Private Joint Stock Company “National Power Company “Ukrenergo”

Consolidated Financial Statements and
Independent Auditor’s Report
for the Year Ended 31 December 2023

PRIVATE JOINT STOCK COMPANY "NATIONAL POWER COMPANY "UKRENERGO"

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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the consolidated financial statements

Qualified opinion

We have audited the consolidated financial statements of Private Joint Stock Company "National Power Company "Ukrenergo" and its subsidiaries (code EDRPOU is 00100227, address: 25, Symon Petlura Street, Kyiv, 01032, further – the Group), which comprise:

- Consolidated statement of financial position as of 31 December 2023;
- Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023;
- Consolidated statement of changes in equity for the year ended 31 December 2023;
- Consolidated statement of cash flows (under direct method) for the year ended 31 December 2023;
- Notes to the consolidated financial statements, including a relevant information about accounting policy.

In our opinion, except for the possible impact of the matter described in the "Basis for qualified opinion" section of our report, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2023, its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board and the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated 16.07.1999 No. 996-XIV in respect of financial statements preparation.

Basis for qualified opinion

Impact of not performing of revaluation of the Group's property, plant and equipment as of 31 December 2022 on the comparative data for 2022 and income and expenses for 2023

In accordance with the accounting policy, the Group applies the revaluation model to account for its property, plant and equipment. As disclosed in Notes 5 and 7 to the consolidated financial statements, the Group performed revaluation of its property, plant and equipment as of 31 December 2023. We have obtained sufficient and appropriate audit evidence to provide reasonable assurance that such revaluation was performed in accordance with IFRS.

However, in our audit of the previous year's consolidated financial statements, we issued qualified opinion on the possible effect on the Group's consolidated financial statements for 2022 of the absence of an independent appraisal of the fair value of the Group's property, plant and equipment as of 31 December 2022. In our opinion, the revaluation of the Group's property, plant, and equipment as of 31 December 2022 could have resulted in changes in the Group's gains and losses from impairment and depreciation of property, plant, and equipment, income tax benefit/expense recorded in the consolidated statement of profit or loss for 2023, together with changes in comparative data as of 31 December 2022, as reported in the Group's consolidated statement of financial position, compared to income and expenses and the corresponding comparative data currently reported.

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

Material uncertainty related to going concern

These consolidated financial statements were 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 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 of 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 opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in "Basis for qualified opinion" and "Material uncertainty related to going concern" sections, we have identified the following matters as key audit matters that should be reflected in our report.

Key audit matter	Description of audit procedures performed
1 Disclosure of events after the reporting period	
The Group's management is required to identify material events after the reporting date and make appropriate adjustments to the Group's consolidated financial statements, if such events are adjusting, or provide appropriate disclosures.	Our audit procedures in respect of events after the reporting period included the following: ▪ Meetings, surveys and detailed analysis of the situation from the Group's representatives; ▪ Conducting a test of control on the system for collecting information on damaged property, plant and equipment of the Group;

The Group's management concluded that the full-scale invasion of the territory of Ukraine by the Russian Federation, which began on February 24, 2022, did not affect the application of the going concern basis in preparing the consolidated financial statements for 2023.

Considering the material impact of these events on the Group, we have identified the adequacy and compliance of the information disclosed in Note 35 "Events after the reporting period" with IFRS requirements as a risk to our audit. Accordingly, we planned additional procedures to test management's assertions, the operation of internal control system, the completeness and reliability of the information disclosed in Notes to the consolidated financial statements.

See Note 35 to the consolidated financial statements.

- Conducting a sample inspection of the Group's property, plant and equipment;
- Reconciliation of information disclosed in Notes with information from the accounting system and other systems of collection and processing systems of the Group's information;
- Review of publicly available information and comparing it, as well as our overall understanding of the situation, to the disclosures in Notes to the consolidated financial statements;
- Review of the management's assertions contained in the disclosure of events after the reporting period, namely, forecasts of events and performance for 2023;
- Examination of other internal sources of information on possible events that were not disclosed in the consolidated financial statements (including minutes of the meetings of the Management Board and the Supervisory Board).

In addition, we assessed the adequacy of the disclosures in Note 35 to the consolidated financial statements.

Other information

Management of the Group is responsible for other information prepared as at and for the year ended 31 December 2023.

Other information includes:

- Consolidated Management Report for 2023, prepared in accordance with the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated 16.07.1999 No. 996-XIV, as amended;
- Annual Information of the Issuer of Securities for 2023, prepared in accordance with the requirements of the Regulation on Information Disclosure by Securities Issuers, approved by the Decision of the National Securities and Stock Market Commission dated 06.06.2023, № 608.

Our opinion on the Group's consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

Consolidated Management Report

The Group plans to prepare and publish the Consolidated Management Report for 2023 with the Corporate Governance Report as its integral part after the date of publication of this Independent Auditor's Report. Upon receiving and reviewing of the Consolidated Management Report for 2023 with the Corporate Governance Report as its integral part, if we conclude that there is a material misstatement, we will further address the matter to those charged with governance.

Annual Information of the Issuer of Securities

The Group plans to prepare and publish Annual Information of the Issuer of Securities for 2023 after the date of publication of this Independent Auditor's Report. Upon receiving and reviewing of the Annual Information of the Issuer of Securities, if we conclude that there is a material misstatement, we will address the matter to those charged with governance.

Responsibility of management and those charged with governance for the consolidated financial statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS and the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated 16.07.1999 No. 996-XIV in respect of financial statements preparation, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the financial reporting process of the Group.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Group's management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that would cast significant doubt on the Group's ability to continue as a going

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance the statement that we have complied with the relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be through to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report, because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on the requirements of other laws and regulations

1 The report on meeting the requirements of paragraph 4 of Article 14 of the Law of Ukraine "On Audit of Financial Reporting and Auditing Activity" dated 21.12.2017 No. 2258-VIII on the provision of additional information on the results of the mandatory audit of a public interest entity:

1. BDO LLC was appointed to perform this statutory audit assignment by the Order of the Ministry of Energy of Ukraine dated March 15, 2024, No. 112. The section "Report on the audit of the consolidated financial statements" of this Independent Auditor's Report discloses the scope of the audit and the inherent limitations.
2. The total duration of the statutory audit assignment of the Group's consolidated financial statements by BDO LLC considering the extension of authority, which took place, and reappointments is 4 (four) years. For BDO LLC, this assignment is also the fourth year of the statutory audit of the Group's consolidated financial statements after the Group was recognized as a public interest entity in accordance with the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated 16.07.1999 No. 996-XIV.
3. In "Basis for qualified opinion", "Material uncertainty related to going concern" and "Key audit matters" sections of this report, we have disclosed the matters that were most relevant to the audit of the consolidated financial statements for the current period and which, in our professional judgment, are worth drawing attention to. These matters have been considered in the context of our audit of the consolidated financial statements as a whole and have been taken into account in forming our opinion thereon, and we do not express a separate opinion in respect of these matters.

4. During this statutory audit engagement, we did not identify any matters in respect of our audit estimates, except as disclosed in the "Basis for qualified opinion", "Material uncertainty related to going concern" and "Key audit matters" sections of this report which we consider appropriate to disclose in accordance with the requirements of paragraph 4.3 of Article 14 of the Law "On the Audit of Financial Statements and Auditing Activities" dated 21.12.2017 No. 2258-VIII.

5. The information contained in this Independent Auditor's Report on the audit of the Group's consolidated financial statements was reconciled with the information in the Additional Report to the Audit Committee dated April 24, 2024.

6. During 2023, BDO LLC provided the following services to the Group:

   - audit of the separate and consolidated financial statements as of 31 December 2022, and for the year then ended;
   - audit of the special purpose financial statements for the Second Power Transmission Project as of 31 December 2022, and for the year then ended;
   - review of the interim condensed consolidated financial statements in accordance with International Standard on Review Engagements No. 2410 for the 6 months ended 30 June 2023.

7. BDO LLC and its Key Audit Partner are independent in relation to the Group according to the requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and ethical requirements applied in Ukraine to our audit of consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit, we have not identified any additional facts or matters that could affect our independence and which we would like to draw your attention to.

8. BDO LLC did not provide the Group with other services prohibited in accordance with the requirements of Article 6 of the Law of Ukraine "On Audit of Financial Reporting and Auditing Activities" dated 21.12.2017 No. 2258-VIII during 2023 and in the period from January 1, 2024, until the date of signing this Independent Auditor's Report.

2 Report on the requirements of the NSSMC's decision dated 22.07.2021 No. 555 "On Approval of the Requirements for Information Related to the Audit or Review of Financial Statements of Participants in Capital Markets and Organized Commodity Markets Supervised by the NSSMC"

The consolidated financial statements of the Group were audited in accordance with the agreement No. UE/8B dated April 3, 2024, for the period from April 3, 2024, to the date of this report. NPC "Ukrenergo" is a public interest entity in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated 16.07.1999 No. 996-XIV. The Group is not a controller/participant of a non-banking financial group.

Information about the ultimate beneficial owner and ownership structure

In our opinion, the information disclosed in Note 1 to the consolidated financial statements is consistent with the information on the ultimate beneficial owner and ownership structure of NPC "Ukrenergo" as disclosed in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations.

Information about the Group's parent and subsidiaries

As disclosed in Note 1 to the consolidated financial statements, as at the end of the reporting period, the Group consists of NPC "Ukrenergo" and subsidiaries Ukrenergo Digital Solutions LLC and EUkrenergo, the sole owner of which is the Company.

Reporting on the Corporate Governance Report as part of the Consolidated Management Report

As described in the "Other Information" section of this Independent Auditor's Report, the Group plans to prepare and publish the Consolidated Management Report for 2023 with the Corporate Governance Report as its integral part, after the date of publication of this Independent Auditor's Report. After receiving the Consolidated Management Report for 2023 with the Corporate Governance Report as its integral part, we will perform procedures aimed at verifying whether the information in the Corporate Governance Report does not contradict the Group's consolidated financial statements and consider the compliance of the presentation of information in the Corporate Governance Report with the requirements of part three of Article 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets" and Clause 43 of the Regulation on Disclosure of Information by Issuers of Securities and Persons Providing Collateral for Such Securities, approved by the NSSMC Decision No. 608 dated 06.06.2023 (Regulation 608), if we conclude that there is a material misstatement, we will additionally address the matter to those charged with governance.

The audit was performed under the supervision of the Key Audit Partner Alexander Mykolaiovych Nikolayenko.

Key Audit Partner A. M. Nikolayenko.

Registration Number in the Register of Auditors and Audit Entities: 101534

Kyiv, April 30, 2024

Limited liability company BDO. EDRPOU code 20197074. Registration Number in 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 that have right 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Management is responsible for the preparation of the 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 31 December 2023, and the results of its operations, cash flows, and changes in equity for the year 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 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 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 consolidated financial statements of the Group for the year ended 31 December 2023 were approved by management on 30 April 2024.

On behalf of management:

________________________________	________________________________
V.D. Kudrytskyi, Chairman of the Management Board	N.M. Serdiuk, Chief Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2023
In Ukrainian Hryvnias and in thousands

	Notes	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	7	108,219,982	48,963,223
Intangible assets	8	928,966	864,961
Deferred tax assets	30	-	3,482,715
Other non-current assets		225,043	45,618
Total non-current assets		**109,373,991**	**53,356,517**
Current assets			
Inventories		933,512	466,812
Trade accounts receivable	9	47,470,275	31,410,900
Prepayments	10	720,123	736,800
Other accounts receivable		211,989	102,670
Prepaid income tax		32	22,946
Taxes receivable, other than income tax	11	2,790,353	2,903,963
Loans receivable	12	-	2,104,503
Prepaid expenses		139,841	68,033
Cash and cash equivalents	13	7,830,966	4,732,828
Other current assets	14	7,195,822	2,081,904
Total current assets		**67,292,913**	**44,631,359**
TOTAL ASSETS		**176,666,904**	**97,987,876**
EQUITY			
Share capital	15	37,160,209	37,160,209
Corporatization effect	15	(35,933,854)	(35,933,854)
Revaluation reserve	15	68,496,965	24,033,949
Reserve capital	15	142,183	100,262
Accumulated deficit		(22,361,221)	(22,787,250)
Translation reserve		10,882	7,593
TOTAL EQUITY		**47,515,164**	**2,580,909**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	16	47,125,418	34,518,342
Retirement benefit obligations	17	279,923	510,725
Special purpose funding	18	4,835,475	1,509,634
Deferred tax liabilities	30	6,264,442	-
Other non-current liabilities		2,350	35,790
Total non-current liabilities		**58,507,608**	**36,574,491**
Current liabilities			
Loans and borrowings	16	9,689,751	8,986,984
Trade accounts payable	19	56,120,995	47,299,334
Advances received	20	470,354	443,397
Other accounts payable		125,909	120,855
Income tax payable		210,250	-
Taxes payable, other than income tax		42,308	15,060
Provisions	21	1,387,645	561,102
Deferred income	18	65,623	54,243
Other current liabilities	22	2,531,297	1,351,501
Total current liabilities		**70,644,132**	**58,832,476**
TOTAL LIABILITIES		**129,151,740**	**95,406,967**
TOTAL LIABILITIES AND EQUITY		**176,666,904**	**97,987,876**

On behalf of management:

V.D. Kudrytskyi,
Chairman of the Management Board

N.M. Serdiuk,
Chief Accountant

The accompanying Notes on pages from 6 to 104 form an integral part of these consolidated financial statements.

PRIVATE JOINT STOCK COMPANY “NATIONAL POWER COMPANY “UKRENERGO”

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

In Ukrainian Hryvnias and in thousands

	Notes	2023	2022
Revenue	23	83,011,245	82,330,513
Cost of sales	24	(71,904,327)	(80,871,674)
Gross profit		**11,106,918**	**1,458,839**
Other operating income	25	8,413,175	623,142
Administrative expenses	26	(1,138,267)	(809,280)
Other operating expenses	27	(1,921,322)	(1,943,589)
Impairment of financial assets, net	9, 12	(3,443,432)	(10,509,598)
Impairment of property, plant and equipment and intangible assets, net	7, 8	(2,788,047)	(4,093,998)
Operating profit/(loss)		**10,229,025**	**(15,274,484)**
Finance income	28	654,161	25,823,184
Finance costs	29	(7,592,043)	(5,086,970)
Foreign exchange loss, net		(2,683,932)	(12,875,076)
Profit/(loss) before tax		**607,211**	**(7,413,346)**
Income tax (expense)/benefit	30	(230,573)	1,316,222
PROFIT/(LOSS) FOR THE PERIOD		**376,638**	**(6,097,124)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of income tax:			
Revaluation of property, plant and equipment	7	54,226,124	(1,967,707)
Deferred tax on revaluation of property, plant and equipment	30	(9,749,553)	348,699
Remeasurement of defined benefit obligation	17	288,187	311,376
Deferred tax on remeasurement of defined benefit obligation	30	(2,547)	(4,899)
Items that may be reclassified subsequently to profit or loss, net of income tax:			
Cumulative translation difference on retranslation to Group’s presentation currency		3,289	7,593
Other comprehensive income/(loss) for the period		**44,765,500**	**(1,304,938)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**45,142,138**	**(7,402,062)**

On behalf of management:

V.D. Kudrytskyi,
Chairman of the Management Board

N.M. Serdiuk,
Chief Accountant

The accompanying Notes on pages from 6 to 104 form an integral part of these consolidated financial statements.

PRIVATE JOINT STOCK COMPANY "NATIONAL POWER COMPANY "UKRENERGO"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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 2022	**37,160,209**	**(35,933,854)**	**25,657,936**	**100,262**	**(17,001,582)**	**-**	**9,982,971**
Loss for the period	-	-	-	-	(6,097,124)	-	**(6,097,124)**
Other comprehensive loss for the period	-	-	(1,619,008)	-	306,477	7,593	**(1,304,938)**
Total comprehensive loss for the period	**-**	**-**	**(1,619,008)**	**-**	**(5,790,647)**	**7,593**	**(7,402,062)**
Realised revaluation reserve	-	-	(4,979)	-	4,979	-	**-**
Balance at 31 December 2022	**37,160,209**	**(35,933,854)**	**24,033,949**	**100,262**	**(22,787,250)**	**7,593**	**2,580,909**
Profit for the period	-	-	-	-	376,638	-	**376,638**
Other comprehensive income for the period	-	-	44,476,571	-	285,640	3,289	**44,765,500**
Total comprehensive income for the period	**-**	**-**	**44,476,571**	**-**	**662,278**	**3,289**	**45,142,138**
Provision for dividends (Notes 15 and 21)	-	-	-	-	(207,883)	-	**(207,883)**
Charges to reserve capital (Note 15)	-	-	-	41,921	(41,921)	-	**-**
Realised revaluation reserve	-	-	(13,555)	-	13,555	-	**-**
Balance at 31 December 2023	**37,160,209**	**(35,933,854)**	**68,496,965**	**142,183**	**(22,361,221)**	**10,882**	**47,515,164**

On behalf of management:

V.D. Kudrytskyi,
Chairman of the Management Board

N.M. Serdiuk,
Chief Accountant

The accompanying Notes on pages from 6 to 104 form an integral part of these consolidated financial statements.

PRIVATE JOINT STOCK COMPANY "NATIONAL POWER COMPANY "UKRENERGO"

CONSOLIDATED STATEMENT OF CASH FLOWS (UNDER DIRECT METHOD)
FOR THE YEAR ENDED 31 DECEMBER 2023
In Ukrainian Hryvnias and in thousands

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows from:			
Revenue		66,437,018	62,370,218
Return of taxes and duties		186	-
Special purpose funding		11,853	18,914
Advances from buyers and customers		2,533,048	3,181,137
Prepayments returned		5,025	1,336
Interest on current accounts with banking institutions		500,313	497,323
Forfeits (fines, penalties) from counterparties		388,561	116,702
Operating leases		4,525	3,567
Other proceeds		1,963,591	1,302,520
Cash outflows to:			
Goods (works, services)		(57,685,499)	(60,246,074)
Staff costs		(2,689,091)	(2,545,837)
Social charges		(674,239)	(644,814)
Liabilities on taxes and duties:		(1,631,529)	(1,565,080)
Income taxes		(2,340)	(24,549)
Value added tax		(943,612)	(847,880)
Other taxes and duties		(685,577)	(692,651)
Prepayments		(1,537,989)	(2,082,722)
Return of advances		(271,171)	(2,531,340)
Other expenses		(2,707,367)	(1,261,035)
Net cash flows from/(used in) operating activities		**4,647,235**	**(3,385,185)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from loans repayment	12	2,493,166	6,807
Loans provided	12	-	(2,499,974)
Purchases of property, plant and equipment and intangible assets		(4,062,141)	(1,508,536)
Net cash flows used in investing activities		**(1,568,975)**	**(4,001,703)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	34	6,104,566	8,332,655
Repayment of loans and borrowings	34	(2,290,949)	(3,575,731)
Dividends paid	34	-	(127,036)
Interest paid	34	(3,849,330)	(3,337,615)
Other payments	34	(3,081)	(4,617)
Net cash flow (used in)/from financing activities		**(38,794)**	**1,287,656**
Net increase/(decrease) in cash and cash equivalents		**3,039,466**	**(6,099,232)**
Cash and cash equivalents at the beginning of the period	13	**4,732,828**	**10,355,609**
Effect of exchange rates change on cash and cash equivalents		58,672	476,451
Cash and cash equivalents at the end of the period	13	**7,830,966**	**4,732,828**

NON-CASH TRANSACTIONS

	Notes	2023	2022
Payments to acquire property, plant, and equipment and intangible assets by a lending bank	34	3,196,314	1,346,180
Payments to acquire property, plant, and equipment and intangible assets by a lending bank		2,820,049	-

On behalf of management:

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V.D. Kudrytskyi,
Chairman of the Management Board

____
N.M. Serdiuk,
Chief Accountant

The accompanying Notes on pages from 6 to 104 form an integral part of these 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 20,600 km of main and interstate power lines (excluding 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).

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 32).

As a result of Russia's full-scale military invasion of Ukraine, which began on 24 February 2022, 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 consolidated financial statements of the Group for the year ended 31 December 2023 were approved by the Management Board on 30 April 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 31 December 2023 Crimea and most of the territories of Donetsk, Luhansk, Kherson, and Zaporizhzhia regions are still under occupation, active military operations continue there, although there has been no significant movement of the front line since 2022. Ukraine conducted a significant operation during 2023 - a counteroffensive against russian troops with the long-term objective of breaking through the front line, concentrating efforts in several directions, primarily in the Donetsk and Zaporizhzhia regions. Russia continued to attack civilian infrastructure, particularly with the aim of damaging Ukraine's sea and Danube ports after withdrawing from the Black Sea Grain Agreement in July 2023 which temporarily reduced Ukraine's export capabilities.

Ukrainian business entities continue their economic activities in a difficult economic environment in 2023 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.

National economy gradually recovered throughout last year due to the adaptability of business and the population to the war conditions and a soft fiscal policy supported by large-scale international financing. Real GDP growth exceeded expectations at the end of 2023 primarily due to higher yields of late crops and to development of alternative export routes. This became the basis for improving for the estimate of real GDP growth for overall 2023 up to 5.7%.

The intensification of shelling, the destruction level of energy facilities last winter, and the increase in load due to cold weather expectedly led to a shortage of electricity. However, it turned out to be situational and local. The electricity deficit in the IV quarter of 2023 amounted to only about 3% according to the NBU estimates, which is less than preliminary expected. In addition, it was mainly local and almost completely offset by electricity imports, so it had no additional negative impact on economic activity.

Consumer inflation decreased to 5.1% year-on-year at the end of 2023 due to a strong supply of agricultural products, less pressure on business costs, and a stable exchange rate. Consumer inflation is likely to remain close to this level in the first months of 2024. However, it is expected to increase in the second half of 2024 and reach 8.6% at the end of the year according to the NBU estimates. This will be mainly due to a reduction of the impact of extremely favorable weather on the supply of agricultural products and an increase in the costs of doing business, including employees' wages.

Despite the current volatile situation, the banking system remains stable with sufficient liquidity even under martial law conditions, and all banking services are available to its customers (legal entities and individuals). Companies operating in Ukraine continue to support its financial system by paying taxes.

To stabilize the financial system of Ukraine during the war, the National Bank of Ukraine set the official exchange rate of the hryvnia at the level of 36.57 UAH per US dollar from 21 July 2022. Starting from 3 October 2023, the NBU switched to a managed exchange rate regime, under which the official exchange rate is determined based on market transactions on the interbank market and is not set directly by the NBU. Despite the transition to the regime of managed flexibility, ensuring exchange rate stability remains the main means of achieving inflation targets and maintaining macro-financial stability. The NBU maintains a presence on the foreign exchange market and compensates for the structural deficit on it, allowing the exchange rate to fluctuate in both directions under the influence of situational changes in the demand and supply of the currency.

Exchange rate stability is supported by high international reserves, which increased to USD 40.5 billion by the end of 2023, despite lower-than-expected volumes of external financing in the 4th quarter of 2023. Ukraine received about 42.6 billion US dollars of international aid in 2023. In the forecast horizon, international aid will remain the main source of capital inflow to the country. The volume of reserves will vary between 37-42 billion US dollars and will be sufficient to ensure exchange rate stability. Together with domestic market borrowing, this will provide financing for the government's still significant fiscal needs.

Expected moderate inflations' dynamics on the forecast horizon in a manageable situation on the foreign exchange market allowed the NBU to cut the discount rate to 15% in December 2023. Taking into account the further slowdown in inflation and steadily improving expectations, the stable situation in the foreign exchange market, along with a partial reduction in the risks associated with international aid receiving, the NBU decided to cut the key policy rate to 14.5% since 15th of March 2024, and to 13.5% since 26th of April 2024.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

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 Group'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").

According to resolutions of the NEURC, tariffs for electricity transmission services in 2022-2023 were as follows:

Year	Period	Tariff, UAH/MWh	Date and number of the NEURC resolution
2022	January - December	345.64	01.12.2021 No.2454
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

According to resolutions of the NEURC, tariffs for dispatch (operational and technological) control services in 2022-2023 were as follows:

Year	Period	Tariff, UAH/MWh	Date and number of the NEURC resolution
2022	January – December	62.13	01.12.2021 No.2455
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.

According to Article 33 of the Law, the transmission system operator performs public service obligations in the electricity market. In accordance with Article 62 of the Law, the Group is imposed with the following PSO:

- Public service obligation to increase the share of electricity production from alternative energy sources for the duration of the "green" tariff, the term of support for producers of electricity from alternative energy sources, which according to the results of the auction became eligible for support. This PSO is also imposed on the State Enterprise "Guaranteed Buyer" (hereinafter - the Guaranteed Buyer) and universal service providers (hereinafter - USP).
- Public service obligation to improve the efficiency of combined heat and power generation until 1 July 2024, which is also imposed on producers who carry out combined heat and power generation at thermal power plants, and the decision on which was made by the Cabinet of Ministers of Ukraine in accordance with the Law.

As of the date of these consolidated financial statements, the Group has not performed any public service obligation to improve the efficiency of combined heat and power generation.

In accordance with Article 65 of the Law, in order to cover the reasonable expenses of the Guaranteed Buyer for performing public service obligation for the purchase of electricity at a "green" tariff and at an auction price, the Guaranteed Buyer provides the transmission system operator with a service to ensure an increase in the share of electricity production from alternative sources. Such a service is provided by the Guaranteed Buyer during the term of validity of the "green" tariff and the term of validity of support for producers who, as a result of the auction, have acquired the right to such support, in accordance with the standard contract for the provision of services to ensure an increase in the share of electricity production from alternative energy sources, the form of which is approved by the NEURC.

The cost of the service to ensure an increase in the share of electricity production from alternative sources, which is provided by the Guaranteed Buyer, is determined in the corresponding period as:

- the difference between the cost of electricity purchased at the "green" tariff, taking into account the surcharge thereto, and its cost when sold on the day-ahead market and the intra-day market and by bilateral agreements;
- the difference between the cost of electricity purchased at the auction price, taking into account the surcharge thereto, and its cost when sold on the day-ahead market and the intra-day market and by bilateral agreements;
- expenses related to the settlement of imbalances of electricity of producers and consumers who are part of the balancing group of the Guaranteed Buyer;
- expenses stipulated in the Guaranteed Buyer's budget for its activities.

The cost of the service to ensure an increase in the share of electricity production from alternative sources is calculated by the Guaranteed Buyer in accordance with the procedure for purchasing electricity produced from alternative energy sources by the Guaranteed Buyer approved by the Resolution of NEURC dated 26 April 2019 No.641. The amount of cost of the service to ensure an increase in the share of electricity production from alternative energy sources is approved by the NEURC.

The Group fulfills financial obligations to cover reasonable expenses of the Guaranteed Buyer for the performance of public service obligation for the purchase of electricity at the "green" tariff and at the auction price at the expense of the tariff for electricity transmission services.

According to paragraph 9.1 of Section XVII "Final and Transitional Provisions" of the Law until 1 July 2023, the cost of a service to ensure an increase in the share of electricity production from alternative sources, which is provided by the guaranteed buyer, is determined taking into account the difference between income and expenses that arose during the performance of the guaranteed buyer's public service obligation assigned by the Cabinet of Ministers of Ukraine to ensure public interests (except for public service obligation to ensure an increase in the share of electricity production from alternative energy sources), in accordance with the Law.

Among such other public service obligations to ensure the public interests assigned to the guaranteed buyer are public service obligation to provide services to ensure the availability of electricity for domestic consumers (hereinafter – the "PSO for population"), defined by Regulation on the imposition of special obligations on market participants to ensure the public interest in the functioning of the electricity market, approved by the Resolution of the Cabinet of Ministers of Ukraine dated 5 June 2019 No.483 (hereinafter – the "CMU No.483").

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. According to the new PSO financial model:

- From 1 October 2021 to at least 30 April 2022, household consumers (population) will pay universal service providers (USP) UAH 1.44 per kWh with VAT, if their monthly consumption does not exceed 250 kWh. (including). Tariff for consumers who consume more than 250 kWh per month remains at the previous level - 1.68 UAH per kWh with VAT for the entire volume of consumption.

- USPs should buy electricity for supply to household consumers in organized market segments at market prices.
- SE "Guaranteed Buyer" will compensate USPs for the difference between the market price of electricity and the fixed price for household consumers at the expense of funds received from SE "NAEC "Energoatom" and PJSC "Ukrhydroenergo".

During 2022-2023, the Cabinet of Ministers of Ukraine extended the validity of this PSO mechanism several times.

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 16 March 2022, the Resolution of the Cabinet of Ministers of Ukraine No.299 amended CMU No.483 according to which the Group, as a transmission system operator, was imposed by special obligation to purchase a service to ensure the operation of the "last resort" supplier. By the order of the Cabinet of Ministers of Ukraine dated 12 December 2018 No.1023-r (as amended on 25 November 2022 No.1061-r) the "last resort" supplier for the period from 1 January 2019 to 31 December 2024 is determined SE "Ukrinterenergo".

The cost of the service to ensure the operation of the "last resort" supplier is calculated as 1/12 of the annual costs required SE "Ukrinterenergo" for its operational activities to perform the function of "last resort" supplier, estimated by the NEURC and formed in accordance with the financial plan for financial year.

Other legislative changes in the electricity market

Implementation of the REMIT regulation in Ukraine

In accordance with the Protocol on the Accession of Ukraine to the Treaty on the Establishment of the Energy Community dated 15 December 2010, Ukraine assumed international obligations regarding the implementation into national legislation of the Regulation (EU) No. 1227/2011 dated 25 October 2011 on wholesale energy market integrity and transparency (Regulation on Wholesale Energy Market Integrity and Transparency - hereinafter "REMIT").

With the aim of fulfilling European integration obligations, on 10 June 2023 Parliament adopted the Law of Ukraine "On Amendments to Certain Laws of Ukraine on Prevention of Abuse in Wholesale Energy Markets" №3141-IX (hereinafter - the "Law on REMIT").

The Law on REMIT sets out a number of key elements to improve transparency in wholesale energy markets, namely:

- introduction of anti-abuse tools on wholesale energy markets;
- establishment of prohibition of manipulations;
- determination of requirements for disclosure of insider information by market participants;
- obligation of companies that organize trade operations to report suspicious operations;
- strengthening the powers of the NEURC to conduct investigations of abuses and establish tough sanctions for manipulation in the energy markets, as well as for trading based on insider information.

The introduced Law on REMIT will contribute to the fulfillment of obligations to bring Ukraine's energy legislation closer to European legislation, increase the level of integration of the energy markets of Ukraine and the EU, and deepen the trust of foreign participants in the Ukrainian energy markets.

Legislative changes for the "green" transformation of the energy system of Ukraine

On 30 June 2023, the Verkhovna Rada of Ukraine adopted Law of Ukraine No. 3220-IX "On Amendments to Certain Laws of Ukraine Regarding the Restoration and "Green" Transformation of the Energy System of Ukraine" (hereinafter – "Law No. 3220-IX"), which provides for comprehensive changes in the functioning of the electric energy market, solving existing problems on the market and implementing tools of the European electric energy market.

As a result of the adopted Law No. 3220-IX, it is expected that changes aimed at solving problematic issues in the RES sector will have a positive effect on the industry, namely: improvement of the calculation of imbalances and the share of their compensation in the balancing group of the Guaranteed buyer, as well as the continuation of the possibility completion of RES projects started prior to 24 February 2022.

Prices on segments of the electric energy market

On 27 June 2023, the NEURC adopted the Resolution "On establishing limit prices on the day-ahead market, intraday market, and balancing market," which established three levels of price caps for time slots during the day from 30 June 2023:

- For nighttime hours, from 00:00 a.m. to 7:00 a.m. and from 11:00 p.m. to 00:00 a.m., the upper limit of the price of electricity for business increased by 50% from 2,000 to 3,000 UAH/MWh.
- For daytime hours, from 7:00 a.m. to 7:00 p.m., a 40% increase from 4,000 to 5,600 UAH/MWh.
- For the evening peak of electricity consumption, from 7:00 p.m. to 11:00 p.m., an increase of 80% to 7,200 UAH/MWh.

Until 30 June 2023, the maximum prices on the electricity market, which were established in February 2022, were in effect on the market - a maximum price cap of UAH 2,000/MWh for hours of minimum load and UAH 4,000/MWh for hours of maximum load.

On 9 November 2023, by the NEURC Resolution No. 2099 dated 30 November 2023 the levels of price caps for time slots during the day were changed:

- From 00:00 to 7:00 and from 23:00 to 00:00 – UAH 3,000/MWh.
- From 07:00 to 08:00 and from 11:00 to 17:00 – UAH 5,600/MWh.
- From 08:00 to 11:00 - UAH 6,900/MWh.
- From 17:00 to 23:00 – 7,500 UAH/MWh.

The increase in price caps on the electricity market in Ukraine is intended to reduce the regulatory impact on pricing in the market, increase liquidity, improve the economics of importing electricity, and potentially reduce the cost of the service by ensuring an increase in the share of electricity production from alternative sources by reducing the difference between the market price for electricity and the "green" tariff.

Export/import of electricity from ENTSO-E

Massive missile attacks on the energy infrastructure of Ukraine in October 2022 forced Ukraine to suspend electricity exports from 11 October 2022 in order to stabilize its own energy system.

In order to cover the shortage of electrical energy that arose in the energy system of Ukraine due to significant damage to the infrastructure as a result of Russian missile attacks, the Cabinet of Ministers of Ukraine by Resolution No. 1 dated 3 January 2023 approved the Regulation on the peculiarities of the import of electrical energy during the autumn-winter period of 2022/23 in the conditions of the legal regime of martial law in Ukraine. On 1 January 2023, Ukraine began importing electricity from the EU.

From 29 March 2023, a new agreement on multilateral emergency assistance to the Group from ENTSO-E in the event of significant disruptions in electricity production or transmission will enter into force. The new voluntary agreement allows the Group to request multilateral emergency assistance from the relevant TSOs of continental Europe ENTSO-E in the event of serious problems in the production or transmission of electricity, or in the event of sudden significant imbalances between production and consumption in Ukraine. Although emergency assistance under this Agreement does not provide ongoing support, it allows the Group to request assistance in unforeseen situations, such as attacks on the Group's energy infrastructure.

On 28 November 2023, ENTSO-E announced the successful completion of the synchronization of the Ukrainian and European energy systems. From 1 December 2023, the import capacity from continental Europe to Ukraine and Moldova is 1,700 MW. From 1 March 2024, the export capacity from Ukraine and Moldova to the continental one is 550 MW.

On 17 June 2022, a multilateral meeting was held with the participation of transmission system operators (TSOs) of Ukraine, Slovakia, Hungary and Romania. Within the framework of this meeting, the TSOs of Ukraine, Slovakia and Hungary agreed to implement a joint coordinated allocation of interstate network capacity at the Ukrainian borders on the basis of the Joint Allocation Office (JAO) electronic auction platform. Later, the TSO of Poland has also joined this decision.

As well, within the framework of this meeting, the TSOs of Ukraine and Romania agreed to introduce a joint coordinated distribution of the capacity of interstate networks on the Ukrainian-Romanian border on the basis of the electronic auction platform of NPC Ukrenergo. Subsequently, the TSO of Moldova has also joined this decision.

Dates of the launch of joint auctions on the electronic auction platform of NPC Ukrenergo:

- for the Ukraine-Romania border – 2 November 2023;
- for the Ukraine-Moldova border – 1 March 2024.

Dates of the launch of joint auctions on the European distribution platform JAO:

- for the Ukraine-Poland border (interstate crossing of KhNPP (Ukraine) – Rzeszów (Poland)) – 16 January 2024;
- for the Ukraine-Hungary border – 22 February 2024;
- for the Ukraine-Slovakia border – 4 March 2024.

One-sided distribution is applied for the Ukraine-Poland interstate direction (Dobrotvir-Zamość).

It is worth noting that the synchronization of the energy system of Ukraine with the power grid of continental Europe ENTSO-E significantly increases the reliability of the energy system of Ukraine due to the ability to receive timely help from Europe in case of emergency shutdowns of power plants, import European electricity and reduce the number of disconnected consumers. And if necessary and if there is a surplus of generating capacity, Ukraine can provide emergency assistance to European energy systems and export electricity.

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 2022-2023, 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 September 2022 to March 2023, for more than six months in a row, the russians targeted the Group's key high-voltage substations, as well as the country's main power plants.

Attacks resulted in damage of power plants and substations and, as a result, to a temporary power shortage in the power system and network restrictions. To ensure a balance between the consumption and production of electricity in the IPS of Ukraine, sometimes it was forced to apply schedules of manual reduction of consumption and schedules of emergency shutdowns.

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. Businesses were 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.

For the power system, the heating season 2023/2024 was less difficult than the winter of 2022/2023. Thanks to denser air defense and built physical protection, the russians were not able to cause such damages to the energy infrastructure as they did last year. And where enemy attacks did cause damage, power engineers relied on last years' experience in restoring networks and on a mobile emergency stock of equipment, which the Group has started to create with the help of international partners back in 2022.

However, toward the end of the 2023/2024 heating season, the russians have changed their tactics of attacks. Instead of mass missile strikes, they started to execute more precise and intensive drone attacks on specific energy targets. From 22 March 2024, Russia began a new stage of attacks on the energy infrastructure of Ukraine using combined arms. These attacks target various regions of Ukraine, including thermal and hydroelectric power plants, as well as major substations operated by the Group. The aim of these attacks is to cause a disruption in the country's energy system. Particularly risky are the periods of summer heat and the next heating season.

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.

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 31 December 2023 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. In 2023, repair and maintenance costs increased by 88% compared to 2022. 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 shortages 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.
- 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. According to the assessment of the Ministry of Energy of Ukraine, such humanitarian assistance amounted to 14 thousand tons as of February 2024. The corresponding equipment is distributed among Ukrainian energy companies according to necessity and criticality. In turn, in 2023, the Group received equipment and funding on a grant basis for the restoration of the energy system amounted UAH 4,325,562 thousand (2022: UAH 269,048 thousand). 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 2022-2023, 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 1,100 million in 2022-2023. About EUR 600 million from that amount were directed to the purchase of equipment for the restoration and modernization of the power system (Notes 16 and 18).
- 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 2023 compared to 2022 increased by UAH 0.7 billion, or by 1% (from UAH 82.3 billion to UAH 83.0 billion).

Revenue from services that are subject to tariff regulation increased by UAH 11.2 billion, or by 24%. Such increase is explained by increase of tariffs in 2023 compared to 2022: (i) for electricity transmission services from 345.64 UAH/MWh to weighted average for the period - 445.18 UAH/MWh, or by 29%; and (ii) for dispatch (operational and technological) control services from 62.13 UAH/MWh to weighted average for the period - 85.06 UAH/MWh, or by 37%. At the same time electricity transmission volume decreased by 5%.

Revenue on granting access to the transmission capacity of interstate power networks decreased in 2023 compared to 2022 by UAH 5.9 billion, or by 98%. This is explained by Ukraine's suspension of electricity exports from 11 October 2022 to 11 April 2023 as a result of massive missile attacks on energy infrastructure in order to stabilize its own energy system. In addition, during 2023 Ukraine and transmission system operators of neighboring countries settled the question of implementation of joint auctions for the distribution of transmission capacity. However, the constant shelling of Ukraine's energy infrastructure in 2023 and at the beginning of 2024 significantly affect the availability of sufficient generating capacity, which signiciantly affect volumes of electricity export.

Also, in 2023, compared to 2022, the revenue on electricity sales on the balancing market decreased by UAH 3.7 billion, or by 15%. Symmetrically, the costs on procurement of electricity on the balancing market decreased by UAH 3.6 billion, or by 16%. Such changes in this segment of the electricity market are explained by a general decrease in the volume of electricity sales on the balancing market.

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, which also resulted in significant increase of gross accounts receivables to the Group during 2023 by UAH 19.8 billion, or by 41% (from UAH 48.2 billion to UAH 67.9 billion).

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 in 2023. As a result, during 2023 the Group accrued expected credit losses on trade accounts receivable in the amount of UAH 3.7 billion (Note 9).

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

Simultaneously with the increase in trade accounts receivable to the Group in 2023, the Group's trade accounts payable to market participants also increased. Its increase amounted to UAH 8.8 billion, or 19% (from UAH 47.3 billion to UAH 56.1 billion).

The main factors of such growth in trade accounts payable are the following:

- Increase in trade accounts payable for services to increase the share of electricity production from alternative sources (hereinafter – PSO RES) during 2023 by UAH 17.3 billion, or by 115% as a result of the reduction of the Group's payments in favor of SE "Guaranteed Buyer". The increase of debt for these services is explained primarily by a significant increase in the costs of their purchase during 2023, by approximately UAH 9.6 billion, or by 61% compared to previous year, and decrease in the level of payments by the Group due to a decrease in the receipt of payments for electricity transmission services and the transfer of working capital to repairs and restoration of equipment after missile attacks, preparation for the heating season and covering other critical expenditure items.

  The reasons for the increase in costs for the purchase of PSO RES are an increase in the volume of electricity production from RES by approximately 13% and an increase in the weighted average "green" tariff by 30%. At the same time, the sale price of such electricity on the market by SE "Guaranteed Buyer" increased by approximately 24%. An additional important component of the increase in costs for the purchase of PSO RES is the absence in 2023 of compensation for imbalances by RES producers within the balancing group of the guaranteed buyer, which in 2022 amounted to about UAH 9.6 billion and reduced the cost of PSO RES. On 8 September 2022, the decision of the Supreme Court to recognize as illegal and invalid the formula for calculating the imbalances of the balancing group of the guaranteed buyer, which was applied starting from January 2021, entered into force. The non-resolution of this issue is the reason why the Group has not signed the acts of acceptance starting from September 2022.

  On 24 January 2024, the NEURC adopted Resolution No. 178 "On Amendments to Certain Resolutions of the NEURC", which approved fundamental changes to the Procedure for the purchase by a guaranteed buyer of electricity produced from RES, approved by the NEURC Resolution No. 641 dated 26 April 2019. By this Resolution a new formula for calculating the value of imbalances was approved, which will be applied from 8 September 2022. The deadline for calculating imbalances for the period from 8 September 2022 to 26 January 2024 is 1 April 2024. This will allow to settle the issue of the signing of acts of acceptance between the Group and SE "Guaranteed Buyer" and the final settlements for them.
- Deterioration of counterparty settlements in the balancing market with the Group, which affects the Group's settlements with other market participants, as all payments in this market segment go through a separate special bank account of the Group and cannot be financed by revenues from other activities, if it is not provided by other regulations. These trade payables increased in 2023 by UAH 4.6 billion, or by 27% (from UAH 16.9 billion to UAH 21.5 billion).

The Group's trade accounts payable on the electricity market for other goods and services (auxiliary services, services to curtail RES production, electricity from cross-border flows) decreased in 2023 by UAH 12.9 billion, or by 92%, due to the high level of payments by the Group for critically important costs that ensure the stability and security of the energy system of Ukraine.

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.

In such difficult conditions on the electricity market and to solve the settlement crisis, preparation for the heating season and, including, repayment of mutual debts between the Group and market participants, several mechanisms were implemented:

- On 30 June 2023, the Verkhovna Rada of Ukraine adopted Law of Ukraine No. 3220-IX "On Amendments to Certain Laws of Ukraine Regarding the Restoration and "Green" Transformation of the Energy System of Ukraine" (hereinafter – "Law No. 3220-IX"), which provides for comprehensive changes in functioning of the electricity market, solving existing problems on the market and implementing tools of the European electric energy market:
  - The law singles out the agreement on participation in the balancing group (hereinafter – "BG") of the guaranteed buyer, the standard form of which must be approved by the Regulator, and which regulates the issue of determining the share of imbalances that are reimbursed by RES producers within the BG of the guaranteed buyer. These changes,

introduced by Law No. 3220-IX, apply to relationships that have arisen since 8 September 2022, when the decision of the Supreme Court to recognize as illegal and invalid the formula for calculating the BG imbalances of the guaranteed buyer, which was applied starting from January 2021, entered into force.

- Law No. 3220-IX refers to the powers of the Cabinet of Ministers of Ukraine to approve the principles of the trade policy of the guaranteed buyer, which, according to expectations, can increase the profitability of this market participant and his settlements for the "green" tariff.
- Law No. 3220-IX clarifies the tariff formation mechanism for electricity transmission services, which is the main source of funds for calculations according to the "green" tariff. Thus, the possibility of financial support from the state budget for payments under the "green" tariff is provided for by legislation in 2020, was taken into account when setting the tariff for the electricity transmission services, but in fact it was never implemented, which also affected the insufficient level of the tariff for further calculations for "green" tariff. Therefore, Law No. 3220-IX provides for the Regulator to take into account financial support from the state budget when setting the electricity transmission tariff only in the case of actual receipt of such support by relevant market participants, which should improve the situation with tariff formation for the electricity transmission services and settlements for the "green" tariff.

As noted above, on 24 January 2024, the regulator adopted one of the regulatory acts provided for by Law No. 3220-IX - Resolution No. 178 "On Amendments to Certain Resolutions of the NEURC", which approved fundamental changes to the basic regulatory act for renewable energy producers – The procedure for the purchase by a guaranteed buyer of electric energy produced from RES, approved by the Resolution of the NEURC No. 641 dated 26 April 2019.

- With the aim of fulfilling European integration obligations, on 10 June 2023, the Verkhovna Rada of Ukraine adopted Law of Ukraine No. 3141-IX "On Amendments to Certain Laws of Ukraine on Prevention of Abuse in Wholesale Energy Markets" (hereinafter - the "Law on REMIT"). The Law on REMIT sets out a number of key elements to improve transparency in wholesale energy markets. The introduced Law on REMIT will contribute to the fulfillment of obligations to bring Ukraine's energy legislation closer to European legislation, increase the level of integration of the energy markets of Ukraine and the EU, and deepen the trust of foreign participants in the Ukrainian energy markets.

Loans and borrowings

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

- During 2023 and until the date of approval of these 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 2,957,612 thousand and UAH 2,308,716 thousand, respectively.
- During 2023 and until the date of approval of these consolidated financial statements, the Group partially repaid the principal of loans from state-owned banks in the amount of UAH 201,558 thousand. At the same time, interest payments on these loans were made in full and amounted to UAH 3,038,857 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 2023-2024, 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 (Note 16).
- In December 2022, the Group and the EBRD signed a loan agreement No. 54138 for the Project for Emergency Rehabilitation of the Electricity Transmission Network in the amount of EUR 300 million. Part of the loan funds in the amount of EUR 150 million will be directed to the purchase of equipment that is urgently needed for substations that have suffered massive rocket attacks. Remaining EUR 150 million should be used to replenish the working capital of the Group, in particular, to fulfill its financial obligations in the electricity market in terms of non-payments that arose in the market due to military aggression. This amount of EUR 150 million, after deducting a commission of EUR 1.5 million, was received in 2023 and used to repay the Group's payables to market participants for auxiliary services and services to curtail RES production.

- In December 2022, the Group and the Bank Kreditanstalt für Wiederaufbau (Germany) signed the loan agreement BMZ-No. 2016.6520.7 in the amount of EUR 32.5 million under the project "Improving the efficiency of electricity transmission (Modernization of substations) II".
- In December 2023, the Group and KfW entered into a long-term credit agreement No. BMZ-No. 2019.6512.8 in the amount of EUR 24 million to finance the restoration of the Group's substation in the western region of Ukraine, whose energy infrastructure was severely damaged by the military aggression of the Russian Federation. Combined with other recovery measures, this will contribute to the expansion of the export and import of electricity from the UES of Ukraine to Europe, as well as its full synchronous work with ENTSO-E.
- 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.
- During 2022-2023, the Group concluded a number of grant agreements for a total amount of about EUR 350 million in order to attract additional financial resources for the rapid reconstruction of the network and the stability of the power system (Note 18).
- 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 34). 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 16, as of 31 December 2023, 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 31 December 2023 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 April 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 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. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Adoption of new and revised standards

The Group has adopted such standards and interpretations for the first time beginning or after 1 January 2023:

- IFRS 17 *Insurance Contracts*;
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates;
- Amendments to IAS 1 *Presentation of Financial Statements*: Disclosure of Accounting Policies;
- Amendments to IAS 12 *Income taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- *International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12 Income taxes)*.

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

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Standards and Interpretations issued but not yet effective

As at the date of approval of these consolidated financial statements for issue, such standards and interpretations that have not been applied by the Group, as well as amendments to the standards, have been issued but have not yet entered into force:

Standards/Interpretations	Become effective for annual accounting periods beginning on or after
Amendments to IAS 1 *Presentation of Financial Statements*: Classification of Liabilities as Current and Non-current	1 January 2024
Amendments to IFRS 16 *Leases*: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*: Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*: Lack of Exchangeability	1 January 2025
IFRS 18 *Presentation and Disclosure in Financial Statements*	1 January 2027

Management expects that the application of the new standards and interpretations will not have material impact on the Group's consolidated financial statements in future periods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements are the Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards (hereinafter – the "IFRS") and subject to the requirements of current legislation regarding the formation and presentation of consolidated financial statements.

In accordance with p.5 Article 12-1 of the Law of Ukraine on Accounting and Reporting in Ukraine, all mandatory IFRS reporters should prepare and submit their financial statements based on the taxonomy of financial statements under IFRS in a single electronic format (referred to as "iXBRL"). As of the date of issuing these consolidated financial statements, the 2023 UA XBRL IFRS taxonomy has not been published yet and the process for submitting 2023 financial statements in the single electronic format has not been initiated yet by the National Securities and Stock Market Commission. Management of the Group is planning to prepare the iXBRL report and submit it during 2024.

Basis for preparation of the consolidated financial statements

These consolidated financial statements of the Group were prepared on the basis of the historical value principle, with the exception of items of property, plant and equipment that are measured at revalued cost as explained in the accounting policies below.

Historical value is usually determined based on the fair value of consideration paid in exchange for goods and services.

Fair value is defined as the price that will be obtained as a result of the sale of an asset or paid as a result of the transfer of a liability in a regular transaction between market participants at the measurement date, regardless of whether this price is subject to direct observation or measurement using another valuation methodology. When measuring the fair value of an asset or a liability, the Group takes into account the characteristics of the relevant asset or liability, as if market participants took these characteristics into account when determining the price of the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on the following basis, with the exception of share-based payment transactions that fall within the scope of IFRS 2 *Share-based Payment*, leases that fall within the scope of IFRS 16 *Leases*, and measurements that are quite similar to the fair value but are not fair value, such as net realizable value under IAS 2 *Inventories* or value in use under IAS 36 *Impairment of Assets*.

In addition, for the purposes of the consolidated financial statements, fair value measurements are categorized at Levels 1, 2, or 3, depending on the extent to which the inputs used for fair value measurements are observable and the importance of such inputs for the overall fair value measurement, which can be set out as follows:

- Level 1 inputs represent quotation prices (unadjusted) in active markets for identical assets or liabilities available to the entity at the measurement date;
- Level 2 inputs represent input data (other than the quote prices assigned to Level 1) that can be observed for an asset or a liability, directly or indirectly; and
- Level 3 inputs represent inputs for an asset or a liability that are not observable.

These policies have been consistently applied to all presented periods, unless otherwise stated.

Basis for consolidation

Subsidiaries are companies under the Group's control. Control is achieved when the Group has the power over an investee, is exposed to risks, or has rights over variable performance of the investee; and has the ability to use its power over the investee to influence its operating results. Subsidiaries are consolidated from the date when control passes to the Group (on the date of acquisition or establishment), and stop consolidating from the date when control is lost.

Intragroup transactions, transaction balances and unrealized gains or losses from such transactions are eliminated in full during consolidation. If necessary, the accounting policies of subsidiaries are amended to ensure their compliance with the policy adopted by the Group.

The Group reassesses the presence or absence of control if the facts or circumstances indicate a change in one or more of the above controls.

If the Group has an overwhelming majority of voting rights in the investee, it continues to assess whether these voting rights are sufficient to ensure its practical ability to manage significant activities alone and whether the Group's voting rights are sufficient to grant it authority over the investee.

The Group takes into account all relevant facts and circumstances when assessing whether the Group's voting rights in the investee are sufficient to grant it power over it, including:

- the size of the package of votes held by the Group in comparison with the size and degree of dispersion of packages of other voting rights holders;
- potential voting rights held by the Group, other holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Group has or does not have the ability to manage significant activities during the period when a decision needs to be made, including the order of distribution of votes during voting at the previous shareholders' meeting.

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").

The presentation currency of these 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.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Foreign currency transactions

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

Currency	As of 31 December 2023	Average currency exchange rate for 2023	As of 31 December 2022	Average currency exchange rate for 2022
UAH / US Dollar	37.98	36.58	36.57	32.37
UAH / Euro	42.21	39.56	38.95	34.00

Segment reporting

The operating segments presented in these 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. Segments whose income, results of operations or assets represent ten percent or more of the results of all segments are shown separately. Segments whose results do not exceed this threshold may be shown separately at the discretion of management.

The Group does not provide information on the assets and liabilities of segments, as the Group's management does not review such information for decision making.

Revenue recognition

The Group generates revenues on varied types of activities, the primary of which include electricity transmission and dispatch (operational and technological) control services, services of granting access to the transmission capacity of interstate power networks, sale of electricity during cross-border flows. Due to implementation of new electricity market in Ukraine, the Group started to participate in the balancing market and to purchase and sell balancing electricity and electricity to settle imbalances.

The Group's clients are electricity producers, traders, suppliers, distribution system operators, and other electricity market participants that pay the Group for transferred services related to the use of the Group's electricity transmission system.

The Group recognizes revenue in an amount that reflects the amount of consideration to which the Group is expected to be entitled in exchange for these services under the contracts. Such consideration does not include trade discounts and value-added tax ("VAT"). The Group uses a five-step model to recognize revenue:

- identifying a contract with customer;
- identifying of performance obligations in the contract;
- determining the transaction price;
- distribution of the transaction price by performance obligations in contracts;

- recognition of sales revenue when (or as) the Group satisfies its performance obligations.

The Group recognizes revenue when (or as) the performance obligation is satisfied, i.e., when control over the goods or services that accompany the fulfillment of specific obligations has been transferred to the customer.

The Group recognizes revenue from the following types of activities as services for sale of goods are provided. In addition, the Group recognizes its obligations as a series of separate services and goods that are in substance the same and are transferred to the customer on the same principle:

- Revenue from electricity transmission and dispatch (operational and technological) control services;
- Revenue from the sale of electricity on the balancing market;
- Revenue for services on granting access to the transmission capacity of interstate power networks;
- Revenue from the sale of electricity during cross-border flows.

The Group uses practical expedient for the above revenue since the Group is entitled to consideration from the customer in an amount that directly corresponds to the value of the obligation for the client performed by the Group, and therefore revenue from ordinary activities is recognized in the amount for which the Group is entitled to issue an invoice.

Revenue from electricity transmission and dispatch (operational and technological) control services

Revenue from electricity transmission (transportation of electricity from places of generation to places of distribution and consumption) is defined as (i) the sum of the product of volume of transmission (consumption), including the export of electricity and the tariff for electricity transmission services; and (ii) the product of the sum of the volume of transmission (consumption) of electricity, including the export of electricity, the volume of released electricity by producers of electricity, the volume of import of electricity and the tariff for dispatch (operational and technological) control services.

Electricity transmission and dispatch (operational and technological) control services are evaluated according to the transmitted units of electricity and do not depend on the transmission distance, do not contain discounts according to the amount of transmitted electricity, and do not depend on other contracts and services of the Group. Control over the rendered services is transferred as the Group fulfills its obligations, because buyers simultaneously receive and consume benefits from fulfilling the Group's obligations.

Tariffs for electricity transmission and dispatch (operational and technological) control services are approved by the NEURC. Separate contracts are concluded with each participant of the electricity market for the provision of electricity transmission and dispatch (operational and technological) control services.

Payments for the rendered services of electricity transmission and dispatch (operational and technological) control services are made on the terms of advance payments before the delivery date, with the corresponding balance payment immediately after the fulfillment of the obligation and issuing the final invoice.

As described in Note 2, the Group should fulfill public service obligation to ensure the public interest in increasing the share of energy production from alternative sources, which concerns consideration to producers of electricity from renewable sources of the difference between the "green" tariff determined by legislation and the sale price of this electricity on the market. This obligation is included in the tariff for electricity transmission services. The Group recognizes revenue from ordinary activities for such consideration since there is no direct obligation to transfer a portion of the proceeds to third parties from the amount of funds received for electricity transmission services.

Revenue from the sale of electricity on the balancing market

The Group ensures the sufficiency of the volumes of electric capacity and electricity required for real-time balancing, in particular the commercial balance, for which it purchases and sells electricity to balance the volumes of supply and demand of electricity within the current day and in order to resolve the imbalances of electricity of the parties responsible for the balance in the balancing market. The cost of electricity imbalances for the party responsible for the balance is calculated by the Group for each hour of the day based on the volume of electricity imbalances caused by this party and the prices of electricity imbalances determined according to Market Rules. Payments are made on 10-day payment basis immediately after the obligation is fulfilled and invoices are issued.

The Group reflects income and expenses from the purchase/sale of balancing electricity and electricity to settle imbalances on gross basis, as it considers itself acting as a principal in the sale of electricity on the balancing market. According to the legislation, the Group is ultimately responsible for maintaining the balance in the system.

Revenue for services on granting access to the transmission capacity of interstate power networks

Distribution of the free transmission capacity of interstate power networks is carried out by the Group according to the procedure of electronic auctions using electronic document management and electronic digital signature. Electricity suppliers get access to the transmission capacity of interstate power networks based on the results of annual, monthly and daily auctions.

If the total demand for the transmission capacity of interstate power networks is lower than the free transmission capacity of interstate power networks, the access service is provided free of charge to all auction participants. Otherwise, the access service is provided on the principle of priority satisfaction of bids from auction participants who offer the highest price. In this case, the price of access to capacity in the corresponding direction is determined at the minimum price from the satisfied bids of auction participants. Revenue from providing services on granting access to the transmission capacity of interstate power networks is determined based on the price set at the auction, the amount of distributed capacity, and the period for granting such access.

Payments for services on granting access to the transmission capacity of interstate power networks are made on the terms of advance payment within 30 days before the delivery date for annual and monthly auctions, and for daily auctions - payment within 30 days from the date of fulfillment of the obligation according to the invoices issued.

Revenue from the sale of electricity during cross-border flows

As a result of the complete synchronization of the energy system of Ukraine with the energy grid of continental Europe ENTSO-E and a significant increase in the commercial export of electricity to Europe in 2022, the Group joined the inter-transmission system operator compensation mechanism (ITC) designated by the EU regulation No 838/2010, in which transmission system operators of over 30 countries participate. The mechanism works under the principle that a transmission system operator of a country compensates, through the ITC fund, the other transmission network operators for additional expenses caused by cross-border energy flows in case if that country has exported or imported electricity during the reporting period, and a transmission system operator receives compensation from the fund if a transit flow caused by market participants of other countries has crossed the country. Such accounting is kept by specifically authorised administrators in Switzerland, who submit to the members of the mechanism the data in the form of amounts to be paid or credited each month.

The Group recognizes revenue from the sale of electricity during cross-border flows as goods are provided. The Group reflects income and expenses from the purchase/sale of electricity during cross-border flows on gross basis, as it considers itself acting as a principal in the sale of electricity.

Revenue for services of connection to electricity transmission system

When connecting electrical installations to electricity transmission system, customers must pay the connection fee based on the actual construction costs of the infrastructure required to connect to the network. Agreements on connection are qualified as contracts with customers in accordance with IFRS 15 *Revenue from Contracts with Customers*.

Revenue from such services is recognized as the services are rendered. Thus, revenue from agreements on connection is recognized in profit or loss on a straight-line basis over the period of use of the network connection by the customer. This solution corresponds to the economic essence of operations: it is reasonable to recognize revenue from connection services during the period of use of the connection. In addition, the service provided to the customer does not consist in the connection itself, but in its use: the client simultaneously receives and consumes its right to use the connection provided by the Group.

As such, the connection service provided for in the contract is provided to the client continuously, and not on a specific date, and this is the reason why revenue from connection services should be gradually recognized during the period of use of the network connection.

The Group receives a full prepayment for the services provided. Such payments from customers for connection services are reflected in the consolidated statement of financial position as special purpose funding and deferred income. The Group expects that income from assets received for liabilities that have not been fulfilled will be recognized during the term of the Group's liabilities for connected users. The estimated time frame is approximately 20-30 years.

The Group does not disclose the expected terms of performance of obligations that remained unfulfilled as of the reporting date, because for all obligations under agreement, except for connection services, a practical expedient is used that enables to recognize income in the amount that directly corresponds to the value of the obligation for the customer, fulfilled by the Group at the end of the period.

Expense recognition

Expenditures are recognized as expenses of a certain period simultaneously with the recognition of related revenues. Expenditures that cannot be directly related to the revenues of a certain period are included into the expenses of the period in which they have been incurred.

Finance income and costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific loans pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Finance income comprises interest income on the funds invested, income on interest on deposit and current accounts. Finance income is recognized as it is accrued, taking into account the effective yield on the asset.

Grants and assets received free of charge

Grants, assets received free of charge, humanitarian aid, international technical assistance similar funding, which are mainly represented by funding for capital expenditures to construct, modernize, restore or reconstruct certain assets, received from the state, governmental institutions, companies or other organizations, are recognized as special purpose funding (long-term) and deferred income (short-term) in the consolidated statement of financial position, when there is sufficient assurance that the Group will meet the conditions for granting government grants and similar financing, and they will be received.

Such grants and assets received free of charge are recorded in the consolidated statement of financial position at the cost of funds received; if the financing is received in the form of a transfer of a non-monetary asset, it is recognized at its fair value. Income from receiving of such grants and assets received free of charge are transferred to profit or loss on a systematic and rational basis over the useful life of the respective assets or fulfillment of specified conditions.

Grants and assets received free of charge in the form of humanitarian, international technical and other assistance, provided to the Group as immediate financial support for eliminating the consequences of enemy shelling and destruction of energy infrastructure facilities and maintaining the Integrated Power System of Ukraine in a functioning state, are recognized as income in profit or loss when the corresponding asset is put into operation.

Regulatory assets and regulatory liabilities

A description of critical accounting judgment regarding the impact of tariff regulation on the Group is described in Note 5.

The Group that (i) is subject to tariff regulation; (ii) which tariff (price) that the Group may charge for goods or services supplied to its customers is set by the regulator; (iii) has the enforceable right to increase / (obligation to decrease) the tariff for future periods by the difference between the economically justified actual and planned (included in the tariff) costs of the reporting period, recognizes regulatory assets and regulatory liabilities in the financial statements.
The Group recognizes:

- regulatory asset: when the Group has the right to increase the tariff to be charged to customers in future periods by adding to it additional costs incurred in the reporting period that are not covered by the tariff for the reporting period; and
- regulatory liability: when the Group has a current obligation to reduce the tariff to be charged to customers in future periods by reducing it by the amount of costs not incurred in the reporting period but covered by the tariff for the reporting period.

Regulatory assets and liabilities are assessed regularly at the end of the reporting period. Changes in regulatory assets and regulatory liabilities result in regulatory income and expenses.

The recognition of regulatory assets, liabilities, income and expenses meets the definition, recognition criteria and measurement concepts for assets, liabilities, income and expenses set out in the *Conceptual Framework for Financial Reporting*.

The Group discloses the net changes in regulatory assets and liabilities in other operating income or other operating expenses, depending on the net value. Regulatory assets are disclosed in other current assets, and regulatory liabilities are disclosed in other current liabilities in the statement of financial position.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) resulted from circumstances, past events and it is probable that outflow of resources will be required to repay the obligation, and a reliable assessment of this obligation can be made.

The amount recognized as provision is the best estimate of the consideration required to repay the current liability at the end of the reporting period, taking into account all the risks and uncertainties inherent in this liability.

Expenses for any provision are presented in profit or loss, net of any consideration. If the impact of the time value of money is significant, the provision is discounted using the current pre-tax rate, which reflects, if appropriate, the risks characteristic of the corresponding liability. If discounting is used, the increase in the provision over time is recognized as finance costs.

Retirement benefit obligations

Defined contribution plan

The Group makes payments to the State Pension Fund of Ukraine based on the salary of each employee in the form of accrual and payment of a single social contribution. These amounts are included in the expenses of the period in which they were incurred.

Defined benefit plan

The Group is also obliged to compensate the State Pension Fund of Ukraine for the amount of additional pensions paid to certain categories of its current and former employees who worked in dangerous and/or harmful working conditions as defined by the legislation, and, accordingly, received the right to leave and receive a pension earlier than the age established by pension legislation.

In addition, in accordance with the collective agreement, the Group has a legal obligation to make payments of monetary incentives to employees in connection with anniversaries, regular remuneration to retired employees in the form of non-targeted material assistance, irregular material assistance to close relatives in connection with the death of a non-working pensioner and lump-sum payments at the end of employees' work (due to old-age retirement). These programs meet the definition and are included in defined benefit plans.

These defined benefit plans (hereinafter – the "Plans") do not have a financial fund or related assets to implement thereof. Expenses related to such plans are calculated in these consolidated financial statements using the projected unit credit method for employees who are eligible for such payments.

The Group's net liability for these plans is calculated by estimating the amount of future payments due to employees for services rendered in the current and previous periods. The payment amount is then discounted to determine the present value of the liability, which is reflected in the consolidated statement of financial position. The discount rate is estimated using the actual yield of corporate or government securities that have a high rating and the same maturity as the corresponding pension liability.

The categories of expenses under a defined benefit pension plan are presented as follows:

- cost of current services (including the cost of current and past services, as well as gains or losses from pension plan curtailments and settlements);
- net interest expenses; and
- revaluation.

The Group reflects the cost of current services as part of gains and losses of the period in which they arise. Net interest expenses are recorded as part of finance costs of the period in which they arise. Revaluation, which includes actuarial gains and losses, is reflected directly in the consolidated statement of financial position with the recognition of the corresponding gain or loss as part of other comprehensive income of the period in which they arise. Revaluation recognized as part of other comprehensive income is reflected directly as part of retained earnings and will not change its classification for profit or loss in subsequent reporting periods.

Income tax

Annual income tax expenses include current tax and deferred tax.

Current tax

The tax payable in the current period is calculated based on the amount of taxable profit for the year. Taxable profit differs from the profit or loss reflected in the consolidated profit or loss and other comprehensive income statement as it does not include items of income or expenses that are taxable or that relate to expenses for tax purposes in other years, and also because it does not include items that will never be taxable or that will never relate to expenses for tax purposes.

The Group's current income tax liabilities are calculated using the current tax rates as of the end of the reporting period.

Deferred tax

Deferred tax is recognized in relation to temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used to calculate taxable profits using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all temporary differences that relate to expenses that are taken into account for determining the object of taxation to the extent that it is probable to obtain taxable profits at the expense of which these temporary differences can be realized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is not probable to obtain sufficient taxable profit that will allow full or partial recovery of the amount of this asset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the asset will be realized or the liability will be repaid, based on the tax legislation in force at the end of the reporting period. The assessment of deferred tax liabilities and assets reflects the tax consequences that may arise as a result of the Group's use of a particular method at the end of the reporting period to recover or repay the book value of its assets and liabilities.

Current income tax and deferred income tax are recognized as expenses or income as part of profit or loss, except when they relate to items that are recorded directly as part of equity or other comprehensive income (in this case, taxes are also recognized directly as part of equity or other comprehensive income).

Property, plant and equipment

The Group uses a revaluation model for all groups of property, plant and equipment, with the exception of construction in progress carried at historical cost.

The fair value of property, plant and equipment determined based on the results of an appraisal performed by an external independent appraiser. The frequency of revaluations depends on materiality of changes in the fair value of the assets being measured. There Group uses the "net" approach of adjusting the carrying amount of an asset upon revaluation and eliminates accumulated depreciation against the carrying amount of the asset and then revalues the net carrying amount. Any increase in the carrying amounts resulting from revaluations are credited to revaluation reserve in equity through other comprehensive income. Decreases that offset previously recognised increases of the same asset are charged against revaluation reserve in equity through other comprehensive income; all other decreases are charged to profit or loss. To the extent that an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment loss is also recognised in profit or loss.

Subsequent additions of property, plant and equipment are recorded at historical cost. Cost of an item of property, plant and equipment includes (a) the purchase price, including non-recoverable import duties and acquisition taxes after deducting trade and other discounts; (b) any expenses directly related to the delivery of an item of property, plant and equipment to a location and bringing it into a condition ensuring its operation in accordance with the intentions of the Group's management; (c) an initial estimate of the costs of dismantling and removing the item of property, plant and equipment and restoring the area it occupies, the obligations for which the Group assumes either at the time of acquisition of this item, or as a result of its operation for a certain period of time for purposes not related to production activities during this period. The cost of internally created assets includes the cost of materials, direct labor costs, and the respective share of production overheads. The initial cost of qualified assets acquired and internally created includes capitalized borrowing costs.

Cost of property, plant and equipment received free of charge is equal to their fair value at the date of receipt, taking into account the costs included in the cost, as shown above.

Any increase in carrying value resulting from revaluations is reflected in revaluation surplus as part of equity through other comprehensive income. Reductions that offset previously recognized increases in the same asset are recorded as revaluation surplus of equity through other comprehensive income; all other reductions are included in profit or loss. To the extent that the impairment loss of the same impaired asset was previously recognized in profit or loss, the reversal of this impairment loss is also recognized in profit or loss.

Depreciation of property, plant and equipment is calculated for the purpose of writing off the historical (revalued) cost of PPE less their residual value during the useful life of the asset using the straight-line method.

The useful life of property, plant and equipment is determined by an expert method during its putting into operation. The useful life of property, plant and equipment is reviewed in the event of changes in the expected economic benefits from its use, as well as at the end of each reporting period. The useful lives of the groups of property, plant and equipment are presented as follows:

Transmission lines (OHL)	30-50 years
Buildings and structures	20-60 years
Plant and equipment	5-35 years
Vehicles and other	3-10 years

The residual value, useful lives, and depreciation method are reviewed at the end of each fiscal year. Impact of any changes compared to previous estimates is accounted for as a change in accounting estimates.

Construction in progress includes costs directly related to the construction of property, plant and equipment, taking into account the appropriately distributed direct variable overhead costs incurred during construction. Construction in progress is not depreciated. Depreciation of construction in progress, similar to other property, plant and equipment, begins when these assets are ready for operation, that is, when they are in the place and condition necessary for using for the purpose determined by the management. Construction in progress also includes prepayments for property, plant and equipment.

Property, plant and equipment are derecognized after the disposal or when future economic benefits from continuing use of the asset are no longer expected. Gains and losses from disposal, which are determined by comparing income with the carrying amount of property, plant and equipment, are recognized in profit or loss. After the sale or write-off of revalued assets, the amounts included in the revaluation reserve are transferred to retained earnings.

Intangible assets

Intangible assets include mainly software and right-of-use assets. The Group uses a cost model for all groups of intangible assets.

Intangible assets are recorded at their cost, less accumulated amortization and accumulated impairment losses, if any. Subsequent costs of intangible assets are capitalized only if they increase the future economic benefits embodied in the specific assets to which they relate. All other expenses are attributed to expenses in the period in which they were incurred.

Amortization is charged on a straight-line basis over their useful life, which is not expected to exceed a period of ten years.

The Group has the right to use the land on which its production facilities are located and pays a land tax, which is estimated annually based on the total area of land and its use according to the area to which it is assigned. Expenses for the acquisition and registration of land use rights are capitalized as intangible assets.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amount of its assets to determine whether there is any evidence that these assets have suffered an impairment loss. If such signs are present, the Group evaluates the recoverable amount of the relevant asset to determine the amount of impairment loss (if such impairment has occurred). If it is not possible to estimate the recoverable amount of an individual asset, the Group evaluates the recoverable amount of the cash-generating unit to which the asset belongs.

The estimated recoverable amount represents the higher of the fair value less costs to sell and the value in use. When assessing the value in use, the amount of expected future cash flows is discounted to their present value using the pre-tax discount rate, which reflects current market estimates of the time value of money and asset-specific risks for which future cash flow estimates have not been adjusted.

If, according to estimates, the recoverable amount of an asset (or a cash generating unit) is less than its carrying value, the carrying value of the asset (the cash generating unit) is reduced to the expected recoverable amount. Impairment losses are recognized directly in profit or loss.

In cases where the impairment loss is further reversed, the carrying amount of the asset (or the cash generating unit) is increased to a revised estimate of its recoverable amount, but in such a way that the increased carrying amount does not exceed the carrying amount that would be determined provided that there are no impairment losses of the asset (or the cash generating unit) recognized in previous years.

Leases

Group as a lessee

Determining whether a contract is a lease, or contains a lease is based on an assessment and analysis of the content of the agreement at the contract inception: the contract is, or contains a lease, if the contract transfers the right to control the use of an identified asset for a certain period of time in exchange for consideration.

At the lease commencement, the Group recognizes the right-of-use asset and the lease liability in relation to all leases, with the exception of short-term leases (with a lease term of 12 months or less) and leases under which the underlying asset is of low value. The Group recognizes such lease payments on the straight-line basis over the lease term.

At the lease commencement, the Group evaluates the right-of-use asset at its initial cost, consisting of:

- the amount of the initial measurement of the lease liability;
- lease payments made on or before the lease commencement, less incentive payments received for entering into a lease agreement;
- initial direct expenses incurred by the Group;
- estimate of the costs that will be incurred by the lessee during the dismantling process.

At the commencement date, the Group evaluates the lease liability at present value of rental payments discounted at the rate stipulated in the relevant agreement. If this rate is not determined by the terms of the agreement, the incremental borrowing rate of the lessee is used.

At the commencement date, rental payments included in the lease liability assessment are comprised of the following payments for the right to use the underlying asset during the lease term that were unpaid at the commencement date:

- fixed payments, net of any rental incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the right-of-use asset applying a cost model.

The right-of-use asset is subject to amortization in accordance with the procedure for the next term:
- from the commencement of the lease until the end of the useful life of the underlying asset, if the lease agreement provides for the transfer of ownership of the underlying asset before the end of the lease term;
- from the commencement of the lease to the earliest of the end date of the useful life of the right-of-use asset or the end date of the lease, if the lease agreement does not provide for the transfer of ownership of the underlying asset before the end of the lease term.

After the commencement date, the Group measures the lease liability by:
- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- revaluing the carrying amount to reflect any revaluation or modification of the lease.

The Group reflects amortization of the right-of-use assets and interest on lease liabilities in profit or loss. The amount of the principal share of the lease liability paid is presented as part of the financial activities in the consolidated statement of cash flows (under direct method), and interest is presented as part of financing activities.

Group as a lessor

The Group classifies each of its leases either as an operating lease or as a financial lease.

The lease is classified as a financial lease, if it transfers substantially all the risks and rewards of ownership of the underlying asset. The lease is classified as an operating lease, if it does not transfer substantially all the risks and rewards of ownership of the underlying asset.

The Group recognizes lease payments from operating leases as income on a straight-line basis.

Inventories

Inventory is recorded at the lower of cost and net realizable value.

The cost of inventory includes:
- purchase costs that are paid in accordance with the agreement with the supplier (net of indirect taxes);
- import duties;
- amounts of indirect taxes related to the acquisition of inventory that are not reimbursed to the Group;
- transportation and procurement costs;
- other expenses that are directly related to the acquisition of inventory and bringing it to the condition and location in which it is suitable for use for the planned purposes.

The initial cost of inventory received for free is recognized as its fair value, taking into account other costs associated with bringing it to the condition and location in which it is suitable for use for the planned purposes.

Transportation and procurement costs that can be attributed to a specific unit of inventory are reflected directly in the initial cost. Transportation and procurement costs that cannot be attributed to a specific unit of inventory are distributed as of the date of initial recognition of the corresponding inventory.

When writing off inventory into production, sale, and other disposal, the value of inventory is determined based on the specific identification method for all inventory, except fuel, which are disposed of using the "First In - First Out" method.

Net realizable value is defined as the selling price less costs to sell. The carrying amount of inventory should be reduced to the net realizable value if there is physical damage, complete or partial obsolescence, or a drop in the realizable price. Inventory impairment is reducing their carrying amount to the net realizable value.

Financial instruments

Initial recognition of financial instruments

With the exception of trade receivables, which are valued at the price of the transaction (according to the definition given in IFRS 15 *Revenue from Contracts with Customers*), financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group's main financial instruments include cash and cash equivalents, accounts receivable and payable, loans and borrowings.

All transactions of purchase and sale of financial instruments that require their delivery within a time period defined by regulatory or market conditions ("regular" purchase and sale operations) are accounted for as of the transaction date, i.e., the date on which the Group undertakes to transfer the financial instrument. All other purchase and sale transactions are recognized as of the settlement date.

Financial assets

Classification and subsequent valuation of financial assets

Financial assets are subsequently measured at amortized or fair value. In particular, investments in debt instruments that are held under a business model that aims to collect contract cash flows, and that have contract cash flows that are payments only of a principal and interest on the outstanding amount of debt, are generally estimated at amortized cost. Debt instruments that are held within a business model, the purpose of which is achieved by both collecting contract cash flows and selling financial assets, and that have contractual terms under which cash flows arise on certain dates, which are payments only of a principal and interest on outstanding principal, are measured at fair value through other comprehensive income. All other investments in debt instruments are measured at fair value at the end of subsequent reporting periods.

The amortized cost is calculated using the effective interest rate method and is determined less any impairment loss. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the corresponding instrument and amortized on the basis of the effective interest rate for the corresponding instrument.

The Group uses a practical expedient that assumes that the amortized cost of financial assets with maturities of up to one year, less any expected credit losses, is equal to their nominal value.

Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and allocating interest income or expenses over the corresponding period. The effective interest rate is the rate discounting the expected future cash inflows over the expected useful life of the financial instrument or, if appropriate, a shorter period to the net book value of the instrument at the initial recognition. Income or expenses are recognized using the effective interest rate method for financial instruments.

Accounts receivable

Accounts receivable are derivative financial assets with fixed or determinable payments that are not quoted in the active market. Accounts receivable that do not contain a significant financing component are measured at the transaction price. Accounts receivable (including other non-current assets, trade and other accounts receivable) are measured at amortized value using the effective interest rate method, less any impairment loss.

Interest income is recognized using the effective interest rate method, with the exception of short-term accounts receivable, for which the recognition of interest will not have material impact.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash in bank accounts, deposits with an initial maturity of up to three months plus one week, and cash in special accounts.

Special accounts are accounts through which the Group receives credit funds under agreements with the International Bank for Reconstruction and Development and the European Investment Bank, and makes payments to suppliers. These special accounts are allowed to be used only for payments to suppliers under capital construction projects after the approval of contracts by the Ministry of Finance of Ukraine. All payments made from special accounts are initiated by the Group and approved by the Ministry of Finance of Ukraine for a period of up to three months. Special accounts include also those, which are used by the Group for settlements on the purchase and sale of electricity on the balancing market and others.

Impairment of financial assets

The Group reflects expected credit losses and changes therein at each reporting date to reflect changes in credit risk after initial recognition.
The expected credit losses of accounts receivables are estimated on a portfolio basis using the provision matrix and on an individual basis using different scenarios of the probability of default.

The provision matrix is used with reference to the historical information of debtors' default and analysis of the debtor's forecast condition, adjusted for factors specific to debtors, general economic conditions of the industry in which debtors work, assessment of current and forecast events that may significantly affect future payments, credit terms, and available market information on the solvency of debtors. Individual assessment is used for individually significant debtors or groups of debtors with credit risk characteristics that are different from others.

Assessing expected credit losses on trade accounts receivables, the Group 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 arising under of the same contract.

The carrying amount of the asset is reduced by the provision, and the amount of the loss is recognized in profit or loss. If accounts receivable are uncollectible, it is written off through usage of previously recognised expected credit losses. Subsequent reimbursement of previously written off amounts is included in profit or loss.

For other financial instruments, the Group recognizes expected credit losses for the lifetime of the financial instrument when there has been a significant increase in credit risk since the initial recognition. However, if the credit risk to the financial instrument has not increased significantly since the initial recognition, the Group estimates expected credit losses for the financial instrument at an amount equal to the expected credit losses over 12 months.

Expected credit losses for the lifetime of a financial instrument represent credit losses that will arise from all possible default events during the expected term of the financial instrument. Conversely, the expected credit losses for 12 months represent a portion of the expected credit losses for the lifetime of the financial instrument, which are expected to arise as a result of events of default on the financial instrument, the occurrence of which is possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since the initial recognition, the Group compares the risk of default of the financial instrument at the reporting date with the risk of default of the financial instrument at the date of initial recognition. During the assessment, the Group takes into account both quantitative and qualitative information that is reasonable and useful, including historical experience and forecast information that is available without excessive cost or effort.

Forecast information that is taken into account includes future forecasts for the industries in which the Group's debtors conduct their operating activities, obtained from economic reports of experts, financial analysts, government agencies, relevant think tanks and other similar organizations, as well as an assessment of various external sources of actual and forecast economic information related to the main operating activities of the Group.

A significant increase in credit risk is the delayed debt repayment for a period of more than 30 days.

In particular, such information is taken into account when assessing whether there has been a significant increase in credit risk since the initial recognition:

- actual or expected significant deterioration in external (if available) or internal credit rating of a financial instrument;
- a significant deterioration in external market indicators of credit risk for a particular financial instrument, such as a significant increase in the credit spread, credit default swap prices for the debtor, or the length of time or volume by which the fair value of the financial asset has become less than its amortized cost;
- current or projected negative changes in business, financial and economic conditions, which are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- actual or expected significant deterioration of the debtor's operating results;
- significant increase in credit risk in relation to other financial instruments of the same debtor;
- actual or expected significant negative changes in the debtor's regulatory, economic, or technological environment that result in a significant decrease in the debtor's ability to meet its debt obligations.

Default definition

The Group considers the following factors to be components of a default event for internal credit risk management, as historical experience shows that financial assets that meet any of the following criteria are generally not recoverable:

- when there was a violation of financial conditions by a debtor; or
- internal or external information indicates that the debtor will most likely not be able to make payments to its creditors, including the Group, in full (without taking into account any provision held by the Group).

Regardless of the above analysis, the Group believes that a default occurred when a financial asset is more than 90 days overdue, unless the Group has reasonable and useful information to demonstrate that it would be more appropriate to apply the default criterion with a longer delay.

Estimation and recognition of expected credit losses

Estimating expected credit losses is a function of determining the probability of default, the level of losses in the event of default (i.e., the amount of losses in the event of default), and the risk of losses in the event of default. The assessment of the probability of default and the level of losses in the event of default is based on historical data adjusted using forecast information, as described above. As for the risk of loss in the event of default, for financial assets, it represents the gross carrying amount of assets at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contract cash flows due to the Group under the contracts and all cash flows that the Group expects to receive, discounted at the initial effective interest rate. The Group recognizes gains or losses from impairment in profit or loss for all financial instruments, with appropriate adjustments to their carrying amount against the provision for loss.

Derecognition of financial assets

The Group derecognizes financial assets when (i) the assets have been repaid or the contractual rights from the assets to cash flows expire, or (ii) the Group has transferred all significant risks and rewards of ownership of the assets, or (iii) the Group has neither transferred nor retained all significant risks and rewards of ownership, but has lost control of the asset. Control is retained if the counterparty does not have the practical ability to sell the asset in full to an unrelated third party without the need to impose additional restrictions on the sale operation.

Financial liabilities and equity instruments

Classification of debt instruments or equity instruments

Debt instruments and equity instruments are classified as either financial liabilities or equity, depending on the nature of the contractual relationship and the definitions of the financial liability and equity instrument.

Share capital

Ordinary shares are classified as equity. Additional expenses that directly relate to the issue of new shares are recorded in equity as a deduction from income, excluding tax.

Dividends

Dividends are recognized as liabilities and deducted from equity at the reporting date only when they are declared before or on the reporting date. Information about dividends is disclosed when they are offered before the reporting date or offered or announced after the reporting date, but before the consolidated financial statements are approved to the issue.

Classification and subsequent measurement of financial liabilities

Financial liabilities are subsequently measured at amortized cost or fair value through profit or loss.

Financial liabilities that are not (i) a conditional compensation of the buyer in a merger transaction, (ii) are not held for trading, or (iii) are not defined as being measured at fair value through profit or loss, are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate is the rate discounting expected future cash payments (including fees paid or received, transaction costs, and other premiums or discounts) over the expected term of the financial liability or, if appropriate, a shorter period to the amortized value of the financial liability.

Derecognition of financial liabilities

The Group derecognizes financial liabilities if and only if the Group's obligations are fulfilled, cancelled, or expire. The difference between the carrying amount of a financial liability that has been derecognized and the compensation paid is recognized as part of profit or loss.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. While assessing if modification is substantial, management considers both quantitative and qualitative factors. Under quantitative assessment it is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Qualitative factors include change of form of the instrument, interest rate, maturity, risk factors, change in covenants and guarantors. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss.

Prepayments

Prepayments to suppliers are recorded at their cost, excluding VAT, less provisions for impairment losses. A prepayment is classified as a non-current asset when goods or services related to that prepayment are expected to be received after one year, or when the prepayment relates to an asset that is classified as non-current after initial recognition.

If there is an indication that assets, goods or services related to prepayment will not be received, the Group charges a provision for impairment for the corresponding prepayment, while simultaneously recognizing expenses in profit or loss.

Taxes receivable

Taxes receivable (prepayment for corporate income tax, VAT to be reimbursed, and prepayment for other taxes) are reflected at the actual value of the funds paid.

Trade accounts payable

Trade accounts payable are recognized and initially assessed in accordance with the stated policy regarding financial instruments. In the future, fixed-maturity instruments are revalued at amortized cost using the effective interest rate method. The amortized cost is calculated taking into account any transaction costs and any discount or premium at the time of repayment.

Advances received

Advances received are reflected in the amount of the original amounts received, excluding VAT. The amounts of advances received are expected to be realized by receiving income from the Group's ordinary activities.

Contingent liabilities and assets

Contingent liabilities are not recognized in the consolidated financial statements, except in cases where the outflow of economic resources for the settlement of the liability is probable and their amount can be estimated reliably. Contingent liabilities are disclosed, except in cases where the possibility of outflow of resources that embody economic benefits is unlikely.

Contingent assets are not recognized in the consolidated financial statements. They are disclosed in notes, if the inflow of economic benefits is highly probable.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The application of the Group's accounting policies as set out in Note 4 requires management to make professional judgments, estimates and assumptions about the carrying amount of assets and liabilities that cannot be obtained explicitly from other sources. Estimates and related assumptions are based on historical experience and other factors that management considers appropriate in these circumstances. Actual results may differ from these estimates. Management also makes certain judgments, other than those relating to estimates, in the process of applying accounting policies.

Estimates and related assumptions are reviewed on an ongoing basis. The results of revisions of accounting estimates are recognized in the period of such revision, if the result of revision affects only this period, or in the period of revision and future periods, if the result of revision affects the current and future periods.

Critical professional judgments when applying accounting policies

The following are critical judgments, other than those requiring to perform estimates, made by management in applying the Group's accounting policies and which have the most significant impact on the amounts recognized in the consolidated financial statements.

(i) Revenue recognition – receiving full consideration

At the inception of contracts with customers for provision of services and sale of goods, the Group is likely to expect to receive full consideration in exchange for goods or services that will be transferred by customers and for which the corresponding invoices will be issued. In assessing whether the probability of receiving the amount of compensation is high enough, the Group considers the customer's ability and intention to pay the full amount of consideration when it becomes due.

As part of its operations, the Group provides services and sells goods to various counterparties, including protected consumers, which cannot be disconnected from the energy supply due to the risks of social and environmental catastrophe. Such companies are financed not only through revenues from the sale of goods and services, but also through other mechanisms of subsidies and compensations provided by Ukrainian legislation. The Group's management believes that such enterprises have sufficient sources of income to conclude that the Group is likely to recover full compensation under its sales agreements. In addition, the Group may receive compensation for services provided and sales of goods from third parties, rather than directly from customers, which also increases the likelihood of receiving compensation in full.

With the beginning of the military aggression, some of the Group's clients stopped their activities or reduced the level of production, and some enterprises are located in the temporarily occupied territory. However, the supply of electricity to the temporarily occupied territory of Ukraine does not take place, and, accordingly, the Group does not provide services and sell goods to counterparties located there. The military aggression affected the volume of electricity consumption in Ukraine, and, accordingly, the volume of sales of services and goods by the Group, however, the management believes that such enterprises have sufficient sources of income to make payments to the Group in full under its sales agreements.

Thus, management has concluded that revenue recognition criteria are met when services and goods are delivered to the consumer. Losses from changes in the creditworthiness of customers in subsequent periods are recognized as expected credit losses (Note 9).

(ii) Recognition of revenue from connection services to the electricity transmission system

Revenue from connection services to the electricity transmission system is recognized as these services are provided. Thus, revenue from connection agreements is recognized in profit or loss on a straight-line basis over the period of use of the network connection by the customer. This solution corresponds to the economic essence of operations: it is reasonable to recognize revenue from connection services during the period of use of the connection. In addition, the service provided to the customer does not consist in the connection itself, but in its use: the client simultaneously receives and consumes its right to use the connection provided by the Group. As such, the Group believes that connection services are provided to the client continuously, and not on a specific date, and this is the reason why revenue from connection services should be gradually recognized during the period of use of the network connection. The period of use of a network connection corresponds to its useful life. More details in Note 18 and 23.

(iii) Property, plant and equipment on the right of operational management

According to the Order of the Cabinet of Ministers of Ukraine of 22 November 2017 No.829-r "On Approval of the Transformation of the State Enterprise National Power Company Ukrenergo into Private Joint Stock Company" property that ensures the integrity of the IPS of Ukraine and dispatch (operational and technological) control, trunk and interstate power grids, which were on the balance of the state enterprise "National Energy Company "Ukrenergo", are assigned to a private joint stock company formed in the process of transformation of the enterprise, on the right of operational management and are not subject to disposal.

On 27 May 2021 the Company and the Ministry of Finance of Ukraine concluded an agreement on the transfer of state-owned property used in the electricity transmission activities on the right of operational management. On 8 December 2021 amendments were made to this agreement in terms of establishing the Ministry of Energy of Ukraine as the body of management of state-owned property used in the electricity transmission activities.

The right of operational management allows to own and use property, plant and equipment (until its full amortization, depreciation or destruction – the government does not have any risk elements associated with the residual value of assets at the end of their useful life), except for actions to dispose of property, plant and equipment that may lead to dispossession of such property, plant and equipment. The Group freely uses them in its business activities and bears the risk of their accidental destruction or damage. There are no special restrictions on income received from the use of these assets, and the Group maintains their proper functional state at its own expense.

In accordance with the Resolution of the National Energy and Utilities Regulatory Commission dated 17 December 2021 No.2589, a final decision was made on the certification of NPC "Ukrenergo" as a transmission system operator according to the ISO (Independent System Operator) model. The ISO model regulates the relationship between the Company and the transmission system owner so that the Company uses state-owned property (trunk and interstate electricity networks) to ensure the integrity of IPS of Ukraine.

Management believes that the terms of the agreement on the perpetual transfer of state-owned facilities used in electricity transmission on the right of operational management give the Group control over the defined properties, all economic benefits from the use of assets belong to the Group, and therefore these properties meet the definition of an asset, namely an item of property, plant and equipment in accordance with the IAS 16 *Property, Plant and Equipment* definition.

As such, the state properties received on the right of operational management are carried on the Group's balance sheet at fair value as part of corresponding groups of property, plant and equipment.

In addition, operations to assign to the Company property that ensures the integrity of the IPS of Ukraine and dispatch (operational and technological) control, trunk and interstate power grids, which were on the balance of the state enterprise "National Energy Company "Ukrenergo" according to the Order of the Cabinet of Ministers of Ukraine of 22 November 2017 No.829-r, as well as the conclusion of the abovementioned agreement on its perpetual transfer on the right of operational management, are recognized as transactions with shareholder acting on behalf of the owner.

(iv) Presentation of impact of tariff regulation on financial statements

Tariff regulation can have a significant impact on the long-term financial results of companies. However, existing IFRS standards do not contain comprehensive guidelines and rules for the presentation of the impact of tariff regulation on accounting and financial reporting.

The application of only existing IFRS increases the volatility of gross profit and financial results between the reporting periods of the Group, which is subject to tariff regulation. Financing of actual expenses in one period is carried out by increasing the tariff and income of another period, which contradicts the principle of matching income and expenses, and, accordingly, may mislead users of financial statements by reflecting overstated or understated financial results in certain reporting periods.

To ensure that the Group's consolidated financial statements present fairly the financial position, financial performance and cash flows of the Group, and reflect the economic substance of transactions and events rather than legal form, the Group has developed and applied accounting policies to reflect the impact of tariff regulation on financial statements (Note 4).

As a result, the Group's total income is consistent with its "total allowable compensation" - the amount that the Group is entitled to collect in accordance with the tariff set by the regulator. This, in turn, will reduce the volatility of financial results between reporting periods, which will improve the relevance and truthfulness of the information in the financial statements for its users.

As described in Note 14, as of 31 December 2023 the Group recognized regulatory assets in the amount of UAH 6,817,939 thousand (2022: nil).

Key sources of estimation uncertainty

The following are the main assumptions for the future and other key sources of estimation uncertainty at the end of the reporting period, for which there is a significant risk that they will cause material adjustments to the carrying amount of assets and liabilities during the next fiscal year.

(i) Revaluation of property, plant and equipment

As stated in Note 4, the Group applies the revaluation model to its property, plant and equipment. At each reporting date, the Group performs an analysis to assess whether the carrying amount of property, plant and equipment accounted for at revalued cost differs significantly from its fair value. This assessment is performed annually and is based on an analysis of prices, price indices, technological changes, changes in exchange rates, and other relevant factors. If the results of the analysis indicate that the carrying amount of property, plant and equipment differs significantly from their fair value at the reporting date, management engages independent appraisers to assess the fair value of property, plant and equipment.

The Group engaged independent appraisers to determine the fair value of property, plant and equipment as of 31 December 2023. The main assumptions for revaluation are disclosed in Note 33. The previous appraisal of the fair value of the Group's property, plant and equipment was carried out as of 31 July 2019.

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).

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When performing valuation using these methods, the key estimates and judgments applied by the independent valuers, in discussion with the Group's internal valuation team and technicians, are as follows:

- choice of information sources for construction costs analysis (actual costs recently incurred by the Group, specialised reference materials and handbooks, estimates for cost of construction of various equipment etc.);
- determination of similar items for replacement cost of certain equipment, as well as corresponding adjustments required to take into account differences in technical characteristics and condition of new and existing equipment;
- determination of physical wear and tear, which depends on the chronological age of the asset and its remaining useful life;
- determination of the functional depreciation of assets, which was calculated on the basis of the optimization coefficient, which ensures the distribution of the level of depreciation of specialized assets depending on the level of real use of the relevant assets;
- selection of market data when determining market value where it is available as well as corresponding adjustments required to take into account differences in technical characteristics and the condition of new and existing equipment;
- use of directories of per-unit replacement cost for buildings and constructions, assuming that all buildings and constructions of similar type and nature within industry have similar replacement costs; and
- liquidation value for items, which are expected to be realised, less cost to sell.

The fair values obtained using depreciated replacement cost and indexation of carrying amounts are validated using discounted cash flow models (income approach, Level 3), and are adjusted if the values obtained using income approach are lower than those obtained using depreciated replacement cost or indexation of carrying amounts (i.e. there is economic obsolescence).

The key assumptions used in the calculation of the value in use are those related to the discount rate, growth rate, and estimated changes in income and operating expenses. In 2023 the discount rate was determined at 23.1% (2019: 13.7%), reflecting the current situation in the country and the impact of military aggression on a significant increase in the country risk premium. The growth rate is based on the growth of the consumer price index and the producer price index. Expected changes in income and operating expenses are based on historical experience and expectations regarding future changes in the market, the date of transition to incentive tariff regulation (RAB regulation).

Cash flow forecasts are developed on the basis of the most recent financial budgets for the next five years, taking into account the various probabilities of their realization. Beyond this period, the Group's management extrapolated cash flows based on expected growth levels below the average long-term growth rate for the respective markets. When making calculations, the legislation was used that was in force on assessment date.

The table below shows the key assumptions based on which management built its projections of cash flows in order to assess economic obsolescence during fair value assessment of property, plant and equipment as of 31 December 2023 and 31 July 2019 (previous revaluation):

	31 December 2023	**31 July 2019**
Pre-tax discount rate	23.1%	13.7%
Regulatory rate of return on the regulatory asset base (RAB)	14.6%	12.5%
Average growth rate of the consumer price index	9.1%	5.0%
Date of transition to incentive tariff regulation	1 January 2029	1 January 2021

The numerical values of the main assumptions reflect the Group management's assessment of future business trends and are based on both external and internal sources of information.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Below is an analysis of the sensitivity of the results of the discounted cash flow model to possible changes in the main assumptions used during its preparation as of 31 December 2023:

	Change of assumptions	**Increase/ (Decrease) of value**
Pre-tax discount rate	+1%	(3,282,091)
Pre-tax discount rate	-1%	3,429,745
Regulatory rate of return on the regulatory asset base (RAB)	+1%	(676,795)
Regulatory rate of return on the regulatory asset base (RAB)	-1%	688,715
Average growth rate of the producer price index	+1%	3,108,204
Average growth rate of the producer price index	-1%	(2,992,761)

(ii) Impairment of property, plant and equipment, construction in progress, and intangible assets

At the end of each reporting period, the Group reviews the carrying amount of its property, plant and equipment, construction in progress, and intangible assets to determine whether there is any indication that those assets may be impaired.

The Group assessed recoverable value of property, plant and equipment, construction in progress and intangible assets (at the level of the cash generating unit) for impairment considering the Group as one cash-generating unit. Value-in-use of the Group's assets was calculated by preparing the analysis of discounted cash flows based on the assumptions of estimated income and expenses, as well as the discount rate.

As of 31 December 2023, the Group performed an assessment of the fair value of property, plant and equipment, during which recoverable amount of all non-current assets of the Group at the level of a cash-generating unit was calculated. During such assessment, the factors of a significant change in the operating environment as a result of military aggression, signs of individual impairment of assets and the location of part of the assets in the temporarily uncontrolled territory of Ukraine were taken into account.

As a result, during 2023, the Group recognized a change in impairment losses of property, plant and equipment, construction in progress, and intangible assets in the amount of UAH 2,742,691 thousand (2022: UAH 6,061,705 thousand), which includes the reversal of impairment losses in the amount of UAH 45,356 thousand recognized as an increase in the revaluation reserve in other comprehensive income (2022: charge of impairment loss recognized as a reduction of revaluation reserve in other comprehensive income in the amount of UAH 1,967,707 thousand) and UAH 2,788,047 thousand as impairment loss in profit and loss (2022: UAH 4,093,998 thousand).

Another impairment assessment will be performed at the end of any subsequent reporting periods. If there are positive changes in the Group's future cash flows and macroeconomic indicators, restoration of control over assets, then part of the impairment loss may be reversed in future periods. Conversely, an adverse change in the above key assumptions would further reduce the expected recoverable value of the Group's non-current assets.

(iii) Expected credit losses on trade accounts receivables

Expected credit losses on trade accounts receivables is based on an analysis of historical and current information on debtors. Factors taken into account include an analysis of the repayment of trade accounts receivable compared to the payment history, credit conditions provided to customers, and available market information about the counterparty's ability to make payments. If the actual recovery is less than management's estimates, the Group may be forced to reflect additional impairment charges. If there is a deterioration in the creditworthiness of the main customers or the actual non-fulfillment of their obligations exceeds acceptable estimates, actual results may differ from such estimates.

The expected credit losses on trade accounts receivables are estimated on a portfolio basis using the provision matrix and on an individual basis using different scenarios of the probability of default. During the creation of portfolios, trade accounts receivables are grouped according to similar credit risk characteristics: by types of services or goods provided, by the level of payments, by the geographical location of the operational activities of counterparties (for example, in areas bordering the front line of military operations).

As of 31 December 2023 and 2022, the Group's management assessed trade accounts receivables for their recoverability and recognized expected credit losses in the amount of UAH 20,450,522 thousand and UAH 16,743,917 thousand, respectively (Note 9).

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.

At the same time, as a result of the implementation by the regulator and state bodies of measures to improve level of settlements on the electricity market, including the increase of price caps, the regulatory influence on market pricing decreased and the liquidity of market participants improved. In 2023 and at the beginning of 2024, these measures resulted in a noticeable improvement in the level of payments made by market participants to the Group compared to 2022. Given these factors and management's expectations, the Group has decided to revise its estimates of the timing and probability of settlement of trade receivables. The assessment of expected credit losses was carried out on the basis of scenarios, taking into account the expected future positive dynamics of settlements.

In 2023 the Group made a charge of expected credit losses on trade accounts receivables in the amount of UAH 3,706,605 thousand (2022: UAH 10,238,254 thousand). More detailed information is presented in Note 9.

(iv) Useful lives of property, plant, and equipment and intangible assets

The estimation of the useful life of an item of property, plant, and equipment and intangible assets is a matter of management's judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear, and the physical environment in which the asset is operated. The Group reviews useful lives of property, plant, and equipment and intangible assets at the end of each annual reporting period. Changes in any of these conditions or estimates may result in adjustments for future depreciation and amortization rates. Changes in estimated useful lives are accounted for on a prospective basis.

As of 31 December 2023, the Group reviewed the remaining useful lives of property, plant and equipment based on their assessment by professional independent appraisers when determining the fair value of property, plant and equipment (Note 7).

(v) Retirement benefit obligations

In determining the ultimate cost of providing post-employment and other long-term employee benefits (hereinafter – "Retirement benefit obligations"), the Group's management performs the best estimate of the variables used to assess the liability at the end of each reporting period.

The present value of retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The main assumptions used in determining the present value of obligations include the discount rate, the expected level of wage growth in future periods, staff turnover. Any changes in these assumptions may affect the carrying amount of the liability in the statement of financial position and the corresponding accruals in the statement of profit or loss and other comprehensive income, as disclosed in the sensitivity analysis in Note 17.

The Group determines the appropriate discount rate at the end of each year, which is the interest rate that should be used to determine the present value of expected future cash outflows that are expected to be required to settle pension and other long-term employee benefits. In determining the appropriate discount rate, the Group takes into account the interest rates on government bonds denominated in the currency in which the payments will be made, and the maturity of which is close to the maturity of the relevant obligation.

As of 31 December 2023, the consolidated financial statements of the Group included a retirement benefit obligations in the amount of UAH 279,923 thousand (2022: UAH 510,725 thousand). More detailed information is provided in Note 17.

(vi) Provision for litigation costs

The Group acts as a plaintiff in several legal proceedings with its counterparties. A provision for litigation costs is management's estimate of possible losses that may be incurred as a result of negative court rulings (Notes 21 and 32).

6. SEGMENT INFORMATION

The operating segments presented in these 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 year ended 31 December 2023, the Group's revenue from one customer amounted to UAH 20,407,878 thousand (2022: UAH 18,825,700 thousand) and was included in first three operating segments. Information on revenue from customers under control of the State is disclosed in Note 31. 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 year ended 31 December 2023 was as follows:

	TSO	**Energy system balancing**	**Access to the transmission capacity of IPN**	**Other**	**Elimination**	**Total**
Revenue - external	58,961,503	23,918,651	131,091	-	-	**83,011,245**
Revenue - inter-segment	-	-	-	148,247	(148,247)	**-**
Total revenue	**58,961,503**	**23,918,651**	**131,091**	**148,247**	**(148,247)**	**83,011,245**
Segment operating expenses, net	(44,015,929)	(22,485,956)	-	(34,963)	-	**(66,536,848)**
Impairment of financial assets, net	(444,455)	(2,998,977)	-	-	-	**(3,443,432)**
Impairment of property, plant and equipment and intangible assets, net	(2,788,047)	-	-	-	-	**(2,788,047)**
Segment result	**11,713,072**	**(1,566,282)**	**131,091**	**113,284**	**(148,247)**	**10,242,918**
Unallocated other operating expenses, net						**(13,893)**
Finance income						**654,161**
Finance costs						**(7,592,043)**
Foreign exchange loss, net						**(2,683,932)**
Profit before tax						**607,211**
Income tax expenses						**(230,573)**
PROFIT FOR THE PERIOD						**376,638**

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Segment information for the year ended 31 December 2022 was as follows:

	TSO	Energy system balancing	Access to the transmission capacity of IPN	Other	Elimination	Total
Revenue - external	47,720,064	28,565,575	6,044,874	-	-	**82,330,513**
Revenue - inter-segment	-	-	-	113,544	(113,544)	**-**
Total revenue	**47,720,064**	**28,565,575**	**6,044,874**	**113,544**	**(113,544)**	**82,330,513**
Segment operating expenses, net	(57,562,871)	(25,581,677)	-	(17,277)	-	**(83,161,825)**
Impairment of financial assets, net	(6,768,051)	(3,741,547)	-	-	-	**(10,509,598)**
Impairment of property, plant and equipment and intangible assets, net	(4,093,998)	-	-	-	-	**(4,093,998)**
Segment result	**(20,704,856)**	**(757,649)**	**6,044,874**	**96,267**	**(113,544)**	**(15,434,908)**
Unallocated other operating income, net						**160,424**
Finance income						**25,823,184**
Finance costs						**(5,086,970)**
Foreign exchange loss, net						**(12,875,076)**
Loss before tax						**(7,413,346)**
Income tax benefit						**1,316,222**
LOSS FOR THE PERIOD						**(6,097,124)**

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

7. PROPERTY, PLANT, AND EQUIPMENT

The movement of property, plant and equipment for the year ended 31 December 2023 is presented as follows:

	Transmission lines (OHL)	Buildings and structures	Plant and equipment	Vehicles and other	Construction in progress	Total
Cost/Revalued cost						
As of 31 December 2022	**21,770,043**	**4,020,372**	**26,069,545**	**781,742**	**12,986,300**	**65,628,002**
Reclassification between groups	-	372	(850)	478	-	**-**
Additions	-	-	2,423	-	10,628,099	**10,630,522**
Internal transfers	387,219	318,482	1,487,848	223,378	(2,416,927)	**-**
Revaluation / (impairment losses)	31,180,764	406,766	2,893,293	(176,888)	-	**34,303,935**
Transfer to inventories	-	-	-	-	(37,001)	**(37,001)**
Transfer of equipment as a returnable commodity loan	-	-	-	-	(24,839)	**(24,839)**
Disposals	-	(1,121)	(19,492)	(21,410)	(9,764)	**(51,787)**
As of 31 December 2023	**53,338,026**	**4,744,871**	**30,432,767**	**807,300**	**21,125,868**	**110,448,832**
Accumulated depreciation and impairment losses						
As of 31 December 2022	**4,567,070**	**1,203,115**	**9,197,881**	**398,145**	**1,298,568**	**16,664,779**
Reclassification between groups	-	26	(615)	589	-	**-**
Depreciation expenses	558,385	215,675	1,917,643	70,222	-	**2,761,925**
Disposals	-	(599)	(18,502)	(17,441)	-	**(36,542)**
Elimination upon revaluation	(5,124,979)	(1,404,904)	(10,916,289)	(450,785)	-	**(17,896,957)**
Reversal of impairment losses as a result of revaluation	(476)	(13,125)	(83,468)	(19)	-	**(97,088)**
Charge / (reversal) of impairment losses	-	(188)	(96,650)	1,105	928,466	**832,733**
As of 31 December 2023	**-**	**-**	**-**	**1,816**	**2,227,034**	**2,228,850**
Net book value						
As of 31 December 2022	**17,202,973**	**2,817,257**	**16,871,664**	**383,597**	**11,687,732**	**48,963,223**
As of 31 December 2023	**53,338,026**	**4,744,871**	**30,432,767**	**805,484**	**18,898,834**	**108,219,982**

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

The movement of property, plant and equipment for the year ended 31 December 2022 is presented as follows:

	Transmission lines (OHL)	Buildings and structures	Plant and equipment	Vehicles and other	Construction in progress	Total
Cost/Revalued cost						
As of 31 December 2021	**21,698,570**	**3,992,468**	**24,653,553**	**717,346**	**11,969,414**	**63,031,351**
Reclassification between groups	-	340	134	(474)	-	**-**
Additions	-	-	89,858	2,053	2,577,322	**2,669,233**
Internal transfers	71,473	30,302	1,328,620	63,802	(1,494,197)	**-**
Transfer to inventories	-	-	-	-	(25,204)	**(25,204)**
Disposals	-	(2,738)	(2,620)	(985)	(41,035)	**(47,378)**
As of 31 December 2022	**21,770,043**	**4,020,372**	**26,069,545**	**781,742**	**12,986,300**	**65,628,002**
Accumulated depreciation and impairment losses						
As of 31 December 2021	**2,688,162**	**474,850**	**3,878,992**	**301,434**	**174,635**	**7,518,073**
Reclassification between groups	-	22	(60)	38	-	**-**
Depreciation expenses	598,098	245,485	2,140,724	74,546	-	**3,058,853**
Disposals	-	(1,170)	(2,459)	(812)	-	**(4,441)**
Impairment losses	1,280,810	483,928	3,180,684	22,939	1,123,933	**6,092,294**
As of 31 December 2022	**4,567,070**	**1,203,115**	**9,197,881**	**398,145**	**1,298,568**	**16,664,779**
Net book value						
As of 31 December 2021	**19,010,408**	**3,517,618**	**20,774,561**	**415,912**	**11,794,779**	**55,513,278**
As of 31 December 2022	**17,202,973**	**2,817,257**	**16,871,664**	**383,597**	**11,687,732**	**48,963,223**

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

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 methodology and main assumptions of revaluation are disclosed in Note 5 and 33.

As a result of the revaluation of property, plant and equipment as of 31 December 2023 the increase in value of property, plant and equipment in the amount UAH 54,180,768 thousand was recognized in other comprehensive income and impairment losses in amount of UAH 1,882,788 thousand was recognized in profit or loss.

As disclosed in Note 5, during 2023 the Group recognized impairment losses of property, plant and equipment and construction in progress in the amount of UAH 833,302 thousand (2022: UAH 6,060,422 thousand), including reversal of impairment losses in the amount of UAH 45,356 thousand recognized as increase in the revaluation reserve in other comprehensive income (2022: impairment losses of UAH 1,967,707 thousand recognized as a decrease in the revaluation reserve in other comprehensive income) and impairment losses of UAH 878,658 thousand recognized in profit or loss (2022: UAH 4,092,715 thousand).

Had the Group's property plant and equipment been measured on a historical cost basis, their carrying amount would have been as follows:

	Net book value under revaluation model		Net book value if carried at cost	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Transmission lines (OHL)	53,338,026	17,202,973	5,981,138	5,709,864
Buildings and structures	4,744,871	2,817,257	1,515,643	1,264,478
Plant and equipment	30,432,767	16,871,664	11,028,708	10,266,015
Vehicles and other	805,484	383,597	519,260	367,275
Total	**89,321,148**	**37,275,491**	**19,044,749**	**17,607,632**

Depreciation expenses

In 2023, the depreciation expenses of UAH 2,739,535 thousand (2022: UAH 3,035,487 thousand) were included in cost of sales, UAH 20,092 thousand (2022: UAH 20,077 thousand) in administrative expenses, UAH 1,926 thousand (2022: UAH 2,084 thousand) in other operating expenses, UAH 372 thousand (2022: UAH 1,205 thousand) were capitalised.

Capitalized borrowing costs

In 2023 additions to construction in progress included capitalized interests in the amount of UAH 380,316 thousand (2022: 273,881 thousand). During 2023 and 2022, 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 31 December 2023 included prepayments for property, plant and equipment with carrying amount UAH 5,360,934 thousand, excluding accumulated impairment losses in amount of UAH 159,194 thousand (2022: carrying amount – UAH 2,118,187 thousand, accumulated impairment losses – UAH 159,763 thousand).

Fully depreciated assets

As of 31 December 2023 the cost of fully depreciated property, plant and equipment that are still in use by the Group amounted to UAH 414 thousand (2022: UAH 498,373 thousand).

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

8. INTANGIBLE ASSETS

	Computer software	Right-of-use asset	Other intangible assets	Capital investment in intangible assets	Total
Cost					
As of 31 December 2021	**568,739**	**27,975**	**10,029**	**296,474**	**903,217**
Reclassification between groups	8,656	-	(8,656)	-	**-**
Additions	-	-	-	235,559	**235,559**
Internal transfers	235,897	-	-	(235,897)	**-**
Disposals	(699)	(13,766)	(22)	-	**(14,487)**
As of 31 December 2022	**812,593**	**14,209**	**1,351**	**296,136**	**1,124,289**
Additions	-	-	-	175,373	**175,373**
Internal transfers	239,959	-	41	(240,000)	**-**
Disposals	(2,388)	(3,978)	(49)	(40)	**(6,455)**
Other changes	(1,310)	-	-	-	**(1,310)**
As of 31 December 2023	**1,048,854**	**10,231**	**1,343**	**231,469**	**1,291,897**
Accumulated amortization and impairment losses					
As of 31 December 2021	**187,665**	**10,486**	**2,350**	**4,365**	**204,866**
Reclassification between groups	1,948	-	(1,948)	-	**-**
Amortization expenses	56,317	3,018	40	-	**59,375**
Disposals	(679)	(6,200)	(20)	-	**(6,899)**
Impairment losses	694	-	-	1,292	**1,986**
As of 31 December 2022	**245,945**	**7,304**	**422**	**5,657**	**259,328**
Amortization expenses	81,019	2,545	38	-	**83,602**
Disposals	(2,404)	(2,960)	(32)	-	**(5,396)**
Impairment losses	2,490	-	-	24,217	**26,707**
Other changes	(1,310)	-	-	-	**(1,310)**
As of 31 December 2023	**325,740**	**6,889**	**428**	**29,874**	**362,931**
Net book value					
As of 31 December 2022	**566,648**	**6,905**	**929**	**290,479**	**864,961**
As of 31 December 2023	**723,114**	**3,342**	**915**	**201,595**	**928,966**

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Impairment of intangible assets

During 2023 the Group recognized losses on impairment of intangible assets in the amount of UAH 26,601 thousand (2022: UAH 1,283 thousand) in profit or loss.

Amortization expenses

In 2023, the amortization expenses of UAH 76,915 thousand (2022: UAH 57,806 thousand) were included in cost of sales, UAH 6,241 thousand (2022: UAH 1,563 thousand) in administrative expenses, UAH 1 thousand (2022: UAH 6 thousand) in other operating expenses, UAH 445 thousand (2022: nil) were capitalised.

Capitalized borrowing costs

In 2023 additions to Capital investment in intangible assets included capitalized interests in the amount of UAH 14,342 thousand (2022: UAH 11,557 thousand). During 2023 interests were capitalized only for loans obtained exclusively for the implementation of construction of qualifying assets projects.

Prepayments for intangible assets

Capital investment in intangible assets as of 31 December 2023 included prepayments for intangible assets with carrying amount UAH 8,169 thousand, excluding accumulated impairment losses in amount of UAH 1,466 thousand (2022: carrying amount – UAH 11,046 thousand, accumulated impairment losses – UAH 1,360 thousand).

9. TRADE ACCOUNTS RECEIVABLE

	31 December 2023	31 December 2022
Electricity to settle imbalances	32,778,454	23,335,015
Electricity transmission services	24,611,286	14,134,803
Dispatch (operational and technological) control services	9,099,466	7,321,003
Balancing electricity	741,475	1,715,047
Electricity from cross-border flows	542,136	1,553,210
Services on granting access to the transmission capacity of interstate power networks	125,014	80,325
Electricity in the framework of providing emergency assistance	9,280	-
Reactive energy	7,059	8,801
Other goods and services	6,627	6,613
Total gross amount	**67,920,797**	**48,154,817**
Less: Expected credit losses on trade accounts receivable	(20,450,522)	(16,743,917)
Total carrying amount	**47,470,275**	**31,410,900**

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.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

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.

At the same time, as a result of the implementation by the regulator and state bodies of measures to improve level of settlements on the electricity market, including the increase of price caps, the regulatory influence on market pricing decreased and the liquidity of market participants improved. In 2023 and at the beginning of 2024, these measures resulted in a noticeable improvement in the level of payments made by market participants to the Group compared to 2022. Given these factors and management's expectations, the Group has decided to revise its estimates of the timing and probability of settlement of trade receivables. The assessment of expected credit losses was carried out on the basis of scenarios, taking into account the expected future positive dynamics of settlements.

For the year ended 31 December 2023, the Group made an accrual of expected credit losses on trade accounts receivables in the amount of UAH 3,706,605 thousand (2022: UAH 10,238,254 thousand).

The movements in expected credit losses on trade accounts receivable for the years ended 31 December 2023 and 2022 were as follows:

	Portfolio assessment	Individual assessment	Total
Balance at 1 January 2022	**1,375,679**	**5,129,984**	**6,505,663**
Charge	3,054,892	7,183,362	**10,238,254**
Balance at 31 December 2022	**4,430,571**	**12,313,346**	**16,743,917**
Charge	2,423,405	1,283,200	**3,706,605**
Balance at 31 December 2023	**6,853,976**	**13,596,546**	**20,450,522**

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

Analysis of credit quality of trade accounts receivable for the years ended 31 December 2022 is as follows:

31 December 2022	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	5,668,466	7,903,843	2,375,833	1,389,528	1,773,683	2,515,171	**21,626,524**
Expected credit losses	(93,769)	(453,987)	(341,801)	(481,121)	(833,371)	(2,226,522)	**(4,430,571)**
Ratio of expected credit losses, %	*1.65%*	*5.74%*	*14.39%*	*34.62%*	*46.99%*	*88.52%*	
Individual assessment							
Gross amount	2,077,598	5,622,152	3,661,413	2,274,561	2,868,349	10,024,220	**26,528,293**
Expected credit losses	(222,411)	(975,753)	(1,011,992)	(683,360)	(1,614,900)	(7,804,930)	**(12,313,346)**
Ratio of expected credit losses, %	*10.71%*	*17.36%*	*27.64%*	*30.04%*	*56.30%*	*77.86%*	
					Total gross amount		**48,154,817**
					Total expected credit losses		**(16,743,917)**

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

The reconciliation of expected credit losses on trade accounts receivables for the years ended 31 December 2023 and 2022 with the balance at the beginning of the year was as follows:

	Portfolio assessment	Individual assessment	Total
Balance at 1 January 2022	**1,375,679**	**5,129,984**	**6,505,663**
Increase in gross value of trade accounts receivable	3,561,424	1,408,188	**4,969,612**
Change in assumptions, estimates and risk parameters	367,485	3,806,575	**4,174,060**
Change in approach of taking into consideration of current and forecast information	1,007,985	86,597	**1,094,582**
Transfer of separate financial assets between types of assessment	(1,882,002)	1,882,002	**-**
Balance at 31 December 2022	**4,430,571**	**12,313,346**	**16,743,917**
Increase in gross value of trade accounts receivable	5,269,566	3,593,749	**8,863,315**
Change in assumptions, estimates and risk parameters	(2,659,165)	(2,497,545)	**(5,156,710)**
Transfer of separate financial assets between types of assessment	(186,996)	186,996	**-**
Balance at 31 December 2023	**6,853,976**	**13,596,546**	**20,450,522**

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 19 and 22).

As of 31 December 2023, 8% of gross trade accounts receivables are covered by credit enhancements that are an integral part of contracts (2022: 13%). These credit enhancements resulted in a decrease in the expected credit losses on trade accounts receivable in the amount of UAH 1,166,041 thousand as of 31 December 2023 (2022: UAH 1,025,544 thousand).

10. PREPAYMENTS

	31 December 2023	31 December 2022
Electricity for compensation of technical losses	583,320	612,238
Goods, works and services	104,683	75,345
Electricity to settle imbalances	32,765	49,784
Total gross amount	**720,768**	**737,367**
Less: Allowance for impairment of prepayments	(645)	(567)
Total carrying amount	**720,123**	**736,800**

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

The movements in allowance for impairment of prepayments for the years ended 31 December 2023 and 2022 were as follows:

	2023	2022
Balance at 1 January	**567**	**209**
Charge	78	358
Balance at 31 December	**645**	**567**

11. TAXES RECEIVABLE, OTHER THAN INCOME TAX

As of 31 December 2023 and 2022 taxes receivable, other than income tax consisted mainly of VAT receivable in amount of UAH 2,767,332 thousand and UAH 2,884,276 thousand respectively.

12. LOANS RECEIVABLE

	31 December 2023	31 December 2022
Loan provided to SE "Ukrvuhillia"	-	2,366,942
Total gross amount	**-**	**2,366,942**
Less: Expected credit losses on loans receivable	-	(262,439)
Total carrying amount	**-**	**2,104,503**

As of 31 December 2023, interest-free loan to the state-owned enterprise "Ukrvuhillia" that was provided in 2022 in amount of UAH 2,499,974 thousand in accordance with the Resolution of the Cabinet of Ministers of Ukraine No.838 dated 22 July 2022 regarding the creation of a strategic coal reserve for the heating season of 2022-2023, was fully recovered according to the schedule.

The reconciliation of gross amount of loans receivable for the years ended 31 December 2023 and 2022 was as follows:

	2023	2022
Balance at 1 January	**2,366,942**	**-**
Loans provided	-	2,499,974
Proceeds from loans repayment	(2,493,166)	(6,807)
Discount costs on initial recognition (Note 29)	-	(240,059)
Income from amortization of discount (Note 28)	126,224	113,834
Balance at 31 December	**-**	**2,366,942**

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

The Group determines the expected credit loss on loans receivable based on different scenarios of probability of default and expected loss based on 12-month expected credit losses (stage 1). The movements in expected credit losses on loans receivable for the years ended 31 December 2023 and 2022 were as follows:

	2023	2022
Balance at 1 January	**262,439**	**-**
(Reversal) / charge	(262,439)	262,439
Balance at 31 December	**-**	**262,439**

13. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash on current bank accounts	7,317,832	3,725,851
Cash on special purpose accounts	513,133	1,006,976
Cash on hand	1	1
Total	**7,830,966**	**4,732,828**

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 31 December 2023 and 2022 were as follows:

	31 December 2023	31 December 2022
Ukrainian state banks with CCC rating	7,749,731	3,543,423
Ukrainian commercial banks with CCC rating	9	462,447
Subsidiaries of international banks with AA rating	49,159	710,060
Other banks without ratings	32,067	16,898
Total	**7,830,966**	**4,732,828**

14. OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
Regulatory asset	6,817,939	-
VAT amounts for which deadline or right to declare is not due	364,672	2,077,708
One-time commission on loans from banks	13,010	4,112
Other	201	84
Total	**7,195,822**	**2,081,904**

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

The regulator NEURC based on the results of the inspection of the Group's licensed activities, provided in the 2024 tariffs for services of electricity transmission and dispatch (operational and technological) control services for costs in the total amount of UAH 7,475,304 thousand as compensation for the costs incurred in previous periods, but not fully covered by tariffs for those periods. Thus, the regulator increased the future tariffs for the services of the Group due to the difference between economically justified actual and planned (approved in the tariffs of past periods) costs, which indicates about existence of regulatory asset as of 31 December 2023 and its probable full recover in future.

Having applied the accounting policy for reflecting the impact of tariff regulation on financial statements, and having adjusted the expected cash flows from the recovery of the regulatory asset for credit risk (the expected level of non-receipt of cash for the services provided), since the regulations does not treat uncollected amounts as allowable in determining tariffs for a later future period, as of 31 December 2023, the Group recognized a regulatory asset in the amount of UAH 6,817,939 thousand.

15. EQUITY

Share capital

In July 2019, NPC "Ukrenergo" was registered as a private joint stock company with 100% of its shares owned by the state of Ukraine. The private joint stock company NPC "Ukrenergo" is the legal successor of the State Enterprise "National Power Company "Ukrenergo".

As of 31 December 2023 and 2022 the nominal value of registered, issued and fully repaid share capital of the Company amounted to UAH 37,160,209 thousand, consisting of 37,160,209 ordinary registered shares with nominal value of UAH 1,000 per share.

The shares of the Company are not subject to dispossession, they are not registered on a stock exchange and are not traded in the market. 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. On 16 September 2021, the state, represented by the Ministry of Energy of Ukraine, became the owner of 100% of the Company's shares.

Corporatization effect

The value of shares of Company during corporatization was assessed by engaging an independent appraiser who assessed the fair values of the Company's assets and liabilities in accordance with the rules developed for valuation of shares by the State Property Fund of Ukraine. The fair value measurement of non-current assets is required by corporatization rules so that the Government could determine the share capital value of a new business entity. Since the new entity, Private Joint Stock Company NPC "Ukrenergo", is the continuation of the existing business, as well as assets and liabilities of the previous legal entity, the above fair value of assets and liabilities could not be reflected in the financial statements. Through the reorganization ("corporatization") the Company's share capital was increased in the amount of UAH 35,933,854 thousand which has been reflected as increase in share capital, consistent with the legal form of the shares. However, as the shareholder of the Company did not contribute additional capital through the reorganization, the increase in equity has been reflected as a corporatization in the amount of UAH 35,933,854 thousand, as separate reserve in equity.

	Number of ordinary shares	Share capital	Corporatization effect	Total
31 December 2023	**37,160,209**	**37,160,209**	**(35,933,854)**	**1,226,355**
31 December 2022	**37,160,209**	**37,160,209**	**(35,933,854)**	**1,226,355**

Revaluation reserve

As described in Notes 5 and 7, because of revaluation of property, plant and equipment as of 31 December 2023 increase in the value of property, plant and equipment in the amount of UAH 44,476,571 thousand was recognized in other comprehensive income, net of income tax benefit in the amount of UAH 9,749,553 thousand.

As of 31 December 2022, because of a significant change in the operating environment, the Group determined that there were certain indications that the recoverable value of property, plant and equipment, construction in progress and intangible assets may be less than their carrying amount. As a result of the assessment of the recoverable value of assets, part of the impairment of property, plant and equipment in the amount of UAH 1,619,008 thousand was recognized as a decrease in the revaluation reserve in other comprehensive income, net of income tax benefit in the amount of UAH 348,699 thousand.

As of 31 December 2023 and 2022 revaluation recerve amounted to UAH 68,496,965 thousand and UAH 24,033,949 thousand respectively.

Reserve capital

In accordance with the Company's Charter, the Company shall form a reserve capital in the amount of 15% of the registered authorized/share capital of the Company to cover losses from its business activities. To achieve this amount of reserve capital, the amount of annual charges should be not less than 5% of the net Company's profits for the year.

Based on the results of the year ended 31 December 2023, the Group made charges to the reserve capital in the amount of UAH 41,921 thousand. For the year ended 31 December 2022 the Company made no transfers to the reserve capital due to the loss incurred in 2022.

As of 31 December 2023 and 2022 reserve capital amounted to UAH 142,183 thousand and UAH 100,262 thousand respectively.

Dividends

The decision on payment of dividends and their amount is made by the shareholders meeting of the Company taking into account the requirements stipulated by the legislation of Ukraine, the indicators of financial statements and the structure of the tariffs for electricity transmission and dispatch (operational and technological) control services. Profit of each reporting period available for distribution to owners is determined on the basis of separate financial statements prepared in accordance with IFRS. The Group pays dividends exclusively in cash.

According to Part 5, Article 11 of the Law of Ukraine "On Management of State-Owned Properties" No 185-V dated 21 September 2006, in its effective version, it is determined that the general meeting of shareholders (participants) of state-owned company, approve the amount of the part of the net profit, which is directed to the payment of dividends based on the results of the company's financial and economic activity in the relevant year, in accordance with the State Dividend Policy approved by the Cabinet of Ministers of Ukraine.

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%. The Group decided to direct 90% of the consolidated profit for 2023 to the payment of dividends, after deducting income on granting access to the transmission capacity of interstate power networks in accordance with Part 7 of Article 43 of the Law of Ukraine "On the Electricity Market".

Therefore, as of 31 December 2023, the Group made an accrual of provision for dividends in the amount of UAH 207,883 thousand. As of 31 December 2022, no provision for dividends was accrued due to the Group's loss in 2022.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

16. LOANS AND BORROWINGS

	31 December 2023	31 December 2022
Non-current		
Loans	37,635,019	28,148,260
Eurobonds 2028	9,490,399	6,370,082
Total non-current loans and borrowings	**47,125,418**	**34,518,342**
Current		
Loans	8,805,669	8,986,984
Eurobonds 2028	884,082	-
Total current loans and borrowings	**9,689,751**	**8,986,984**
Total loans and borrowings	**56,815,169**	**43,505,326**

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

As of 31 December 2023 and 2022, the weighted average effective interest rates and balances on loans and borrowings were presented as follows:

			31 December 2023		31 December 2022	
	Creditor	**Currency**	**% annual**	**Balance**	**% annual**	**Balance**
European Bank for Reconstruction and Development, No. 54138	EBRD	EUR	4.43%	6,840,579	-	-
European Bank for Reconstruction and Development, No. 49235	EBRD	EUR	3.12%	6,288,978	1.12%	5,802,904
Ministry of Finance of Ukraine, No. 8462-UA	IBRD	USD	6.07%	5,441,122	3.56%	5,470,339
Oshchadbank, No. 1372/31/2	Oshchadbank	UAH	20.09%	4,583,333	19.10%	4,583,333
Ukreximbank, No. 20-1KV0016	Ukreximbank	UAH	24.73%	3,666,000	24.53%	3,666,000
Ministry of Finance of Ukraine, No. 24668-UA	EIB	EUR	3.93%	2,971,876	2.47%	3,075,100
Ministry of Finance of Ukraine, No. FIN 31.143 SEPARIS No.20090117	EIB	EUR	5.22%	2,590,158	2.52%	2,546,097
Ministry of Finance of Ukraine, No. 4868-UA	IBRD	USD	3.81%	2,573,936	3.46%	3,017,880
Ministry of Finance of Ukraine, No. 27406	KfW	EUR	4.28%	2,505,550	4.28%	2,133,703
European Investment Bank, No. 87.554	EIB	EUR	3.78%	2,110,395	2.35%	1,947,550
Ministry of Finance of Ukraine, No. 40147-UA	EBRD	EUR	3.57%	1,523,496	3.15%	1,707,146
Ministry of Finance of Ukraine, No. TF017661	IBRD	USD	2.81%	1,516,764	2.81%	453,936
Oshchadbank, No. 1427/31/2	Oshchadbank	USD	5.72%	1,228,731	5.42%	1,182,994
KfW, No. 2016.6520.7	KfW	EUR	2.51%	1,128,492		
Ukrgasbank, No. 20-K/20-VIP	Ukrgasbank	UAH	21.29%	865,885	17.50%	989,583
Ministry of Finance of Ukraine, No. 2006 66 537	KfW	EUR	2.78%	605,393	2.78%	558,679
Total loans				**46,440,688**		**37,135,244**
Eurobonds 2028	-	USD	50.44%	10,374,481	50.44%	6,370,082
Total loans and borrowings				**56,815,169**		**43,505,326**

As of 31 December 2023 and 2022 accounts payable for interests accrued on loans amounted to UAH 1,005,627 and UAH 591,769 thousand respectively (Note 22).

Loans from international financial organizations

Ministry of Finance of Ukraine, loan No. 4868-UA

Creditor: International Bank for Reconstruction and Development

In 2007, the long-term loan agreement No.4868-UA for the total amount of USD 200,000 thousand was concluded between the Government of Ukraine and the International Bank for Reconstruction and Development (hereinafter – "IBRD") to implement the Power Transmission Project. The sub-loan agreement between the Group and the Ministry of Finance of Ukraine was concluded on 23 August 2007. The interest rate of the loan is a floating interest rate based on SOFR[1] plus a variable spread, plus a margin of 2.00% payable to the Ministry of Finance of Ukraine.

As of 31 December 2023 and 2022, there was no undrawn balance under the loan. The loan is repayable in accordance with the settlement schedule specified in the agreement, starting from 15 March 2013 to 15 September 2027.

Ministry of Finance of Ukraine, loan No. 8462-UA

Creditor: International Bank for Reconstruction and Development

In 2015, long-term loan agreement No.8462-UA for the total amount of USD 330,000 thousand was concluded between the Government of Ukraine and the IBRD to implement the Second Power Transmission Project. In accordance with the sub-loan agreement between the Group and the Ministry of Finance of Ukraine concluded on 25 May 2015, the sub-lender re-credited a portion of funds in the amount of USD 327,494 thousand. The interest rate of the loan is a floating interest rate based on SOFR plus a variable spread. In addition, the Group is charged a commission of 0.25% for the undrawn loan amount and a margin of 2.00% payable to the Ministry of Finance of Ukraine. In May 2019, amendments were made to Loan Agreement No.8462-UA, according to which was agreed to reduce the amount of borrowing funds by USD 60,000 thousand and extend the final completion of the project from 30 June 2020 to 29 June 2022. In March 2022, the project completion date was extended to 31 December 2023. In December 2023, the IBRD agreed to extend the duration of the Project and set 30 June 2025 as the final date for its completion. The loan is repayable in accordance with the settlement schedule specified in the agreement, starting from 15 January 2020 to 15 July 2032.

As of 31 December 2023, the undrawn balance under the loan amounted to USD 81,895 thousand (2022: USD 90,786 thousand).

Ministry of Finance of Ukraine, loan No. TF017661

Creditor: International Bank for Reconstruction and Development

In 2015, long-term loan agreement No.TF017661 for the total amount of USD 48,425 thousand was concluded between the Government of Ukraine and the IBRD to implement the Second Power Transmission Project. The sub-loan agreement between the Group and the Ministry of Finance of Ukraine was concluded on 25 May 2015. The interest rate of the loan is a fixed interest rate of 0.75%. In addition, the Group is charged a margin of 2.00% payable to the Ministry of Finance of Ukraine. In March 2022, the project completion date was extended to 31 December 2023. In December 2023, the IBRD agreed to extend the duration of the Project and set 30 June 2025 as the final date for its completion. The loan is repayable in accordance with the settlement schedule specified in the agreement, starting from 15 January 2025 to 15 July 2034.

In addition, as part of additional financing for the implementation of this Project, grant agreement No. TF0C819 for the total amount of EUR 37,739 thousand was concluded between the Group, the IBRD and the International Development Association (Note 18).

[1] The Secured Overnight Financing Rate (SOFR) is a benchmark interest rate for dollar-denominated financial instruments based on transactions in the Treasury repurchase market. SOFR replaced LIBOR in all loan agreements.

As of 31 December 2023, the undrawn balance under the loan amounted to USD 8,492 thousand (2022: USD 36,012 thousand).

Ministry of Finance of Ukraine, loan No. 40147-UA

Creditor: European Bank for Reconstruction and Development

In 2010, long-term loan agreement No.40147 for the total amount of EUR 175,000 thousand was concluded between the Government of Ukraine and the EBRD to implement Zaporizka AES-Kakhovska high voltage line construction project. The sub-loan agreement between the Group and the Ministry of Finance of Ukraine was concluded on 18 November 2010. The interest rate of this loan is a floating interest rate based on EURIBOR + 1.00%, plus a margin of 2.00% payable to the Ministry of Finance of Ukraine. In addition, the Group is charged a commission of 0.50% applied to the undrawn balance of the loan. The loan is repayable in accordance with the settlement schedule specified in the agreement in equal semi-annual instalments starting from 20 April 2014 to 20 October 2025.

As of 31 December 2023, the undrawn balance under the loan amounted to EUR 16,279 thousand (2022: EUR 23,220 thousand).

Ministry of Finance of Ukraine, loan No. 24668-UA

Creditor: European Investment Bank

In 2008, long-term loan agreement No.24668-UA for the total amount of EUR 150,000 thousand was concluded between the Government of Ukraine and European Investment Bank (hereinafter – the "EIB") to implement Rivnenska AES-Kyivska high voltage line construction project. The sub-loan agreement between the Group and the Ministry of Finance of Ukraine was concluded on 8 October 2008. The interest rate of this loan is a floating interest rate based on EURIBOR + 0.787%, plus a margin of 2.00% payable to the Ministry of Finance of Ukraine. In addition, the Group is charged a commission of 0.10% applied to the undrawn balance of the loan. The loan is repayable in accordance with the settlement schedule specified for each tranche in semi-annual instalments starting from 20 February 2016. Average period of tranche repayments is 15 years from the date of funds receiving.

As of 31 December 2023 and 2022, the undrawn balance under the loan amounted to EUR 37,550 thousand.

Ministry of Finance of Ukraine, loan No. FIN 31.143 SEPARIS No.20090117

Creditor: European Investment Bank

In 2011, long-term loan agreement No.FIN 31.143 SEPARIS No.20090117 for the total amount of EUR 175,000 thousand was concluded between the Government of Ukraine and the EIB to implement Zaporizka AES-Kakhovska high voltage line construction project. The sub-loan agreement between the Group and the Ministry of Finance of Ukraine was concluded on 2 July 2012. The interest rate of this loan is a floating interest rate based on EURIBOR + 0.70%, plus a margin of 2.00% payable to the Ministry of Finance of Ukraine. In addition, the Group is charged a commission of 0.10% applied to the undrawn balance of the loan. The loan is repayable in accordance with the settlement schedule specified for each tranche in semi-annual instalments starting from 20 October 2019. Average period of tranche repayments is 20 years from the date of funds receiving.

As of 31 December 2023 and 2022, the undrawn balance under the loan amounted to EUR 102,300 thousand.

Ministry of Finance of Ukraine, loan No. 2006 66 537

Creditor: Kreditanstalt für Wiederaufbau (KfW)

In 2011, long-term loan agreement No.2006 66 537 for the total amount of EUR 65,500 thousand was concluded between the Government of Ukraine and Kreditanstalt für Wiederaufbau Bank (Germany) to implement the Electricity Transmission Efficiency Improvement Project (substation modernization). The sub-loan agreement between the Group and the Ministry of Finance of Ukraine was concluded on 10 July 2012. In 2015, pursuant to the additional letter to the loan agreement, the total amount of the loan was reduced to EUR 40,500 thousand. The loan has a fixed interest rate 0.75%, plus a margin of 2.00% payable to the Ministry of Finance of Ukraine. In addition, the Group is charged a commission of 0.25% applied to the undrawn balance of the loan. The loan is repayable in equal semi-annual installments starting from 30 December 2021 until 30 December 2051.

As of 31 December 2023 and 2022, the undrawn balance under the loan amounted to EUR 24,831 thousand.

Ministry of Finance of Ukraine, loan No. 27406

Creditor: Kreditanstalt für Wiederaufbau (KfW)

In 2016, long-term loan agreement No.27406 for the amount not higher than totally EUR 150,000 thousand was concluded between the Government of Ukraine and Kreditanstalt für Wiederaufbau Bank (Germany) to implement the Rehabilitation of Substations in the Eastern Part of Ukraine Project. The sub-loan agreement between the Group and the Ministry of Finance of Ukraine was concluded on 21 March 2017. The interest rate of the loan is a fixed interest rate of 3.97%. In addition, the Group is charged a margin of 2.00% payable to the Ministry of Finance of Ukraine and a commission of 0.25% for the undrawn loan amount. The loan is repayable in accordance with the settlement schedule specified in the agreement starting from 30 December 2021 until 30 December 2031.

In October 2023, the Group and KfW concluded grant agreement No. BMZ-No. 2023 68 652 under the Project "Increasing the efficiency of electricity transmission (integration of the Ukrainian IPS into the European integrated energy system) V" in the amount of EUR 76,352 thousand (Note 18). The German government has agreed that the planned financing will replace loan No. 27406, intended for the implementation of the Rehabilitation of Substations in the Eastern Part of Ukraine. Accordingly, unselected funds under loan No. 27406 in the amount of EUR 76,352 thousand will be provided as grant funds in accordance with the terms of the grant agreement. The current conditions of the loan agreement apply to the outstanding used funds under the loan No. 27406.

As of 31 December 2023, taking into account the redistribution of the unused loan balance into the grant, there is no such undrawn balance under the loan (2022: EUR 80,935 thousand).

European Bank for Reconstruction and Development, loan No. 49235

Creditor: European Bank for Reconstruction and Development

In July 2019, long-term loan agreement for the total amount of EUR 149,000 thousand was concluded between the Group and the European Bank for Reconstruction and Development to implement the Project on Modernization of Transmission Network (purchase of new transformers and modernization of twelve substations in key regions of Ukraine). The interest rate of this loan is a floating interest rate based on EURIBOR + 1.00%, plus a margin of 1.00% payable to the Ministry of Finance of Ukraine for the government guarantee granted for the total loan amount. In addition, the Group is charged a commission of 0.50% applied to the undrawn balance of the loan. The loan is repayable in accordance with the repayment schedule defined in the agreement in equal semi-annual installments starting from 20 April 2024 until 20 April 2034.

In May 2022, the Group and the EBRD signed an Amendment to Loan agreement No.49235 (Amendment #1). In particular, the parties agreed to partially change the purpose of the loan, namely: the use of EUR 50,000 thousand (Loan A) for the liquidity needs of the Group and EUR 99,000 thousand (Loan B) - for the implementation of the Project, provided that this amount includes already received loans and already paid a one-time fee in the amount of EUR 1,500 thousand. Loans are repayable in accordance with the settlement schedule specified in the agreement in semi-annual instalments: Loan A - until 20 October 2026 and Loan B - until 20 April 2034.

In August 2022, the EBRD and the Group concluded an Amendment to Loan agreement No.49235 (Amendment #2), which provided for a change in the purpose of credit funds included in Loan B as defined in Amendment #1. In particular, credit funds in the amount of EUR 97,150 thousand (Loan B as defined in Amendment #2) may be disbursed to finance the critical operational costs of the Group, and EUR 1,850 thousand (Loan C) should include a one-time fee paid and the costs of a consultant for the preparation of the Project. The loans are repayable according to the schedule every six months: Loan A - until 20 October 2027, Loan B as defined in Amendment #2 - until 20 April 2028, and Loan C - until 20 April 2034.

As of 31 December 2023, there was no undrawn balance under the loan (2022: EUR 20 thousand).

European Investment Bank, loan No. FIN 87.554 SEPARIS No.2017-0155

Creditor: European Investment Bank

In 2018, a long-term loan agreement No.FIN 87.554 Serapis No.2017-0155 in the amount of EUR 136,000 thousand was concluded between the Group and the EIB for the implementation of the Substation Reliability Project. The EIB provides loans in 13 tranches, each of which is set at a floating interest rate based on the EURIBOR rate or a fixed rate. For each tranche, the EIB and the Group agree on the amount of the tranche, receiving date, repayment terms, and the interest rate. In addition, the Group must pay a margin of 0.20% to the Ministry of Finance of Ukraine for the provided state guarantee for the total loan amount. The loan is repayable in accordance with the settlement schedule specified for each tranche in semi-annual instalments starting from March 2027. Average period of tranche repayments is 15 years from the date of funds receiving.

In August 2022, the Group and the EIB agreed on the reassignment of part of the loan funds under the loan agreement No. FIN 87.554 Separis No. 2017-0155 in the amount of EUR 50 million to be used to support the financial condition of the Group. During 2022, these funds were received to repay the Group's payables to market participants for ancillary services. The rest of the loan funds in the amount of EUR 86 million are undrawn and will be directed to the restoration or modernization of assets.

As of 31 December 2023 and 2022, the undrawn balance under the loan amounted to EUR 86,000 thousand.

Kreditanstalt für Wiederaufbau (KfW), loan No. BMZ-No 2016.6520.7

Creditor: Kreditanstalt für Wiederaufbau (KfW)

In 2022, the Group and KfW signed a long-term loan agreement No.BMZ-No. 2016.6520.7 in the amount of EUR 32,500 thousand for the implementation of the Project to improve the efficiency of electricity transmission. The interest rate on the loan is fixed and amounts to 2% per annum. In addition, the Group must pay a margin of 0.5% to the Ministry of Finance of Ukraine for the provided state guarantee for the total loan amount, and a commission of 0.25% applied to the undrawn balance of the loan. The loan is repayable in equal semi-annual installments starting from 15 November 2032 until 15 May 2052.

As of 31 December 2023, the undrawn balance under the loan amounted to EUR 5,763 thousand (2022: EUR 32,500 thousand).

European Bank for Reconstruction and Development, loan No. 54138

Creditor: European Bank for Reconstruction and Development

In December 2022, the Group and the EBRD signed a long-term loan agreement in the amount of EUR 300,000 thousand with which the parties agreed to direct loan funds in the amount of EUR 150,000 thousand (Loan A) for the implementation of the Project for emergency restoration of the electricity transmission network and EUR 150,000 thousand (Loan B) - to support the Group's capital structure. Amounts of Loans A and B include a one-time fee, which is calculated as 1% of the total amount of the loan according to the contract. The interest rate on the loan is floating and is calculated based on the EURIBOR rate. In addition, the Group must pay the Ministry of Finance of Ukraine a margin of 0.10% for the provided state guarantee for the total amount of the loan. In addition, the Group must pay a fee of 0.50% of the unused credit balance. The loans are repayable according to the schedule in semi-annual installments starting from 20 January 2026: Loan A – until 20 January 2038 and Loan B - until 20 January 2033.

Additionally, for this Project, grant agreement No. 54138 for the total amount of EUR 70,560 thousand was concluded between the Group and the EBRD (Note 18).

As of 31 December 2023, the undrawn balance under the loan amounted to EUR 137,931 thousand (2022: EUR 300,000 thousand).

Kreditanstalt für Wiederaufbau (KfW), loan No. BMZ-No. 2019.6512.8

Creditor: Kreditanstalt für Wiederaufbau (KfW)

In December 2023, long-term loan agreement No. BMZ-No. 2019.6512.8 in the amount of EUR 24,000 thousand was concluded between the Group and KfW for the implementation of the Project on increasing the efficiency of electricity transmission (integration of the Ukrainian IPS into the European integrated energy system) III. The interest rate on the loan is fixed and amounts to 2% per annum. In addition, the Group must pay a margin of 0.5% to the Ministry of Finance of Ukraine for the provided state guarantee for the total loan amount, and a commission of 0.25% applied to the undrawn balance of the loan. The loan is repayable in equal semi-annual installments starting from 15 May 2034 until 15 November 2053.

Additionally, for this Project, grant agreement No. BMZ-No. 2019.7031.8 for EUR 500 thousand was concluded between the Group and KfW (Note 18). Loan funds will be used to finance the restoration of the Group's substation in the western region of Ukraine, whose energy infrastructure was severely damaged by the military aggression of the Russian Federation. The grant funds will be used to increase the institutional capacity of the Group to implement the project. Combined with other recovery measures, this will contribute to the expansion of the export and import of electricity from the IPS of Ukraine to Europe, as well as its full synchronous work with ENTSO-E.

As of 31 December 2023, the withdrawal of funds for this loan did not take place and the unused balance of the loan amounted to EUR 24,000 thousand.

European Bank for Reconstruction and Development, loan No. 54649

Creditor: European Bank for Reconstruction and Development

In 2023, the Group and the EBRD signed a long-term loan agreement 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 will be directed to cover the Group's key costs for balancing the energy system and fulfilling the special obligations assigned to the company by the state. The loan includes a one-time commission calculated as 1% of the total amount of the loan according to the agreement. The interest rate on the loan is floating and is calculated on the basis of EURIBOR 6M + 1%. In addition, the Group must pay a margin of 0.50% to the Ministry of Finance of Ukraine for the provided state guarantee for the total amount of the loan. In addition, the Group must pay a commission of 0.50% of the undrawn loan balance. The loan is repayable according to the schedule every six months starting from 20 November 2026 until 20 November 2032.

As of 31 December 2023, the withdrawal of funds for this loan did not take place and the unused balance of the loan amounted to EUR 150,000 thousand.

Fair value of loans from international financial organizations

The loans received by the Group in 2023 from the EBRD and KfW are directed to the implementation of the Project for emergency restoration of the electricity transmission network and the Project on increasing the efficiency of electricity transmission, respectively. Such loans from international financial organizations are 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 and KfW act as market makers and offer the same credit terms to all borrowers who have access to it and meet the criteria.

Thus, the loans received by the Group in 2023 from the EBRD and KfW were 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 2023, the fair value of loans from the EBRD and KfW does not differ significantly from the transaction price, and belongs to Level 3 of the fair value hierarchy.

Loans from state-owned banks

With the beginning of the military aggression of the Russian Federation against Ukraine in February 2022, the Group suspended the payment of the principal amount on these loans due to force majeure circumstances and agreed credit holidays with creditor banks. In July-August 2023, and later in January-February 2024, the Group's management agreed with state banks on the terms of postponing the payment of the residual value of the principal debt on loans for a later period.

During 2023 the Group repaid the principal amount on loans from state-owned banks in the amount of UAH 123,698 thousand (2022: UAH 1,011,083 thousand). At the same time, interest payments on these loans were made in full and amounted to UAH 2,387,836 thousand (2022: UAH 1,950,467 thousand).

Oschadbank, loan No. 1372/31/2

On 30 December 2020, the Group and JSC "Oschadbank" signed a credit line agreement No.1372/31/2 in the amount of UAH 5.0 billion for the purpose of repaying the debt to SE "Guaranteed Buyer". The loan has a floating interest rate linked to NBU key policy rate. Additionally, the Group has to pay a margin of 0.10% to the Ministry of Finance of Ukraine for the provided state guarantee for the total loan amount. The loan is repayable in equal installments on a monthly basis, starting from January 2022 until December 2023.

During 2022-2023, the Group and JSC "Oschadbank"agreed on a new loan repayment schedule and interest rate. In April 2023, a postponement of the initial repayment date of the remaining loan debt to January 2024 was agreed. Accordingly, the loan is repayable in equal installments on a monthly basis, starting from January 2024 until December 2025. For the period from 5 December 2023 to 3 June 2024, a fixed interest rate was agreed upon, which will be changed again to a floating one with reference to the value of the NBU discount rate.

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.

As of 31 December 2023 and 2022, there is no undrawn balance within the current credit limit.

Ukreximbank, loan No. 20-1KV0016

The loan was provided by opening a revolving credit line with a sample of credit funds in tranches and a limit of UAH 4.0 billion. The loan has a floating interest rate linked to NBU key policy rate. Additionally, the Group has to pay a margin of 0.10% to the Ministry of Finance of Ukraine for the provided state guarantee for the total loan amount. The loan is repayable in equal installments on a monthly basis, starting from January 2022. The final repayment date of this loan is 29 December 2023.

During 2022-2023, the Group and JSC "Ukreximbank" agreed on a new loan repayment schedule. In March 2023, the Group and JSC "Ukreximbank" agreed on a new loan repayment schedule with a postponement of the initial repayment date of the remaining debt to January 2024. Accordingly, the loan is repaid in monthly installments starting from January 2024 to December 2025.

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.

As of 31 December 2023 and 2022, there is no undrawn balance within the current credit limit.

Ukrgasbank, loan No.20-K/20-VIP

The loan was provided in the form of a non-revolving revocable credit line with a total limit of UAH 1.25 billion. The loan has a floating interest rate linked to NBU key policy rate. Additionally, the Group has to pay a margin of 0.10% to the Ministry of Finance of Ukraine for the provided state guarantee for the total loan amount. Repayment of the loan is performed in accordance with the repayment schedule specified in the agreement in installments on a monthly basis, starting from January 2022. The final repayment date of this loan is 30 December 2023.

During 2022-2023, the Group and JSC "Ukrgasbank" agreed on a new loan repayment schedule, the calculation and amount of the interest rate. In April 2023, a fixed interest rate for the use of credit funds within the credit period and a new loan repayment schedule with a postponement of the initial repayment date of the remaining debt on the loan to January 2024 was agreed. Accordingly, the loan is repaid in monthly installments starting from January 2024 to December 2025.

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.

As of 31 December 2023 and 2022, there is no undrawn balance within the credit limit.

Oschadbank, loan No.1427/31/2

On 30 December 2021, a credit line agreement No.1427/31/2 in the amount of USD 40 million was signed between the Group and JSC "Oschadbank" for the purpose of repaying the debt to SE "Guaranteed Buyer". The loan has a floating interest rate linked to UIRD[2] index. In addition, the Group must pay the Ministry of Finance of Ukraine a margin of 0.50% for the state guarantee provided for the total loan amount. The loan is repayable in equal installments on a monthly basis, starting from January 2023 until December 2026.

In July 2022, the Group and JSC "Oschadbank" signed an Additional agreement to the Credit line Agreement No.1427/31/2, by which agreed to reduce the maximum credit limit from USD 40 to USD 32.35 million due to the devaluation of the hryvnia. The withdrawal of funds was carried out in September 2022, which were immediately transferred to SE "Guaranteed Buyer" for repayment of the debt for PSO RES. The loan is repaid in equal monthly installments starting from January 2023 to December 2026.

In April 2023, the Group and JSC "Oschadbank" signed and Additional agreement #2 to the Credit line Agreement No.1427/31/2, which agreed on a new loan repayment schedule with a postponement of the initial repayment date of the remaining debt to January 2024. Accordingly, the loan is repaid in equal monthly installments starting from January 2024 to December 2027. From the beginning of 2024, the loan is repaid on time in accordance with the payment schedule.

As of 31 December 2023 and 2022, there is no undrawn balance within the credit limit.

Eurobonds 2028

In November 2021, the Group issued USD 825 million 6.875% Sustainability-Linked Green Bonds due 2026 on the London Stock Exchange (hereinafter - Eurobonds 2028). The maturity date of Eurobonds 2026 is 9 November 2026. Coupon on Eurobonds 2028 is payable every six months in May and November. Eurobonds 2028 have an unconditional and irrevocable state guarantee of Ukraine, for which the Group must pay a margin of 0.5%. The effective interest rate on Eurobonds 2026 is 7.58% per annum, which includes the cost of the state guarantee and direct costs of its issuance. The credit rating of the issue was assessed by rating agencies Moody's and Fitch as B3 and B, respectively, and it was linked to the sovereign credit rating of Ukraine. At the beginning of 2022, the credit rating of Ukraine, and respectively, of Eurobonds 2028, was declined due to the beginning of military aggression.

The funds received from the Eurobonds 2028 issuance were used to solve settlement problems in the domestic electricity market by repaying the Group's debt to SE "Guaranteed Buyer" for the service to increase the share of electricity production from alternative sources, which was accumulated during 2020-2021.

The terms of Eurobonds 2028 also contain two Sustainability Performance Targets. Failure to meet one or both may increase the coupon interest rate by 0.35% per annum for the period from May 2025:

a) SPT 1a - Installed capacity of wind and solar power plants connected to the power systems of Ukraine to achieve 8,900 MW by the end of 2024 from the 2020 baseline of 6,474 MW;
b) SPT 1b - Share of connected wind and solar energy production capacity of total connected energy production capacity to reach 16.1% by the end of 2024 from the 2020 baseline of 11.8%.

[2] UIRD (Ukrainian Index of Retail Deposit Rates) is a weighted average annual rate calculated on the basis of nominal rates on term deposits of individuals in the currency corresponding to the loan currency for a period of three months with interest payment in the end of agreement, published on the website www.bank.gov.ua, as well as in Thomson Reuters information systems.

Amendment of terms of Eurobonds 2028

In view of the unprecedented crisis situation caused by the military aggression of the Russian Federation against Ukraine, in order to maintain liquidity and prioritise expenses that are vital for the security of the Ukrainian energy system, the uninterrupted performance of the functions of the Transmission System Operator, the Group's operating performance in general as well as the integration of the Ukraine's energy system into ENTSO-E, on behalf of the Cabinet of Ministers of Ukraine, in July 2022, the Ministry of Finance of Ukraine and the Group addressed investors with a proposal to change the terms of all state Eurobonds and state derivatives of Ukraine, as well as Eurobonds guaranteed by the state, including Eurobonds 2028.

On 11 August 2022, investors consented to the proposal of the Group to amend certain terms of Eurobonds 2028. The main agreed amendments to the terms of Eurobonds 2028 are as follows:

- Push-back of the maturity of Eurobonds 2028 by 24 months - from November 2026 to November 2028;
- Coupon interest payments have been suspended for 24 months starting from next coupon payment date - during the period from November 2022 to November 2024 (hereinafter referred to as the Support Period);
- Coupons that are not paid during the Support Period are capitalized at the coupon rate of Eurobonds 2028 - 6.875%;
- The Group will be able to pay coupon interests accrued during the Support Period earlier;
- Coupons accrued during the Support Period are envisaged to be reaggregate with the bond principal and paid out at the bond's deferred maturity with the capitalization before that date (November 2028).

Amendments to the terms of Eurobonds 2028 related to sustainability-linked elements were also changed, failure to comply with which may increase the interest rate of the coupon:

- Deferral of the Sustainability Performance Targets (SPTs) testing date by 24 months deadlines for verification and reporting on by 24 months;
- The war event is added for the qualification of Adjustment Event so that the Group could adjust its SPTs as of the earlier of:
    - date when the volume of electricity transmission of the Group for the previous 12 months ending on 30 June or 31 December of a certain year is equal to or exceeds 90% of the volume of electricity transmission for 2021 (pre-war level);
    - 30 September 2026 (three months before the delayed testing date of Sustainability Performance Targets (SPTs).

Taking into account both quantitative and qualitative factors, including a change of maturity, covenants, operating environment risk, the management considers the change in the terms of Eurobonds 2028, which was agreed on 11 August 2022, as a substantial modification of the financial liability. Such a substantial change in the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value on the date of modification. As a result of a substantial modification, the effective interest rate for Eurobonds 2028 changed from 7.58% to 50.44%.

Covenants

Loan agreements and Eurobonds 2028 contain financial and non-financial covenants. As of 31 December 2023 and 2022, 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.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

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%.

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

As of 31 December 2023 and 2022, the values of these financial covenants were as follows:

	31 December 2023	31 December 2022
Debt Service Ratio	3.28	0.43
Self-financing Ratio	106%	-38%

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

As of 31 December 2022, the Group failed to comply with Debt Service Ratio and Self-financing Ratio, and as of 31 December 2021 - with Self-financing Ratio. According to the general terms and conditions of the loan agreements with the IBRD, in the event of non-compliance with any of the terms and conditions thereunder, including the covenants, the IBRD may suspend further disbursements of the loan and/or require that the Group repay in full the outstanding amounts. However, the Group received a waiver from the IBRD in the period before the reporting date due to non-compliance with the ratios as of 31 December 2022.

Therefore, as of 31 December 2022, despite of non-compliance with financial covenants, the Group classified these loans as non-current in the consolidated statement of financial position.

European Bank for Reconstruction and Development (EBRD)

According to the terms of the loan agreements with EBRD No.40147-UA and No.27406, the Group, inter alia, should comply with the following financial covenants:

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, the Group, inter alia, should comply with the following financial covenants:

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 agreement with the EBRD No.54138, which was concluded in December 2022, the Group, among other things, is obliged to comply with the aforementioned financial covenants, but starting from the 2024 financial year.

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

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

As of 31 December 2023 and 2022, the values of these financial covenants were as follows:

	31 December 2023	31 December 2022
Debt Service Coverage Ratio	0.20	-0.80
Liquidity Ratio	0.95	0.76
Debt to EBITDA Ratio	5.53	-2001.41

As of 31 December 2023 and 2022, the Group failed to comply with the above mentioned ratios. At the same time, as of 31 December 2023, there is a significant improvement in these financial covenants.

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 31 December 2023 and 2022. Therefore, as of 31 December 2023 and 2022, 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.

As of 31 December 2023 and 2022, the values of these financial covenants were as follows:

	31 December 2023	31 December 2022
EBITDA to Debt Service Ratio	1.62	-0.90
Cashflow to Capital Expenditures Ratio	84%	-175%

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

As of 31 December 2022 the Group did not comply with the EBITDA to Debt Service Ratio and the Cashflow to Capital Expenditures Ratio. According to the terms and conditions of the loan agreement with the EIB, in the event of the failure to comply with financial covenants thereunder, the EIB 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 EIB in the period before the reporting date due to non-compliance with the ratios as of 31 December 2022. Therefore, as of 31 December 2022, Group classified this loan as non-current in the consolidated statement of financial position.

As of 31 December 2023 and 2022 and prior to the date these 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.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

17. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution pension plans

Employees of the Group are eligible for obtaining pension benefits from the Government in accordance with the pension legislation of Ukraine. The Group pays contributions to the State Pension Fund, which are recognized in the statement of profit or loss and other comprehensive income under accrual basis. Total amount of contributions to the State Pension Fund of Ukraine recognized in the statement of profit or loss and other comprehensive income for the year ended 31 December 2023 amounted to UAH 665,646 thousand (2022: UAH 644,089 thousand).

Defined benefit pension plans

The Group is also obliged to compensate to the State Pension Fund of Ukraine the amounts of additional pensions provided to certain categories of its current and former employees who worked in hazardous environment as defined by the statutory regulations and, therefore, are eligible for early retirement and pensions before the normal retirement age. These additional contributions are reimbursed by the Group in accordance with monthly calculations of actual compensations provided by the State Pension Fund of Ukraine.

In addition, in accordance with the collective employment agreement, the Group has a legal obligation to make cash bonus payments to employees in connection with jubilee dates, regular payments to retired employees in the form of financial aid, non-regular financial aid to close relatives in connection with the death of non-working pensioner and one-time payments upon retirement (in connection with retirement). These programs meet the definition and are included in the defined benefit pension plans.

As of 31 December 2023 and 2022, the present value of defined benefit obligations was UAH 321,719 thousand and UAH 527,997 thousand, respectively.

Reconciliation of the present value of defined benefit obligations for the years ended 31 December 2023 and 2022 was as follows:

	2023	2022
Balance at 1 January	**527,997**	**727,049**
Current service cost	9,689	39,318
Interest costs	88,703	80,994
Actuarial gain recognized in other comprehensive income	(288,187)	(311,376)
Actuarial loss/(gain) recognized in profit or loss	3,582	(204)
Benefits paid during the year	(20,065)	(7,784)
Balance at 31 December	**321,719**	**527,997**

The present value of defined benefit obligations as of 31 December 2023 and 2022 were presented in the consolidated statement of financial position as follows:

	31 December 2023	31 December 2022
Non-current obligations	279,923	510,725
Current obligations (Note 21)	41,796	17,272
Total	**321,719**	**527,997**

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Amounts recognized in the consolidated statement of profit or loss for defined benefit obligations were as follows:

	2023	**2022**
Interest costs (Note 29)	88,703	80,994
Current service cost	9,689	39,318
Actuarial loss/(gain) recognized in profit or loss	3,582	(204)
Total	**101,974**	**120,108**

During the year ended 31 December 2023, the Group included in other comprehensive income that will not be reclassified subsequently to profit or loss, actuarial gain in the amount of UAH 285,640 thousand, including income tax expense of UAH 2,547 thousand (2022: UAH 306,477 thousand, including income tax expense of UAH 4,899 thousand). These actuarial gains were primarily driven by changes in actuarial assumptions.

Key assumptions used for actuarial assessment as of 31 December 2023 and 2022 were as follows:

	31 December 2023	**31 December 2022**
Discount rate	15.4%	16.8%
Expected salary growth rate	12.0%	12.0%
Staff turnover	6.4%	4.5%

Information on the sensitivity of defined benefit obligations to changes in the underlying assumptions is as follows:

31 December 2023	**Change in assumptions**	**Increase/ (decrease) of obligation**
Discount rate	+1%	(19,163)
Discount rate	-1%	21,561
Expected salary growth rate	+1%	19,282
Expected salary growth rate	-1%	(17,318)
Staff turnover	+1%	(12,591)
Staff turnover	-1%	13,990

31 December 2022	**Change in assumptions**	**Increase/ (decrease) of obligation**
Discount rate	+1%	(29,241)
Discount rate	-1%	33,001
Expected salary growth rate	+1%	30,127
Expected salary growth rate	-1%	(26,956)
Staff turnover	+1%	(9,436)
Staff turnover	-1%	10,420

The sensitivity analysis presented above may not represent the actual changes in post-employment and other long-term employee benefit obligation because it is unlikely that changes in assumptions would occur in isolation of one another, as some assumptions may be interrelated. In addition, in the sensitivity analysis presented above, the present value of the defined benefit obligation was calculated using the projected unit credit method at the end of the reporting period, consistent with that used to calculate the benefit recognized in the consolidated statement of financial position.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

18. 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).

As of 31 December 2023 and 2022 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 31 December 2023 and 2022 were as follows:

	31 December 2023	**31 December 2022**
International technical assistance	2,884,102	-
Grants, assets received free of charge and similar financing	1,028,612	723,218
Connection to the electricity transmission system	612,276	693,581
Humanitarian aid	376,108	147,078
Total	**4,901,098**	**1,563,877**
Including:		
Special purpose funding (non-current liabilities)	4,835,475	1,509,634
Deferred income (current liabilities)	65,623	54,243
Total	**4,901,098**	**1,563,877**

International technical assistance

Information about the movement in international technical assistance for the years ended 31 December 2023 and 2022 were as follows:

	2023	**2022**
Balance at 1 January	**-**	**-**
Received international technical assistance	2,999,623	-
International technical assistance recognized as income	(115,521)	-
Balance at 31 December	**2,884,102**	**-**

International technical assistance as of 31 December 2023 and 2022 were presented in the consolidated statement of financial position as follows:

	31 December 2023	**31 December 2022**
Special purpose funding (non-current liabilities)	2,883,844	-
Deferred income (current liabilities)	258	-
Total	**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 years ended 31 December 2023 and 2022 were as follows:

	2023	**2022**
Balance at 1 January	**723,218**	**835,187**
Grants received for modernization of property, plant and equipment	483,889	63,302
Grants received for operating expenses	33,704	34,661
Grants used for operating expenses	(33,704)	(34,661)
Grants recognized as other operating income (Note 25)	(178,495)	(175,271)
Balance at 31 December	**1,028,612**	**723,218**

Grants, assets received free of charge and similar funding as of 31 December 2023 and 2022 were presented in the consolidated statement of financial position as follows:

	31 December 2023	**31 December 2022**
Special purpose funding (non-current liabilities)	971,410	700,642
Deferred income (current liabilities)	57,202	22,576
Total	**1,028,612**	**723,218**

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 years ended 31 December 2023 and 2022 were as follows:

	2023	**2022**
Balance at 1 January	**693,581**	**760,947**
Funding received	9,876	15,784
Funding recognized as revenue from services rendered	(91,181)	(83,150)
Balance at 31 December	**612,276**	**693,581**

Financing received from customers under agreements for connection services to the electricity transmission system as of 31 December 2023 and 2022 were presented in the consolidated statement of financial position as follows:

	31 December 2023	**31 December 2022**
Special purpose funding (non-current liabilities)	604,432	667,726
Deferred income (current liabilities)	7,844	25,855
Total	**612,276**	**693,581**

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 years ended 31 December 2023 and 2022 were as follows:

	2023	**2022**
Balance at 1 January	**147,078**	**-**
Humanitarian aid received	454,206	147,145
Humanitarian aid recognized as income	(225,176)	(67)
Balance at 31 December	**376,108**	**147,078**

Non-current assets received free of charge in the form of humanitarian aid as of 31 December 2023 and 2022 were presented in the consolidated statement of financial position as follows:

	31 December 2023	**31 December 2022**
Special purpose funding (non-current liabilities)	375,789	141,266
Deferred income (current liabilities)	319	5,812
Total	**376,108**	**147,078**

Grants from international financial organizations

European Bank for Reconstruction and Development, grant No. 54138

Donor: European Bank for Reconstruction and Development

In December 2022, the Group and the European Bank for Reconstruction and Development (hereinafter – the EBRD) concluded grant agreement No. 54138 for the total amount of EUR 70,560 thousand for the implementation of the Project for emergency restoration of the electricity transmission network and will be directed to the purchase of equipment that is urgently needed for substations that suffered massive rocket attacks. As part of the Project, a credit agreement in the amount of EUR 300,000 thousand was also concluded in December 2022 (Note 16). The last date of availability of grant funding is 30 June 2024.

During 2023, the Group used grant funds in the amount of EUR 36,531 thousand (2022: nil). As of 31 December 2023, the undrawn grant amount is EUR 34,029 thousand (2022: EUR 70,560 thousand).

International Bank for Reconstruction and Development, grant No. TF0C0424

Donor: International Bank for Reconstruction and Development

In April 2023, Ukraine, the International Bank for Reconstruction and Development (hereinafter - the IBRD) and the International Development Association (hereinafter - the IDA) concluded a grant agreement for the implementation of the Project for the capacity recovery for passing the winter period and energy resources in the amount of USD 200,000 thousand. The agreement on the irrevocable transfer of grant funds between the Group, the Ministry of Finance of Ukraine and the Ministry of Energy of Ukraine was concluded on 20 July 2023. In the grant agreement, the end date of the period for grant funding was agreed to be 30 April 2025.

During 2023, the Group did not use grant funds. As of 31 December 2023, the undrawn amount of the grant is USD 200,000 thousand.

International Bank for Reconstruction and Development, grant No. TF0C819

Donor: International Bank for Reconstruction and Development

In July 2023, Ukraine, IBRD and IDA signed a grant agreement as part of additional financing for the implementation of the Second Power Transmission Project in the amount of EUR 37,739 thousand. The initial financing of the Project was carried out at the expense of borrowed loan funds in the total amount of USD 318,000 thousand in accordance with the current loan agreements with the International Bank for Reconstruction and Development signed in 2015 (Note 16). The agreement on the irrevocable transfer of grant funds between the Group, the Ministry of Finance of Ukraine and the Ministry of Energy of Ukraine was concluded on 26 October 2023. In the grant agreement, the end date of the period for grant funding was agreed to be 30 June 2025.

During 2023, the Group used grant funds in the amount of EUR 6,790 thousand. As of 31 December 2023, the undrawn grant amount is EUR 30,949 thousand.

Kreditanstalt für Wiederaufbau (KfW), grant No. BMZ-No. 2023 68 652

Donor: Kreditanstalt für Wiederaufbau (KfW)

In October 2023, the Group and KfW signed a grant agreement under the Project "Increasing the efficiency of electricity transmission (integration of the Ukrainian UES into the European unified energy system) V" in the amount of EUR 76,352 thousand (Note 16). The German government agreed that the planned financing will replace loan No. 27406, intended for the implementation of the Substation Reconstruction Project in the Eastern part of Ukraine. Accordingly, unselected funds under loan No. 27406 in the amount of EUR 76,352 thousand will be provided as grant funds in accordance with the terms of the grant agreement. The bank agreed that the last date of availability of grant funding is 31 December 2028.

During 2023, the Group used grant funds in the amount of EUR 11,421 thousand. As of 31 December 2023, the undrawn amount of the grant is EUR 64,931 thousand.

Kreditanstalt für Wiederaufbau (KfW), grant No. BMZ-No. 2019.7031.8

Donor: Kreditanstalt für Wiederaufbau (KfW)

In December 2023, a grant agreement was concluded between the Group and KfW as part of the implementation of the Project "Improving the efficiency of electricity transmission (integration of the Ukrainian UES into the European unified energy system) III" in the amount of EUR 500 thousand. As part of the Project, a credit agreement in the amount of EUR 24,000 thousand was also concluded in December 2023 (Note 16). Loan funds will be used to finance the restoration of the Group's substation in the western region of Ukraine, whose energy infrastructure was severely damaged by the military aggression of the Russian Federation. The grant funds will be used to increase the institutional capacity of the Group to implement the project. Combined with other recovery measures, this will contribute to the expansion of the export and import of electricity from the IPS of Ukraine to Europe, as well as its full synchronous work with ENTSO-E. The bank agreed that the last date of availability of grant funding is 31 December 2029.

During 2023, the Group did not use grant funds. As of 31 December 2023, the undrawn grant amount is EUR 500 thousand.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

19. TRADE ACCOUNTS PAYABLE

	31 December 2023	31 December 2022
Services to increase share of electricity production from alternative sources (PSO RES)	32,314,603	14,999,496
Balancing electricity	15,778,497	12,234,913
Electricity to settle imbalances	5,741,754	4,694,941
Acquisition, construction, modernization, reconstruction of non-current assets	792,672	1,148,573
Electricity from cross-border flows	593,168	1,947,407
Auxiliary services (frequency and active power management)	471,155	9,523,368
Curtailment of RES production	118,294	2,591,691
Electricity in the framework of providing emergency assistance	71,726	-
Other goods, works, services	239,126	158,945
Total	**56,120,995**	**47,299,334**

20. ADVANCES RECEIVED

	31 December 2023	31 December 2022
Electricity transmission services	212,619	344,469
Electricity to settle imbalances	162,092	50,891
Dispatch (operational and technological) control services	94,573	44,294
Services on granting access to the transmission capacity of interstate power networks	208	208
Other goods, works, services	862	3,535
Total	**470,354**	**443,397**

During 2023 the Group recognized UAH 416,037 thousand as revenue on account of advances received as of 31 December 2022 (2022: UAH 1,014,561 thousand).

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

21. PROVISIONS

	Unused vacations	Additional pension and other benefits	Financial incentives	Provision for dividends	Litigation costs	Other	Total
As of 1 January 2022	**186,448**	**20,047**	**198,988**	**127,036**	**64,943**	**3,053**	**600,515**
Dividends paid	-	-	-	(127,036)	-	-	**(127,036)**
Charged / (reversed)	318,984	5,009	462,201	-	(2,558)	767	**784,403**
Used or paid	(210,288)	(7,784)	(469,068)	-	(6,587)	(3,053)	**(696,780)**
As of 31 December 2022	**295,144**	**17,272**	**192,121**	**-**	**55,798**	**767**	**561,102**
Provision for dividends	-	-	-	207,883	-	-	**207,883**
Charged / (reversed)	276,825	44,589	475,212	-	507,960	7,657	**1,312,243**
Used or paid	(243,431)	(20,065)	(430,087)	-	-	-	**(693,583)**
As of 31 December 2023	**328,538**	**41,796**	**237,246**	**207,883**	**563,758**	**8,424**	**1,387,645**

Provision for unused vacations

The Group creates provisions for short-term cumulative reimbursable absences bonuses.

Provision for additional pension and other benefits

Provisions for additional pension and other benefits relate to the current part of the defined benefit obligation (Note 17).

Provision for financial incentives

The Group creates provisions for the annual remuneration based on the terms of the collective employment agreement, in respect of which the Group has a constructive obligation to pay such benefits as a result of past events. Costs on provisions for financial incentives for the year are included in staff costs and related social charges

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Provision for dividends

As described in Note 15 as of 31 December 2023 the Group made an accrual of provision for dividends in the amount of UAH 207,883 thousand, which was calculated as 90% of the consolidated profit of the Group for 2023, after deducting income on granting access to the transmission capacity of interstate power networks in accordance with Part 7 of Article 43 of the Law of Ukraine "On the Electricity Market".

As of 31 December 2022, no provision for dividends was accrued due to the Group's loss in 2022.

Provision for litigation costs

The Group acts as a plaintiff in several legal proceedings. A provision for litigation costs is management's estimate of probable losses that may be incurred as a result of negative court rulings.

As stated in Note 32, as of 31 December 2023, the Group has 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 499,809 thousand (2022: nil), and for other lawsuits in the amount of UAH 63,949 thousand (2022: UAH 55,798 thousand).

22. OTHER CURRENT LIABILITIES

	31 December 2023	31 December 2022
Financial guarantees of electricity market participants	1,485,587	723,450
Accrued interest on loans	1,005,627	591,769
Other liabilities	40,083	36,282
Total	**2,531,297**	**1,351,501**

23. REVENUE

	2023	2022
Revenue on rendering of electricity transmission services and connection to electricity transmission system	42,607,938	34,911,208
Revenue on electricity sales on the balancing market	21,699,751	25,414,761
Revenue on the sales of dispatch (operational and technological) control services	16,318,563	12,767,592
Revenue on electricity sales from cross-border flows	2,208,417	3,029,385
Revenue on granting access to the transmission capacity of interstate power networks	131,091	6,044,874
Revenue on sales of reactive energy	35,002	41,264
Revenue on electricity sales in the framework of providing emergency assistance	10,483	121,429
Total	**83,011,245**	**82,330,513**

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

24. COST OF SALES

	2023	**2022**
Procurement of services to increase share of electricity production from alternative sources (PSO RES)	25,430,018	15,838,123
Procurement of electricity on the balancing market	18,754,634	22,344,169
Procurement of electricity to compensate technological losses	9,252,977	8,261,094
Procurement of auxiliary services (frequency and active power management)	6,144,249	18,955,685
Depreciation and amortization	2,816,450	3,093,293
Staff costs	2,609,578	2,582,579
Procurement of electricity from cross-border flows	2,320,616	3,005,745
Curtailment of RES production	2,004,001	5,066,700
Repairs and maintenance	807,310	430,207
Social charges	537,230	525,195
Purchase of electricity in the framework of providing emergency assistance	375,844	82,606
Security expenses	311,330	310,608
Information and consulting services	165,699	110,340
Energy and utilities	77,287	74,026
Procurement of services to ensure the uninterrupted functioning of "last resort" supplier	53,620	32,726
Other expense	243,484	158,578
Total	**71,904,327**	**80,871,674**

25. OTHER OPERATING INCOME

	2023	**2022**
Changes in regulatory assets and regulatory liabilities, net (Note 14)	6,817,939	-
Income from grants and free-of-charge received property, plant and equipment (Note 18)	519,192	175,338
Fines, penalties, forfeits received	495,994	116,789
Current assets received free-of-charge	387,844	58,601
Operating foreign exchange gain, net	62,549	136,247
Capitalization of materials after write-offs and repairs	39,001	57,295
Received grants to cover consulting services (Note 18)	33,704	34,661
Income from other sales of works, services	19,390	15,870
Recovery of earlier written-off debt	17,567	6,499
Income on sale of inventories and scrap	11,612	14,487
Change in allowance for impairment of prepayments, net	386	-
Stock-count results	146	71
Other income	7,851	7,284
Total	**8,413,175**	**623,142**

26. ADMINISTRATIVE EXPENSES

	2023	**2022**
Staff costs	613,273	533,433
Court fees	229,028	85,003
Social charges	102,028	84,821
Legal, audit and other expert services	74,487	23,606
Expenses for maintenance of NEURC	35,261	34,182
Depreciation and amortization	26,333	21,640
Information and consulting services	12,589	10,334
Other costs	45,268	16,261
Total	**1,138,267**	**809,280**

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

In addition to the audit fees related to the compulsory audit as included in the legal, audit and other expert services are fees for other services performed by the Group's auditor in 2023 amounting to UAH 1,996 thousand (2022: UAH 2,138 thousand).

27. OTHER OPERATING EXPENSES

	2023	2022
Fines, penalties, forfeitures recognized	834,790	135,082
Change in allowance for litigation provision, net	507,960	(2,558)
Contributions to labor union	249,884	19,910
Staff costs	66,242	67,428
Membership fees	54,785	32,228
Consulting services at the expense of grant funds (Note 18)	33,704	34,661
Insurance expenses	33,201	27,330
Liquidation of non-current assets	28,834	1,388
Social charges	26,418	34,127
Depreciation and amortization	1,927	2,090
Changes in regulatory assets and regulatory liabilities, net	-	1,385,109
Change in allowance for impairment of prepayments, net	-	32,933
Impairment of inventories	-	25,276
Assets transferred free of charge as humanitarian aid	-	24,074
Other costs	83,577	124,511
Total	**1,921,322**	**1,943,589**

28. FINANCE INCOME

	2023	2022
Income from interest on current bank accounts	527,670	492,770
Income from amortization of discount (Note 12)	126,224	113,834
Income from discount on long-term liabilities	141	3,027
Income from amortization of long-term debt discount	126	149
Gain from the modification of issued bonds	-	25,213,404
Total	**654,161**	**25,823,184**

29. FINANCE COSTS

	2023	2022
Interest expense on bonds	3,629,140	2,243,734
Interest expense on loans	4,250,028	2,787,626
Capitalized borrowing costs	(394,658)	(285,438)
Interest expense on defined benefit obligations (Note 17)	88,703	80,994
Interest on discount amortization of non-current liabilities	1,846	15,077
Interest expense on lease obligations	502	977
Discount costs on initial recognition (Note 12)	-	240,059
Other finance expenses	16,482	3,941
Total	**7,592,043**	**5,086,970**

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

30. INCOME TAX

Profits of Group companies are subject to corporate income tax. For the years ended 31 December 2023 and 2022 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 year ended 31 December 2023 and 2022 were as follows:

	2023	2022
Current income tax expense	235,516	944
Deferred income tax benefit	(4,943)	(1,317,166)
Total income tax expense/(benefit)	**230,573**	**(1,316,222)**

The reconciliation of profit before tax, multiplied by the statutory income tax rate and income tax expense for the years ended 31 December 2023 and 2022 was as follows:

	2023	2022
Profit/(loss) before tax	**607,211**	**(7,413,346)**
Income tax expense/(benefit) at the statutory tax rate of 18%	109,298	(1,334,402)
Assets transferred as humanitarian aid or to non-profit organizations	63,221	9,385
Permanent differences arising from the reversal of impairment of financial assets and prepayments	47,377	-
Effect of expenses not deductible for tax purposes	10,677	8,795
Total income tax expense/(benefit)	**230,573**	**(1,316,222)**

As of 31 December 2023 and 2022, deferred tax assets and liabilities related to the following:

	31 December 2023	31 December 2022
Trade and other accounts receivable	3,735,520	3,115,771
Defined benefit obligation	8,596	11,385
Provision for litigation costs	101,476	10,044
Provision for accrued expenses	1,816	1,816
Impairment allowance of inventories and construction in progress	381,868	210,140
Deferred tax asset from tax losses	1,489,643	2,979,458
Deferred tax assets	**5,718,919**	**6,328,614**
Property, plant and equipment and intangible assets	(11,983,361)	(2,845,899)
Deferred tax liability	**(11,983,361)**	**(2,845,899)**
Net deferred tax (liabilities)/assets	**(6,264,442)**	**3,482,715**

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Deferred tax movements for the years ended 31 December 2023 and 2022 were as follows:

	2023	2022
Net deferred tax assets as of the beginning of the year	**3,482,715**	**1,821,749**
Deferred income tax benefit for the year recognized in profit or loss	4,943	1,317,166
Deferred income tax (expense)/benefit for the year related to revalualtion of property, plant and equipment, recognized in other comprehensive income	(9,749,553)	348,699
Deferred income tax expense for the year related to remeasurement of defined benefit obligation recognized in other comprehensive income	(2,547)	(4,899)
Net deferred tax (liabilities)/assets at the end of the year	**(6,264,442)**	**3,482,715**

Deferred tax expense from revaluation of property, plant and equipment

When the property, plant and equipment is revalued, the revaluation surplus is recorded in equity (in a revaluation reserve) and reported as other comprehensive income. While the carrying amount of the property, plant and equipment has increased, the tax base of the assets remains the same and so a temporary difference arises.

Tax will become payable on the surplus when the property, plant and equipment is sold and so the temporary difference is taxable. Since the revaluation surplus has been recognised within equity, to comply with matching, the income tax expense on the surplus is also charged to equity.

31. 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.

As disclosed in Note 1, the party with ultimate control over the Group is the Government of Ukraine represented by the Ministry of Energy of Ukraine (shareholder of the Company), accordingly, all entities controlled by the State are considered to be related parties under common control. During 2020 and until 16 September 2021 a shareholder of the Company was the Ministry of Finance of Ukraine.

Key management remuneration

The Group's key management consisted of 5 and 3 members of the Management Board as of 31 December 2023 and 2022 respectively. 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. Payments to the Group's key management amounted to UAH 32,492 thousand in 2023 (2022: UAH 32,282 thousand).

During 2023 the Group also incurred UAH 26,458 thousand (2022: UAH 20,260 thousand) of compensation to the members of Supervisory Board. The Supervisory Board consisted of 6 members as of 31 December 2023 and 2022.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Transactions with state-controlled entities and institutions

Such related parties include SE "Guaranteed Buyer", SE "Ukrinterenergo", Private Joint Stock Company "Ukrhydroenergo", SE "Market Operator", SE "NAEC Energoatom", JSC "State Savings Bank of Ukraine", JSC "State Export-Import Bank of Ukraine", JSB "Ukrgazbank" and other entities.

Transactions with related parties are performed on terms equivalent to those that prevail in arm's length transactions. The amount of outstanding balances is unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables or payables, except for state guaratees on loans and borrowings described below.

Balances with state-controlled entities and institutions as of 31 December 2023 and 2022, were as follows:

	31 December 2023	31 December 2022
ASSETS		
Other non-current assets	6,803	6,803
Trade accounts receivable	21,753,426	16,554,805
Prepayments	582,467	616,373
Other accounts receivable	166,757	93,895
Loans receivable	-	2,104,504
Cash and cash equivalents	7,781,797	3,560,321
Total assets from related parties	**30,291,250**	**22,936,700**
LIABILITIES		
Trade accounts payable	44,243,303	26,351,872
Advances received	22,054	88,517
Loans received from the Ministry of Finance of Ukraine	19,728,295	18,962,880
Loans received from state-owned banks	10,343,949	10,421,910
Accrued interests on loans	748,745	565,871
Provisions for dividends	207,883	-
Other current liabilities, except accrued interests on loans	273,623	12,787
Total liabilities to related parties	**75,567,852**	**56,403,837**

Transactions with state-controlled entities and institutions in 2023 and 2022 were as follows:

	2023	2022
Revenue	31,017,803	30,132,277
Purchases of services to increase the share of electricity production from alternative sources (PSO RES)	(21,708,848)	(12,781,535)
Purchases of electricity and related services in the electricity market	(24,721,156)	(28,114,809)
Purchases of other goods, works, and services	(1,478,235)	(517,595)
Change in expected credit losses on financial assets, net	(3,467,861)	(6,328,391)
Fines, penalties, forfeits received	89,533	23,807
Fines, penalties, forfeitures recognized	(595,521)	(70,645)
Change in allowance for litigation provision, net	(266,944)	-
Income from interest on current bank accounts	481,193	437,541
Interest expense on loans (including capitalized borrowing costs)	(3,622,642)	(2,743,577)
Income from amortization of discount	126,224	113,834
Discount costs on initial recognition	-	(240,059)

As of 31 December 2023, expected credit losses on trade accounts receivable, which were accrued on receivables from related parties, amount to UAH 13,138,430 thousand (2022: UAH 9,408,329 thousand).

Payment of dividends to the state budget

In 2022 the Group paid UAH 127,036 thousand of dividends to the state based on its financial results in 2021 (Note 15).

State guarantees on loans and borrowings

As of 31 December 2023 the amount of state guarantees received from the Government of Ukraine on loans and borrowings amounted to UAH 56,815,169 thousand (2022: UAH 43,505,326 thousand) (Note 16).

32. 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 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 (Note 21). 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 consolidated 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 2020-2023, 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 31 December 2023, the total amount of claims in such cases amounted to UAH 9,926,676 thousand of main debt and UAH 18,745,695 thousand of fines and penalties (2022: UAH 10,339,220 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 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 31 December 2023, 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 499,809 thousand (Note 21).

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 Tribunal held a hearing on jurisdiction in Paris on 6-8 September 2023. As of the date of approval of these consolidated financial statements to issue there is no decision from Tribunal on jurisdiction.

Capital commitments

As of 31 December 2023, the Group had contractual capital commitments for the purchase of property, plant, and equipment in the amount of UAH 13,365,693 thousand (2022: UAH 9,018,715 thousand).

Investment program

In accordance with Resolution of the NEURC dated 4 May 2006 No.563 and Resolutions of the NEURC dated 22 April 2019 No.585 and No.586 (as subsequently amended), a part of the tariff calculated by the Company for its electricity transmission and dispatch (operational and technological) control services includes a component allocated to fund the Company's investment program for replacement and modernization of its property, plant, and equipment. In 2023, for the purposes intended by the investment program, the Company effectively used UAH 3,913,582 thousand (2022: UAH 2,389,278 thousand).

In the event of failure to implement the investment program in full, the NEURC has the right to make deductions from the Company's future earnings by reducing the investment component in the tariff applied by the Company in subsequent periods by the total amount for which the program has not been previously fulfilled.

On an annual basis, based on the actual data, the NEURC adjusts income of the planned year (withdrawals and compensations) which considers actual volumes of the investment program fulfilled. In accordance with the Resolution of NEURC Resolution dated 10 January 2024 No. 30 (as amended), the investment program of the Company for 2024 was adopted in the amount of UAH 4,611,395 thousand.

Insurance

The Group does not have full coverage for its plant facilities, business interruption, or third party liability for property or environmental damage arising from accidents on the Group's property or relating to its operations. In the absence of insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Environmental contingencies

The Group has been operating in the energy industry of Ukraine in strict compliance with the requirements of environmental legislation for many years. The normal activities of the Group may result in damage to the environment. The enforcement of environmental regulation in Ukraine is evolving and the enforcement stance of government authorities is continually being reconsidered. The Group periodically evaluates its liabilities under environmental regulations. Expenditures which extend the life of the related property or mitigate or prevent future environmental contamination would be capitalized. Potential liabilities, which might arise as a result of stricter enforcement of the existing regulations, civil litigation, or changes in the legislation or regulation, cannot be reliably estimated.

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In the current enforcement climate under the existing legislation, management believes that there are no significant liabilities for environmental damage that require accrual in the consolidated financial statements.

33. 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 engaged independent professional appraisers to determine the fair values of its property, plant, and equipment as of 31 December 2023. The previous appraisal of the fair value of the Group's property, plant and equipment was carried out as of 31 July 2019.

The methodology and results of the revaluation are disclosed in Notes 5 and 7.

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

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**

31 December 2022	**Level 2**	**Level 3**	**Total**
Property, plant and equipment	383,597	36,891,894	**37,275,491**
Total	**383,597**	**36,891,894**	**37,275,491**

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

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Information about the inputs used to measure the Group's property, plant and equipment as of 31 December 2023 are as follows:

Valuation technique	Unobservable inputs	Range of unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
Depreciated replacement cost method with the use of income approach to determine economic impairment	Date of implementing incentive tariffs	It is expected that the tariff for electricity transmission services will be formed based on the "costs+" methodology, taking into account the necessary operating costs and capital investments in accordance with the current Procedure for establishing (forming) the tariff for electricity transmission services. The transition to the incentive tariff system will be implemented in 2029.	The later incentive tariffs are implemented, the lower is the fair value
	Optimisation coefficient which represents the effectiveness of utilisation of equipment	As of 31 December 2023 the optimisation coefficient was 78.3%	The higher is coefficient, the higher is the fair value
	Rate of return under RAB	The required level of return on the regulatory asset base in the post-forecast period will be equal to the weighted average cost of capital of the Group - 14.6%	The higher is the rate of return, the lower is the fair value
	Average producer price index in Ukraine	The estimated average value of the producer price index in Ukraine was taken in the range from 7.3% to 13.7%	The higher the inflation, the higher the fair value
	Nominal weighted average cost of capital for cash flows	The weighted average cost of capital for cash flows is 14.6 - 23.1%	The higher is the weighted average cost of capital, the lower is the fair value

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

Information about the inputs used to measure the Group's property, plant and equipment as of 31 July 2023 are as follows:

Valuation technique	Unobservable inputs	Range of unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
Depreciated replacement cost method with the use of income approach to determine economic impairment	Date of implementing incentive tariffs	It is expected that the tariff for electricity transmission services will be formed based on the "costs+" methodology, taking into account the necessary operating costs and capital investments in accordance with the current Procedure for establishing (forming) the tariff for electricity transmission services. The transition to the incentive tariff system will be implemented in 2021.	The later incentive tariffs are implemented, the lower is the fair value
	Optimisation coefficient which represents the effectiveness of utilisation of equipment	As of 31 July 2019 the optimisation coefficient was 76.0%	The higher is coefficient, the higher is the fair value
	Rate of return under RAB	The required level of return on the regulatory asset base is set by the NEURC Resolution dated 27 July 2017 No. 965 at the level 12.5%	The higher is the rate of return, the lower is the fair value
	Average producer price index in Ukraine	The estimated average value of the producer price index in Ukraine was taken as 5.0%	The higher the inflation, the higher the fair value
	Nominal weighted average cost of capital for cash flows	The weighted average cost of capital for cash flows is 13.7%	The higher is the weighted average cost of capital, the lower is the fair value

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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 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.

	31 December 2023	31 December 2022
Financial assets		
Trade accounts receivable	47,470,275	31,410,900
Loans receivable	-	2,104,503
Cash and cash equivalents	7,830,966	4,732,828
Other accounts receivable	211,989	102,670
Long-term accounts receivables*	7,739	7,994
Total financial assets	**55,520,969**	**38,358,895**
Financial liabilities		
Trade accounts payable	56,120,995	47,299,334
Loans	46,440,688	37,135,244
Eurobonds 2028	8,234,964	4,525,364
Other accounts payables	125,909	120,855
Other non-current liabilities	2,350	35,790
Other current liabilities**	2,492,606	1,318,074
Total financial liabilities	**113,417,512**	**90,434,661**

* Long-term accounts receivable are included in Other non-current assets in the consolidated statement of financial position as of 31 December 2023 and 2022.

** 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 31 December 2023 and 2022 Other current liabilities amounted to UAH 2,531,297 thousand and UAH 1,351,501 thousand, respectively.

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.

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Eurobonds 2028	10,374,481	8,234,964	6,370,082	4,525,364

As described in Note 16, the loans received by the Group in 2023 from the EBRD and KfW were obtained 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 2023, the fair value of loans from the EBRD and KfW does not differ significantly from the transaction price, and belongs to Level 3 of the fair value hierarchy.

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As of 31 December 2023 and 2022, 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.

34. 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 years ended 31 December 2023 and 2022, there were no significant changes in the objectives, policies and process of managing the following risks.

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 31 December 2023 and 2022, the maximum exposure to credit risk is represented by the carrying amount of financial assets, net of impairment losses on such assets, was:

	31 December 2023	**31 December 2022**
Trade accounts receivable	47,470,275	31,410,900
Loans receivable	-	2,104,503
Cash and cash equivalents	7,830,966	4,732,828
Other accounts receivable	211,989	102,670
Long-term accounts receivable	7,739	7,994
Total	**55,520,969**	**38,358,895**

As a result of events described in Notes 2 and 5, for the year ended 31 December 2023, the Group made an accrual of expected credit losses on financial assets in the amount of UAH 3,443,432 thousand (2022: UAH 10,509,598 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 9.

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 31 December 2023 and 2022. 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

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**

31 December 2022	**Carrying amount**	**Contractual amounts**	**Up to 6 months**	**6-12 months**	**1-5 years**	**More than 5 years**
Loans*	37,727,013	45,009,834	5,887,456	5,678,672	23,636,332	9,807,374
Eurobonds 2028	6,370,082	45,027,195	-	-	12,633,129	32,394,066
Trade accounts payable**	47,330,186	47,332,701	47,004,023	296,264	32,414	-
Other accounts payable	120,855	120,855	120,855	-	-	-
Finance lease liabilities	7,793	9,024	1,751	1,751	5,522	-
Financial guarantees of electricity market participants	723,450	723,450	723,450	-	-	-
Total	**92,279,379**	**138,223,059**	**53,737,535**	**5,976,687**	**36,307,397**	**42,201,440**

* 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

Deferral of debt payments for loans from state-owned banks

As described in Note 16, with the beginning of the military aggression of the Russian Federation against Ukraine in February 2022, the Group suspended the payment of the principal amount on these loans due to force majeure circumstances and agreed credit holidays with creditor banks. In March-April 2023, and later in January-February 2023 the Group's management agreed with the state-owned banks on the terms of deferral of the payment of principal debt on loans for a later period.

The table above provides an analysis of maturity of financial liabilities based on the contractual terms effective as of 31 December 2023 and 2022, not including the deferral of payments for loans from state-owned banks agreed after that date.

Information on the impact of the deferral of payments of the remaining debt on loans from state-owned banks, which existed as of 31 December 2023, on the future cash outflow of the Group (including accrued interest) is presented as follows:

	31 December 2023	
Loans from state-owned banks	**Initial contractual terms**	**Amended contractual terms**
Up to 6 months	3,097,445	1,102,776
6-12 months	2,876,226	966,255
1-5 years	6,573,268	13,093,722
More than 5 years	-	-
Total contractual amounts	**12,546,939**	**15,162,753**

Information on the impact of the deferral of payments of the remaining debt on loans from state-owned banks, which existed as of 31 December 2022, on the future cash outflow of the Group (including accrued interest) is presented as follows:

	31 December 2022	
Loans from state-owned banks	**Initial contractual terms**	**Amended contractual terms**
Up to 6 months	4,310,344	1,101,584
6-12 months	4,065,213	965,043
1-5 years	4,062,059	13,043,036
More than 5 years	-	-
Total contractual amounts	**12,437,616**	**15,109,663**

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 Company fails to comply with licensing activities, regulatory requirements of NEURC or other regulatory requirements; and in cases where the Company 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.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

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 31 December 2023 and 2022, 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 year ended 31 December 2023 and 2022, the sensitivity of the Group's pretax earnings to a probable change in interest rates with all other variables held constant:

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

31 December 2022	**Increase "+" / decrease "-" of percentage points**	**Increase / (decrease) in profit before tax**	**Increase / (decrease) in equity**
SOFR	+0,50%	(36,319)	(36,319)
SOFR	-0,50%	36,319	36,319
EURIBOR	+0,25%	(23,236)	(23,236)
EURIBOR	-0,25%	23,236	23,236
NBU discount rate	+1,00%	(94,572)	(94,572)
NBU discount rate	-1,00%	94,572	94,572
UIRD	+0,1%	(275)	(275)
UIRD	-0,1%	275	275

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	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Assets				
Cash and cash equivalents	84,266	313,820	362,663	998,540
Trade accounts receivable	-	-	582,993	1,553,210
Other accounts receivable	-	-	34,492	-
Liabilities				
Loans	(10,760,553)	(10,125,149)	(26,564,917)	(17,771,179)
Eurobonds 2028	(10,374,481)	(6,370,082)	-	-
Trade accounts payable	(223,397)	(485,781)	(1,032,759)	(2,492,812)
Other accounts payable	-	-	(344)	-
Other non-current liabilities	-	-	-	(30,852)
Accrued interests on loans	(5,354)	(5,024)	(251,529)	(20,874)
Net position	**(21,279,519)**	**(16,672,216)**	**(26,869,401)**	**(17,763,967)**

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.

	2023		2022	
	USD – impact	**EUR – impact**	**USD – impact**	**EUR – impact**
Profit at strengthening by 10%	2,127,952	2,686,940	1,667,222	1,776,397
Loss at weakening by 10%	(2,127,952)	(2,686,940)	(1,667,222)	(1,776,397)

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.

In Ukrainian Hryvnias and in thousands, unless otherwise indicated

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.

	31 December 2023	**31 December 2022**
Loans	46,440,688	37,135,244
Eurobonds 2028	10,374,481	6,370,082
Accrued interests on loans	1,005,627	591,769
Less: Cash and cash equivalents	(7,830,966)	(4,732,828)
Net liability	**49,989,830**	**39,364,267**
Equity	47,515,164	2,580,909
Equity and net liability	**97,504,994**	**41,945,176**
Gearing ratio	**0.51**	**0.94**

Reconciliation of liabilities arising from financing activities

The table below details 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 year ended 31 December 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	6,104,566	-	-	-	-	**6,104,566**
Cash repayments	(2,290,949)	(3,849,330)	-	-	(3,081)	**(6,143,360)**
Extinguishment of liability	-	-	-	-	(1,470)	**(1,470)**
Direct payments of bank to counterparties	3,196,314	-	-	-	-	**3,196,314**
Interest expense	-	4,250,028	3,629,140	-	502	**7,879,670**
Foreign currency exchange differences, net	2,295,513	13,160	375,259	-	-	**2,683,932**
As of 31 December	**46,440,688**	**1,005,627**	**10,374,481**	**-**	**3,743**	**57,824,539**

Reconciliation of liabilities arising from financing activities for the year ended 31 December 2022 was the following:

2022	Loans	Accrued interests on loans	Eurobonds 2028	Dividends	Lease and other liabilities	Total
As at 1 January	**25,847,245**	**250,741**	**22,559,980**	**-**	**17,232**	**48,675,198**
Cash inflow from loans and borrowings	8,332,655	-	-	-	-	**8,332,655**
Cash repayments	(3,575,731)	(2,447,626)	(889,989)	(127,036)	(4,617)	**(7,044,999)**
Extinguishment of liability	-	-	(30,518,450)	-	(7,203)	**(30,525,653)**
Recognition at fair value	-	-	5,285,625	-	-	**5,285,625**
Direct payments of bank to counterparties	1,346,180	-	-	-	-	**1,346,180**
Recognition of accounts payable	-	-	-	127,036	1,432	**128,468**
Interest expense	-	2,787,626	2,243,734	-	977	**5,032,337**
Foreign currency exchange differences, net	5,184,895	1,028	7,689,182	-	(29)	**12,875,076**
As of 31 December	**37,135,244**	**591,769**	**6,370,082**	**-**	**7,792**	**44,104,887**

35. EVENTS AFTER THE REPORTING PERIOD

Military aggression of the Russian Federation against Ukraine

The military aggression of the russian federation against Ukraine continues to be in an active stage, its duration and consequences cannot be reliably estimated. During the period from the reporting date to the date of approval of these consolidated financial statements to the release, there were no significant changes in the front line and combat zones. Ukraine continues to receive an unprecedented level of political, economic and military support - in April 2024, the United States approved additional financial assistance to Ukraine in the amount of almost USD 61 billion.

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.

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.

Deferral of debt payments for 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 - the loans will be repaid in equal monthly installments, starting from January 2025 until December 2026-2027. As of 31 December 2023, the debt for loans from state banks amounted to UAH 10,343,949 thousand.