DTEK Energy B.V.

Annual report

31 December 2022

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Directors’ report

For the year ended 31 December 2022

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 2022 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 in Ukraine. In 2022 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 Group sold a major part of electricity generated to Ukrainian electricity market.

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 operational 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.

Business overview

As explained in note 2 of the accompanying consolidated financial statements, the political situation in Ukraine deteriorated at the end of 2021 and continued further deteriorating during 2022 following 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.

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 May 2021, DTEK Energy finalised the restructuring of substantially all of the DTEK Energy's indebtedness on the terms disclosed in Note 16 of the accompanying consolidated financial statements. Further in February 2022 DTEK Energy finalised the restructuring of remaining part of bank debt with final repayment in 2024. Also in February 2022 DTEK Energy made a full repayment of debt to JSC Oschadbank and wrote-off the accrued general compensation fee under the terms with Sberbank of Russia (Note 16 of the accompanying consolidated financial statements).

In March 2022 DTEK Energy lost control over operations of Luhanska TPP as a result of war with Russian Federation (Note 29). 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 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. As a result UAH 208 million gain was recognised. (Note 29 of the accompanying consolidated financial statements).

Revenues

DTEK Energy consolidated revenues for the year ended 31 December 2022 amounted to UAH 70,818 million (2021: UAH 55,027 million). The increase in revenue is mainly explained by developments that took place in the electricity market rules during 2022 such as 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 conditional income and costs of the exporters etc.(Notes 2 and 3 of the accompanying Consolidated Financial Statements) and growth of coal sales.

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 on thermal power plants segment, coal resale, electricity export*** comprising the production of thermal and coking coals, primarily for generation companies. The Group's mining and power generation 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 the business units. This segment is represented from the coal mining side by eight operating mines of DTEK Pavlogradugol PJSC, DTEK Mine Komsomolets Donbassa 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 2022 and 2021 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 2022 (31 December 2021: 13,276 MW). During the year ended 31 December 2022, coal mining and power generation segment third party revenue was UAH 69,304 million, representing 98% of consolidated revenue for the period.

- ***Other,*** comprising the coal resale operations, sales of services and operations of the mining equipment entities (sales of mining equipment and repair works). 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 2022 is as follows:

In millions of Ukrainian Hryvnia	**Coal and power generation**	**Other**	**Total**
Entities under common control of SCM and DTEK Group B.V. Group subsidiaries	51,606	737	**52,343**
Total	**51,606**	**737**	**52,343**

Revenues concentration by customers, exceeding 10% of total revenues for the year ended 31 December 2021 is as follows:

In millions of Ukrainian Hryvnia	**Coal and power generation**	**Other**	**Total**
Entities under common control of SCM and DTEK Group B.V. Group subsidiaries	25,730	1,631	**27,361**
JSC Market Operator	12,658	-	**12,658**
Auction sales	5,372	-	**5,372**
Total	**43,760**	**1,631**	**45,391**

Operating Expenses

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

	2022		2021	
In millions of Ukrainian Hryvnia, except percentages	**Amount**	**Percentage of total revenue**	**Amount**	**Percentage of total revenue**
Cost of sales	(52,484)	74.11%	(46,850)	85.14%
General and administrative expenses	(2,529)	3.57%	(2,659)	4.83%
Distribution costs	(116)	0.16%	(447)	0.81%
Other Operating Income / (Expenses), Net	(4,262)	6.04%	(1,701)	3.09%
Total operating expenses	**(59,391)**	**83.88%**	**(51,657)**	**93.88%**

Consolidated cost of sales amounted to UAH 52,484 million for the year ended 31 December 2022 (2021: UAH 46,850 million from continuing operations). The main part of consolidated cost of sales for 2022 comprises the transportation services and utilities (UAH 15,714 million (2021: UAH 7,170 million), or 30% of the total consolidated cost of sales) and Staff cost, including payroll taxes (UAH 7,891 million (2021: UAH 8,489 million), or 15% 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 (UAH 7,847 million (2021: UAH 6,441 million), or 15% of total consolidated cost of sales) and Coal purchased for electricity production (UAH 4,884 million (2021: UAH 5,987 million), or 9% of total consolidated cost of sales). The reasons for cost of sales change as compared to 2021 were high inflation rate in Ukraine in 2022 resulting in higher transportation, fuel and other costs and higher depreciation for 2022 as a result of revaluation of Property, plant and equipment as of 30 September 2021 (Note 8 of the accompanying consolidated financial statements).

General and administrative expenses consist mainly of professional fees of UAH 1,095 million (2021: UAH 910 million), or 43% of the total general and administrative expense and salaries paid to administration employees, comprising UAH 954 million (2021: UAH 1,218 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 2022 amounted to UAH 4,262 million expense (2021: UAH 1,701 million expense). Other operating income and expenses consist primarily of impairment of goodwill, expenses on charitable donations and sponsorship, expenses related to social infrastructure maintenance, penalties. Maintenance of social infrastructure expenses, social payments and charity payments include such items as additional payments to employees primarily at coal mining entities, maintenance of medical centres, recreational centres and employee holiday allowances and sponsorship of sports teams and charitable events.

The management reassessed the approach to present the expenses on idle capacity by nature in respective lines of cost of sales of the consolidated income statement. As a result the amount of UAH 1,501 million was reclassified to cost of sales from other operating expenses for 2022.

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

In November 2022 the excess of the average available cash for the first half of 2022 was used for capitalized interest repayment and for buybacks of Eurobonds and in December 2022, using Dutch Auction, additional buyback of Eurobonds was performed. There resulted in gain on bonds repurchase of UAH 6,034 million (Note 16 of the accompanying consolidated financial statements).

Finance income for the year ended 31 December 2022 is UAH 6,539 million (2021: UAH 1,630 million).

Finance income largely consists of (i) gain on bonds repurchase of UAH 6,034 million (2021: UAH nil million) or 92% of the total consolidated finance income, (ii) gain on restructuring of guarantee issued to Sberbank of UAH 400 million (2021: UAH nil million) or 6% of the total consolidated finance income, (iii) interest income on bank deposits of UAH 94 million (2021: UAH 55 million) or 1% of the total consolidated finance income.

Finance costs for the year ended 31 December 2022 amounted to UAH 5,944 million (2021: UAH 5,548 million).

Finance costs largely comprise interest expense on bank borrowings and Eurobonds issued amounted to UAH 4,684 million (2021: UAH 4,547 million), or 79% of the total consolidated finance costs. Other significant parts of the consolidated finance costs in 2022 are (i) unwinding of discounts on pension obligations amounted to UAH 856 million (2021: UAH 746 million), or 14% of total consolidated finance costs, (ii) unwinding of discounts on assets retirement provision amounted to UAH 231 million (2021: UAH 161 million), or 4% of total consolidated finance costs, (iii) unwinding of discounts on lease liabilities amounted to UAH 79 million (2021: UAH 70 million), or 1% of total consolidated finance costs.

Cash flows

During the year ended 31 December 2022 operating cash flow of DTEK Energy comprised UAH 6,434 million and decreased as compared to 2021 by UAH 825 million. This was mainly achieved by changing working capital balance.

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.

Loss for the period

During the year ended 31 December 2022 loss of DTEK Energy comprised UAH 5,798 million and increased as compared to 2021 by UAH 1,053 million. This was mainly driven by devaluation of UAH against USD, resulting in foreign exchange losses on financing and investing activities as most of DTEK Energy borrowings are denominated in USD.

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.

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, the majority of its revenue is generated in Ukraine and denominated in UAH (2022: 82% and 2021: 92%, respectively), although the Group also receives part of revenue in foreign currencies from its export of electricity. The majority of the Group's debt is denominated in currencies other than the UAH (as disclosed in Note 16 of the accompanying consolidated financial statements).

As of 31 December 2022 the Group had an excess of current assets over current liabilities of UAH 9,702 million and UAH 13,011 million of negative net assets (31 December 2021: excess of current liabilities over current assets of UAH 889 million and negative net assets of UAH 4,493 million). 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% compared to 2021.
- 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 the 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.
- in 2022 DTEK Energy has lost control over Luhansk TPP located in non-controlled territory (Note 29 of the accompanying consolidated financial statements). Zaporizhzhya TPP is also located in non-controlled territory and coal supplies are not possible to there from the Group's mines, because of a destroyed bridge and railway track. It was running on gas during the 2nd half of April 2022 and was idle from 5th May 2022.

- during October 2022-February 2023, Russia committed multiple acts of terrorism against civilian and critical infrastructure facilities throughout Ukraine, including the Group's energy enterprises. Power engineers are constantly assessing the damages and conducted repair works, however there was a lack of capacity in some regions of Ukraine during November 2022-February 2023, while the situation with capacity started to stabilize since end of February 2023.
- moratorium for cross-border debt and capital repayments imposed by 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;
- pursuing regulatory and national energy policy negotiations to maintain adequate business environment;
- sales in Ukraine to 3rd parties and export of own coal (until the ban of coal export from September 2022);
- minimising any repairs and maintenance and keeping it only for the critical operating units (including repairing damages due to missile attacks);
- obtaining a consent from the bond holders in April 2022 to capitalise part of interest obligations due in March and June 2022;
- optimizing cash transfers to arrange settlements of Eurobonds and comply with currency control restrictions.

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

As a part of the going concern assessment, management prepared monthly cash flow projections throughout 2023 and the first five months of 2024. Based on this forecast, taking into count 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 increase insignificantly as compared to actual observed tariff in 2nd half of 2022;
- no significant further deterioration as a result of the war on the demand of electricity in Ukraine and controlled assets of DTEK Energy;
- no losses from non-payment by the main customers and return of accounts receivable days to a pre-war levels by the end of projection period;
- 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, including on Eurobonds. DTEK Energy already sent request to NBU to approve such payments, however no response was obtained yet by the date of issue of these consolidated financial statements;
- payments of principal and interest under Eurobonds will be at the agreed level in Eurobonds documentation. As disclosed in Note 34 of the accompanying consolidated financial statements in March 2023 DTEK Energy made full interest repayment under Eurobonds due in March 2023 and made additional voluntary buyback of Eurobonds;
- no settlements under the new 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 (Note 16 of the accompanying consolidated financial statements), reduction of capital expenditure to minimum levels while maintaining minimum safety and environmental standards, varying the maintenance budget between the periods and optimising working capital through renegotiation of payment terms with suppliers. In case these will not be sufficient, a restructuring of the existing terms of repayment of coupon and principal of Eurobonds may also be required to fit to the operational cash inflows.

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 a 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. Ukrainian business located outside the main war zones started to show signs of recovery from April 2022. Since October 2022 Russia started to target with missile and combat drones energy infrastructure all over Ukraine, causing its destruction and lack of power supply which results in scheduled and unscheduled power outages for both households and businesses.

As of 31 December 2022, the Group had significant balances receivable from and prepayments made to the State and entities dependant on government financing, including the gross carrying amount of trade receivables from Energorynok SE of UAH 6,261 million, VAT recoverable of UAH 12,424 million, prepaid income taxes of UAH 110 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 2022 DTEK Energy concentrated on management of the following main risks:

Political, macroeconomic and geopolitical risks:

The political situation in Ukraine deteriorated at the end of 2021 and continued further deteriorating in 2022 as a result of Russia invasion of Ukraine (Note 3 of the accompanying consolidated financial statements). Escalating political tensions had 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 January-February 2022.

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.

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 CO_2 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 2019-2022, 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 in 2022. 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 was evaluated.

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 Group BV has a fraud risk assessment which is further cascaded down to each of the subholdings, including DTEK Energy, however is not formalised yet and management is currently in progress of preparation of it. 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 official site of DTEK Energy.

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 2022. 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 a special attention from social organizations and public authorities to impact of TPPs on the environment in 2021-2022. DTEK Energy strictly 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. In 2023 it is expected that NERP implementation dates will be postponed in part of emissions rates reduction (dust, SO2, NOx), modernization of large combustion plants and closure of power units mentioned in Opt-out list. Besides in 2022 working hours limits for power units mentioned in Opt-out list for the period of marital law and three months after its abolition were withdrawn and emission permits for some DTEK Energy TPP's blocks were obtained without specifying restrictions on the operating hours.

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, which were materialized in 2022. 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 aboard, 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

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. DTEK is systematically developing its activities in the field of sustainable development, guided by the principles of the ESG and the UN Sustainable Development Goals (12 of 17) and strives to work in accordance with international standards for sustainable development.

The practice of responsible financing is aimed at an integrated and balanced approach to business development and the observance of the interests of the community. 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.

The Group is a member of the UN Global Compact Network and in its activities follows the principles and goals of sustainable development proclaimed by the UN. DTEK Energy strives to protect the environment, improve production and management processes, and invest in environmental activities in all areas of its enterprises. Environmental activities are an integral part of the Group's successful business and are based on DTEK's Environmental Policy, developed in accordance with the international standard ISO 14001:2015. Unconditional priority of the Group's activities is the conduct of ethical, legal and open business. DTEK Energy openly declares its anti-corruption standards and adheres to the principle of zero tolerance for corruption. The DTEK Energy's internal control and risk management system was formed in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission, COSO. It is fully integrated into all stages of planning: strategy, business-planning, investment projects, budgeting and so on. DTEK Energy continues to report on social corporate responsibility and sustainable development.

Interaction with stakeholders is an important component of sustainable development. DTEK Energy adheres to the principle of information transparency and provides stakeholders with full information about its activities. Partnerships and constructive dialogue are conducted on a systematic basis, which allows timely receipt of information about the interests and expectations of stakeholders.

Sustainability Governance structure of DTEK Group presented by Management Board of DTEK Energy B.V. and by management of operating companies (implementation of DTEK Group's ESG Strategy initiatives; organization and controlling of departments responsible for implementation of environmental management system, contribution of business operations to the sustainable development of areas of presence, personnel management, including labour protection and industrial safety questions; preparation of comprehensive analysis data for decision making based on the collected information).

Carbon neutrality goals

DTEK Energy takes efforts to minimize negative impact of on the environment at all stages of the production process. Production facilities are being systematically maintained to ensure the continuity and sustainability of production. DTEK Energy is also developing new lines of business, i.e. energy storage battery to reduce its impact on the environment and contribute to the fight against climate change. DTEK Energy is working actively to improve the ecological situation in the areas of its operation and to preserve the environment for future generations. DTEK Energy strives to protect the environment, improve its production and management processes in compliance with the sustainable development principles, and invest in the environmental activities in all business areas of its enterprises, including coal mining and preparation, electricity generation, and mining machinery manufacturing. Environmental activities are an integral part of DTEK Energy's successful business.

The environmental activities of DTEK Energy enterprises are based on the DTEK's Environmental Policy approved by the top management in May 2017 with due regard to the requirements of the international standard ISO 14001:2015 (link: https://dtek.com/content/files/dtek_oos_politikabroschurea6_en_elektronnaya-versiya.pdf).

DTEK Group was a partner of setting up the very first Ukraine pavilion in the history of COP27, the main annual world event dedicated to the fight against climate change where DTEK Group's CEO stressed that despite the war and significant destruction of the energy facilities, DTEK Group is not giving up on its plans to achieve carbon neutrality by 2040. As a result thermal power generation volumes are expected to decline starting from 2029 with further major reduction of volumes by 2035.

DTEK Energy, as a responsible business, entered a path of large-scale transformation for which it is essential that due care is taken of the interests of the society and communities in the regions, where production facilities are located. DTEK Energy seeks to assist local authorities with developing just transition roadmaps to guarantee the transformation and sustainable development of coal-mining regions.

Climate change risks and impact

DTEK Energy is facing climate-related risks arising from the transition to a low-carbon and climate-proof economy as a result of decrease of consumption of electricity generated by TPPs and implement the solutions to decrease the negative effect of climate crisis through development of new lines of business, i.e. energy storage battery.

The physical risks related to company assets is mitigated by regular inspection and maintenance of technological facilities, upgrade and optimization of production processes, technologies as well as training of staff. Risks of volatility in TPPs generation is approached by geographical diversification within Ukraine.

The war of Russia in Ukraine illustrated to what the energy sector is important and namely DTEK Energy TPPs are important not only for generation, but also for balancing of electricity market in Ukraine. This shows that the ambitious climate goals cannot be rejected but quite the contrary it must be achieved faster. Therefore, despite full-scale war DTEK Energy continue investing in expanding the energy storage project in Western Ukraine and developing other initiatives on improvement of its production processes.

Environmental impact:

DTEK Energy implemented an environmental management system according to ISO 14001 standard, the system is recertified every 3 years. There was a special attention from social organizations and public authorities to impact of TPPs on the environment in 2021-2022.

DTEK Energy activities are tightly connected with production cycles impacting the environment, therefore compliance with high ecological standards is a crucial point for the business development of the Group. The Group complies with national and regional environmental laws and regulations, namely DTEK Energy strictly 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. In 2023 it is expected that NERP implementation dates will be postponed in part of emissions rates reduction (dust, SO2, NOx), modernization of large combustion plants and closure of power units mentioned in Opt-out list. Besides in 2022 working hours limits for power units mentioned in Opt-out list for the period of marital law and two years after its abolition were withdrawn and emission permits for some DTEK Energy TPP’s blocks were obtained without specifying restrictions on the operating hours. There are no regulations in Ukraine which limits use or extraction of coal.

Since the first days of the war DTEK has implemented the system of fixing and accounting of environmental damages and losses in compliance with metrics of the Ministry of Environment of Ukraine.

The environmental data, such as CO2 emissions, direct energy use, water intake, waste generation and its recycling, is disclosed on consolidated level in annual and sustainability reports on regular basis. More information can be found on the corporate website.

Considering the fact that many of DTEK Energy’s initiatives in the area of sustainability and climate change were postponed due to the full-scale invasion of Ukraine, the Group has not completed the assessment and concluded yet on the overall impact of the climate change on it’s operations. DTEK Energy has analysed its corporate governance and risk management system in the area and considers to proceed with the assessment of the impact as soon as practically possible, although the terms depend on the future development of events and circumstances, described in Notes 2 and 3 of the accompanying Consolidated Financial Statements.

Research and Development Costs

During 2022 and 2021, the Group was not involved in any activities concerning research and development.

Human resources

The Group employed approximately 33.2 thousand people by the end of 2022 (2021: 37.4 thousand people). The main reason for decrease was loss of Lugansk TPP and restructuring of the Corum companies.

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. 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 2022, the Supervisory Board consists of one woman and six men and the Management board of one man, one woman and two legal persons.

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. At this moment the composition of the Supervisory Board does not reflect the situation as described in legislation. The Management Board of the Company consists of two legal persons, one woman and one man. The Supervisory Board consists of one woman and six men. DTEK Energy has set a specific target to balance the composition of Supervisory Board, as outlined in the above-mentioned legislation, and 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 2022-2023, 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 2022 the Group and depending on the developments of the war, the Group expect to focus on the following key areas in 2023:

- 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

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

Supervisory Board and Management Board

The Supervisory Board of the Company during the year and up to the 23 March 2022 were as follows: Sergey Korovin, Irina Mykh, Dmytro Sakharuk, Oleksandr Kucherenko and Nikolay Ivin. Further Oleksiy Povolotskiy, Pavlo Livertovskyi and Oleksandra Moskalenko were appointed as new Supervisory Board members and Irina Mykh has resigned with effect from 23 March 2022. As of 31 December 2022 the Supervisory Board comprises of following Board members: Sergey Korovin, Dmytro Sakharuk, Oleksandr Kucherenko, Oleksiy Povolotskiy, Pavlo Livertovskyi, Oleksandra Moskalenko and Nikolay Ivin.

The Management Board of the Company during the year and up to 21 July 2022 were as follows: Ildar Salieiev, Denys Negara and two directors of SCM Management B.V., Nataliya Muktan and Eliza Desiree den Aantrekker. The Company has accepted the resignation of Denys Negara from the position of director and appointed Andrieieva Anastasiia as a new director with effect from 21 July 2022. As of 31 December 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

In March 2023, using Dutch Auction, additional buyback of Eurobonds for a total carrying value of UAH 6,533 million (USD 179 million) was performed with a total cash paid of UAH 2,926 million.

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.

Ildar Salieiev	Anastasiia Andrieieva	Nataliya Muktan	Eliza Desiree den Aantrekker
Director	Director	Director	Director

28 April 2023

Consolidated Financial Statements

31 December 2022

DTEK Energy B.V.
Consolidated Balance Sheet

In millions of Ukrainian Hryvnia	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	8	33,515	45,277
Intangible assets		600	594
Goodwill	9	-	1,999
Financial investments		13	6
Income tax prepaid		1	1
Deferred income tax asset	27	570	1,265
Trade and other receivables	11	11,072	3,824
Total non-current assets		**45,771**	**52,966**
Current assets			
Inventories	10	4,428	3,499
Trade and other receivables	11	23,080	19,335
Income tax prepaid		109	175
Cash and cash equivalents	12	2,006	4,601
Total current assets		**29,623**	**27,610**
TOTAL ASSETS		**75,394**	**80,576**
EQUITY			
Share capital	13	0	0
Share premium		9,909	9,909
Other reserves	14	9,992	19,548
Accumulated deficit		(32,820)	(34,332)
Equity attributable to owners of the parent		**(12,919)**	**(4,875)**
Non-controlling interest		**(92)**	**382**
TOTAL EQUITY		**(13,011)**	**(4,493)**
LIABILITIES			
Non-current liabilities			
Borrowings	16	47,510	41,394
Other financial liabilities	15	674	658
Retirement benefit obligations	17	4,934	7,250
Provisions for other liabilities and charges	18	1,939	2,550
Deferred income tax liability	27	2,557	2,926
Other taxes payable	20	10,870	1,782
Total non-current liabilities		**68,484**	**56,560**
Current liabilities			
Borrowings	16	804	1,786
Other financial liabilities	15	1,668	2,915
Prepayments received	21	3,249	1,661
Trade and other payables	19	7,086	15,713
Current income tax payable		2,428	1,418
Other taxes payable	20	4,686	5,016
Total current liabilities		**19,921**	**28,509**
TOTAL LIABILITIES		**88,405**	**85,069**
TOTAL LIABILITIES AND EQUITY		**75,394**	**80,576**

Signed by entire Management Board on 28 April 2023	Approved for issue and signed by entire Supervisory Board on 28 April 2023
Ildar Salieiev Director	Sergey Korovin
Anastasiia Andrieieva Director	Dmytro Sakharuk
Nataliya Muktan Director	Oleksandr Kucherenko
Eliza Desiree den Aantrekker Director	Oleksiy Povolotskiy
	Pavlo Livertovskyi
	Oleksandra Moskalenko
	Nikolay Ivin

In millions of Ukrainian Hryvnia	Note	2022	2021
Revenue	21	70,818	55,027
Cost of sales	22	(52,484)	(46,850)
Impairment of property, plant and equipment	8	(966)	(4,160)
Gross profit		**17,368**	**4,017**
Other operating income	23	376	812
Distribution costs		(116)	(447)
General and administrative expenses	24	(2,529)	(2,659)
Net impairment losses on financial instruments	11,15	(1,780)	(207)
Other operating expenses	25	(4,638)	(2,513)
Net operating foreign exchange gain/(loss)		2,523	(211)
Loss of control	29	(165)	-
Operating profit/(loss)		**11,039**	**(1,208)**
Foreign exchange (losses)/gains on financing and investing activities	15,16	(14,774)	1,622
Finance income	26	6,539	1,630
Finance costs	26	(5,944)	(5,548)
Loss before income tax		**(3,140)**	**(3,504)**
Income tax expense	27	(2,658)	(1,241)
Loss for the year		**(5,798)**	**(4,745)**
Loss is attributable to:			
Equity holders of the Company		(5,378)	(4,608)
Non-controlling interest		(420)	(137)

Consolidated Statement of Comprehensive Income

In millions of Ukrainian Hryvnia	Note	2022	2021
Loss for the year		(5,798)	(4,745)
Items that will not be reclassified to profit or loss:			
Property, plant and equipment:			
- Change in estimate for asset retirement obligation	18	1,027	(294)
- Income tax recorded on change in estimate for asset retirement obligation	27	(117)	53
- Increase (decrease) in valuation of property, plant and equipment	8	(6,273)	19,236
- Income tax recorded on revaluation of property, plant and equipment	27	1,258	(3,153)
Re-measurements of post-employment benefit obligations	17	2,685	605
Income tax recorded on re-measurements of post-employment benefit obligations	27	(437)	(38)
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	-
Other comprehensive (loss) / income for the year		**(2,720)**	**16,409**
Total comprehensive (loss) / income for the year		**(8,518)**	**11,664**
Total comprehensive (loss) / income is attributable to:			
Equity holders of the Company		(8,044)	11,707
Non-controlling interest		(474)	(43)
Total comprehensive (loss) / income for the year		**(8,518)**	**11,664**

	Attributable to equity holders of the Company					**Non-controlling interest**	**Total Equity**
In millions of Ukrainian Hryvnia	**Share capital**	**Share premium**	**Other reserves**	**Accumulated deficit**	**Total**		
Balance at 1 January 2021	**0**	**9,909**	**6,521**	**(33,012)**	**(16,582)**	**425**	**(16,157)**
Loss for 2021	-	-	-	(4,608)	**(4,608)**	(137)	**(4,745)**
Other comprehensive income for 2021	-	-	15,748	567	**16,315**	94	**16,409**
Total comprehensive (loss)/income for 2021	**-**	**-**	**15,748**	**(4,041)**	**11,707**	**(43)**	**11,664**
Property, plant and equipment:							
- Realised revaluation reserve	-	-	(3,255)	3,255	**-**	-	-
- Deferred tax related to realised revaluation reserve	-	-	534	(534)	**-**	-	-
Balance at 31 December 2021	**0**	**9,909**	**19,548**	**(34,332)**	**(4,875)**	**382**	**(4,493)**
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)**
Total comprehensive loss for 2022	**-**	**-**	**(4,914)**	**(3,130)**	**(8,044)**	**(474)**	**(8,518)**
Property, plant and equipment:							
- Realised revaluation reserve	-	-	(5,631)	5,631	**-**	-	-
- Deferred tax related to realised revaluation reserve	-	-	989	(989)	**-**	-	-
Balance at 31 December 2022	**0**	**9,909**	**9,992**	**(32,820)**	**(12,919)**	**(92)**	**(13,011)**

In millions of Ukrainian Hryvnia	Note	2022	2021
Cash flows from operating activities			
Loss before income tax		**(3,140)**	**(3,504)**
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		8,090	6,802
Impairment of property, plant and equipment, intangible assets and goodwill	8, 25	2,965	4,750
Loss of Control	29	165	-
Net loss/(gain) on disposals of property, plant and equipment and intangible assets		7	(38)
Assets received free of charge	23	(97)	(195)
Income from extinguishment of accounts payable		(45)	-
Net change in provision for financial investments, trade and other receivables, including non-financial assets and other financial liabilities		1,802	214
Change in provisions for other liabilities and charges	18	349	85
Non-cash operating charge to retirement benefit obligation		163	97
Penalties provision		535	-
Non-recoverable VAT	25	571	228
Unrealised foreign exchange differences on operating activity		(471)	16
Foreign exchange gains less losses on financing and investing activities		14,774	(1,622)
Finance income, net		(595)	3,918
Other operating non-cash transactions		-	9
Operating cash flows before working capital changes		**25,073**	**10,760**
Changes in:			
Trade and other receivables		(14,004)	(7,122)
(Placement)/withdrawal of auction deposit		3	(3)
Inventories		(1,119)	(289)
Prepayments received		1,588	816
Trade and other payables		(9,530)	5,628
Other financial liabilities		(62)	329
Other taxes payable and tax provision, other than income tax		8,758	1,218
Cash generated from operations		**10,707**	**11,337**
Income taxes paid		(380)	(380)
Defined employee benefits paid	17	(182)	(691)
Repayment of restructured obligations		(102)	(18)
Interest paid	16	(3,555)	(2,989)
Interest received		92	53
Provisions utilised	18	(146)	(53)
Net cash generated from operating activities		**6,434**	**7,259**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(4,999)	(4,307)
Cash consideration received from disposal of subsidiary net of cash disposed and proceeds from sale of equity securities		-	73
Cash consideration received from disposal group net of cash paid		-	185
(Placement) / withdrawal of restricted cash	12	(63)	47
(Placement) / withdrawal of restricted deposits		-	19
Net cash used in investing activities		**(5,062)**	**(3,983)**
Cash flows from financing activities			
Repayment of borrowings	16	(3,969)	-
Payment for lease liabilities	15	(156)	(161)
Net cash used in financing activities		**(4,125)**	**(161)**
Net increase/(decrease) in cash and cash equivalents		**(2,753)**	**3,115**
Cash and cash equivalents at the beginning of the year	12	**4,583**	1,551
Exchange gains on cash and cash equivalents		95	(83)
Cash and cash equivalents at the end of the year	**12**	**1,925**	**4,583**

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 2022 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
	2022	2021	
Coal mining and power generation			
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	Kurahovo, Ukraine
CCM Kurahovskaya LLC	100.00	100.00	Vovchanka, Ukraine
CCM Pavlogradskaya LLC	100.00	100.00	Verbky, Ukraine
DTEK Dobropolyeugol LLC	-	100.00	Dobropolie, Ukraine
DTEK Dniproenergo JSC	100.00	100.00	Zaporizhya, 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	100.00	100.00	Geneva, Switzerland
Interenergoservis LLC	100.00	100.00	Zaporizhzhya, Ukraine
DTEK Scientific and Project Centre LLC	100.00	100.00	Dnipro, Ukraine
DTEK Trading LLC	100.00	100.00	Kyiv, Ukraine
Electricity distribution			
DTEK Krymenergo PJSC	57.71	57.71	Kyiv, Ukraine
Other			
DTEK Power B.V. (former, DTEK Grids 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 Trading LLC (former, Sotsis LLC)	100.00	100.00	Kyiv, Ukraine
Kharkivskyi Machine-Building Plant Svitlo Shakhtarya PJSC	66.77	66.65	Kharkiv, Ukraine
Corum Druzhkivskyi Machine-Building Plant LLC	100.00	100.00	Druzhkivka, Ukraine
Corum Group LLC (former, Engineering and Technical Center Mining Machines LLC)	100.00	100.00	Kyiv, Ukraine
Corum Repair LLC	100.00	100.00	Druzhkivka, Ukraine
Corum MineSpecialBuild LLC	100.00	100.00	Dobropolie, 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's office is 8 Sim'yi Khokhlovykh str. Campus 20D, 04119 Kyiv, Ukraine.

1 The Organisation and its Operations (Continued)

Supervisory Board and Management Board

The Supervisory Board of the Company during the year and up to the 23 March 2022 was as follows: Sergey Korovin, Irina Mykh, Dmytro Sakharuk, Oleksandr Kucherenko and Nikolay Ivin. Further Oleksiy Povolotskiy, Pavlo Livertovskyi and Oleksandra Moskalenko were appointed as new Supervisory Board members and Irina Mykh has resigned with effect from 23 March 2022. As of 31 December 2022 the Supervisory Board comprises of following Board members: Sergey Korovin, Dmytro Sakharuk, Oleksandr Kucherenko, Oleksiy Povolotskiy, Pavlo Livertovskyi, Oleksandra Moskalenko and Nikolay Ivin.

The Management Board of the Company during the year and up to 21 July 2022 was as follows: Ildar Salieiev, Denys Negara and two directors of SCM Management B.V., Nataliya Muktan and Eliza Desiree den Aantrekker. The Company has accepted the resignation of Denys Negara from the position of director and appointed Andrieieva Anastasiia as a new director with effect from 21 July 2022. As of 31 December 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 October 2021 DTEK Energy sold DTEK Oktyabrskaya CEP PJSC to a third party. Net assets existing as of the date of disposal in the amount of UAH 58 million were transferred for cash consideration of UAH 66 million. The result of this transaction was recognised in the consolidated income statement.

No changes were registered in 2022.

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 2022 Crimea and the major parts of Donetsk, Luhansk, Kherson and Zaporizhzhia regions are still under occupation and active military actions are ongoing there. For the additional details on the war impact on the Group's assets and operations refer to Note 3.

Ukrainian business located outside the main war zones started to show signs of recovery from April 2022. Since October 2022 Russia started to target with missile and combat drones energy infrastructure all over Ukraine, causing its destruction and lack of power supply which results in scheduled and unscheduled power outages for both households and businesses. All these resulted in decrease of GDP of Ukraine in 2022 by around 30.4% (2021: increase 3%) according to the report published by the Ministry of Economy of 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.

The National Bank of Ukraine ("NBU") follows an interest rate policy consistent with inflation targets. The inflation rate in Ukraine for 2022 stood at 26.6% (2021: 10.0%) according to the statistics published by the State Statistics Service of Ukraine. An increase in inflation in 2022 led the NBU to begin monetary tightening and increase its key policy rate from 10% effective from 20 January 2022 to 25% effective from 3 June 2022.

2 Operating Environment of the Group (Continued)

As of 24 February 2022, following the Russian invasion, the hryvnia exchange rate was effectively fixed at UAH 29.25 per USD 1 (as compared to UAH 27.28 per USD 1 as at 31 December 2021) on the FX market to ensure the sound and stable operation of the country's financial system and further from 21 July 2022 and as at 31 December 2022 the hryvnia exchange rate was fixed at UAH 36.57 per USD 1.

In order to constrain price increases in Ukraine, as well as keep inflation under control, the NBU was forced not only to fix USD exchange rate, but also introduced a number of administrative restrictions, in particular on foreign exchange transactions and capital movements including restrictions on interest and dividends payments in foreign currencies.

The yield to maturity ("YtM") on Ukrainian Government's Eurobonds increased to 63.4% (for a 5-year maturity instruments as of 31 December 2022) from 8.9% as at 31 December 2021. At the same time, the domestic Ukrainian sovereign bonds in UAH (for a 5-year maturity) were traded with the yields of 22% as at 31 December 2022. In August 2022 Ukraine's creditors agreed the two-year standstill on all its Eurobonds that allowed to defer near USD 6 billion of scheduled repayments. Foreign currency reserves, that as of 31 December 2021 were at the highest level since 2011, started to be gradually utilised from January 2022. However, due to the inflow of international aid, currency reserves exceeded the pre-war level as of 31 December 2022. From the start of the war the Ukrainian budget experiences a significant deficit, which was financed by national and international borrowings and grants. Since the beginning of the full-scale invasion by Russia and till 31 December 2022, the total amount of funds received by Ukraine from international partners amounted to USD 31.2 billion (UAH 1,046 billion), out of which 45% were in the grant format. International support is crucially important for Ukraine's ability to continue fighting against the aggression and funding the budget deficit and on-going debt repayments.

As of 31 December 2022, 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 6,261 million, VAT recoverable of UAH 12,424 million (Note 11), prepaid income taxes of UAH 110 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 NEK "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 auxillary 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 2021-2022 till the date of issue of these consolidated financial statements several developments took place in the electricity market rules including widening price caps in June 2021 and further in August 2021, 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 conditional income and costs of the exporters 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 the events described in 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.

The release of government regulations in the second half of 2021 had a positive impact on the Group through increase in electricity tariffs and respectively gross profit margins, however further in 2022 tariff was impacted by the war related events which include decrease of electricity demand by approximately 30% as compared to 2021 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 Ukrainian energy system is experiencing lack of power supply and as a result export of electricity in all directions was stopped and wholesale electricity prices reaches level close to the price caps.

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.

2 Operating Environment of the Group (Continued)

Green Deal. DTEK Energy takes efforts to minimize negative impact on the environment at all stages of the production process. Production facilities are being systematically maintained to ensure the continuity and sustainability of production. DTEK Energy is also developing new lines of business, i.e. energy storage battery to reduce its impact on the environment and contribute to the fight against climate change.

DTEK Energy is working actively to improve the ecological situation in the areas of its operation and to preserve the environment for future generations. DTEK Energy strives to protect the environment, improve its production and management processes in compliance with the sustainable development principles, and invest in the environmental activities in all business areas of its enterprises, including coal mining and preparation, electricity generation, and mining machinery manufacturing. Environmental activities are an integral part of DTEK Energy's successful business.

The environmental activities of DTEK Energy enterprises are based on the DTEK's Environmental Policy approved by the top management in May 2017 with due regard to the requirements of the international standard ISO 14001:2015.

DTEK Energy, as a responsible business, entered a path of large-scale transformation for which it is essential that due account is taken of the interests of the society and communities in the regions, where production facilities are located. DTEK Energy seeks to assist local authorities with developing just transition roadmaps to guarantee the transformation and sustainable development of coal-mining regions.

3 Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the statutory provisions of Part 9, Book 2, of the Dutch Civil Code. 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 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.

Going concern The Group's business is concentrated in Ukraine, the majority of its revenue is generated in Ukraine and denominated in UAH (2022: 82% and 2021: 92%, 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 2022 the Group had an excess of current assets over current liabilities of UAH 9,702 million and UAH 13,011 million of negative net assets (31 December 2021: excess of current liabilities over current assets of UAH 899 million and negative net assets of UAH 4,493 million). 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% compared to 2021.
- 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 the 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.
- 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 coal supplies are not possible to there from the Group's mines, because of a destroyed bridge and railway track. It was running on gas during the 2nd half of April 2022 and was idle from 5th May 2022.

3 Significant Accounting Policies (Continued)

- during October 2022-February 2023, Russia committed multiple attacks against civilian and critical infrastructure facilities throughout Ukraine, including the Group's energy enterprises. Power engineers are constantly assessing the damages and conducted repair works, however there was a lack of capacity in some regions of Ukraine during November 2022-February 2023, while the situation with capacity started to stabilize since end of February 2023.
- moratorium for cross-border debt and capital repayments imposed by 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;
- pursuing regulatory and national energy policy negotiations to maintain adequate business environment;
- sales in Ukraine to 3rd parties and export of own coal (until the ban of coal export from September 2022);
- minimising any repairs and maintenance and keeping it only for the critical operating units (including repairing damages due to missile attacks);
- obtaining a consent from the bond holders in April 2022 to capitalise part of interest obligations due in March and June 2022;
- optimizing cash transfers to arrange settlements of Eurobonds and comply with currency control restrictions.

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

As a part of the going concern assessment, management prepared monthly cash flow projections throughout 2023 and the first five months of 2024. Based on this forecast, taking into count 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 2nd half of 2022;
- no significant further deterioration as a result of the war on the demand of electricity in Ukraine and controlled assets of DTEK Energy;
- no losses from non-payment by the main customers and return of accounts receivable days to a pre-war levels by the end of projection period;
- 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, including on Eurobonds. DTEK Energy already sent request to NBU to approve such payments, however no response was obtained yet by the date of issue of these consolidated financial statements;
- payments of principal and interest under Eurobonds will be at the agreed level in Eurobonds documentation. As disclosed in Note 34 in March 2023 DTEK Energy made full interest repayment under Eurobonds due in March 2023 and made additional voluntary buyback of Eurobonds;
- no settlements under the new 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 (Note 16), reduction of capital expenditure to minimum levels while maintaining minimum safety and environmental standards, varying the maintenance budget between the periods and optimising working capital through renegotiation of payment terms with suppliers. In case these will not be sufficient, a restructuring of the existing terms of repayment of coupon and principal of Eurobonds may also be required to fit to the operational cash inflows.

3 Significant Accounting Policies (Continued)

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.

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. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group operates ("the functional 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 gains and losses, resulting from settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities at year end, are recognised in the income statement. Translation at year end does not apply to non-monetary items including equity investments. The effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

Translation differences in non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

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 2022, the exchange rates used for translating foreign currency balances were USD 1 = UAH 36.57 (31 December 2021: USD 1 = UAH 27.28); EUR 1 = UAH 38.95 (31 December 2021: EUR 1 = UAH 30.92).

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.

Consolidated financial statements. Subsidiaries are those companies and other entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations other than business combinations under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If a subsidiary is acquired in stages it is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date of the obtaining of control in the meaning of IFRS 10. Relative gain or loss from valuation of previously held interest is recognised in the income statement. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

3 Significant Accounting Policies (Continued)

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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. Fair value is based on valuations by external independent valuers or internally in case it is related to reversal of previous recognised economic obsolesce haircut. The frequency of revaluation will depend on the market conditions. Subsequent additions to property plant and equipment are recorded initially at cost. Cost includes expenditure directly attributable to acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost of acquired and self-constructed qualifying assets includes borrowing costs.

Any increase in the carrying amounts resulting from revaluation are credited to other reserves in equity through other comprehensive income. Decreases that offset previously recognised increases of the same asset are charged against other reserves in equity through other comprehensive income; all other decreases are charged to the income statement. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

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.

3 Significant Accounting Policies (Continued)

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:

	Useful lives in years
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.

Goodwill. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's identifiable net assets acquired is recorded as goodwill. Goodwill is carried at cost less accumulated impairment losses, if any.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business to which the goodwill arose.

Other intangible assets. All of the Group's intangible assets have definite useful lives and primarily include capitalised computer software and licenses. Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring them to use.

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal.

Impairment of non-financial assets. Intangible assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost of disposal and value in use. For purposes of assessing impairment, assets are grouped to the lowest levels for which there are separately identifiable cash flows (cash generating unit). Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3 Significant Accounting Policies (Continued)

Non-current assets (or disposal groups) held for distribution. Non-current assets (or disposal groups) are classified as assets held for distribution when their carrying amount is to be recovered principally through a sale transaction/contribution of assets to owners and a sale/contribution is considered highly probable within twelve months after the reporting period. They are stated at the lower of carrying amount and fair value less costs of disposal. Non-current assets or disposal groups classified as held for sale in the current period's consolidated statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period. Held for sale property, plant and equipment, are not depreciated.

Discontinued operations. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, represents a separate major line of business, and is part of a single coordinated overall plan to dispose of a separate major line of business. The Group eliminates transactions between continued and discontinued business in discontinued operations. Intercompany transactions are also disclosed in the Note 33. When operations are classified as discontinued, the comparative information of Income Statement and respective Notes to the Income Statement are re-presented as if the operation had been discontinued from the start of the comparative period.

Classification of financial assets. The Group classifies financial assets in the following measurement categories: fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVOCI) and at amortized cost (AC). The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.

Initial recognition of financial instruments. The Group's principal financial instruments comprise loans and borrowings, cash and cash equivalents, financial liabilities designated at fair value through profit and loss, 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.

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an expected credit losses (ECL) allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

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 Significant Accounting Policies (Continued)

Reclassification of financial assets. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

Impairment 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. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (further, “ECLs”) which uses a lifetime expected loss allowance for trade receivables. For all other instruments, the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 (“performing”). Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity (“12 Months ECL”). If the Group identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 (“underperforming”) and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering increase in the credit risk. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 (“credit-impaired”) and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL.

Modification of financial assets. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial. If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

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.

Measurement categories of financial liabilities. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

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 assets. The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or transferred and (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

3 Significant Accounting Policies (Continued)

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 (Note 16). 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.

Gains and losses on loans provided to related parties. Gains and losses on early repayment as well as unwinding of discount and foreign exchange differences on loans provided to related parties are recognised in consolidated income statements in the period when incurred.

Derivative financial instruments.

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.

Income taxes. 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. The income tax charge comprises current tax and deferred tax and is recognised in the income statement unless it relates to transactions that are recognised, in the same or a different period, directly in equity or in other comprehensive income. Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantially enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post-acquisition retained earnings and other post-acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Inventories. Inventories are recorded at the lower of cost and net realisable value. 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. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group.

Other prepayments are charged to the income statement when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the income statement.

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.

3 Significant Accounting Policies (Continued)

Share capital and share premium. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the notes as share premium.

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.

Value added tax ("VAT"). In Ukraine VAT is levied at two rates: 20% on sales and imports of goods within the country, works and services 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 operations, companies have the right to recognize a VAT credit 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.

Trade and other payables. Trade and other payables are recognised and initially measured under the policy for financial instruments mentioned above. Subsequently, instruments with a fixed maturity are re-measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

Prepayments received. Prepayments received are carried at amounts originally received. Amounts of prepayments received are expected to be realised through the revenue received from usual activity of the Group.

Provisions for liabilities and charges. Provisions for liabilities and charges are provisions for environmental restoration, restructuring costs and legal claims which are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Contingent assets and liabilities. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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 loans, 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.

3 Significant Accounting Policies (Continued)

Borrowing costs that relate to assets that take a substantial period of time to construct are capitalised as part of the cost of the asset. All other interest and other costs incurred in connection with borrowings are expensed using the effective interest rate method.

Interest income is recognised as it accrues, taking into account the effective yield on the asset.

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. The management reassessed the approach to present the expenses on idle capacity by nature in respective lines of cost of sales of the consolidated income statement. As a result the amount of UAH 1,119 million was reclassified to cost of sales from other operating expenses for 2021.

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 and goodwill. 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.

The Group also assesses whether goodwill is impaired at least on an annual basis. Estimating value in use/ fair value less costs of disposal requires the Group to make an estimate of expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. For detailed analysis of impairment and related sensitivities refer to Notes 8 and 9.

The Group assesses whether goodwill is impaired based on the IAS 36 Impairment of assets requirements. Goodwill is tested for impairment annually, and whenever there is an indication of impairment

4 Critical Accounting Estimates and Judgements (Continued)

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 plan 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 decided to carry out valuation for Pavlohradcoal assets and at the same time perform testing of property, plant and equipment for impairment for electricity generation assets (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 2022 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 2021, ECL rate was calculated based on credit spread implicit in the average yield on bonds of similar credit risk companies and adjusted for maturity, risk free rate and liquidity premium. For the period ended 31 December 2022, as a result of significant speculative influence on individual counterparties' bonds yields and consequent distortion of default rate, calculated on their basis, the Group changed the approach in determination of default rate of customers, according to which 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 or the European Banking Authority if Fitch recovery rate is unavailable.

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.

As at 31 December 2022 the gross carrying amount of trade receivables from Energorynok SE comprised UAH 6,261 million (31 December 2021: UAH 6,268 million). In 2022 as a result of the war management changed some of its assumptions. As a result of those developments as at 31 December 2022 management revised weight of the scenarios and the scenario with the most weight assumes non-repayment (80% probability) (31 December 2021: 25% probability). An alternative scenario (20% probability) assumes a 20-year period for settlement (31 December 2021: 45% probability). Settlement of receivables in equal instalments until 2024 via cash or settlement mechanisms with taxes payable by entities of the Group, which were used as at 31 December 2021 (31 December 2021: 30% probability), were assessed as remote and excluded from scenario analysis as at 31 December 2022.

4 Critical Accounting Estimates and Judgements (Continued)

In case the weight of the non-repayment scenario increased to 100%, this could result in additional provision totaling UAH 199 million as of 31 December 2022. The Group classified the whole balance of trade receivables as non-current trade and other receivables as at 31 December 2022 and as at 31 December 2021 (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:

	31 December 2022	31 December 2021
Nominal discount rate	20.50%	11.63%
Nominal salary increase	5.38%-24.90%	4.82%-7.54%
Pension indexation rate	5.38%-19.16%	4.82%-12.25%

As a result of change in assumptions UAH 2,685 million was recorded in other comprehensive income as profit from re-measurements of post-employment benefit obligations for the 12 months 2022.

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:

	31 December 2022	31 December 2021
Nominal discount rate increase/decrease by 1%	(4.89%)/5.57%	(7.05%)/8.03%
Nominal salary increase/decrease by 1%	2.26%/(2.13%)	3.55%/(3.27%)
Pension indexation rate increase/decrease by 1%	1.92%/(1.88%)	2.21%/(2.15%)

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 Russian aggression (Note 2) principal asset retirement provision assumptions used have significantly changed and were as follows:

	31 December 2022	31 December 2021
Pre-tax nominal discount rate	20.50%	11.63%
Inflation long-term	5.38%	4.7%
Inflation middle-term	9.61%	6.51%

Also, as at 31 December 2022 there was the change in estimate in relation to remaining useful life of mine Ubileynaya, which was extended for 4 years according to revised strategy in respect of mining.

As a result of changes in assumptions and estimate UAH 1,027 million was recorded in other comprehensive income as profit from change in estimate for asset retirement obligation for the 12 months 2022.

4 Critical Accounting Estimates and Judgements (Continued)

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 (Note 16). Approach for determination of fair value of bonds as at 31 December 2022 is disclosed in Note 32.

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 gains/(losses), 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.

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 active market of land sales is absent. Furthermore, 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 2022:

- **Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework** – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and **Annual Improvements to IFRSs 2018-2020** – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

- **The amendment to IAS 16** prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

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

- **The amendment to IAS 37** clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
- **IFRS 3** was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
- **IFRS 1** allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- **The amendment to IFRS 9** addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
- **Illustrative Example 13 that accompanies IFRS 16** was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
- The requirement for entities to exclude cash flows for taxation when measuring fair value under **IAS 41** was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

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

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

- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
- 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 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Transition option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).

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

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

- Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately 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 Non-current Liabilities with Covenants (issued on 31 October 2022) – Amendments to IAS 1 - effective for annual periods beginning on or after 1 January 2024).

The new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

6 Segment Information

Management Board is the Group's chief operating decision-maker.

The Management Board 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; certain income and expenses (losses on changes in settlement estimates on receivables related to: Energorynok SE (Note 4), Russian counterparties (Note 11) and guarantee issued to Sberbank (Note 15), legal penalties) driven by non-recurring operations of the Group; gain/loss on loss of control; certain maintenance of social infrastructure costs; finance income and expenses except for gains/losses on initial recognition and early repayment of financial instruments from non-related parties, interest on bank deposits, unwinding of discount on the long-term restructured accounts receivable; late adjustments and impairment of financial investments.

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

- Coal mining and power generation on thermal power plants, coal sale, electricity export.

The Group's mining and power generation 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 and generation business units of the Group.

'Other' external revenues and segment results are immaterial and consist mainly of sales of machinery and services of Corum companies (last six principal subsidiaries disclosed in Note 1) that are engaged in supporting the Group's underground mining operations and salaries, coal resale, rental and other administrative expenses. Revenues from electricity and coal 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 segments of the Group for the year ended 31 December 2022 is as follows:

In millions of Ukrainian Hryvnia	**Coal and power generation**	**Other**	**Elimination**	**Total**
Sales – external	69,304	1,514	-	**70,818**
Sales to other segments	-	2,420	(2,420)	-
Total revenue	**69,304**	**3,934**	**(2,420)**	**70,818**
Total segment result	**15,981**	**(1,677)**	**-**	**14,304**
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 8, 25)	(2,729)	(236)	-	(2,965)
Net impairment losses on financial instruments (Note 11,15)				(1,102)
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)
Loss before income tax				**(3,140)**
Capital expenditure	**4,980**	**128**	**-**	**5,108**
Net decrease in valuation of property, plant and equipment	**(5,842)**	**(431)**	**-**	**(6,273)**
Material non-cash items included in segment result:				
Net impairment losses on financial assets	(185)	(174)		**(359)**
Depreciation and amortisation	(8,038)	(136)		**(8,174)**

Segment information for the reportable segments of the Group for the year ended 31 December 2021 is as follows:

In millions of Ukrainian Hryvnia	**Coal and power generation**	**Other**	**Elimination**	**Total**
Sales – external	49,848	5,179	-	55,027
Sales to other segments	-	2,189	(2,189)	-
Total revenue	49,848	7,368	(2,189)	**55,027**
Total segment result	5,918	(998)	**-**	**4,920**
Net operating foreign exchange gain				(211)
Foreign exchange losses less gains on financing and investing activities				1,622
Net finance costs not included in segment result				(3,994)
Impairment of property, plant and equipment and goodwill (Note 8,9)	(4,750)	-	-	(4,750)
Late adjustment of additional depreciation as a result of revaluation	(893)	-	-	(893)
Net impairment losses on financial instruments (Note 11, 15)				58
Late adjustment on net impairment losses on financial instruments				33
Unallocated (expenses)/income, net				(289)
Profit before income tax				**(3,504)**
Capital expenditure	**4,096**	**354**	**-**	**4,450**
Net increase in valuation of property, plant and equipment	**18,962**	**274**		**19,236**
Material non-cash items included in segment result:				
Net impairment losses on financial assets	(195)	(103)	-	**(298)**
Depreciation and amortisation	(5,835)	(74)		(5,909)

6 Segment Information (Continued)

Other segment include coal resale operations namely external revenue in the amount of UAH 745 million and segment result of UAH 243 million (2021: external revenue in the amount of UAH 2,883 million and segment result of UAH 121 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 44,986 million (2021: UAH 49,653 million). As at 31 December 2022 and 2021 the Group has no non-current assets, located in other countries than Ukraine. Customers concentration, exceeding 10% of total revenues is presented below:

In millions of Ukrainian Hryvnia	**Coal and power generation**	**Other**	**Total**
2022			
Entities under common control of SCM and DTEK Group B.V. Group subsidiaries	51,606	737	**52,343**
Total	**51,606**	**737**	**52,343**

In millions of Ukrainian Hryvnia	**Coal and power generation**	**Other**	**Total**
2021			
Entities under common control of SCM and DTEK Group B.V. Group subsidiaries	25,730	1,631	**27,361**
JSC Market Operator	12,658	-	**12,658**
External customer in the Ukrainian Energy Exchange using the open auctions	5,372	-	**5,372**
Total	43,760	1,631	**45,391**

Geographical information

In millions of Ukrainian Hryvnia	**2022**	**2021**
Ukraine	58,443	50,887
Foreign countries	12,375	4,140
Total revenues	**70,818**	**55,027**

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 11,225 million (2021: UAH 2,709 million).

The Group employed approximately 29.9 thousand people during 2022 (2021: 37.4 thousand people). The number of employees, based on full time equivalents, who are working outside the Netherlands as of 31 December 2022 was 33.1 thousand people (31 December 2021: 37.4 thousand people). Employees are allocated as follows within the Group's operating segment: coal and power generation – 27.1 thousand people (2021: 32.9 thousand people); other – 2.8 thousand people (2021: 4.5 thousand people). The main reason for such decrease for both operating segments was loss of Lugansk TPP and changes in operation activities of the machine building companies of DTEK Energy.

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 2022 are detailed below.

			2022			**2021**
In millions of Ukrainian Hryvnia	**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	14	9	-	14	10	-
Trade and other receivables	840	16,844	10	1,372	9,844	49
Restricted deposits	9	-	-	10	-	-
Cash and cash equivalents	1,020	-	-	1,333	-	-
Other financial liabilities	-	(127)	-	(2)	(170)	-
Trade and other payables	(143)	(905)	(12)	(439)	(6,558)	(23)
Prepayments received	(91)	(2,290)	(1)	(66)	(726)	(316)
Provisions for other liabilities and charges	(271)	-	-	-	-	-

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

			2022			**2021**
In millions of Ukrainian Hryvnia	**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	1	42,081	-	2	22,733	-
Sales of coal	362	9,525	-	1,046	1,949	-
Sales of services and machinery	374	-	4	1,630	1	116
Other operating income	1	23	-	5	127	-
Charity expenses	-	-	(40)	-	-	(6)
Purchase of coal and fuel	(7)	(2,608)	-	(326)	(5,589)	-
Purchase of production materials and spare parts	(1,876)	(8)	-	(1,369)	(10)	-
Purchase of gas	-	(3,129)	-	-	(2,361)	-
Purchase of electricity	-	(4,173)	-	-	(3,858)	-
Purchase of non-current assets	(84)	-	-	(42)	-	-
Purchase of services	(7,392)	(1,068)	(16)	(3,580)	(1,674)	(21)
Interest income on bank deposits	79	-	-	17	-	-
Other finance (costs)/income	-	(20)	-	-	346	-

Sales, trade and other receivable

The trade receivable balances as of 31 December 2022 due from entities under common control and associates are non-interest bearing. Balances from related parties as of 31 December 2022 and 2021 are unsecured and settlements are made either in cash, in the form of debt set-off or by means of exchanging promissory notes issued by the settling counterparties or third parties to the transaction. Those balances are presented on a net basis including ECL allowance (see Note 11).

Sale of electricity in 2021 include deduction of revenue due to variable consideration on penalties for electricity supply resulting from non-fulfilment of electricity supply volumes to DTEK Group B.V. subsidiaries of UAH 4,722 million. As of 31 December 2022, balance of penalties for electricity supply due to non-fulfilment of electricity supply volumes to DTEK Group B.V. subsidiaries previously included in Trade and other payables, was settled in full (31 December 2021: unpaid balance UAH 4,468 million).

As of 31 December 2022 DTEK Energy has commitment with one of related parties to sell electricity for supply to Hungary, which may be realised after the ban on export of electricity from Ukraine to Hungary will be lifted.

7 Balances and Transactions with Related Parties (Continued)

Purchases, trade and other payables

Purchases and outstanding trade and other payables as at 31 December 2022 and 2021 comprised mainly balances due to related parties for provision of railway services, supplies of 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 7,244 million (2021: UAH 3,129 million) from entities under common control of SCM.

Key management personnel compensation

In 2022 total compensation to key management personnel amounted to UAH 72 million (2021: UAH 103 million) and decreased compared to 2021 mainly as a result of changes in key management personnel composition and respective decrease in number of employees included in key management personnel. 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:

In millions of Ukrainian Hryvnia	Mining assets	Buildings and structures	Plant and machinery	Furniture, fittings and equipment	Construction in progress	Total
Carrying amount at 1 January 2021	**10,124**	**6,168**	**15,051**	**973**	**333**	**32,649**
Additions	859	433	2,678	99	381	**4,450**
Disposals	-	(86)	(37)	(3)	(4)	**(130)**
Depreciation charge	(1,396)	(1,041)	(4,159)	(172)	-	**(6,768)**
Net increase/(decrease) in valuation of property, plant and equipment	(895)	4,803	14,869	459	-	**19,236**
Impairment of property, plant and equipment	(1,481)	(485)	(2,154)	(33)	(7)	**(4,160)**
Transfer	324	175	37	16	(552)	**-**
Carrying amount at 31 December 2021	**7,535**	**9,967**	**26,285**	**1,339**	**151**	**45,277**
At 31 December 2021						
Cost or valuation	8,246	10,758	28,354	1,564	151	**49,073**
Accumulated depreciation	(711)	(791)	(2,069)	(225)	-	**(3,796)**
Carrying amount at 31 December 2021	**7,535**	**9,967**	**26,285**	**1,339**	**151**	**45,277**
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)	**-**
Carrying amount at 31 December 2022	**9,185**	**5,444**	**17,242**	**1,047**	**597**	**33,515**
At 31 December 2022						
Cost or valuation	10,948	7,489	25,038	1,558	597	**45,630**
Accumulated depreciation	(1,763)	(2,045)	(7,796)	(511)	-	**(12,115)**
Carrying amount at 31 December 2022	**9,185**	**5,444**	**17,242**	**1,047**	**597**	**33,515**

As at 31 December 2022 total carrying amount of right-of-use assets is UAH 1,511 million consisted of 37% plant and machinery, 20% mining assets, 30% construction in progress, 13% buildings and structures (31 December 2021: UAH 1,505 million consisted of 46% plant and machinery, 22% mining assets, 15% construction in progress, 17% buildings and structures).

During 2022 the depreciation expense of right-of-use assets of 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 2021: UAH 192 million includes 52% of plant and machinery, 32% of buildings and structures, 15% of mining assets and 1% of furniture, fittings and equipment).

During 2022 additions of right-of-use assets of UAH 302 million includes 17% of plant and machinery, 12% of buildings and structures, 1% of mining assets and 70% of construction in progress (during 2021: UAH 559 million, including 60% of plant and machinery, 33% of buildings and structures, 4% of mining assets and 3% of construction in progress).

As at 31 December 2022, no property, plant and equipment (2021: UAH 2,209 million) have been pledged to third parties as collateral for borrowings (Note 28).

In 2022, the depreciation expense of UAH 7,827 million (2021: UAH 6,428 million) was included in cost of sales, UAH 65 million (2021: UAH 130 million) in other operating expenses, UAH 108 million (2021: UAH 106 million) in general and administrative expenses, UAH 389 million was capitalised (2021: UAH 104 million).

8 Property, Plant and Equipment (Continued)

Impairment and value assessment as at 31 December 2022

Effect of operating environment. As described in Note 2 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 will be at a level expected during the revaluation performed as at 30 September 2021 and adjusted on reallocation of 70% of Zaporizhzhia TPP output.

Zaporizhzhia TPP does not operate during 2023 and first quarter 2024 and further the projected volumes will be at 20% only as compared to a level expected during the revaluation performed as at 30 September 2021.

• Scenario 2 with the weight of 20% where management assumed loss of the operations which are 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 are the same as in the scenario 1.

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

In case the scenario 1 will be 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 will be 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 is 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’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 90% with remaining carrying value of UAH 600 million.

Post-tax discount rate. The discount rate of around 20.6% used is after-tax and reflect specific risks of the relevant CGUs apart from the war risks, which are embedded into the scenarios applied. In case the post-tax weighted average cost of capital is 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 2021 and remained at this level in the months subsequent to the balance sheet date.

In management projections it is 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 is 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 will effectively be doubled as compared to 2023 reflecting the increased cost of coal and expected cancellation of market regulations. Further during 2025-2030 the tariff will decrease on average by 2.3% mainly due to decrease of cost of coal. If the tariff will be 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 assumes that average generation volumes for coal-fired stations in total for all CGUs in scenario 1 will increase by 20.3% during 2023 and further will be flat during 2024-2029 reaching on average 6% lower level compared to 2023. In scenario 2 the average generation volumes for all CGUs will decrease by 18.8% in 2023 compared to 2022, in 2024 decrease by 7.4%, in 2025-2029 for remaining plants’ generation will be stable at the level of 2024. Thermal power generation volumes are 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 will be 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).

8 Property, Plant and Equipment (Continued)

Cost of coal. Management assumes 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 will decrease on average by 9.7% annually. Coal prices for 2023 is 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 are 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 last year by impairment test/income method valuation.

If the cost of coal starting from 2023 and onwards will 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 expects that there shall be no need to perform any significant non-planned capital expenditures to decrease the CO2, SOX, NOX emissions by power stations (Note 28). Would the future actual developments be different, the recoverable value of power plants might be lower. Payment for CO2 emissions are 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 is based on Baringa analytical agency forecasts for 2030 adjusted on the Company's free share assumption, which leads to double increase of Company's CO2 payments from 2026 till 2030 with average growth of 23.0% per year taking into account part of free share of CO2 quotes of 85-92%. 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 is 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.

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 is 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.

Revaluation 2021

In 2021 the Group engaged independent appraisers to determine the fair value of its property, plant and equipment. Fair value was determined with reference to depreciated replacement cost or market-based evidence, in accordance with International Valuation Standards. This change affected the depreciation charge for October-December 2021 and will impact depreciation onwards. The Group makes use of the exemption as allowed by IAS 8 for not disclosing the estimated effect due to impracticability.

The majority of the structures, plant and machinery are specialised in nature and are rarely sold in the open market in Ukraine other than as part of a continuing business. The market for similar property, plant and equipment is not active in Ukraine and does not provide a sufficient number of sales of comparable assets to allow for using a market-based approach for determining fair value. Consequently, the fair value of structures, plant and machinery was primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economic depreciation, and obsolescence.

The depreciated replacement cost was estimated based on internal sources and analysis of Ukrainian and international markets for similar property, plant and equipment. Specifically, the depreciated replacement cost was based on the actual physical characteristics of assets (volume, length, etc) multiplied by the cost to replace (as based on price indices), this was then further adjusted by the remaining useful life and the economic ceiling as determined on each cash generating unit. Various market data was collected from published information, catalogues, statistical data etc, and industry experts and suppliers.

Key Assumptions used in valuation and determination of economic ceiling. Key assumptions were assessed as of the reporting date, 31 December 2021, and consequently the below assumptions did not consider the Russian invasion as this was considered non-adjusting subsequent event.

8 Property, Plant and Equipment (Continued)

Electricity market transformation. In 2020 there were discussions at various levels regarding the practical ways of connection to EU network causing uncertainty whether the ENTSO-E, the European network of transmission of electricity, synchronisation will be implemented or an alternative project on export from one of Ukrainian nuclear power plant will be introduced. As such management applied a scenario approach with 50% weight of each of the respective scenarios in impairment assessment as at 31 December 2020 (see below). In the second half of 2021 there were developments in respect of ENTSO-E synchronisation, including receipt a positive report on the study of the static stability of the power system of Ukraine, conducted by the Consortium of Operators of transmission system ENTSO-E, presentation of concrete steps to be taken, and plans for synchronization, where some of them began to be actively implemented during autumn-winter 2021. Further on 17 December 2021 Ukrenergo (transmission system operator of Ukraine) was certified as an operator of a European-style transmission system according to ISO model, which is a mandatory requirement for the synchronization. As a result of these developments ENTSO-E synchronisation from mid.2023 was considered as the only option of electricity market transformation in Ukraine for the purposes of revaluation as at 30 September 2021. Refer to further developments on ENTSO-E synchronization in Note 2.

Post-tax discount rate. The discount rate of around 14.6% used is after-tax and reflect specific risks of the relevant CGUs. In case the post-tax weighted average cost of capital is higher by 1%, this would result in decrease of valuation of property, plant and equipment in the amount of UAH 940 million (including UAH 830 million reduction in revaluation reserve).

Electricity tariff. Management assumes that the tariffs in the market in the mid-run will reflect the cost of production of electricity, including the estimated cost of relevant energy resources, carbon taxes, etc, by the least efficient coal power generation station participating in balancing the energy system. Management assumed that average tariffs for 2022 will increase by 25.8% compared to 2021, and for 2023 by 12.7% compared to 2022 due to cancellation of the price caps and synchronisation with ENTSO-E. Further in 2025 the tariff will increase by 13.8% due to expected transfer to CO2 emissions trading system with further average growth in 2026-2030 of 3% per year. If the tariff will be lower by 1% in all projected periods, this would result in decrease in valuation of property, plant and equipment totaling UAH 1,570 million (including UAH 1,093 million through revaluation reserve).

Generation volumes. Management assumes that average generation volumes for coal-fired stations for all CGUs during 2022-2027 will approximate the average total actual output during 2021. Thermal power generation volumes are expected to decline starting from 2028 till 2030 by 33% 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. Management assumes that losses of generation entities will be compensated to ensure their break-even and incorporated respective compensation income from 2023 to ensure a positive cash flow on invested capital in forecasted periods. In case compensation income will not be included in cash flow projections, this would result in decrease of valuation of property plant and equipment in the amount of UAH 2,248 million (including UAH 1,647 million reduction in revaluation reserve).

If the expected generation volumes will be lower by 1% than assumed by management in all projected periods this would result in in decrease in valuation of property, plant and equipment totaling UAH 584 million (including UAH 423 million in revaluation reserve).

Cost of coal. Coal prices were determined based on the most recent API2 index forecasts adjusted for freight costs and expected exchange rate of local currency in relation to US dollar until 2025. Management assumes that the market price of coal will increase on average by 41.8% in 2022 compared to 2021 and will remain flat during 2023-2024. In 2025 coal prices are expected to decrease by 28% for G-grade coal and by 40% for A-grade coal to align to the estimated market prices for coal in the CIS countries which are used as a benchmark for pricing in 2025 and onwards as well as to absorb the CO2 increased charges through mining margins and further increase by 4.9% onwards during 2026-2030. If the price and respectively cost of coal starting from 2022 and onwards will grow by 1% higher than expected (with all other variables including electricity tariffs held constant), this would result in decrease of revaluation of property, plant and equipment of generation CGUs by UAH 570 million (including UAH 396 million through revaluation reserve) and increase of revaluation of coal CGUs by UAH 1,120 million (including UAH 836 million through revaluation reserve). If the price of coal is 1% lower than expected this would result in increase of revaluation of property, plant and equipment of generation CGUs of UAH 525 million (including UAH 506 million in revaluation reserve) and decrease of revaluation of coal CGUs of UAH 1,120 million (including UAH 970 million in revaluation reserve).

Coal production volumes. Management assumes that average coal production during 2022-2023 will approximate the average actual output during 2021, then following a closure of part of the mines will decrease by approximately 18% during 2024-2025 and will remain flat from 2026 through to 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.

8 Property, Plant and Equipment (Continued)

Green Deal. Management expects that there shall be no need to perform any significant non-planned capital expenditures to decrease the CO2, SOX, NOX emissions by power stations (Note 28). Would the future actual developments be different, the recoverable value of power plants might be lower. Payment for CO2 emissions are expected to be paid as the environmental tax with annual growth during 2023-2024 by 40% and further forecast is based on the largest emissions trading system - EU ETS, which leads to growth of CO2 payments by 11 times in 2025 and further average growth of 18% per year. Carbon border adjustment mechanism (CBAM) proposed by European Commission is 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.

9 Goodwill

Goodwill is allocated to cash-generating units ("CGUs") which represent the lowest level within the Group at which goodwill is monitored by management.

Management allocated goodwill to one CGU:

In millions of Ukrainian Hryvnia	**2022**	**2021**
Coal and power generation:		
- DTEK Dniproenergo JSC	-	1,999
Total	**-**	**1,999**

The recoverable amount has been determined based on fair value less cost of disposal calculations. Cash flow projections, based on strategic model approved by senior management covering the period until 2030. Management believes that the assumptions used reflect market participant's expectations and is similar as used during property, plant and equipment impairment test (Note 8). As a result of impairment testing performed (Note 8), goodwill in the amount of UAH 1,999 million was impaired.

10 Inventories

As at 31 December, inventories were as follows:

In millions of Ukrainian Hryvnia	**2022**	**2021**
Coal	2,362	2,132
Production materials	1,421	813
Spare parts	342	305
Fuel supplies	276	209
Goods for resale	27	40
Total inventories	**4,428**	**3,499**

11 Trade and Other Receivables

Non-current trade and other receivables were as follows:

In millions of Ukrainian Hryvnia	**31 December 2022**	**31 December 2021**
Trade receivables less provision of UAH 6,062 million (31 December 2021: UAH 4,235 million)	199	2,038
Other financial receivables less provision of UAH 3 million (31 December 2021: UAH 3 million)	3	4
Total financial assets	**202**	**2,042**
VAT recoverable less provision of UAH nil million	10,870	1,782
Total non-financial assets	**10,870**	**1,782**
Total non-current trade and other receivables	**11,072**	**3,824**

11 Trade and Other Receivables (Continued)

Current trade and other receivables were as follows:

In millions of Ukrainian Hryvnia	31 December 2022	31 December 2021
Trade receivables less provision of UAH 3,263 million (31 December 2021: UAH 3,091 million)	15,641	12,321
Other financial receivables less provision of UAH 1,563 million (31 December 2021: UAH 1,316 million)	2,532	416
Total financial assets	**18,173**	**12,737**
VAT recoverable less provision of UAH nil million	1,554	3,323
Prepayments to suppliers less provision of UAH 404 million (31 December 2021: UAH 376 million)	3,277	3,140
Other non-financial assets less provision of UAH 15 million (31 December 2021: UAH 23 million)	76	135
Total non-financial assets	**4,907**	**6,598**
Total current trade and other receivables	**23,080**	**19,335**

Financial receivables and financial payables originated from operations on electricity balancing market in the amount of UAH 923 million are presented on net basis as at 31 December 2022 (31 December 2021: UAH 1,348 million).

As at 31 December 2022, 38% of trade and other receivables are denominated in currency, other than UAH (31 December 2021: 34%).

As at 31 December 2022 other financial receivables include UAH 2,071 million of balances that are expected to be returned by cash.

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 10,870 million as of 31 December 2022 (31 December 2021: UAH 1,782 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 offset 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:

	2022		
In millions of Ukrainian Hryvnia	Financial receivables	Financial receivables – credit-impaired	Non-financial receivables
Provision for impairment at 1 January	**799**	**7,846**	**399**
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)
Provision for impairment at 31 December	**1,160**	**9,730**	**420**

11 Trade and Other Receivables (Continued)

	2021		
In millions of Ukrainian Hryvnia	**Financial receivables**	**Financial receivables – credit-impaired**	**Non-financial receivables**
Provision for impairment at 1 January	**638**	**7,962**	**507**
Provision for impairment during the year	758	-	7
Reversal of provision	(612)	(75)	-
Impact of changes in estimates and assumptions	194	337	-
Individual financial assets transferred to credit impaired	-	-	-
Exchange rate difference	(21)	(3)	-
Amounts written off during the year as uncollectible and other movements	(158)	(375)	(115)
Provision for impairment at 31 December	**799**	**7,846**	**399**

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. As at 31 December 2022, the Group revised ECL as compared to 31 December 2021 due to changes in approach used as a basis for IFRS 9 expected credit losses measurement (Note 4).

As at 31 December 2022, ECL rate for trade receivables from Ukrenergo and trade and other receivables from DTEK Group B.V. Group subsidiaries were assessed on a net basis with financial payables from these counterparties considering expected repayment period (31 December 2021: ECL rate for trade receivables for electricity export from related parties).

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. As at 31 December 2021, the Group charged the additional provision for the 12 months 2021 in the amount of UAH 337 million due to change in estimates in respect of settlement period of trade receivables from Energorynok SE (Note 4), UAH 194 million due to change in estimates in respect of timing and probability of settlement of receivables from related parties.

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.

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

In millions of Ukrainian Hryvnia	**Expected loss rate**	**Gross carrying amount**	**Lifetime ECL**	**Basis**
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 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

11 Trade and Other Receivables (Continued)

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.

The following table provides information about the exposure to credit risk and ECLs for financial receivables as at 31 December 2021:

In millions of Ukrainian Hryvnia	**Expected loss rate**	**Gross carrying amount**	**Lifetime ECL**	**Basis**
Financial receivables from Energorynok SE	67.49%	6,268	(4,230)	Adjusted yield to maturity on government bonds and repayment probability scenarios (Note 4)
Financial receivables from related parties	7.22%	11,336	(819)	Adjusted yield to maturity on corporate bonds
Overdue financial receivables from related parties	99.90%	2,022	(2,020)	Historical payment discipline
Financial receivables from NEC UKRENERGO SE	9.67%	1,645	(159)	Adjusted yield to maturity on government bonds
Financial receivables from Individuals	14.75%	61	(9)	Based on statistics of the National Bank of Ukraine
Trade and other receivables from other counterparties	21.32%	774	(165)	Historical payment discipline

For trade and other receivables with overdue period for more than one year as of 31 December 2021 with gross carrying amount of UAH 1,318 million, loss allowance was calculated based on historical default rates that fall within 94-100%. 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:

In millions of Ukrainian Hryvnia	**2022**	**2021**
Bank balances available on demand	1,338	3,833
Restricted cash	81	18
Term deposits with original maturity of less than three months	587	750
Total cash and cash equivalents	**2,006**	**4,601**

As of 31 December 2022, cash and cash equivalents of UAH 277 million were denominated in US dollars (31 December 2021: UAH 3,126 million), and UAH 389 million were denominated in EUR (31 December 2021: UAH 140 million). Remaining balances were denominated in Ukrainian hryvnia.

As of 31 December 2022 and 2021, 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.

12 Cash and Cash Equivalents (Continued)

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

In millions of Ukrainian Hryvnia	**2022** Bank balances payable on demand	Restricted cash	Term deposits with original maturity of less than three months	**2021** Bank balances payable on demand	Restricted cash	Term deposits with original maturity of less than three months
Rating by Moody's Investors Service						
- A1 rated	-	-	-	160	-	-
- A2 rated	117	-	-	3,023	-	-
- A3 rated	345	-	-	-	-	-
- B3 rated	-	-	-	67	6	-
- Ba2	2	-	-	-	-	-
- Caa3	10	3	-	-	-	-
*- Non-rated**	864	78	587	583	12	750
Total	**1,338**	**81**	**587**	**3,833**	**18**	**750**

* As of 31 December 2022 includes UAH 1,420 million (31 December 2021: UAH 1,345 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.

14 Other Reserves

In millions of Ukrainian Hryvnia	**Revaluation reserve**	**Currency translation reserve**	**Other reserves***	**Total**
Balance at 1 January 2021	**8,410**	**2,310**	**(4,199)**	**6,521**
Other comprehensive income/(loss) for the period:				
Change in estimate relating to asset retirement provision net of tax	(241)	-	-	**(241)**
Increase in valuation of property plant and equipment net of tax	15,989	-	-	**15,989**
Other movement in other reserves posted directly through equity:				
Realised revaluation reserve net of tax	(2,721)	-	-	**(2,721)**
Balance at 31 December 2021	**21,437**	**2,310**	**(4,199)**	**19,548**
Other comprehensive income/(loss) for the period:				
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)**
Other movement in other reserves posted directly through equity:				
Realised revaluation reserve net of tax	(4,642)	-	-	**(4,642)**
Balance at 31 December 2022	**11,881**	**2,310**	**(4,199)**	**9,992**

*Previously Additional paid in capital as component of other reserves was presented separately and represents the result of predecessor basis accounting applied to the original contribution of previously held interests in subsidiaries into the equity of the Company by its shareholder in the common control transaction.

The revaluation reserve and currency translation reserve are legal reserves according to art. 2:363.3 DCC. These legal reserves are not distributable to the shareholders until they are transferred to retained earnings.

Accumulated deficit of the Group represent 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:

In millions of Ukrainian Hryvnia	2022	2021
Lease liabilities	560	508
Restructured trade payables	42	84
Loans payable to related parties	17	13
Other long-term financial liabilities	55	53
Total non-current other financial liabilities	**674**	**658**

As of 31 December, other current financial liabilities of the Group comprised:

In millions of Ukrainian Hryvnia	2022	2021
Guarantee issued to Sberbank	1,421	2,728
Lease liabilities	209	130
Current portion of restructured trade payable	18	19
Loans payable to related parties	16	22
Restructured taxes payable	4	16
Total current other financial liabilities	**1,668**	**2,915**

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% (2021 16.5%).

Payments for lease liabilities are included in the cash flows used in financing activities in the amount of UAH 156 million (2021: UAH 161 million). Repayment of the restructured trade payables to state-owned Vugillya Ukrayiny of UAH 18 million (2021: 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 231 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%.

As a result of the deleveraging transaction with Sberbank of Russia ("Sberbank") in 2016 the Group issued a guarantee with a limit of USD 100 million (UAH equivalents as at 31 December 2021 of UAH 2,728 million) to Sberbank with respect to the loan transferred to Fabcell, an entity under common control at that point in time and operating several Russian coal mines in the Rostov region. In 2019 Fabcell did not make the scheduled payment on its bank borrowing and therefore entered into default. In April 2021 the bank exercised its right under the share pledge agreement to claim 100% of the shares of Fabcell and DTEK Group B.V. lost its control over the Fabcell. In February 2022 the old guarantee was discontinued and restructured replacing it with a new guarantee. It is limited to USD 100 million and this will be further reduced by any amounts of the primary obligation paid by the counterparty to the bank (in February 2022 the nominal amount of guarantee was reduced to USD 80 million). As a result of this the claim of Sberbank was discontinued. The fair value of the new guarantee at origination date was assessed to be insignificant and the gain on derecognition of the old guarantee was recognized in the amount of UAH 2,810 million. Subsequently to this, the war started in Ukraine and 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 had impact on the expected credit losses assessment. Also, based on publicly available information following ban on import of Russian coal to Europe, Russian coal producers increased coal supply to other markets, however, are forced to sell coal with significant discounts. As result, in the situation where limited information is available management assessed the expected credit losses on the new guarantee in the amount of UAH 1,421 million as of 31 December 2022, being approximately half of the maximum credit exposure. The total net impairment gain on guarantee for 2022 amounted to UAH 1,673 million (2021: net impairment gain/loss nil), the remaining movement in the balance of guarantee represented by foreign exchange differences.

16 Borrowings

As at 31 December, borrowings were as follows:

In millions of Ukrainian Hryvnia	**2022**	**2021**
Non-current		
Eurobonds	47,204	41,021
Bank borrowings	306	373
Total non-current borrowings	**47,510**	**41,394**
Current		
Eurobonds	731	546
Bank borrowings	54	1,140
Interest accrual	19	100
Total current borrowings	**804**	**1,786**
Total borrowings	**48,314**	**43,180**

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

In millions of Ukrainian Hryvnia	**2022**	**2021**
Opening balance as at 1 January	**43,180**	**59,573**
Cash movements		
Principal amount paid	(3,969)	-
Interest paid	(3,555)	(786)
Commissions paid	-	(923)
Non-cash movements		
Interest accrued during the period	3,891	3,644
Commissions for restructuring accrued	-	923
Foreign exchange differences	14,408	(1,945)
Recognition of new Eurobonds upon restructuring	-	40,423
Extinguishment of Bank Borrowings and Eurobonds upon restructuring	(400)	(58,633)
Gain on bonds repurchase (Note 26)	(6,034)	-
Unwinding of discounts on borrowings	793	904
Closing balance as at 31 December	**48,314**	**43,180**

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

In millions of Ukrainian Hryvnia	**2022**	**2021**
Loans and borrowings due:		
- within 1 year	804	1,786
- between 1 and 5 years	47,510	-
- over 5 years	-	41,394
Total borrowings	**48,314**	**43,180**

16 Borrowings (Continued)

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

		2022		**2021**
In % per annum	**UAH**	**USD**	**UAH**	**USD**
	UIRD 3M + 5%	7%-7.5%	UIRD 3M + 5%-19%	5%-7.5%
Total borrowings *in millions of Ukrainian Hryvnia*	**379**	**47,935**	**1,241**	**41,939**

Effective interest rate of borrowings denominated in UAH was 13.32% and effective interest rate of Eurobonds was 9.42%.

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

In May 2021, DTEK Energy finalised the restructuring of substantially all of its borrowings and as a result recorded an extinguishment of Eurobonds and bank's loans of UAH 58,633 million and recognised new Eurobonds with fair value at initial recognition of UAH 40,423 million because the differences between the terms of Eurobonds and Bank Borrowings prior to restructuring and the terms of the New Eurobonds were considered substantial by management based on quantitative and qualitative factors, including changes in the covenants, interest rates and in the repayment schedule. Costs relating to the restructuring in the amount of UAH 2,168 million (including UAH 923 million of commissions for restructuring) were expensed and included in finance income as part of the result on restructuring of borrowings.

Just after the restructuring date, 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 (below 1% out of the total issue amount) 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) 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%. If the effective interest rates would be based on actual trade prices on DTEK Energy bonds, this would result in UAH 7,751 million increase in financial gain.

The key terms and conditions that were achieved by the Group with the creditors during the restructuring that was finalised in 2021 year are:

- indebtedness under existing loans and Eurobonds was exchanged to the New Notes issued by DTEK Finance Plc ("New Eurobonds") with the final maturity in 2027 and 7% interest per annum payable quarterly except for 2021 where interest payable is limited to 5% per annum provided that at least 1.5% is paid in cash and the remaining is capitalised ("PIK"); payment schedule for new Eurobonds suggests USD 20 million (UAH 731 million per exchange rate as of 31 December 2022) payable per annum in semi-annual instalments commencing from June 2022;
- the excess of the average available cash in any semi-annual period over and above USD 50 million (UAH 1.8 billion) to be used for discounted buybacks by way of public Dutch Auction; any unused amounts following completion of the Dutch Auction should be used to redeem the New Notes pro rata at par;
- additional credit support through pledge over 100% of the shares in DTEK Energy B.V. was provided by a new intermediary holding company that was created between DTEK Group B.V. and DTEK Energy B.V. (Note 1).

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.

16 Borrowings (Continued)

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). In December 2022, using Dutch Auction, additional buyback of Eurobonds for a total carrying value of UAH 2,701 million (USD 74 million) was performed with a total cash paid of UAH 724 million. As a result of these buy-backs financial gain of UAH 6,034 million was recorded in profit and loss, being the difference between the carrying value of bonds repurchased and cash paid for buy-backs (Note 26).

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). Key terms assume UIRD 3M + 5% interest per annum payable monthly. 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 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 restructuring of 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, 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 2022 the defined benefit plan covers 87,363 employees and 7,065 pensioners (2021: 85,967 and 7,664 respectively). None of the employee benefits plans stated below are funded.
The defined employee benefit liability as of 31 December originated as follows:

In millions of Ukrainian Hryvnia	**2022**	**2021**
Retirement benefits	3,931	5,827
Retirement benefits - coal support	599	958
Lump sum payments	404	465
Present value of Retirement benefit obligation	**4,934**	**7,250**

The amounts recognised in the income statement were as follows:

In millions of Ukrainian Hryvnia	**2022**	**2021**
Current service cost	188	210
Interest cost	856	746
Past service costs/ Sequester	(25)	(113)
Total	**1,019**	**843**

17 Retirement Benefit Obligations (Continued)

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

In millions of Ukrainian Hryvnia	2022	2021
Defined benefit obligation as at 1 January	**7,250**	**7,740**
Current service cost	188	210
Interest cost	856	746
Sequester	(25)	(113)
Benefits accrued to pension fund	(592)	(691)
Re-measurements of the defined benefit liability resulting from:		
- changes in financial assumptions	(2,272)	(1,098)
- changes in demographic assumptions	(125)	(73)
- experience adjustments	(288)	566
Loss of control (Note 29)	(58)	-
Disposal of subsidiary (Note 1)	-	(37)
Defined benefit obligation as at 31 December	**4,934**	**7,250**

Benefits accrued to pension fund include UAH 182 million payments for 2022 (for 2021: UAH 691 million).

As the result of loss of control over DTEK Dobropolyeugol LLC due to commencement of liquidation procedure in 2022 defined benefit liabilities in the amount of UAH 58 million were disposed (Note 29).

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 2022, the weighted average duration of the Group's defined benefit obligations is 5.9 years and it varies across different Group's subsidiaries from 5 to 7.4 years (31 December 2021: 7.4 years, varying from 7.1 to 9.4 years). Accruals for pension fund in respect of defined benefit obligations expected to be made during the year ending 31 December 2023 are UAH 663 million (2022: UAH 616 million), which expect to be paid in addition to benefits accrued but not paid in 2022.

18 Provisions for Other Liabilities and Charges

Movements in provisions for liabilities and charges are as follows:

In millions of Ukrainian Hryvnia	Asset retirement provision	Provision for legal and other claims	Total
At 1 January 2021	**2,024**	**39**	**2,063**
Change in estimates	294	-	294
Arising during the year	8	77	85
Unwinding of discount (Note 26)	161	-	161
Utilised	(46)	(7)	(53)
At 31 December 2021	**2,441**	**109**	**2,550**
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)
At 31 December 2022	**1,514**	**425**	**1,939**

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 decrease (2021: increase) of the asset retirement obligation was recorded in Other comprehensive income as the Group uses the revaluation model to measure property, plant and equipment.

Change in estimates in 2022 is mainly explained by the increase of discount rate from 11.63% to 20.5% and the change of the maturity of the Group's assets retirement obligations, which as at 31 December 2022 varies across different Group's subsidiaries from 3 to 23 years (31 December 2021: varying from 1 to 22 years).

19 Trade and Other Payables

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

In millions of Ukrainian Hryvnia	**2022**	**2021**
Trade payables	3,923	12,958
Liabilities for purchased property, plant and equipment and intangible assets	546	793
Dividends payable	67	67
Liabilities for purchased securities	-	3
Other creditors	722	340
Total financial payables	**5,258**	**14,161**
Accruals for employees' unused vacations	1,182	883
Wages and salaries payable	646	669
Total non-financial payables	**1,828**	**1,552**
Total	**7,086**	**15,713**

Other creditors balance as at 31 December 2022 includes UAH 535 million (31 December 2021: zero) 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. As at 31 December 2021 the amount was disclosed as contingent liability as the legal case was in progress.

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

31 December 2022

In millions of Ukrainian Hryvnia	**Trade payables**	**Liabilities for purchased property, plant and equipment**	**Dividends payable**	**Other creditors**
Currency analysis:				
UAH denominated	3,651	461	67	629
USD denominated	97	5	-	38
EUR denominated	129	31	-	29
Other currency	46	49	-	26
Total	**3,923**	**546**	**67**	**722**
Future undiscounted cash flow analysis:				
Up to 3 months	3,919	546	67	722
From 3 to 6 months	4	-	-	-
From 6 to12 months	-	-	-	-
Total	**3,923**	**546**	**67**	**722**

19 Trade and Other Payables (Continued)

31 December 2021

In millions of Ukrainian Hryvnia	**Trade payables**	**Liabilities for purchased property, plant and equipment**	**Dividends payable**	**Liabilities for purchased securities**	**Other creditors**
Currency analysis:					
UAH denominated	4,234	708	67	3	292
USD denominated	3,972	8	-	-	27
EUR denominated	4,718	42	-	-	20
Other currency	34	35	-	-	1
Total	**12,958**	**793**	**67**	**3**	**340**
Future undiscounted cash flow analysis:					
Up to 3 months	12,838	773	67	3	339
From 3 to 6 months	120	20	-	-	1
From 6 to12 months	-	-	-	-	-
Total	**12,958**	**793**	**67**	**3**	**340**

20 Other Taxes Payable

As at 31 December other taxes payable were as follows:

In millions of Ukrainian Hryvnia	**2022**	**2021**
Value-added tax	10,870	1,782
Total non-current other taxes payable	**10,870**	**1,782**
Value-added tax	3,150	3,945
Payroll taxes	482	253
Other taxes	1,054	818
Total current other taxes payable	**4,686**	**5,016**

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 2022 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:

In millions of Ukrainian Hryvnia	2022	2021
Sale of electricity by direct contracts	35,794	28,286
Sale of produced coal	11,991	2,201
Sale of electricity abroad	9,915	1,403
Sale of electricity on day ahead and intraday markets	5,923	12,658
Sale of electricity on balancing market	3,106	2,955
Sales on auxiliary service market	2,575	2,345
Sale of coal purchased	745	2,883
Sales of services	297	367
Sales of machinery	245	1,504
Heat generation and tariff compensation	227	425
Total	**70,818**	**55,027**

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 57,540 million (2021: 48,072 million). Remaining amount of revenue totalling UAH 13,278 million is recognised at a point of time (2021: 6,955 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.

Sale of electricity abroad in 2021 includes variable consideration due to penalties (Note 7).

As at 31 December 2022 amount of contract liabilities from contracts with customers comprised UAH 3,249 million (31 December 2021: UAH 1,661 million). Contract liabilities existing as at 31 December 2021 in the amount of UAH 1,661 million were recognised as revenue during the period ended 31 December 2022. Amount of contract liabilities is included in prepayments received line in the consolidated balance sheet.

22 Cost of Sales

In millions of Ukrainian Hryvnia	2022	2021
Transportation services and utilities	15,714	7,170
Staff cost, including payroll taxes	7,891	8,489
Depreciation of property, plant and equipment and amortisation of intangible assets	7,847	6,441
Coal purchased for electricity production	4,884	5,987
Fuel supplies	4,246	3,296
Production materials	3,307	3,412
Cost of electricity purchased for resale	3,026	3,985
Production overheads	2,833	2,820
Taxes, other than income tax	1,956	1,838
Cost of coal purchased for resale	502	2,762
Other costs	278	650
Total	**52,484**	**46,850**

Transportation services and utilities include UAH 8,000 million of railway transportation expenses (2021: UAH 4,169 million), UAH 2,986 million of cross border capacity costs for electricity export (2021: UAH 620 million), UAH 1,854 million of PSO on electricity export (2021: nil) and UAH 2,874 million of other utilities (2021: UAH 2,381 million).

In 2022, staff costs include payroll in the amount of UAH 5,592 million (2021: UAH 5,955 million), payroll related taxes in the amount of UAH 1,347 million (2021: UAH 1,495 million), unused vacation and bonuses provisions in the amount of UAH 778 million (2021: UAH 916 million), current service costs in the amount of UAH 161 million (2021: UAH 97 million) and other personnel costs in the amount of UAH 13 million (2021: UAH 26 million).

Cost of electricity purchased for resale is presented by cost of electricity purchased by generation entities on the balancing electricity market in the amount of UAH 2,964 million (2021: UAH 3,331 million), cost of electricity purchased abroad by trading companies with a view for further resale on domestic market UAH 62 million (2021: UAH 654 million).

23 Other Operating Income

In millions of Ukrainian Hryvnia	**2022**	**2021**
Assets received free of charge	97	195
Penalties and income on termination of contract	57	368
Extinguishment of accounts payable	45	35
Income on sales of inventories	45	24
Income on sales of property, plant and equipment	15	56
Other	117	134
Total	**376**	**812**

Gain from extinguishment of accounts payable is attributable to those financial liabilities where the limitation period (3 years) has expired in accordance with Ukrainian legislation.

24 General and Administrative Expenses

In millions of Ukrainian Hryvnia	**2022**	**2021**
Professional fees	1,095	910
Staff cost, including payroll taxes	954	1,218
Depreciation of property, plant and equipment and amortisation of intangible assets	178	127
Office costs	148	174
Transportation	12	13
Taxes, other than income tax	8	16
Other costs	134	201
Total	**2,529**	**2,659**

In 2022, staff costs include payroll in the amount of UAH 627 million (2021: UAH 778 million), payroll related taxes in the amount of UAH 122 million (2021: UAH 149 million), unused vacation and bonuses provisions in the amount of UAH 197 million (2021: UAH 272 million) and other personnel costs in the amount of UAH 8 million (2021: UAH 19 million).

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

In millions of Ukrainian Hryvnia	**2022**	**2021**
Audit of the financial statements, including audit fee of PricewaterhouseCoopers Accountants N.V. of UAH 8 million (2021: UAH 5 million)	49	50
Other audit services	1	-
Tax services	12	29
Other non-audit services	4	5
Total	**66**	**84**

25 Other Operating Expenses

In millions of Ukrainian Hryvnia	2022	2021
Impairment of goodwill	1,999	590
Penalties provision	640	230
Social payments	623	604
Non-recoverable VAT	571	228
Charitable donations and sponsorship	522	129
Maintenance of social infrastructure	161	90
Depreciation of property, plant and equipment and amortisation of intangible assets	65	130
Professional fees	24	180
Net movement in provision for impairment of non-financial receivables and prepayments made	22	7
Other	11	325
Total	**4,638**	**2,513**

Charitable donations expenses increased in 2022 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

In millions of Ukrainian Hryvnia	2022	2021
Gain on bonds repurchase (Note 16)	6,034	-
Gain on restructuring of borrowings	400	1,108
Interest income on loans issued to related parties	-	346
Unwinding of discount on loans and financial aids provided to related parties	-	106
Interest income on bank deposits	94	55
Other finance income	11	15
Total finance income	**6,539**	**1,630**
Interest expense		
- Eurobonds issued	4,632	3,998
- Bank borrowings	52	549
Unwinding of discounts on pension obligations (Note 17)	856	746
Unwinding of discounts on assets retirement provision (Note 18)	231	161
Unwinding of discounts on lease liabilities	79	70
Unwinding of discounts on restructured trade payable	14	16
Other finance costs	80	8
Total finance costs	**5,944**	**5,548**

27 Income Taxes

Income tax expense comprises the following:

In millions of Ukrainian Hryvnia	2022	2021
Current tax	1,456	(306)
Deferred tax	1,202	1,547
Income tax	**2,658**	**1,241**
Income tax expense	**2,658**	**1,241**

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

In millions of Ukrainian Hryvnia	2022	2021
Re-measurement of post-employment benefit obligations	437	38
Change in estimate relating to asset retirement provision recorded in equity	117	(53)
(Decrease) / increase in valuation of property, plant and equipment	(1,430)	3,153
Income tax charge through other comprehensive income	**(876)**	**3,138**

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.

In millions of Ukrainian Hryvnia	2022	2021
Loss for the period	(3,140)	(3,504)
Total loss before income tax, including:	**(3,140)**	**(3,504)**
Profit/(loss) before income tax of Ukrainian companies	(471)	(1,970)
Loss before income tax of non-Ukrainian companies	(2,669)	(1,534)
Income tax at statutory rates of 18% (Ukrainian operations)	(85)	(355)
Related tax effect calculated at different rates 25% (Dutch operations)	1,092	(588)
Related tax effect calculated at different rates 12,5% (Cyprus operations)	(1,629)	(343)
Related tax effect calculated at different rates 12% (Switzerland operations)	190	(16)
Related tax effect calculated at different rates 19% (UK operations)	838	745
Tax effect of items not deductible or assessable for taxation purposes:		
- non-deductible expenses	32	32
- non-taxable income	(23)	(114)
Utilization of previously unrecognised tax losses	(1,054)	(339)
Non-taxable income on bonds repurchase	(247)	-
Non-deductible expenses related to restructuring	-	1,089
Forex effect on income tax provision	464	(193)
Unrecognised deferred tax on tax losses of current period	2,923	1,382
Write-down of deferred tax assets on other deductible temporary differences	213	-
Tax effect of non-taxable forex losses/(gains) on foreign subsidiaries, net	(171)	(59)
Recognition of deferred tax on dividends	281	-
Recognition of previously unrecognized tax asset	(166)	-
Income tax expense	**2,658**	**1,241**

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:

In millions of Ukrainian Hryvnia	2022	2021
Deferred tax asset	570	1,265
Deferred tax liability	(2,557)	(2,926)
Net deferred tax liability	**(1,987)**	**(1,661)**

27 Income Taxes (Continued)

In millions of Ukrainian Hryvnia	**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**
Gross deferred tax asset	**2,608**	**(613)**	**(554)**	**1,441**
Less offsetting with deferred tax liabilities	(1,343)	472	-	**(871)**
Recognised deferred tax asset	**1,265**	**(141)**	**(554)**	**570**
Property, plant and equipment	(3,453)	(63)	1,430	(2,086)
Borrowings	(816)	(245)	-	(1,061)
Withholding tax on dividends payable	-	(281)	-	(281)
Gross deferred tax liability	**(4,269)**	**(589)**	**1,430**	**(3,428)**
Less offsetting with deferred tax assets	1,343	(472)	-	871
Recognised deferred tax liability	**(2,926)**	**(1,061)**	**1,430**	**(2,557)**
Recognised net deferred tax asset/(liability)	**(1,661)**	**(1,202)**	**876**	**(1,987)**

In millions of Ukrainian Hryvnia	**1 January 2021**	**Credited/ (charged) to income**	**Credited/ (charged) to OCI**	**31 December 2021**
Retirement benefit obligations	1,015	31	(38)	**1,008**
Trade and other receivables	411	85	-	**496**
Financial investments	290	(290)	-	**-**
Deferred consideration and lease liabilities	496	(496)	-	**-**
Provisions for other liabilities and charges	324	25	53	**402**
Inventories	72	10	-	**82**
Trade and other payables	20	(20)	-	**-**
Tax losses	2,321	(1,701)	-	**620**
Gross deferred tax asset	**4,949**	**(2,356)**	**15**	**2,608**
Less offsetting with deferred tax liabilities	(1,322)	(21)	-	**(1,343)**
Recognised deferred tax asset	**3,627**	**(2,377)**	**15**	**1,265**
Property, plant and equipment	(1,925)	1,625	(3,153)	(3,453)
Borrowings	-	(816)	-	(816)
Gross deferred tax liability	**(1,925)**	**809**	**(3,153)**	**(4,269)**
Less offsetting with deferred tax assets	1,322	21	-	1,343
Recognised deferred tax liability	**(603)**	**830**	**(3,153)**	**(2,926)**
Recognised net deferred tax asset/(liability)	**3,024**	**(1,547)**	**(3,138)**	**(1,661)**

As at 31 December 2022, the Group has not recorded a deferred tax liability in respect of taxable temporary differences of UAH 2,567 million (31 December 2021: UAH 2,824 million) associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

As at 31 December 2022, net recognised deferred tax asset of UAH 331 million is expected to be recovered or settled within twelve months after the reporting period (31 December 2021: net recognised deferred tax asset of UAH 563 million).

The deferred tax asset on unused tax losses not recognised as at 31 December 2022 comprised UAH 7,615 million (31 December 2021: UAH 5,746 million). According to the current legislation there is no expiry period for this amount.

27 Income Taxes (Continued)

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.

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.

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 2022 the Group's contingent liabilities in relation to uncertain tax positions are equal to UAH 877 million (31 December 2021: UAH 698 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 2022 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 335 million (31 December 2021: UAH 1,039 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 electricity tariff in Ukraine. During the investigation, NACB conducted several searches. In the course of investigation number of Ukrainian and international examinations were carried out, which, according to the lawyers, did not reveal any harm or 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 the 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 2022 regarding the case described above.

In December 2020 the Antimonopoly Committee of Ukraine (AMCU) imposed a fine of UAH 176 million on DTEK Westenergy JSC for abuse of monopoly position on the Burshtyn Energy Island during July-October 2019. DTEK Energy filed a claim against AMCU considering the AMCU Decision in question contain significant weaknesses that provide grounds for declaring it invalid in court. In particular, on this case the assessment of the market conditions and market behaviour of it participant, including the determination of time boundaries of the commodity market involved was not in accordance with the Methodology, which should have been followed by AMCU. In case of negative outcome of the case DTEK Energy will be imposed to penalties up to the amount of fine. In September 2022 the case on the Burshtyn Energy Island was partially satisfied in favour of the AMCU by the Court of Cassation and referred to the Commercial Court of Ukraine, while in the two previous instances the case proceedings ended in favor of DTEK Westenergy JSC. In October 2022 this case was returned for a new trial to the court of first instance and in March 2023 it was satisfied in favour of the AMCU. DTEK Westenergy JSC is planning to appeal against this court decision. The risk in relation of this case was assessed as possible and no provision was accrued for the year ended 31 December 2022 regarding the case described above.

Capital expenditure commitments. As at 31 December 2022 the Group has no material purchase commitments for the property, plant and equipment (31 December 2021: UAH 2 million).

28 Contingencies, Commitments and Operating Risks (Continued)

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

In millions of Ukrainian Hryvnia	2022 Asset pledged	2022 Related liability	2021 Asset pledged	2021 Related liability
Property, plant and equipment (Note 8)	-	-	2,209	781
Restricted cash (Note 12)	81	-	18	-
Total	**81**	**-**	**2,227**	**781**

In February 2022 property, plant and equipment amounting to UAH 2,209 million as at 31 December 2021 have been removed as the pledge to third parties as collateral for borrowings due to full repayment of the respective loan in February 2022 (Note 16).

As at 31 December 2022 and 2021, there were no movable and immovable property of the Group encumbered with a tax lien.

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.

In 2023 it is expected that NERP implementation dates will be postponed in part of emissions rates reduction (dust, SO2, NOx), modernization of large combustion plants and closure of power units mentioned in Opt-out list.

Besides in 2022 working hours limits for power units mentioned in Opt-out list for the period of marital law and three months after its abolition were withdrawn and emission permits for some DTEK Energy TPP’s blocks were obtained without specifying restrictions on the operating hours.

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.

As at 31 December 2022 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. At present, Group’s insurance policy incorporates “All Risks” Property Damage and Business Interruption coverage for generation and several mining companies. In particular, the policy covers losses resulting from loss or damage of property, plant and equipment, loss of profit resulting from business interruption and loss or damage of wagons of the third party transportation provider. 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 2022 amounted to UAH 162 million (2021: UAH 160 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:

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

Entities located in non-controlled territory

Before the full scale Russian military invasion the 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:

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

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.

30 Financial Risk Management (Continued)

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 23,319 million (2021: UAH 22,114 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 2022 carrying value of guarantee was UAH 1,421 million (31 December 2021: UAH 2,728 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.

In millions of Ukrainian Hryvnia Counterparty	Classification in balance sheet	31 December 2022	31 December 2021
First Ukrainian International Bank (FUIB)*	Cash and cash equivalents	1,029	1,343
JSB “UKRGASBANK”	Cash and cash equivalents	400	-
CREDIT SUISSE AG	Cash and cash equivalents	345	160
PKO BANK POLSKI SA	Cash and cash equivalents	117	3,022
MTB Bank	Cash and cash equivalents	100	-
D.Trading B.V. Group	Trade and other receivables	14,798	9,075
NEC Ukrenergo	Trade and other receivables	2,551	1,486
Energorynok SE	Trade and other receivables	199	2,038
Metinvest Group	Trade and other receivables	196	493
Corum Group	Trade and other receivables	24	804
Sberbank of Russia (Note 15)	Other financial liabilities**	2,925	2,728

* 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.

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.

	At 31 December 2022		At 31 December 2021	
In millions of Ukrainian Hryvnia	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD strengthening by 20% (2021: 10%)	(9,002)	(9,002)	(4,431)	(4,431)
USD weakening by 20% (2021: 10%)	9,002	9,002	4,431	4,431
Euro strengthening by 20% (2021: 10%)	1,787	1,787	115	115
Euro weakening by 20% (2021: 10%)	(1,787)	(1,787)	(115)	(115)

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. Borrowings issued 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.

30 Financial Risk Management (Continued)

At 31 December 2022 and 2021, the Group's variable interest debt is UAH denominated. As at 31 December 2022, 1% of the total borrowings was provided to the Group at floating rates (31 December 2021: 1%).

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 2022, if the interest rates on variable interest borrowings had been 200 basis points higher (2021: 200 basis points higher) with all other variables held constant, pre-tax loss for the year would have been UAH 7 million higher (2021: 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.

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

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

The maturity analysis of financial liabilities as of 31 December 2021 is as follows:

In millions of Ukrainian Hryvnia	**Up to 6 months**	**6 -12 months**	**1 - 2 years**	**2 - 5 years**	**Over 5 years**	**Total**
Liabilities						
Bank borrowings	1,240	-	-	-	754	**1,994**
Eurobonds	1,880	1,897	3,737	10,989	45,965	**64,468**
Guarantee issued to Sberbank	2,728	-	-	-	-	**2,728**
Lease liabilities	74	33	133	200	2,060	**2,500**
Other financial liabilities	10	47	20	59	78	**214**
Trade and other payables	14,161	-	-	-	-	**14,161**
Total future payments, including future principal and interest payments	**20,093**	**1,977**	**3,890**	**11,248**	**48,857**	**86,065**

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. 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 2022 the total net debt and total negative net assets of the Group were UAH 46,308 million and UAH 13,011 million respectively (31 December 2021: UAH 38,579 million net debt and UAH 4,493 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. The Group has updated its assessment of fair value of property, plant and equipment during the year ended 31 December 2022 as disclosed in Note 4.

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 2022:

	31 December 2022		31 December 2021	
In millions of Ukrainian Hryvnia	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
FINANCIAL LIABILITIES*				
Non-current Eurobonds*	14,490	47,204	39,853	41,021
Current Eurobonds*	206	731	508	546

* As of 31 December 2021 management considers that there is no active market for the new Eurobonds issued and therefore current market yields cannot be used as a benchmark for fair value determination as such fair value was determined as disclosed in Note 16 (Level 3), resulting in interest rate for new Eurobonds of 10.11%. As of 31 December 2022 due to the full-scale invasion across the Ukrainian state management believes that market prices are the best benchmark for fair value determination of Eurobonds.

Management considers carrying value of non-current bank borrowings, current bank borrowings and interest accrual as of 31 December 2022 and as of 31 December 2021 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:

	Valuation technique	Inputs used
FINANCIAL LIABILITIES		
Eurobonds	Market approach	Market quotes on DTEK Eurobonds

Valuation technique and description of inputs used in the fair value measurement for level 3 as of 31 December 2021:

	Valuation technique	Inputs used
FINANCIAL LIABILITIES		
Bank borrowings and Eurobonds	Discounted cash flows	Market quotes on similar financial instruments (corporate bonds)

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

In March 2023, using Dutch Auction, additional buyback of Eurobonds for a total carrying value of UAH 6,533 million (USD 179 million) was performed with a total cash paid of UAH 2,926 million.

There were no other subsequent events.

Company financial statements

31 December 2022

Company Balance Sheet (before profit appropriation)

In millions of Ukrainian Hryvnia	**Note**	**31 December 2022**	**31 December 2021**
ASSETS			
Non-current assets			
Property, plant and equipment		4	5
Investments in subsidiaries	3	47,208	55,574
Loans to related parties	4	19,090	14,483
Total non-current assets		**66,302**	**70,062**
Current assets			
Loans to related parties	4	1,001	-
Receivables from related parties	5	7,166	10,241
Dividend receivables from related parties	5	1,686	443
Other receivables	5	4	2
Cash and cash equivalents	5	311	2,823
Total current assets		**10,168**	**13,509**
TOTAL ASSETS		**76,470**	**83,571**
EQUITY			
Share capital		-	-
Share premium	6	9,909	9,909
Revaluation reserves	6	10,657	22,510
Other legal reserves	6	-	-
Other reserves	6	-	-
Retained earnings	6	6,265	31,239
Result for the year	6	(13,093)	(27,932)
TOTAL EQUITY		**13,738**	**35,726**
LIABILITIES			
Non-current liabilities			
Borrowings	7	49,876	376
Loans from related parties	8	4,976	39,972
Total non-current liabilities		**54,852**	**40,348**
Current liabilities			
Borrowings	7	731	-
Payables to related parties	9	5,697	4,749
Other payables	9	31	18
Other financial liabilities	10	1,421	2,730
Total current liabilities		**7,880**	**7,497**
TOTAL LIABILITIES		**62,732**	**47,845**
TOTAL LIABILITIES AND EQUITY		**76,470**	**83,571**

In millions of Ukrainian Hryvnia	**2022**	**2021**
Share of result of subsidiaries	(3,097)	(24,822)
Other income/(expense) after taxation	(9,996)	(3,110)
Net result attributable to shareholders	**(13,093)**	**(27,932)**

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 2022 the Group’s coal mines and power generation plants are located in the Donetsk, Dnipropetrovsk, Lviv, Ivano-Frankivsk, Vinnitsya and Zaporizhzhya regions of Ukraine. During the reporting period the Group sold a major part of electricity generated to electricity market.

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 (2021: 7 members). In 2022 DTEK Energy B.V. and its subsidiaries paid remuneration to the Supervisory Board in the amount of UAH 15 million (2021: UAH 7 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 2022 and 2021 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

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 (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. Any unrealised property, plant and equipment revaluation will result in a legal reserve in case such revaluation leads to undistributable reserves in the country where the entity is incorporated. 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 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:

In millions of Ukrainian Hryvnia	**2022**	**2021**
Carrying amount of 1 January	**55,574**	**44,098**
Share of result of subsidiaries	(3,097)	(24,822)
Share of result of equity movements	(8,895)	11,942
Other movements in subsidiaries	5,827	26,244
Dividends accrued	(2,201)	(1,888)
Carrying amount of 31 December	**47,208**	**55,574**

Net loss of the subsidiaries within the Group attributable to shareholders for the year ending 31 December 2022 is UAH 3,097 million (2021: net loss of UAH 24,822 million). The difference of UAH 2,281 million with the consolidated result for the year ended 31 December 2022 of UAH 5,378 million (2021: UAH 4,608 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 (2021: on loan and Eurobond) 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 2022, 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 and discounting elimination on intercompany transactions.

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.

2021 year activity

In June 2021 the Company acquired 100% of the share capital of Corum Trading LLC from its subsidiary DTEK Energy LLC for UAH 43 million. In June 2021 the Company also made an additional contribution to charter capital of Corum Druzhkovka Machine-Building Plant LLC in amount of UAH 9 million.

In October 2021 DTEK Energy sold DTEK Oktyabrskaya CEP PJSC to a third party. Net assets existing as of the date of disposal in the amount of UAH 58 million were transferred for cash consideration of UAH 66 million. The result of this transaction was recognised in the consolidated income statement.

4 Loans to related parties

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

In millions of Ukrainian Hryvnia	2022	2021
Balance of 1 January	**14,483**	**14,504**
New loans issued	-	900
Assigning of the loan receivables	-	27,643
Transfer to current	(790)	-
Settlement of loans	(833)	(5)
Interest accrued during the period	4,508	1,444
Foreign exchange gain	6,576	1,054
Recognition of discount	-	(1,431)
Unwinding of discount	86	1,134
Effect on early repayment	229	-
Provision for impairment during the year	(5,169)	(30,760)
Balance of 31 December	**19,090**	**14,483**

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

In millions of Ukrainian Hryvnia	2022	2021
Balance of 1 January	**-**	**-**
Transfer from non-current	790	-
Settlement of loans	(8)	-
Interest accrued during the period	92	-
Foreign exchange (loss)/gain	306	-
Unwinding of discount	9	-
Provision for impairment during the year	(188)	-
Balance of 31 December	**1,001**	**-**

As a result of the restructuring which was finalised on 17 May 2021 loans provided to a subsidiary of DTEK Oil&Gas B.V. to related parties were exchanged into the Notes issued by NGD Holdings B.V. in favour of the holders of the existing Eurobonds with the principal amount of UAH 11,736 million (USD 425 million) (Note 11 to the accompanying Consolidated Financial Statements). Subsequently, the Company obtained recourse right of claim against DTEK Finance PLC (Eurobonds issuer), which was converted into a loan with final maturity in December 2026 and 8.14% annual interest rate payable on the repayment date. Further, the Group restructured portfolio of intercompany loans, as a result the Company obtained right from Company's subsidiary DTEK Finance PLC to claim from the Company's subsidiary DTEK Holdings Limited. The debt due from DTEK Holdings Limited was converted to loan with final maturity in December 2027 and annual interest rate of 8.43% for USD and 6.8% for EUR payable on the repayment date. As of 31 December 2021 loan due from DTEK Holdings Limited comprised of UAH 33,440 million principal and UAH 510

4 Loans to related parties (Continued)

million accrued interest denominated in USD and UAH 800 million principal and UAH 10 million accrued interest denominated in EUR. Outstanding balance due from DTEK Finance PLC as of 31 December 2021 comprised of UAH 11,593 million principal and UAH 592 million accrued interest denominated in USD.

As at 31 December 2022 non-current loans to related parties are presented by nominal value of UAH 15,366 million principal and UAH 1,145 million accrued interest to DTEK Finance PLC with final maturity in December 2026 (8.14% annual interest rate payable on the repayment date, denominated in USD) and nominal value of UAH 45,837 million principal and UAH 4,543 million of accrued interest to DTEK Holdings Limited with final maturity in December 2027 (annual interest rate of 8.43% for USD and 6.8% for EUR payable on the repayment date).

Non-current loans to related parties are presented by the loans issued to subsidiaries and are carried at amortised cost at an effective discount rate of 9.42%.

As of 31 December 2022 the loans are unsecured and carrying amounts of loans to related parties approximate their fair values after the impairment recognised.

During 2021 the Management of the entity came to a conclusion that DTEK Holdings Limited do not have sufficient source of income to cover this debt in future and decided to impair loan issued to DTEK Holdings Limited to a negative net asset value (NAV) amount of DTEK Holdings Limited totalling UAH 30,435 million as of 31 December 2021.

In 2022 additional impairment of UAH 5,169 million was accrued on loan issued to DTEK Holdings Limited and DTEK Finance PLC due to a negative net asset value (NAV) increase and general increase of credit risks.

Current loans presented by loan issued to subsidiary Mine Belozerska ALC with final maturity in December 2023 carried at amortised cost at an effective discount rate of 9.42% (annual interest rate of 8.43% at origination date). As of 31 December 2022 loan to Mine Belozerska ALC comprised nominal value of UAH 1,206 million principal and UAH 82 million accrued interest, and denominated in USD.

The impact of expected credit loss (ECL) under IFRS 9 resulted in provision for loans provided to related parties totalling UAH 47,780 million for non-current loans and UAH 288 million for current loans as of 31 December 2022.

5 Other receivables

As of 31 December, current assets were as follows:

In millions of Ukrainian Hryvnia	**2022**	**2021**
Accounts receivable from related parties	7,166	10,241
Dividend receivable from related parties	1,686	443
Other receivables	4	2
Cash and cash equivalents	311	2,823
Total other receivables	**9,167**	**13,509**

Accounts receivable from related parties are recognized at fair value and subsequently measured at amortized cost. Fair value of other current assets approximates the book value, due to their short-term character. Cash and cash equivalents are freely disposable. As at 31 December 2022 all current receivables are due on demand, not secured and bear no interest.

In February 2022 GPL Ingen Power Limited declared dividends to the Company in the amount of UAH 1,666 million, other movement in dividends receivable consist of increase of provision for IFRS 9 expected credit losses.

In December 2022 there were several reassignments between the Company and subsidiaries of the Group, further new receivables in amount of UAH 1,230 million were repaid in 2022.

As at 31 December 2022, the Group revised expected credit losses (further “ECL”) as compared to 31 December 2021 due to changes in approach 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 trade and other receivables were as follows:

In millions of Ukrainian Hryvnia	**2022**	**2021**
Provision for impairment at 1 January	**1,638**	**2,020**
Impact of changes in estimates and assumptions	4,909	(478)
Provision for impairment during the year	566	1,140
Reversal of provision	(123)	(985)
Effect of changes in exchange rate	592	(59)
Provision for impairment at 31 December	**7,582**	**1,638**

5 Other receivables (Continued)

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:

	Expected loss rate as of 31 December 2022	Basis	Expected loss rate as of 31 December 2021	Basis
Financial receivables from related parties	22.20% - 89.90%	Default rate adjusted for weighted average loss given default	11.44% - 82.30%	Adjusted yield to maturity on corporate bonds

6 Equity

Movements in equity are as follows:

In millions of Ukrainian Hryvnia	Share capital	Share premium	Revaluation reserves	Retained earnings*	Result for the year	Total
As of 1 January 2021	**-**	**9,909**	**12,586**	**38,839**	**(9,925)**	**51,409**
Profit appropriation	-	-	-	(9,925)	9,925	-
Result for the year ended 31 December 2021	-	-	-	-	(27,932)	(27,932)
Property, plant and equipment:						
- Revaluation reserve	-	-	14,610	-	-	14,610
- Deferred tax	-	-	(2,596)	-	-	(2,596)
- Realised revaluation reserve	-	-	(2,487)	2,487	-	-
- Deferred tax related to realised revaluation reserve	-	-	397	(397)	-	-
Acquisition of entities under common control	-	-	-	52	-	52
Other movements	-	-	-	183	-	183
As of 31 December 2021	**-**	**9,909**	**22,510**	**31,239**	**(27,932)**	**35,726**
As of 1 January 2022	**-**	**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:						
- Revaluation reserve	-	-	(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)	-	-
Other movements	-	-	-	(454)	-	(454)
As of 31 December 2022	**-**	**9,909**	**10,657**	**6,265**	**(13,093)**	**13,738**

* management reassessed the approach to present the Other legal reserves as separate reserve in Equity. As a result the amount of UAH 35,438 million related to contractual restrictions on dividend distributions was reclassified to Retained earnings from Other legal reserves as at 31 December 2021.

The revaluation reserve is a legal reserve according to art. 2:363.3 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)

Difference in equity and profit/loss between the company and consolidated financial statements

As of 31 December 2022, the difference between equity according to the Company balance sheet and equity according to the consolidated balance sheet amounts to UAH 26,657 million (2021: UAH 40,601 million). The difference between equity according to the company balance sheet and equity according to the consolidated balance sheet is mainly explained by the fact that a participating interest included in the consolidation has a negative net asset value but is measured at nil in the company balance sheet.

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 accrued result, the Management Board proposes to appropriate the gain for the year ended 31 December as follows:

In millions of Ukrainian Hryvnia	**2022**	**2021**
Dividends	-	-
Gain/(loss) to retained earnings	(13,093)	(27,932)
Profit/(loss) for the period	**(13,093)**	**(27,932)**

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 (Note 16 to the accompanying Consolidated Financial Statements). The amount of the retained earnings subject to these restrictions as of 31 December 2022 is UAH 6,265 million (31 December 2021: UAH 31,239 million).

7 Borrowings

In 2016 the DTEK Energy B.V. Group entered into a deleveraging plan with Sberbank of Russia. As part of the transaction, as of 22 September 2016 indebtedness of the Group in respect of Sberbank of Russia in the amount of UAH 1,616 million was converted to “Delta Outstanding Amount” (further, the “Delta”). The Delta was separated on two equal parts: first half of the amount of UAH 808 million was allocated to swap arrangement; second half of the amount of UAH 808 million was presented as compensation fee liability of the Company and classified as the Borrowings at the transaction date with carrying amount of UAH 344 million as of 1 January 2017.

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 non-current borrowings were as follows:

In millions of Ukrainian Hryvnia	**2022**	**2021**
Carrying amount of 1 January	**376**	**516**
Recognition of Eurobonds upon issuer substitution	50,149	-
Settlement of borrowings	-	(3)
Foreign exchange loss/(gain)	25	(17)
Gain on revision of timing of future payments	-	(153)
Unwinding of discount	92	33
Extinguishment of bank's loans	(400)	-
Transfer to current borrowings	(366)	-
Carrying amount of 31 December	**49,876**	**376**

7 Borrowings (Continued)

As of 31 December current borrowings were as follows:

In millions of Ukrainian Hryvnia	2022	2021
Carrying amount of 1 January	**-**	**-**
Recognition of Eurobonds upon issuer substitution	1,322	-
Transfer from non-current borrowings	366	-
Interest accrued during the period	378	-
Settlement of borrowings	(1,335)	-
Carrying amount of 31 December	**731**	**-**

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:

In millions of Ukrainian Hryvnia	2022	2021
Carrying amount of 1 January	**39,972**	**581**
New loans issued	-	42
Loans settled	(5,575)	(698)
Transfer of new loans	-	44,715
Interest accrued during the period	4,005	840
Foreign exchange gain	14,492	1,227
Recognition of discount	-	(6,763)
Unwinding of discount	2,104	28
Exchange of loans for Eurobonds	(50,022)	-
Carrying amount of 31 December	**4,976**	**39,972**

As of 31 December 2022 the loans from DTEK Holdings Limited are presented by revolving credit lines of UAH 268 million denominated in EUR and UAH 3,478 million denominated in USD (2021: UAH 213 million in EUR and UAH 3,124 million in USD) under an annual interest rate of 6.9% and maturity date in December 2025. Accrued interest balance as of 31 December 2022 is UAH 8 million denominated in EUR (2021: UAH 7 million) and UAH 24 million denominated in USD (2021: UAH 86 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 it's subsidiary DTEK Finance PLC to claim the loans receivable due from another Company's subsidiary for a consideration equal to the assumed receivables. The consideration payable to DTEK Finance PLC was converted to USD-denominated loan with maturity in December 2027 and annual nominal interest rate of 8.14% payable on the maturity date. As of 31 December 2021 loan due to DTEK Finance PLC comprised of UAH 42,904 million principal and UAH 411 million accrued interest. 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 2022.

9 Payables to related parties and other payables

As of 31 December payables are as follows:

In millions of Ukrainian Hryvnia	2022	2021
Payables to related parties	5,697	4,749
Other payables	31	18
Total	**5,728**	**4,767**

In October 2022 DTEK Trading SA transfered 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.

9 Payables to related parties and other payables (Continued)

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 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 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.

10 Other financial liabilities

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

In millions of Ukrainian Hryvnia	**2022**	**2021**
Carrying amount as of 1 January	**2,730**	**2,827**
Derecognition of guarantee upon restructuring	(2,810)	-
Net impairment losses on guarantee	1,137	-
Foreign exchange loss/(gain)	364	(97)
Carrying amount as of 31 December	**1,421**	**2,730**

As a result of the deleveraging transaction with Sberbank of Russia ("Sberbank") in 2016 the Company issued a guarantee with a limit of USD 100 million (UAH equivalents as at 31 December 2021 of UAH 2,728 million) to Sberbank with respect to the loan transferred to Fabcell, an entity under common control at that point in time and operating several Russian coal mines in the Rostov region. In 2019 Fabcell did not make the scheduled payment on its bank borrowing and therefore entered into default. In April 2021 the bank exercised its right under the share pledge agreement to claim 100% of the shares of Fabcell and DTEK Group B.V. lost its control over the Fabcell.

In February 2022 the old guarantee was discontinued and restructured replacing it with a new guarantee. It is limited to USD 100 million and this will be further reduced by any amounts of the primary obligation paid by the counterparty to the bank (in February 2022 the nominal amount of guarantee was reduced to USD 80 million). As a result of this the claim of Sberbank was discontinued. The fair value of the new guarantee at origination date was assessed to be insignificant and the gain on derecognition of the old guarantee was recognized in the amount of UAH 2,810 million. Subsequently to this, the war in Ukraine and 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 had impact on the expected credit losses assessment. Also, based on publicly available information following ban on import of Russian coal to Europe, Russian coal producers increased coal supply to other markets, however, are forced to sell coal with significant discounts. As result, management assessed the expected credit losses on the new guarantee in the amount of UAH 1,421 million as of 31 December 2022, being approximately half of the maximum credit exposure.

11 Average number of employees

As of 31 December 2022, four employees based on full time equivalents were employed by DTEK Energy B.V. (31 December 2021: two). None of the DTEK Energy B.V. employees are working outside the territory of the Netherlands.

12 Directors remuneration

The directors of the Company received remuneration of UAH 21 million in 2022 (2021: UAH 10 million).

13 Independent Auditor Remuneration

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

In millions of Ukrainian Hryvnia	2022	2021
Audit of the financial statements, including audit fee of PricewaterhouseCoopers Accountants N.V. of UAH 8 million (2021: UAH 5 million)	49	50
Other audit services	1	-
Tax services	12	29
Other non-audit services	4	5
Total	**66**	**84**

14 Commitments and contingencies not included in the balance sheet

As at 31 December 2022 off balance sheet commitments of the Company are primarily related to the guarantees given to the banks for loans (31 December 2021: to the banks for loans and bond holders) 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 15% for profits up to EUR 395 thousand and at the rate of 25,8% for profits exceeding 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. Based on the principles of the fiscal unity, the Company accrues CIT to DTEK Group B.V. DTEK Group B.V. settles, based on the outcome of the fiscal consolidation, the CIT with the 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 2022, as management expects that the fiscal unity will be in a loss-making position for the year 2022. Until the date of these financial statements were authorized for issuance the Company has not received any formal correspondence claiming CIT payable to be settled directly by the Company to the tax authorities.

Based on estimated tax result for the year ended 31 December 2022 the Company's payable (i.e. a corporate profit tax payable to the fiscal unity that is allocated to the Company) amounts to UAH 550 million to the head of the fiscal unity, which is accounted by the Company as a contingent liability. The tax declaration will be filed by the head of the fiscal unity.

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.

Deferred income tax expense for the Company is zero for 2022 (2021: zero).

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 2022 the Company's contingent liabilities in relation to uncertain tax positions are nil (31 December 2021: 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.

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

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

In millions of Ukrainian Hryvnia	**2022**	**2021**
Guarantees given on loan (31 December 2021: on loan and Eurobond) contracts issued by its subsidiaries.	377	46,217

15 Subsequent events

We refer to Note 34 to the accompanying Consolidated Financial Statements.

Signed by entire Management Board
on 28 April 2023
Ildar Salieiev
Director

Anastasiia Andrieieva
Director

Nataliya Muktan
Director

Eliza Desiree den Aantrekker
Director

Approved for issue and signed by entire
Supervisory Board on 28 April 2023

Sergey Korovin

Dmytro Sakharuk

Oleksandr Kucherenko

Oleksiy Povolotskiy

Pavlo Livertovskyi

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.

Report on the financial statements 2022

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 2022 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by 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 2022 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 2022 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 2022;
- the following statements for 2022: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2022;
- the company income statement for the year then ended; and
- the notes, comprising 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.

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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).

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 and resulting foreign currency control restrictions in place. The magnitude of further military developments and the timing of cessation of these circumstances and the impact thereof on operations and the Group's and Company's assets are uncertain. These conditions, along with the other matters as set forth in Note 3 indicate the existence of material uncertainties which may cast significant doubt about the Group's and Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud risks 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 a separate opinion or conclusion 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, the majority of its revenue is generated in Ukraine and denominated in UAH, although the Group also receives part of revenue in foreign currencies from its export of electricity and coal.

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.

The financial year 2022 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 significant impact on the operations of the Group due to the inability of certain assets, located on occupied territory, to continue their operations, loss of control over some assets, 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 and valuation of property, plant and equipment and goodwill. 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.

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 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.

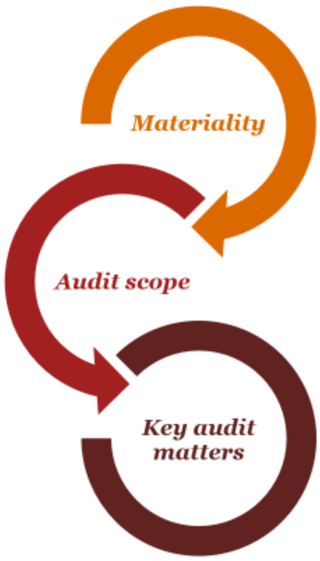
In Note 3 of the financial statements, the Group describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given that the war in Ukraine had significant impact on the operations of the Group, as well as due to significant uncertainties which are embedded in the future discounted cash flows projections and sensitivity of the estimates and assumptions involved, we considered the impairment assessment and valuation of property, plant and equipment and goodwill to be a key audit matter as set out in the section 'Key audit matters' of this report.

Other areas of focus, that were not considered as key audit matters, were the impact of the Russian invasion on the financial statements, in addition to going concern and the impairment assessment and valuation of property, plant and equipment and goodwill, on the retirement benefit obligation and asset retirement provision, the loss of control of Luhansk TPP and the valuation of trade and other receivables. Furthermore, also the assessment of the accounting for the guarantee to Sberbank and laws and regulations, were other areas of focus.

We discussed with management the initial assessment on the overall impact of the climate change on the Group's operations. We understood that the company has not identified a material impact and will proceed with the finalization of the assessment of the impact as soon as practically possible. Refer to the section 'Sustainable development and climate change' in the directors' report. The possible effects of climate change are not considered to be a key audit matter.

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 and valuation and tax in our team.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: UAH 637 million.

Audit scope

- We conducted audit work on 4 components in Ukraine.
- There were no site visits of components located outside of Ukraine.
- Audit coverage: 94% of consolidated revenue, 91% of consolidated total assets and 90% of consolidated profit before tax.

Key audit matters

- Impairment assessment and valuation of property, plant and equipment and goodwill

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.

Overall group materiality	UAH 637 million
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 0.9% of Revenue.
Rationale for benchmark applied	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.
Component materiality	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 319 million and UAH 531 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 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, provide sufficient coverage of the financial statements for us to be able to give 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 4 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 one component for audit procedures 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:

Revenue	94%
Total assets	91%
Profit before tax	90%

None of the remaining components represented more than 4% 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 teams 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 the risks were mainly focused on the 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 at the head office. These included the going concern assumption, impairment assessment and valuation of property, plant and equipment and goodwill, assessment of guarantee issued to Sberbank, laws and regulations and the impact of the Russian invasion on the financial statements.

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 management's risk assessment process, 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's fraud risk assessment is not formalised yet and that management is currently in progress of preparation of it.

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 asked members of the management board as well as the internal audit department and legal affairs and the supervisory board members whether they are aware of any actual or suspected 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	Our audit work and observations
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.	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. 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.
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.	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.

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 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.	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. 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. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of 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, 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 management's use of the going-concern basis of accounting, including 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 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 of management as to their knowledge of going-concern risks beyond the period of management's assessment.

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

- used external information such as market selling prices of electricity and coal to consider whether there is adequate support for these assumptions;
- evaluated the consistency of these assumptions with assumptions made by management in other significant estimates such as impairment assessment.

Regarding 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 market selling prices will be lower than current market 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 worst-case scenario when the electricity output is lower due to missiles attacks, the electricity tariff remains at the level of 2022;
- 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 management's expectation on the sufficiency of 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;
- 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 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 financial statements, where 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.

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.

Key audit matter	*Our audit work and observations*
Impairment assessment and valuation of property, plant and equipment and goodwill *(Refer to notes 8 and 9 in the consolidated financial statements)* On 24 February 2022 Russia initiated a full-scale military invasion of Ukraine. The results of the military invasion 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 conducted an impairment test for electricity generation assets as at 31 December 2022 and related goodwill. 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 of disposal' 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. Any change in these assumptions, based on their sensitivity could have a significant effect on the financial statements. In addition, as a result of the increase of the coal prices, in their assessment of the impact on the valuation management used the 2021 independent valuation of property, plant and equipment of mining assets as a starting point. The previously recognized economic obsolescence haircut was adjusted to fairly represent these increased coal prices. 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 last year by impairment test/income method valuation. 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	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. Our valuation experts assessed the overall logic of the models and methodology used in discounted cash flow models. In addition, we specifically focused on the following management assumptions used in the cash flow models: • *Scenario approach and discount rate.* Management used three different scenarios, embedding in those scenarios the risks of future developments of military invasion of Ukraine and its timing. The discount rate used is after-tax and reflects specific risks of the relevant CGUs apart from the war risks, which are embedded into the scenarios applied. We assessed appropriateness of the management's discount rate through reasonability check of the valuation results using one scenario with the most likely cash flow and discount rate estimate that embed all the risks and uncertainties. We found the weighted scenarios approach and discount rate used by management to be appropriate and appropriately reflecting the relevant risks and uncertainties; • *Electricity tariffs*. We assessed the overall logic of setting the price forecasts and 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 found management's electricity tariffs forecasts to be within the reasonable range of forecasts. • *Generation volumes*. We assessed the forecasted generation volumes via comparison to historical levels for each thermal power station and to the maximum capacity of the blocks, current and planned conditions of the blocks and taking into account the expected energy market volume and generation structure in various war development scenarios. We found the generation volumes to be withing the reasonable range.

Key audit matter	*Our audit work and observations*
book value due to economic obsolescence while mining assets increased their fair values with UAH 4 billion. The amount of net impairment of property, plant and equipment in the income statement is UAH 966 million and UAH 6,273 million in other comprehensive income. Full impairment of goodwill was recognised in 2022. 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.	• *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 withing the reasonable range. • *Green deal.* We checked the overall logic of the CO_2 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. We further verified the fair valuation of mining assets to the last year depreciated replacement cost estimate provided by the independent appraiser as part of 2021 revaluation and assessed for appropriateness of the time/depreciation adjustment to these values via a detailed recalculation. 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 and goodwill impairment assessment and found them to be adequate.

Report on the other information included in the annual report

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 board of directors 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.

Report on other legal and regulatory requirements

Our appointment

We were re-appointed as auditors of DTEK Energy B.V. on 21 February 2023 by the supervisory board.

Our appointment has been renewed annually by supervisory board and now represents a total period of uninterrupted engagement of 14 years.

Responsibilities for the financial statements and the audit

Responsibilities of management and the supervisory board for the financial statements

The board of directors 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 management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, The board of directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, The board of directors should prepare the financial statements using the going-concern basis of accounting unless The board of directors either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The board of directors 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.

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, which makes it possible that we may not detect all material misstatements. 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, 28 April 2023
PricewaterhouseCoopers Accountants N.V.

This document is electronically signed by:

Antoine Westerman

A.F. Westerman RA

Appendix to our auditor's report on the financial statements 2022 of DTEK Energy B.V.

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 management.
- Concluding on the appropriateness of management'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, not communicating the matter is in the public interest.