Company's goals and to attain compliance with applicable laws. The internal control function is centralized while controls themselves are imbedded into all company's business processes.

To ensure the reliability of financial statements, DTEK Energy uses automated SAP system. This system allows to automate and control the business processes of DTEK Energy, namely: production planning (SAP PP module), equipment maintenance and repair (SAP PM module), project management (SAP PS module), material flow management (module SAP MM), reflection of business transactions in accounting (SAP FI module, which also includes SAP FM - budget management). Additional SAP modules were recently implemented - the SAP Sourcing procurement platform and the automated SAP SLC vendor database management system, which automate the procurement procedures and processes for registering, qualifying and evaluating contractors.

As part of further development of the internal control system, DTEK Energy focuses on the following areas:

- Analysis of business processes for the identification and assessment of risks and internal controls aimed at minimizing such risks at the stage of creation or review of a business process procedures.
- Analysis of existing business processes in order to assess the system of internal control of these business processes. As part of such analysis, risks and internal controls are being identified and assessed which are selectively tested for their operational effectiveness, and mitigation measures are approved which aim at minimizing the inherent risks and strengthening the internal control system of business processes.

DTEK Energy also makes use of insurance programs in order to safeguard its most critical assets and activities from low-probability/high-impact risks.

Therefore, DTEK Energy's Risk Management and Internal Control framework provides reasonable assurance that business objectives can be achieved.

During 2023 DTEK Energy concentrated on management of the following main risks:

### *Political, macroeconomic and geopolitical risks:*

The political situation in Ukraine continued deteriorating in 2022-2023 as a result of Russia invasion of Ukraine (Note 2 of the accompanying consolidated financial statements). This has an adverse effect on the Ukrainian financial markets, including DTEK Energy's bonds. This also has contributed to a devaluation of the Hryvnia against major currencies in during 2022-2023.

Since October 2022 Russia started to target with missile and combat drones energy infrastructure all over Ukraine including DTEK Energy's assets, causing its destruction, injuries and deaths of employees and lack of power supply which results in scheduled and unscheduled power outages for both households and businesses during heating season 2022-2023. Repair campaign in summer 2023 allowed to restore capacities necessary to meet majority of demand of winter period 2023-2024.

The situation remains tense, it has an impact not only on the Ukrainian but also on the international economy and its further impact and duration is difficult to predict and quantify. DTEK Energy management takes all steps possible to mitigate negative effects including relocation of employees where possible production facilities, installation of protective barriers near generation assets etc.

*Risks of corporate strategy:*

DTEK Energy's long-term corporate strategy was last updated and approved in 2020. Despite the turbulent market situation and the full-scale invasion of Ukraine, DTEK Energy continues the execution of its strategy. DTEK Energy aims at retaining competitive positioning on the Ukrainian market, diversification of the business, customer-centricity, further liberalization of the electricity market, higher efficiency, internal transformation and implementation of ESG (environmental social governance) strategy. The major risks relating to implementation of corporate strategy are as follows:

- political, macroeconomic and geopolitical risks described above, which arose due to the full-scale invasion of Ukraine and global energy crisis;
- liquidity issues in the Energy Market;
- risks arising from long-term sources of finance used;
- use of pricing regulating methods by the Government, including those introduced after February 2022
- a high level of state administrative regulation of the market;
- higher environmental taxes, setting effective CO2 prices in Ukraine at the EU level.

Corporate strategy is revised from time to time by management to ensure that it is still relevant for the business.

*Regulatory risks:*

Since the launch of New Electricity Market in 2019 DTEK Energy continues to work under the new market conditions: market and price modelling, obtaining appropriate licenses in order to enter the internal/additional electricity trading markets, introducing more direct agreements with clients for electricity supply, etc.

Despite of the launch of New Electricity Market, DTEK Energy is still highly exposed to regulatory risks. In particular, DTEK Energy faced risks associated with:

- Tariff-setting rules – the influence of price restrictions "Price Cap";
- Restrictions on coal and electricity export;
- Lack of government subsidies for using alternative expensive fuel (natural gas).

During 2019-2023, DTEK Energy faced problems receiving payments from the state company Energorynok SE. The following measures were implemented inter alia in order to manage this risk - initiation before different state bodies and regulators the necessity to repay or offset of the debt of Energorynok SE.

DTEK Energy paid special attention to the market risks, mostly related to market competition and expansion. DTEK Energy is actively working to minimize such risks in the future in connection with liberalization of the Ukrainian electricity market and expected increased competition from local and international players. In order to manage this risk DTEK Energy uses special software that allows it to simulate the distribution of supply depending on the load of TPPs, number of requests, etc.; when the average annual tariff and/or supply of DTEK Energy TPPs decreases, DTEK Energy substitutes revenue sources, i.e. sells an excess of coal to third parties.

*Financial risks and Market risks:*

In order to mitigate commodity price risks DTEK Energy regularly re-assessed its open positions, developed and implemented risk mitigation strategies - principles of distribution of export commodities (electricity and coal), price projections, etc.

With regard to currency risk, the national currency of Ukraine hryvnia had high volatility during the recent years and it has weakened during 2022-2023. As a result, DTEK Energy received forex losses mainly on financing activities. DTEK Energy strives to reduce short open foreign currency balance position arisen as a result of the imbalance between loan portfolio in foreign currency and income in local currency. The following measures are implemented in order to manage these risks: the foreign exchange flow planning was carried out; the need for hedging currency positions is under constant evaluation however no decision is made yet.

*Liquidity and the cash flow management:*

Prudent liquidity and cash flow management implies maintaining sufficient cash and marketable securities and the availability of funding to meet existing obligations as they fall due. In order to manage liquidity risk and ensure timely repayment of debt, the DTEK Energy diligently plans and monitors cash inflows and outflows on daily basis, takes measures to optimize working capital structure, keeps short communication lines with lenders in order to restructure loan portfolio and eliminate possible liquidity gaps in future. Management monitors liquidity on a daily basis, management incentive programs use key performance indicators such as EBIT, EBITDA, operating and free cash flow and cash collections to ensure liquidity targets are actively monitored.

Credit risk management is based on internal scoring system, which assigns internal ratings and limits to counterparties based on financial performance and other aspects.

Aspects related to DTEK Energy's external credit rating remained in focus of management.

*Fraud risk*

DTEK Energy formalised fraud risk assessment matrix in 2023 including formalisation of fraud risk assessment model, risks matrix and level of risks. The next steps are to test existing controls, align fraud risk assessment matrix with overall risk assessment, approve additional measures or controls which will allow to decrease level of critical risks and to perform fraud risk controls assessment on regular basis (annually).

Fraudulent activities by employees and the bypassing of internal control procedures could result in an adverse impact on commercial operations and reputational damage. To mitigate such risks, DTEK Energy has further improved its internal control framework, which includes a strict Code of Conduct. In addition, DTEK Energy maintains a zero-tolerance policy with regard to fraudulent behaviour and a strong 'tone-of-the-top' so as to serve an example across the organisations. With the further automation of administrative processes DTEK Energy continue to mitigate risks in manual processes. Furthermore, a whistle-blower hotline is in place for which any incidents are closely monitored and independently followed up. Fraud cases, if any, are reported to the Audit Committee. During the reporting period, there were no reported or confirmed cases of fraud or corruption violations.

*Financial reporting risk*

DTEK Energy has policies and procedures for ensuring the accuracy and completeness of accounting records, and the timely preparation of reliable financial disclosures. IFRS department of the Group reviews the financial statements of the Group's entities and prepares consolidated information on a monthly basis. Semi-annual and annual financial information is reviewed by the Audit Committee, semi-annual information is reviewed and annual financial information is audited by the external independent auditor and is approved by the Supervisory Board of the Company. The annual report is submitted to Dutch Chamber of Commerce and published on the stock exchange.

*Reputational Risks:*

DTEK Energy actively manages reputational risks, performs regular assessment of the reputation, changes in the social climate both in the internal and external environment. DTEK Energy executes proactive and reactive communications at the local and international level in order to minimize the impact of any reputational risks.

*Corporate Governance and Compliance Risks:*

In order to manage compliance risks, DTEK Energy follows restrictions of current sanction regimes and acts in accordance with the international legislation, execute KYC procedures and compliance checks while working with its counterparties. DTEK Energy also implements anti-corruption and anti-bribery programs, Compliance Policy, Code of ethics & business conduct, Regulation on implementation of Code of ethics & business conduct, regularly provides employees with appropriate compliance trainings and monitors the internal compliance rules being in place.

*Operations and production risks:*

*Industrial engineering:*

*Risk associated with the operation of technical facilities.* Breakdowns and accidents, that temporarily interrupt operations at TPP's and mines remained relevant for DTEK Energy in 2023. Magnitude and likelihood of this risk has increased as a result of missile attacks by Russia since the start of the war. To limit the risk, technological facilities are regularly being inspected and maintained, production processes and technologies are constantly being upgraded and optimized and staff trained accordingly. In addition, more focus is put on increase of physical security of assets and employees, including from the missiles attacks, for instance shelling for employees are arranged at each office and entity of DTEK Energy, those are mandatory for use during the air alarms. The investment program of business units includes the costs for technological maintenance and current repair programs. If reasonable, DTEK Energy applies insurance policies to protect corporate assets, to compensate for a loss as a result of business interruption and to provide liability coverage in the event of harm inflicted on third parties by potential accidents occurred at DTEK Energy's production sites.

*Risk associated with the construction of technical facilities.* DTEK Energy's investment program includes a large number of projects for major repairs and reconstructions of power-generating units of TPPs, equipping mines. Risk management activities are an integrated part of the project management business process, so key risks of the projects are identified, their potential impact on the project results is assessed, risk mitigation plans are developed, and regular monitoring of the status is carried out.

*Environmental risks:*

DTEK Energy implemented an environmental management system according to ISO 14001 standard, the system is recertified every 3 years. There was special attention from social organizations and public authorities to impact of TPPs on the environment in 2021-2023. DTEK Energy follows its obligations in accordance with The National emission reduction plan (NERP) of major pollutants from the large combustion plants (adopted in 2017) during implementation of ecological investment projects, taking into consideration martial law. At the end of 2023 NERP implementation dates were postponed in part of emissions rates reduction (dust, SO<sub>2</sub>, NO<sub>x</sub>), modernization of large combustion plants and closure of power units mentioned in Opt-out list. Working hours limits for power units mentioned in Opt-out list for the period of martial law were withdrawn (but not later than till the end of 2025) and emission permits for some DTEK Energy TPP's blocks were obtained without specifying restrictions on the operating hours. Power units mentioned in

Opt-out list are expected to be closed following NERP implementation updated schedule in line with the order of Cabinet of Ministers of Ukraine of 29 December 2023 №1222-p (for some power units prolonged for two years comparing to previous schedule but no longer than till the end of 2025, for some power units prolonged until 2033), however further postponement in part of emissions rates reduction after the end of marital law may take place due to expected increase of electricity consumption and corresponding increase of electricity generation deficit.

*Health and Safety risks:*

The risks of adverse effects to the health of employees, subcontractors or third parties are governed according to the rules of DTEK Energy's health and safety management systems, which is based on international standards OHSAS 18 001. The mining and energy industries are subject to significant risks that could result into personal injury or death. In order to minimize such risks DTEK Energy has implemented the project "Development of a safety culture" at coal mining offices, which aims to promote an appropriate safety and health culture among DTEK Energy's employees.

*Human resources' risks:*

Considering the political and economic instability in Ukraine and the specifics of the industry, the Group faces risks associated with the shortage of qualified engineering and working specialists, due to migration abroad, conscription into the army as well as the negative activities of trade unions. The Group manages these risks by creating a motivation and educational system, and also by proactive communications with all parties involved.

*General legal risks:*

DTEK Energy faces a number of legal risks from all of its operational activities. The Group manages these risks via efficient administration of contracts with counterparties, analysis and applying proper legal practices, defending its interests in courts.

*IT risks:*

Technical malfunction, virus attacks, data loss or downtime of IT systems can have significant negative impact on the DTEK Energy's activities, taking into account high level of integration of informational and communicational systems into the Group's business processes. The following tools were implemented in order to manage these risks: control over unauthorized software (SCCM, etc.), the Intrusion Prevention System (IPS), DLP policies, the MDM system, group policies of the EMET tool, antivirus control, anti-SPAM systems. Cybersecurity was under the focus of DTEK Energy long prior to the war and continues to be during the war.

The remaining risks if any are not considered significant and do not have significant impact on operational activities.

**Sustainable development and climate change**

As part of the ongoing work within the DTEK Group of Companies, DTEK Energy is working to strengthen its performance on environmental, social and governance (ESG) issues. Recognising the pivotal role of climate change in shaping its ESG framework, DTEK Energy is preparing to reporting according to Corporate Sustainability Reporting Directive (CSRD) for FY 2025 to enhance its internal processes and strengthen external disclosure. This includes working to strengthen governance of climate change-related risks, among other things through a dedicated Sustainability Committee within DTEK Energy's Supervisory Board, which convenes quarterly.

DTEK Group assesses risks in its business plans, providing recommendations on risk scenarios, expert assessments, and measures to manage or mitigate risks and opportunities. DTEK Energy is in the early stages of formulating its more specific climate risk management processes, which are not only contingent upon the evolving DTEK Group strategy, but must also consider external factors like the impact of the Russian invasion of Ukraine.

*Strategic risks and opportunities*

As part of DTEK Energy's efforts to strengthen its climate strategy, this year, it commissioned external specialist support to identify and assess the principal climate change-related risks and opportunities facing the company. DTEK Energy looked at both the possible transition and physical risks and opportunities facing the business.

The initial high-level physical risks assessment was conducted. The potential likelihood and impact of a range of risks to DTEK Energy's business was analysed. Among the potential physical risks considered were:

- Flood and stormwaters causing damage and disruption to coal extraction and production facilities or power generation facilities;
- High winds associated with storms, as well as flooding, causing disruption to transportation networks;
- Extreme temperatures increasing energy demand, decreasing the efficiency of power generation plants or disrupting transportation networks;
- Fires and landslides causing damage to key infrastructure;
- Reduced water availability causing disruption to power generation facilities.

According to qualitative risk assessment Flood and stormwaters potentially can have bigger scale as compared to the other risks. At the same time, considering the location of DTEK's assets are inside the continent and not located near

the sea or areas of higher risk of floods, this and other physical climate risks are initially assessed as not likely to have material impact on the financial statements.

Among the key potential transition opportunities identified for the DTEK Energy business were:

- Policy and legal opportunities including access to funding or policy incentives to enable low carbon power generation;
- Technology opportunities including the opportunity to decarbonise operations through investing in more efficient, lower carbon technology and;
- Products and services opportunities including development and/or expansion of low emission power generation.

Among preliminary key potential transition risks identified to the DTEK Energy business were:

- Policy and legal risks associated with increasing regulation limiting or banning coal production; fiscal measures such as carbon pricing mechanisms; enhanced emissions-reporting obligations; and increased exposure to climate related litigation;
- Market risks including curtailed fossil fuel demand and reduced access to capital due to increased stakeholder concerns;
- Technology risks including barriers to successful investments in decarbonisation-related technologies due to high costs associated with the transition to lower emissions technology and;
- Reputational risks including the potential stigmatisation of sectors in which DTEK Energy operates.

According to the risk assessment performed, Policy and legal risks potentially can have higher risk in comparison to other transition risks. The Group is still in the process of assessment of the detailed accurate impact of such risks, although the timing of its completion is subject to decarbonization strategy finalization after the end of the war.

In response to the identified above policy and legal risks and in coordination with the journey towards the overarching DTEK Group goal of carbon neutrality by 2040 and in alignment with Ukraine's commitment to phase out coal in the energy generation by 2035, DTEK Energy expects to gradually decrease the coal production and finally close the coal mines by 2040. This is already taken into account by management in previous years when defining the depreciation terms for coal mines and coal power generation stations in its financial reporting.

The Group also analyses an impact of the upcoming regulations and considers the mitigation measures. Ukraine has already stated its intention to launch an ETS as a part of its obligations under the Ukraine-EU Association Agreement. Management took these into account when building the cash flow projections for the impairment tests of its assets, assuming the substantial increase of carbon emission charges starting from 2025. Also, the management considerations with regards to the developments on The National emission reduction plan are described additionally in Environmental risks section of this report.

Based on the current best management estimate, as of the date of the issue of these financial statements other transition climate change risks are not expected to have material impact on the Group's financial position.

#### *Prioritised steps in our ESG journey*

With regards to potential physical risks DTEK Group companies is going to conduct full quantitative analysis in next years to estimate accurate financial effects to its businesses and after conducting this work to structure priorities and analyse possible ways of risks mitigation.

With regards to potential transitions risks: they depend on DTEK Group Sustainability goals that depends on (i) international and domestic sustainability regulatory requirements (incl. national Ukrainian sustainability strategy) and (ii) updated DTEK Group business strategy and goals that is currently under review. After defining Sustainability goals DTEK Group companies is going to estimate (i) accurate possible financial effects of these risks (ii) priorities and possible ways of risks mitigation

DTEK Energy is committed to further aligning its processes with the CSRD requirements. Additionally, DTEK Energy plans to prioritise the strengthening of its governance structures to oversee climate-related risks and opportunities, including board-level oversight and accountability.

#### *Social responsibility*

Social responsibility and commitment to the principles of sustainable development are key values and an integral part of the ESG-strategy of the Group. That is why DTEK Energy invests significant funds into improving the safety, efficiency and environmental friendliness of its enterprises, labour protection, health improvement and professional development of employees, the development of local communities and improving the quality of life of people in the regions of activity. The Group being one of the biggest national employer and a social investor, participates in the socio-economic development of the regions in which it operates. Socially responsible investment in partnership with local communities is a prerequisite for the operations of the Group companies. The Group companies implement social networks, which are aimed at involving and uniting the population to solve the problems of community development and improve the quality of life.

### **Research and Development Costs**

During 2023 and 2022, the Group was not involved in any activities concerning research and development.

### **Human resources**

The Group employed approximately 28.4 thousand people by the end of 2023 (2022: 28.5 thousand people).

To ensure the constant development of its employees, in 2010 the Group launched its corporate university – Academy DTEK.

The open innovative educational ecosystem of the Academy DTEK ensures the personalized development of DTEK employees, representatives of business, society and the state throughout their lives. Academy DTEK aims at:

- a creation of a technology platform as the basis for a new training ecosystem;
- a creation of new quality educational products;
- updating and modernising the existing product portfolio;
- improving innovative and customer-oriented corporate culture of the business.

### **Provision of information**

The financial statements are prepared using automatic accounting tools such as SAP and submitted to Dutch Chamber of Commerce as required by the applicable laws and regulations. Annual reports, presentations with analysis of results and disclosure calls are announced in advance and published on DTEK website.

### **Code of Ethics**

The Group has a Code of Ethics developed and approved in 2011 with changes introduced in 2014 and in 2023. It is mandatory for all the Group entities and prescribes the key principles that the Group follows in its operations, including relationship with its employees, counterparties, state authorities and non-governmental and public authorities, responsibility for all activities the Group performs, conflicts of interests etc. The Code is available on the Group's official web-site.

### **Digital Transformation**

DTEK Energy strives to adapt to the conditions of modern realities dictated by the rapid development of new technologies in the energy market, as well as energy efficiency and energy saving technologies. There are number of projects both finished and in process dedicated to the digitalisation of processes in coal mining, TPPs generation planning and production operations efficiency, procurement inventory and warehouse management.

### **Male/female ratio of Executive/Supervisory Board**

The Company strives to get the best applicable persons in the Supervisory board and the Management board despite the gender or culture.

As at 31 December 2023 and 2022, the Supervisory Board consists of one woman and six men and the Management board of one man, one woman and two women, who represented the legal entity.

The Gender Diversity Act was entered into force in the Netherlands on 1 January 2022. This law provides guidance on disclosure in the Directors' Report with regard to the composition of the Board of (Supervisory) Directors and its division among men and women. DTEK Energy B.V. goal is to ensure not less than 33% of the presence of women in management bodies by 2030. The Management Board of the Company consists of two women, who represented the legal entity, one woman and one man. At this moment the composition of the Supervisory Board does not reflect the situation as described in legislation, however DTEK Energy will take it into consideration when vacancies become available. Management notes that the composition of women in key management roles in the Group is significant.

### **Future Developments**

In 2023, the Group continues implementing its long-term strategy, aimed to establishment of Ukrainian electricity market model and continuous supply of electricity to Ukrainian energy system.

Despite of the war, Ukraine is considered as the main market for the Group activities in the long-term.

Taking into account uncertainties in 2023 and depending on the developments of the war, the Group expect to focus on the following key areas in 2024:

- Further improve operational efficiency;
- Further increase of physical security of its assets, including from the missiles attacks;
- Service borrowing according to its terms and optimize liquidity management;
- Support further establishment of new Ukraine electricity market model;
- Maintaining the potential of production facilities (personnel, equipment, infrastructure);
- Investing in human resources including education and trainings of personnel in order to develop technical and soft skills;
- Promote safety culture among all members of personnel and develop leadership qualities and absolute commitment to ensuring occupational safety
- Implement transformation programs as part of the sustainable development strategy.

Management does not plan any major business acquisitions in the nearest period.

#### **Supervisory Board and Management Board**

As of 31 December 2023 and 2022 the Supervisory Board comprises of following Board members: Sergey Korovin, Dmytro Sakharuk, Oleksandr Kucherenko, Oleksiy Povolotskiy, Pavlo Livertovskiy, Oleksandra Moskalenko and Nikolay Ivin.

As of 31 December 2023 and 2022 the Management Board comprises of following Board members: Ildar Salieiev, Anastasiia Andrieieva and directors of SCM Management B.V., Nataliya Muktan and Eliza Desiree den Aantrekker.

#### **Post balance sheet events**

During March-April 2024 Russia again carried out a few massive attacks on Ukraine's energy infrastructure resulting in damaging equipment at the plants. Multiple DTEK Energy thermal power plants were hit, causing damages and losing of its generating capacity. DTEK Energy is in process of analysis of time and additional expenses necessary to restore the damaged assets.

There are no other special events that should be taken into account for the financial statements except for the developments after the balance sheet date that are disclosed in the Note 34 of the of the accompanying consolidated financial statements.

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Ildar Salieiev  
Chairman

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Anastasiia Andrieieva  
Director

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Nataliya Muktan  
on behalf of SCM  
Management B.V.

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Eliza Desiree den Aantrekker  
on behalf of SCM  
Management B.V.

22 April 2024

# **Consolidated Financial Statements**

**31 December 2023**

**DTEK Energy B.V.**  
**Consolidated Balance Sheet**

<i>In millions of Ukrainian Hryvnia</i>	<b>Note</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	32,377	33,515
Intangible assets		499	600
Financial investments	9	8,027	13
Income tax prepaid		1	1
Deferred income tax asset	27	1,527	570
Trade and other receivables	11	14,499	11,072
<b>Total non-current assets</b>		<b>56,930</b>	<b>45,771</b>
<b>Current assets</b>			
Inventories	10	4,446	4,428
Trade and other receivables	11	17,473	23,080
Income tax prepaid		93	109
Financial investments	9	21	-
Cash and cash equivalents	12	1,656	2,006
<b>Total current assets</b>		<b>23,689</b>	<b>29,623</b>
<b>TOTAL ASSETS</b>		<b>80,619</b>	<b>75,394</b>
<b>EQUITY</b>			
Share capital	13	0	0
Share premium		9,909	9,909
Other reserves	14	6,680	9,992
Accumulated deficit		(24,392)	(32,820)
<b>Equity attributable to owners of the parent</b>		<b>(7,803)</b>	<b>(12,919)</b>
<b>Non-controlling interest</b>		<b>40</b>	<b>(92)</b>
<b>TOTAL EQUITY</b>		<b>(7,763)</b>	<b>(13,011)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	16	39,910	47,510
Other financial liabilities	15	826	674
Retirement benefit obligations	17	5,938	4,934
Provisions for other liabilities and charges	18	2,496	1,939
Deferred income tax liability	27	2,163	2,557
Other taxes payable	20	14,308	10,870
<b>Total non-current liabilities</b>		<b>65,641</b>	<b>68,484</b>
<b>Current liabilities</b>			
Borrowings	16	624	804
Other financial liabilities	15	1,296	1,668
Prepayments received	21	1,400	3,249
Trade and other payables	19	10,121	7,086
Current income tax payable		2,787	2,428
Retirement benefit obligations	17	539	311
Other taxes payable	20	5,974	4,375
<b>Total current liabilities</b>		<b>22,741</b>	<b>19,921</b>
<b>TOTAL LIABILITIES</b>		<b>88,382</b>	<b>88,405</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>80,619</b>	<b>75,394</b>

Signed by entire Management Board  
on 22 April 2024  
Ildar Salieiev  
Chairman  
Anastasiia Andrieieva  
Director  
Nataliya Muktan  
on behalf of SCM Management B.V.  
Eliza Desiree den Aantrekker  
on behalf of SCM Management B.V.

Approved for issue and signed by entire Supervisory  
Board on 22 April 2024  
Sergey Korovin  
Dmytro Sakharuk  
Oleksandr Kucherenko  
Oleksiy Povolotskiy  
Pavlo Livertovskiy  
Oleksandra Moskalenko  
Nikolay Ivin

**DTEK Energy B.V.**  
**Consolidated Income Statement**

<i>In millions of Ukrainian Hryvnia</i>	<b>Note</b>	<b>2023</b>	<b>2022</b>
Revenue	21	67,139	70,818
Cost of sales	22	(44,152)	(52,484)
Impairment of property, plant and equipment	8	(882)	(966)
<b>Gross profit</b>		<b>22,105</b>	<b>17,368</b>
Other operating income	23	1,348	376
Distribution costs		(130)	(116)
General and administrative expenses	24	(2,524)	(2,529)
Net impairment losses on financial instruments	9,11,15	384	(1,780)
Other operating expenses	25	(2,537)	(4,638)
Net operating foreign exchange gain/(loss)		(111)	2,523
Loss of control	29	-	(165)
<b>Operating profit</b>		<b>18,535</b>	<b>11,039</b>
Foreign exchange (losses)/gains on financing and investing activities		(1,483)	(14,774)
Finance income	26	4,742	6,539
Finance costs	26	(5,821)	(5,944)
<b>Profit/(Loss) before income tax</b>		<b>15,973</b>	<b>(3,140)</b>
Income tax expense	27	(2,298)	(2,658)
<b>Profit/(Loss) for the year</b>		<b>13,675</b>	<b>(5,798)</b>
<b>Profit/(Loss) is attributable to:</b>			
Equity holders of the Company		13,539	(5,378)
Non-controlling interest		136	(420)

**Consolidated Statement of Comprehensive Income**

<i>In millions of Ukrainian Hryvnia</i>	<b>Note</b>	<b>2023</b>	<b>2022</b>
Profit/(Loss) for the year		13,675	(5,798)
<b>Items that will not be reclassified to profit or loss:</b>			
Property, plant and equipment:			
- Change in estimate for asset retirement obligation	18	(342)	1,027
- Income tax recorded on change in estimate for asset retirement obligation	27	63	(117)
- Increase (decrease) in valuation of property, plant and equipment	8	(1,746)	(6,273)
- Income tax recorded on revaluation of property, plant and equipment	27	410	1,258
Re-measurements of post-employment benefit obligations	17	(414)	2,685
Income tax recorded on re-measurements of post-employment benefit obligations	27	82	(437)
Assets related to entity located in non-controlled territory:			
- Decrease in valuation of property plant and equipment	29	-	(1,035)
- Income tax recorded on revaluation of property plant and equipment	29	-	172
<b>Other comprehensive loss for the year</b>		<b>(1,947)</b>	<b>(2,720)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>11,728</b>	<b>(8,518)</b>
<b>Total comprehensive income/(loss) is attributable to:</b>			
Equity holders of the Company		11,596	(8,044)
Non-controlling interest		132	(474)
<b>Total comprehensive income/(loss) for the year</b>		<b>11,728</b>	<b>(8,518)</b>

**DTEK Energy B.V.**  
**Consolidated Statement of Changes in Equity**

<i>In millions of Ukrainian Hryvnia</i>	Attributable to equity holders of the Company					Non-controlling interest	Total Equity
	Share capital	Share premium	Other reserves	Accumulated deficit	Total		
<b>Balance at 1 January 2022</b>	<b>0</b>	<b>9,909</b>	<b>19,548</b>	<b>(34,332)</b>	<b>(4,875)</b>	<b>382</b>	<b>(4,493)</b>
Loss for 2022	-	-	-	(5,378)	(5,378)	(420)	(5,798)
Other comprehensive (loss)/income for 2022	-	-	(4,914)	2,248	(2,666)	(54)	(2,720)
<b>Total comprehensive loss for 2022</b>	<b>-</b>	<b>-</b>	<b>(4,914)</b>	<b>(3,130)</b>	<b>(8,044)</b>	<b>(474)</b>	<b>(8,518)</b>
Property, plant and equipment:							
- Realised revaluation reserve	-	-	(5,631)	5,631	-	-	-
- Deferred tax related to realised revaluation reserve	-	-	989	(989)	-	-	-
<b>Balance at 31 December 2022</b>	<b>0</b>	<b>9,909</b>	<b>9,992</b>	<b>(32,820)</b>	<b>(12,919)</b>	<b>(92)</b>	<b>(13,011)</b>
Profit for 2023	-	-	-	13,539	13,539	136	13,675
Other comprehensive loss for 2023	-	-	(1,611)	(332)	(1,943)	(4)	(1,947)
<b>Total comprehensive (loss)/income for 2023</b>	<b>-</b>	<b>-</b>	<b>(1,611)</b>	<b>13,207</b>	<b>11,596</b>	<b>132</b>	<b>11,728</b>
Property, plant and equipment:							
- Realised revaluation reserve	-	-	(2,074)	2,074	-	-	-
- Deferred tax related to realised revaluation reserve	-	-	373	(373)	-	-	-
Dividends distribution (Note 13)	-	-	-	(6,480)	(6,480)	-	(6,480)
<b>Balance at 31 December 2023</b>	<b>0</b>	<b>9,909</b>	<b>6,680</b>	<b>(24,392)</b>	<b>(7,803)</b>	<b>40</b>	<b>(7,763)</b>

**DTEK Energy B.V.**  
**Consolidated Statement of Cash Flows**

<i>In millions of Ukrainian Hryvnia</i>	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>			
Profit/(loss) before income tax		<b>15,973</b>	<b>(3,140)</b>
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		6,583	8,090
Impairment of property, plant and equipment, intangible assets and goodwill	8, 25	882	2,965
Loss of Control	29	-	165
Net loss/(gain) on disposals of property, plant and equipment and intangible assets		(51)	7
Assets received free of charge	23	(261)	(97)
Income from extinguishment of accounts payable		(111)	(45)
Net change in provision for financial investments, trade and other receivables, including non-financial assets and other financial liabilities		(306)	1,802
Change in provisions for other liabilities and charges		273	349
Non-cash operating charge to retirement benefit obligation		(17)	163
Penalties provision	19	-	535
Non-recoverable VAT		20	571
Unrealised foreign exchange differences on operating activity		(108)	(471)
Foreign exchange gains less losses on financing and investing activities		1,483	14,774
Finance (income)/loss, net		1,079	(595)
<b>Operating cash flows before working capital changes</b>		<b>25,439</b>	<b>25,073</b>
<b>Changes in:</b>			
Trade and other receivables		3,818	(14,004)
(Placement)/withdrawal of auction deposit		-	3
Inventories		480	(1,119)
Prepayments received		(1,802)	1,588
Trade and other payables		1,653	(9,530)
Other financial liabilities		93	(62)
Other taxes payable and tax provision, other than income tax		5,378	8,758
<b>Cash generated from operations</b>		<b>35,059</b>	<b>10,707</b>
Income taxes paid		(3,106)	(380)
Defined employee benefits paid	17	(188)	(182)
Repayment of restructured obligations		(20)	(102)
Interest received		354	92
Provisions utilised	18	(191)	(146)
<b>Net cash generated from operating activities</b>		<b>31,908</b>	<b>9,989</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(7,652)	(4,999)
(Placement) / withdrawal of restricted cash	12	(9)	(63)
Loans provided to related parties		(8,446)	-
<b>Net cash used in investing activities</b>		<b>(16,107)</b>	<b>(5,062)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	16	(5,742)	(3,969)
Interest and commissions paid	16	(3,884)	(3,555)
Amount paid under settlement agreement	13	(6,531)	-
Payment for lease liabilities	15	(54)	(156)
<b>Net cash used in financing activities</b>		<b>(16,211)</b>	<b>(7,680)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(410)</b>	<b>(2,753)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	12	<b>1,925</b>	<b>4,583</b>
Exchange gains on cash and cash equivalents		51	95
<b>Cash and cash equivalents at the end of the year</b>	12	<b>1,566</b>	<b>1,925</b>

For the purposes of the cash-flow statements amounts of restricted cash were not included in cash and cash equivalents balance.

## 1 The Organisation and its Operations

DTEK Energy B.V. (the “Company”) (former DTEK Holdings B.V.) is a private limited liability company incorporated in the Netherlands on 16 April 2009. The Company was formed through the contribution by System Capital Management Limited (SCM Ltd.) and InvestCom Services Limited of their 100% equity interest in DTEK Holding Limited, a Cyprus registered entity and the predecessor of the Company. On 19 September 2014 the Company changed its parent company to DTEK GROUP B.V. Starting 12 April 2021 DTEK Energy B.V. is directly owned by DTEK ENERGY HOLDINGS B.V., a private limited liability company incorporated on this date, domiciled in the Netherlands and owned by DTEK GROUP B.V. (former DTEK B.V., hereinafter referred to as DTEK GROUP B.V.). The structure regime is not applicable to DTEK Energy B.V. as it does not meet the criteria set in Book 2 of the Dutch Civil Code.

The Company and its subsidiaries (together referred to as “the Group” or “DTEK Energy”) are beneficially owned by Mr. Rinat Akhmetov through various entities commonly referred to as System Capital Management (“SCM”) with ultimate parent being SCM Holdings Limited, Cyprus. Mr. Akhmetov has a number of other business interests outside of the Group. Related party transactions are disclosed in Note 7.

The Company and its subsidiaries is a vertically integrated coal mining and power generating group. Its principal activities are coal mining for further supply to its power generating facilities in Ukraine. In 2023 the Group’s coal mines and power generation plants are located in the Donetsk, Dnipropetrovsk, Lviv, Ivano-Frankivsk, Vinnitsya and Zaporizhzhya regions of Ukraine.

The principal subsidiaries are presented below:

Name/Segment	% interest held as at 31 December		Place of incorporation
	2023	2022	
<b>Coal mining and power generation</b>			
DTEK Pavlogradugol PJSC	100.00	100.00	Pavlograd, Ukraine
DTEK Mine Komsomolets Donbassa PJSC	95.31	95.31	Dobropolie, Ukraine
DTEK Dobropolskaya CEP PJSC	60.06	60.06	Dobropolie, Ukraine
Bilozerska Mine ALC	95.44	95.44	Dobropolie, Ukraine
Mospino CPE LLC	100.00	100.00	Dobropolie, Ukraine
Pershotravensky RMZ LLC	100.00	100.00	Mykolaivka, Ukraine
Tehrempostavka LLC	100.00	100.00	Pavlograd, Ukraine
CCM Kurahovskaya LLC	100.00	100.00	Vovchanka, Ukraine
CCM Pavlogradskaya LLC	100.00	100.00	Verbky, Ukraine
DTEK Dniproenergo JSC	100.00	100.00	Zaporizhzhya, Ukraine
DTEK Westenergy JSC (former, DTEK Zakhidenergo PJSC)	100.00	100.00	Lviv, Ukraine
DTEK Skhidenergo LLC	100.00	100.00	Kurahovo, Ukraine
DTEK Kurahivska TPP LLC	100.00	100.00	Kurahovo, Ukraine
DTEK Luhanska TPP LLC	100.00	100.00	Lviv, Ukraine
Remtehpostavka LLC	100.00	100.00	Lviv, Ukraine
DTEK Trading Limited	100.00	100.00	Nicosia, Cyprus
DTEK Trading SA, en liquidation	100.00	100.00	Geneva, Switzerland
Interenergoservis LLC	100.00	100.00	Zaporizhzhya, Ukraine
Kharkivskiy Machine-Building Plant Svitlo Shakhtarya PJSC	66.77	66.77	Kharkiv, Ukraine
Corum Druzhkivskiy Machine-Building Plant LLC	100.00	100.00	Druzhkivka, Ukraine
Corum Repair LLC	100.00	100.00	Druzhkivka, Ukraine
Corum MineSpecialBuild LLC	100.00	100.00	Dobropolie, Ukraine
Corum Trading LLC (former, Sotsis LLC)	100.00	100.00	Kyiv, Ukraine
DTEK Scientific and Project Centre LLC	100.00	100.00	Dnipro, Ukraine
DTEK Trading LLC	100.00	100.00	Kyiv, Ukraine
<b>Electricity distribution</b>			
DTEK Krymenergo PJSC	57.71	57.71	Kyiv, Ukraine
<b>Other</b>			
DTEK Power B.V.	100.00	100.00	Amsterdam, Netherlands
DTEK Finance PLC	100.00	100.00	London, United Kingdom
DTEK Investments Ltd	100.00	100.00	London, United Kingdom
DTEK Holdings Limited	100.00	100.00	Nicosia, Cyprus
GPL Power Limited	100.00	100.00	Nicosia, Cyprus
GPL Ingen Power Limited	100.00	100.00	Nicosia, Cyprus
DTEK Energy LLC	100.00	100.00	Kyiv, Ukraine
Elektronaladka LLC	100.00	100.00	Lviv, Ukraine
Power Trade LLC	100.00	100.00	Kyiv, Ukraine
Corum Group LLC (former, Engineering and Technical Center Mining Machines LLC)	100.00	100.00	Kyiv, Ukraine

The Company is registered at Strawinskylaan 1531, Tower B, Level 15, grid TB-15-046/089, 1077XX Amsterdam, the Netherlands, Dutch Chamber of Commerce registration number 34334895. The address of Ukrainian subsidiaries’ office is 8 Sim’yi Khokhlovykh str. Campus 20D, 04119 Kyiv, Ukraine.

## **1 The Organisation and its Operations (Continued)**

### **Supervisory Board and Management Board**

As of 31 December 2023 and 2022 the Supervisory Board comprises of following Board members: Sergey Korovin, Dmytro Sakharuk, Oleksandr Kucherenko, Oleksiy Povolotskiy, Pavlo Livertovskiy, Oleksandra Moskalenko and Nikolay Ivin.

As of 31 December 2023 and 2022 the Management Board comprises of following Board members: Ildar Salieiev, Anastasiia Andrieieva and directors of SCM Management B.V., Nataliya Muktan and Eliza Desiree den Aantrekker.

### **Changes in the Group structure**

In May 2023 DTEK Trading SA liquidation was approved and in July 2023 its status was changed to "in liquidation" and its name was changed to DTEK Trading SA, en liquidation.

In February 2024 a bankruptcy procedure of DTEK Skhidenergo LLC has commenced. No major operations were carried by this subsidiary during 2023. According to preliminary assessment the net liabilities of DTEK Skhidenergo LLC as at the date of commencement of procedure amount to UAH 742 million.

### **Loss of control**

In March 2022 DTEK Energy lost control over operations of Luhanska TPP as a result of war with Russian Federation (Note 29). As a result of loss of control an impairment provision was charged on certain assets and related liabilities were released. DTEK Energy has determined that it retains control over the legal entities impacted in the territories, where invasion takes place, as these entities are registered in the controlled territory of Ukraine and continue to have other operations. No consideration was received, in any form, from the events or circumstances that resulted in the loss of control.

Also in October 2022 DTEK Energy lost control over DTEK Dobropolyeugol LLC as a result of commencement of liquidation procedure (Note 29).

## **2 Operating Environment of the Group**

**Ukrainian economy.** Ukrainian economy has features inherent for emerging markets and its development is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment which changes rapidly.

On 24 February 2022, Russian forces commenced a full-scale invasion across the Ukrainian state, which had impact on all areas of the Ukrainian life and economy. The territories of Kyiv, Chernihiv, Sumy, Kharkiv and part of Kherson regions were occupied at the beginning of the war however were liberated subsequently. As of 31 December 2023 Crimea and the major parts of Donetsk, Luhansk, Kherson and Zaporizhzhia regions are still under occupation and active military actions are ongoing there, though with no major move of the frontline since 2022. Mobilisation of people to the Ukrainian army continues, stressing the labour market and affecting those companies and industries that are not eligible for securing its male employees from mobilisation. In 2023 Russia continued to attack the civil infrastructure, specifically targeting to damage the Ukrainian sea and Danube ports facilities since pulling out of the Black Sea grain deal in July 2023, that temporarily decreased the Ukraine's export abilities. Despite these developments export by sea was re-started from August 2023, while the additional complexities appeared for transportation by land in the end of 2023 caused by the strikes of Polish carriers blockading the border crossing points with Ukraine. The situation remains tense, it has an impact not only on the Ukrainian but also on the international economy, and its further impact and duration is difficult to predict and quantify. For the additional details on the war impact on the Group's assets and operations refer to Note 3.

According to data published by the National Bank of Ukraine ('NBU') in February 2024, Ukrainian GDP increased by 5.7% in 2023 (2022: 29.1% decrease).

The National Bank of Ukraine follows an interest rate policy consistent with inflation targets. The inflation rate in Ukraine for 2023 stood at 5.1 % (2022: 26.6%) according to the statistics published by the State Statistics Service of Ukraine. The NBU increased its key policy rate from 10% effective from 21 January 2022 to 25% effective from 3 June 2022. Further during 2023 the NBU was gradually decreasing its key policy rate reaching to 15% effective since 15 December 2023.

As of 24 February 2022, the hryvnia exchange rate was effectively fixed at UAH 29.25 per USD on the FX market to ensure the sound and stable operation of the country's financial system. From 21 July 2022, the hryvnia exchange rate was adjusted to UAH 36.57 per USD 1, and on 3 October 2023, the NBU returned to a floating exchange rate for the hryvnia. As of 31 December 2023, the exchange rate was 37.98 per USD 1 (as compared to UAH 36.57 per USD 1 as at 31 December 2022).

## **2 Operating Environment of the Group (Continued)**

In order to keep inflation under control, in 2022 the NBU also introduced a number of administrative restrictions, in particular on foreign exchange transactions and capital movements including restrictions on interest and dividends payments to abroad in foreign currencies. In June 2023 the NBU lifted some of the currency restrictions, including those related to transferring of funds abroad for servicing and repayment of external credits/loans obtained after 20 June 2023 (subject to a number of requirements met simultaneously) and those that were provided earlier through an international financial organisation or secured by foreign export credit agency/a foreign state. Further the NBU introduced new relaxations effective since 1 December 2023 that relate inter alia to cancellation of foreign currency sale limits for banks and non-banking financial institutions and permission to Export credit agency to transfer funds abroad for compensations based on insurance/reinsurance contracts.

At the same time some of the other regulatory easings provided earlier by the government were revoked from 1 August 2023, in particular the moratorium for the tax audits was partially cancelled.

The yield to maturity ("YtM") on Ukrainian Government's Eurobonds decreased to 50.6% (for a 5-year maturity instruments as of 31 December 2023) from 63.4% as of 31 December 2022. At the same time, the domestic Ukrainian sovereign bonds in UAH (for a 5-year maturity) were traded with the yields of 18% as of 31 December 2023 (22% as of 31 December 2022) according to the NBU data.

From the start of the war the Ukrainian budget experiences a significant deficit, which was financed by national and international borrowings, grants, national borrowings and other means. Due to the inflow of international aid, currency reserves have reached a new record of USD 41.7 billion as of 31 July 2023. That is the highest level of the reserves in more than 30 years. Further, following a slowdown of international aid, a decrease in currency reserves of Ukraine occurred and as of 31 December 2023 they amounted to USD 40.5 billion. International support is crucially important for Ukraine's ability to continue fighting against the aggression and to fund the budget deficit and on-going debt repayments.

As of 31 December 2023, the Group had significant balances receivable from and prepayments made to the State and entities dependant on government financing, including the trade receivables from Energorynok SE with gross carrying amount of UAH 6,157 million (Note 11), VAT recoverable of UAH 14,308 million (Note 11), prepaid income taxes of UAH 94 million. The timing of settlement of these balances is uncertain and is dependent upon the availability of State funds and amounts of future taxable profits of the Group's subsidiaries.

**Electricity market.** The Ukrainian electricity market provides various mechanisms for the purchase and sale of electricity, namely direct contracts, a day-ahead market, an intraday market, a balancing market and auxiliary services market. The market of direct contracts represents the sale of electricity based on bilateral agreements concluded for up to one year. The day ahead and intraday markets represent the sale of electricity with a coverage period being the next day, in which all transactions are agreed with the transmission system operator NEC (NPC) "Ukrenergo". Pricing on the day ahead market is based on a supply and demand balance. The balancing market is a market of deviations of the actual hourly production and consumption of electricity from the planned trading schedule and together with the auxiliary services markets were established in order to ensure sufficient amounts of electricity needed for the real-time balancing of electricity production and import/export, congestion management in the Integrated Power System ("IPS") of Ukraine, as well as financial settlement of electricity imbalances.

Despite the liberalisation of the energy market in recent years, the Ukrainian government still continues to influence the pricing on the market through implementing price caps, balancing nuclear power production volumes, introduction/cancellation of restrictive measures on import/export of electricity or providing import duties on thermal coal, etc. In 2022-2023 and till the date of issue of these consolidated interim financial statements several developments took place in the electricity market rules including introduction of the minimum price floors on intraday and day-ahead markets since February 2022, mandatory sale of the majority of electricity through open auctions, restrictions on electricity exports, introduction of special obligations since June 2022 (the "PSO") which obliged electricity exporters to pay 80% of the difference between the theoretical income and costs of the exporters, increase of maximum price caps since 30 June 2023 (by 25% in day-time, by 50% in night time and by 80% in the peak period from 7pm till 11pm) and further since 30 November 2023 (on average by about 7% in day-time, no change in night time and by about 13% in the peak period from 5pm till 11pm) etc.

During 24-26 February 2022 the Ukrainian power system was put in isolation from the power systems of Russia and Belarus and the ENTSO-E network to test its ability to operate independently as part of preparation for synchronization with the European ENTSO-E. As a result of Russian military invasion of Ukraine (Note 3) the Ukrainian power system was not connected back to the power systems of Russia and Belarus and in the middle of March 2022 it was connected to the ENTSO-E network. In November 2023, ENTSO-E announced the successful completion of synchronisation project with Ukraine after the compliance by NEC (NPC) Ukrenergo with the key technical requirements necessary to enable a permanent interconnection between the power systems of Continental Europe and Ukraine. Further on 14 December 2023 by the ENTSO-E Assembly approved Ukraine to become the 40th member of the association as of 1 January 2024.

## **2 Operating Environment of the Group (Continued)**

In 2022-2023 tariff was impacted by the war related events which include decrease of electricity demand by approximately 30% as compared to pre-war period and respective decrease of prices. The prices started to recover from July 2022, which was mainly driven by partial recovery of demand. Since October 2022 as result of destructions caused by multiple rocket attacks the Ukrainian energy system was and is experiencing lack of power supply and as a result export of electricity in all directions was stopped. It was further resumed during March-June 2023 and September-October 2023, but was discontinued again in summer period of 2023 and winter period 2023-2024 respectively as a result of lack of power supply in peak periods because of higher demand.

In this continuously developing market, the trading strategies of energy market participants are also developing, including changing between direct contracts and other market mechanisms, utilising forward purchases/sales opportunities, etc. All this results in turbulences in the tariffs on the day ahead and intraday markets which during the reporting period were fluctuating substantially and started to increase since August-September 2023 after price caps were increased and remained relatively stable during winter period 2023-2024.

## **3 Material Accounting Policies Information**

**Basis of preparation.** These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") as adopted by the European Union and the statutory provisions of Part 9, Book 2, of the Dutch Civil Code. Since the income statement for 2023 and 2022 of DTEK Energy B.V. is included in the consolidated financial statements, an abridged income statement has been disclosed in the company financial statements in accordance with art. 2:402 DCC.

The consolidated financial statements have been prepared using the historical cost convention, as modified by the revaluation of property, plant and equipment (revaluation model under IAS 16 *Property, plant and equipment*), and certain financial instruments measured at fair value in accordance with the requirements of IFRS 9 *Financial instruments*. The material principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Management applied the going concern assumption for the preparation of these consolidated financial statements.

**Going concern.** The Group's business is concentrated in Ukraine, almost all the revenue is generated in Ukraine and denominated in UAH (2023: 99% and 2022: 82%, respectively), although the Group also receives part of revenue in foreign currencies from its export of electricity (unless there are export restrictions as explained below). The majority of the Group's debt is denominated in USD (as disclosed in Note 16).

As of 31 December 2023 the Group had an excess of current assets over current liabilities of UAH 948 million and UAH 7,763 million of negative net assets (31 December 2022: excess of current assets over current liabilities of UAH 9,702 million and UAH 13,011 million of negative net assets). Management plans to cover the remaining deficit in net assets through earnings of profits (including profits from operations) in the future periods.

On 24 February 2022 Russia initiated a full-scale military invasion of Ukraine. This was followed up by the immediate enactment of martial law by the Ukrainian President's Decree approved by the Parliament of Ukraine and the corresponding introduction of the related temporary restrictions that impact the economic environment and business operations.

There is a significant uncertainty resulting from the current situation and over the future development of the military invasion. The current and future developments have a short and long-term impact on the Group, its people, operations, liquidity, and assets. There could be multiple scenarios of further developments of the current situation with unknown likelihood and the magnitude of the impact on the Group might be from significant to severe. Therefore, the Group has assessed the appropriateness of Going Concern assumption. Since the start of the war, the Group has experienced a number of significant challenges and disruptions, including, but not limited to:

- lower domestic demand for electricity and accordingly electricity production in Ukraine fell by approximately 30% in 2022 compared to 2021 and further fell by approximately 5% in 2023 compared to 2022;
- variability of movements of demand and prices for electricity between the different electricity market segments;
- the cessation of all electricity exports until 28 March 2022, since when electricity export was resumed to Poland and from 30 June 2022 partially resumed to other EU countries and further cessation of all electricity exports from 11 October 2022 as a result of missile attacks on the electricity infrastructure. Export was again resumed from March 2023, but was discontinued again in summer period of 2023 as a result of higher domestic demand and further resumed in September-November 2023, discontinued in December 2023 – January 2024 and resumed in February 2024. Amount of allowed export volumes is still insignificant compared to pre-war level;
- in 2022 DTEK Energy has lost control over Luhansk TPP located in non-controlled territory (Note 29). Zaporizhzhya TPP is also located in non-controlled territory and was idle from 5<sup>th</sup> May 2022;

### **3 Material Accounting Policies Information (Continued)**

- during October 2022-February 2023, Russia committed multiple attacks against civilian and critical infrastructure facilities throughout Ukraine, including the Group's energy enterprises. As a result there was a lack of electricity capacity in some regions of Ukraine during November 2022-February 2023, while the situation with capacity started to stabilize at the end of February 2023, when number of attacks decreased. Energy enterprises including DTEK Energy ran a repair campaign and recovered as much damaged equipment as possible which allowed to meet the demand of winter period 2023/2024. Further from December 2023 Russia increased and continued attacks on energy enterprises with several massive attacks in March-April 2024 (Note 34), causing damages of equipment on most TPPs, and significant decrease of electricity generation capacity on the TPPs;
- moratorium for cross-border debt and capital repayments imposed by the National Bank of Ukraine.

Management already took and continues to take a number of actions starting from March 2022 to mitigate the effect of negative impact by the challenges described above and optimised operations and its cash flows, including:

- continuous balancing of necessary efficient production on the basis of its fixed and variable costs versus payment collection;
- reduction of administrative expenses, including postponement of salary increase and bonus payments;
- pursuing regulatory and national energy policy negotiations to maintain adequate business environment;
- optimising working capital through renegotiation of payment terms with suppliers;
- sales in Ukraine to 3<sup>rd</sup> parties and export of own coal (until the ongoing ban of coal export from September 2022);
- developing proper arrangements to service Eurobonds and comply with currency control restrictions.

As a result of the actions above and the operating profits, the Group was and is able to maintain a positive cash balance.

As a part of the going concern assessment, management prepared monthly cash flow projections throughout 2024 and the first four months of 2025. Based on this forecast, taking into account results of damages from missile attacks committed before the reporting date, management expects to have sufficient liquidity during the projected period.

The projected cash flows assume that:

- the military situation remains status quo as per the date of issue of these consolidated financial statements;
- the average tariffs in the projection period are expected to approximate the actual observed tariff in 2<sup>nd</sup> half of 2023;
- no significant further (after March-April 2024 attacks) negative impact as a result of the war on the demand of electricity in Ukraine and controlled assets of DTEK Energy;
- repairs and maintenance are kept at the level ensuring the ability to operate at the sufficient level;
- no material losses from non-payment by the main customers;
- moratorium for cross-border debt and capital repayments shall be lifted or modified by National Bank of Ukraine to enable the Group to make payments due abroad;
- payments of principal and interest under Eurobonds will be at the agreed level in Eurobonds documentation;
- no settlements under the guarantee issued in connection with debt to Sberbank of Russia, including due to the continuing sanctions regime imposed on the bank.

Management analysis shows that the Group will have sufficient liquidity to maintain required operating expenses, capex, other running costs and settle the external debts according to the agreed schedules during the full projection period. Some assumptions and/or preconditions containing uncertainties, existing at the date of these financial statements, in particular lifting the moratorium on payments abroad as explained above, fall beyond management control. DTEK Energy considers different options to arrange the future settlements of Eurobonds liabilities, however these future settlements may be impacted by the uncertainty as explained earlier and may require the negotiations with the bondholders in the future.

It is uncertain how the military situation will further develop and the impact thereof on operations and physical safety of Group's assets. In case the military situation worsens, management will still be able to use mitigating liquidity measures including the option to elect for partially payment-in-kind (PIK) of the interest, reduction of capital expenditure to minimum levels while maintaining minimum safety and environmental standards, varying the maintenance budget between the periods and continuing optimising working capital through renegotiation of payment terms with suppliers. In case these measures will not be sufficient to accumulate the amount due under the Eurobonds, a request on immediate full or partial repayment of loans issued to DTEK GROUP B.V. will be made subject to the terms and conditions of such loans (Note 9) or further restructuring opportunities of the existing terms of Eurobonds will be considered.

Management acknowledges that the facts and circumstances described above, in particular the current situation and the future development of military actions and resulting ability to transfer cash abroad to make scheduled payments under Eurobonds, represent material uncertainties, which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

### **3 Material Accounting Policies Information (Continued)**

Despite these material uncertainties caused by the war in Ukraine, management is continuing taking actions to minimise the impact on the Group, and therefore believes that application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

**Use of estimates.** The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas, involving a high degree of judgement, complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 4.

**Functional and presentation currency.** The consolidated financial statements are presented in Ukrainian Hryvnia ("UAH"), which is the Company's functional and the Group's presentation currency. Transactions denominated in currencies other than the relevant functional currency are translated into the functional currency, using the exchange rate prevailing at the date of the transaction.

**Foreign exchange differences classification.** Foreign exchange transaction differences on accounts receivable, accounts payable, cash and cash equivalents and deposits placed are classified in consolidated income statement as "Net operating foreign exchange gains and losses". Transaction differences recognised on other monetary assets and liabilities are classified in consolidated income statement as "Foreign exchange losses less gains on financing and investing activities".

As at 31 December 2023, the exchange rates used for translating foreign currency balances were USD 1 = UAH 37.98 (31 December 2022: USD 1 = UAH 36.57); EUR 1 = UAH 42.21 (31 December 2022: EUR 1 = UAH 38.95).

The results and financial position of each consolidated entity are translated into the presentation currency as follows: (i) assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet; (ii) income and expenses for each income statement are translated at monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and (iii) all resulting exchange differences are recognised as a separate component of equity. All the components of consolidated equity are translated at the closing rate of that balance sheet date, except for share capital, share premium and retained earnings, which is stated at historical rates. The balancing figure goes to cumulative currency translation reserve in other reserves in equity.

**Transactions with non-controlling interests.** The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**Common control business combinations.** Purchases of subsidiaries from parties under common control are recorded using the predecessor values. Under this method the subsidiaries results, assets and liabilities are incorporated prospectively from the date, on which business combination between entities under common control occurred. The corresponding amounts for the previous year are not restated. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying values. The difference between the consideration given and the aggregate carrying value of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to equity. No additional goodwill is created by such purchases.

**Reorganisations.** The Group reorganisation whereby the entities or segments of the Group are demerged as separate legal entities with the only aim to meet the internal needs of a wider group of entities under common control, but remain under common control, are accounted for as follows: assets and liabilities are transferred at the carrying amount along with related fair value adjustments which were recognised on acquisition of such assets. Difference between any consideration received in exchange and the net assets transferred, inclusive of any fair value adjustments is recorded directly in equity. If entities transferred meet the criteria of discontinued operations, the results to the date of transfer and respective comparatives are presented accordingly as a single line in the income statement. Reorganisations driven by external factors are accounted under generic accounting model in accordance with IFRS 10 recognising any resulting difference between the fair value of consideration received and the carrying amount of net assets of the subsidiary at the date when control was lost as a gain or loss in income statement.

**Segment reporting.** Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. Segments falling below this threshold can be reported separately at management decision.

**Property, plant and equipment.** The Group uses the revaluation model to measure property, plant and equipment. The Group measure the right-of-use asset at cost at the commencement date and for a subsequent measurement elect to apply cost model to the all right-of-use assets, except for those relate to mining assets, for which revaluation model is applied. Fair value is based on valuations by external independent valuers or internally in case it is related to reversal of previous recognised economic obsolescence haircut. The frequency of revaluation will depend on the market conditions.

### **3 Material Accounting Policies Information (Continued)**

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from other reserves to retained earnings. When an item of property, plant and equipment is revalued the accumulated depreciation is eliminated against the gross carrying amount of the asset.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset. Gains and losses on disposals determined by comparing proceeds with carrying amount of property, plant and equipment are recognised in the consolidated income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

**Depreciation.** Depreciation is charged to the consolidated income statement on a straight-line basis to allocate costs of individual assets to their residual value over their estimated useful lives. Depreciation commences on the date of acquisition or, in respect of self-constructed assets, from the time an asset is completed and ready for use.

Mining assets include mineral licences and mineral reserves, which were acquired by the Group and which have finite useful lives. Mineral licenses and mineral reserves are stated at cost less accumulated amortisation and accumulated impairment losses. Mining assets are amortised on a straight-line basis over the estimated useful life.

Other property, plant and equipment are depreciated on a straight line basis over its expected useful life. The typical useful lives of the Group's other property, plant and equipment are as follows:

	<u>Useful lives in years</u>
Mining assets	from 3 to 13
Buildings and structures	from 3 to 20
Plant and machinery	from 2 to 20
Furniture, fittings and equipment	from 2 to 30

Construction in progress represents the cost of property, plant and equipment, including advances to suppliers, which has not yet been completed. No depreciation is charged on such assets until they are available for use.

**Asset retirement obligations.** According to the Code on Mineral Resources, Land Code of Ukraine, Mining Law, Law on Protection of Land and other legislative documents, the Group is responsible for site restoration and soil rehabilitation upon abandoning of its mines. Estimated costs of dismantling and removing an item of property, plant and equipment are added to the cost of an item of property, plant and equipment when the item is acquired, and corresponding obligation is recognised. When there are changes in the measurement of an existing asset retirement obligation, that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate used for measurement, the revaluation surplus of underlying asset is adjusted and any amount in excess of the revaluation surplus is recognised in the income statement.

Provisions in respect of abandonment and site restoration are evaluated and re-estimated annually and are included in the consolidated financial statements at each balance sheet date at their expected net present value, using discount rates which reflect the economic environment in which the Group operates.

**Initial recognition of financial instruments.** The Group's principal financial instruments comprise loans issued and borrowings, cash and cash equivalents, short-term deposits and financial guarantees. The Group has various other financial instruments, such as trade debtors and trade creditors, which arise directly from its operations.

Where financial instruments are acquired from parties under the common control of the ultimate shareholder, and the difference between the amount paid to acquire the instrument and its fair value in substance represents a capital contribution or distribution, such difference is recorded as a debit or credit in other reserves in equity.

All purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial instrument.

### **3 Material Accounting Policies Information (Continued)**

**Impairment of financial asset (credit loss allowance for ECL).** The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts and for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position.

The Group applies the IFRS 9 simplified approach which uses a lifetime expected loss allowance for the trade accounts receivable balances. At each reporting date, an entity assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. For all other instruments, the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition.

**Modification of financial assets.** The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

**Financial guarantees.** Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the amount of expected credit losses under IFRS 9.

**Derecognition of financial liabilities.** A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. While assessing if modification is substantial, management considers both quantitative and qualitative factors. Qualitative factors include change of form of the instrument, interest rate, change in covenants and guarantors. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognised in profit or loss.

Derivative financial instruments are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

Certain derivative instruments embedded in financial liabilities and other non-financial contracts are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

**Inventories.** The cost of inventory is assigned on the first in first out basis for raw materials and spare parts and weighted average cost for coal.

**Cash and cash equivalents.** Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with maturities of three months or less with insignificant change in value. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in other non-current assets.

**Dividends.** Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the consolidated financial statements are authorised for issue.

### **3 Material Accounting Policies Information (Continued)**

**Value added tax (“VAT”).** In Ukraine VAT is levied at four rates: 20% on sales and imports of majority of goods within the country, works and services, 14% for sales of agricultural products, 7% for cultural services and sales of medicals and 0% on the export of goods and provision of works or services to be used outside Ukraine. A taxpayer’s VAT liability equals the total amount of VAT collected within a reporting period and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. A VAT credit is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. Rights to VAT credit arise when a VAT invoice is received, which is issued on the earlier of the date of payment to the supplier or the date goods are received. For electricity and coal supply and purchase operations, companies have the right to recognize a VAT credit and liability respectively on the date of payment to the supplier. VAT related to sales and purchases is recognised in the consolidated balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

**Revenue recognition.** The Group’s generating companies sell all electricity produced by its electricity generation plants to electricity market. Revenue from the sale of electricity is the value of units supplied during the year. The Group recognises revenue from electricity sales over time. Revenue is recorded when control over electricity is transferred. Revenue from electricity sales is recognised in the accounting period in which the electricity was supplied based on meter readings data.

Revenues from other sales are recognised at the point of transfer of control associated with ownership of goods. If the goods are transported to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. Revenues are measured at the fair value of consideration received or receivable, and are shown net of value added tax, discounts, returns, penalties for electricity supply due to non-fulfilment of quantity of electricity supply, export duties and other similar mandatory payments.

**Recognition of expenses.** Expenses are recorded on an accrual basis. The cost of goods sold comprises the purchase price, transportation costs, commissions relating to supply agreements and other related expenses.

**Finance income and costs.** Finance income and costs comprise interest expense on borrowings, losses on early repayment of borrowings, interest income on funds invested, income on origination of financial instruments, unwinding of interest of the pension obligation and asset retirement provision, and foreign exchange gains and losses.

**Employee benefits: Defined Contributions Plan.** The Group makes statutory unified social contributions to the Pension Fund of Ukraine in respect of its employees. The contributions are calculated as a percentage of current gross salary, and are expensed when incurred. Discretionary pensions and other post-employment benefits are included in labour costs in the consolidated income statement.

**Employee benefits: Defined Benefit Plan.** Certain entities within the Group participate in a mandatory State defined retirement benefit plan, which provides for early pension benefits for employees working in certain workplaces with hazardous and unhealthy working conditions. The Group also provides lump sum benefits upon retirement subject to certain conditions. The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by actuaries using the Projected Unit Credit Method. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Remeasurement of liability resulting from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Current and past service costs are recognised immediately in the income statement.

**Income from non-core activity.** The Group undertakes, in the course of its ordinary activities, other transactions that do not generate revenue and are incidental to the main revenue-generating activities. When the Group acts as an agent the presentation of the transaction reflect the substance of the transaction by recording the net result through netting any income with related expenses arising on the same transaction with any net gain or loss presented in revenue. Accounts receivable and accounts payable are recognised on a gross basis and not offset.

**Changes in presentation in the comparative period.** In the current period DTEK GROUP B.V. reassessed its policy on presentation of cash flows from interest paid in the consolidated statement of cash flow and started to classify interest paid as financing cash flows because they are costs of obtaining financial resources primarily spent on investing activities or returns on investments, rather than on funding the working capital. Following this management also changed its presentation of cash flows from interest paid for 2022 to match the DTEK Group’s policy. As a result the amount of UAH 3,555 million was reclassified to financing cash flows from operating cash flows for comparative period.

#### **4 Critical Accounting Estimates and Judgements**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Impairment of property, plant and equipment.** The Group is required to perform impairment tests for its cash-generating units where impairment indicators are identified. One of the determining factors in identifying a cash-generating unit is the ability to generate independent cash flows for that unit. For many of the Group's identified cash-generating units a significant proportion of their output is input to another cash-generating unit. Management critical accounting estimates and judgements related to determination of recoverable values of property, plant and equipment are further disclosed in Note 8.

**Revaluation of property, plant and equipment.** On an annual basis management of the Group carries out an analysis to assess whether carrying amounts of items of property, plant and equipment differ materially from that which would be determined using fair value at the end of the reporting period. The analysis is based on price indices, developments in technology, movements in exchange rates since the date of latest revaluation, profitability of underlying businesses and other relevant factors. Where the analysis indicates that the fair values of items of property plant and equipment differ materially from the carrying amounts, further revaluation is performed involving independent appraisers.

As most of the Group's property, plant and equipment is of a specialised nature, its fair value is determined using depreciated replacement cost (Level 3). As at 30 September 2021, the Group's management performed the revaluation of property, plant and equipment for its mining and generation assets based on changes in economic conditions of business environment and an increase of the inflation rate. Fair values of property, plant and equipment and remaining useful lives were determined by an independent appraiser. The fair values obtained using depreciated replacement cost are validated using discounted cash flow models (income approach, Level 3), and are adjusted if the values obtained using income approach are lower than those obtained using depreciated replacement cost or indexation of carrying amounts (i.e. there is economic obsolescence).

As at 31 December 2022, the Group performed valuation for Pavlohradcoal assets. In 2023, due to the slow down of inflation and although there are remaining uncertainties related to impact of the war, management considered that the fair value of its property, plant and equipment is unlikely to be substantially different from its carrying value after applying the relevant impairments and therefore no full revaluation was performed (see Note 8).

**Remaining useful lives of property, plant and equipment.** The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the technical characteristics, physical conditions, management's expectations on use of the respective assets and other factors. This affects depreciation charge and revaluation results.

**Control over the legal entities whose operations in the non-controlled territory were lost.** On 15 March 2017 the self-proclaimed authorities took control of all of the Group's assets located in the non-controlled territory. Further on 24 February 2022, invasion of Russia took place in the territories where some of DTEK Energy assets are located. The Group determined that it retains control over the legal entities whose operations were located in the non-controlled territories and are located in territories impacted by the invasion of Russia in 2022, as these entities are registered in the controlled territory of Ukraine and continue to serve its obligations and collect payments on receivables, except for operations and assets of Luhansk thermal power plant (Note 29). Therefore, the Group continues to consolidate these entities as of 31 December 2023 or up until the commencement of liquidation procedure.

**ECL measurement.** Management estimates ECL based on an analysis of individual accounts. Factors taken into consideration include an ageing analysis of trade and other accounts receivable in comparison with the credit terms allowed to customers, and the financial position of and collection history with the customer. Should actual collections be less than management's estimates, the Group would be required to record an additional impairment expense.

For the period ended 31 December 2023 and 2022 ECL rate was calculated based on default rates corresponding to Fitch credit rating set for country of counterparty's operations or a counterparty where relevant and adjusted for weighted average loss given default determined according to Fitch recovery rates or the European Banking Authority if Fitch recovery rate is unavailable.

#### **4 Critical Accounting Estimates and Judgements (Continued)**

As a result of the electricity market reform, from 1 July 2019 Energorynok SE as a sole buyer of electricity ceased to perform its main functions, but remained as a legal entity until all of its obligations are settled. The set of laws (the "Laws") required for settlement of these obligations have been partially adopted, but not yet in full by the Ukrainian parliament and the timing of the adoption of these laws and validity period is still uncertain. The Laws assume several mechanisms of settlement of Energorynok SE's receivables and payables, but these are mainly via settlement with taxes including taxes of coal production entities of the Group or via settlement among respective counterparties of Energorynok SE. Due to the start of the war and respective significant pressure on the state budget including state-owned companies and delays with adoption of number of laws as a result of changes of focus the Group reassessed its assumptions related to the settlement period of receivables from Energorynok SE in 2022.

As at 31 December 2023 the gross carrying amount of trade receivables from Energorynok SE comprised UAH 6,157 million (31 December 2022: UAH 6,261 million). ECL for trade receivables from Energorynok SE is calculated based on scenario approach as follows: the most weight assumes non-repayment (80% probability) and an alternative scenario (20% probability) assumes a 20-year period for settlement.

In case the weight of the non-repayment scenario increased to 100%, this could result in additional provision totaling UAH 188 million as of 31 December 2023. The Group classified the whole balance of trade receivables as non-current trade and other receivables as at 31 December 2023 and as at 31 December 2022 (Note 11).

The assumptions and estimates used for expected credit loss assessment of guarantee issued were disclosed in Note 15.

**Post-employment and other employee benefit obligations.** Management assesses post-employment and other employee benefit obligations using the Projected Unit Credit Method based on actuarial assumptions which represent management's best estimates of the variables that will determine the ultimate cost of providing post-employment and other employee benefits. Since the plan is administered by the State, the Group may not have full access to information and therefore assumptions regarding when, or if, an employee takes early retirement, whether the Group would need to fund pensions for ex-employees depending on whether that ex-employee continues working in hazardous conditions, the likelihood of employees transferring from State funded pension employment to Group funded pension employment could all have a significant impact on the pension obligation. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

The major assumptions used in determining the net cost (income) for pensions include the discount rate, indexation rate and expected salary increases. Any changes in these assumptions will impact the carrying amount of pension obligations. Since there are no long-term, high quality corporate bonds issued in Ukrainian Hryvnias, significant judgement is needed in assessing an appropriate discount rate. Since there are no long-term high-quality corporate bonds in Ukraine, the Group applies market rates on Ukrainian government bonds of appropriate maturity to discount post-employment benefit obligations.

As the result of Russian invasion (Note 2) principal actuarial assumptions used have significantly changed and were as follows:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Nominal discount rate	18.05%	20.50%
Nominal salary increase	5.00%-12.99%	5.38%-24.90%
Pension indexation rate	5.00%-11.13%	5.38%-19.16%

As a result of change in assumptions UAH 414 million was recorded in other comprehensive income as loss from re-measurements of post-employment benefit obligations for the 12 months 2023.

#### **4 Critical Accounting Estimates and Judgements (Continued)**

The principal actuarial assumptions for sensitivity analysis were considered independently from each other. The methods and types of the assumptions used in preparing the sensitivity analysis did not change compared to the prior period. The sensitivity of the defined benefit obligation (Note 17) to changes in the principal assumptions is as follows:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Nominal discount rate increase/decrease by 1%	(5.63%)/6.16%	(4.89%)/5.57%
Nominal salary increase/decrease by 1%	2.47%/(2.33%)	2.26%/(2.13%)
Pension indexation rate increase/decrease by 1%	2.16%/(2.11%)	1.92%/(1.88%)

**Asset retirement obligations.** Changes in the measurement of an existing asset retirement obligation result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate are recognised as an adjustment to the cost of the respective asset through the income statement or other reserves in equity to the extent of any revaluation balance existence in respect of the related asset. As the result of slight recovery from the consequences of Russian military invasion (Note 2) principal asset retirement provision assumptions used have changed and were as follows:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Pre-tax nominal discount rate	18.05%	20.50%
Inflation long-term	5.00%	5.38%
Inflation middle-term	7.75%	9.61%

Also, as at 31 December 2023 there was the change in estimate in relation to remaining useful life of mines Stashkova and Stepnaya, which was extended for 1 year and mines Samarskaya and Pavlogradskaya, which were reduced for 3 years according to revised strategy in respect of mining.

As a result of changes in assumptions and estimate UAH 342 million was recorded in other comprehensive loss from change in estimate for asset retirement obligation for the 12 months 2023.

**Fair value of Eurobonds.** As of 17 May 2021, new Eurobonds were initially recorded at a fair value, where a significant judgement was required to determine the fair value of new Eurobonds. The Group's new Eurobonds maturing in 2027 were traded on open markets with a discount of approximately 30% to their nominal value. However, as trading volumes were low and transactions were infrequent, the market was not considered by management as an active market. Therefore, to estimate the fair value of new Eurobonds at the inception date quoted prices for similar financial instruments (corporate bonds) on in active markets were used (Level 3), which included CCC rated bonds with maturities in 2026-2028 and trading volumes of at least 10% out of the total issue amount, resulting in effective interest rate for new Eurobonds of 9.42%.

**Deferred tax asset recognition.** The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the balance sheet. Deferred tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimation based on historic taxable profits and expectations of future income that are believed to be reasonable under the circumstances.

**Tax legislation.** Ukrainian tax, currency and customs legislation continues to evolve. Conflicting regulations are subject to varying interpretations. Management believes its interpretations are appropriate and sustainable, but no guarantee can be provided against a challenge from the tax authorities.

**Uncertain tax positions.** The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance costs and other operating income/(expenses), net, respectively.

**Related party transactions.** In the normal course of business the Group enters into transactions with related parties. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions.

#### **4 Critical Accounting Estimates and Judgements (Continued)**

**Lease.** The Group's majority of lease agreements refer to land leases for its electricity generation and coal production facilities under agreements with local authorities. Lease payments are variable and calculated as a percentage from "normative monetary appraisal of land". Normative monetary appraisal of land does not constitute fair value of land as at reporting date since in Ukraine changes in normative monetary appraisal of land would not represent a variable to the change in fair value of land. In general, normative monetary appraisal of land is based on specific requirements in the legislation. Therefore, management concluded that normative monetary appraisal of land does not meet the definition of an index or a rate under of IFRS 16 and respectively no lease asset and liability should be recorded for lease of land contracts.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

#### **5 Adoption of New or Revised Standards and Interpretations**

**New and amended standards adopted by the Group.** The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies** (issued on 12 February 2021). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

As a result of this amendment the Group updated its disclosure in Note 3 to disclose only material accounting policies.

- **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates** (issued on 12 February 2021). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

The application of these amendments had no material impact on the Group's consolidated financial statements.

- **Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction** (issued on 7 May 2021). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The application of these amendments had no material impact on the Group's consolidated financial statements.

- **IFRS 17 Insurance Contracts** (issued on 18 May 2017) **including Amendments to IFRS 17** (issued on 25 June 2020), **Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information** (issued on 9 December 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. Under IFRS 17 measurement model all cash flows are based on current assumptions and revenue recognition rules are more consistent with IFRS 15, excluding deposit components, and revenue is not recognized on a cash basis. Some insurance contracts are scoped out of IFRS 17 either mandatorily or optionally and are accounted under other applicable standards such as IFRS 15.

The application of these amendments had no material impact on the Group's consolidated financial statements as the Group does not issue any insurance contracts in the scope of IFRS 17.

## **5 Adoption of New or Revised Standards and Interpretations (Continued)**

- **Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules** (issued on 23 May 2023). In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with IASB effective date, the companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

The Group is within the scope of the Pillar Two model rules, its impact is disclosed in Note 27.

**New accounting pronouncements.** Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Group has not early adopted.

The following new standards, which are relevant to the Group, have been endorsed by European Union:

- **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback** (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024)
- **Amendments to IAS 1 Presentation of Financial Statements:**
  - Classification of Liabilities as Current or Non-current (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2024);
  - Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2024);
  - Non-current Liabilities with Covenants (issued on 31 October 2022 and effective for annual periods beginning on or after 1 January 2024).

The Group will provide extended disclosures of borrowing terms when these amendments become effective.

The following new standards, which are relevant to the Group, have been issued, but have not been endorsed by European Union:

- **Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability** (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025)
- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements** (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024).

The Group is currently assessing the impact of the amendments on the consolidated financial statements.

## **6 Segment Information**

The Management Board is the Group's chief operating decision-maker (CODM). The Management has determined the operating segments used for disclosure by the Group based on reports reviewed by the Management Board for the purposes of assessing performance. The Management Board considers the business from a product perspective taking into account the vertical integration of the Group.

The Management Board assesses the performance of the operating segments based on a measure of Adjusted EBIT. This measurement basis (further referred to as 'segment result') represents profit for the year after excluding the following income statement items: foreign exchange losses less gains; income tax expense; impairment of property, plant and equipment, intangible assets and goodwill; net impairment losses on financial instruments, certain maintenance of social infrastructure costs; gain/loss on loss of control, finance income and expenses, except for interest on bank deposits, expenses in respect of payable for the recovery of damages (Note 19) and late adjustments.

In 2023 to better reflect the view on segment information the Group has made few changes in presentation of segment information in line with management's view of the Group's performance. Firstly, net impairment losses on financial instruments were excluded from segment result (2022: losses and gains on changes in settlement estimates on receivables related to Energorynok SE and entities from Russian Federation, on guarantee issued to Sberbank). As a result, UAH 359 million of net impairment losses were reclassified to Net impairment losses on financial instruments line from Segment result in the comparative period. Secondly, sales of machinery and services are no longer considered as an operating segment as its operating results started to be analysed within the Coal and power generation segment by the entity's CODM, which resulted in reclassification of UAH 529 million of sales and UAH 525 million of negative segment result from "Other" segment to "Coal and power generation" in the comparative period.

The following operating segment that meets the definition of a reportable segment is analysed by the Management Board:

- Coal and power generation.

This operating segment consist of coal mining and sale, power generation on thermal power plants and electricity sale and sales of services and machinery. Those Group's operations are vertically integrated and while the operating businesses are organised and managed separately, with each business unit offering different products and serving different markets, there remains significant inter-dependence between mining, generation and machinery business units of the Group.

'Other' external revenues and segment results are immaterial and consist mainly of coal resale, rental and other administrative expenses. Revenues from electricity resale within the Group for the purpose of internal consumption are presented in 'Coal and power generation' segment.

The primary reporting format, business segments, is based on the Group's management and internal reporting structure. Prices between the business units were set based on references to the market prices. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses. Segment revenue includes transfer between business segments. Those transfers are eliminated on consolidation.

## 6 Segment Information (Continued)

Segment information for the reportable business segments of the Group for the year ended 31 December 2023 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>Coal and power generation</b>	<b>Other</b>	<b>Elimination</b>	<b>Total</b>
Sales – external	67,139	-	-	<b>67,139</b>
Sales to other segments	-	1,262	(1,262)	-
<b>Total revenue</b>	<b>67,139</b>	<b>1,262</b>	<b>(1,262)</b>	<b>67,139</b>
<b>Total segment result</b>	<b>20,242</b>	<b>(977)</b>	<b>-</b>	<b>19,265</b>
Net operating foreign exchange loss				(111)
Foreign exchange losses less gains on financing and investing activities				(1,483)
Net finance costs not included in segment result				(1,433)
Impairment of property, plant and equipment (Note 8)	(882)	-	-	(882)
Net impairment losses on financial instruments				384
Maintenance of social infrastructure (Note 25)				(187)
Late adjustment on depreciation				332
Unallocated (expenses)/income, net				88
<b>Profit (loss) before income tax</b>				<b>15,973</b>
<b>Capital expenditure</b>	<b>8,213</b>	<b>-</b>	<b>-</b>	<b>8,213</b>
Net decrease in valuation of property, plant and equipment	(1,746)	-	-	(1,746)
<b>Material non-cash items included in segment result:</b>				
Depreciation and amortisation	(6,915)	-	-	(6,915)

Segment information for the reportable segments of the Group for the year ended 31 December 2022 after changes in reportable segment described above is as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>Coal and power generation</b>	<b>Other</b>	<b>Elimination</b>	<b>Total</b>
Sales – external	69,833	985	-	<b>70,818</b>
Sales to other segments	-	1,110	(1,110)	-
<b>Total revenue</b>	<b>69,833</b>	<b>2,095</b>	<b>(1,110)</b>	<b>70,818</b>
<b>Total segment result</b>	<b>15,641</b>	<b>(978)</b>	<b>-</b>	<b>14,663</b>
Net operating foreign exchange gain				2,523
Foreign exchange losses less gains on financing and investing activities				(14,774)
Net finance income not included in segment result				478
Impairment of property, plant and equipment and goodwill (Note 25)	(2,965)			(2,965)
Net impairment losses on financial instruments				(1,461)
Penalties provision (Note 19)				(535)
Loss of control (Note 29)				(165)
Maintenance of social infrastructure (Note 25)				(161)
Late adjustment on net impairment losses on financial instruments				(319)
Late adjustment on depreciation				(84)
Unallocated (expenses)/income, net				(340)
<b>Loss before income tax</b>				<b>(3,140)</b>
<b>Capital expenditure</b>	<b>4,980</b>	<b>128</b>	<b>-</b>	<b>5,108</b>
Net decrease in valuation of property, plant and equipment	(6,273)	-	-	(6,273)
<b>Material non-cash items included in segment result:</b>				
Depreciation and amortisation	(8,038)	(136)		(8,174)

Other segment in 2022 include coal resale operations namely external revenue in the amount of UAH 745 million and segment result of UAH 243 million.

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Ukraine is UAH 47,184 million (2022: UAH 44,986 million). As at 31 December 2023 and 2022 the Group has no non-current assets, located in other countries than Ukraine.

## 6 Segment Information (Continued)

Customers concentration, exceeding 10% of total revenues is presented below:

<i>In millions of Ukrainian Hryvnia</i>	Coal and power generation	Other	Total
<b>2023</b>			
Entities under common control of SCM and DTEK GROUP B.V. Group subsidiaries	53,244	-	53,244
<b>Total</b>	<b>53,244</b>	<b>-</b>	<b>53,244</b>

<i>In millions of Ukrainian Hryvnia</i>	Coal and power generation	Other	Total
<b>2022</b>			
Entities under common control of SCM and DTEK GROUP B.V. Group subsidiaries	51,980	363	52,343
<b>Total</b>	<b>51,980</b>	<b>363</b>	<b>52,343</b>

### Geographical information

<i>In millions of Ukrainian Hryvnia</i>	2023	2022
Ukraine	66,417	58,443
Foreign countries	722	12,375
<b>Total revenues</b>	<b>67,139</b>	<b>70,818</b>

The Company's revenues are presented by legal address of the customers. Revenues to foreign countries include sales to Swiss DTEK GROUP B.V. subsidiary amounting to UAH 633 million (2022: UAH 11,225 million).

The Group employed approximately 28.7 thousand people during 2023 (2022: 29.9 thousand people). The number of employees, based on full time equivalents, who are working outside the Netherlands as of 31 December 2023 was 28.4 thousand people (31 December 2022: 28.5 thousand people). Employees are allocated as follows within the Group's operating segment: coal and power generation – 28.2 thousand people (2022: 28.3 thousand people); other – 0.2 thousand people (2022: 0.2 thousand people).

## 7 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, *Related Party Disclosures*. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Other related parties represent entities with significant concentration of transactions, but which are not under common control.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2023 are detailed below.

<i>In millions of Ukrainian Hryvnia</i>	2023				2022	
	Entities under common control of SCM	DTEK GROUP B.V. Group subsidiaries	Associates and Joint Ventures of SCM	Entities under common control of SCM	DTEK GROUP B.V. Group subsidiaries	Associates and Joint Venture of SCM
Prepayments for property, plant and equipment	46	12	-	14	9	-
Loans provided to related parties (Note 9)	-	8,041	7	-	-	-
Trade and other receivables	834	11,157	21	840	16,844	10
Restricted deposits	17	-	-	9	-	-
Cash and cash equivalents	184	-	-	1,020	-	-
Other financial liabilities	-	(69)	-	-	(127)	-
Trade and other payables	(111)	(1,667)	(1)	(143)	(905)	(12)
Prepayments received	(222)	(616)	-	(91)	(2,290)	(1)
Provisions for other liabilities and charges	(165)	-	-	(271)	-	-

## 7 Balances and Transactions with Related Parties (Continued)

The income and expense items with related parties for the years ended 31 December were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2023			2022		
	Entities under common control of SCM	DTEK GROUP B.V. Group subsidiaries	Associates and Joint Ventures of SCM	Entities under common control of SCM	DTEK GROUP B.V. Group subsidiaries	Associates and Joint Venture of SCM
Sales of electricity	-	40,368	-	1	42,081	-
Sales of coal	-	12,314	-	362	9,525	-
Sales of services and machinery	562	-	5	374	-	4
Other operating income	107	606	8	1	23	-
Other operating expenses	-	(247)	-	-	-	-
Charity expenses	-	-	(257)	-	-	(40)
Purchase of coal and fuel	-	(1,606)	-	(7)	(2,608)	-
Purchase of production materials and spare parts	(2,318)	(39)	-	(1,876)	(8)	-
Purchase of gas	-	(1,098)	-	-	(3,129)	-
Purchase of electricity	-	(4,531)	-	-	(4,173)	-
Purchase of non-current assets	(70)	-	-	(84)	-	-
Purchase of services	(7,353)	(1,294)	(30)	(7,392)	(1,068)	(16)
Interest income on bank deposits	244	-	-	79	-	-
Other finance income/(costs)	-	21	-	-	(20)	-

### *Loans provided to related parties*

In 2023, loans were issued to DTEK GROUP B.V. at the nominal amount of USD 225 million (UAH 8,546 million). As at 31 December 2023, the loans provided include principal amount and accrued interest (Note 9).

### *Sales, trade and other receivable*

The trade receivable balances as of 31 December 2023 due from entities under common control and associates of SCM are non-interest bearing. Balances from related parties as of 31 December 2023 and 2022 are unsecured and settlements are made either in cash, in the form of debt set-off or other means. Those balances are presented on a net basis including ECL allowance (see Note 11).

As of 31 December 2023 and 2022 DTEK Energy has commitment with one of DTEK GROUP B.V. Group subsidiaries to sell electricity for supply to Hungary for a variable amount dependent on the market conditions, which may be realised after the ban on export of electricity from Ukraine to Hungary will be lifted.

During 2023, the Group recognized and received penalty income for the late settlement of trade receivables due from DTEK GROUP B.V. subsidiaries in the amount of UAH 606 million. The amount was recognized within Other operating income (Note 23).

### *Purchases, trade and other payables*

Purchases and outstanding trade and other payables as at 31 December 2023 and 2022 comprised mainly balances due to related parties for provision of railway services, supplies of electricity, gas, iron shoring for mines, raw materials, steaming coal and professional services relating to DTEK Service LLC. Balances payable are non-interest bearing and are repayable in the normal course of business.

Prepayments received mainly include prepayments for electricity.

Purchases of services are mainly presented by purchase of railway transportation services of UAH 7,329 million (2022: UAH 7,244 million) from entities under common control of SCM.

During 2023 the Company declared dividends to the parent company and further settled through payment to DTEK GROUP B.V. (Note 13).

### *Key management personnel compensation*

In 2023 total compensation to key management personnel amounted to UAH 86 million (2022: UAH 72 million). Compensation to the key management personnel consists of salary and bonus payments.

## 8 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>Mining assets</b>	<b>Buildings and structures</b>	<b>Plant and machinery</b>	<b>Furniture, fittings and equipment</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Carrying amount at 1 January 2022</b>	7,535	9,967	26,285	1,339	151	45,277
<b>At 1 January 2022</b>						
Cost or valuation	8,246	10,758	28,354	1,564	151	49,073
Accumulated depreciation	(711)	(791)	(2,069)	(225)	-	(3,796)
<b>Carrying amount at 1 January 2022</b>	<b>7,535</b>	<b>9,967</b>	<b>26,285</b>	<b>1,339</b>	<b>151</b>	<b>45,277</b>
Additions	1,142	167	2,030	88	1,681	5,108
Disposals	-	(11)	(45)	(3)	(38)	(97)
Depreciation charge	(1,108)	(1,256)	(5,735)	(290)	-	(8,389)
Loss of control (Note 29)	-	(557)	(554)	(11)	(23)	(1,145)
Increase in valuation of property, plant and equipment	1,193	358	1,639	21	-	3,211
Decrease in valuation of property, plant and equipment	-	(3,201)	(6,103)	(77)	(103)	(9,484)
Reversal of impairment of property, plant and equipment	297	21	194	-	301	813
Impairment of property, plant and equipment	-	(281)	(790)	(43)	(665)	(1,779)
Transfer	126	237	321	23	(707)	-
<b>Carrying amount at 31 December 2022</b>	<b>9,185</b>	<b>5,444</b>	<b>17,242</b>	<b>1,047</b>	<b>597</b>	<b>33,515</b>
<b>At 31 December 2022</b>						
Cost or valuation	10,948	7,489	25,039	1,558	597	45,631
Accumulated depreciation	(1,763)	(2,045)	(7,797)	(511)	-	(12,116)
<b>Carrying amount at 31 December 2022</b>	<b>9,185</b>	<b>5,444</b>	<b>17,242</b>	<b>1,047</b>	<b>597</b>	<b>33,515</b>
Additions	1,479	195	4,651	311	1,577	8,213
Disposals	-	(20)	(6)	(1)	(16)	(43)
Depreciation charge	(1,339)	(720)	(4,431)	(190)	-	(6,680)
Increase in valuation of property, plant and equipment	-	130	627	24	-	781
Decrease in valuation of property, plant and equipment	-	(749)	(1,719)	(2)	(57)	(2,527)
Reversal of impairment of property, plant and equipment through profit and loss	-	23	64	9	-	96
Impairment of property, plant and equipment	-	(111)	(659)	(15)	(193)	(978)
Transfer	249	200	384	21	(854)	-
<b>Carrying amount at 31 December 2023</b>	<b>9,574</b>	<b>4,392</b>	<b>16,153</b>	<b>1,204</b>	<b>1,054</b>	<b>32,377</b>
<b>At 31 December 2023</b>						
Cost or valuation	12,676	7,030	28,126	1,880	1,054	50,766
Accumulated depreciation	(3,102)	(2,638)	(11,973)	(676)	-	(18,389)
<b>Carrying amount at 31 December 2023</b>	<b>9,574</b>	<b>4,392</b>	<b>16,153</b>	<b>1,204</b>	<b>1,054</b>	<b>32,377</b>

As at 31 December 2023 total carrying amount of right-of-use assets is UAH 1,558 million consisted of 57% plant and machinery, 29% mining assets, 6% construction in progress, 7% buildings and structures (31 December 2022: UAH 1,511 million consisted of 37% plant and machinery, 20% mining assets, 30% construction in progress, 13% buildings and structures).

During 2023 the depreciation expense of right-of-use assets of UAH 237 million includes 66% of plant and machinery, 21% of buildings and structures, 12% of mining assets and 2% of furniture, fittings and equipment (2022: UAH 257 million includes 67% of plant and machinery, 22% of buildings and structures, 10% of mining assets and 1% of furniture, fittings and equipment).

During 2023 additions of right-of-use assets of UAH 306 million includes 94% of plant and machinery, 2% of buildings and structures, 1% of mining assets and 3% of furniture, fittings and equipment (2022: UAH 302 million, including 17% of plant and machinery, 12% of buildings and structures, 1% of mining assets and 70% of construction in progress).

## **8 Property, Plant and Equipment (Continued)**

As at 31 December 2023 and 2022, no property, plant and equipment have been pledged to third parties as collateral for borrowings (Note 28).

In 2023, the depreciation expense of UAH 6,318 million (2022: UAH 7,827 million) was included in cost of sales, UAH 67 million (2022: UAH 65 million) in other operating expenses, UAH 70 million (2022: UAH 108 million) in general and administrative expenses, UAH 225 million was capitalised (2022: UAH 389 million).

### *Impairment and value assessment as at 31 December 2023*

Management performed an analysis of impairment indicators as at 31 December 2023 and determined that the lower coal price and electricity tariffs for projected periods compared to prior expectations represent impairment indicators for mining and generation assets of the Group and performed an impairment test, using the fair value less costs to sell method. Significant estimates and assumptions are described below.

*Effect of operating environment.* Zaporizhzhya TPP is located in Enerhodar (non-controlled territory as at 31 December 2023 and 2022) and from 5th May 2022 was idle. It's expected to recommence operations upon the end of the hostilities and return of the territory under control of Ukrainian government with initial capacity, however considering the uncertainty it was impaired by around 95% with remaining recoverable value as of 31 December 2023 of UAH 100 million (as of 31 December 2022: UAH 562 million).

Further as a result of numerous shelling of another TPP located near the front line its generation volumes were revised and in 2024 it is expected to decrease its electricity production to 25% of its 2023 volume. Considering the uncertainty assets of the TPP near front line were impaired by around 70%. If the numerous shelling will continue and TPP will remain idle this may result in additional impairment of UAH 1,005 million.

Management assumes that the war will remain in status quo during 2024 (loss of control over Luhansk TPP and all other power plants are working, except Zaporizhzhia TPP and decrease in production of electricity of the TPP near the front line) and that as from 2025 onwards active hostilities will cease without any additional losses of territory. This will allow to restore volumes of electricity generation by the TPP near front line to 70% of its pre-war generation with simultaneous decrease of electricity generation of the other TPPs.

*Post-tax discount rate.* The discount rate of around 27.0% used is after-tax and reflect specific risks of the relevant CGUs including the war risks. In case the post-tax weighted average cost of capital is higher by 1%, this would result in increase of net impairment of property, plant and equipment in the amount of UAH 162 million (including UAH 142 million reduction in revaluation reserve).

Cash flows beyond the seven-years projection period were extrapolated using an estimated growth rate of 4.8% (2022: 4.8%).

*Electricity and auxiliary services tariffs.* During the first half of 2023 average base tariff on Day Ahead market (DAM) approximated average tariff in July-December 2022. Further, the price caps were increased from 30 June 2023 (Note 2), which positively affected the electricity tariffs, though their level close to the year end and in the months subsequent to the balance sheet date slightly went down. Management assumes that during 2024 electricity tariffs will not change significantly as compared to 2<sup>nd</sup> half of 2023 due to existing price caps.

Starting from 2025 it is assumed that the market regulations shall be further released, the tariffs will be market driven, resulting in tariff increase of 4.9% on average during 2025-2030, considering the gap between price on day ahead market and price on direct contracts market. Also the gap between marginal costs (based on market prices of coal and CO<sub>2</sub>) to produce electricity by Group's TPPs and the electricity tariffs in neighbouring EU countries shall be gradually narrowing to reach mid point of the gap by 2031. For projection of EU electricity tariffs for 2031 Baringa analytical agency forecasts for European market adjusted on expected European CPI and expected exchange rate of respective currency were used. If the tariff will be lower by 1% in all projected periods, this would result in increase of net impairment of property, plant and equipment totalling UAH 893 million (including UAH 778 million through revaluation reserve).

From 2025, following assumed cease of active hostilities, management expects liberalization of tariffs regulation for auxiliary services, which would result in the increase of tariffs for such services by 3.3 times in 2025 and further average annual increase during 2026-2030 by 2%.

*Generation volumes.* Management assumes that average generation volumes for coal-fired stations in total for all CGUs will increase by 21.6% on average during 2024 as compared to 2023 with further decrease in 2025 by 12.6% and during 2026-2030 will decrease on average by 1.6% annually. Thermal power generation volumes are expected to decline as a result of closure of several TPPs with further major reduction of volumes by 2035 for DTEK to become carbon neutral by 2040. Respectively the forecast period for terminal value was limited by 2035 as subsequent period did not have significant effect on valuation results. If the expected generation volumes will be lower by 1% than assumed by management in all projected periods this would result in increase of net impairment of property, plant and equipment totalling UAH 268 million (including UAH 234 million in revaluation reserve).

## **8 Property, Plant and Equipment (Continued)**

*Cost of coal.* Management assumes that the market price of coal will increase by 9.6% in 2024 and further stay relatively stable during 2025-2030. Coal prices for 2024 is consistent with management internal budgeting forecasts and for 2025-2026 were determined based on Bloomberg 30-day average of API-2 forwards for the respective periods adjusted for freight costs. From 2027 onwards coal prices are adjusted on change in Baringa coal forecasts, adjusted for expected CPI, freight costs and exchange rate of local currency in relation to US dollar based on own forecasts.

If the cost of coal starting from 2024 and onwards will grow by 1% higher than expected (with all other variables including electricity tariffs held constant), this would result in increase of net impairment of property, plant and equipment of generating assets by UAH 477 million (including UAH 416 million through revaluation reserve) and have no impact on valuation of mining assets due to significant headroom in its recoverable value estimate.

*Green Deal.* Management expects that there shall be no need to perform any significant non-planned capital expenditures to decrease the CO<sub>2</sub>, SO<sub>x</sub>, NO<sub>x</sub> emissions by power stations (Note 28). Would the future actual developments be different, the recoverable value of power plants might be lower. Payment for CO<sub>2</sub> emissions are expected to be made as the environmental tax at the same level in 2024 as compared to 2023 with further growth by 420% in 2025 and by average 28% annually in 2026-2028 in EUR terms. Further forecast is based on EBA analytical research forecasts for 2028-2032 regarding Ukraine's adoption and integration to EU ETS adjusted on the Company's free share assumption, which leads to double increase of Company's CO<sub>2</sub> payments from 2029 till 2030 taking into account part of free share of CO<sub>2</sub> quotes of 86-88%, assuming payments in terminal period will be in line with 2030 remaining existing level of free share. For details on prolongation of exploitation of power plants according to NERP please see Note 28. Carbon border adjustment mechanism (CBAM) proposed by European Commission was not embedded in the future cash flow projections due to zero or insignificant amount of export assumed in all projected periods.

*Coal production volumes.* Management assumes that average coal production during 2024 will approximate the average actual output during 2023, then following a closure of part of the mines will decrease annually by approximately 4% during 2025-2030. One of the assumptions in the future cash flow projections was an achievement of carbon neutrality by 2040. Management assumed that the coal production will continue decreasing after 2030 and the forecast period for terminal value was limited by 2035 as subsequent period did not have significant effect on valuation results.

As a result of the impairment test for generation assets, certain generation CGUs were identified with the recoverable amount being lower than their net book value while for certain generation CGUs recoverable amount was higher due to transfer of generation volumes from other TPPs.

As a result, net impairment of property, plant and equipment in the income statement is UAH 882 million and UAH 1,746 million in other comprehensive income.

### *Impairment and value assessment as at 31 December 2022*

*Effect of operating environment.* As described in Note 3 the results and timing of the full-scale invasion across the Ukrainian state and its effect on DTEK Energy business are difficult to predict, as such management applied a scenario approach in its impairment assessment for electricity generation assets as at 31 December 2022, using fair value less costs to sell method. Three different scenarios were used, including:

- Scenario 1 with the most weight (75%), where management assumed that the war will remain in status quo (loss of control over Luhansk TPP and all other power plants are working, except Zaporizhzhia TPP) during 2023 and from 2024 onwards the projected volumes were estimated to be at a level expected in pre-war projections and adjusted on reallocation of 70% of Zaporizhzhia TPP output.

Zaporizhzhia TPP was not operational during 2023 and the first quarter of 2024 and further the projected volumes were estimated to be at 20% only as compared to a level expected in pre-war projections.

- Scenario 2 with the weight of 20% where management assumed loss of the operations which were situated near the eastern front line and reallocate electricity historical output to another power plants in Ukraine, including ones belonging to DTEK Energy (and limited by the maximum capacity of these stations); all other assumptions were the same as in the scenario 1.

- Scenario 3, which assumed loss of DTEK Energy assets located all over Ukraine with 5% weight.

In case the scenario 1 were realised (100% probability), this would result in decrease of impairment of property, plant and equipment in the amount of UAH 910 million (including UAH 775 million increase of revaluation reserve). In case the scenario 2 were realised (100% probability), this would result in additional increase of impairment of property, plant and equipment by the amount of UAH 30,114 million (including UAH 12,103 million decrease in revaluation reserve). If the scenario 3 was crystallised, this would result in full impairment of property, plant and equipment.

*Zaporizhzhya TPP.* Zaporizhzhya TPP is located in Enerhodar (non-controlled territory as at 31 December 2022) and from 5th May 2022 was idle due to destroyed bridge and railway track (coal supplies are not possible). It was expected to recommence operations upon the end of the hostilities and return of the territory under control of Ukrainian government with initial capacity, however considering the uncertainty it was impaired by around 90% with remaining carrying value of UAH 600 million.

## **8 Property, Plant and Equipment (Continued)**

*Post-tax discount rate.* The discount rate of around 20.6% was used is after-tax and reflect specific risks of the relevant CGUs apart from the war risks, which were embedded into the scenarios applied. In case the post-tax weighted average cost of capital was higher by 1%, this would result in increase of impairment of property, plant and equipment in the amount of UAH 554 million (including UAH 506 million reduction in revaluation reserve).

*Electricity tariff.* During 2022, tariffs continued to fluctuate mainly as a result of war in Ukraine and changes in market regulations. The tariff in 2022 overall increased as compared to prior periods and remained at this level in the months subsequent to the balance sheet date.

In management projections it was assumed that average tariffs for 2023 will not change significantly compared to 2022 due to continuing market regulations in place like price caps and ban on export of electricity. Starting from 2024 it was assumed that the market regulations shall be released, the tariffs will be market driven and the gap between marginal costs to produce electricity by Group's TPPs and the electricity tariffs in neighbouring EU countries shall be narrowing to reach mid point of the gap by 2030. For projection of EU electricity tariffs Baringa analytical agency forecasts for European market adjusted on expected European CPI and expected exchange rate of respective currency were used.

The resulting tariffs projections for 2024 was assumed effectively to be doubled as compared to 2023 reflecting the increased cost of coal and expected cancellation of market regulations. Further during 2025-2030 the tariff was assumed to decrease on average by 2.3% mainly due to decrease of cost of coal. If the tariff was lower by 1% in all projected periods, this would result in increase of impairment of property, plant and equipment totalling UAH 1,575 million (including UAH 1,438 million through revaluation reserve).

*Generation volumes.* Management assumed that average generation volumes for coal-fired stations in total for all CGUs in scenario 1 were to increase by 20.3% during 2023 and further were assumed to be flat during 2024-2029 reaching on average 6% lower level compared to 2023. In scenario 2 the average generation volumes for all CGUs were to decrease by 18.8% in 2023 compared to 2022, in 2024 decrease by 7.4%, in 2025-2029 for remaining plants' generation were to be stable at the level of 2024. Thermal power generation volumes were expected to decline starting from 2030 by 40-58% as a result of closure of several TPPs with further major reduction of volumes by 2035 for DTEK to become carbon neutral by 2040. Respectively the forecast period for terminal value was limited by 2035 as subsequent period did not have significant effect on valuation results. If the expected generation volumes were lower by 1% than assumed by management in all projected periods this would result in increase of impairment of property, plant and equipment totalling UAH 239 million (including UAH 217 million in revaluation reserve).

*Cost of coal.* Management assumed that the market price of coal will increase on average by 28.7% in 2023 compared to 2022 and by 95.3% in 2024. From 2025 onwards price of coal were to decrease on average by 9.7% annually. Coal prices for 2023 were consistent with management internal budgeting forecasts and for 2024-2025 were determined based on Bloomberg 30-day average of forwards for the respective periods. From 2026 onwards coal prices were based on Baringa index forecasts, adjusted for expected CPI based on own forecasted freight costs and expected exchange rate of local currency in relation to US dollar.

Expected coal prices increase resulted in decrease of discounted cash flows of electricity generation cash-generating units (CGU), however was an uplift for discounted cash flows of the mining CGUs as of 31 December 2022, which resulted in increase in value of mining assets. Management performed analysis of factors that impacted fair value of mining assets and considering uncertainties related to impact of the war, decided not to perform a full revaluation. Fair value of property, plant and equipment of mining assets were estimated to be at the time-adjusted level of depreciation replacement cost defined by independent appraiser as part of 2021 revaluation which was capped by impairment test/income method valuation.

If the cost of coal starting from 2023 and onwards was to grow by 1% higher than expected (with all other variables including electricity tariffs held constant), this would result in increase of impairment of property, plant and equipment of generating assets by UAH 1,154 million (including UAH 1,055 million through revaluation reserve) and have no impact on valuation of mining assets due to significant headroom in its recoverable value estimate.

*Green Deal.* Management expected that there shall be no need to perform any significant non-planned capital expenditures to decrease the CO<sub>2</sub>, SO<sub>x</sub>, NO<sub>x</sub> emissions by power stations. Were the future actual developments different, the recoverable value of power plants might be lower. Payment for CO<sub>2</sub> emissions were expected to be paid as the environmental tax at the same level in 2023 as compared to 2022 and further annual growth by 100% in 2024-2026 in EUR terms. Further forecast was based on Baringa analytical agency forecasts for 2030 adjusted on the Company's free share assumption, which lead to double increase of Company's CO<sub>2</sub> payments from 2026 till 2030 with average growth of 23.0% per year taking into account part of free share of CO<sub>2</sub> quotes of 85-92%. Carbon border adjustment mechanism (CBAM) proposed by European Commission was still in the stage of the legislative process and due to uncertainty of timing and mechanism was not embedded in the future cash flow projections.

## **8 Property, Plant and Equipment (Continued)**

As a result of the impairment test for generation assets and increase in valuation of property, plant and equipment of mining assets, certain generation CGUs were identified with the recoverable amount being lower than their net book value due to economic obsolescence while mining assets increased its fair values. The amount of net impairment of property, plant and equipment in the income statement was UAH 966 million and UAH 6,273 million in other comprehensive income. Full impairment of goodwill was recognised (Note 9). Impairment was determined at the level of cash-generating units related to thermal power plants and machinery plants and increase in value of mining CGU.

Cash flows beyond the five-year period were extrapolated using an estimated growth rate of 4.8% (2021: 5.5%) for electricity generation business.

## **9 Financial investments**

As at 31 December, non-current financial investments were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Loans provided to related parties (Note 7)	8,020	-
Equity securities (quoted)	6	12
Deposits placed	1	1
<b>Total</b>	<b>8,027</b>	<b>13</b>

As at 31 December, current financial investments were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Loans provided to related parties – accrued interest (Note 7)	21	-
<b>Total</b>	<b>21</b>	<b>-</b>

As at 31 December 2023, loans provided to related parties in the principal amount of UAH 8,546 million (31 December 2022: nil) are represented by loans issued to DTEK GROUP B.V. denominated in US dollars and due in October 2028. Loans bear a nominal interest of 10% per annum payable on quarterly basis with an option of interest capitalization at 11% interest rate per annum two times per calendar year until 2027. The borrower may at any time elect to change the applicable Interest Rate from the Fixed Interest Rate to the Floating Interest Rate, which is the aggregate of margin, being 10% less the average US 6 month Treasury Rate for the calendar month immediately preceding the Floating Interest Starting Date, and the average US 6 month Treasury Rate. At the date of these consolidated financial statements there was no request from the borrower to change its interest rate.

Loans provided to DTEK GROUP B.V. were initially recorded at their fair value which is equal to cash paid by the Group. The 10% fixed interest rate on the instrument is within the range of market interest rates between 8.4% and 11.9% on active markets (Level 3) for similar USD denominated financial instruments (corporate loans) of entities with a credit rating of CCC+ to D issued in 2023 with maturities within 4.5-5.5 years.

For the purpose of solely payments of principal and interest (SPPI) test the Group performed the quantitative assessment, which requires it to compare the contractual cash flows of the financial asset under assessment to the cash flows of a 'benchmark' instrument whose time value of money element is not modified (known as the 'benchmark test'). As part of the benchmark test the Group applied two scenarios – based on the US 3 month Treasury Rate from publicly available experts forecasts and the maximum observed historical difference between US 3 month and 6 month Treasury Rates for the last 20 years. The Group determined that the benchmark test was passed and therefore accounted for the loans at amortized cost.

As at 31 December 2023, expected credit losses for loans provided to related parties amounted to UAH 526 million, and were measured at a 12-month ECL rate (Stage 1) of 6.16%, which was assessed as a difference between the original effective interest rate of the loan and the yield to maturity of 5-year US treasury bonds observable at the date of originating of the loans, being close enough to 31 December 2023.

As at 31 December 2023, loans provided to related parties were pledged as collateral for Eurobonds. According to the contractual terms, on and at any time after the occurrence of a payment default under the Eurobonds, the minimum amount required to remedy such default, if lower, the principal amount outstanding of the loan plus accrued interest, and all other amounts accrued or outstanding shall become immediately due and payable.

Equity securities are carried at fair value through profit or loss.

## 10 Inventories

As at 31 December, inventories were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2023	2022
Coal	2,006	2,362
Production materials	1,711	1,421
Spare parts	472	342
Fuel supplies	181	276
Goods for resale	76	27
<b>Total inventories</b>	<b>4,446</b>	<b>4,428</b>

## 11 Trade and Other Receivables

Non-current trade and other receivables were as follows:

<i>In millions of Ukrainian Hryvnia</i>	31 December 2023	31 December 2022
Trade receivables less provision of UAH 5,969 million (31 December 2022: UAH 6,062 million)	188	199
Other financial receivables less provision of UAH 3 million (31 December 2022: UAH 3 million)	3	3
<b>Total financial assets</b>	<b>191</b>	<b>202</b>
VAT recoverable less provision of UAH nil million	14,308	10,870
<b>Total non-financial assets</b>	<b>14,308</b>	<b>10,870</b>
<b>Total non-current trade and other receivables</b>	<b>14,499</b>	<b>11,072</b>

Current trade and other receivables were as follows:

<i>In millions of Ukrainian Hryvnia</i>	31 December 2023	31 December 2022
Trade receivables less provision of UAH 2,945 million (31 December 2022: UAH 3,263 million)	13,495	15,641
Other financial receivables less provision of UAH 1,499 million (31 December 2022: UAH 1,563 million)	932	2,532
<b>Total financial assets</b>	<b>14,427</b>	<b>18,173</b>
VAT recoverable less provision of UAH nil million	514	1,554
Prepayments to suppliers less provision of UAH 484 million (31 December 2022: UAH 404 million)	2,500	3,277
Other non-financial assets less provision of UAH 56 million (31 December 2022: UAH 15 million)	32	76
<b>Total non-financial assets</b>	<b>3,046</b>	<b>4,907</b>
<b>Total current trade and other receivables</b>	<b>17,473</b>	<b>23,080</b>

As of 31 December 2023 other financial receivables include UAH 304 million of principal and interest (31 December 2022: UAH 15 million) due from the payment agent in respect of Eurobonds held by Group subsidiary (Note 16).

Financial receivables and financial payables originated from operations on electricity balancing market in the amount of UAH 683 million are presented on net basis as at 31 December 2023 (31 December 2022: UAH 923 million).

As at 31 December 2023, 7% of trade and other receivables are denominated in currency, other than UAH (31 December 2022: 38%).

As at 31 December 2022 other financial receivables and prepayments to suppliers for coal included UAH 2,071 million and UAH 1,272 million of balances respectively related to DTEK GROUP B.V. subsidiary, that were returned in cash during 2023 as a result of decrease of electricity output due to missile attacks.

## 11 Trade and Other Receivables (Continued)

Following the change in payments terms of intercompany balances the management reassessed the amount that will be realized for more than 1 year for settlement of VAT recoverable and VAT liability of UAH 14,308 million as of 31 December 2023 (31 December 2022: UAH 10,870 million) and as a result the respective VAT balances were reclassified to non-current trade and other receivables and other taxes payable respectively (Note 20). The rights to utilize respective VAT credit against VAT liability will arise on the date of payment in cash or other forms of compensations to the supplier.

Movements in the impairment provision for trade and other receivables were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2023		
	Financial receivables	Financial receivables – credit-impaired	Non-financial receivables
<b>Provision for impairment at 1 January</b>	<b>1,160</b>	<b>9,730</b>	<b>420</b>
Provision for impairment during the year	331	46	98
Reversal of provision	(486)	(128)	(20)
Impact of changes in estimates and assumptions	(285)	-	-
Exchange rate difference	80	-	-
Amounts written off during the year as uncollectible and other movements	(35)	-	46
<b>Provision for impairment at 31 December</b>	<b>765</b>	<b>9,648</b>	<b>544</b>

<i>In millions of Ukrainian Hryvnia</i>	2022		
	Financial receivables	Financial receivables – credit-impaired	Non-financial receivables
<b>Provision for impairment at 1 January</b>	<b>799</b>	<b>7,846</b>	<b>399</b>
Provision for impairment during the year	378	209	44
Reversal of provision	(130)	(132)	(22)
Impact of changes in estimates and assumptions	49	3,079	-
Individual financial assets transferred to credit impaired	(50)	50	-
Exchange rate difference	177	35	-
Loss of control	-	(313)	-
Amounts written off during the year as uncollectible and other movements	(63)	(1,044)	(1)
<b>Provision for impairment at 31 December</b>	<b>1,160</b>	<b>9,730</b>	<b>420</b>

*Measurement of ECLs.* For all significant debtors and related parties, the calculation of expected credit losses is carried out on an individual basis taking into account agreement terms, expected repayment period, internally assessed credit risks for significant debtors based on the financial performance and taking into account external credit rating, if available. Approach to expected credit losses measurement is described in Note 4.

As at 31 December 2023 and 2022, ECL rates for trade receivables from Ukrenergo and trade and other receivables from DTEK GROUP B.V. Group subsidiaries were assessed considering balances of financial payables from these counterparties and expected repayment period.

As at 31 December 2023, the Group reversed provision in the amount of UAH 285 million due to change in estimates in respect of timing of settlement of receivables. As at 31 December 2022, the Group charged the additional provision in the amount of UAH 1,832 million due to change in estimates in respect of settlement period of trade receivables from Energorynok SE (Note 4), UAH 1,296 million of additional provision due to change in estimates in respect of timing and probability of settlement of receivables from related parties, including UAH 943 million additional charge on trade receivables from Russian counterparties, that were further written-off as uncollectable.

The following analysis provides further details about the calculation of ECLs related to trade receivables. The Group performed the calculation of ECL rates separately for different group of customers. Exposures within each group were segmented based on common credit risk characteristics such as credit risk and ageing of trade and other receivables.

**DTEK Energy B.V.**  
**Notes to the Consolidated Financial Statements – 31 December 2023**

**11 Trade and Other Receivables (Continued)**

The following table provides information about the exposure to credit risk and ECLs for financial receivables as at 31 December 2023:

<i>In millions of Ukrainian Hryvnia</i>	<b>Expected loss rate</b>	<b>Gross carrying amount</b>	<b>Lifetime ECL</b>	<b>Basis</b>
Financial receivables from Energorynok SE	96,95%	6,157	(5,969)	Adjusted yield to maturity on government bonds and repayment probability scenarios (Note 4)
Financial receivables from related parties	1,73%	10,159	(176)	Default rate adjusted for weighted average loss given default (Note 4)
Overdue financial receivables from related parties	95,49%	2,949	(2,816)	Historical payment discipline
Financial receivables from NEC (NPC) UKRENERGO SE	5,34%	3,566	(191)	Default rate adjusted for weighted average loss given default (Note 4)
Financial receivables from Individuals	33,94%	76	(26)	Based on statistics of the National Bank of Ukraine
Trade and other receivables from other counterparties	26,60%	1,066	(284)	Historical payment discipline

For trade and other receivables with overdue period for more than one year as of 31 December 2023 with gross carrying amount of UAH 1,056 million, loss allowance was calculated based on historical default rates that fall within 93-100%. Trade and other receivables from other counterparties were assessed for impairment on portfolio statistics approach while the others were based on individual assessment.

The following table provides information about the exposure to credit risk and ECLs for financial receivables as at 31 December 2022:

<i>In millions of Ukrainian Hryvnia</i>	<b>Expected loss rate</b>	<b>Gross carrying amount</b>	<b>Lifetime ECL</b>	<b>Basis</b>
Financial receivables from Energorynok SE	96.82%	6,261	(6,062)	Adjusted yield to maturity on government bonds and repayment probability scenarios (Note 4)
Financial receivables from related parties	3.68%	15,468	(570)	Default rate adjusted for weighted average loss given default (Note 4)
Overdue financial receivables from related parties	94.83%	2,976	(2,822)	Historical payment discipline
Financial receivables from NEC (NPC) UKRENERGO SE	8.11%	2,776	(225)	Default rate adjusted for weighted average loss given default (Note 4)
Financial receivables from Individuals	13.85%	65	(9)	Based on statistics of the National Bank of Ukraine
Trade and other receivables from other counterparties	40.24%	748	(301)	Historical payment discipline

For trade and other receivables with overdue period for more than one year as of 31 December 2022 with gross carrying amount of UAH 972 million, loss allowance was calculated based on historical default rates that fall within 93-100%. Trade and other receivables from other counterparties were assessed for impairment on portfolio statistics approach while the others were based on individual assessment.

## 12 Cash and Cash Equivalents

As at 31 December, cash and cash equivalents were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2023	2022
Bank balances available on demand	1,566	1,338
Restricted cash	90	81
Term deposits with original maturity of less than three months	-	587
<b>Total cash and cash equivalents</b>	<b>1,656</b>	<b>2,006</b>

As of 31 December 2023, cash and cash equivalents of UAH 31 million were denominated in US dollars (31 December 2022: UAH 277 million), UAH 90 million were denominated in EUR (31 December 2022: UAH 389 million), UAH 17 million were denominated in GBP (31 December 2022: UAH 2 million), UAH 63 million were denominated in RUB (31 December 2022: UAH 69 million). Remaining balances were denominated in Ukrainian hryvnia.

As of 31 December 2023 and 2022, no term deposits with original maturity of less than three months were pledged as collateral for borrowings or bank guarantees received.

For the purposes of the cash-flow statements amounts of restricted cash were not included in cash and cash equivalents balance.

Analysis by credit quality of bank balances and term deposits is as follows:

<i>In millions of Ukrainian Hryvnia</i>	2023			2022		
	Bank balances payable on demand	Restricted cash	Term deposits with original maturity of less than three months	Bank balances payable on demand	Restricted cash	Term deposits with original maturity of less than three months
<i>Rating by Moody's Investors Service</i>						
- A2 rated	-	-	-	117	-	-
- A3 rated	118	-	-	345	-	-
- B3 rated	5	-	-	-	-	-
- Ba2	-	-	-	2	-	-
- Caa2	200	4	-	-	-	-
- Caa3	285	-	-	10	3	-
- Non-rated*	958	86	-	864	78	587
<b>Total</b>	<b>1,566</b>	<b>90</b>	<b>-</b>	<b>1,338</b>	<b>81</b>	<b>587</b>

\* As of 31 December 2023 includes UAH 392 million (31 December 2022: UAH 1,420 million) in non-rated banks in the top 10 Ukrainian banks by size of total assets and capital (per National Bank of Ukraine).

Significant non-cash changes from financing activities were disclosed in Note 15 and Note 16.

## 13 Share Capital

The authorised share capital of DTEK Energy B.V. equals to fully paid share capital and comprises 3,000 ordinary shares with a par value of Euro 10.0 per share in the total amount of Euro 30,000. All shares carry one vote.

During the year ended 31 December 2023 DTEK Energy B.V. declared UAH 6,480 million dividends to its direct parent DTEK ENERGY HOLDINGS B.V. (Note 16). Further several reassignments took place in the amount of USD 175 million, as a result of which DTEK Energy B.V.'s own dividends payable of UAH 6,480 million were offset with receivable from its direct parent and final payment was made by DTEK Energy B.V. in cash to DTEK GROUP B.V. before 31 December 2023 in the amount of UAH 6,531 million (difference with the declared amount is recognized as loss in Foreign exchange (losses)/gains on financing and investing activities).

**14 Other Reserves**

<i>In millions of Ukrainian Hryvnia</i>	<b>Revaluation reserve</b>	<b>Currency translation reserve</b>	<b>Other reserves</b>	<b>Total</b>
<b>Balance at 31 December 2021</b>	<b>21,437</b>	<b>2,310</b>	<b>(4,199)</b>	<b>19,548</b>
<b>Other comprehensive income/(loss) for the period:</b>				
Change in estimate relating to asset retirement provision net of tax	910	-	-	910
Increase in valuation of property, plant and equipment net of tax	2,637	-	-	2,637
Decrease in valuation of property, plant and equipment net of tax	(7,598)	-	-	(7,598)
Loss of control (Note 29)	(863)	-	-	(863)
<b>Other movement in other reserves posted directly through equity:</b>				
Realised revaluation reserve net of tax	(4,642)	-	-	(4,642)
<b>Balance at 31 December 2022</b>	<b>11,881</b>	<b>2,310</b>	<b>(4,199)</b>	<b>9,992</b>
<b>Other comprehensive income/(loss) for the period:</b>				
Change in estimate relating to asset retirement provision net of tax	(275)	-	-	(275)
Increase in valuation of property, plant and equipment net of tax	641	-	-	641
Decrease in valuation of property, plant and equipment net of tax	(1,977)	-	-	(1,977)
<b>Other movement in other reserves posted directly through equity:</b>				
Realised revaluation reserve net of tax	(1,701)	-	-	(1,701)
<b>Balance at 31 December 2023</b>	<b>8,569</b>	<b>2,310</b>	<b>(4,199)</b>	<b>6,680</b>

The revaluation reserve and currency translation reserve are legal reserves according to art. 2:373.4 DCC. These legal reserves are not distributable to the shareholders until they are transferred to retained earnings.

Accumulated deficit of the Group represents the earnings/losses of the Group entities from the date they have been established or acquired by the entities under common control. Group subsidiaries distribute profits as dividends or transfer them to reserves on the basis of their statutory financial statements prepared in accordance with local GAAP or IFRS as appropriate. Ukrainian legislation identifies the basis of distribution as retained earnings only, however this legislation and other statutory laws and regulations are open to legal interpretation and, accordingly, management believes at present it would not be appropriate to disclose the amount of the distributable statutory reserves in these consolidated financial statements.

Currency translation reserve relates to the Company's subsidiaries, for which the functional currency was different than UAH till 1 January 2020.

## 15 Other Financial Liabilities

As of 31 December, other non-current financial liabilities comprised:

<i>In millions of Ukrainian Hryvnia</i>	2023	2022
Lease liabilities	679	560
Restructured trade payables	77	42
Other long-term financial liabilities	70	72
<b>Total non-current other financial liabilities</b>	<b>826</b>	<b>674</b>

As of 31 December, other current financial liabilities comprised:

<i>In millions of Ukrainian Hryvnia</i>	2023	2022
Guarantee issued to Sberbank	1,073	1,421
Lease liabilities	175	209
Current portion of restructured trade payable	15	18
Other short-term financial liabilities	33	20
<b>Total current other financial liabilities</b>	<b>1,296</b>	<b>1,668</b>

Lease liabilities relates primarily to lease of coal mine. It is carried at amortised cost at an effective discount rate of 16.56% per annum and matures in 2057. Restructured trade payables are recognised at fair value and subsequently carried at amortised cost at effective interest rate of 16.5% (2022 16.5%).

Payments for lease liabilities are included in the cash flows used in financing activities in the amount of UAH 54 million (2022: UAH 156 million). Repayment of the restructured trade payables to state-owned Vugillya Ukrayiny of UAH 20 million (2022: UAH 18 million) are included in repayment of the restructured obligations in the cash flows from operating activities. There were no other material cash movements in other financial liabilities. Other changes in other financial liabilities in amount of UAH 146 million are presented by non-cash movements.

As part of acquisition of the mining assets in 2011, the Group assumed certain restructured tax obligations that are due between 2013 and 2030. The obligations have been discounted at implied rates in a range from 16.6% to 18.6%.

The Group issued a guarantee to Sberbank of Russia in 2022 (the old guarantee was discontinued and restructured replacing it with a new guarantee) with respect to the loan owed to the bank by a Cyprus entity operating several Russian coal mines in the Rostov region. The Guarantee is limited to USD 100 million and is further reduced by any amounts of the primary obligation paid by the entity to the bank (in February 2022 the nominal amount of guarantee was reduced to USD 80 million). As a result of the start of the war in Ukraine, a ban on import of Russian coal to Europe and other sanctions applied by international community, limited information about the underlying assets performance in the current environment and absence of information on the status of the due payments in December 2022 the guarantee's expected credit losses were assessed as at 31 December 2022 in the amount of UAH 1,421 million, being approximately half of the maximum credit exposure at that moment. Further, based on publicly available information, in June 2023 the above-mentioned coal mines were ruled to be transferred to a Russian company and further in January 2024 the Russian government approval of acquisition of coal mines was published. The general terms of the transfer are unknown. In addition, it is unknown if the guaranteed debt was also transferred and remains attached to the mines, who continue operating activities based on publicly available information. At the date of these consolidated financial statements there is no claim made to the Group in connection with the guarantee including in relation to the contractually scheduled principal payments and quarterly interest repayments. In the situation where limited information is available and a mix of developments in the year ended 2023 occurred, management concluded that the calculated expected balance of guarantee in accordance with requirements of IFRS 9 as at 31 December 2023 is UAH 1,073 million, being approximately half of the expected nominal amount of guarantee decreased on scheduled principal payment which was due in December 2022.

**16 Borrowings**

As at 31 December, borrowings were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
<b>Non-current</b>		
Eurobonds	39,604	47,204
Bank borrowings	306	306
<b>Total non-current borrowings</b>	<b>39,910</b>	<b>47,510</b>
<b>Current</b>		
Eurobonds	582	731
Bank borrowings	36	54
Interest accrual	6	19
<b>Total current borrowings</b>	<b>624</b>	<b>804</b>
<b>Total borrowings</b>	<b>40,534</b>	<b>48,314</b>

Cash and non-cash movements in borrowings during the period are as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
<b>Opening balance as at 1 January</b>	<b>48,314</b>	<b>43,180</b>
<b>Cash movements</b>		
Principal amount paid	(5,668)	(3,969)
Interest paid	(3,362)	(3,555)
Commissions paid (consent fee)	(307)	-
<b>Non-cash movements</b>		
Interest accrued during the period	3,320	3,891
Consent fee accrued (Note 26)	307	-
Foreign exchange differences	1,493	14,408
Extinguishment of bank borrowings	-	(400)
Gain on bonds repurchase	(4,346)	(6,034)
Unwinding of discounts on borrowings	783	793
<b>Closing balance as at 31 December</b>	<b>40,534</b>	<b>48,314</b>

As at 31 December, the maturity of the Group's loans and borrowings were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Loans and borrowings due:		
- within 1 year	624	804
- between 1 and 5 years	39,910	47,510
<b>Total borrowings</b>	<b>40,534</b>	<b>48,314</b>

**16 Borrowings (Continued)**

The nominal interest rates and currency denomination of borrowings as at the balance sheet date were as follows:

<i>In % per annum</i>	2023		2022	
	UAH	USD	UAH	USD
	UIRD 3M +7.42%	7-7.5%	UIRD 3M +7.42%	7-7.5%
<b>Total borrowings</b> <i>in millions of Ukrainian Hryvnia</i>	<b>348</b>	<b>40,186</b>	<b>379</b>	<b>47,935</b>

Effective interest rate of bank borrowings denominated in UAH was 18.46% and effective interest rate of Eurobonds was 9.42% (2022: 13.32% and 9.42%, respectively).

**Eurobonds.** As at 31 December 2023 current part of Eurobonds includes UAH 581 million or USD 15 million (31 December 2022: UAH 731 million or USD 20 million) of the principal payable within one year.

In April 2022 DTEK Energy obtained a consent from the bond holders to capitalize part of interest obligations due in March and in June 2022. Respectively, out of total interest accrued for January-March 2022 amounting to UAH 902 million, UAH 420 million was repaid and UAH 482 million was capitalized. In June, September and December 2022 interest was fully paid, as well as two instalments of principal amount UAH 658 million (USD 20 million in total) according to the payment schedule.

On 25 November 2022 DTEK Energy agreed with bond holders to replace the initial bonds issuer DTEK Finance PLC to a new issuer DTEK Energy B.V. The change of bonds issuer was not considered a substantive modification and did not result in any gain or loss.

During 2022-2023 using Dutch Auction, additional buybacks of Eurobonds were performed:

- In December 2022 for a total carrying value of UAH 2,701 million (USD 74 million) with a total cash paid of UAH 724 million.
- In April 2023 for a total carrying value of UAH 6,607 million (USD 181 million) with a total cash compensation of UAH 3,241 million.
- In October 2023 for a total carrying value of UAH 2,798 million (USD 77 million) with a total cash compensation of UAH 1,818 million.

The excess of the average available cash for the first half of 2022 amounted to UAH 1,807 million was used for capitalized interest repayment and for buybacks of Eurobonds for a total carrying value of UAH 5,864 million (USD 160 million). As a result of this buy-back and buy-back in December 2022 described above financial gain of UAH 6,034 million was recorded in profit and loss in 2022, being the difference between the carrying value of bonds repurchased and cash paid for buy-backs (2023: UAH 4,346 million) (Note 26).

In October 2023 DTEK Energy obtained the consent from the bond holders to amend some limitations in relation to restricted payments (including distributions to shareholders) and minimum annual redemption and repurchase in connection therewith, restrictions on permissible business activities and limits for affiliate transactions, amount for reconstruction and development indebtedness. Respectively, in accordance with the terms of the consent, DTEK Energy announced dividends in the amount of UAH 6,480 million, equivalent of USD 175 million (Note 13) and issued loans in the amount of UAH 8,546 million, equivalent of USD 225 million (Note 9). As a result of the consent a consent fee of UAH 307 million (USD 8 million) was recognized.

In 2023 interest was fully paid, as well as instalments of principal amount of UAH 591 million (USD 16 million) according to the payment schedule. Cash movements in the table above do not include UAH 591 million interest paid and UAH 155 million repayment of principal made by DTEK Energy B.V. on part of Eurobonds held by the Group subsidiary as result of performed buybacks as it is an intercompany transaction eliminated in the consolidated financial statements. As of 31 December 2023 the Group did not receive UAH 89 million of principal (31 December 2022: UAH 15 million) and UAH 215 million of interest due on Eurobonds held by its subsidiary from the payment agent and respectively recorded this amount as Other financial receivable (Note 11).

## 16 Borrowings (Continued)

**Bank borrowings.** In February 2022 DTEK Energy finalised the restructuring of remaining part of bank debt amounting to UAH 448 million with repayment in 2024 (15% of principal amount will be paid till 31 December 2023, while the remaining part till 31 December 2024). In May 2022 the additional agreement was signed according to which payment of 50% of interest accrued during February – May 2022 was delayed till the end of martial law. In October 2023 one more additional agreement was signed, according to which final repayment period was extended till 2026 (5% of principal amount shall be paid till 31 December 2023, 10% till 31 December 2024, 10% till 31 December 2025 and the remaining part till 31 December 2026), payment of 50% of interest accrued during February – May 2022 and 5% of principal in the amount of UAH 18 million was paid in 2023. Additional agreement also assumes UIRD 3M + 7.42% interest per annum payable monthly.

In February 2022 DTEK Energy made a full repayment of debt to JSC Oschadbank amounting to UAH 781 million. Also in February 2022 as result of termination agreement with Sberbank of Russia, the Group wrote-off UAH 400 million loan (book value as of the transaction date), and the respective gain on extinguishment was included in finance income in the line Gain on extinguishment of bank borrowings.

Collaterals for bank borrowings and Eurobonds are disclosed in Note 28.

**Covenants.** The Eurobonds documentation contain specific covenants, including but not limited to limitations on distribution to shareholders (Note 9), limits on capital expenditure, restrictions on permissible business activities, restriction on certain payments, requirement to perform transactions on an arm's length basis, requirement to make periodic disclosure of financial information, requirements on approval of significant transaction by Independent Supervisory Board Member (including transactions with related parties). Events of default are comprehensive and include cross-default to other debt of the Group.

The Group is in compliance with its covenants in relation to the debt at the reporting date.

## 17 Retirement Benefit Obligations

The Group's production companies have a legal obligation to compensate the Ukrainian state pension fund for additional pensions paid to certain categories of the Group employees. There are also lump sum benefits payable upon retirement and post-retirement benefit programs. In 2023 the defined benefit plan covers 70,607 employees (including former employees) and 5,881 pensioners (2022: 87,363 and 7,065 respectively). None of the employee benefits plans stated below are funded.

The defined employee benefit liability as of 31 December originated as follows:

<i>In millions of Ukrainian Hryvnia</i>	2023	2022
<b>Non-current</b>		
Retirement benefits	4,787	3,931
Retirement benefits – coal support	719	599
Lump sum payments	432	404
<b>Current</b>		
Retirement benefits	539	311
<b>Present value of Retirement benefit obligation</b>	<b>6,477</b>	<b>5,245</b>

The amounts recognised in the income statement were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2023	2022
Current service cost	104	159
Interest cost	1,025	856
Past service costs/ Sequester	(36)	(25)
<b>Total</b>	<b>1,093</b>	<b>990</b>

## 17 Retirement Benefit Obligations (Continued)

Changes in the present value of the defined benefit obligation were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2023	2022
<b>Defined benefit obligation as at 1 January</b>	<b>5,245</b>	<b>7,250</b>
Current service cost	104	- 159
Interest cost	1,025	856
Sequester	(36)	(25)
Benefits paid	(188)	(182)
Coal support provided	(87)	(70)
Re-measurements of the defined benefit liability resulting from:		
- changes in financial assumptions	586	(2,272)
- changes in demographic assumptions	(53)	(125)
- experience adjustments	(119)	(288)
Loss of control (Note 29)	-	(58)
<b>Defined benefit obligation as at 31 December</b>	<b>6,477</b>	<b>5,245</b>

The estimate of pension obligations requires significant judgement and is disclosed in Note 4.

The principal actuarial assumptions for sensitivity analysis were considered independently from each other. The methods and types of the assumptions used in preparing the sensitivity analysis did not change compared to the prior period. The sensitivity of the defined benefit obligation is also disclosed in Note 4.

As at 31 December 2023, the weighted average duration of the Group's defined benefit obligations is 6.4 years and it varies across different Group's subsidiaries from 4.4 to 7.7 years (31 December 2022: 5.9 years, varying from 5 to 7.4 years). Accruals for pension fund in respect of defined benefit obligations expected to be made during the year ending 31 December 2024 are UAH 682 million (2023: UAH 663 million), which expect to be paid in addition to benefits accrued but not paid in 2023.

## 18 Provisions for Other Liabilities and Charges

Movements in provisions for liabilities and charges are as follows:

<i>In millions of Ukrainian Hryvnia</i>	Asset retirement provision	Provision for legal and other claims	Total
<b>At 1 January 2022</b>	<b>2,441</b>	<b>109</b>	<b>2,550</b>
Change in estimates	(1,027)	-	(1,027)
Arising during the year	16	333	349
Unwinding of discount (Note 26)	231	-	231
Utilised	(129)	(17)	(146)
Loss of control (Note 29)	(18)	-	(18)
<b>At 31 December 2022</b>	<b>1,514</b>	<b>425</b>	<b>1,939</b>
Change in estimates	342	-	342
Arising during the year	-	162	162
Unwinding of discount (Note 26)	244	-	244
Utilised	(129)	(62)	(191)
<b>At 31 December 2023</b>	<b>1,971</b>	<b>525</b>	<b>2,496</b>

## 18 Provisions for Other Liabilities and Charges (Continued)

The asset retirement provision is attributable to the mining and energy generating activities of the Group resulting from the obligation to dismantle and remove the mines and remediate soils disturbed by the underground works and ash dumps. The increase (2022: decrease) of the asset retirement obligation was recorded in Other comprehensive income as the Group uses the revaluation model to measure property, plant and equipment.

The estimate of asset retirement provision requires significant judgement and is disclosed in Note 4.

Change in estimates in 2023 is mainly explained by the decrease of discount rate from 20.5% to 18.05% and the change of the maturity of the Group's assets retirement obligations, which as at 31 December 2023 varies across different Group's subsidiaries from 3 to 22 years as disclosed in Note 4. (31 December 2022: varying from 3 to 23 years).

## 19 Trade and Other Payables

As at 31 December trade and other payables were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2023	2022
Trade payables	6,507	3,923
Liabilities for purchased property, plant and equipment and intangible assets	830	546
Dividends payable	67	67
Other creditors	750	722
<b>Total financial payables</b>	<b>8,154</b>	<b>5,258</b>
Accruals for employees' unused vacations	1,273	1,182
Wages and salaries payable	694	646
<b>Total non-financial payables</b>	<b>1,967</b>	<b>1,828</b>
<b>Total</b>	<b>10,121</b>	<b>7,086</b>

Other creditors balance as at 31 December 2023 includes UAH 535 million (31 December 2022: UAH 535 million) payable for the recovery of damages due to violation of the terms of the Multilateral Agreement between participants in the electricity market dated 6 November 2015.

Analysis by currency and future undiscounted cash flows of financial trade and other payables is as follows:

### 31 December 2023

<i>In millions of Ukrainian Hryvnia</i>	Trade payables	Liabilities for purchased property, plant and equipment	Dividends payable	Other creditors
<i>Currency analysis:</i>				
UAH denominated	6,033	740	67	579
USD denominated	286	5	-	47
EUR denominated	149	44	-	49
Other currency	39	41	-	75
<b>Total</b>	<b>6,507</b>	<b>830</b>	<b>67</b>	<b>750</b>
<i>Future undiscounted cash flow analysis:</i>				
Up to 3 months	6,507	830	67	690
From 3 to 6 months	-	-	-	-
From 6 to 12 months	-	-	-	60
<b>Total</b>	<b>6,507</b>	<b>830</b>	<b>67</b>	<b>750</b>

**19 Trade and Other Payables (Continued)**

<b>31 December 2022</b>	<b>Trade payables</b>	<b>Liabilities for purchased property, plant and equipment</b>	<b>Dividends payable</b>	<b>Other creditors</b>
<i>In millions of Ukrainian Hryvnia</i>				
<i>Currency analysis:</i>				
UAH denominated	3,651	461	67	629
USD denominated	97	5	-	38
EUR denominated	129	31	-	29
Other currency	46	49	-	26
<b>Total</b>	<b>3,923</b>	<b>546</b>	<b>67</b>	<b>722</b>
<i>Future undiscounted cash flow analysis:</i>				
Up to 3 months	3,919	546	67	722
From 3 to 6 months	4	-	-	-
From 6 to 12 months	-	-	-	-
<b>Total</b>	<b>3,923</b>	<b>546</b>	<b>67</b>	<b>722</b>

**20 Other Taxes Payable**

As at 31 December other taxes payable were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Value-added tax	14,308	10,870
<b>Total non-current other taxes payable</b>	<b>14,308</b>	<b>10,870</b>
Value-added tax	4,858	3,150
Payroll taxes	187	171
Other taxes	929	1,054
<b>Total current other taxes payable</b>	<b>5,974</b>	<b>4,375</b>

Other taxes are mainly presented by ecological tax.

Non-current other taxes payable are represented by VAT liability arising on intercompany balances that will become payable on the date of receiving payment in cash or other forms of compensations from the customer. As at 31 December 2023 the management assessed expectations based on contract terms in respect of the timing of settlement of respective intercompany balance and as result the respective VAT balances expected to be settled within the period over 1 year were reclassified to non-current (Note 11).

## 21 Revenue

Analysis of revenue by category is as follows:

<i>In millions of Ukrainian Hryvnia</i>	2023	2022
Sale of electricity by direct contracts	42,922	35,794
Sale of produced coal	14,970	11,991
Sale of electricity on balancing market	3,245	3,106
Sale of electricity on day ahead and intraday markets	2,864	5,923
Sales on auxiliary service market	1,699	2,575
Sale of electricity abroad	633	9,915
Sales of machinery	604	245
Heat generation and tariff compensation	190	227
Sales of services	12	297
Resale of coal	-	745
<b>Total</b>	<b>67,139</b>	<b>70,818</b>

Sales of machinery mainly related to Corum companies.

Revenue recognised over time is presented by electricity sales, sales of auxiliary services and heat generation and comprised UAH 51,553 million (2022: 57,540 million). Remaining amount of revenue totalling UAH 15,586 million is recognised at a point of time (2022: 13,278 million).

Geographical analysis of revenue is presented in Note 6.

The major part of sales of electricity by direct contracts is made through Ukrainian Energy Exchange using the open auctions.

As at 31 December 2023 amount of contract liabilities from contracts with customers comprised UAH 1,400 million (31 December 2022: UAH 3,249 million). Contract liabilities existing as at 31 December 2022 in the amount of UAH 3,249 million were recognised as revenue during the period ended 31 December 2023. Amount of contract liabilities is included in prepayments received line in the consolidated balance sheet.

## 22 Cost of Sales

<i>In millions of Ukrainian Hryvnia</i>	2023	2022
Transportation services and utilities	11,564	15,714
Staff cost, including payroll taxes	8,886	7,891
Depreciation of property, plant and equipment and amortisation of intangible assets	6,349	7,847
Production materials	5,129	3,307
Production overheads	3,772	2,833
Cost of electricity purchased for resale	2,565	3,026
Fuel supplies other than coal	2,112	4,246
Coal purchased for electricity production	1,516	4,884
Taxes, other than income tax	1,391	1,956
Equipment repairs	524	278
Other costs	344	-
Cost of coal purchased for resale	-	502
<b>Total</b>	<b>44,152</b>	<b>52,484</b>

Transportation services and utilities include UAH 7,962 million of railway transportation expenses (2022: UAH 8,000 million), UAH 2,572 million of electricity purchased for own needs (2022: UAH 2,049 million), UAH 12 million of cross border capacity costs for electricity export (2022: UAH 2,986 million), UAH 116 million of PSO on electricity export (2022: UAH 1,854 million) and UAH 902 million of other utilities (2022: UAH 825 million).

In 2023, staff costs include payroll in the amount of UAH 6,198 million (2022: UAH 5,592 million), payroll related taxes in the amount of UAH 1,508 million (2021: UAH 1,347 million), unused vacation and bonuses provisions in the amount of UAH 853 million (2022: UAH 778 million), current service costs in the amount of UAH 310 million (2022: UAH 161 million) and other personnel costs in the amount of UAH 17 million (2022: UAH 13 million).

Cost of electricity purchased for resale is mainly presented by cost of electricity purchased by generation entities on the balancing electricity market.

**23 Other Operating Income**

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Penalties	740	57
Assets received free of charge	261	97
Extinguishment of accounts payable	111	45
Income on sales of property, plant and equipment	51	15
Income on fixed assets rent	42	-
Income on sales of inventories	-	45
Other	143	117
<b>Total</b>	<b>1,348</b>	<b>376</b>

Penalties are mainly attributable to trade receivables which were paid with a delay (Note 7).

**24 General and Administrative Expenses**

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Professional fees	1,038	1,095
Staff cost, including payroll taxes	958	954
Depreciation of property, plant and equipment and amortisation of intangible assets	167	178
Office costs	106	148
Transportation	9	12
Taxes, other than income tax	6	8
Other costs	240	134
<b>Total</b>	<b>2,524</b>	<b>2,529</b>

In 2023, staff costs include payroll in the amount of UAH 637 million (2022: UAH 627 million), payroll related taxes in the amount of UAH 114 million (2022: UAH 122 million), unused vacation and bonuses provisions in the amount of UAH 193 million (2022: UAH 197 million) and other personnel costs in the amount of UAH 14 million (2022: UAH 8 million).

The following independent auditor's fees were included in Professional fees:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Audit of the financial statements, including audit fee of PricewaterhouseCoopers Accountants N.V. of UAH 13 million (2022: UAH 8 million)	51	49
Other audit services	1	1
Tax services	33	12
Other non-audit services	6	4
<b>Total</b>	<b>91</b>	<b>66</b>

**25 Other Operating Expenses**

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Charitable donations and sponsorship	878	522
Social payments	474	623
Penalties provision	352	640
Non-recoverable VAT	211	571
Maintenance of social infrastructure	187	161
Net movement in provision for impairment of non-financial receivables and prepayments made	78	22
Depreciation of property, plant and equipment and amortisation of intangible assets	67	65
Expenses on sales of inventories	42	-
Professional fees	25	24
Impairment of goodwill	-	1,999
Other	223	11
<b>Total</b>	<b>2,537</b>	<b>4,638</b>

Charitable donations expenses increased in 2023 as a result of a full-scale invasion across the Ukrainian state (Note 2) and respective support of damaged regions and Ukrainian army.

Penalties provision includes payable for the recovery of damages (Note 19).

**26 Finance Income and Finance Costs**

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Gain on bonds repurchase (Note 16)	4,346	6,034
Gain on extinguishment of bank borrowings (Note 16)	-	400
Interest income on loans issued to related parties	21	-
Interest income on bank deposits	354	94
Other finance income	21	11
<b>Total finance income</b>	<b>4,742</b>	<b>6,539</b>
Interest expense		
- Eurobonds issued	4,037	4,632
- Bank borrowings	66	52
Commission on consent (Note 16)	307	-
Unwinding of discounts on pension obligations (Note 17)	1,025	856
Unwinding of discounts on assets retirement provision (Note 18)	244	231
Unwinding of discounts on lease liabilities	94	79
Unwinding of discounts on restructured trade payable	15	14
Other finance costs	33	80
<b>Total finance costs</b>	<b>5,821</b>	<b>5,944</b>

**27 Income Taxes**

Income tax expense comprises the following:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Current tax	3,094	1,456
Deferred tax	(796)	1,202
<b>Income tax expense</b>	<b>2,298</b>	<b>2,658</b>

Deferred income tax related to items recognised in other comprehensive income:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Re-measurement of post-employment benefit obligations	(82)	437
Change in estimate relating to asset retirement provision recorded in equity	(63)	117
(Decrease) / increase in valuation of property, plant and equipment	(410)	(1,430)
<b>Income tax charge through other comprehensive income</b>	<b>(555)</b>	<b>(876)</b>

The Group is subject to taxation in several tax jurisdictions, depending on the residence of its subsidiaries (primarily in Ukraine).

Reconciliation between the expected and the actual taxation charge is provided below.

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Profit/(Loss) for the period	15,973	(3,140)
<b>Total profit/(loss) before income tax, including:</b>	<b>15,973</b>	<b>(3,140)</b>
Profit/(loss) before income tax of Ukrainian companies	16,584	(471)
Profit/(loss) before income tax of non-Ukrainian companies	(611)	(2,669)
Income tax at statutory rates of 18% (Ukrainian operations)	2,985	(85)
Related tax effect calculated at different rates 25.8% (Dutch operations)	233	1,092
Related tax effect calculated at different rates 12,5% (Cyprus operations)	(121)	(1,629)
Related tax effect calculated at different rates 12% (Switzerland operations)	76	190
Related tax effect calculated at different rates 25% (UK operations)	(296)	838
Tax effect of items not deductible or assessable for taxation purposes:		
- non-deductible expenses	123	32
- non-taxable income	-	(23)
Utilization of previously unrecognised tax losses	(1,078)	(1,054)
Non-taxable income on bonds repurchase and unwinding of bonds	(890)	(247)
Income tax provision change in current year	618	464
Unrecognised deferred tax on tax losses of current period	1,033	2,923
Write-down of deferred tax assets on other deductible temporary differences	-	213
Tax effect of non-taxable forex losses/(gains) on foreign subsidiaries, net	(17)	(171)
Recognition of deferred tax on withholding tax on profits of Ukrainian subsidiaries	919	281
Recognition of previously unrecognized tax asset	(1,287)	(166)
<b>Income tax expense</b>	<b>2,298</b>	<b>2,658</b>

The parent and its subsidiaries are separate taxpayers and therefore the deferred tax assets and liabilities are presented on an individual basis. The deferred tax liabilities and assets reflected in the consolidated balance sheets as at 31 December are as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Deferred tax asset	1,527	570
Deferred tax liability	(2,163)	(2,557)
<b>Net deferred tax liability</b>	<b>(636)</b>	<b>(1,987)</b>

**27 Income Taxes (Continued)**

<i>In millions of Ukrainian Hryvnia</i>	1 January 2023	Credited/ (charged) to income	Credited/ (charged) to OCI	31 December 2023
Retirement benefit obligations	662	145	82	889
Trade and other receivables	140	580	-	720
Provisions for other liabilities and charges	257	44	63	364
Inventories	-	104	-	104
Tax losses	382	223	-	605
<b>Gross deferred tax asset</b>	<b>1,441</b>	<b>1,096</b>	<b>145</b>	<b>2,682</b>
Less offsetting with deferred tax liabilities	(871)	(284)	-	(1,155)
<b>Recognised deferred tax asset</b>	<b>570</b>	<b>812</b>	<b>145</b>	<b>1,527</b>
Property, plant and equipment	(2,086)	319	410	(1,357)
Borrowings	(1,061)	300	-	(761)
Withholding tax on profits of subsidiaries	(281)	(919)	-	(1,200)
<b>Gross deferred tax liability</b>	<b>(3,428)</b>	<b>(300)</b>	<b>410</b>	<b>(3,318)</b>
Less offsetting with deferred tax assets	871	284	-	1,155
<b>Recognised deferred tax liability</b>	<b>(2,557)</b>	<b>(16)</b>	<b>410</b>	<b>(2,163)</b>
<b>Recognised net deferred tax asset/(liability)</b>	<b>(1,987)</b>	<b>796</b>	<b>555</b>	<b>(636)</b>

<i>In millions of Ukrainian Hryvnia</i>	1 January 2022	Credited/ (charged) to income	Credited/ (charged) to OCI	31 December 2022
Retirement benefit obligations	1,008	91	(437)	662
Trade and other receivables	496	(356)	-	140
Provisions for other liabilities and charges	402	(28)	(117)	257
Inventories	82	(82)	-	-
Tax losses	620	(238)	-	382
<b>Gross deferred tax asset</b>	<b>2,608</b>	<b>(613)</b>	<b>(554)</b>	<b>1,441</b>
Less offsetting with deferred tax liabilities	(1,343)	472	-	(871)
<b>Recognised deferred tax asset</b>	<b>1,265</b>	<b>(141)</b>	<b>(554)</b>	<b>570</b>
Property, plant and equipment	(3,453)	(63)	1,430	(2,086)
Borrowings	(816)	(245)	-	(1,061)
Withholding tax on profits of subsidiaries	-	(281)	-	(281)
<b>Gross deferred tax liability</b>	<b>(4,269)</b>	<b>(589)</b>	<b>1,430</b>	<b>(3,428)</b>
Less offsetting with deferred tax assets	1,343	(472)	-	871
<b>Recognised deferred tax liability</b>	<b>(2,926)</b>	<b>(1,061)</b>	<b>1,430</b>	<b>(2,557)</b>
<b>Recognised net deferred tax asset/(liability)</b>	<b>(1,661)</b>	<b>(1,202)</b>	<b>876</b>	<b>(1,987)</b>

Income taxes have been provided for in the financial statements in accordance with Ukrainian, Dutch, Cypriot, Swiss or UK legislation enacted or substantially enacted by the balance sheet date. As at 31 December 2023, the Group recognised deferred tax liability in respect of all taxable temporary differences associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and is not intend to reverse them in the foreseeable future.

As at 31 December 2023, net recognised deferred tax asset of UAH 767 million is expected to be recovered or settled within twelve months after the reporting period (31 December 2022: net recognised deferred tax asset of UAH 331 million).

The deferred tax asset on unused tax losses not recognised as at 31 December 2023 comprised UAH 7,569 million (31 December 2022: UAH 7,615 million). According to the current legislation there is no expiry period for this amount.

In the context of the Group's current structure, tax losses and current tax asset of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

## **27 Income Taxes (Continued)**

**Pillar Two impact assessment.** The Group is within the scope of the OECD Pillar Two model rules. Main part of the Group's subsidiaries located in the Netherlands, Cyprus, the UK, Switzerland and Ukraine. Pillar Two legislation was enacted in the EU via European Union Minimum Taxation Directive (2022/2523). In the Netherlands respective law came into force, while in Cyprus draft law is under public consultation. The UK and Switzerland have also introduced Pillar Two legislation, while Ukraine has committed to join the Pillar Two framework, however, as of now no legislation has been introduced yet. The legislation will be effective for the Group's financial year beginning 1 January 2024.

Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the Group is liable to pay a top-up tax for the difference between GloBE (Global Anti-Base Erosion) effective tax rate per jurisdiction and the 15% minimum rate. In most of the jurisdictions where the Group operates either the Jurisdictional Effective Tax Rate is greater than 15% or there are Jurisdictional GloBE Losses (e.g. Cyprus). The only exception may be Switzerland where the Group expects to have Jurisdictional Effective tax Rate below 15% however the Group already ceased trading operations there and expects to liquidate the entity. As such no material impact is expected.

Due to the complexities in applying the legislation and calculating GloBE income/losses, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate is above 15%, there may still be Pillar Two tax implications. The Group is currently engaged with tax specialists to assist with applying the legislations.

## **28 Contingencies, Commitments and Operating Risks**

**Tax legislation.** Ukrainian tax and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

On 1 September 2013 the Law "On Changes to the Tax Code of Ukraine in respect of transfer pricing rules" came into effect. Transfer pricing rules are much more detailed than previous legislation and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). Legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties) if the transaction price is not arm's length and not supported by relevant documentation. Since 1 January 2015, the transfer pricing rules were amended so that transactions between Ukrainian companies (irrespective whether they are related parties or not) ceased to be treated as controlled transactions. Management believes it is taking appropriate measures to ensure compliance with the transfer pricing legislation.

The Group conducts intercompany transactions. It is possible with evolution of the interpretation of tax law in Ukraine and changes in the approach of tax authorities under the Tax Code, that such transactions could be challenged in the future. The impact of any such challenge cannot be estimated; however, management believes that it should not be significant.

The Group has income tax liabilities in various countries. The ultimate tax consequences of many transactions and calculations are uncertain, partly because of uncertainty concerning their timing. The Group continually assesses such matters and where final tax sums differ from the estimates such differences are recognised as income tax provisions in the period in which the differences become apparent. As at 31 December 2023 the Group's contingent liabilities in relation to uncertain tax positions are equal to UAH 1,002 million (31 December 2022: UAH 877 million).

**Legal proceedings and tax litigations.** From time to time and in the normal course of business, claims against the Group are received. Management believes that it has provided for all material losses in these financial statements. As at 31 December 2023 the Group's contingent liabilities in relation to legal claims on the Group's contractual obligations and contingent liabilities in relation to tax litigations, that are not disclosed below, are equal to UAH 425 million (31 December 2022: UAH 335 million).

In 2017 the National Anti-Corruption Bureau (NACB) opened criminal proceedings against members of the National Commission for Regulation of Energy and Utilities (NCREU), who adopted the methodology for calculation of the coal price formula, which was used during 2016-2019 for establishing of forecast wholesale market price of electricity in Ukraine. During the investigation, NACB conducted several searches. In the course of investigation a number of Ukrainian and international examinations were carried out, which, according to the lawyers, did not reveal any harm or

## 28 Contingencies, Commitments and Operating Risks (Continued)

loss from the formula. The criminal proceeding has been closed several times during the 2020-2021 by different prosecutors of the Special Anticorruption Prosecutor's Office, the last decision to close the case was taken in May 2021 due to lack of sufficient evidence. In October 2021 and in September 2022, the legality of closing a case was confirmed by the Supreme Anti-Corruption Court both in first and in appeal instance. Immediately after that in September 2022 Special Anticorruption Prosecutor's Office cancelled the decision to close the case, pre-trial investigation in the case has been completed and in March 2023 the criminal case was sent to the Higher anticorruption court for review on the merits in respect of the period 2016-2017. In October 2023 Anti-Corruption Court closed this case, further in December 2023 Chamber of Appeal of Anti-Corruption Court cancelled the previous decision and re-opened it. In this case the suspicion is reported to several former employees and members of NCREU and a few legal entities of DTEK Energy and employees of DTEK Group. The risk in relation of this case was assessed as remote and no provision was accrued for the year ended 31 December 2023 regarding the case described above.

**Capital expenditure commitments.** As at 31 December 2023 and 2022 the Group had no material purchase commitments for the property, plant and equipment.

**Assets pledged and restricted.** At 31 December the Group has the following assets pledged as collateral or restricted:

<i>In millions of Ukrainian Hryvnia</i>	2023		2022	
	Asset pledged	Related liability	Asset pledged	Related liability
Non-current financial investments (Note 9)	8,041	40,186	-	-
Restricted cash (Note 12)	90	-	81	-
<b>Total</b>	<b>8,131</b>	<b>40,186</b>	<b>81</b>	<b>-</b>

As at 31 December 2023 and 2022, there were no movable and immovable property of the Group encumbered with a tax lien.

As at 31 December 2023, non-current financial investments represented by loans provided to related parties, were pledged as collaterals for Eurobonds issued by the Company.

**Environmental matters.** The enforcement of environmental regulation in Ukraine and globally is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. Management believes that there are no significant liabilities for environmental damage.

In accordance with the requirements of the Directives of the European Parliament 2010/75 / EU and 2001/80 / EU, as well as the National Emission Reduction Plan (hereinafter – "NERP"), which came into force on 1 January 2018 and will last until 31 December 2033, for operators, which use large combustion plants (hereinafter – "APU") requirements were set for the gradual and steady reduction of emissions of sulphur dioxide, nitrogen oxides and substances in the form of suspended solids, not differentiated by composition (dust). At the end of the validity period of the NERP, each heating installation must comply with the requirements of Directive 2010/75 / EU on emissions of the above pollutants.

DTEK Energy makes and is expected to continue to make capital investments to ensure compliance with environmental regulations. To meet the requirements of the National Emission Reduction Plan, additional investments may be needed to upgrade combustion plants. At present, the probability and extent of investment commitments cannot be reliably estimated, although they may be significant. DTEK Energy management periodically revalue its investment liabilities in accordance with changes in current legislation.

At the end of 2023 NERP implementation dates were postponed in part of emissions rates reduction (dust, SO<sub>2</sub>, NO<sub>x</sub>), modernization of large combustion plants and closure of power units mentioned in Opt-out list. Working hours limits for power units mentioned in Opt-out list for the period of marital law were withdrawn (but not later than till the end of 2025) and emission permits for some DTEK Energy TPP's blocks were obtained without specifying restrictions on the operating hours. Power units mentioned in Opt-out list are expected to be closed following NERP implementation updated schedule in line with the order of Cabinet of Ministers of Ukraine of 29 December 2023 №1222-p (for some power units prolonged for two years comparing to previous schedule but no longer than till the end of 2025, for some power units prolonged until 2033), however further postponement in part of emissions rates reduction after the end of marital law may take place due to expected increase of electricity consumption and corresponding increase of electricity generation deficit.

**Compliance with covenants.** The Group is subject to certain covenants related primarily to its Eurobonds and bank borrowings. Non-compliance with such covenants may result in negative consequences for the Group, including increase in the cost of borrowings, declaration of default and demand for immediate repayment of borrowings and Eurobonds.

## 28 Contingencies, Commitments and Operating Risks (Continued)

As at 31 December 2022 and 2023 the Group is in compliance with covenants.

**Insurance.** The insurance industry in Ukraine is developing and many forms of insurance protection common in other parts of the world are not yet generally available. If reasonable, DTEK Energy applies insurance policies to protect corporate assets, to compensate for a loss as a result of business interruption and to provide liability coverage in the event of harm inflicted on third parties by potential accidents occurred at DTEK Energy's production sites. The Group does not have full coverage for third party liability in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have an adverse effect on the Group's operations.

**Lease of land.** The Group leases the land on which its assets are located. The annual lease payment in 2023 amounted to UAH 179 million (2022: UAH 162 million). Impact of IFRS 16 disclosed in Note 4.

## 29 Loss of Control

In October 2020 management approved a plan to terminate the lease of the Dobropolyeugol mines that was agreed between the Group and the State Property Fund of Ukraine. On 12 October 2022 DTEK Dobropolyeugol LLC was declared by the court as a bankrupt and liquidation procedure commenced. The court assigned a liquidator who took control over the entity from the Group. The result of loss of control over this entity as at the date of the commencement of liquidation procedure is presented below:

<i>In millions of UAH</i>	<b>2022</b>
Inventories	6
Trade and other receivables	8
Retirement benefit obligations	(58)
Trade and other payables	(120)
Other current liabilities	(44)
<b>Total carrying amount of net liabilities</b>	<b>(208)</b>
Non-controlling interest	-
<b>Total carrying amount of net liabilities attributable to Equity holders of the Company</b>	<b>(208)</b>
<b>Fair value of cash consideration received</b>	<b>-</b>
<b>Gain on loss of control</b>	<b>(208)</b>

### **Entities located in non-controlled territory**

Before the full scale Russian military invasion some critical assets of Luhansk TPP were damaged by the shelling which was considered by management as an impairment indicator and impairment was charged. Further during 2022 DTEK Energy lost control over operations of Luhansk TPP. DTEK Energy has determined that it retains control over the legal entities impacted in the territories, where invasion takes place, as these entities are registered in the controlled territory of Ukraine and continue to have other operations. No consideration was received, in any form, from the events or circumstances that resulted in the loss of control.

The result of impairment and loss of control over these assets is presented below, including full impairment loss before income tax of these assets charged to the income statement and statement of comprehensive income:

<i>In millions of Ukrainian Hryvnia</i>	<b>Note</b>	<b>Recognised in income statement</b>	<b>Recognised in Other comprehensive income</b>	<b>Total</b>
<b>Assets</b>				
Property plant and equipment	8	110	1,035	<b>1,145</b>
Inventories		281	-	<b>281</b>
<b>Total assets</b>		<b>391</b>	<b>1,035</b>	<b>1,426</b>
<b>Liabilities</b>				
Asset retirement provision	18	(18)	-	(18)
Deferred income tax liability		-	(172)	(172)
<b>Total liabilities</b>		<b>(18)</b>	<b>(172)</b>	<b>(190)</b>
<b>Loss on loss of control</b>		<b>373</b>	<b>863</b>	<b>1,236</b>

### 30 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policies seek to minimise the potential adverse effects on the Group's financial performance for those risks that are manageable or noncore to the power generating business. Reference is made to Note 2 describing the most recent developments in the operating environment of the Group, which might have an impact on the Group's financial risks.

Risk management is carried out by a centralised treasury department working closely with the operating units, under policies approved by the Supervisory board. The Group treasury identifies, evaluates and proposes risk management techniques to minimise these exposures.

**Credit risk.** The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

Credit risk is managed on an entity by entity basis with oversight by the Group management. Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks, as well as credit exposure for selling transactions, including outstanding receivables and committed transactions. For Banks only upper tier Ukrainian or international banks are accepted, which are considered at time of deposit to have minimal risk of default. The exposure to credit risk for other customers than those arises on electricity sales operations on intraday, day ahead and balancing markets is approved and monitored on an ongoing individually basis. The Group does not require collateral in respect of trade and other receivables.

The maximum exposure to credit risk at the reporting date is UAH 27,361 million (2022: UAH 23,319 million) being carrying value of financial investments, trade and other financial receivables, cash and cash equivalents and the nominal value of guarantee issued to Sberbank. As at 31 December 2023 carrying value of guarantee was UAH 1,073 million (31 December 2022: UAH 1,421 million). The Group does not hold any collateral as security.

**Credit risks concentration.** The Group is exposed to concentrations of credit risk.

The table below shows the balance of the major counterparties at the balance sheet date.

<i>In millions of Ukrainian Hryvnia</i>		31 December	31 December
<b>Counterparty</b>	<b>Classification in balance sheet</b>	<b>2023</b>	<b>2022</b>
MTB Bank	Cash and cash equivalents	391	100
Bank "Pivdennyi"	Cash and cash equivalents	285	-
Kredobank	Cash and cash equivalents	259	-
First Ukrainian International Bank (FUIB)*	Cash and cash equivalents	201	1,029
Bank "Vostok"	Cash and cash equivalents	200	-
Sense Bank*	Cash and cash equivalents	182	-
PKO BANK POLSKI SA	Cash and cash equivalents	118	117
JSB "UKRGASBANK"**	Cash and cash equivalents	10	400
CREDIT SUISSE AG	Cash and cash equivalents	-	345
D.Trading B.V. Group	Trade and other receivables	9,866	14,798
NEC (NPC) Ukrenergo	Trade and other receivables	3,375	2,551
Energorynok SE	Trade and other receivables	188	199
Metinvest Group	Trade and other receivables	72	196
DTEK GROUP B.V. (Note 9)	Financial investments	8,041	-
Sberbank of Russia (Note 15)	Other financial liabilities**	3,039	2,925

\* These banks rank in the top 10 Ukrainian banks by size of total assets and capital (per National Bank of Ukraine).

\*\* Nominal value of guarantee.

**Market risk.** The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity investments, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

### 30 Financial Risk Management (Continued)

**Currency risk.** The Group primarily operates within Ukraine and accordingly its exposure to foreign currency risk is determined mainly by borrowings, cash balances and deposits, which are mostly denominated in/or linked to USD, and EUR. Ukrainian Hryvnia remains volatile to the currency exchange market and substantial changes in currency rates may have crucial impact on Group's covenants.

The following table presents sensitivities of profit or loss and equity before tax to reasonably possible changes in exchange rates applied at the balance sheet date relative to the functional currency of the respective Group entities, with all other variables held constant:

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

<i>In millions of Ukrainian Hryvnia</i>	At 31 December 2023		At 31 December 2022	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD strengthening by 15% (2022:20%)	(4,913)	(4,913)	(9,002)	(9,002)
USD weakening by 15% (2022:20%)	4,913	4,913	9,002	9,002
Euro strengthening by 15% (2022:20%)	24	24	1,787	1,787
Euro weakening by 15% (2022:20%)	(24)	(24)	(1,787)	(1,787)

**Interest rate risk.** The Group has substantial amount of interest-bearing liabilities and the Group's income together with operating cash flows are dependent on changes in market interest rate. The Group's interest rate risk arises from borrowings and loans provided to related parties. Borrowings at variable interest rates expose the Group to cash flow interest rate risk. Borrowings at fixed rate expose the Group to fair value interest rate risk.

At 31 December 2023 and 2022, the Group's variable interest debt is UAH denominated. As at 31 December 2023, 1% of the total borrowings was provided to the Group at floating rates (31 December 2022: 1%). Additionally, the borrower of the loan provided to related parties may at any time elect to change the applicable Interest Rate from the Fixed Interest Rate to the Floating Interest Rate, which is the aggregate of margin, being 10% less the average US 6 month Treasury Rate for the calendar month immediately preceding the Floating Interest Starting Date, and the average US 6 month Treasury Rate. At the date of these consolidated financial statements there was no request from the borrower to change its interest rate.

The Group's exposure to fixed or variable rates is determined at the time of issuing new debt. Management uses its judgment to decide whether fixed or variable rate would be more favourable to the Group over the expected period until maturity. The risk of increase in market interest rates is monitored by the Finance Department of the Company together with the Treasury Department. The Finance Department is responsible for planning the financing structure (levels of leverage) and borrowing activities.

The borrowing activities are reviewed on a 12-month budget. Long-term investing activities and associated funding are considered separately.

The maturity dates and effective interest rates of borrowings are disclosed in Note 16. Re-pricing for fixed rate financial instruments occurs at maturity. Re-pricing of floating rate financial instruments occurs continually.

At 31 December 2023, if the interest rates on variable interest borrowings had been 200 basis points higher (2022: 200 basis points higher) with all other variables held constant, pre-tax loss for the year would have been UAH 9 million higher (2022: pre-tax loss for the year would have been UAH 7 million higher).

**Liquidity risk.** Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding to meet existing obligations as they fall due. Management monitors liquidity on a daily basis, management incentive programs use key performance indicators such as EBIT, EBITDA, free cash flow and cash collections to ensure liquidity targets are actively monitored. Prepayments are commonly used to manage both liquidity and credit risks. The Group has capital construction programs which can be funded through existing business cash flows. The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are undiscounted cash flows.

### 30 Financial Risk Management (Continued)

The maturity analysis of financial liabilities as of 31 December 2023 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>Up to 6 months</b>	<b>6 -12 months</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Liabilities</b>						
Bank borrowings	37	73	103	329	-	<b>542</b>
Eurobonds	1,800	1,790	3,550	47,786	-	<b>54,926</b>
Guarantee issued to Sberbank	3,039	-	-	-	-	<b>3,039</b>
Lease liabilities	157	44	114	265	2,558	<b>3,138</b>
Other financial liabilities	30	10	90	59	62	<b>251</b>
Trade and other payables	8,154	-	-	-	-	<b>8,154</b>
<b>Total future payments, including future principal and interest payments</b>	<b>13,217</b>	<b>1,917</b>	<b>3,857</b>	<b>48,439</b>	<b>2,620</b>	<b>70,050</b>

The maturity analysis of financial liabilities as of 31 December 2022 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>Up to 6 months</b>	<b>6 -12 months</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Liabilities</b>						
Bank borrowings	29	84	364	-	-	<b>477</b>
Eurobonds	2,192	2,179	4,320	61,173	-	<b>69,864</b>
Guarantee issued to Sberbank	2,925	-	-	-	-	<b>2,925</b>
Lease liabilities	101	42	184	253	2,523	<b>3,103</b>
Other financial liabilities	26	10	92	59	82	<b>269</b>
Trade and other payables	5,258	-	-	-	-	<b>5,258</b>
<b>Total future payments, including future principal and interest payments</b>	<b>10,531</b>	<b>2,315</b>	<b>4,960</b>	<b>61,485</b>	<b>2,605</b>	<b>81,896</b>

### 31 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return on capital to shareholders, issue new shares or sell assets to reduce debt. Currently there is a restriction imposed on dividends payments currencies based on agreement with the lenders. Additionally, management may defer certain capital spending to enhance its debt position.

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio, where the target varies from period to period depends on the market circumstances and long-term plans. This ratio is calculated as net liabilities divided by total capital under management. Net debt is calculated as total borrowing (current and long-term as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital under management equals equity as shown in the consolidated balance sheet.

As at 31 December 2023 the total net debt and total negative net assets of the Group were UAH 38,878 million and UAH 7,763 million respectively (31 December 2022: UAH 46,308 million net debt and UAH 13,011 million negative net assets).

The Group plans to cover existing deficit in net assets through earnings of profits in the future reporting periods.

### 32 Fair Value of Assets and Liabilities

This note provides an update on the judgements and estimates made by management in determining the fair values since the last annual consolidated financial statements.

**Property, plant and equipment at fair value.** Property, plant and equipment are carried in the statement of financial position at their fair value. The Group's property, plant and equipment are all categorised as Level 3 in the fair value hierarchy.

**Financial instruments carried at amortised cost.** Majority of the Group financial assets and liabilities are carried at amortised cost using the effective interest method. These assets are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 31 December 2023:

<i>In millions of Ukrainian Hryvnia</i>	31 December 2023		31 December 2022	
	Fair value	Carrying amount	Fair value	Carrying amount
<b>FINANCIAL LIABILITIES*</b>				
Non-current Eurobonds*	23,161	39,604	14,490	47,204
Current Eurobonds*	316	582	206	731

\* As of 31 December 2022 and 2023, management believes that market prices are the best benchmark for fair value determination of Eurobonds.

Management considers carrying value of non-current and current financial investments, non-current bank borrowings, current bank borrowings and interest accrual as of 31 December 2023 and as of 31 December 2022 to be equal to its Fair Value.

Valuation technique and description of inputs used in the fair value measurement for level 2 as of 31 December 2022 and 2023:

	Valuation technique	Inputs used
<b>FINANCIAL LIABILITIES</b>		
Eurobonds	Market approach	Market quotes on DTEK Eurobonds

### 33 Reconciliation of Classes of Financial Instruments with Measurement Categories

All of the Group's financial assets and financial liabilities are carried at amortised cost.

### 34 Subsequent events

During March-April 2024 Russia again carried out a few massive attacks on Ukraine's energy infrastructure resulting in damaging equipment at the plants. Multiple DTEK Energy thermal power plants were hit, causing damages and losing of its generating capacity. DTEK Energy is in process of analysis of time and additional expenses necessary to restore the damaged assets.

There were no other material subsequent events to disclose, except those disclosed in Notes 1,2 and 3.

## **Company financial statements**

**31 December 2023**

**DTEK Energy B.V.**  
**Company Balance Sheet (BEFORE PROFIT APPROPRIATION)**

<i>In millions of Ukrainian Hryvnia</i>	Note	31 December 2023	31 December 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3	4
Investments in subsidiaries	3	41,058	47,208
Loans to related parties	4	32,095	19,090
<b>Total non-current assets</b>		<b>73,156</b>	<b>66,302</b>
<b>Current assets</b>			
Loans to related parties	4	17	1,001
Receivables from related parties	5	165	7,166
Dividend receivables from related parties	5	9,068	1,686
Other receivables	5	9	4
Cash and cash equivalents	5	25	311
<b>Total current assets</b>		<b>9,284</b>	<b>10,168</b>
<b>TOTAL ASSETS</b>		<b>82,440</b>	<b>76,470</b>
<b>EQUITY</b>			
Share capital		-	-
Share premium	6	9,909	9,909
Revaluation reserves	6	7,705	10,657
(Accumulated losses)/Retained earnings	6	(11,967)	6,265
Result for the year	6	9,888	(13,093)
<b>TOTAL EQUITY</b>		<b>15,535</b>	<b>13,738</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	7	51,854	49,876
Deferred income tax liability	9	1,200	-
Loans from related parties	8	1,897	4,976
<b>Total non-current liabilities</b>		<b>54,951</b>	<b>54,852</b>
<b>Current liabilities</b>			
Borrowings	7	760	731
Payables to related parties	10	10,056	5,697
Other payables	10	65	31
Other financial liabilities	11	1,073	1,421
<b>Total current liabilities</b>		<b>11,954</b>	<b>7,880</b>
<b>TOTAL LIABILITIES</b>		<b>66,905</b>	<b>62,732</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>82,440</b>	<b>76,470</b>

**DTEK Energy B.V.**  
**Company Income Statement**

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<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Share of result of subsidiaries	12,685	(3,097)
Other income/(expense) after taxation	(2,797)	(9,996)
<b>Net result attributable to shareholders</b>	<b>9,888</b>	<b>(13,093)</b>

## **1 The Organisation and its Operations**

### **General**

DTEK Energy B.V. (former DTEK Holdings B.V.) is a private limited liability company incorporated in the Netherlands on 16 April 2009. The Company was formed through the contribution by System Capital Management Limited (SCM Ltd.) and InvestCom Services Limited of their 100% equity interest in DTEK Holding Limited, a Cyprus registered entity and the predecessor of the Company. On 19 September 2014 the Company changed its parent company to DTEK B.V. As of 31 December 2020 DTEK Energy B.V. was owned by DTEK B.V. Starting 12 April 2021 DTEK Energy B.V. is directly owned by DTEK ENERGY HOLDINGS B.V., a private limited liability company incorporated on this date, domiciled in the Netherlands and owned by DTEK GROUP B.V. (former DTEK B.V., hereinafter referred to as DTEK B.V.). The structure regime is not applicable to DTEK Energy B.V. as it does not meet the criteria set in Book 2 of the Dutch Civil Code.

The Company and its subsidiaries (together referred to as “the Group” or “DTEK Energy”) is a vertically integrated coal mining and power generating group. Its principal activities are coal mining for further supply to its power generating facilities in Ukraine. In 2023 the Group’s coal mines and power generation plants are located in the Donetsk, Dnipropetrovsk, Lviv, Ivano-Frankivsk, Vinnitsya and Zaporizhzhya regions of Ukraine.

DTEK Energy is focused on achieving high quality of the work and on adherence to corporate standards, meeting its obligations, efficient use of natural resources and on protecting the environment.

DTEK Energy has Supervisory Board, that is in charge for strategic management and overseeing the activities of management. Supervisory Board meetings with management are held on a regular basis to discuss and review reports on business performance, financial results and implementation of tasks and decisions.

The principal activity of the Company is holding ownership interests in its subsidiaries, their financing and management. The Company is a corporate member of EURACOAL, an association of coal and lignite sector of Europe, and a business associate member of the Union of the Electricity Industry - Eurelectric, a sector association which represents the interests of the electricity industry at pan-European level and has affiliates and associates on several other continents.

### **Supervisory Board**

The Board consists of 7 (seven) members (2022: 7 members). In 2023 DTEK Energy B.V. and its subsidiaries paid remuneration to the Supervisory Board in the amount of UAH 25 million (2022: UAH 15 million).

### **Basis of presentation of the company financial statements**

The company financial statements of DTEK Energy B.V. are presented pursuant to the legal stipulations of Part 9 Book 2 of the Dutch Civil Code (“DCC”). In this context use was made of the option provided under art. 2:362 part 8 DCC to apply the accounting principles for the recognition and measurement of assets and liabilities and determination of results (including principles for presentation of financial instruments such as equity or debt) to the company’s financial statements to be consistent with those that are applied in the consolidated financial statements.

Since the income statement for 2023 and 2022 of DTEK Energy B.V. is included in the consolidated financial statements, an abridged income statement has been disclosed in accordance with art. 2:402 DCC.

The principal subsidiaries and associates of the Company are presented in Note 1 to the accompanying Consolidated Financial Statements. The remaining subsidiaries and associates are Ukrainian-Polish Joint Company Entek LLC (located in Ukraine, group ownership 60.00%), Vanco Prykerchenska Ltd (registered in BVI, group ownership 25.5%), Vanco Ukraine Ltd (registered in BVI, group ownership 25.5%), Dniproline CJSC (located in Ukraine, group ownership 40.99%), Skhidno-Krymskaya Company PJSC (located in Ukraine, group ownership 43.03%), Kirovsk local Media newspaper reduction “Our horizons” (located in Ukraine, group ownership 33.57%), DobrotvirTPS-2 PJSC (located in Ukraine, group ownership 99.81%), Izdatelskiy dom “Vestnik Shakhtyora” LLC (located in Ukraine, group ownership 100.0%).

## **2 Accounting Policies Information**

### **General**

The accounting policies for the Company’s financial statements are the same as for the consolidated financial statements. Where no specific policies are mentioned, reference should therefore be made to the accounting policies relating to the consolidated financial statements.

### **Subsidiaries**

Consolidated subsidiaries are all entities (including intermediate subsidiaries) over which the company has control. The company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are recognised from the

## **2 Accounting Policies Information (Continued)**

date on which control is transferred to the company or its intermediate holding entities. They are derecognised from the date that control ceases.

The company applies the acquisition method to account for acquiring subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred by the company, liabilities incurred to the former owners of the acquiree, and the equity interests issued by the company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

The consolidated subsidiaries are measured at their net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

When applying the net asset value, the result from consolidated subsidiaries for the year is derived based on the reported result of the subsidiary to the extent that this can be attributed to the investor legal entity and aligned with the accounting policies of the group. Dividends received are deducted from the carrying amount of the investment.

In case of unprofitable subsidiaries having negative net asset value, any negative amounts are booked against receivables from these subsidiaries in case these considered to be a part of the net investment. The revaluation reserve is a legal reserve according to art. 2:373.4 DCC. The legal reserves are not distributable to the shareholders until they are transferred to retained earnings. In the event the net equity value of a subsidiary becomes negative additional losses are not recognised in case the company is not liable for the debts of its subsidiaries and there are no other receivables which are considered to be a part of the net investment into such subsidiary.

### **Elements of shareholders' equity**

Various legal reserves required by Part 9, Book 2, of the Dutch Civil Code have been retained in the corporate balance sheet. These reserves restrict the ability to distribute equity. They are the reserve for property, plant and equipment revaluations, the reserve for intangible assets (only to the extent related to the capitalized incorporation costs and the capitalized development costs, if any) and the reserve for participating interests (only to the extent that profits and other equity increases are both not distributed and not freely distributable at the intention of the entity).

The revaluation reserve (Art. 2:390 part 1 DCC) is maintained in respect of unrealised fair value increase held by companies forming part of DTEK Energy B.V.

Additions to the reserve for property, plant and equipment revaluations are made via equity appropriation, after allowing for corporate income tax.

## **3 Investments in subsidiaries**

Movements in investments in subsidiaries are as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
<b>Carrying amount of 1 January</b>	<b>47,208</b>	<b>55,574</b>
Share of result of subsidiaries	12,685	(3,097)
Share of result of equity movements	(1,611)	(8,895)
Share capital reduction and share premium distribution	(5,930)	(535)
Other movements in subsidiaries	(4,409)	5,827
Dividends accrued	(6,885)	(1,666)
<b>Carrying amount of 31 December</b>	<b>41,058</b>	<b>47,208</b>

Net gain of the subsidiaries within the Group attributable to shareholders for the year ending 31 December 2023 is UAH 12,685 million (2022: net loss of UAH 3,097 million). The difference of UAH 854 million with the consolidated result for the year ended 31 December 2023 of UAH 13,539 million (2022: UAH 5,378 million) is related to the fact that the Company recognises losses of the subsidiaries only to the extent of net investment in subsidiaries which includes long-term receivables that in substance form part of the net investment in the subsidiary. In the event the net equity value of a subsidiary becomes negative additional losses are not recognised unless there is a probability of cash outflow due to guarantees given to third parties on loan contracts issued by its subsidiaries or there are other receivables due from this subsidiary which is treated as a part of net investment. As of 31 December 2023, the management assesses the probability of such cash outflow as possible.

### **3 Investments in subsidiaries (Continued)**

Share of equity movements of subsidiaries comprise re-measurements of post-employment benefit obligations, effects on fair value hedges, changes in estimates for asset retirement obligation and property, plant and equipment revaluation reserve.

Other movements in subsidiaries comprise ECL on intercompany transactions.

#### **2023 year activity**

In December 2023 one of the subsidiaries of the Company, DTEK Trading SA, en liquidation, carried out share capital reduction and share premium distribution by passing to the Company its rights to claim the loans issued to subsidiaries of DTEK Energy B.V in the amount of UAH 4,457 million (Note 4) and releasing the Company from its obligations to pay on its payables to DTEK Trading SA, en liquidation in the amount of UAH 1,495 million (Note 10). The amount is included into the movements in investments in subsidiaries as shown above in the amount of UAH 5,930 million. The resulting difference of UAH 22 million related to foreign exchange gain is recorded in Other income/(expense) after taxation.

#### **2022 year activity**

In June 2022 the distribution and payment in cash out of a share premium of DTEK Power B.V. in the amount of UAH 535 million at the date of transaction (USD 18 million) was made to the Company, which is included into the dividends accrued in movements in investments in subsidiaries above.

### **4 Loans to related parties**

As of 31 December non-current loans to related parties were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
<b>Balance of 1 January</b>	<b>19,090</b>	<b>14,483</b>
New loans issued	5,482	-
Assigning of right to claim on loan receivables (Note 3)	4,457	-
Transfer to current	(17)	(790)
Settlement of loans	-	(833)
Interest accrued during the period	5,162	4,508
Foreign exchange gain	1,324	6,576
Unwinding of discount	-	86
Effect on early repayment	-	229
Provision for impairment during the year	(3,403)	(5,169)
<b>Balance of 31 December</b>	<b>32,095</b>	<b>19,090</b>

As of 31 December, current loans to related parties were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
<b>Balance of 1 January</b>	<b>1,001</b>	<b>-</b>
Transfer from non-current	17	790
Settlement of loans	-	(8)
Set-off of loans	(1,413)	-
Interest accrued during the period	97	92
Foreign exchange (loss)/gain	(23)	306
Unwinding of discount	39	9
(Provision)/reversal for impairment during the year	299	(188)
<b>Balance of 31 December</b>	<b>17</b>	<b>1,001</b>

As at 31 December 2023, loans provided to related parties in the principal amount of UAH 5,545 million (31 December 2022: nil) are presented by loan issued to DTEK GROUP B.V. denominated in US dollars and due in October 2028. Loan bear a nominal interest of 10% per annum payable on quarterly basis with an option of interest capitalization at 11% interest rate per annum two times per calendar year until 2027. The borrower may at any time elect to change the applicable Interest Rate from the Fixed Interest Rate to the Floating Interest Rate, which is the aggregate of margin, being 10% less the average US 6 month Treasury Rate for the calendar month immediately preceding the Floating Interest Starting Date, and the average US 6 month Treasury Rate. At the date of these financial statements there was no request from the borrower to change its interest rate.

#### **4 Loans to related parties (Continued)**

Loan provided to DTEK GROUP B.V. was initially recorded at the fair value which is equal to cash paid by the Company. The 10% fixed interest rate on the instrument is within the range of market interest rates between 8.4% and 11.9% on active markets (Level 3) for similar USD denominated financial instruments (corporate loans) of entities with credit rating CCC+ to D issued in 2023 with maturities within 4.5-5.5 years.

For the purpose of solely payments of principal and interest (SPPI) test the Company performed the quantitative assessment, which requires it to compare the contractual cash flows of the financial asset under assessment to the cash flows of a 'benchmark' instrument whose time value of money element is not modified (known as the 'benchmark test'). As part of the benchmark test the Company applied two scenarios – based on the US 3 month Treasury Rate from publicly available experts forecasts and the maximum observed historical difference between US 3 month and 6 month Treasury Rates for the last 20 years. The Company determined that the benchmark test was passed and therefore accounted for the loans at amortized cost.

As at 31 December 2023, expected credit losses for the loan provided to DTEK GROUP B.V. amounted to UAH 342 million, and were measured at a 12-month ECL rate (Stage 1) of 6.16%, which was assessed as a difference between the original effective interest rate of the loan and the yield to maturity of 5-year US treasury bonds observable at the date of originating of the loans, being close enough to 31 December 2023.

As at 31 December 2023, loan provided to DTEK GROUP B.V. was pledged as collaterals for Eurobonds.

As at 31 December 2023 loan issued comprised also from loan to DTEK Finance PLC with nominal value of UAH 15,960 million principal and UAH 2,488 million accrued interest and with final maturity in December 2026 (8.14% annual interest rate payable on the repayment date, denominated in USD); loan issued to DTEK Holdings Limited with nominal value of UAH 47,655 million principal and UAH 8,703 million of accrued interest and with final maturity in December 2027 (annual interest rate of 8.43% for USD and 6.8% for EUR payable on the repayment date). These loans are carried at amortised cost being the difference of nominal value and net assets value of the respective subsidiaries.

In 2023 there were several reassignments between the Company and its subsidiaries:

- in December 2023 rights to claim on loans to DTEK Holdings Limited were reassigned to the Company in the amount of UAH 4,457 million (denominated in USD and EUR) from DTEK Trading SA, en liquidation (Note 3). Loans reassigned were initially recognized at the value carried in the books of DTEK Trading SA, en liquidation, have an interest rate of 12.7% + 1m SOFR rate and maturity date on 31 January 2025;
- current loans to related parties were settled-off with payables to related parties in the amount of UAH 1,413 million.

In 2023 additional impairment of UAH 3,061 million (2022: additional impairment of UAH 5,169 million) was recorded on loan issued to DTEK Holdings Limited and DTEK Finance PLC due to a negative net asset value (NAV) decrease and general change of credit risks.

As of 31 December 2023 these loans are unsecured and carrying amounts of the loans to related parties approximate their fair values after the impairment recognised.

#### **5 Other receivables**

As of 31 December, current assets were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Dividend receivable from related parties	9,068	1,686
Accounts receivable from related parties	165	7,166
Other receivables	9	4
Cash and cash equivalents	25	311
<b>Total other receivables</b>	<b>9,267</b>	<b>9,167</b>

Accounts receivable from related parties are recognized at fair value and subsequently measured at amortized cost. Fair value of other receivables approximates the book value, due to their short-term character. Cash and cash equivalents are freely disposable. As at 31 December 2023 all current receivables are due on demand, not secured and bear no interest.

In 2023 DTEK Pavlogradugol PJSC declared dividends to the Company in the amount of UAH 6,861 million. Potential effect of the provision for IFRS 9 expected credit losses on this balance was considered to be immaterial given the fact that the balance was settled on 4 January 2024, together with the balance of UAH 475 million of dividends receivable from DTEK Dniproenergo JSC (Note 10). Other movement in dividends receivable consist of change of provision for IFRS 9 expected credit losses.

**5 Other receivables (Continued)**

In February 2022 GPL Ingen Power Limited declared dividends to the Company in the amount of UAH 1,666 million, that remained outstanding at 31 December 2023.

In 2023 there were several reassignments between the Company and its subsidiaries and as a result receivables in the amount of UAH 5,010 million from DTEK Energy LLC and UAH 221 million from DTEK Trading LLC which are represented on the balance as at 31 December 2022 were settled-off with Payables to related parties (Note 9). Additionally UAH 8,502 million of receivable from two subsidiaries were reassigned to another subsidiary of the Group and settled off with respective payables with related parties.

As at 31 December 2023, the Group revised expected credit losses (further "ECL") as compared to 31 December 2022 due to changes in default rates corresponding to Fitch credit rating used as a basis for IFRS 9 expected credit losses measurement (Note 4 of the accompanying Consolidated Financial Statements).

Movements in the impairment provision for receivables were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
<b>Provision for impairment at 1 January</b>	<b>7,582</b>	<b>1,638</b>
Impact of changes in estimates and assumptions	-	4,909
Provision for impairment during the year	19	566
Reversal of provision	(7,277)	(123)
Effect of changes in exchange rate	145	592
<b>Provision for impairment at 31 December</b>	<b>469</b>	<b>7,582</b>

For all significant debtors of the Company that are primary related parties, ECL rate is calculated based on default rates corresponding to Fitch credit rating set for country of counterparty's operations or a counterparty, where relevant, and adjusted for weighted average loss given default determined according to Fitch recovery rates. When considering ECL provision for financial receivables from subsidiaries, Company takes into account results of subsidiaries and their credit risks and the net asset value (Note 2).

The following table provides information about the exposure to credit risk and ECLs for financial receivables, including considerations related to negative results of subsidiaries:

	<b>Expected loss rate as of 31 December 2023</b>	<b>Basis</b>	<b>Expected loss rate as of 31 December 2022</b>	<b>Basis</b>
Financial receivables from related parties	14.54% - 96%	Default rate adjusted for weighted average loss given default	22.20% - 89.90%	Default rate adjusted for weighted average loss given default

**DTEK Energy B.V.**  
**Notes to the Company Financial Statements – 31 December 2023**

**6 Equity**

Movements in equity are as follows:

<i>In millions of Ukrainian Hryvnia</i>	Share capital	Share premium	Revaluation reserves	Retained earnings/ (Accumulated losses)	Result for the year	Total
<b>As of 1 January 2022</b>	-	9,909	22,510	31,239	(27,932)	35,726
Profit appropriation	-	-	-	(27,932)	27,932	-
Result for the year ended 31 December 2022	-	-	-	-	(13,093)	(13,093)
Property, plant and equipment:						
- Net result in valuation of property, plant and equipment	-	-	(10,216)	-	-	(10,216)
- Deferred tax	-	-	1,775	-	-	1,775
- Realised revaluation reserve	-	-	(4,159)	4,159	-	-
- Deferred tax related to realised revaluation reserve	-	-	747	(747)	-	-
Acquisition of entities under common control	-	-	-	-	-	-
Other movements	-	-	-	(454)	-	(454)
<b>As of 31 December 2022</b>	-	9,909	10,657	6,265	(13,093)	13,738
<b>As of 1 January 2023</b>	-	9,909	10,657	6,265	(13,093)	13,738
Profit appropriation	-	-	-	(13,093)	13,093	-
Result for the year ended 31 December 2023	-	-	-	-	9,888	9,888
Property, plant and equipment:						
- Net result in valuation of property, plant and equipment	-	-	(1,392)	-	-	(1,392)
- Deferred tax	-	-	253	-	-	253
- Realised revaluation reserve	-	-	(2,162)	2,162	-	-
- Deferred tax related to realised revaluation reserve	-	-	349	(349)	-	-
Dividends distribution	-	-	-	(6,480)	-	(6,480)
Other movements	-	-	-	(472)	-	(472)
<b>As of 31 December 2023</b>	-	9,909	7,705	(11,967)	9,888	15,535

The revaluation reserve is a legal reserve according to art. 2:373.4 DCC. The legal reserves are not distributable to the shareholders until they are transferred to retained earnings.

The authorised share capital of DTEK Energy B.V. equals to fully paid share capital and comprises 3,000 ordinary shares with a par value of EUR 10.0 per share in total amount of UAH 928 thousand (EUR 30 thousand) using exchange rate as of 15 April 2009 as the date of contribution. All shares carry one vote.

**6 Equity (Continued)**

During the year ended 31 December 2023 DTEK Energy B.V. declared UAH 6,480 million dividends to its direct parent DTEK ENERGY HOLDINGS B.V. Further several reassignments took place in the amount of USD 175 million, as a result of which DTEK Energy B.V.'s own dividends payable of UAH 6,480 million were offset with receivable from its direct parent and final payment was made by DTEK Energy B.V. in cash to DTEK GROUP B.V. before 31 December 2023 in the amount of UAH 6,531 million.

As of 31 December 2023, the difference between equity according to the Company balance sheet and equity according to the consolidated balance sheet amounts to UAH 23,338 million (2022: UAH 26,657 million). The amount of UAH 761 million (2022: UAH 1,061 million) of the difference is explained by deferred income tax liability on borrowings which is recorded only in the consolidated balance sheet. The remaining difference is attributable to investments in subsidiaries whose net assets value are negative (together with Company's receivables in such subsidiaries which in substance form part of the net investment) and capped at nil value in the Company balance sheet.

Difference in equity between the company and consolidated financial statements:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Negative equity of consolidated participating interests/group companies	22,577	25,596
Deferred income tax liability on borrowings	761	1,061
<b>Total of difference in equity and in the company financial statements and consolidated financial statements</b>	<b>23,338</b>	<b>26,657</b>
<i>Equity in the consolidated financial statements</i>	(7,803)	(12,919)
<b>Total of equity in the company financial statements</b>	<b>15,535</b>	<b>13,738</b>

In 2023 the difference between the result for the year according to the Company income statement and result according to the consolidated income statement amounts to UAH 3,651 million (2022: UAH 7,715 million). The amount of UAH (300) million (2022: UAH 245 million) of the difference is explained by deferred income tax reversal (2022: deferred income tax charge) on borrowings which is recorded only in the consolidated income statement. The remaining difference is attributable to non-recording the financial result of subsidiaries whose net assets value are negative (together with Company's receivables in such subsidiaries which in substance form part of the net investment) and capped at nil value in the Company balance sheet.

Difference in result between the company and consolidated financial statements:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Decrease in negative equity of group companies	(3,351)	(7,960)
Deferred income tax (reversal)/charge	(300)	245
<b>Total of difference in result in the company and consolidated financial statements</b>	<b>(3,651)</b>	<b>(7,715)</b>
<i>Result in the consolidated financial statements</i>	13,539	(5,378)
<b>Total of result in the company financial statements</b>	<b>9,888</b>	<b>(13,093)</b>

**Proposed profit appropriation**

In line with the stipulations in article 23 of the articles of association of DTEK Energy B.V., which state that the General Meeting of Shareholders shall determine the allocation of result, the Management Board proposes to appropriate the gain for the year ended 31 December as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Gross dividends	-	-
Gain/(loss) to retained earnings/ (accumulated losses)	9,888	(13,093)
<b>Total</b>	<b>9,888</b>	<b>(13,093)</b>

There are contractual restrictions on future dividend distributions of DTEK Energy B.V. due to specific covenants, including limitations on payments to shareholders, as included in Notes (Eurobonds) contracts issued in December 2016 and restructured on 17 May 2021. The amount of the retained earnings subject to these restrictions as of 31 December 2023 is UAH (11,967) million (31 December 2022: UAH 6,265 million). In 2023 the Company obtained consent from bondholders, which changed some of these restrictions including in relation to restricted payments (including distribution to shareholders) under some conditions (see Note 16 of the accompanying Consolidated Financial Statements).

## **7 Borrowings**

In February 2022 as result of termination agreement with Sberbank of Russia, the Company wrote-off UAH 400 million loan (book value as of the transaction date).

On 25 November 2022 the Company and its subsidiary DTEK Finance PLC signed an agreement of issuer substitution in indenture with respect to the Eurobonds issued by DTEK Finance PLC in May 2021. The Company assumed all of the obligations of DTEK Finance PLC in consideration for settlement of loan payable to DTEK Finance PLC (Note 8) and recognized the Eurobonds in the amount equal to the bonds carrying value in consolidated accounts as of 25 November 2022. The key terms of Eurobonds were not affected by the issuer substitution and are disclosed in Note 16 to the accompanying Consolidated Financial Statements.

As of 31 December borrowings were as follows:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
<b>Carrying amount of 1 January</b>	<b>50,607</b>	<b>376</b>
<b>Cash movements</b>		
Settlement of borrowings	(739)	(366)
Interest paid	(3,868)	(969)
Commissions paid	(307)	-
<b>Non-cash movements</b>		
Recognition of Eurobonds upon issuer substitution	-	51,471
Foreign exchange loss/(gain)	1,992	25
Unwinding of discount	769	92
Interest accrued	3,853	378
Commissions accrued	307	-
Extinguishment of bank's loans	-	(400)
<b>Carrying amount of 31 December</b>	<b>52,614</b>	<b>50,607</b>

The fair value of borrowings is disclosed in Note 32 to the accompanying Consolidated Financial Statements.

## 8 Loans from related parties

As of 31 December non-current loans from related parties were as follows:

<i>In millions of Ukrainian Hryvnia</i>	2023	2022
<b>Carrying amount of 1 January</b>	<b>4,976</b>	<b>39,972</b>
New loans issued	-	-
Loans settled	(3,843)	(5,575)
Interest accrued during the period	272	4,005
Foreign exchange gain	75	14,492
Unwinding of discount and loss on early repayment	417	2,104
Exchange of loans for Eurobonds	-	(50,022)
<b>Carrying amount of 31 December</b>	<b>1,897</b>	<b>4,976</b>

As of 31 December 2023 the loans from related parties are presented by DTEK Finance PLC and DTEK Holdings Limited. The loans from DTEK Finance PLC with maturity in December 2027 and annual nominal interest rate of 8.14% comprised of UAH 1,216 million principal and accrued interest and is denominated in USD (31 December 2022: UAH 1,749 million). The loans from DTEK Holdings Limited are presented by revolving credit lines of UAH 291 million denominated in EUR under an annual interest rate of 6.9% and maturity date in December 2025 and UAH 517 million denominated in USD under an annual interest rate of 8.14% and maturity date in December 2027 (2022: UAH 268 million in EUR and UAH 3,478 million in USD) Accrued interest balance as of 31 December 2023 is UAH 8 million denominated in EUR (2022: UAH 8 million) and UAH 17 million denominated in USD (2022: UAH 24 million). The loans are carried at amortised cost at an effective interest rate of 9.42%.

In 2021 as a result of restructuring of intercompany loans the Company obtained right from its subsidiary DTEK Finance PLC to claim the loans receivable due from another Company's subsidiary for a consideration equal to the assumed receivables. On 25 November 2022 part of this loan amounting to UAH 50,022 million (nominal value of UAH 56,041 million) was exchanged for the Eurobonds liabilities transferred from the Company's subsidiary DTEK Finance PLC (initial issuer) to the Company (new issuer). The remaining part of the loan comprise UAH 1,738 million of principal and UAH 9 million of interest as of 31 December 2022. The loan is carried at amortised cost at an effective interest rate of 9.42%. The carrying amounts of loans to related parties approximate their fair values. The loans are unsecured and no repayment obligations for mentioned loans exist in 2023.

## 9 Deferred tax liability

As of 31 December 2023 the Company recognized in Other income/(expense) after taxation UAH 1,200 million (31 December 2022: nil) of deferred tax liability relating to post-acquisition profits of subsidiaries where these temporary differences are reasonably expected to be settled/reversed in the next several years. Withholding tax at the level of 5% will be withheld in Ukraine when paying dividends from Ukraine to Dutch shareholders according to the current tax legislation.

The total amount of UAH 1,200 million qualifies as long term (in effect more than one year).

## 10 Payables to related parties and other payables

As of 31 December payables are as follows:

<i>In millions of Ukrainian Hryvnia</i>	2023	2022
Payables to related parties	10,056	5,697
Other payables	65	31
<b>Total</b>	<b>10,121</b>	<b>5,728</b>

In 2023 there were several reassignments between the Company and its subsidiaries:

- payables to two subsidiaries in the amount of UAH 6,993 million were reassigned to the Company and were further settled-off with respective dividends receivable in January 2024.
- payables in the amount of UAH 5,040 million were reassigned to the Company and were further settled together with payables to one subsidiary in the amount of UAH 190 million with Other receivables.
- payables of UAH 1,495 million to DTEK Trading SA, an liquidation was settled with investments to DTEK Trading SA, an liquidation as described in Note 3, including payables of UAH 1,243 million presented as at 31 December 2022.

## 10 Payables to related parties and other payables (Continued)

- payables in the amount of UAH 1,413 million to the subsidiary of the Group were reassigned to the Company and were further settled-off with respective current loan to related party.

Payable to DTEK Holdings Limited was settled during 2023 in the amount of UAH 1,528 million in cash. Payable in the amount of UAH 2,697 million to GPL Ingen Power Limited remained outstanding as at 31 December 2023 and 2022.

In October 2022 DTEK Trading SA transferred its right to claim a trade receivables due from DTEK Luhanska Termal Power Plant LLC in the amount of UAH 183 million to the Company in consideration equal to the transferred receivables. The consideration payable for the transferred receivables has interest rate of 9.6% per annum and maturity date in December 2023. Interest of UAH 3 million was accrued by the end of 2022 year.

In December 2022 DTEK Trading SA transferred its right to claim a trade receivables due from D.Trading International SA in the amount of UAH 1,057 million to the Company in consideration equal to the transferred receivables. The consideration payable for the transferred receivables has interest rate of 9.6% per annum and settlement date of 31 December 2023.

Other payables to related parties as of 31 December 2023 and 2022 are presented mainly by payables occurred as a result of investments' acquisition/disposal conducted by the Company in recent years and are payable on demand.

Fair value of trade and other payables approximates the book value, due to their short-term character. Liabilities to related parties fall due within one year. Payables to related parties as at 31 December 2023 and 31 December 2022 are not secured and not bearing any interest, except the payable to DTEK Trading SA transferred in October 2022 and December 2022, which are interest bearing and disclosed above.

## 11 Other financial liabilities

As of 31 December, current financial liabilities are as follows:

<i>In millions of Ukrainian Hryvnia</i>	2023	2022
<b>Carrying amount as of 1 January</b>	<b>1,421</b>	<b>2,730</b>
Derecognition of guarantee upon restructuring	-	(2,810)
Net impairment losses/(gains) on guarantee	(388)	1,137
Foreign exchange loss	40	364
<b>Carrying amount as of 31 December</b>	<b>1,073</b>	<b>1,421</b>

The Company issued a guarantee to Sberbank of Russia in 2022 (the old guarantee was discontinued and restructured replacing it with a new guarantee) with respect to the loan owed to the bank by a Cyprus entity operating several Russian coal mines in the Rostov region. The Guarantee is limited to USD 100 million and is further reduced by any amounts of the primary obligation paid by the entity to the bank (in February 2022 the nominal amount of guarantee was reduced to USD 80 million). As a result of the start of the war in Ukraine, a ban on import of Russian coal to Europe and other sanctions applied by international community, limited information about the underlying assets performance in the current environment and absence of information on the status of the due payments in December 2022 the guarantee's expected credit losses were assessed as at 31 December 2022 in the amount of UAH 1,421 million, being approximately half of the maximum credit exposure at that moment. Further, based on publicly available information, in June 2023 the above-mentioned coal mines were ruled to be transferred to a Russian company and further in January 2024 the Russian government approval of acquisition of coal mines was published. The general terms of the transfer are unknown. In addition, it is unknown if the guaranteed debt was also transferred and remains attached to the mines, whose operating results based on publicly available information are positive. At the date of these financial statements there is no claim made to the Company in connection with the guarantee including in relation to the contractually scheduled principal payments and quarterly interest repayments. In the situation where limited information is available and a mix of developments in the year ended 2023 occurred, management concluded that the calculated balance of guarantee in accordance with requirements of IFRS 9 as at 31 December 2023 is UAH 1,073 million, being approximately half of the expected nominal amount of guarantee decreased on scheduled principal payment which was due in December 2022. Assessment of guarantee was included as critical accounting estimate and judgement in Note 4 of the accompanying Consolidated Financial Statements.

## 12 Average number of employees

As of 31 December 2023, three employees based on full time equivalents were employed by DTEK Energy B.V. (31 December 2022: four). None of the DTEK Energy B.V. employees are working outside the territory of the Netherlands.

### 13 Directors remuneration

The directors of the Company received remuneration of UAH 40 million in 2023 (2022: UAH 30 million).

### 14 Independent Auditor Remuneration

The following fees were expensed in the income statement of the Company and its subsidiaries in the reporting period:

<i>In millions of Ukrainian Hryvnia</i>	2023	2022
Audit of the financial statements, including audit fee of PricewaterhouseCoopers Accountants N.V. of UAH 13 million (2022: UAH 8 million)	51	49
Other audit services	1	1
Tax services	33	12
Other non-audit services	6	4
<b>Total</b>	<b>91</b>	<b>66</b>

### 15 Commitments and contingencies not included in the balance sheet

As at 31 December 2023 and 31 December 2022 off balance sheet commitments of the Company are primarily related to the guarantees given to the banks issued by its subsidiaries and tax contingencies (for further details please refer to Note 16 to the accompanying Consolidated Financial Statements), DTEK Energy B.V. does not rely on special purpose entities to deconsolidate these risks.

The Company is subject to corporation tax on taxable profits at the rate of 19% (2022: 15%) for profits up to EUR 200 thousand (2022: EUR 395 thousand) and at the rate of 25.8% for profits exceeding EUR 200 thousand (2022: EUR 395 thousand) per annum.

For Current Income Tax (CIT) purposes the Company is part of the fiscal unity together with other Dutch DTEK Group entities, which is headed by DTEK GROUP B.V. Under the standard conditions, the members of the fiscal unity are jointly and severally liable for any taxes payable by the fiscal unity. The tax declaration will be filed by the head of the fiscal unity.

DTEK Group B.V. settles, based on the outcome of the fiscal consolidation, the CIT with the Dutch tax authorities, taking into account an allocation of the benefits of the fiscal unity to its members; as such CIT assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities by the fiscal unity as a whole.

No current income tax is recognized in the DTEK Energy B.V. financial statements as of 31 December 2023, as management expects that the fiscal unity will be in a loss-making position for the year 2023 and DTEK Energy BV also expects a taxable loss (UAH 285 million) from a stand alone perspective. Therefore, no intercompany settlement of any corporate income tax with respect to FY23 is expected.

For value added tax purposes the Company is part of the fiscal unity together with other Dutch DTEK Group entities, which is headed by DTEK GROUP B.V. Under the standard conditions, the members of the fiscal unity are jointly and severally liable for any taxes payable by the fiscal unity.

The ultimate tax consequences of transactions and calculations are uncertain, partly because of uncertainty concerning their timing. The Company continually assesses such matters and where final tax sums differ from the estimates such differences are recognised as income tax provisions in the period in which the differences become apparent. As of 31 December 2023 the Company's contingent and current tax liabilities in relation to uncertain tax positions are nil (31 December 2022: UAH nil).

The Company is subject to certain covenants related primarily to its Eurobonds and existing loans. Non-compliance with such covenants may result in negative consequences for the Company, including increase in the cost of borrowings, declaration of default and demand for immediate repayment of borrowings and Eurobonds.

**15 Commitments and contingencies not included in the balance sheet (Continued)**

The following table shows the remaining off-balance sheet commitments as of 31 December:

<i>In millions of Ukrainian Hryvnia</i>	<b>2023</b>	<b>2022</b>
Guarantees given on loan contracts issued by its subsidiaries.	348	377

**16 Subsequent events**

We refer to Note 10 to the Company Financial Statements and to Note 34 to the accompanying Consolidated Financial Statements.

Signed by entire Management Board

on 22 April 2024

Ildar Salieiev

Chairman

Anastasiia Andrieieva

Director

Nataliya Muktan

Director

Eliza Desiree den Aantrekker

Director

Approved for issue and signed by entire

Supervisory Board on 22 April 2024

Sergey Korovin

Dmytro Sakharuk

Oleksandr Kucherenko

Oleksiy Povolotskiy

Pavlo Livertovskiy

Oleksandra Moskalenko

Nikolay Ivin

**Other information**

**Provisions in the Articles of Association relating to profit appropriation**

Article 23 of the Articles of Association states that General Meeting of Shareholders shall determine the appropriation of the results realised in any financial year.



## *Independent auditor's report*

To: the general meeting and the supervisory board of DTEK Energy B.V.

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### *Report on the audit of the financial statements 2023*

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#### *Our opinion*

In our opinion:

- the consolidated financial statements of DTEK Energy B.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2023 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of DTEK Energy B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2023 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the accompanying financial statements 2023 of DTEK Energy B.V., Amsterdam. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2023;
- the following statements for 2023: the consolidated income statement, the consolidated statement of comprehensive income, changes in equity and cash flows; and
- the notes to the financial statements, including material accounting policy information and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2023;
- the company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

*NLE00023478.1.5*

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### *The basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of DTEK Energy B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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### *Material uncertainty related to going concern*

We draw attention to the section 'Going concern' included in Note 3 to the consolidated financial statements, which indicates that since 24 February 2022, the Group's and the Company's operations and cash flows are significantly affected by the ongoing military actions in Ukraine including subsequent foreign currency control restrictions. The magnitude of further military developments and the timing of cessation of these circumstances and the impact thereof on the Group's and the Company's operations and assets are uncertain. These conditions, along with the other matters as set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

We refer to section 'Audit approach going concern' for further information on our audit procedures regarding the going-concern assumption.

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### *Our audit approach*

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide separate opinions or conclusions on these matters.

### *Overview and context*

DTEK Energy B.V. is a vertically integrated coal mining, power generating and trading group. Its principal activities are coal mining for further supply to its power generating facilities located in Ukraine. The Group's business is concentrated in Ukraine, in 2023 almost all revenue was generated in Ukraine and denominated in UAH, although the Group also received part of revenue in foreign currencies from its export in earlier years.



The financial year 2023 was characterised by the war in Ukraine that started on 24 February 2022 when Russia launched a full-scale military invasion of Ukraine which is still ongoing. The war had a significant impact on the operations of the Group due to the inability of certain assets, located on occupied territory, to continue their operations, government regulations on the electricity and coal market in Ukraine, as well as damages of attacks against the critical infrastructure facilities throughout Ukraine, including the Group's energy enterprises. This affected the determination of materiality, the scope of our group audit and our audit procedures. We described in the Key audit matters section how this affected the impairment assessment of property, plant and equipment. Because of the significance of management's assessment with respect to the impact of the war on the Group's ability to continue as a going concern, we have paid specific attention to this in our audit.

The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In these considerations, we paid attention to, amongst others, the assumptions underlying the physical and transition risk related to climate change.

In Note 4 of the financial statements the Group describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given that the war in Ukraine had a significant impact on the operations of the Group and due to significant uncertainties which are embedded in the future discounted cash flows projections and sensitivity of the estimates and assumptions involved, we considered the impairment assessment of property, plant and equipment to be a key audit matter as set out in the section 'Key audit matters' of this report.

DTEK Energy B.V. performed an assessment of possible effects of climate change and its plans to meet the net zero commitments by 2040, on its financial positions, refer to section 'Sustainable development and climate change' of the director's report. We challenged management to ensure that all known factors were taken into account regarding this assessment. The coal mines were already planned to be phased out and closed by 2040 and accordingly no accelerated depreciation is needed. The physical risk assessment did not lead to the identification of risks that are likely to have a material impact on the company. Accordingly, based on management's best estimate, both physical and transition climate risks do not have a material impact on the Group's operations and financial position as of 31 December 2023. However, as a result of the war, the full assessment is not completed yet. The expected effects of climate change are not considered a key audit matter for 2023.

Other areas of focus, that were not considered as key audit matters, were the assessment of the accounting for the guarantee to Sberbank, accounting of loans issued to DTEK GROUP B.V. and laws and regulations.

We ensured that the audit teams at both group and component level included the appropriate skills and competences which are needed for the audit of a full cycle electricity production chain group. We therefore included experts and specialists in the areas of amongst others IT, actuarial expertise, accounting, valuation and tax in our team.

The outline of our audit approach was as follows:



#### **Materiality**

- Overall materiality: UAH 604 million.

#### **Audit scope**

- We conducted audit work on five components in Ukraine.
  - There were no site visits of components located outside of Ukraine.
- Audit coverage: 99% of consolidated revenue, 94% of consolidated total assets and 93% of consolidated profit before tax.

#### **Key audit matters**

Impairment assessment of property, plant and equipment.

### **Materiality**

The scope of our audit was influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

<b>Overall group materiality</b>	UAH 604 million (2022: UAH 637 million).
<b>Basis for determining materiality</b>	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 0.9% of Revenue.
<b>Rationale for benchmark applied</b>	We used revenue as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the users of the financial statements. On this basis, we believe that revenue is the most relevant metric for the financial performance of the Group as it is most reflective of the scale of operations of the entity and does not take into account the possible impact of government regulations which can lead to significant fluctuations of the Group's results.
<b>Component materiality</b>	Based on our judgement, we allocate materiality to each component in our audit scope that is less than our overall group materiality. The range of materiality allocated across components was between UAH 302 million and UAH 504 million.



We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Audit Committee that we would report to them any misstatement identified during our audit above UAH 30 million (2022: UAH 32 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### *The scope of our group audit*

DTEK Energy B.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of DTEK Energy B.V.

We tailored the scope of our audit to ensure that we, in aggregate, performed sufficient work on the financial statements to enable us to provide an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the group engagement team and by each component auditor.

Our audit primarily focussed on the significant components of the Group: DTEK PAVLOHRADCOAL PrJSC, DTEK WESTENERGY JSC and DTEK DNIPROENERGY JSC.

We conducted audit work on five components. We subjected the three mentioned components to audits of their complete financial information, as those components are individually financially significant to the Group. Additionally, we selected two components TEHREMPOSTAVKA LLC and DTEK KURAHIVS'KA TPP LLC for limited scope audit procedures and performed additional testing for selected transactions and balances in other components to achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

<i>Revenue</i>	99% (2022: 94%)
<i>Total assets</i>	94% (2022: 91%)
<i>Profit before tax</i>	93% (2022: 90%)

None of the uncovered balances and transactions in the remaining components represented more than 2% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

Where component auditors performed the work, we determined the level of involvement we needed to have in their work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.



In this respect, we performed the following procedures:

- We communicated to the component audit teams our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the Group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach.
- We had individual calls with each of the in-scope component audit teams during the year and upon completion of their work. During these calls we discussed the significant accounting and audit issues identified by each of the component auditors, their reports, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements.
- The group engagement team has reviewed the working papers related to the audit performed by the component teams. There were no site visits of the components located outside of Ukraine as these are not significant due to almost all revenues being generated by components located in Ukraine.

The group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of more complex items. These included the going-concern assessment, impairment assessment of property, plant and equipment, assessment of guarantee issued to Sberbank, laws and regulations. The group engagement team also performed central procedures over the controls performed by the business units and other central functions, where relevant for our audit. This included indirect entity level controls (e.g. to prevent and detect fraud), including the code of conduct, corporate directives, whistle-blower policy and internal audits.

By performing the procedures outlined above at the components, combined with additional procedures exercised at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, to provide a basis for our opinion on the financial statements.

### *Audit approach fraud risks*

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of DTEK Energy B.V. and its environment and the components of the internal control system. This included the management's risk assessment process, the management's process for responding to the risks of fraud and monitoring the internal control system and how the supervisory board exercised oversight, as well as the outcomes. We refer to subsection 'Fraud risk' as part of the section 'Risk Management Framework' of the directors' report that management formalised fraud risk assessment matrix in 2023 including formalisation of fraud risk assessment model, risks matrix and level of risks. The next steps for the company are to test existing controls, align fraud risk assessment matrix with overall risk assessment, approve additional measures or controls which will allow to decrease level of critical risks and to perform fraud risk controls assessment on regular basis (annually).

We evaluated the design and relevant aspects of the internal control system, as well as the code of conduct, whistle-blower procedures, among other things. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.



We performed an inquiry with members of the management board as well as the internal audit department and legal affairs and the supervisory board members to identify the areas of their concern in relation to fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

#### *Identified fraud risks*

##### *The risk of management override of controls*

It is generally presumed that management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, in all our audits, we pay attention to the risk of management override of controls in:

- The appropriateness of journal entries and other adjustments made in the preparation of the financial statements.
- Tendencies in judgements and conclusions with respect to estimates.
- Significant transactions, if any, outside the normal course of business for the entity.

#### *Our audit work and observations*

We have, to the extent relevant to our audit, evaluated the design and implementation of the internal control system in the processes of generating and processing journal entries, making estimates, and monitoring projects. We also paid specific attention to the access safeguards in the IT system and the possibility that these lead to violations of the segregation of duties.

We performed our audit procedures through primarily substantive procedures.

We selected journal entries based on risk criteria and conducted specific audit procedures for these entries for significant components. These procedures include, amongst others, inspection of the entries to source documentation. We also paid particular attention to consolidation and elimination entries, focusing on testing entries that affect revenue and results in the relevant year.

We tested the transactions with related parties paying special attention to approval of its terms and conditions by the Independent Supervisory Board director.

We did not identify any significant transactions outside the normal course of business.

We also performed specific audit procedures related to important estimates of management for which we refer to the key audit matter. It also included procedures on the assessment of the guarantee issued to Sberbank, assessment of impairment provision for trade and other receivables, assessment of legal claims provision. In our assessment, we specifically paid attention to the inherent risk of bias of management in estimates.

Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of controls.

### **Identified fraud risks**

#### ***The risk of fraudulent financial reporting***

#### ***due to overstating the revenue***

As part of our risk assessment and based on a presumption that there are risks of fraud in revenue recognition, we evaluated which types of revenue transactions or assertions give rise to the risk of fraud in revenue recognition.

Management receives bonuses, of which the size partly depends on the financial results achieved. In this context, management has been given specific targets for growth in turnover and results. This could lead to pressure on management to overstate revenue by posting manual adjustments to the accounting records or entering fictitious turnover.

We defined existence/occurrence assertion as those having significant risk for all revenue streams and accuracy assertion for sales of coal and export sales of electricity.

### **Our audit work and observations**

Where relevant to our audit, we evaluated the design and implementation of the internal control system and assessed the effectiveness of relevant controls in the processes related to revenue reporting.

We mainly performed our audit procedures based on substantive procedures.

We tested, on a sample basis, the delivered performance and transaction prices of the revenue transactions based on sales agreements, delivery documents, calculation of selling price. In addition, we obtained confirmations or reconciliations from third parties in respect of selected turnovers and transactions (or performed alternative procedures).

Our audit procedures did not lead to specific indications of fraud or suspicions of fraud in respect of revenue recognition.

We incorporated an element of unpredictability in our audit and we reviewed lawyer's letters. During the audit, we remained alert to indications of fraud. Furthermore, we considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance with laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

### **Audit approach going concern**

In the going-concern paragraph in the note 3 of the consolidated financial statements, the management board disclosed conditions that indicate the existence of a material uncertainty which may cast significant doubt about the entity's ability to continue as a going concern.

In order to evaluate the appropriateness of the management's use of the going-concern basis of accounting, including the management's expectation that their plans sufficiently address the identified going-concern risk and the adequacy of the related disclosures, we, with support of risk management specialists amongst others, performed the following procedures:

- Based on our knowledge obtained regarding the entity, its environment and current financial situation, we assessed whether the information obtained regarding events or conditions that may result in going-concern risks has been included in the management's assessment.

- We have taken into account external information such as the development of the war in Ukraine and its impact on the sales, market sales prices, analysed current government restrictions imposed on the electricity and coal export, read the terms of loan agreements and bonds documentation and reviewed the waivers obtained for the respective loan agreements, and determined whether any breach occurred.
- In addition, we have inquired with management as to their knowledge of going-concern risks beyond the period of the management's assessment.

Regarding the assumptions underlying the management's plans and cash flow forecasts, we:

- used external information such as news articles, market selling prices of electricity and coal to consider whether there is adequate support for those assumptions;
- assessed the development of the war and front line and potential impact on the Group;
- evaluated the consistency of these assumptions with assumptions made by the management in other significant estimates such as impairment assessment.

Regarding the management's plans and cash flow forecasts, we:

- evaluated whether the scenarios applied in management's sensitivity analysis regarding the expected outcome of management's plans were acceptable;
- evaluated whether management can realise their plans timely, specifically with regard to the situation if volumes of generation or market selling prices will be lower than expectations;
- assessed whether the expected outcome of management's plans has been adequately included in management's cash flow forecast;
- evaluated the consistency of management's business plan, the aforementioned plans and cash flow forecasts;
- evaluated the sufficiency of the liquidity headroom as included in the forecast, specifically with regard to management's reasonable downside scenario when the volumes of generation is lower and is at the level of 2023 or selling electricity price is lower by 5%;
- evaluated, where necessary, whether financing of expected shortages in liquidity will be sufficient based on inspection of underlying documents for at least 12 months from the date of preparation of the financial statements.

To consider whether any additional facts or information have become available that may be relevant for the identified going-concern risk, including the management's expectation on the sufficiency of the management's plans to mitigate the identified risk, we:

- read minutes of the meetings of shareholders, supervisory board, and management board for reference to financing difficulties;
- inquired of management, including the Chief Executive Officer and Chief Financial Officer;
- analysed and discussed the entity's latest available interim financial statements and reconciled these with the underlying accounting records.

We evaluated whether the going-concern risk including the management's plans to address the identified risk and the most significant underlying assumptions have been sufficiently described in the notes to the financial statements. We found the disclosure in section 'Going Concern' in note 3 of the consolidated financial statements, where the management disclosed conditions that indicate the existence of a material uncertainty which may cast significant doubt about the entity's ability to continue as a going concern, to be adequate.



### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matter and included a summary of the audit procedures we performed on this matter.

Compared to the key audit matters identified in previous year's report, the key audit matter relating to Impairment of goodwill is not relevant anymore since the goodwill was fully impaired as at 31 December 2022. Except for this matter, there have been no important changes because of the long-term nature of the Group's business activities.

In addition to the matter described in the section 'Material uncertainty related to going concern' we have determined the matter described below to be the key audit matter to be communicated in our report.

<i>Key audit matter</i>	<i>Our audit work and observations</i>
<p><b>Impairment assessment of property, plant and equipment</b> <i>(Refer to note 8 in the consolidated financial statements)</i></p> <p>Management performed an analysis of impairment indicators as at 31 December 2023 and determined that the decrease of coal price during 2023 and lower electricity tariffs for projected periods compared to prior expectations represent impairment indicators. As such management conducted an impairment test for electricity generation and mining assets of the Group as at 31 December 2023.</p> <p>We focused on this area, due to the significance of the management estimates and assumptions used in the assessment of the 'fair value less cost to sell' of the Group's cash generation units (CGUs). These estimates and assumptions required the use of valuation models, input data and assumptions by the management board and execution of significant level of judgement, particularly with respect to the future results of the business and the discount rates applied to the forecasted cash flows.</p> <p>Any change in these assumptions, based on their sensitivity could have a significant effect on the financial statements.</p>	<p>We obtained the cash flow models used by management in impairment testing and tested these to assess that they were mathematically accurate and methodologically correct. In addition, we specifically focused on the following management assumptions used in the cash flow models:</p> <ul style="list-style-type: none"><li>• Discount rate. With the help of our valuation experts we assessed management's calculation of the WACC and whether the WACC used is consistent with observable market data, by assessing the cost of capital for the company and comparable organizations within the industry, as well as considering territory and CGU specific factors. We found the WACC used by management to be within an acceptable range.</li><li>• Electricity and auxiliary services tariffs. We assessed the overall logic of the price forecasts and we verified the key inputs, being the marginal costs to produce electricity by the Group's thermal power plants and the electricity price forecasts in neighbouring EU countries. We also assessed the basis for auxiliary services tariffs and verified that management's expectations are in line with the Ukrainian legislation.</li></ul> <p>We found management's electricity tariffs forecasts to be within the reasonable range of forecasts.</p>



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### *Key audit matter*

As a result of the impairment test for generation assets, certain generation CGUs were identified with the recoverable amount being lower than their net book value while for certain generation CGUs recoverable amount was higher due to transfer of generation volumes from other CGUs and postponing of its closure. Recoverable amount of mining assets is higher than their net book value.

The amount of net impairment of property, plant and equipment in the income statement is UAH 882 million and UAH 1,743 million in other comprehensive income.

Given the complexity and the inherent subjectivity particularly related to the significant assumptions and the resulting significant estimation uncertainty, there is an inherent risk of overstatement of value of property, plant and equipment. Therefore, we considered this area as a key audit matter for our audit.

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### *Our audit work and observations*

- **Generation volumes.** We assessed the forecasted generation volumes via comparison with historical levels for each thermal power plant and with the maximum capacity of the blocks, current and planned conditions of the blocks. We found the generation volumes to be within the reasonable range.

- **Cost of coal.** We verified the coal price projections to price forecasts published by Bloomberg and Baringa index forecasts for neighbouring EU countries. We found the coal prices to be within the reasonable range.

- **Coal production volumes.** We assessed the forecasted coal production volumes via comparison to historical levels and to the plan of mines closure. We found the coal production volumes to be within the reasonable range.

- **Green deal.** We checked the overall logic of the CO<sub>2</sub> emissions costs and assessed the appropriateness of input data used by management in its forecasting referencing to the most recent industry forecasts published by World Energy Outlook.

We found the assumptions to be consistent between each other and appropriate and concur with the conclusions.

We challenged management on the adequacy of their sensitivity calculations over all their CGUs.

Finally, we assessed the disclosures in the financial statements related to property, plant and equipment impairment assessment and found them to be adequate.

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## ***Report on the other information included in the annual report***

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The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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## ***Report on other legal and regulatory requirements***

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### ***Our appointment***

We were re-appointed as auditors of DTEK Energy B.V. on 14 March 2024 by the supervisory board. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of 15 years.

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## ***Responsibilities for the financial statements and the audit***

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### ***Responsibilities of the management board and the supervisory board for the financial statements***

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board 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, the management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The management board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.



The supervisory board is responsible for overseeing the Company's financial reporting process.

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### ***Our responsibilities for the audit of the financial statements***

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. 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 but not absolute level of assurance, and is not a guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error. They 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 the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 22 April 2024  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A. Westerman RA

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## **Appendix to our auditor's report on the financial statements 2023 of DTEK Energy B.V.**

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In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### ***The auditor's responsibilities for the audit of the financial statements***

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining 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.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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



We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.