Private Joint Stock Company “National Power Company “Ukrenergo”

Unaudited Interim Condensed Consolidated
Financial Statements
for the Six Months Ended 30 June 2024

PRIVATE JOINT STOCK COMPANY “NATIONAL POWER COMPANY “UKRENERGO”

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholder and Management of the Private Joint Stock Company "National Power Company "Ukrenergo"

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of the Private Joint Stock Company "National Power Company "Ukrenergo" and its subsidiaries (hereinafter – the Group) as of 30 June 2024 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed statement of changes in equity and interim condensed statement of cash flows (under direct method) for the six-month period then ended, and selected explanatory notes (hereinafter – the interim condensed consolidated financial statements). Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

The effect of not conducting a revaluation of the Group's property, plant and equipment as of 31 December 2022 on the comparative data for the six months ended 30 June 2023 as reflected in the interim condensed consolidated statement of profit or loss and other comprehensive income.

The Group applies the revaluation model to account for its property, plant and equipment, which requires that the revaluations should be carried out regularly to ensure that the carrying amount of property, plant and equipment does not differ materially from its fair value at the reporting date. The Group's property, plant and equipment were revalued as of 31 December 2023 and as of 31 July 2019.

In our opinion, significant changes in the economic and operating environment and the impact of the hostilities on the Group's operations that have occurred after 24 February 2022 may indicate that the fair value of the Group's property, plant and equipment as of 31 December 2022 may have differed significantly from their carrying amounts. In the absence of a measurement of the fair value of the Group's property, plant and equipment as at that date, we were unable to obtain sufficient and appropriate audit evidence about the effect of this matter on the income benefit/expense from impairment of property, plant and equipment, depreciation of property, plant and equipment, and income tax benefit/expense for the six months ended 30 June 2023, as reported in the interim condensed consolidated statement of profit or loss and other comprehensive income. Therefore, we were unable to determine whether any adjustments to these amounts were necessary in these interim condensed consolidated financial statements.

Qualified Conclusion

Based on our review, except for the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements as of 30 June 2024 and for the six months then ended, are not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

Material Uncertainty Related to Going Concern

These interim condensed consolidated financial statements have been prepared on the Group's going concern assumption. It should be noted that the tariffs for the Group's services are set and approved by the regulator and should fully cover all economically reasonable costs to ensure uninterrupted operations. Therefore, given the critical importance of the Group as the only transmission system operator in Ukraine, the state, as the owner, supports and promotes the stable operation of the Group to ensure the security of electricity supply.

However, we draw attention to Note 2 to the interim condensed consolidated financial statements, which states that from February 24, 2022, the Group's operations and financial performance are negatively affected by the full-scale military invasion into Ukraine by the Russian Federation. The magnitude or timing of further developments or the timing of their cessation are uncertain. These events and conditions, together with the other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern in the event of an adverse development related to the effects of the military aggression on the Group and the country. Our conclusion is not modified in respect of this matter.

The review was performed under the supervision of the Key Audit Partner, Nikolaenko O.M.

Key Audit Partner Nikolaenko O.M.

Registration number with the Register of auditors and audit entities: 101534

Kyiv, 17 September 2024

Limited Liability Company BDO. Identification code under EDRPOU: 20197074. Registration number with the Register of auditors and audit entities: 2868. Legal address: 4, Andriia Fabra Street, Dnipro, 49070. Tel. 044-393-26-87.

BDO LLC is included in the Register of auditors and audit entities in section 4 "Audit entities entitled to perform statutory audits of financial statements of public interest entities". Link to the Register: https://www.apu.com.ua/subjekty-audytorskoi-dijalnosti-jaki-majut-pravo-provodyty-obovjazkovyj-audyt-finansovoi-zvitnosti-pidpryjemstv-shho-stanovljat-suspilnyj-interes/

PRIVATE JOINT STOCK COMPANY “NATIONAL POWER COMPANY “UKRENERGO”

STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

Management is responsible for the preparation of the interim condensed consolidated financial statements that present fairly the financial position of Private Joint Stock Company “National Power Company “Ukrenergo” and its subsidiaries (“the Group”) as of 30 June 2024, and the results of its operations, cash flows, and changes in equity for the six months then ended, in compliance with International Financial Reporting Standards (“IFRS”), and the requirements to financial statements preparation under the Law of Ukraine “On accounting and financial reporting in Ukraine” (“Law on accounting and financial reporting”).

In preparing the interim condensed consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the Group’s financial position and financial performance; and
- Making an assessment of the Group’s ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing, and maintaining an effective and reliable system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with the Ukrainian legislation and IFRS;
- Taking reasonably available measures to safeguard of the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 were approved by management on 17 September 2024.

On behalf of management:

______________________________	______________________________
O.O. Brekht, Acting Chairman of the Management Board	N.M. Serdiuk, Chief Accountant

PRIVATE JOINT STOCK COMPANY "NATIONAL POWER COMPANY "UKRENERGO"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2024
In Ukrainian Hryvnias and in thousands

	Notes	30 June 2024 (unaudited)	31 December 2023 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	111,488,164	108,219,982
Intangible assets		1,064,859	928,966
Other non-current assets		246,759	225,043
Total non-current assets		**112,799,782**	**109,373,991**
Current assets			
Inventories		1,306,475	933,512
Trade accounts receivable	6	42,422,078	47,470,275
Prepayments	7	702,200	720,123
Other accounts receivable		228,742	211,989
Prepaid income tax		35	32
Taxes receivable, other than income tax	8	2,748,590	2,790,353
Prepaid expenses		96,938	139,841
Cash and cash equivalents	9	9,237,536	7,830,966
Other current assets	10	3,174,949	7,195,822
Total current assets		**59,917,543**	**67,292,913**
TOTAL ASSETS		**172,717,325**	**176,666,904**
EQUITY			
Share capital		37,160,209	37,160,209
Corporatization effect		(35,933,854)	(35,933,854)
Revaluation reserve		68,117,182	68,496,965
Reserve capital		137,926	142,183
Accumulated deficit		(32,165,260)	(22,361,221)
Translation reserve		12,007	10,882
TOTAL EQUITY		**37,328,210**	**47,515,164**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12	57,376,316	47,125,418
Retirement benefit obligations		301,477	279,923
Special purpose funding	13	7,563,077	4,835,475
Deferred tax liabilities	24	4,686,765	6,264,442
Other non-current liabilities		211,516	2,350
Total non-current liabilities		**70,139,151**	**58,507,608**
Current liabilities			
Loans and borrowings	12	10,373,567	9,689,751
Trade accounts payable	14	49,444,694	56,120,995
Advances received	15	629,698	470,354
Other accounts payable		151,384	125,909
Income tax payable		-	210,250
Taxes payable, other than income tax		35,729	42,308
Provisions		1,444,897	1,387,645
Deferred income	13	82,393	65,623
Other current liabilities	16	3,087,602	2,531,297
Total current liabilities		**65,249,964**	**70,644,132**
TOTAL LIABILITIES		**135,389,115**	**129,151,740**
TOTAL LIABILITIES AND EQUITY		**172,717,325**	**176,666,904**

On behalf of management:

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O.O. Brekht,
Acting Chairman of the Management Board

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N.M. Serdiuk,
Chief Accountant

The accompanying Notes on pages from 7 to 54 form an integral part of these unaudited interim condensed consolidated financial statements

PRIVATE JOINT STOCK COMPANY "NATIONAL POWER COMPANY "UKRENERGO"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024
In Ukrainian Hryvnias and in thousands

	Notes	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023
Revenue	17	48,793,908	38,116,241
Cost of sales	18	(42,998,154)	(35,506,677)
Gross profit		**5,795,754**	**2,609,564**
Other operating income	19	2,061,478	626,150
Administrative expenses	20	(561,684)	(482,339)
Other operating expenses	21	(6,814,735)	(781,213)
Impairment of financial assets, net		(4,956,232)	(982,571)
Impairment of property, plant and equipment and intangible assets, net	5	(166,855)	-
Operating (loss)/profit		**(4,642,274)**	**989,591**
Finance income	22	726,568	348,275
Finance costs	23	(4,701,950)	(3,546,210)
Foreign exchange loss, net	28	(2,558,663)	(503,130)
Loss before tax		**(11,176,319)**	**(2,711,474)**
Income tax benefit	24	1,495,142	318,758
LOSS FOR THE PERIOD		**(9,681,177)**	**(2,392,716)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of income tax:			
Impairment of property, plant and equipment	5	(458,346)	-
Deferred tax on impairment of property, plant and equipment		82,535	-
Items that may be reclassified subsequently to profit or loss, net of income tax:			
Cumulative translation difference on retranslation to Group's presentation currency		1,125	1,045
Other comprehensive (loss)/income for the period		**(374,686)**	**1,045**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(10,055,863)**	**(2,391,671)**

On behalf of management:

O.O. Brekht,
Acting Chairman of the Management Board

N.M. Serdiuk,
Chief Accountant

The accompanying Notes on pages from 7 to 54 form an integral part of these unaudited interim condensed consolidated financial statements

PRIVATE JOINT STOCK COMPANY “NATIONAL POWER COMPANY “UKRENERGO”

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2024
In Ukrainian Hryvnias and in thousands

	Share capital	Corporatization effect	Revaluation reserve	Reserve capital	Accumulated deficit	Translation reserve	Total equity
Balance at 1 January 2024	**37,160,209**	**(35,933,854)**	**68,496,965**	**142,183**	**(22,361,221)**	**10,882**	**47,515,164**
Loss for the period	-	-	-	-	(9,681,177)	-	**(9,681,177)**
Other comprehensive loss for the period	-	-	(375,811)	-	-	1,125	**(374,686)**
Total comprehensive loss for the period	**-**	**-**	**(375,811)**	**-**	**(9,681,177)**	**1,125**	**(10,055,863)**
Dividend payment (Note 11)	-	-	-	-	(131,091)	-	**(131,091)**
Reserve capital correction	-	-	-	(4,257)	4,257	-	**-**
Realised revaluation reserve	-	-	(3,972)	-	3,972	-	**-**
Balance at 30 June 2024 (unaudited)	**37,160,209**	**(35,933,854)**	**68,117,182**	**137,926**	**(32,165,260)**	**12,007**	**37,328,210**

On behalf of management:

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O.O. Brekht,
Acting Chairman of the Management Board

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N.M. Serdiuk,
Chief Accountant

The accompanying Notes on pages from 7 to 54 form an integral part of these unaudited interim condensed consolidated financial statements

PRIVATE JOINT STOCK COMPANY "NATIONAL POWER COMPANY "UKRENERGO"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023
In Ukrainian Hryvnias and in thousands

	Share capital	Corporatization effect	Revaluation reserve	Reserve capital	Accumulated deficit	Translation reserve	Total equity
Balance at 1 January 2023	**37,160,209**	**(35,933,854)**	**24,033,949**	**100,262**	**(22,787,250)**	**7,593**	**2,580,909**
Loss for the period	-	-	-	-	(2,392,716)	-	**(2,392,716)**
Other comprehensive income for the period	-	-	-	-	-	1,045	**1,045**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(2,392,716)**	**1,045**	**(2,391,671)**
Realised revaluation reserve	-	-	(3,898)	-	3,898	-	**-**
Balance at 30 June 2023 (unaudited)	**37,160,209**	**(35,933,854)**	**24,030,051**	**100,262**	**(25,176,068)**	**8,638**	**189,238**

On behalf of management:

O.O. Brekht,
Acting Chairman of the Management Board

N.M. Serdiuk,
Chief Accountant

The accompanying Notes on pages from 7 to 54 form an integral part of these unaudited interim condensed consolidated financial statements

PRIVATE JOINT STOCK COMPANY "NATIONAL POWER COMPANY "UKRENERGO"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNDER DIRECT METHOD) FOR THE SIX MONTHS ENDED 30 JUNE 2024

In Ukrainian Hryvnias and in thousands

	Notes	2024	2023
		(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows from:			
Revenue		50,996,055	28,184,121
Return of taxes and duties		87	26
Special purpose funding		22,670	11,853
Advances from buyers and customers		1,610,740	1,257,961
Prepayments returned		2,229	2,199
Interest on current accounts with banking institutions		688,200	207,203
Forfeits (fines, penalties) from counterparties		1,430,138	339,645
Operating leases		1,632	1,918
Other proceeds		804,956	1,253,198
Cash outflows to:			
Goods (works, services)		(44,687,527)	(29,518,727)
Staff costs		(1,563,129)	(1,292,047)
Social charges		(379,846)	(328,148)
Liabilities on taxes and duties:		(1,187,871)	(786,864)
Income taxes		(210,355)	(2,103)
Value added tax		(577,133)	(462,276)
Other taxes and duties		(400,383)	(322,485)
Prepayments		(676,320)	(632,843)
Return of advances		(158,705)	(162,629)
Other expenses		(3,925,536)	(1,495,806)
Net cash flows from/(used in) operating activities		**2,977,773**	**(2,958,940)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from loans repayment		-	2,493,166
Purchases of property, plant and equipment and intangible assets		(3,474,876)	(977,474)
Net cash flows (used in)/from investing activities		**(3,474,876)**	**1,515,692**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	28	6,054,671	5,921,616
Repayment of loans and borrowings	28	(1,719,683)	(1,202,030)
Dividends paid	28	(338,974)	-
Interest paid	28	(2,127,625)	(1,819,364)
Other payments	28	(1,417)	(1,724)
Net cash flow from financing activities		**1,866,972**	**2,898,498**
Net increase in cash and cash equivalents		**1,369,869**	**1,455,250**
Cash and cash equivalents at the beginning of the period	9	**7,830,966**	**4,732,828**
Effect of exchange rates change on cash and cash equivalents		36,701	48,972
Cash and cash equivalents at the end of the period	9	**9,237,536**	**6,237,050**

NON-CASH TRANSACTIONS

	Notes	2024	2023
Payments to acquire property, plant, and equipment and intangible assets by a lending bank	28	1,339,207	785,573
Payments to acquire property, plant, and equipment and intangible assets by a lending bank		1,084,238	-

On behalf of management:

O.O. Brekht,
Acting Chairman of the Management Board

N.M. Serdiuk,
Chief Accountant

The accompanying Notes on pages from 7 to 54 form an integral part of these unaudited interim condensed consolidated financial statements

1. THE ORGANISATION AND ITS OPERATIONS

Creation and change of the Group's shareholder

State Enterprise "National Energy Company "Ukrenergo" was established by the order of the Ministry of Energy of Ukraine dated 15 April 1998 No.54 on the basis of the state enterprise "National Dispatch Center of Electricity of Ukraine" with the merger of the reorganized state enterprise "State Electric Company "Ukrelectroperedacha".

Private Joint Stock Company "National Power Company "Ukrenergo" (hereinafter - NPC "Ukrenergo", the "Company") is a legal entity incorporated as a joint stock company with 100% shares fixed in state ownership due to reorganization through the transformation of the State Enterprise "National Power Company "Ukrenergo" in a Private Joint Stock Company in accordance with the order of the Cabinet of Ministers of Ukraine dated 22 November 2017 No.829-r "On Approval of the Transformation of the State Enterprise National Power Company Ukrenergo into the Private Joint Stock Company".

By the Decree of the Cabinet of Ministers of Ukraine dated 14 November 2018 No.1001-r integral property complex of the state enterprise "National Energy Company "Ukrenergo" was transferred from the Ministry of Energy and Coal Industry of Ukraine to the Ministry of Finance of Ukraine.

On 29 July 2019 the Ministry of Finance of Ukraine approved Order No.321 on the Company's transformation into Private Joint Stock Company. The Company's shares are not listed on international or national stock exchanges.

The Decree of the Cabinet of Ministers of Ukraine date 28 July 2021 No.833-r "Certain issues of management of state property" approved the transfer of management of corporate rights owned by the state in share capital of the Company from the Ministry of Finance of Ukraine to the Ministry of Energy of Ukraine, and authorized the Ministry of Energy of Ukraine as body of management of state property, which was assigned to the Company by the right of operational management. On 16 September 2021, the state, represented by the Ministry of Energy of Ukraine, became the owner of 100% of the Company's shares.

Main activities and structure of the Group

NPC "Ukrenergo" Group (hereinafter – the "Group") consists of the Company and subsidiaries "Ukrenergo Digital Solutions" LLC and EUkrenergo, the sole owner of which is the Company. "Ukrenergo Digital Solutions" LLC was founded in 2020 and is engaged in development of special purpose software for transmission system operator. EUkrenergo was founded in 2022 in Belgium to provide mechanisms for regulating deviations of the actual balance of electricity flows from planned values (unintended deviations, so-called technological flows), arising in the process of synchronous operation of adjacent energy systems in accordance with FSkar procedures.

NPC "Ukrenergo", which is a natural monopoly in electricity transmitting via high voltage lines, operates 108 substations (110-750 kV) and over 22,000 km of main and interstate power lines (including 34 substations and a number of power lines located on temporarily occupied territories of Donbass and Crimea).

The Group's Head Office is located at: 25 Symona Petliury Street, Kyiv, Ukraine.

The principal activities of the Group are dispatch (operational and technological) control of the Integrated Power System of Ukraine (hereinafter – the "IPS"), electricity transmission via high voltage lines from generation to distribution networks, acting as administrator of commercial accounting and administrator of settlements in the electricity market of Ukraine (energy sales and purchases on the balancing market), and others.

In addition, the Group was assigned with public service obligation to increase the share of energy generation from alternative energy sources.

Tariffs for electricity transmission and dispatch (operational and technological) control services are regulated and approved by the National Energy and Utilities Regulatory Commission (the "NEURC").

The Company was built on a regional basis and combined four territorial administrations: Northern, Southern, Eastern and Western. The Company also has a separate division "Construction and Repair", which provides power equipment repairing, implementation of certain projects under investment program projects by its own staff, and other.

The Group also has assets located at temporarily occupied territories of Autonomous Republic of Crimea (Crimean ES, Dzhankoi Main Power Grids (MPG), Feodosiya MPG, Simferopol MPG, Health Complex "Semidvirya", Boarding House "Energetik" and SD "Pivdenienergoprom"), Donetsk and Lugansk region (Chaikinski MPG and Luhansk MPG). The Group lost control over these assets and cannot obtain economic benefits from them. Respectively, these assets were fully impaired in previous years. In 2020 the arbitral tribunal began to consider the case of the illegal seizure by the Russian Federation of the Group's infrastructure facilities on territory of Autonomous Republic of Crimea (Note 26).

As a result of Russia's full-scale military invasion of Ukraine, which began on 24 February 2022, an additional part of the Group's assets is located in temporarily uncontrolled territory. More information is disclosed in Note 2.

Integration into ENTSO-E

As a result of Russia's full-scale military invasion of Ukraine in February 2022, on 11 March 2022 ENTSO-E decided to fully synchronize the power systems of Ukraine and Moldova with the energy network of continental Europe ENTSO-E. Physical operations to connect power systems were conducted on 16 March 2022.

On 26 April 2022 NPC "Ukrenergo" received the status of an "observer-member" in ENTSO-E.

On 28 November 2023, ENTSO-E confirmed the full implementation by NPC "Ukrenergo" of the Catalog of Activities, which means the completion of the synchronization project between the Ukrainian energy system and the European continental grid.

On 14 December 2023, the General Assembly of ENTSO-E adopted a decision that starting from 1 January 2024, NPC "Ukrenergo" becomes the 40th full member of the European network of operators of the electricity transmission system ENTSO-E.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 were approved by the Management Board on 17 September 2024.

2. OPERATING ENVIRONMENT

On 24 February 2022, russian troops launched a full-scale invasion of the territory of Ukraine, which affected all fields of life and the country's economy. The territories of Kyiv, Chernihiv, Sumy, Kharkiv, and partly Kherson regions were occupied at the beginning of the invasion but were liberated after that by Ukraininan forces. As of 30 June 2024 Crimea and most of the territories of Donetsk, Luhansk, Kherson, and Zaporizhzhia regions are still under occupation, active military operations continue there.

In 2024 Ukrainian business entities continue their economic activities in a difficult economic environment facing disruption of supply chains, increase in costs of doing business, and physical destruction of production facilities and infrastructure (especially in the energy sector). The Ukrainian economy has emerging market characteristics and its development is largely affected by the fiscal and monetary policies adopted by the Ukrainian government, as well as the development of a rapidly changing legal, regulatory, and political environment.

From 22 March 2024, Russia began to carry out new attacks on the energy infrastructure of Ukraine with the use of combined arms. Attacks are carried out in various regions of Ukraine on thermal, hydroelectric power stations, as well as major substations operated by the Group. The purpose of these attacks is to cause a failure of the country's energy system. The period of summer heat and the following heating season are especially risky.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Despite the mentioned and other challenges caused by the War, the Ukraine`s GDP grew up by 4.1% during first half of 2024 comparing to the first half-year of 2023. In June 2024, inflation accelerated to 4.8% y/y, driven by a higher energy costs and wage costs as well as higher prices for processed food. Price pressure is expected to persist in the second half year of 2024, caused by the higher business costs, a fading effect of the last year`s larger harvest and the adverse impact of a summer drought on the crop yields in 2024. Based on the most recent publications in July-August 2024, the National Bank of Ukraine (the “NBU”) forecasts annual inflation at level of 8.5% by the end of 2024, while economic growth is expected at 3.7% for current year.

Given moderate inflation indicators in June 2024, the NBU cut its key policy rate to 13% p.a. compared to 15% p.a. effective at 31 December 2023. At the same time, the NBU continued to control foreign exchange market under the regime of managed flexibility of the exchange rate effective since October 2023. As at 30 June 2024, Ukrainian hryvna depreciated against the US dollar by 6.7% compared to 31 December 2023.

The Government continues to implement measures to stabilize markets and the economy. International organizations (such as the IMF, EBRD, World Bank), along with individual countries and charities, are providing Ukraine with financing, donations and material support. International assistance remains an important source of financing to meet state budget needs.

Stabilization of the situation and further economic growth depends on the further impact of Russia's invasion of the territory of Ukraine and on the success of the Ukrainian government in implementation of new reforms and of recovery strategy after the cessation of hostilities, on cooperation with international partners, from which Ukraine receives an unprecedented level of political, economic and military support.

Government regulation of electric power market

Tariff regulation of the Company's operating activities

The tariff for electricity transmission services and the tariff for dispatch (operational and technological) control services of the Integrated Power System of Ukraine for the Group are set by the National Energy and Utilities Regulatory Commission (the “NEURC”).

Tariffs for electricity transmission services in 2023-2024 were as follows:

Year	Period	Tariff, UAH/MWh	Date and number of the NEURC resolution
2023	January – March	380.28	21.12.2022 No.1788
2023	April – June	430.25	21.12.2022 No.1788
2023	July - December	485.10	21.12.2022 No.1788
2024	From 1 January 2024	528.57	09.12.2023 No. 2322

Tariffs for dispatch (operational and technological) control services in 2023-2024 were as follows:

Year	Period	Tariff, UAH/MWh	Date and number of the NEURC resolution
2023	January – March	68.28	21.12.2022 No.1789
2023	April – June	80.87	21.12.2022 No.1789
2023	July - December	95.54	21.12.2022 No.1789
2024	From 1 January 2024	104.57	09.12.2023 No. 2323

Performing of public service obligation

According to Article 62 of the Law, in order to ensure the general economic interest in the electricity sector of Ukraine, necessary to meet the interests of citizens, society, and the state, and to ensure

the sustainable long-term development of the electricity sector and competitiveness of Ukraine's national economy, on market participants may have been imposed special obligations to ensure public interests in the functioning of the electricity market (hereinafter - public service obligation, PSO). The Law also stipulates that the Cabinet of Ministers of Ukraine may impose other PSO on market participants.
On 11 August 2021 the Resolution of the Cabinet of Ministers of Ukraine №859 amended the Resolution of the Cabinet of Ministers of Ukraine No.483 dated 5 June 2019 (hereinafter – CMU Resolution No.483), providing for the transition from commodity to financial model of PSO.

On 30 May 2023, Resolution of the Cabinet of Ministers of Ukraine No.544 (hereinafter - CMU Resolution No.544) amended CMU Resolution No.483. In particular, with the aim of ensuring the sustainable operation of the IPS, CMU Resolution No.544 approved the proposal of the Ministry of Energy of Ukraine regarding the application of new fixed electricity prices for household consumers from 1 June 2023. During the period from 1 June 2023 to 31 December 2023, consumers will pay USPs 2.64 UAH per kWh with VAT. On 27 December 27 2023, the validity of these electricity prices for household consumers was extended until 30 April 2024.

On 31 May 2024, Resolution No. 632 of the Cabinet of Ministers of Ukraine amended CMU Resolution No. 483, namely the establishment of a new fixed price for electricity for household consumers from 1 June 2024 to 30 April 2025 at the level of UAH 4.32 per kWh with VAT.

Application assumptions about the Group's ability to continue as a going concern

On 24 February 2022 Russia initiated a full-scale military invasion of Ukraine (hereinafter – military aggression), which 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 remains a significant uncertainty over the future development of the military invasion, its duration and short and long-term impact on the Group, its people, operations, liquidity, and assets. There could be multiple scenarios for further developments of the current situation with unknown likelihood and the magnitude of the impact on the Group might vary.

From the very beginning of the military aggression, the Group focused on the following key areas: security of its employees, security of IPS of Ukraine, uninterrupted performance of the functions of the transmission system operator and integration into ENTSO-E.

The Group coordinates, as far as possible, the evacuation of workers from regions where active hostilities are taking place. Business processes have been reorganized, the protection of assets and critical facilities has been strengthened to adapt to existing problems and ensure the continuity of the Group's activities. The key personnel and management of the Group continue to work and fully perform their duties. The Group constantly analyzes changes in the regulatory environment and their impact on its operations, responds effectively and, if necessary, implements changes in business processes.

Ukrainian energy infrastructure facilities have been under Russian crosshairs since the beginning of the full-scale invasion, while the Russians have set a course for its complete destruction since October 2022. However, thanks to the efforts of the Group's and the entire country's power engineers, maximum efforts are being made to quickly and efficiently restore damaged electrical equipment and ensure uninterrupted power supply.

Despite the significant challenges the Group adjusted its business processes to support the continuity of its operational activities. Management of the Group continues to monitor the situation and take necessary measures to further adapt its operations to the circumstances and facilitate the Group`s uninterrupted operations to the extent possible. The Group continues and plans in the future to provide sustainable services for electricity transmission, dispatch (operational and technological) control services, to balance the energy system, and implement measures related to the most efficient use of existing capacity and capacity building of the Group, including integration into ENTSO-E and expansion of Ukraine's export and import opportunities.

Apparently, as a result of military aggression, the Group has suffered a number of changes in its activities, the consequences of which are described below.

Impact on the condition of the Group's assets

In 2022-2024, Ukrainian energy sector faced an extreme test of strength due to attacks by russian missiles, drones and artillery. Civilian objects – power plants and substations – have become the main targets of enemy attacks. From 22 March 2024, Russia began to carry out new attacks on the energy infrastructure of Ukraine with the use of combined arms. Attacks are carried out in various regions of Ukraine on thermal, hydroelectric power stations, as well as major substations operated by the Group. The purpose of these attacks is to cause a failure of the country's energy system.

According to official data, the IPS of Ukraine lost about 9 GW of generating capacity from March to May 2024. Due to the lack of generating capacity and the increase in demand for electricity in warm weather, NPC "Ukrenergo" applied schedules of forced reduction of consumption and schedules of emergency shutdowns for domestic and industrial consumers throughout the country.

On 26 August 2024, Russia launched one of the largest missile and drone strikes against Ukraine since the start of the full-scale invasion, hitting targets in 15 regions, primarily focusing on the energy sector. Significant destruction of the energy infrastructure led to emergency power outages.

At the same time, given the scale of the damage, Ukrainian power system has demonstrated high flexibility, resilience and adaptability. Ukrainian power engineers have gained unique experience in maneuvering low-voltage power grids, and the physical protection of power facilities has been strengthened. Businesses are also adapting to such conditions: many enterprises have provided themselves with autonomous generation, so the economy partially works even during interruptions in the supply of electricity.

The energy system continues to operate steadily and balanced. The Group, in collaboration with other companies and the government, is developing and implementing measures for the restoration and expansion of capacities. Repairment of damaged infrastructure is ongoing actively. Also, it is planned to increase the capacity for electricity import, expand and scale up maneuvering capacities and distributed generation to ensure the resilience of the energy system. At the same time, it is crucial to increase the capabilities of Ukrainian air defense and to improve the physical protection of the energy infrastructure in order to strengthen the security of power capacities.

According to preliminary estimates, the main consequences of the military aggression on the Group's assets are the following:

- As a result of numerous missile strikes, starting in October 2022, a part of the Group's energy infrastructure, especially high-voltage substations, was damaged. Additionally, as of 30 June 2024 part of Group’s assets were located on temporary uncontrolled territory. The Group does not disclose the total carrying value of the destroyed or damaged assets of the Group as a result of missile strikes and information about assets on temporary uncontrolled territory, as this information is sensitive and may be classified as information with limited access, including regarding critical infrastructure facilities.
- Electricity is not supplied to the temporarily occupied territory of Ukraine, except for powering the Zaporizhzhia NPP. It is impossible to assess the condition of power transmission lines and substations located in the temporarily uncontrolled territory due to the lack of access to them.
- The Group's repair crews and contractors continue to promptly restore damaged equipment. Reserve power grids are used and new power schemes are created. Repairs of damaged equipment were accelerated 3-4 times compared to peacetime due to consolidation of efforts, concentration of repair personnel on key facilities and availability of sufficient financial and material resources for restoration.
- In cases of electricity deficits in the system, its import is prioritized. The Group and the state are actively working to increase import capacity. Additionally, the Group, as the transmission system operator, when it’s necessary calls for emergency assistance from neighboring transmission system operators, and in the most critical situations, implements emergency shutdowns in certain regions due to repairment.

- The Group is actively working to create attractive conditions for investors in the electricity market. The aim is to develop own generation and energy storage systems, which will enhance the security and resilience of the Ukrainian energy system. Securing the system from such missile terror involves decentralization of generating capacities, which would be more resilient to these attacks due to their dispersed nature. These capacities should also consist of a combination of different types of generation. In addition to solar and wind power plants, which heavily rely on weather conditions, technologies for balancing are needed - highly maneuverable gas power plants, energy storage systems, and modern thermal generation using biogas and other renewable fuels.
- On 15 and 22 August 2024, the Group held the first long-term auctions for the purchase of auxiliary services for balancing the energy system. The winners of the auction will have a contract fixed in euros with NPC "Ukrenergo" for 5 years, with a one-year delay in the start of service provision. That is, investors will have time until October 2025 to build a new power plant and undergo equipment certification.
- In 2023, projects to construct physical protection of energy facilities, i.e., engineering fortifications, began. This can significantly improve resilience to missile and drone strikes. The consequences of attacks on substations of the Group were reduced by at least two times due to the creation of two levels of protection. The third level, the most extensive, requires significant investments and time for construction, so construction work is still underway.
- The Ukrainian energy sector has received and continues to receive humanitarian and technical assistance in the form of energy equipment from international partners. Significant grant support is provided by partners from USAID, the UN Development Program, and the Japan International Cooperation Agency (JICA). This helps to finance the purchase of the most critical equipment for restoration. There is still a great need for additional equipment supply to ensure the stable operation of the power grid.
- During 2022-2024, the Group cooperated with international financial institutions in order to effectively use previously raised funds to restore damaged networks and facilities and support the Group's liquidity, in particular through repurposing, as well as attracting additional financial resources for the rapid reconstruction of the network and stability of the power system. The total amount of new loan and grant funds, as well as repurposing of existing loans, is amounted to about EUR 1.3 billion in 2022-2024. About EUR 800 million from that amount were directed to the purchase of equipment for the restoration and modernization of the power system (Notes 12 and 13).
- The Group records all damage to fixed assets and assesses the damage as a result of military aggression. The Group is developing a legal mechanism through which the Group will be able to protect its interests in compensation for damages. One of the most influential international energy organizations in Europe - the Energy Community, of which Ukraine has been a member since 2010 - will help sue Russia and demand compensation for damages caused to the Group's main networks. The relevant Memorandum on this was signed between the Group and the Secretariat of the Energy Community.

Impact on revenue from the sale of goods and services of the Group

The revenue from the sale of goods and services of the Group during the six months ended 30 June 2024, compared to the same period in 2023, increased by UAH 10.7 billion, or by 28% (from UAH 38.1 billion to UAH 48.8 billion).

Revenue from services that are subject to tariff regulation increased by UAH 9.8 billion, or by 37%. Such increase is explained by increase of tariffs in 2024 compared to 2023: (i) for electricity transmission services from weighted average for the period - 405.27 UAH/MWh to 528.57 UAH/MWh, or by 30%; and (ii) for dispatch (operational and technological) control services from weighted average for the period - 74.58 UAH/MWh to 104.57 UAH/MWh, or by 40%. At the same time electricity transmission volume increased by 3%.

Revenue on granting access to the transmission capacity of interstate power networks increased during the six months ended 30 June 2024, compared to the same period in 2023, by UAH 0.8 billion from almost zero. This is explained by a significant increase in electricity imports from the EU during the period of shortage of generating capacity in Ukraine, which was caused by Russian missile attacks during March-May 2024.

Impact on the financial condition of the Group

Trade accounts receivable

With the onset of military aggression, the solvency of many consumers has deteriorated or lost. The level of settlements in the electricity market has significantly deteriorated. Since the beginning of the military aggression on the electricity market, there has been a shortage of funds due to deteriorating solvency, bankruptcy of end customers, and destruction of their infrastructure.

For the six months ended 30 June 2024 gross accounts receivables to the Group remained almost unchanged and amounted UAH 67.8 billion as of 30 June 2024.

Additional reasons for the increase in receivables to the Group are the impossibility of disconnecting certain categories of protected consumers from the energy supply, due to the risks of a social and environmental disaster, in accordance with the Procedure for ensuring the supply of electric energy to protected consumers, approved by Resolution No. 1209 of the Cabinet of Ministers of Ukraine dated 27 December 2018.

Also, in accordance with NEURC Resolution No. 332 dated 25 February 2022 "On ensuring the stable functioning of the electricity market, including the financial condition of participants in the electricity market during the period of martial law in Ukraine" in order to ensure the operational security of the functioning of the main part of the IPS of Ukraine, with among other things, during the period of martial law in Ukraine and within 30 days after its termination or cancellation the accrual and collection of fines provided for by contracts concluded were stopped in accordance with the Law of Ukraine "On the Electric Energy Market" between the participants of the electric energy market.

Thus, during the period of martial law, the Group has limited opportunities to stimulate the collection of receivables from market participants, which also significantly affected the deterioration of the level of settlements and the increase of debt level during 2022-2024. As a result, during the six months ended 30 June 2024, the Group accrued expected credit losses on trade accounts receivable in the amount of UAH 5.0 billion (Note 6).

Several mechanisms are being implemented to solve the settlement crisis in the electricity market:

- The Group is actively developing proposals for changes to the regulatory framework, which are aimed at significantly improving the situation on the balancing market, including defining the list of critical consumers and the procedure for providing such consumers with electricity.
- Resolution of the Cabinet of Ministers of Ukraine No. 1405 dated 29 December 2023 canceled the ban on the termination of housing and communal services, the charging of fines and penalties, as well as the collection of public debt for housing and communal services. Such a moratorium was introduced on 5 March 2022. This decision reinstated debt collection for housing and communal services in court and restored the possibility of disconnecting debtors from communal services, in case of non-payment or underpayment for received services. This will help market participants to improve their financial condition and increase liquidity in the market.

The Group continues to assess and manage its credit risks, analyze the state of receivables and actively cooperate with counterparties, the regulator and the Ministry of Energy of Ukraine. Management expects that in future periods it may revise its assessment of the probability of repayment of receivables by market participants, taking into account the constant volatility of the course of military aggression, changes in the economic environment, international support and other factors.

Trade accounts payable

For the six months ended 30 June 2024, the Group's trade accounts payable to market participants significantly decreased by UAH 6.7 billion, or 12% (from UAH 56.1 billion to UAH 49.4 billion).

The main factor of such decrease in trade accounts payable is decrease in trade accounts payable for services to increase the share of electricity production from alternative sources (hereinafter – PSO RES) during the six months ended 30 June 2024 by UAH 5.7 billion, or by 18%, as a result of repayment of this debt by received loan funds in the amount of EUR 150 million under the loan agreement No. 54649 between the Group and the EBRD, which was signed in December 2023.

It should be noted that in accordance with the legislation and regulatory acts, all economically justified costs of the Group must be covered by the tariffs for electric energy transmission and dispatch (operational and technological) control services, which are regulated and approved by the NEURC. Any differences between the actual and planned expenses of the current periods should be reflected in the tariffs of the following years.

Loans and borrowings

The main effects of military aggression on loans and borrowings received by the Group were as follows:

- During the six months ended 30 June 2024, and until the date of approval of these interim condensed consolidated financial statements, the Group repaid in a timely manner and in full principal amount and interest on loans from IFIs in the amount of UAH 2,124,436 thousand and UAH 1,736,424 thousand, respectively.
- During the six months ended 30 June 2024, and until the date of approval of these interim condensed consolidated financial statements, the Group partially repaid the principal of loans from state-owned banks in the amount of UAH 214,625 thousand. At the same time, interest payments on these loans were made in full and amounted to UAH 1,419,731 thousand. With the beginning of the military aggression of the Russian Federation against Ukraine, in March 2022 the Group suspended the payment of the principal debt on loans from state banks in connection with force majeure circumstances and agreed credit holidays with creditor banks. During 2022-2024, the Group's management agreed with the state banks on the terms of postponing the payment of the residual value of the principal debt on the loans for a later period.
- In December 2023, another long-term loan agreement No. 54649 was concluded between the Group and the EBRD in the amount of EUR 150 million for the implementation of the Ukrenergo Special Capital Structure Support Project. Funds under the Project should be directed to cover the Group's key costs for balancing the energy system and fulfilling the special obligations assigned to the Group by the State. These EUR 150 million, after deducting the commission in the amount of EUR 1.5 million, were received at the beginning of 2024 and were transferred to repay the Group's accounts payable for PSO RES to SE "Guaranteed Buyer" and universal service providers.
- In June 2024, the Group and KfW concluded a long-term loan agreement No. BMZ-No. 2021.6508.2 in the amount of EUR 30.4 million for the implementation of the Project "Increasing the efficiency of electricity transmission (integration of the Ukrainian UES into the European combined energy system) IV". These funds will be aimed at increasing the stability of the Ukrainian energy system and ensuring the stable operation of the Group's main high-voltage network.
- During 2022-2024, the Group concluded a number of grant agreements for a total amount of about EUR 500 million in order to attract additional financial resources for the rapid reconstruction of the network and the stability of the power system.

- The Group continues to cooperate and communicate with financial institutions regarding the attraction of credits and loans for the needs of working capital and for the restoration of equipment that was damaged or destroyed by missile attacks. The Group actively uses its own status as a transmission system operator, who today is a full member of the European ENTSO-E community, and has unprecedented trust from foreign partners, is successfully engaged in attracting credit resources, which are primarily aimed at restoring equipment that was damaged or destroyed by missile attacks and for repayment debts of the Group to market participants.
- Loans from IFIs and Eurobonds 2028 are denominated in foreign currencies, and changes in exchange rates may have significant effect on the Group's financial performance (Note 28). With the beginning of military aggression, the NBU fixed the exchange rate in order to ensure more reliable and stable functioning of the country's financial system. From 3 October 2023, the NBU switched to a managed exchange rate regime. However, as the Group's foreign currency loans and borrowings are long-term, the impact of changes in exchange rates on the Group's cash flows in the next twelve months from the date of approval of these consolidated financial statements is limited.
- As described in Note 12, as of 30 June 2024, the Group did not comply with certain financial covenants on IFI loans but received a waivers from all creditors in the period before the reporting date due to non-compliance with financial covenants as of 30 June 2024 and other non-financial covenants. The Group will take all possible measures to improve its financial condition and, accordingly, financial covenants, however, it is predicted that some financial covenants may not be fulfilled in future periods as a result of the impact of military aggression on the Group's activities. The Group intends to proactively obtain similar waivers for further periods, should the need arise, in order to avoid potential non-compliance with financial covenants under the loans and borrowings of the Group.

Management's plans and the Group's ability to continue as a going concern

For the purposes of assessing the going concern assumption, management has prepared a cash flow projection scenario for the 12 months period ended September 2025 based on the following key assumptions:

- no further significant progression of Russian troops into the territory of Ukraine and no further escalation of military actions that could severely affect the Group's assets;
- the Group expects to be able to resume electricity transmission on temporarily non-controlled territories after control over the respective territory is restored by Ukraine and the damaged transmission grids are repaired;
- no significant further deterioration as a result of the war on the demand and transmission of electricity in Ukraine and controlled assets of the Group;
- strengthening the physical protection of the Group's facilities and reducing the number of missile attacks on the energy infrastructure by the aggressor;
- as required by law, all economically justified expenses of the Group will be covered by tariffs for the electricity transmission and dispatch (operational and technological) control services, which are regulated and approved NEURC. Any differences between the actual and planned expenses of the current periods must be reflected in the tariffs of the following years;
- restoration of damaged and destroyed objects using credit and grant funds from the IFIs and humanitarian aid from international partners;
- implementation of mechanisms on the electricity market, including the determination of the list of critical consumers and the procedure for providing such consumers with electricity, which will allow stopping the growth of debt on the market;
- no losses from non-payment by the main customers and return of accounts receivable collection to a pre-war levels by the end of projection period;
- agreement with state banks on the further postponement of the loan principal.

Under this scenario, management expects to have sufficient liquidity to settle the external debts according to the agreed schedules during the full projection period. However, it is uncertain how the military situation will further develop and the impact thereof on operations and physical safety of Group's assets, electricity transmission and tariffs. In case the military situation worsens, management still will be able to use mitigating liquidity measures for further uninterrupted operational activities.

As part of management's going concern assessment, the Group continuously adjusts its long-term model in order to reflect the latest developments in terms of possible changes in transmission volumes, tariffs set by NEURC, loans repayment schedules, debtors creditworthiness, etc. This long-term model is also used for the impairment test of the Group's non-current assets.

The Group also considers a negative scenario of the development of events, which may include a significant increase in the activity of hostilities with the expansion of the hostilities zone on the territory of Ukraine, significant damage to the energy infrastructure, a significant reduction in international support for Ukraine, the easing of sanctions against the Russian Federation, and an intensive outflow of labor force abroad. Given the high degree of uncertainty related to (i) the development of hostilities, their results, intensity, impact on the population and activities of enterprises in areas of hostilities, their intensification and transfer to other regions of Ukraine; or (ii) the possible political and socio-economic consequences of military aggression and a significant reduction in international support for Ukraine, the Group's management is unable to assess and calculate all significant consequences for its operations as a result of a negative scenario.

Given the stabilization of hostilities starting from the second half of 2022 and their territorial location at South and East of Ukraine, the unprecedented political, economic, and military support of Ukraine from foreign partners, the political and economic stability of Ukraine as of the date of approval of these consolidated financial statements, management of the Group believes that the realization of a negative scenario is unlikely.

The results of modeling based on these scenarios indicate that, given the IFI's support for additional financing of working capital needs, successful postponement of payments on loans from state banks and Eurobonds 2028, completion of the synchronization project between the Ukrainian energy system and the European continental grid, implementation of joint auctions for access to the transmission capacity of interstate power networks, conclusion of new projects for restoration and modernization of assets with IFIs using credit and grant funds, receiving significant humanitarian aid in the form of equipment from international partners, management believes that the Group has sufficient economic resources to continue operating activities in the foreseeable future.

The full extent of the impact of the further development of military aggression on the Group's activities is unknown, but its scale may be significant. However, management notes that the development, duration and consequences of military aggression are subject to significant uncertainty. In addition to hostilities, the Group's performance may be significantly affected by factors beyond the Group's control and has limited tools to mitigate such risks (approval of tariffs for the Group's services, bankruptcy and insolvency of market participants, changes in exchange rates, changes in electricity consumption energy, changes in the value of goods and services because of inflation, etc.). Therefore, estimates and assumptions made by management to predict the impact of military aggression on the Group's financial condition and operations may change materially in the future due to possible changes in circumstances.

It is worth noting that in accordance with the legislation and regulatory acts, all economically reasonable costs of the Group must be covered by tariffs for the services of electricity transmission and dispatch (operational and technological) control, which are regulated and approved by the NEURC. Any differences between the actual and planned costs of the current periods should be reflected in the tariffs of the following years.

Management recognizes that the future development of military aggression and its duration is a major source of significant uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realize its assets and settle its liabilities in the ordinary course of operating activities. Despite the significant uncertainty surrounding the military aggression in Ukraine, management continues to take steps to minimize its impact on the Group and therefore considers it is appropriate to apply the Group's going concern assumption to these interim condensed consolidated financial statements.

In addition, the state, as the owner of the Group, takes into account its critical importance as the sole transmission system operator in Ukraine to ensure security of electricity supply. Thus, the state is directly interested in the stable work of the Group and will, if necessary, support the activities of the Group in the future.

3. BASIS FOR PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis for preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. It do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2023 prepared in accordance with IFRS.

Significant accounting policies and adoption of new and revised International Financial Reporting Standards

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2023 except for the adoption of the new standards, interpretations and amendments to IFRSs that became effective as of 1 January 2024, which are described below.

The Group has adopted such standards and interpretations for the first time beginning or after 1 January 2024:

- Amendments to IAS 1 *Presentation of Financial Statements*: Classification of Liabilities as Current and Non-current;
- Amendments to IAS 1 *Presentation of Financial Statements*: Non-current Liabilities with Covenants;
- Amendments to IFRS 16 *Leases*: Lease Liability in a Sale and Leaseback;
- Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*: Supplier Finance Arrangements.

The adoption of the amendments to the standards did not have a material impact on the financial position or performance indicators reflected in the interim condensed consolidated financial statements, and did not result in any changes in the Group's accounting policies and amounts reflected for the current or previous periods.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Functional currency and presentation currency

The functional currency of Ukrainian companies of the Group is the Ukrainian Hryvnia ("UAH"), and the Group's subsidiary EUkrenergo in Belgium is the Euro ("EUR"). Transactions in currencies other than the functional currency of the Group's companies are considered foreign currency transactions, and are translated into the functional currency using the currency exchange rate that prevailed on the dates of the corresponding transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates that were in effect at the reporting date. Non-monetary items that are valued at their historical value in a foreign currency are translated using currency exchange rates as of the dates of initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using currency exchange rates at the date of the fair value measurement. Exchange differences are recognized in profit or loss in the period in which they arise.

Foreign exchange differences resulting from operating activities are recorded as other operating expenses or income, while other foreign exchange differences are presented separately in the statement of profit or loss.

The presentation currency of these interim condensed consolidated financial statements of the Group is the Ukrainian Hryvnia ("Hryvnia" or "UAH"). All amounts reflected in the consolidated financial statements are presented in hryvnias, rounded to thousands, unless otherwise specified.

The exchange rates used in the preparation of these interim condensed consolidated financial statements were presented as follows:

Currency	As of 30 June 2024	Average currency exchange rate for six months ended 30 June 2024	As of 31 December 2023	Average currency exchange rate for six months ended 30 June 2024
UAH / US Dollar	40.54	39.01	37.98	36.57
UAH / Euro	43.35	42.19	42.21	39.52

Revaluation reserve

Revaluation reserve, that is part of equity, related to items of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised. The revaluation reserve is transferred on the retirement or disposal of the asset. The Group does not transfer part of the revaluation to retained earnings during the period of use of the asset.

4. SEGMENT INFORMATION

The operating segments presented in these interim condensed consolidated financial statements are consistent with the structure of financial information, which is regularly reviewed by the Group's management. The Management Board is the main body that makes operational decisions of the Group.

Segment information is analysed on the basis of the types of goods supplied by the Group’s operating divisions. The Group’s reportable segments under IFRS 8 *Operating segments* are as follows:

- Transmission system operator (“TSO”) – comprising the operation, maintenance and dispatch (operational and technological) control of the Integrated Power System of Ukraine, electricity transmission via high voltage lines from generation to distribution networks based on tariffs approved by the regulator NEURC. Additionally, it includes activities for connection to electricity transmission system and sales of reactive energy.
- Energy system balancing – comprising purchase/sale of electricity to ensure a real-time balance of production, import, export, consumption of electricity and settlement of imbalances, cross-border flows and provision of emergency assistance to neighbouring countries.
- Access to the transmission capacity of IPN (interstate power networks) – comprising activities of granting access to the transmission capacity of interstate power networks.
- Other – comprising activities for development of special purpose software for transmission system operator, administrative and corporate functions and other activities, whose individual share of the Group’s revenue is immaterial.

The segment result represents operating profit or loss under IFRS before unallocated other operating expenses.

For the six months ended 30 June 2024, the Group's revenue from one customer amounted to UAH 12,067,028 thousand (2023: UAH 8,717,731 thousand) and was included into the first three operating segments. Information on revenue from customers under control of the State is disclosed in Note 25. Revenue from other customers does not exceed 10% of the total revenue.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Segment information for the six months ended 30 June 2024 was as follows:

	TSO	Energy system balancing	Access to the transmission capacity of IPN	Other	Elimination	Total
Revenue - external	36,284,806	11,686,880	822,222	-	-	48,793,908
Revenue - inter-segment	-	-	-	52,675	(52,675)	-
Total revenue	36,284,806	11,686,880	822,222	52,675	(52,675)	48,793,908
Segment operating expenses	(37,488,843)	(10,825,707)	-	(11,623)	-	(48,326,173)
Impairment of financial assets, net	(660,795)	(4,295,437)	-	-	-	(4,956,232)
Impairment of property, plant and equipment and intangible assets, net	(166,855)	-	-	-	-	(166,855)
Segment result	(2,031,687)	(3,434,264)	822,222	41,052	(52,675)	(4,655,352)
Unallocated other operating income, net						13,078
Finance income						726,568
Finance costs						(4,701,950)
Foreign exchange loss, net						(2,558,663)
Loss before tax						(11,176,319)
Income tax benefit						1,495,142
LOSS FOR THE PERIOD						(9,681,177)

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Segment information for the six months ended 30 June 2023 was as follows:

	TSO	Energy system balancing	Access to the transmission capacity of IPN	Other	Elimination	Total
Revenue - external	26,509,038	11,581,186	26,017	-	-	38,116,241
Revenue - inter-segment	-	-	-	73,272	(73,272)	-
Total revenue	26,509,038	11,581,186	26,017	73,272	(73,272)	38,116,241
Segment operating expenses	(26,297,036)	(9,934,863)	-	(14,453)	-	(36,246,352)
Impairment of financial assets, net	(430,944)	(551,627)	-	-	-	(982,571)
Segment result	(218,942)	1,094,696	26,017	58,819	(73,272)	887,318
Unallocated other operating income, net						102,273
Finance income						348,275
Finance costs						(3,546,210)
Foreign exchange loss, net						(503,130)
Loss before tax						(2,711,474)
Income tax benefit						318,758
LOSS FOR THE PERIOD						(2,392,716)

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

5. PROPERTY, PLANT, AND EQUIPMENT

	Transmission lines (OHL)	Buildings and structures	Plant and equipment	Vehicles and other	Construction in progress	Total
Cost/Revalued cost						
As of 1 January 2024	53,338,026	4,744,871	30,432,767	807,300	21,125,868	110,448,832
Reclassification between groups	-	33	(33)	-	-	-
Additions	-	811	-	-	7,405,340	7,406,151
Internal transfers	4,745	143,417	1,283,181	251,721	(1,683,064)	-
Transfer to inventories	-	-	-	-	(5,541)	(5,541)
Disposals	-	(72)	(201)	(570)	(569)	(1,412)
Other changes	3,815	-	-	1,592	-	5,407
As of 30 June 2024	53,346,586	4,889,060	31,715,714	1,060,043	26,842,034	117,853,437
Accumulated depreciation and impairment losses						
As of 1 January 2024	-	-	-	1,816	2,227,034	2,228,850
Depreciation expenses	1,722,033	168,983	1,481,372	137,339	-	3,509,727
Disposals	-	(2)	(8)	(4)	-	(14)
Impairment losses	-	37	542,983	2,953	79,539	625,512
Other changes	-	-	-	1,198	-	1,198
As of 30 June 2024	1,722,033	169,018	2,024,347	143,302	2,306,573	6,365,273
Net book value						
As of 1 January 2024	53,338,026	4,744,871	30,432,767	805,484	18,898,834	108,219,982
As of 30 June 2024	51,624,553	4,720,042	29,691,367	916,741	24,535,461	111,488,164

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

	Transmission lines (OHL)	Buildings and structures	Plant and equipment	Vehicles and other	Construction in progress	Total
Cost/Revalued cost						
As of 1 January 2023	21,770,043	4,020,372	26,069,545	781,742	12,986,300	65,628,002
Additions	-	-	4,276	-	2,193,844	2,198,120
Internal transfers	377,558	270,387	1,144,396	39,716	(1,832,057)	-
Transfer to inventories	-	-	-	-	(35,023)	(35,023)
Transfer of equipment as a returnable commodity loan	-	-	-	-	(24,879)	(24,879)
Disposals	-	(11)	(2,714)	(2,505)	(9,395)	(14,625)
As of 30 June 2023	22,147,601	4,290,748	27,215,503	818,953	13,278,790	67,751,595
Accumulated depreciation and impairment losses						
As of 1 January 2023	4,567,070	1,203,115	9,197,881	398,145	1,298,568	16,664,779
Reclassification between groups	-	(6)	(117)	123	-	-
Depreciation expenses	276,883	107,615	942,491	34,053	-	1,361,042
Disposals	-	(6)	(2,270)	(2,294)	-	(4,570)
Reversal of impairment losses	-	-	-	-	(721)	(721)
As of 30 June 2023	4,843,953	1,310,718	10,137,985	430,027	1,297,847	18,020,530
Net book value						
As of 1 January 2023	17,202,973	2,817,257	16,871,664	383,597	11,687,732	48,963,223
As of 30 June 2023	17,303,648	2,980,030	17,077,518	388,926	11,980,943	49,731,065

Revaluation and impairment

The Group engaged independent professional appraisers to determine the fair values of its property, plant, and equipment as of 31 December 2023. The fair value was determined in accordance with International Valuation Standards. The previous appraisal of the fair value of the Group's property, plant and equipment was carried out as of 31 July 2019. The Group did not revaluate property, plant and equipment as of 30 June 2024 because it concluded that the carrying value of property, plant and equipment at the reporting date was not significantly different from their fair value.

As a result of new missile and drone attacks on energy infrastructure of Ukraine (Note 2), during the six months ended 30 June 2024 the Group recognized impairment losses of property, plant and equipment and construction in progress in the amount of UAH 625,201 thousand (2023: nil), including impairment losses in the amount of UAH 458,346 thousand recognized as decrease in the revaluation reserve in other comprehensive income (2023: nil) and impairment losses of UAH 166,855 thousand recognized in profit or loss (2023: nil).

Depreciation expenses

During the six months ended 30 June 2024 the depreciation expenses of UAH 3,488,178 thousand (2023: UAH 1,350,236 thousand) were included in cost of sales, UAH 18,923 thousand (2023: UAH 9,903 thousand) in administrative expenses, UAH 2,466 thousand (2023: UAH 959 thousand) in other operating expenses, UAH 160 thousand were capitalised (2023: UAH 56 thousand, which were capitalized in previous periods, but recognised as expenses).

Capitalized borrowing costs

During the six months ended 30 June 2024 additions to construction in progress included capitalized interests in the amount of UAH 250,235 thousand (2023: 167,806 thousand). Interests were capitalized only for loans obtained exclusively for the implementation of construction of qualifying assets projects.

Prepayments for property, plant and equipment

Construction in progress as of 30 June 2024 included prepayments for property, plant and equipment with carrying amount UAH 7,765,771 thousand, excluding accumulated impairment losses in amount of UAH 159,111 thousand (31 December 2023: carrying amount – UAH 5,360,934 thousand, accumulated impairment losses – UAH 159,194 thousand).

Fully depreciated assets

As of 30 June 2024 the cost of fully depreciated property, plant and equipment that are still in use by the Group amounted to UAH 2,136 thousand (31 December 2023: UAH 414 thousand).

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

6. TRADE ACCOUNTS RECEIVABLE

	30 June 2024	31 December 2023
Electricity to settle imbalances	35,275,134	32,778,454
Electricity transmission services	21,579,296	24,611,286
Dispatch (operational and technological) control services	8,824,241	9,099,466
Balancing electricity	1,201,382	741,475
Services on granting access to the transmission capacity of interstate power networks	611,983	125,014
Electricity from cross-border flows	304,036	542,136
Electricity in the framework of providing emergency assistance	18,657	9,280
Reactive energy	7,580	7,059
Other goods and services	6,613	6,627
Total gross amount	67,828,922	67,920,797
Less: Expected credit losses on trade accounts receivable	(25,406,844)	(20,450,522)
Total carrying amount	42,422,078	47,470,275

No credit limits are applied to the Group's customers. The average credit period for the Group's customers did not exceed 30 days. No interest is charged on trade accounts receivable that are not repaid within credit limits.

Expected credit losses on trade accounts receivable

With the onset of military aggression, the solvency of many consumers has deteriorated or lost. The level of settlements in the electricity market has significantly deteriorated. Since the beginning of the military aggression on the electricity market, there has been a shortage of funds due to deteriorating solvency, bankruptcy of end customers, and destruction of their infrastructure, which also resulted in significant increase of gross accounts receivables to the Group during 2022-2024.

During the six months ended 30 June 2024, the Group made an accrual of expected credit losses on trade accounts receivables in the amount of UAH 4,956,322 thousand (2023: UAH 1,245,426 thousand).

The movements in expected credit losses on trade accounts receivable for the six months ended 30 June 2024 were as follows:

	Portfolio assessment	Individual assessment	Total
Balance at 1 January 2024	6,853,976	13,596,546	20,450,522
(Reversal)/charge	(1,369,507)	6,325,829	4,956,322
Balance at 30 June 2024	5,484,469	19,922,375	25,406,844

The movements in expected credit losses on trade accounts receivable for the six months ended 30 June 2023 were as follows:

	Portfolio assessment	Individual assessment	Total
Balance at 1 January 2023	4,430,571	12,313,346	16,743,917
Charge/(reversal)	1,883,168	(637,742)	1,245,426
Balance at 30 June 2023	6,313,739	11,675,604	17,989,343

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Analysis of credit quality of trade accounts receivable as of 30 June 2024 is as follows:

30 June 2024	Not past due	Past due from 1 to 90 days	Past due from 91 to 180 days	Past due from 181 to 270 days	Past due from 271 to 365 days	Past due for more than 365 days	Total
Portfolio assessment							
Gross amount	5,127,204	7,833,031	5,701,559	2,345,521	1,362,653	5,550,745	27,920,713
Expected credit losses	(27)	(565)	(4,528)	(21,895)	(136,809)	(5,320,645)	(5,484,469)
Ratio of expected credit losses, %	*0.00%*	*0.01%*	*0.08%*	*0.93%*	*10.04%*	*95.85%*	
Individual assessment							
Gross amount	1,916,733	3,968,212	6,249,330	3,096,442	2,266,263	22,411,229	39,908,209
Expected credit losses	(172,088)	(855,540)	(1,010,656)	(277,263)	(368,455)	(17,238,373)	(19,922,375)
Ratio of expected credit losses, %	*8.98%*	*21.56%*	*16.17%*	*8.95%*	*16.26%*	*76.92%*	
					Total gross amount		67,828,922
					Total expected credit losses		(25,406,844)

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Analysis of credit quality of trade accounts receivable for the years ended 31 December 2023 is as follows:

31 December 2023	Not past due	Past due from 1 to 90 days	Past due from 91 to 180 days	Past due from 181 to 270 days	Past due from 271 to 365 days	Past due for more than 365 days	Total
Portfolio assessment							
Gross amount	6,442,273	11,270,814	5,725,294	4,496,424	4,461,815	5,802,110	38,198,730
Expected credit losses	(33,016)	(66,676)	(87,130)	(233,852)	(1,084,242)	(5,349,060)	(6,853,976)
Ratio of expected credit losses, %	*0.51%*	*0.59%*	*1.52%*	*5.20%*	*24.30%*	*92.19%*	
Individual assessment							
Gross amount	1,853,741	3,152,032	2,345,948	2,497,439	4,013,526	15,859,381	29,722,067
Expected credit losses	(177,126)	(582,743)	(399,083)	(744,434)	(1,194,748)	(10,498,412)	(13,596,546)
Ratio of expected credit losses, %	*9.56%*	*18.49%*	*17.01%*	*29.81%*	*29.77%*	*66.20%*	
					Total gross amount		67,920,797
					Total expected credit losses		(20,450,522)

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

The reconciliation of expected credit losses on trade accounts receivables as of 30 June 2024 with the balance at the beginning of the year was as follows:

	Portfolio assessment	Individual assessment	Total
Balance at 1 January 2024	6,853,976	13,596,546	20,450,522
Increase in gross value of trade accounts receivable	(342,156)	4,157,205	3,815,049
Change in assumptions, estimates and risk parameters	(82,350)	1,223,623	1,141,273
Transfer of separate financial assets between types of assessment	(945,001)	945,001	-
Balance at 30 June 2024	5,484,469	19,922,375	25,406,844

The reconciliation of expected credit losses on trade accounts receivables as of 30 June 2023 with the balance at the beginning of the year was as follows:

	Portfolio assessment	Individual assessment	Total
Balance at 1 January 2023	4,430,571	12,313,346	16,743,917
Increase in gross value of trade accounts receivable	2,143,235	1,780,739	3,923,974
Change in assumptions, estimates and risk parameters	(315,087)	(2,363,461)	(2,678,548)
Transfer of separate financial assets between types of assessment	55,020	(55,020)	-
Balance at 30 June 2023	6,313,739	11,675,604	17,989,343

The Group, assessing expected credit losses on trade accounts receivables, takes into account the cash flows expected from credit enhancements, which are an integral part of the contract. Such credit enhancements are accounts payable of the counterparties owed to the Group, which are usually settled on a net basis together with accounts receivable, but does not meet the offsetting criteria, and financial guarantees received by the Group from the customers for electricity to settle imbalances and balancing electricity arising under of the same contract (Notes 14 and 16).

As of 30 June 2024 and 31 December 2023, 8% of gross trade accounts receivables are covered by credit enhancements that are an integral part of contracts. These credit enhancements resulted in a decrease in the expected credit losses on trade accounts receivable in the amount of UAH 1,268,087 thousand as of 30 June 2024 (31 December 2023: UAH 1,166,041 thousand).

7. PREPAYMENTS

	30 June 2024	31 December 2023
Electricity for compensation of technical losses	596,762	583,320
Goods, works and services	76,774	104,683
Electricity to settle imbalances	29,304	32,765
Total gross amount	702,840	720,768
Less: Allowance for impairment of prepayments	(640)	(645)
Total carrying amount	702,200	720,123

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

8. TAXES RECEIVABLE, OTHER THAN INCOME TAX

As of 30 June 2024 and 31 December 2023 taxes receivable, other than income tax consisted mainly of VAT receivable in amount of UAH 2,732,368 thousand and UAH 2,767,332 thousand respectively.

9. CASH AND CASH EQUIVALENTS

	30 June 2024	31 December 2023
Cash on current bank accounts	8,712,513	7,317,832
Cash on special purpose accounts	525,020	513,133
Cash on hand	3	1
Total	9,237,536	7,830,966

Special purpose accounts are accounts with a special use regime, in particular for receiving funds under loan agreements with international financial institutions, settlements on the purchase and sale of electricity on the balancing market and others.

In accordance with the international rating agencies of Moody’s or Fitch, credit ratings of the banks with which the Group had cash and cash equivalents accounts opened as of 30 June 2024 and 31 December 2023 were as follows:

	30 June 2024	31 December 2023
Ukrainian state banks with CCC rating	9,084,560	7,749,731
Subsidiaries of international banks with AA rating	134,632	49,159
Ukrainian commercial banks with CCC rating	6	9
Other banks without ratings	18,338	32,067
Total	9,237,536	7,830,966

10. OTHER CURRENT ASSETS

	30 June 2024	31 December 2023
Regulatory asset	3,155,374	6,817,939
One-time commission on loans from banks	19,257	13,010
VAT amounts for which deadline or right to declare is not due	55	364,672
Other	263	201
Total	3,174,949	7,195,822

Applying the accounting policy about reflecting the impact of tariff regulation on the financial statements as of 31 December 2023, the Group recognized regulatory assets in the amount of UAH 6,817,939 thousand, which relate to the temporary difference between the period of incurring of actual costs and their reimbursement in the tariff. During the six months that ended 30 June 2024, the Group received revenue on the sales of electricity transmission services and dispatch (operational and technological) control services, compensating part of the actual costs that were incurred during previous periods. Accordingly, during the six months ended 30 June 2024, the Group recognized regulatory expenses in the amount of UAH 3,662,565 thousand, which resulted in a decrease of regulatory assets as of 30 June 2024 (Note 21).

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11. EQUITY

Dividends

Resolution of the Cabinet of Ministers of Ukraine dated 9 February 2024 No. 129 approved the basis for deducting a share of the profit, which is directed to the payment of dividends based on the results of financial and economic activity in 2023 of state-owned companies in the amount of not less than 80%. As of 31 December 2023, the Group made an accrual of provision for dividends in the amount of UAH 207,883 thousand.

In June 2024, the Group made payment of dividends in amount of 90% of the consolidated profit for 2023 in amount of UAH 338,974 thousand. The payment of dividends was made partly using a provision in the amount of UAH 207,883 thousand, and through retained earnings in the amount of UAH 131,091 thousand.

During the six months ended 30 June 2023, no dividends were paid due to the loss as a result of Group's operations in 2022.

12. LOANS AND BORROWINGS

	30 June 2024	31 December 2023
Non-current		
Loans	47,754,880	37,635,019
Eurobonds 2028	9,621,436	9,490,399
Total non-current loans and borrowings	57,376,316	47,125,418
Current		
Loans	6,137,839	8,805,669
Eurobonds 2028	4,235,728	884,082
Total current loans and borrowings	10,373,567	9,689,751
Total loans and borrowings	67,749,883	56,815,169

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

As of 30 June 2024 and 31 December 2023, the weighted average effective interest rates and balances on loans and borrowings were presented as follows:

			30 June 2024		31 December 2023	
	Creditor	Currency	% annual	Balance	% annual	Balance
European Bank for Reconstruction and Development, No.54138	EBRD	EUR	5.39%	7,668,317	4.43%	6,840,579
European Bank for Reconstruction and Development, No.54649	EBRD	EUR	5.47%	6,499,953	-	-
European Bank for Reconstruction and Development, No.49235	EBRD	EUR	4.34%	6,146,354	3.12%	6,288,978
Ministry of Finance of Ukraine, No.8462-UA	IBRD	USD	6.76%	5,905,172	6.07%	5,441,122
Oshchadbank, No.1372/31/2	Oshchadbank	UAH	20.09%	4,583,333	20.09%	4,583,333
Ukreximbank, No.20-1KV0016	Ukreximbank	UAH	24.73%	3,666,000	24.73%	3,666,000
Ministry of Finance of Ukraine, No.24668-UA	EIB	EUR	3.87%	2,849,488	3.93%	2,971,876
Ministry of Finance of Ukraine, No.FIN 31.143 SEPARIS No.20090117	EIB	EUR	4.42%	2,573,824	5.22%	2,590,158
Ministry of Finance of Ukraine, No.27406	KfW	EUR	4.42%	2,573,627	4.28%	2,505,550
Ministry of Finance of Ukraine, No.4868-UA	IBRD	USD	3.83%	2,434,947	3.81%	2,573,936
European Investment Bank, № 87.554	EIB	EUR	4.59%	2,167,735	3.78%	2,110,395
Ministry of Finance of Ukraine, No.TF017661	МБРР	USD	2.81%	1,651,497	2.81%	1,516,764
Ministry of Finance of Ukraine, No.40147-UA	EBRD	EUR	3.61%	1,173,668	3.57%	1,523,496
KfW, No. 2016.6520.7	KfW	EUR	2.43%	1,360,136	2.51%	1,128,492
Oshchadbank, №1427/31/2	Oshchadbank	USD	5.73%	1,147,462	5.72%	1,228,731
Ukrgasbank, No.20-K/20-VIP	Ukrgasbank	UAH	21.29%	865,885	21.29%	865,885
Ministry of Finance of Ukraine, No.2006 66 537	KfW	EUR	2.77%	625,321	2.78%	605,393
Total loans				53,892,719		46,440,688
Eurobonds 2028	-	USD	50.44%	13,857,164	50.44%	10,374,481
Total loans and borrowings				67,749,883		56,815,169

As of 30 June 2024 and 31 December 2023 accounts payable for interests accrued on loans amounted to UAH 1,104,352 and UAH 1,005,627 thousand respectively (Note 16).

Loans from international financial organizations

In January 2024, loan agreement No.54649 signed in December 2023 between the Group and the EBRD in the amount of EUR 150,000 thousand for the implementation of the Project of special capital support of NPC "Ukrenergo". Funds under the Project should be directed to cover the Group's key costs for balancing the energy system and fulfilling the special obligations assigned to the Group by the State. These EUR 150 million, after deducting the commission in the amount of EUR 1.5 million, were received at the beginning of 2024 and were transferred to repay the Group's accounts payable for PSO RES to SE "Guaranteed Buyer" and universal service providers. As of 30 June 2024, the unused balance of the loan amounted to EUR 75 thousand.

In May 2024, the government of Ukraine and the Kreditanstalt für Wiederaufbau (KfW) concluded an additional agreement regarding loan No.27406 as part of the implementation of the Project "Increasing the efficiency of electricity transmission (integration of the Ukrainian UES into the European unified energy system) V", and which a new repayment schedule was approved, which provides for the postponement of the payment of the balance of the principal debt - repayments will be made in equal parts every six months starting from 15 June 2032 to 15 December 2036. KfW also agreed to postpone the payment of interest, in particular: accrued and unpaid interest for the period from 30 June 2022 to 31 December 2023 - payment in equal installments every six months starting from 15 June 2027 until 15 December 2032; accrued and unpaid interest for the period from 1 January 2024 to 31 March 2027 - repayment in equal installments every six months starting from 15 June 2032 to 15 December 2036. In addition, the parties agreed to increase the fixed interest rate on the loan from 3.97% per annum to 4.26% per annum starting from 1 January 2024.

In April 2024, the government of Ukraine and KfW concluded an additional agreement regarding loan No. 2006 66 537 within the framework of the implementation of the Project to improve the efficiency of electricity transmission (modernization of substations). The parties agreed to make changes to the repayment schedule, which provide for the postponement of the payment of the balance of the principal debt - repayments will be made every six months starting from 30 June 2027 until 3-30 December 2051. In addition, KfW has agreed to defer the repayment of interest due and unpaid for the period from 1 January 2024 to 31 March 2027 - to be repaid in equal installments every six months from 15 June 2032 to 15 December 2036.

In June 2024, the Group and KfW concluded a long-term loan agreement No. BMZ-No. 2021.6508.2 in the amount of EUR 30,400 thousand for the implementation of the Project "Increasing the efficiency of electricity transmission (integration of the Ukrainian UES into the European combined energy system) IV". These funds will be aimed at increasing the stability of the Ukrainian energy system and ensuring the stable operation of the Group's main high-voltage network. The interest rate on the loan is fixed and amounts to 2% per annum. In addition, the Group must pay a margin of 0.50% payable to the Ministry of Finance of Ukraine and a commission of 0.25% of the unused amount of the loan. The loan is repayable according to the schedule in equal installments every six months starting from 15 November 2034 to 15 November 2054. As of 30 June 2024, the withdrawal of funds under this loan did not take place and the unused balance of the loan amounted to EUR 30,400 thousand.

Loans from state-owned banks

During January-February 2024, the Group's management agreed with the state banks on the terms of postponing the payment of the residual value of the principal debt on the loans for a later period.

In February 2024, the Group and JSC "Oschadbank" signed Additional Agreement No. 4 to the credit line agreement No. 1372/31/2, which agreed on a new loan repayment schedule with a postponement of the repayment date of the remaining loan debt to January 2026. The loan is repaid in monthly installments. The final loan repayment date is 27 December 2027. During 2023 and until the date when these consolidated financial statements were approved for issue, no principal repayments were made on the loan. Payments that were to be made in the period from January 2024 to the date of signing of Additional Agreement No. 4 are included in the new repayment schedule and are not considered overdue.

In January 2024, the Group and JSC "Ukreximbank" signed the Additional Agreement to the credit agreement No. 20-1KV0016 by which agreed on a new loan repayment schedule with a postponement of the initial repayment date of the remaining debt to January 2025. The loan is repaid in monthly installments starting from January 2025 until 25 December 2026.

In February 2024, the Group and JSC "Ukrgazbank" signed Additional Agreement No. 3 to Credit Agreement No. 20-K/20-VIP, which agreed to change the calculation of the interest rate on the loan to a floating one with reference to the value of the NBU discount rate and approved a new loan repayment schedule with a postponement of the initial repayment date of the remaining loan debt to January 2025. The loan is repaid in monthly installments. The final maturity date is 30 December 2026. During 2023 and until the date when these consolidated financial statements were approved for issue, there were no repayments of principal on the loan. Payments that were to be made in the period from January 2024 to the date of signing of Additional Agreement No. 3 are included in the new repayment schedule and are not considered overdue.

Covenants

Loan agreements and Eurobonds 2028 contain financial and non-financial covenants. As of 30 June 2024 and 31 December 2023, the Group complied with all the terms of loan agreements and Eurobonds 2028, except for some financial covenants under the loan agreements with IFIs listed below.

International Bank for Reconstruction and Development (IBRD)

In accordance with terms and conditions of loan agreements with the IBRD No.8462-UA and No.TF017661, the Group, inter alia, should comply with the following financial covenants:

a) Debt Service Ratio should be not less than 1.20; and
b) Self-financing Ratio should be not less than 25%.

In accordance with the terms of the loan and project agreements with the IBRD, the calculation of these financial covenants should be based on the latest annual financial statements. Accordingly, on interim dates and, in particular, as of 30 June 2024, the calculation of these financial covenants was not performed.

As of 31 December 2023, the Group complied with the abovementioned financial covenants.

European Bank for Reconstruction and Development (EBRD)

According to the terms of the loan agreement with EBRD No.40147-UA, the Group, inter alia, should comply with the following financial covenants at each interim and annual reporting date:

a) Debt Service Coverage Ratio should be not less than 1.20;
b) Liquidity Ratio should be not less than 1.10; and
c) Debt to EBITDA Ratio should be not more than 3.00.

According to the terms of the loan agreements with EBRD No.49235, No.54138 та No.54649, the Group, inter alia, should comply with the following financial covenants at each interim and annual reporting date:

a) Debt Service Coverage Ratio should be not less than 1.20;
b) Debt to EBITDA Ratio should be not more than 3.00.

According to the terms of the new loan agreements with the EBRD No.54138 and No.54649, which were concluded in December 2022 and December 2023 respectively, the Group, among other things, is obliged to comply with the aforementioned financial covenants, but starting from the 2024 financial year.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

These financial covenants are calculated in accordance with the procedure specified in the loan and project agreements.

As of 30 June 2024 and 31 December 2023, the values of these financial covenants were as follows:

	30 June 2024	31 December 2023
Debt Service Coverage Ratio	-0.15	0.20
Liquidity Ratio	0.92	0.95
Debt to EBITDA Ratio	10.75	5.53

As of 30 June 2024 and 31 December 2023, the Group failed to comply with the above mentioned ratios. According to the terms and conditions of the loan agreements with the EBRD, in the event of the failure to comply with financial covenants thereunder, the EBRD may suspend further disbursements of the loan and/or require that the Group repay in full the outstanding amounts. However, the Group received a waivers from the EBRD in the period before the reporting date due to non-compliance with the ratios as of 30 June 2024 and 31 December 2023. Therefore, as of 30 June 2024 and 31 December 2023, Group classified these loans as non-current in the consolidated statement of financial position.

European Investment Bank (EIB)

According to the terms of the loan agreements with EIB No.FIN 87.554 Separis No.2017-0155, the Group, inter alia, should comply with the following financial covenants:

a) EBITDA to Debt Service Ratio should be not less than 1.20;
b) Cashflow to Capital Expenditures Ratio should be not less than 25%.

These financial covenants are calculated in accordance with the procedure specified in the loan and project agreements.

In accordance with the terms of the loan and project agreements with EIB No.FIN 87.554 Separis No.2017-0155, the calculation of these financial covenants should be based on the latest annual financial statements. Accordingly, on interim dates and, in particular, as of 30 June 2024, the calculation of these financial covenants was not performed.

As of 31 December 2023, the Group complied with the abovementioned financial covenants.

As of 30 June 2024 and 31 December 2023 and prior to the date these interim condensed consolidated financial statements were authorized for issuance, the Group had not received any notice of cessation of further financing or notice requesting immediate repayment of any of the abovementioned loans.

13. SPECIAL PURPOSE FUNDING AND DEFERRED INCOME

Special purpose funding and deferred income include the following:

- Grants, assets received free of charge and similar financing of capital expenditures for the construction, modernization or reconstruction of certain assets received from the state, government organizations, companies or other participants;
- Funds or fair value of non-monetary assets received from customers under agreements for connection services to the electricity transmission system;
- Non-current assets received free of charge in the form of humanitarian aid;
- Resources and financing provided by international partners on a free and non-refundable basis as part of the implementation of projects and programs aimed at supporting Ukraine in accordance with international agreements (hereinafter - international technical assistance).

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

As of 30 June 2024 and 31 December 2023 the Group does not have any unfulfilled conditions and other contingencies attaching to special purpose funding and deferred income that has been recognised.

Special purpose funding and deferred income as of 30 June 2024 and 31 December 2023 were as follows:

	30 June 2024	31 December 2023
International technical assistance	4,528,087	2,884,102
Grants, assets received free of charge and similar financing	1,559,100	1,028,612
Connection to the electricity transmission system	1,044,624	612,276
Humanitarian aid	513,659	376,108
Total	7,645,470	4,901,098
Including:		
Special purpose funding (non-current liabilities)	7,563,077	4,835,475
Deferred income (current liabilities)	82,393	65,623
Total	7,645,470	4,901,098

International technical assistance

Information about the movement in international technical assistance for the six months ended 30 June 2024 and 2023 were as follows:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Balance at 1 January	2,884,102	-
Received international technical assistance	1,769,589	-
International technical assistance recognized as income	(125,604)	-
Balance at 30 June	4,528,087	-

International technical assistance as of 30 June 2024 and 31 December 2023 were presented in the consolidated statement of financial position as follows:

	30 June 2024	31 December 2023
Special purpose funding (non-current liabilities)	4,527,300	2,883,844
Deferred income (current liabilities)	787	258
Total	4,528,087	2,884,102

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Grants, assets received free of charge and similar financing

Information about the movement in grants, assets received free of charge and similar financing (hereinafter – grants) for the six months ended 30 June 2024 and 2023 were as follows:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Balance at 1 January	1,028,612	723,218
Grants received for modernization of property, plant and equipment	601,898	232,675
Grants received for operating expenses	30,165	226
Grants used for operating expenses	(30,165)	(226)
Grants recognized as other operating income (Note 19)	(71,410)	(15,538)
Balance at 30 June	1,559,100	940,355

Grants, assets received free of charge and similar funding as of 30 June 2024 and 31 December 2023 were presented in the consolidated statement of financial position as follows:

	30 June 2024	31 December 2023
Special purpose funding (non-current liabilities)	1,485,703	971,410
Deferred income (current liabilities)	73,397	57,202
Total	1,559,100	1,028,612

Connection to the electricity transmission system

Information about the movements in funding, received from customers under agreements for connection services to the electricity transmission system for the six months ended 30 June 2024 and 2023 were as follows:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Balance at 1 January	612,276	693,581
Funding received	444,660	13,871
Funding recognized as revenue from services rendered	(12,312)	(13,362)
Balance at 30 June	1,044,624	694,090

Financing received from customers under agreements for connection services to the electricity transmission system as of 30 June 2024 and 31 December 2023 were presented in the consolidated statement of financial position as follows:

	30 June 2024	31 December 2023
Special purpose funding (non-current liabilities)	1,036,790	604,432
Deferred income (current liabilities)	7,834	7,844
Total	1,044,624	612,276

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Humanitarian aid

Information about the movements in non-current assets received free of charge in the form of humanitarian aid (hereinafter - humanitarian aid) for the six months ended 30 June 2024 and 2023 were as follows:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Balance at 1 January	376,108	147,078
Humanitarian aid received	157,315	180,446
Humanitarian aid recognized as income	(19,764)	(707)
Balance at 30 June	513,659	326,817

Non-current assets received free of charge in the form of humanitarian aid as of 30 June 2024 and 31 December 2023 were presented in the consolidated statement of financial position as follows:

	30 June 2024	31 December 2023
Special purpose funding (non-current liabilities)	513,284	375,789
Deferred income (current liabilities)	375	319
Total	513,659	376,108

14. TRADE ACCOUNTS PAYABLE

	30 June 2024	31 December 2023
Services to increase share of electricity production from alternative sources (PSO RES)	26,647,965	32,314,603
Balancing electricity	15,334,130	15,778,497
Electricity to settle imbalances	5,360,952	5,741,754
Acquisition, construction, modernization, reconstruction of non-current assets	769,621	792,672
Curtailment of RES production	389,813	118,294
Electricity from cross-border flows	374,004	593,168
Auxiliary services (frequency and active power management)	223,047	471,155
Services on granting access to the transmission capacity of interstate power networks	67,296	5,284
Electricity in the framework of providing emergency assistance	31,188	71,726
Other goods, works, services	246,678	233,842
Total	49,444,694	56,120,995

15. ADVANCES RECEIVED

	30 June 2024	31 December 2023
Electricity to settle imbalances	398,836	162,092
Electricity transmission services	161,313	212,619
Dispatch (operational and technological) control services	62,039	94,573
Services on granting access to the transmission capacity of interstate power networks	209	208
Other goods, works, services	7,301	862
Total	629,698	470,354

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

16. OTHER CURRENT LIABILITIES

	30 June 2024	31 December 2023
Financial guarantees of electricity market participants	1,299,898	1,485,587
Accrued interest on loans	898,766	1,005,627
VAT amounts for which deadline or right to declare is not due	854,252	-
Other liabilities	34,686	40,083
Total	3,087,602	2,531,297

17. REVENUE

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Revenue on rendering of electricity transmission services and connection to electricity transmission system	26,120,222	19,356,195
Revenue on the sales of dispatch (operational and technological) control services	10,154,446	7,131,702
Revenue on electricity sales on the balancing market	10,828,647	10,301,038
Revenue on granting access to the transmission capacity of interstate power networks	822,222	26,017
Revenue on electricity sales from cross-border flows	757,667	1,280,148
Revenue on electricity sales in the framework of providing emergency assistance	100,566	-
Revenue on sales of reactive energy	10,138	21,141
Total	48,793,908	38,116,241

18. COST OF SALES

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Procurement of services to increase share of electricity production from alternative sources (PSO RES)	15,825,935	12,871,235
Procurement of electricity on the balancing market	9,498,851	8,243,739
Procurement of electricity to compensate technological losses	4,820,989	3,902,903
Depreciation and amortization	3,533,968	1,386,973
Procurement of auxiliary services (frequency and active power management)	3,501,231	3,720,810
Staff costs	1,567,556	1,272,843
Purchase of electricity in the framework of receiving emergency assistance	1,196,028	24,065
Procurement of electricity from cross-border flows	950,976	1,240,117
Curtailment of RES production	940,553	1,819,372
Social charges	314,646	261,381
Repairs and maintenance	291,360	362,515
Security expenses	210,535	154,162
Information and consulting services	100,268	77,195
Energy and utilities	46,000	42,879
Procurement of services to ensure the uninterrupted functioning of "last resort" supplier	44,552	14,584
Other expense	154,706	111,904
Total	42,998,154	35,506,677

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

For the six months ended 30 June 2024, the Group increased purchases of electricity in the framework of receiving emergency assistance from neighbouring counties because of the deficit of electricity in IPS of Ukraine after new russian attacks on the energy infrastructure of Ukraine starting from March 2024 (Note 2).

19. OTHER OPERATING INCOME

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Fines, penalties, forfeits received	1,431,248	339,642
Income from grants and free-of-charge received property, plant and equipment (Note 13)	216,778	16,245
Current assets received free-of-charge	162,664	165,161
Stock-count results	130,159	103
Recovery of earlier written-off assets	31,224	8,088
Received grants to cover consulting services	30,165	226
Operating foreign exchange gain, net	16,305	60,585
Income on sale of inventories and scrap	15,105	10,239
Capitalization of materials after write-offs and repairs	9,952	14,719
Income from other sales of works, services	8,840	6,025
Change in allowance for impairment of prepayments, net	88	769
Other income	8,950	4,348
Total	2,061,478	626,150

For the six months ended 30 June 2024, the Group and SE "Guaranteed Buyer" made payment of fines as a result of decisions in lawsuits against each other, which led to a significant increase in both other operating income from received fines, penalties, forfeits, and other operating expenses from recognized fines, penalties, forfeits (Note 21).

20. ADMINISTRATIVE EXPENSES

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Staff costs	341,600	293,990
Court fees	77,988	100,235
Social charges	55,811	48,915
Depreciation and amortization	22,797	12,422
Expenses for maintenance of NEURC	18,030	14,380
Information and consulting services	9,844	4,401
Legal, audit and other expert services	7,397	5,148
Other costs	28,217	2,848
Total	561,684	482,339

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

21. OTHER OPERATING EXPENSES

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Changes in regulatory assets and regulatory liabilities, net (Note 10)	3,662,565	-
Fines, penalties, forfeitures recognized	2,047,475	480,420
Charity	409,010	-
Contributions to labor union	232,479	119,985
Change in allowance for litigation provision, net	197,368	-
Membership fees	93,869	53,866
Staff costs	38,362	41,146
Consulting services at the expense of grant funds	30,165	226
Insurance expenses	20,093	12,838
Social charges	15,589	12,666
Liquidation of non-current assets	3,152	11,099
Depreciation and amortization	2,467	960
Other costs	62,141	48,007
Total	6,814,735	781,213

22. FINANCE INCOME

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Income from interest on current bank accounts	726,568	221,915
Income from amortization of discount of loans receivable	-	126,224
Income from discount on long-term liabilities	-	136
Total	726,568	348,275

23. FINANCE COSTS

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Interest expense on bonds	2,704,388	1,593,340
Interest expense on loans	2,223,818	2,075,873
Capitalized borrowing costs	(260,022)	(174,532)
Interest expense on defined benefit obligations	21,554	42,901
Interest expense on lease obligations	328	291
Other finance expenses	11,884	8,337
Total	4,701,950	3,546,210

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

24. INCOME TAX

Profits of Group's companies are subject to corporate income tax. For the six months ended 30 June 2024 and 2023 the Group's companies was subject to corporate income tax in Ukraine at the rate of 18%.

The components of income tax expense for the six months ended 30 June 2024 and 2023 were as follows:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Current income tax expense	-	2,340
Deferred income tax benefit	(1,495,142)	(321,098)
Total income tax benefit	(1,495,142)	(318,758)

The reconciliation of profit before tax, multiplied by the statutory income tax rate and income tax expense for the six months ended 30 June 2024 and 2023 was as follows:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Loss before tax	(11,176,319)	(2,711,474)
Income tax benefit at the statutory tax rate of 18%	(2,011,737)	(488,065)
Change in accumulated tax losses that are not recognized at the interim reporting date	461,774	82,283
Assets transferred as humanitarian aid or to non-profit organizations	52,663	33,882
Permanent differences arising from the reversal of impairment of financial assets and prepayments	-	47,377
Effect of expenses not deductible for tax purposes	2,158	5,765
Total income tax benefit	(1,495,142)	(318,758)

As of 30 June 2024 and 31 December 2023, deferred tax assets and liabilities related to the following:

	30 June 2024	31 December 2023
Trade and other accounts receivable	4,622,646	3,735,520
Defined benefit obligation	9,096	8,596
Provision for litigation costs	137,003	101,476
Provision for accrued expenses	1,816	1,816
Impairment allowance of inventories and construction in progress	396,204	381,868
Deferred tax asset from tax losses	1,489,643	1,489,643
Deferred tax assets	6,656,408	5,718,919
Property, plant and equipment and intangible assets	(11,343,173)	(11,983,361)
Deferred tax liability	(11,343,173)	(11,983,361)
Net deferred tax liabilities	(4,686,765)	(6,264,442)

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

25. RELATED PARTIES

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

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions, and amounts as transactions between unrelated parties.

Key management remuneration

As of 30 June 2024 and 31 December 2023, the Group's key management consisted of 5 members of the Management Board. Compensation to key management included in administrative expenses consists of cash payments, contractual salaries, bonuses and other payments provided for in the collective employment agreement. During the six months ended 30 June 2024 payments to the Group’s key management amounted to UAH 25,581 thousand (2023: UAH 12,698 thousand).

During the six months ended 30 June 2024 the Group also incurred UAH 13,700 thousand (2023: UAH 12,698 thousand) of compensation to the members of Supervisory Board. The Supervisory Board consisted of 6 members as of 30 June 2024 and 31 December 2023.

Transactions with state-controlled entities and institutions

Balances with state-controlled entities and institutions as of 30 June 2024 and 31 December 2023, were as follows:

	30 June 2024	31 December 2023
ASSETS		
Other non-current assets	6,803	6,803
Trade accounts receivable	18,458,934	21,753,426
Prepayments	605,256	582,467
Other accounts receivable	201,369	166,757
Cash and cash equivalents	9,102,895	7,781,797
Total assets from related parties	28,375,257	30,291,250
LIABILITIES		
Trade accounts payable	36,142,168	44,243,303
Advances received	44,223	22,054
Loans received from the Ministry of Finance of Ukraine	19,787,544	19,728,295
Loans received from state-owned banks	10,262,680	10,343,949
Accrued interests on loans	801,586	748,745
Provisions for dividends	-	207,883
Provision for litigation costs	438,976	266,944
Other current liabilities, except accrued interests on loans	322,537	273,623
Total liabilities to related parties	67,799,714	75,834,796

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Transactions with state-controlled entities and institutions for the six months ended 30 June 2024 and 2023 were as follows:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Revenue	17,469,343	14,434,447
Purchases of services to increase the share of electricity production from alternative sources (PSO RES)	(12,884,323)	(10,840,973)
Purchases of electricity and related services in the electricity market	(11,446,705)	(11,687,133)
Purchases of other goods, works, and services	(1,008,879)	(246,090)
Impairment of financial assets, net	(2,932,071)	(1,771,687)
Fines, penalties, forfeits received	1,253,112	82,333
Fines, penalties, forfeitures recognized	(1,880,361)	(378,407)
Change in allowance for litigation provision, net	(172,032)	-
Income from interest on current bank accounts	726,569	183,676
Interest expense on loans (including capitalized borrowing costs)	(1,681,840)	(1,807,793)
Income from amortization of discount of loans receivable	-	126,224

As of 30 June 2024, expected credit losses on trade accounts receivable, which were accrued on receivables from related parties, amount to UAH 16,070,508 thousand (31 December 2023: UAH 13,138,430 thousand).

Payment of dividends to the state budget

During the six months ended 30 June 2024, the Group paid UAH 338,974 thousand in dividends to the state based on the results of operations for 2023 (Note 11).

State guarantees on loans and borrowings

As of 30 June 2024 the amount of state guarantees received from the Government of Ukraine on loans and borrowings amounted to UAH 67,749,883 thousand (31 December 2023: UAH 56,815,169 thousand) (Note 12).

26. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

Taxation

The tax environment in Ukraine is characterized by complex tax administration, inconsistent interpretation of tax legislation and regulations by the tax authorities, which, inter alia, can increase financial pressure on taxpayers. Inconsistent application, interpretation and implementation of tax laws may lead to litigation, which may ultimately result in the assessment of additional taxes, penalties and interest, and these amounts could be significant.

The Group has complied with all regulations and all taxes have been paid or accrued. Management believes it has adequately provided for any potential difficulties and does not consider the risk to be greater than that faced by similar enterprises in Ukraine. Unless it is deemed probable that significant claims will arise, no provision has been made in these interim condensed consolidated financial statements.

Legal issues

Legal proceedings

In the normal course of business, the Group is subject to legal claims. Where the risk of outflow of financial resources associated with such claims is assumed as probable, a respective liability is recognised as the provision for litigation costs. Where management estimates the risk of outflow of financial resources associated with such claims as possible, or amount of outflow cannot be measured reliably, no provision is recognised, and respective amount is disclosed in the financial statements.

Claims of SE "Guaranteed Buyer" regarding delayed payments by the Group

Since the beginning of 2020 crisis signs began to appear on the electricity market: delays in the Group's payments to SE "Guaranteed Buyer" for services to increase the share of electricity production from alternative sources (hereinafter – "PSO RES"), and accordingly delays in payments of SE "Guaranteed Buyer" in favor of renewable energy producers. The reason for the delay in the Group's payments for PSO is the insufficiency of funds provided for in the tariff for electricity transmission to cover this type of expenses.

During 2020-2024, SE "Guaranteed Buyer" initiated lawsuits on payment by the Group of fines and penalties for breach of debt repayment terms between the Group and SE "Guaranteed Buyer" regarding PSO RES. As of 30 June 2024, the total amount of claims in such cases amounted to UAH 9,926,676 thousand of main debt and UAH 15,942,693 thousand of fines and penalties (31 December 2023: UAH 9,926,676 thousand of main debt and UAH 18,745,695 thousand of fines and penalties).

It should be noted that the legal relationship between the Group and SE "Guaranteed Buyer" for the payment of PSO RES, establishment of the regulator's tariff for electricity transmission services, which should cover these costs in full, is subject to state regulation and does not depend on the Group's decisions. Also, in accordance with NEURC Resolution No. 332 dated 25 February 2022 "On ensuring the stable functioning of the electricity market, including the financial condition of participants in the electricity market during the period of martial law in Ukraine" in order to ensure the operational security of the functioning of the main part of the IPS of Ukraine, with among other things, during the period of martial law in Ukraine and within 30 days after its termination or cancellation the accrual and collection of fines provided for by contracts concluded were stopped in accordance with the Law of Ukraine "On the Electric Energy Market" between the participants of the electric energy market. Thus, the amount of claims in the above-mentioned court cases will be significantly reduced in the process of their judicial resolution.

Management believes that, given the nature of the legal relationship between the Group, SE "Guaranteed Buyer", the regulator, the state, reasons of debt accumulation, inability to repay it in time, the impact of court decisions on the net cash flow between the Group and SE "Guaranteed Buyer" is remote and, therefore, and no provision should be made in the Group's interim condensed consolidated financial statements as of the reporting date.

Claims of other market participants regarding delayed payments in the electricity market

Participants in the electricity market have initiated a number of lawsuits regarding the collection of the Group's debts, the calculation and payment of fines and penalties for breaching the terms of the contracts on the balancing market and ancillary services.

The delay in payments on the balancing market arose as a result of a deterioration in the level of payments made by counterparties on the balancing market to the Group, which accordingly affected the Group's payments to providers of balancing services, since all payments in this market segment go through a separate special account of the Group and it cannot be financed by cash inflows from other types of activities, unless it is provided for by other normative legal acts. At the same time, with the beginning of russia's shelling of the energy infrastructure at the end of 2022, the market of ancillary services has become one of the most important tools for ensuring the balance and operational security of Ukraine's energy system. As a result, the Group significantly increased the cost of purchasing ancillary services that were not fully covered by the tariff of dispatch (operational and technological) control services.

As of 30 June 2024, the Group created provision for litigation costs that could be incurred as a result of legal cases with market participants regarding delayed payments by the Group on the electricity market in the amount of UAH 690,402 thousand (31 December 2023: UAH 499,809 thousand).

Claim against the Russian Federation regarding assets in Crimea

In April 2018, senior officials of the Russian Federation were served with the Group's official written communications on the investment dispute under the 1998 Agreement between the Cabinet of Ministers of Ukraine and the Government of the Russian Federation on the Promotion and Mutual Protection of Investments. Their purpose was to consult and negotiate with representatives of the Russian Federation to resolve the dispute through negotiations. The Russian side did not provide a response.

Having received no response, on 27 August 2019, the Group referred the dispute to arbitration (ad hoc) in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law of 15 December 1976 (UNCITRAL). The Group seeks compensation for the Russian Federation's violation of the 1998 Agreement between the Cabinet of Ministers of Ukraine and the Government of the Russian Federation on the Promotion and Reciprocal Protection of Investments. The claims also include compensation for damages caused by the illegal expropriation of the Group's investments in the Crimea, and the violation of the obligation to guarantee full and unconditional legal protection. The Group's claims arose after the Russian Federation seized the Group's assets, property and business as a result of the illegal occupation and attempted annexation of Crimea in 2014.

On 27 March 2020, the composition of the arbitral tribunal was determined. The place of arbitration was determined to be in Paris. On 16 July 2020 the arbitral tribunal began to consider the case of the illegal seizure by the Russian Federation of the Group's infrastructure facilities in Crimea. In October 2020 the value of the assets on which the claim is based was assessed and amounted to EUR 528 mln including interest (EUR 95 mln as of 20 October 2020).

After the start of Russia's military aggression against Ukraine, the proceedings in this case were suspended. After the appointment of a new arbitrator in November 2022, the proceedings were continued. The court held a jurisdictional hearing in Paris on 6-8 September 2023. On 4 August 2024, a decision was made in favor of the Group. Most of the Russian Federation's objections to the jurisdiction of the arbitral tribunal were rejected. Ultimately, the arbitration court will hear and rule on the Group's lawsuits filed in 2019 against the Russian Federation, in which Ukrenergo demands compensation for illegally expropriated energy assets and investments in Crimea.

Capital commitments

As of 30 June 2024, the Group had contractual capital commitments for the purchase of property, plant, and equipment in the amount of UAH 13,391,031 thousand (31 December 2023: UAH 13,365,693 thousand).

27. FAIR VALUE

IFRS determine fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent they are available and relevant valuation techniques. However, in determining the estimated fair value, it is required to apply judgments to interpret market information. Management has used all available market information to measure fair value. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument or pay in the course of transfer of liabilities.

Fair value of the Group's property, plant, and equipment

The Group's property, plant, and equipment are measured at fair value based on the categories of Levels 2 and 3 of the fair value hierarchy (inputs are unobservable for an assets). As most of the Group's property, plant and equipment is of specialised nature, its fair value is determined using depreciated replacement cost (Level 3) or, where it is available, the market value (Level 2).

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

The following table summarizes information about property, plant and equipment recognized at fair value upon initial recognition using the fair value hierarchy:

30 June 2024	Level 2	Level 3	Total
Property, plant and equipment	1,911,234	85,041,469	86,952,703
Total	1,911,234	85,041,469	86,952,703

31 December 2023	Level 2	Level 3	Total
Property, plant and equipment	2,079,447	87,241,701	89,321,148
Total	2,079,447	87,241,701	89,321,148

There were no transfers between fair value measurements during the reporting period.

Financial instruments

Fair values of financial instruments are determined and disclosed in accordance with the requirements of IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair Value Measurement*. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary to be applied to identify their fair value, based on current economic conditions and the specific risks attributable to the instrument. The estimates presented in these interim condensed consolidated financial statements are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full package of a particular instrument.

As of 30 June 2024 and 31 December 2023, the fair value of the Group's financial instruments were as follows:

	30 June 2024	31 December 2023
Financial assets		
Trade accounts receivable	42,422,078	47,470,275
Cash and cash equivalents	9,237,536	7,830,966
Other accounts receivable	228,742	211,989
Other non-current assets*	7,739	7,739
Total financial assets	51,896,095	55,520,969
Financial liabilities		
Trade accounts payable	49,444,694	56,120,995
Loans**	53,892,719	46,440,688
Eurobonds 2028**	12,397,452	8,234,964
Other accounts payable	151,384	125,909
Other non-current liabilities	211,516	2,350
Other current liabilities***	2,201,072	2,492,606
Total financial liabilities	118,298,837	113,417,512

* Non-current accounts receivable are included in Other non-current assets in the consolidated statement of financial position as of 30 June 2024 and 31 December 2023.

** Loans and Eurobonds 2028 are included in Loans and borrowings in the consolidated statement of financial position as of 30 June 2024 and 31 December 2023.

*** Financial instruments include the value only of those Other current liabilities that meet the definition of financial liabilities. The carrying amount of these financial liabilities corresponds to their fair value. As of 30 June 2024 and 31 December 2023 Other current liabilities amounted to UAH 3,087,602 thousand and UAH 2,531,297 thousand, respectively.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

All of the Group's financial assets and liabilities are carried at amortized cost. The fair value of all financial instruments relates to Level 3 of the fair value hierarchy, except for Eurobonds 2028, the fair value of which relates to Level 1. The fair value of Eurobonds 2028 is measured according to quotations in active markets using interest rates equal to yields at maturity.

	30 June 2024		31 December 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Eurobonds 2028	13,857,164	12,397,452	10,374,481	8,234,964

As described in Note 12, the loan received by the Group in 2024 from the EBRD is directed to the implementation of the Project of special capital support of NPC "Ukrenergo". Such loan from international financial organization is a specific financial instrument and have different characteristics, substance, goals and conditions from other types of borrowing capital. Accordingly, such loans form a specific market, the lenders of which are a limited number of international financial organizations, non-governmental organizations and supranational institutions, and access to which is available to a limited number of borrowers who fulfill the conditions for obtaining such loans and implement specific functions and projects. In this market, lenders such as the EBRD act as market makers and offer the same credit terms to all borrowers who have access to it and meet the criteria.

Thus, the loan received by the Group in 2024 from the EBRD was received on standard terms for such loan capital market and at interest rates that do not significantly differ from similar rates for this market under similar conditions. The management believes that at the date of recognition in 2024, the fair value of loan from the EBRD does not differ significantly from the transaction price, and belongs to Level 3 of the fair value hierarchy.

As of 30 June 2024 and 31 December 2023, the Group used the following assumptions in assessing the fair value of each class of its financial instruments related to the Level 3 of the hierarchy of fair value:

- the fair value of trade and other accounts receivable, loans receivable, cash and cash equivalents, trade accounts payable, other current liabilities correspond to their book value due to the short-term nature of such instruments;
- the fair value of other non-current liabilities approximates their carrying amounts determined under the effective interest rate method;
- the fair value of financial investments does not differ materially from their market value;
- the fair value of long-term loans corresponds to their carrying value in accordance with the calculation of effective interest rates on loans, taking into account changes in prime rates and the expected terms of use and repayment of loans. Calculated effective interest rates as of the reporting dates were consistent with market rates for similar instruments. Also, some long-term loans have a floating interest rate tied to market indicators that reflect the market value of such instruments.

28. RISK MANAGEMENT

The financial instruments that the Group is using in the course of its business are subject to certain risks, the main ones being credit risk, liquidity risk and market risk, including currency risk and interest rate risk. The Group does not engage in significant transactions involving derivative financial instruments. The Group's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial market and is aimed to minimize potential adverse effects on the Group's financial performance.

During the six months ended 30 June 2024 and 31 December 2023, there were no significant changes in the objectives, policies and process of managing the following risks.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge its obligation. Credit risk arises from the Group's provision of services and sales on loan terms and other transactions with counterparties giving rise to financial assets. The Group requires bank and financial guarantees from its counterparties.

As of 30 June 2024 and 31 December 2023, the maximum exposure to credit risk is represented by the carrying amount of financial assets, net of impairment losses on such assets, was:

	30 June 2024	31 December 2023
Trade accounts receivable	42,422,078	47,470,275
Cash and cash equivalents	9,237,536	7,830,966
Other accounts receivable	228,742	211,989
Non-current accounts receivable	7,739	7,739
Total	51,896,095	55,520,969

As a result of events described in Note 6, for the six months ended 30 June 2024, the Group made an accrual of expected credit losses on financial assets in the amount of UAH 4,956,232 thousand (2023: UAH 982,571 thousand). The Group, assessing expected credit losses on trade accounts receivables, takes into account the cash flows expected from credit enhancements, which are an integral part of the contract. Information about its influence on credit risk in described in Note 6.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity is carefully monitored and managed by management. The Group has a detailed budgeting and forecasting process in place to ensure that it has sufficient cash to meet its liabilities.

The Group manages liquidity risk by complying with the financial discipline in accordance with a financial plan that is approved annually. The Group's key sources of funding are its operating cash flows and borrowings. Funds are used to finance the Group's investment in property, plant and equipment and its working capital needs. In case of any liquidity problems, the level of cash inflows is regulated by increasing tariffs for electricity transmission and dispatch (operational and technological) control services, which are set by NEURC with appropriate amendments to the Group's financial plan.

The table below provides the maturity analysis of financial liabilities based on contractual undiscounted repayment liabilities. The table contains both accrued interest and the principal amount of cash flow arrears as of 30 June 2024 and 31 December 2023. The amounts in the table may not be equal to the carrying amount of the related liabilities, as the table includes all cash outflows on a non-discounted basis.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

30 June 2024	Carrying amount	Contractual amounts	Up to 6 months	6-12 months	1-5 years	More than 5 years
Loans*	54,997,071	74,019,308	4,773,316	6,096,089	38,259,873	24,890,030
Eurobonds 2028	13,857,164	49,914,009	6,604,864	1,233,224	42,075,921	-
Trade accounts payable**	49,444,694	49,444,694	49,360,424	84,270	-	-
Other accounts payable	151,384	151,384	151,384	-	-	-
Finance lease liabilities	8,338	11,015	1,891	1,891	7,233	-
Financial guarantees of electricity market participants	1,299,898	1,299,898	1,299,898	-	-	-
Total	119,758,549	174,840,308	62,191,777	7,415,474	80,343,027	24,890,030

31 December 2023	Carrying amount	Contractual amounts	Up to 6 months	6-12 months	1-5 years	More than 5 years
Loans*	47,446,315	63,857,869	5,884,061	6,398,191	32,256,108	19,319,509
Eurobonds 2028	10,374,481	46,768,018	-	6,188,571	40,579,447	-
Trade accounts payable**	56,120,995	56,120,995	55,872,679	248,316	-	-
Other accounts payable	125,909	125,909	125,909	-	-	-
Finance lease liabilities	3,742	4,726	1,203	607	2,916	-
Financial guarantees of electricity market participants	1,485,587	1,485,587	1,485,587	-	-	-
Total	115,557,029	168,363,104	63,369,439	12,835,685	72,838,471	19,319,509

* Including accrued interests on loans.

** Including long-term trade accounts payable presented in Other long-term liabilities in the consolidated statement of financial position.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Market risks

Risk of changes in tariffs

Tariff risk is the risk that the Group's current or future revenues may be adversely affected by a reduction or non-approval, to the extent necessary to cover costs, of NEURC tariffs for electricity transmission and dispatch (operational and technological) control services. NEURC has the authority to revise tariffs on an annual basis in cases where the Group fails to comply with licensing activities, regulatory requirements of NEURC or other regulatory requirements; and in cases where the Group fails to implement its investment program to an extent that ensures the use of all funds that have been accumulated through the investment component of the tariff.

The Group manages this risk by carrying out its activities in full compliance with all regulatory requirements and full compliance with them, as well as by taking adequate measures to implement the investment program and comply with the approved tariff structures.

Interest rate risk

The Group normally has no significant interest bearing assets and its income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from loans at floating rates. The primary objective of interest rate risk management is to obtain financing at minimal cost and to match liquidity to the loan proceeds schedule.

As of 30 June 2024 and 31 December 2023, the Group had loan liabilities with a floating interest rate pegged to SOFR, EURIBOR, the NBU discount rate, UIRD.

The following table includes information for the six months ended 30 June 2024 and for the year ended 31 December 2023, the sensitivity of the Group's pretax earnings to a probable change in interest rates with all other variables held constant:

30 June 2024	Increase "+" / decrease "-" of percentage points	Increase / (decrease) in profit before tax	Increase / (decrease) in equity
SOFR	+0,50%	(20,725)	(20,725)
SOFR	-0,50%	20,725	20,725
EURIBOR	+0,25%	(34,421)	(34,421)
EURIBOR	-0,25%	34,421	34,421
NBU discount rate	+1,00%	(56,258)	(56,258)
NBU discount rate	-1,00%	56,258	56,258
UIRD	+0,1%	(596)	(596)
UIRD	-0,1%	596	596

31 December 2023	Increase "+" / decrease "-" of percentage points	Increase / (decrease) in profit before tax	Increase / (decrease) in equity
SOFR	+0,50%	(40,523)	(40,523)
SOFR	-0,50%	40,523	40,523
EURIBOR	+0,25%	(51,369)	(51,369)
EURIBOR	-0,25%	51,369	51,369
NBU discount rate	+1,00%	(91,479)	(91,479)
NBU discount rate	-1,00%	91,479	91,479
UIRD	+0,1%	(1,183)	(1,183)
UIRD	-0,1%	1,183	1,183

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Foreign currency risk

Foreign currency risk is the risk that the financial performance of the Group will be adversely impacted by changes in foreign exchange rates to which the Group is exposed. The Group sells goods and services in the domestic market of Ukraine at prices denominated in hryvnia.

Most of the Group's loans and borrowings are denominated in foreign currencies, as well as certain agreements on the import of equipment for modernization and construction of property, plant and equipment. The Group does not use any derivatives to manage its foreign currency risk exposure. Carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of the reporting dates were as follows:

	USD		EUR	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Assets				
Cash and cash equivalents	28,482	84,266	702,221	362,663
Trade accounts receivable	-	-	691,834	582,993
Other accounts receivable	-	-	84,231	34,492
Liabilities				
Loans	(11,139,078)	(10,760,553)	(33,638,423)	(26,564,917)
Eurobonds 2028	(13,857,164)	(10,374,481)	-	-
Trade accounts payable	(262,673)	(223,397)	(850,247)	(1,032,759)
Other accounts payable	-	-	(158)	(344)
Other non-current liabilities	-	-	-	-
Accrued interests on loans	(5,034)	(5,354)	(302,765)	(251,529)
Net position	(25,235,467)	(21,279,519)	(33,313,307)	(26,869,401)

The table below provides details of the sensitivity of the Group's profit or loss and equity to a reasonably possible change in foreign exchange rates applied at the reporting date, with all other variables held constant. These sensitivities represent management's assessment at the reporting dates of reasonably possible changes in foreign exchange rates.

	2024		2023	
	USD – impact	EUR – impact	USD – impact	EUR – impact
Profit at strengthening by 10%	2,523,547	3,331,331	2,127,952	2,686,940
Loss at weakening by 10%	(2,523,547)	(3,331,331)	(2,127,952)	(2,686,940)

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Capital management

The Group's principal sources of funding are borrowings and equity. The primary objective of the Group's capital management is to ensure that it maintains an adequate credit rating and sufficiency of capital ratios to support its business. The Group monitors its capital using a gearing ratio, which is calculated as net liabilities divided by equity and net liabilities. In calculating net liability, the Group considers loans and borrowings, net of cash and short-term deposits.

The Group's capital management policy aims to ensure and maintain an optimal capital structure in order to reduce the overall cost of capital and provide the flexibility necessary for the Group to access capital markets.

	30 June 2024	31 December 2023
Loans	53,892,719	46,440,688
Eurobonds 2028	13,857,164	10,374,481
Accrued interests on loans	1,104,352	1,005,627
Less: Cash and cash equivalents	(9,237,536)	(7,830,966)
Net liability	59,616,699	49,989,830
Equity	37,328,210	47,515,164
Equity and net liability	96,944,909	97,504,994
Gearing ratio	0.61	0.51

Reconciliation of liabilities arising from financing activities

The tables below detail main changes in the Group’s liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are liabilities in respect of which cash flows were or future cash flows will be classified in the Group’s consolidated statement of cash flows (under direct method) as cash flows from financing activities.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Reconciliation of liabilities arising from financing activities for the six months ended 30 June 2024 was the following:

2024	Loans	Accrued interests on loans	Eurobonds 2028	Dividends	Lease and other liabilities	Total
As at 1 January	46,440,688	1,005,627	10,374,481	-	3,743	57,824,539
Cash inflow from loans and borrowings	6,054,671	-	-	-	-	6,054,671
Cash repayments	(1,719,683)	(2,127,625)	-	(338,974)	(1,417)	(4,187,699)
Direct payments of bank to counterparties	1,339,207	-	-	-	-	1,339,207
Recognition of accounts payable	-	-	-	338,974	5,684	344,658
Interest expense	-	2,223,818	2,704,388	-	328	4,928,534
Foreign currency exchange differences, net	1,777,836	2,532	778,295	-	-	2,558,663
As at 30 June	53,892,719	1,104,352	13,857,164	-	8,338	68,862,573

Reconciliation of liabilities arising from financing activities for the six months ended 30 June 2023 was the following:

2023	Loans	Accrued interests on loans	Eurobonds 2028	Dividends	Lease and other liabilities	Total
As at 1 January	37,135,244	591,769	6,370,082	-	7,792	44,104,887
Cash inflow from loans and borrowings	5,921,616	-	-	-	-	5,921,616
Cash repayments	(1,202,030)	(1,819,364)	-	-	(1,724)	(3,023,118)
Direct payments of bank to counterparties	785,573	-	-	-	-	785,573
Extinguishment of liability	-	-	-	-	(2,416)	(2,416)
Interest expense	-	2,075,873	1,593,340	-	291	3,669,504
Foreign currency exchange differences, net	500,381	2,749	-	-	-	503,130
As at 30 June	43,140,784	851,027	7,963,422	-	3,943	51,959,176

29. EVENTS AFTER THE REPORTING PERIOD

Military aggression of the Russian Federation against Ukraine

On 26 August 2024, Russia launched one of the largest missile and drone strikes against Ukraine since the start of the full-scale invasion, hitting targets in 15 regions, primarily focusing on the energy sector. Significant destruction of the energy infrastructure led to emergency power outages.

Despite these attacks, the energy system continues to operate steadily and balanced. The Group, in collaboration with other companies and the government, is developing and implementing measures for the restoration and expansion of capacities. Repairment of damaged infrastructure is ongoing actively. Also, it is planned to increase the capacity for electricity import, expand and scale up maneuvering capacities and distributed generation to ensure the resilience of the energy system. At the same time, it is crucial to increase the capabilities of Ukrainian air defense and to improve the physical protection of the energy infrastructure in order to strengthen the security of power capacities.

Restructuring of the state external debt

Ukraine announced the successful completion of the operation on the restructuring of the state external debt and the settlement of thirteen series of state Eurobonds and state-guaranteed Eurobonds issued by Ukravtodor. This transaction was carried out with the aim of restoring debt sustainability, preserving macro-financial stability and increasing state budget resources in the context of continued Russian military aggression against Ukraine.

In order to execute this transaction, by Resolution No. 977 of the Cabinet of Ministers of Ukraine dated 27 August 2024, from November 9, 2024, payments under state guarantee obligations regarding the Group's Eurobonds 2028 issued under state guarantee in 2021 will be temporarily suspended from 9 November 2024 (Note 12). In addition, as of 1 September 2024, payments on bonds of external state loans of 2015 of the fourth to ninth series were temporarily suspended in connection with the execution of transactions with the state debt, as well as from 31 May 2025, payments on obligations on 2015 government derivatives, for which the Group has no obligations.

A temporary suspension of payments is introduced for each debt obligation or guarantee obligation of the state in respect of the relevant debt obligations for the period before the transaction (transactions) are committed and the terms of the corresponding debt are changed in relation to all creditors.

The Group's changes in management

On 2 September 2024, during Group's Supervisory Board meeting, the decision was made to terminate employment agreement between NPC "Ukrenergo" and Chairman of the Management Board, Volodymyr Kudrytskyi. Pursuant to this decision, V.Kudrytskyi's last day as Chairman of the Management Board is 4th of September 2024. The Supervisory Board has also appointed Oleksii Brekht, current member of Ukrenergo's Management Board, as Group's acting Chairman of the Management Board effective as of the 5th of September 2024, and has decided to launch a selection process for a new Chairman of the Management Board.

Additionally, on 3 September 2024, two Members of the Group's Supervisory Board made an official statement on this subject and have announced their resignation.