DTEK Energy B.V.

Annual report

31 December 2021

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Directors' report

For the year ended 31 December 2021

DIRECTORS' REPORT

Introduction

The Directors of DTEK Energy B.V. (the "Company") present their report in order to disclose the results of the activity of the Company for the year ended 31 December 2021 and likely future development of the Company.

Principal activities

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

The Company and its subsidiaries (together referred to as "the Group" or "DTEK Energy") is a vertically integrated coal mining and power generating group. Its principal activities are coal mining for further supply to its power generating facilities in Ukraine. In 2021 the Group's coal mines and power generation plants are located in the Donetsk (controlled territory), Lugansk (controlled territory), Dnipropetrovsk, Lviv, Ivano-Frankivsk, Vinnitsya and Zaporizhzhya regions of Ukraine. During the reporting period the Group sold a major part of electricity generated to electricity market.

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

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

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

Business overview

As explained in note 2 of the accompanying consolidated financial statements, volatility on electricity market, the COVID-19 outbreak and resulting continuing measures taken by various governments to constrain the virus have negatively affected DTEK Energy business during 2020-beginning of 2021. Ukrainian economy returned to modest growth in the first half of 2021 following the growth in the world commodity prices which helped with the balance of Ukraine's foreign trade.

The political situation in Ukraine deteriorated at the end of 2021 and continued further deteriorating in the beginning of 2022 resulting in growing political uncertainty in the country. On 24 February 2022, Russian forces commenced an invasion of Ukraine resulting in a full-scale military conflict across the Ukrainian state as further discussed in Note 39 of the accompanying Consolidated Financial Statements.

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

The macroeconomic and political uncertainty causes disruption to economic activity and it is unknown what its longer-term impact on DTEK Energy business may be. In February 2021 DTEK Energy agreed on the key restructuring principles ("heads of terms") with the committee of bondholders and members of the committee of the Group's bank lenders (Note 3 of the accompanying consolidated financial statements) and in May 2021, DTEK Energy finalised the restructuring of substantially all of its borrowings. Further in February 2022 DTEK Energy finalised the restructuring of remaining part of bank debt (Note 18 of the accompanying consolidated financial statements).

Changes in the group structure

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

Loss of control

On 24 September 2020 K.Energy was declared by the court as a bankrupt and liquidation procedure commenced. The court assigned a liquidator who took control over the entity from the Group. As a result K.Energy was deconsolidated from the consolidated financial statements in 2020 (Note 34 of the accompanying Consolidated Financial Statements).

On 30 July 2020 and 7 October 2020 DTEK Rovenkiantracyte LLC and DTEK Sverdlovantracyte LLC were declared by the court as a bankrupt respectively and liquidation procedure commenced. The court assigned liquidators who took control over the entities from the Group. As a result the companies were deconsolidated from the consolidated financial statements in 2020 (Note 34 of the accompanying Consolidated Financial Statements).

Revenues

DTEK Energy consolidated revenues for the year ended 31 December 2021 amounted to UAH 55,027 million (2020: UAH 49,451 million including discontinued operations). The increase in revenue is mainly explained by developments that took place in the electricity market rules during 2021 (Note 2 of the accompanying Consolidated Financial Statements).

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

- ***Coal mining and power generation on thermal power plants segment, coal resale, electricity export*** comprising the production of thermal and coking coals, primarily for generation companies. The Group's mining and power generation operations are vertically integrated and while the operating businesses are organised and managed separately, with each business unit offering different products and serving different markets, there remains significant inter-dependence between the business units. This segment is represented from the coal mining side by ten mines of DTEK Pavlogradugol PJSC, DTEK Mine Komsomolets Donbassa PJSC, Belozerskaya Mine ALC and a number of coal enrichment plants; and from the power generation side – by two thermal power plants of DTEK Skhidenergo LLC, three thermal power plants of DTEK Dniproenergo JSC, three thermal power plants of DTEK Westenergy JSC. DTEK Energy's share in the coal mining production in Ukraine in 2021 and 2020 was about 57% and 66% correspondingly (only Group's entities registered in Ukraine). Power generation business comprises the production and sale of electricity to the electricity market in Ukraine. The total installed capacity of all power generation units comprised 13,276 MW as at 31 December 2021 (31 December 2020: 13,276 MW). During the year ended 31 December 2021, coal mining and power generation segment third party revenue was UAH 49,898 million, representing 91% of consolidated revenue for the period.
- ***Other,*** comprising the gas resale, sales of services and operations of the mining equipment entities. These activities are excluded from the reportable operating segments, as they are not reviewed by the Management Board on an on-going basis.

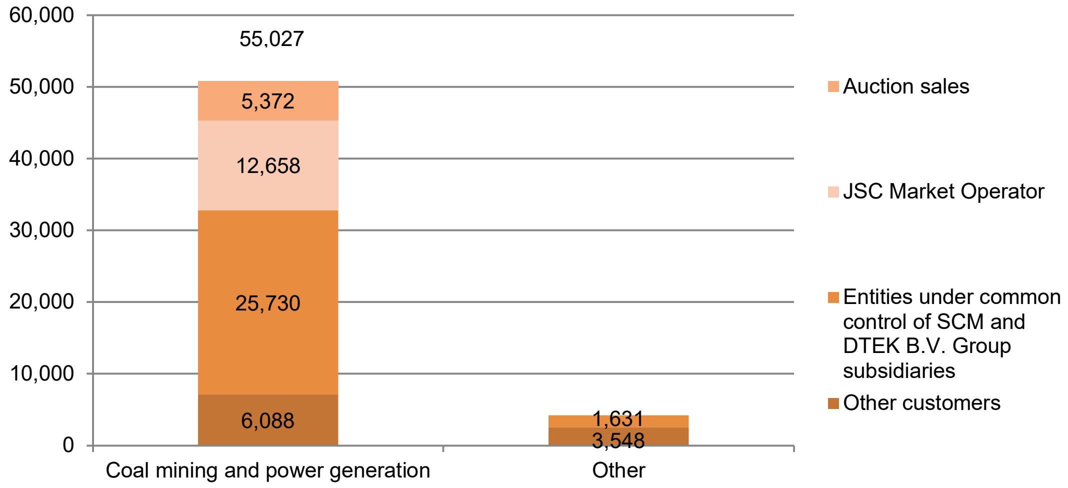
Revenues concentration by customers for the year ended 31 December 2021 is as follows:

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

Revenues concentration by customers for the year ended 31 December 2020 is as follows:

In millions of Ukrainian Hryvnia	**Coal and power generation**	**Other**	**Total**
Entities under common control of SCM and DTEK B.V. Group subsidiaries	31,018	2,833	**33,851**
Total	**31,018**	**2,833**	**33,851**

The diagram below represents the structure of third party customers' revenues for the year ended 31 December 2021 (all figures are in millions of Ukrainian Hryvnia):



Main part of the coal mining and power generation segment during 2021 comes from sale of electricity to electricity market (2020: from sale of electricity to electricity market). Such revenues comprise UAH 45,302 million, or 82.3% of the total external segment revenue.

Operating Expenses

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

In millions of Ukrainian Hryvnia, except percentages	2021 Amount	2021 Percentage of total revenue	2020 Amount	2020 Percentage of total revenue
Cost of sales	(45,731)	83.11%	(39,723)	84.10%
General and administrative expenses	(2,659)	4.83%	(2,710)	5.74%
Distribution costs	(447)	0.81%	(724)	1.53%
Other Operating Income / (Expenses), Net	(2,820)	5.12%	(1,956)	4.14%
Total operating expenses	**(51,657)**	**93.87%**	**(45,113)**	**95.51%**

Consolidated cost of sales amounted to UAH 45,731 million for the year ended 31 December 2021 (2020: UAH 39,723 million from continuing operations). The main part of consolidated cost of sales for 2021 comprises the staff cost, including payroll taxes (UAH 8,006 million (2020: UAH 8,423 million), or 18% of the total consolidated cost of sales) and Transportation services and utilities (UAH 7,114 million (2020: UAH 6,335 million), or 16% of the total consolidated cost of sales). Other significant parts of cost of sales are Coal purchased for electricity production (UAH 5,987 million (2020: UAH 2,700 million), or 13% of total consolidated cost of sales) and Depreciation of property, plant and equipment and amortisation of intangible assets (UAH 5,935 million (2020: UAH 6,707 million), or 13% of total consolidated cost of sales).

General and administrative expenses consist mainly of salaries paid to administration employees, comprising UAH 1,218 million (2020: UAH 1,240 million), or 46% of the total consolidated general and administrative expense and professional fees of UAH 910 million (2020: UAH 998 million), or 34% of the total general and administrative expense.

Distribution costs consist largely of transportation costs, comprising UAH 331 million (2020: UAH 459 million), or 74% of the total consolidated distribution costs.

Net other operating income and expenses (excluding impairment of property, plant and equipment) for the year ended 31 December 2021 amounted to UAH 2,820 million expense (2020: UAH 1,956 million expense). Other operating income and expenses consist primarily of expenses on idle capacity, changes in provision for impairment of trade and other accounts receivable, impairment of intangible assets and goodwill, expenses related to social infrastructure maintenance, penalties. Maintenance of social infrastructure expenses, social payments and charity payments include such items as additional payments to employees primarily at coal mining entities, maintenance of medical centres, recreational centres and employee holiday allowances and sponsorship of sports teams and charitable events.

Finance income and Finance costs

Finance income for the year ended 31 December 2021 is UAH 1,630 million (2020: UAH 1,142 million).

Finance income largely consists of (i) gain on recognition of renegotiated borrowings of UAH 1,108 million (2020: UAH nil million) or 68% of the total consolidated finance income, (ii) interest income on loans issued to related parties of UAH 346 million (2020: UAH 885 million) or 21% of the total consolidated finance income, (iii) unwinding of discounts on loans and financial aids provided to related parties of UAH 106 million (2020: UAH 234 million) or 7% of the total consolidated finance income, (iv) interest income on bank deposits of UAH 55 million (2020: UAH 21 million) or 3% of the total consolidated finance income.

Finance costs for the year ended 31 December 2021 amounted to UAH 5,548 million (2020: UAH 7,222 million).

Finance costs largely comprise interest expense on bank borrowings and Eurobonds issued amounted to UAH 4,547 million (2020: UAH 5,393 million), or 82% of the total consolidated finance costs. Other significant parts of the consolidated finance costs in 2021 are (i) unwinding of discounts on pension obligations amounted to UAH 746 million (2020: UAH 956 million), or 13% of total consolidated finance costs, (ii) unwinding of discounts on assets retirement provision amounted to UAH 161 million (2020: UAH 111 million), or 3% of total consolidated finance costs, (iii) unwinding of discounts on lease liabilities amounted to UAH 70 million (2020: UAH 45 million), or 1% of total consolidated finance costs.

Cash flows

During the year ended 31 December 2021 operating cash flow of DTEK Energy comprised UAH 7,259 million and increased as compared to 2020 by UAH 3,235 million. This was mainly achieved as a result of improved tariffs on the electricity market as well as better working capital balance.

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

Issued Capital and Capital Distributions

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

Financing activity

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

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

Financial risk management

Exposure of the Group to different financial risks is disclosed in Note 35 of the accompanying Consolidated Financial Statements.

Going concern

The Group's business is concentrated in Ukraine, the majority of its revenue is generated in Ukraine and denominated in UAH (2021: 92% and 2020: 83%, respectively), although the Group also receives part of revenue in foreign currencies from its export of electricity. The majority of the Group's debt is denominated in currencies other than the UAH (as disclosed in Note 18 of the accompanying Consolidated Financial Statements).

As at 31 December 2020, the Group was in default in respect of the majority of it's bank borrowings and Eurobonds. In May 2021, DTEK Energy finalised the restructuring of substantially all of the DTEK Energy's indebtedness on the terms disclosed in Note 19. This resulted in a reclassification of the majority of the Group's debt to non-current according to the new maturity dates. Further in February 2022 DTEK Energy finalised the restructuring of remaining part of bank debt with repayment in 2023. Also in February 2022 DTEK Energy made a full repayment of debt to JSC Oschadbank and wrote-off the accrued general compensation fee under the terms with Sberbank of Russia (Note 18).

As of 31 December 2021 the Group had an excess of current liabilities over current assets of UAH 899 million and UAH 4,493 million of negative net assets (31 December 2020: excess of current liabilities over current assets of UAH 60,689 million and negative net assets of UAH 16,157 million). Excess of current liabilities over current assets was mainly caused by guarantee issued to Sberbank in the amount of UAH 2,728 million. Such guaranteed obligation was restructured formalizing it with a new guarantee agreement with respect to this amount was signed in February 2022, which resulted in decrease of fair value of this guarantee (Note 19 of the accompanying Consolidated Financial

Statements) and corresponding decrease of current liabilities. Management plans to cover the remaining deficit in net assets through earnings of profits (including cash flows from operations) in the future periods.

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

There is a significant uncertainty resulting from the current situation and over the future development of military invasion. The current and future developments have a short and long-term impact on the Group, its people, operations, liquidity, and assets. There could be multiple scenarios of further developments of the current situation with unknown likelihood and the magnitude of the impact on the Group might be from significant to severe. Therefore, the Group has assessed the Going Concern assumption.

Since the start of the war, the Group has experienced a number of significant challenges and disruptions, including, but not limited to:

- lower domestic demand for electricity and accordingly electricity production in Ukraine fell by approximately 30% compared to March 2021.
- variability of movements of demand and prices for electricity between the different electricity market segments.
- the cessation of all electricity exports until 28 March 2022, since when the electricity export resumed, but only to Poland.
- the property of Luhansk TPP was damaged in February 2022 as a result of hostilities in the town of Shchastya. The station was forced to stop the production and supply of electricity and heat. Currently DTEK Energy lost the control over this TPP located in non-controlled territory. Zaporizhzhya TPP is also located in non-controlled territory and coal supplies are not possible to there from the Group's mines, including because of the destroyed bridge and railway track. It was running on gas during 2nd half of April 2022 and was put idle from 5th May 2022. Carrying value of property, plant and equipment of these TPPs as of 31 December 2021 was UAH 7,671 million and representing 23% of total installed capacity of the Group's TPPs.
- Kurakhiv TPP and Kryvyi Rih TPP are located near the active hostilities and periodically have difficulties with coal delivery, but as of now these TPPs continue to work on coal, which is a preferred feedstock for the Group.
- All other TPPs of DTEK Energy and Pavlogradcoal (which is located in the neighbouring region to those where military actions are ongoing in the east of Ukraine) operate without issues.

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

- continuous balancing of necessary efficient production on the basis of its fixed and variable costs versus payment collection;
- reduction of administrative expenses;
- pursuing regulatory and national energy policy negotiations to maintain adequate business environment;
- start of export of own coal;
- minimising any repairs and maintenance and keeping it only for the critical operating units;
- DTEK Energy also obtained a consent from the bond holders in April 2022 to capitalise part of interest obligations due in March and in June 2022 respectively.

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

As a part of the going concern assessment, management prepared monthly cash flow projections throughout 2022 and the first seven months of 2023. The cash flow forecast in the business plan for 2022 approved by Supervisory Board was updated to take into account the impact of the war, the finalisation of the restructuring in February 2022 and new guarantee terms issued in February 2022 to replace the old guarantee in connection with debt to Sberbank of Russia. Based on this forecast, management expects to have sufficient liquidity during the projected period. The projected cash flows assume:

- the military situation remains status quo as per the date of issue of these financial statements;
- the average tariffs in the projection period are expected to grow steadily by December 2022 reaching to the levels achieved in winter 2021/2022 adjusted by expected 2022 price inflation of 15-20%. Further 2023 period tariff dynamics moves with ordinary seasonal fluctuations;
- no significant further deterioration as a result of the war on the demand of electricity in Ukraine and controlled assets of DTEK Energy;
- no losses from non-payment by the main customers and return of accounts receivable days to a pre-war levels by the end of projection period;
- moratorium for cross-border debt and capital repayments shall be lifted or modified by National Bank of Ukraine to enable the Group to make payments due abroad, including on Eurobonds;
- payments of principal and interest under Eurobonds will be at the agreed level in the Indenture and consent obtained in April 2022;
- minimising any repairs and maintenance however keeping at the level ensuring the ability to operate;
- no settlements under the new guarantee issued in connection with debt to Sberbank of Russia.

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 consumption and tariffs. In case the military situation worsens, management still will be able to use mitigating liquidity measures including the option to elect for partially payment-in-kind (PIK) of the interest (Note 18 of the accompanying Consolidated Financial Statements), reduction of capital expenditure to minimum levels while maintaining minimum safety and environmental standards, varying the maintenance budget between the periods and optimising working capital through renegotiation of payment terms with suppliers. In case these will not be sufficient, a restructuring of the existing terms of repayment of coupon and principal of Eurobonds may also be required to fit to the operational cash inflows.

Management acknowledges that the facts and circumstances described above, in particular the current situation and the future development of military actions, as well as the related uncertainties embedded into electricity consumption and tariffs projections, represent material uncertainties, which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Some assumptions and/or preconditions containing uncertainties, existing at the date of these financial statements, in particular lifting the moratorium on payments abroad as explained above, fall beyond management control. The group considers different options to arrange the future settlements of Eurobonds liabilities, however these future settlements may be impacted by the uncertainty as explained earlier and may require the negotiations with the bondholders in the future. Despite these material uncertainties relating to the war in Ukraine, management is continuing taking actions to minimise the impact on the Group, and therefore believes that application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

Principal Risks and Uncertainties

During 2021 the Ukrainian economy showed signs of modest stabilization after years of political and economic tensions that led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the national currency against major foreign currencies. However, from February 2022 it is under pressure of military invasion of Russian Federation to Ukraine.

As of 31 December 2021, the Group had significant balances receivable from and prepayments made to the State and entities dependant on government financing, including the gross carrying amount of trade receivables from Energorynok SE of UAH 6,268 million, VAT recoverable of UAH 5,105 million (Note 13), prepaid income taxes of UAH 176 million. The timing of settlement of these balances is uncertain and is dependent upon the availability of State funds and amounts of future taxable profits of the Group's subsidiaries.

The critical political and volatile economic situation in Ukraine and the final effects of this are difficult to predict, but it has and may have further severe effects on the Ukrainian economy and the Group's business (reference is given to the Notes 2 and 3 of the accompanying Consolidated Financial Statements). Political and macroeconomic uncertainty causes disruption to economic activity and it is unknown what the longer term impact on DTEK Energy business may be.

Risk Management Framework

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

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

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

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

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

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

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

During 2021 DTEK Energy concentrated on management of the following main risks:

Political, macroeconomic and geopolitical risks:

Since May 2021, the global economy recovered steadily despite new strains of the COVID-19 increase in some Asian countries, including India. This recovery was despite rapid increase in carbon prices due to increased regulation of its emissions in the EU and reduction of gas reserves, which led to an increase in natural gas prices.

In 2021 there were no major political events in Ukraine. In the first half of 2021, economic activity in Ukraine continued to recover. This was due to less stringent quarantine restrictions than last year, their implementation only in certain regions (quarantine of "red zones") and the adaptation of population and business to work in such conditions.

Despite COVID-19 pandemic the economic situation was in general manageable. Starting January 2021 the anti-COVID-19 vaccination campaign started in Ukraine. Local currency's (hryvnia) depreciation and inflation were under control.

In the period October 2021 – January 2022, due to shortages and record prices for energy resources, DTEK Energy had to increase import of coal (as compared to the same period of 2020) to ensure the normal operation of thermal power plants (TPP).

The political risk associated with the supply of anthracite coal from the territory of the Russian Federation did materialize in November 2021, but further in January 2022 the supply of anthracite coal resumed till 23 February 2022.

The political situation in Ukraine deteriorated at the end of 2021 and continued further deteriorating in the beginning of 2022 (Note 3). Escalating political tensions had an adverse effect on the Ukrainian financial markets, including DTEK Energy's bonds. This also has contributed to a devaluation of the Hryvnya against major currencies in January-February 2022. Management continued to monitor the situation, but volatile political situation in Ukraine and it's final effects are difficult to predict and it may have further severe effects on the Group's business.

Risks of corporate strategy:

DTEK Energy's corporate strategy was updated in 2020. DTEK Energy aims at further liberalization of the electricity market, better efficiency, internal transformation and implementation of ESG (environmental social governance) strategy, which will allow to:

- Operate efficiently under open market conditions;
- Focus on production of electricity only from own coal;
- Become more environmentally friendly.

Regulatory risks:

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

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

- Tariff-setting rules – the influence of price restrictions "Price Cap";
- Lack of government subsidies for using alternative expensive fuel (natural gas) for Lugans`ka TPP.

During 2019-2021, DTEK Energy faced problems receiving payments from the regulator Energorynok SE. The following measures were implemented in order to manage this risk - negotiation with the Cabinet of Ministers of Ukraine (CMU) on the repayment or offset of the debt of Energorynok SE; joint participation with the NEURC on the development of regulatory documents to reduce cash gaps for distribution companies and suppliers in case of unbundling.

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

Financial risks and Market risks:

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

With regard to currency risk, the national currency of Ukraine hryvnia had high volatility during the recent years and it has slightly strengthened in 2021. As a result, DTEK Energy received forex gains mainly on financing activities. DTEK Energy strives to reduce short open foreign currency balance position arisen as a result of the imbalance between loan portfolio in foreign currency and income in local currency. The following measures are implemented in order to manage these risks: the foreign exchange flow planning was carried out; the need for hedging currency positions was evaluated.

Liquidity and the cash flow management:

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

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

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

Financial reporting risk

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

Reputational Risks:

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

Corporate Governance and Compliance Risks:

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

Operations and production risks:

Industrial engineering:

Risk associated with the operation of technical facilities. Breakdowns and accidents, that temporarily interrupt operations at TPP's and mines remained relevant for DTEK Energy in 2021. To limit the risk, technological facilities are regularly being inspected and maintained, production processes and technologies are constantly being upgraded and optimized and staff trained accordingly. The investment program of business units includes the costs for technological maintenance and current repair programs. If reasonable, DTEK Energy applies insurance policies to protect corporate assets, to compensate for a loss as a result of business interruption and to provide liability coverage in the event of harm inflicted on third parties by potential accidents occurred at DTEK Energy's production sites.

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

Environmental risks:

DTEK Energy implemented an environmental management system according to ISO 14001 standard, the system is recertified every 3 years. There was a special attention from social organizations and public authorities to impact of TPPs on the environment in 2020. DTEK Energy strictly follows its obligations in accordance with The National emission reduction plan of major pollutants from the large combustion plants (adopted in 2017) during implementation of ecological investment projects.

Health and Safety risks:

The risks of adverse effects to the health of employees, subcontractors or third parties are governed according to the rules of DTEK Energy's health and safety management systems, which is based on international standards OHSAS 18 001. The mining and energy industries are subject to significant risks that could result into personal injury or death, which were materialized in 2021. In order to minimize such risks DTEK Energy has implemented the project "Development of a safety culture" at coal mining offices, which aims to promote an appropriate safety and health culture among DTEK Energy`s employees.

Human resources' risks:

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

General legal risks:

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

IT risks:

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

The impact of COVID-19 on DTEK Energy business

As explained in note 2 in the consolidated financial statements, the COVID-19 outbreak and resulting measures taken by various governments to constrain the virus negatively affected DTEK Energy business mainly in the first half of 2020, while no significant impact experienced in 2021. In addition to the already known effects, the macroeconomic uncertainty causes disruption to economic activity and it is unknown what the longer-term impact on DTEK Energy business may be. The scale and duration of this pandemic remain uncertain but are expected to further impact our business. The main risks that result from the current uncertain situation regarding COVID-19 is inability of DTEK Energy to meet its obligations when they fall due.

Social responsibility

Social responsibility and commitment to the principles of sustainable development are key values and an integral part of the ESG-strategy of the Group. That is why DTEK Energy invests significant funds into improving the safety, efficiency and environmental friendliness of its enterprises, labour protection, health improvement and professional development of employees, the development of local communities and improving the quality of life of people in the regions of activity. DTEK is systematically developing its activities in the field of sustainable development, guided by the principles of the ESG and the UN Sustainable Development Goals (12 of 17) and strives to work in accordance with international standards for sustainable development. The practice of responsible financing is aimed at an integrated and balanced approach to business development and the observance of the interests of the community. The Group being one of the biggest national employer and a social investor, participates in the socio-economic development of the regions in which it operates.

Socially responsible investment in partnership with local communities is a prerequisite for the operations of the Group companies. The Group companies implement social networks, which are aimed at involving and uniting the population to solve the problems of community development and improve the quality of life.

The Group is a member of the UN Global Compact Network and in its activities follows the principles and goals of sustainable development proclaimed by the UN. DTEK Energy strives to protect the environment, improve production and management processes, and invest in environmental activities in all areas of its enterprises. Environmental activities are an integral part of the Group's successful business and are based on DTEK's Environmental Policy, developed in accordance with the international standard ISO 14001:2015. Unconditional priority of the Group's activities is the conduct of ethical, legal and open business. DTEK Energy openly declares its anti-corruption standards and adheres to the principle of zero tolerance for corruption. The DTEK Energy's internal control and risk management system was formed in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission, COSO. It is fully integrated into all stages of planning: strategy, business-planning, investment projects, budgeting and so on. DTEK Energy continues to report on social corporate responsibility and sustainable development. The report on sustainable development for 2021 is expected by the middle of 2022.

Research and Development Costs

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

Human resources

The Group employed approximately 37.4 thousand people by the end of 2021 (2020: 43.3 thousand people). The main reason was the termination the lease of the Dobropolyeugol mines between the Group and the State Property Fund of Ukraine.

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

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

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

Provision of information

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

Climate change

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

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

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

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

Code of Ethics

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

Digital Transformation

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

Male/female ratio of Executive/Supervisory Board

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

As at 31 December 2021, the Supervisory Board consists of one women and four men and the Management board of two men and two legal persons.

Dutch legislation, the 'Wet Bestuur en Toezicht', was enacted in 2021. This law provides guidance on disclosure in the Directors' Report with regard to the composition of the Board of (Supervisory) Directors and its division among men and women. At this moment the composition of the Supervisory Board does not reflect the situation as described in legislation. The Management Board of the Company consists of two legal persons and one man. The Supervisory Board consists of one women and six men. A balanced situation as outlined in the above mentioned legislation would only be realised if and when vacancies may become available. Management notes that the composition of women in key management roles in the Group is significant.

Future Developments

In 2021, the Group continues implementing its long-term strategy, aimed to complete the reorganisation in the management structure and support in establishment of Ukrainian electricity market model.

Next stages are devoted to improving efficiency of operations (such as scaling up lean projects, launching innovative technologies, covering period of 2020-2021) and wide scale roll out of innovations through the production and management processes (covering period of 2021-2030).

Ukraine is considered as the main market for the Group activities in the long-term.

Taking into account uncertainties in 2021 the Group will focus on the following key areas in 2022:

- Further improve operational efficiency;
- Complete the Group's financial restructuring, service borrowing according to its terms and optimize liquidity management;
- Support further establishment of new Ukraine electricity market model;
- Decrease level of coal consumption for electricity production;
- Promote safety culture among all members of personnel and develop leadership qualities and absolute commitment to ensuring occupational safety

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

Supervisory Board and Management Board

The Supervisory Board of the Company during the year and up to the 17 May 2021 were as follows: Oleg Popov, Sergey Korovin, Irina Mykh, Robert Sheppard, Damir Akhmetov, Catherine Stalker and Johan Bastin. The Company has accepted the resignation of Oleg Popov, Robert Sheppard, Damir Akhmetov, Catherine Stalker and Johan Bastin from the positions of Supervisory Board members and appointed Dmytro Sakharuk, Oleksandr Kucherenko and Nikolay Ivin as a new Supervisory Board members with effect from 17 May 2021, and further Oleksiy Povolotskiy, Pavlo Livertovskyi and Oleksandra Moskalenko were appointed as Supervisory Board members and Irina Mykh has resigned with effect from 23 March 2022.

The Management Board of the Company during the year and up to the 1 July 2021 were as follows: Maksym Timchenko and two directors of SCM Management B.V., Nataliya Muktan and Eliza Desiree den Aantrekker. The Company has accepted the resignation of Maksym Timchenko from the position of director and appointed Ildar Salieiev and Denys Negara as new directors with effect from 1 July 2021.

Post balance sheet events

On 24 February 2022, Russian forces commenced an invasion of Ukraine resulting in a full-scale military conflict across the Ukrainian state, in response to which the Government of Ukraine declared martial law. In note 3 of the of the accompanying consolidated financial statements is described that the Group experienced a number of challenges and disruptions as a result of this invasion, and accordingly management concluded on the abovementioned material uncertainty on ability of the group to continue as a the going concern.

There are no other special events that should be taken into account for the financial statements except for the developments after the balance sheet date that are disclosed in the Note 39 of the of the accompanying consolidated financial statements.

Ildar Salieiev	Denys Negara	Nataliya Muktan	Eliza Desiree den Aantrekker
Director	Director	Director	Director

22 June 2022

Consolidated Financial Statements

31 December 2021

DTEK Energy B.V.
Consolidated Balance Sheet

In millions of Ukrainian Hryvnia	**Note**	**31 December 2021**	**31 December 2020**
ASSETS			
Non-current assets			
Property, plant and equipment	8	45,277	32,649
Intangible assets	9	594	384
Goodwill	10	1,999	2,589
Financial investments	11	6	14,516
Income tax prepaid		1	46
Deferred income tax asset	31	1,265	3,627
Trade and other receivables	13	3,824	2,965
Total non-current assets		**52,966**	**56,776**
Current assets			
Inventories	12	3,499	2,985
Trade and other receivables	13	19,335	12,539
Income tax prepaid		175	16
Financial investments	11	-	20
Cash and cash equivalents	14	4,601	1,616
Non-current assets held for sale (or disposal groups)	15	-	3,404
Total current assets		**27,610**	**20,580**
TOTAL ASSETS		**80,576**	**77,356**
EQUITY			
Share capital	16	0	0
Share premium		9,909	9,909
Other reserves	17	19,548	6,521
Accumulated deficit		(34,332)	(33,012)
Equity attributable to owners of the parent		**(4,875)**	**(16,582)**
Non-controlling interest in equity		**382**	**425**
TOTAL EQUITY		**(4,493)**	**(16,157)**
LIABILITIES			
Non-current liabilities			
Borrowings	18	41,394	1,290
Other financial liabilities	19	658	548
Retirement benefit obligations	20	7,250	7,740
Provisions for other liabilities and charges	21	2,550	2,063
Deferred income tax liability	31	2,926	603
Other taxes payable	23	1,782	-
Total non-current liabilities		**56,560**	**12,244**
Current liabilities			
Borrowings	18	1,786	58,283
Other financial liabilities	19	2,915	3,043
Prepayments received	24	1,661	845
Trade and other payables	22	15,713	8,509
Current income tax payable		1,418	1,940
Other taxes payable	23	5,016	5,413
Liabilities of disposal group classified as held for sale	15	-	3,236
Total current liabilities		**28,509**	**81,269**
TOTAL LIABILITIES		**85,069**	**93,513**
TOTAL LIABILITIES AND EQUITY		**80,576**	**77,356**

Signed by entire Management Board on 22 June 2022

Ildar Salieiev
Director

Denys Negara
Director

Nataliya Muktan
Director

Eliza Desiree den Aantrekker
Director

Approved for issue and signed by entire Supervisory Board on 22 June 2022

Sergey Korovin

Dmytro Sakharuk

Oleksandr Kucherenko

Oleksiy Povolotskiy

Pavlo Livertovskyi

Oleksandra Moskalenko

Nikolay Ivin

In millions of Ukrainian Hryvnia	**Note**	**2021**	**2020**
Continuing operations:			
Revenue	24	55,027	47,235
Cost of sales	25	(45,731)	(39,723)
Impairment of property, plant and equipment	8	(4,160)	(2,729)
Gross profit		**5,136**	**4,783**
Other operating income	26	812	512
Distribution costs	27	(447)	(724)
General and administrative expenses	28	(2,659)	(2,710)
Net impairment losses on financial instruments	11,13,19	(207)	(7,613)
Other operating expenses	29	(3,632)	(2,468)
Net operating foreign exchange (loss)/gain		(211)	27
Gain on loss of control	34	-	2,725
Operating loss		**(1,208)**	**(5,468)**
Foreign exchange gains /(losses) on financing and investing activities		1,622	(7,125)
Finance income	30	1,630	1,142
Finance costs	30	(5,548)	(7,222)
Loss before income tax		**(3,504)**	**(18,673)**
Income tax expense	31	(1,241)	(605)
Loss for the year from continuing operations		**(4,745)**	**(19,278)**
Discontinued operations:			
Profit for the year from discontinued operations	33	-	148
Loss for the year		**(4,745)**	**(19,130)**
(Loss)/profit is attributable to:			
Equity holders of the Company		(4,608)	(19,132)
Non-controlling interest		(137)	2

Consolidated Statement of Comprehensive Income

In millions of Ukrainian Hryvnia	**Note**	**2021**	**2020**
Loss for the year		(4,745)	(19,130)
Items that will not be reclassified to profit or loss:			
Property, plant and equipment:			
- Change in estimate for asset retirement obligation	21	(294)	(1,055)
- Income tax recorded on change in estimate for asset retirement obligation	31	53	190
- Increase (decrease) in valuation of property, plant and equipment	8	19,236	(5,643)
- Income tax recorded on revaluation of property, plant and equipment	31	(3,153)	1,030
Re-measurements of post-employment benefit obligations	20	605	1,399
Income tax recorded on re-measurements of post-employment benefit obligations	31	(38)	(252)
Other comprehensive income/(loss) for the year		**16,409**	**(4,331)**
Total comprehensive income/(loss) for the year		**11,664**	**(23,461)**
Total comprehensive income/(loss) is attributable to:			
Equity holders of the Company		11,707	(23,463)
Non-controlling interest		(43)	2
Total comprehensive income/(loss) for the year		**11,664**	**(23,461)**
Total comprehensive income/(loss) for the year attributable to equity holders of the Company arises from:		**11,664**	**(23,463)**
Continuing operations		11,664	(23,611)
Discontinued operations		-	148

	Attributable to equity holders of the Company					**Non-controlling interest**	**Total Equity**
In millions of Ukrainian Hryvnia	**Share capital**	**Share premium**	**Other reserves**	**Accumulated deficit**	**Total**		
Balance at 1 January 2020	**0**	**9,909**	**15,187**	**(17,480)**	**7,616**	**(439)**	**7,177**
(Loss)/profit for 2020	-	-		(19,132)	**(19,132)**	2	**(19,130)**
Other comprehensive loss for 2020	-	-	(5,478)	1,147	**(4,331)**	-	**(4,331)**
Total comprehensive (loss)/income for 2020	**-**	**-**	**(5,478)**	**(17,985)**	**(23,463)**	**2**	**(23,461)**
Property, plant and equipment:							
- Realised revaluation reserve	-	-	(3,888)	3,888	**-**	-	-
- Deferred tax related to realised revaluation reserve	-	-	700	(700)	**-**	-	-
Acquisition of entities under common control (Note 1)	-	-	-	(871)	(871)	(111)	**(982)**
Loss of control (Note 34)	-	-	-	-	-	973	**973**
Disposal of subsidiary	-	-	-	79	79	-	**79**
Disposal of equity securities	-	-	-	57	57	-	**57**
Balance at 31 December 2020	**0**	**9,909**	**6,521**	**(33,012)**	**(16,582)**	**425**	**(16,157)**
Loss for 2021	-	-	-	(4,608)	**(4,608)**	(137)	**(4,745)**
Other comprehensive income for 2021	-	-	15,748	567	**16,315**	94	**16,409**
Total comprehensive (loss)/income for 2021	**-**	**-**	**15,748**	**(4,041)**	**11,707**	**(43)**	**11,664**
Property, plant and equipment:							
- Realised revaluation reserve	-	-	(3,255)	3,255	**-**	-	-
- Deferred tax related to realised revaluation reserve	-	-	534	(534)	**-**	-	-
Balance at 31 December 2021	**0**	**9,909**	**19,548**	**(34,332)**	**(4,875)**	**382**	**(4,493)**

In millions of Ukrainian Hryvnia	**Note**	**2021**	**2020**
Cash flows from operating activities			
Loss before income tax from continued and discontinued operations		**(3,504)**	**(18,525)**
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		6,802	7,194
Impairment of property, plant and equipment, intangible assets and goodwill	8, 10	4,750	2,729
Loss of Control	34	-	(2,725)
Net loss on disposals of property, plant and equipment and intangible assets		(38)	(189)
Assets received free of charge	26	(195)	(89)
Net change in provision for financial investments, trade and other receivables, including non-financial assets and guarantee under the borrowings of related parties	11,13, 19, 29	214	7,615
Change in provisions for other liabilities and charges	21	85	93
Non-cash operating charge to retirement benefit obligation		97	192
Unrealised foreign exchange differences on operating activity		16	(74)
Foreign exchange gains less losses on financing and investing activities		(1,622)	7,125
Finance costs, net		3,918	6,080
Other operating non-cash transactions		9	-
Operating cash flows before working capital changes		**10,532**	**9,426**
Changes in:			
Trade and other receivables		(7,122)	(6,135)
(Placement)/withdrawal of auction deposit		(3)	-
Inventories		(289)	1,366
Prepayments received		816	(577)
Trade and other payables		5,628	773
Other financial liabilities		329	(292)
Other taxes payable and tax provision, other than income tax		1,446	860
Cash generated from operations		**11,337**	**5,421**
Income taxes paid		(380)	(215)
Defined employee benefits paid	20	(691)	(744)
Repayment of restructured obligations		(18)	(91)
Interest, commissions and cost related to restructuring paid	18	(2,989)	(313)
Interest received		53	21
Provisions utilised	21	(53)	(55)
Net cash generated from operating activities		**7,259**	**4,024**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(4,307)	(3,127)
Cash consideration received from disposal of subsidiary net of cash disposed and proceeds from sale of equity securities		73	111
Cash consideration received from disposal group net of cash paid		185	-
(Placement) / withdrawal of restricted cash	14	47	(47)
(Placement) / withdrawal of restricted deposits	11	19	(17)
Dividends received from related parties originated as a result of discontinued operations in 2018		-	190
Proceeds from financial aids provided to related parties		-	201
Net cash used in investing activities		**(3,983)**	**(2,689)**
Cash flows from financing activities			
Payment for lease liabilities	19	(161)	(21)
Net cash used in financing activities		**(161)**	**(21)**
Net increase/(decrease) in cash and cash equivalents		**3,115**	**1,314**
Cash and cash equivalents at the beginning of the year	14	1,551	245
Exchange gains on cash and cash equivalents		(83)	(8)
Cash and cash equivalents at the end of the year	**14**	**4,583**	**1,551**

1 The Organisation and its Operations

DTEK Energy B.V. (the "Company") is a private limited liability company incorporated on 16 April 2009 and domiciled in the Netherlands. The Company and its subsidiaries (together referred to as "the Group" or "DTEK Energy") are beneficially owned by Mr. Rinat Akhmetov through various entities commonly referred to as System Capital Management ("SCM") with ultimate parent being SCM Holdings Limited, Cyprus. Mr. Akhmetov has a number of other business interests outside of the Group. Related party transactions are disclosed in Note 7.

DTEK Energy B.V. is a vertically integrated coal mining, power generating and trading group. Its principal activities are coal mining for further supply to its power generating facilities located in Ukraine. The Group's coal mines and power generation plants are located in the Donetsk (controlled territory), Lugansk (controlled territory), Dnipropetrovsk, Lviv, Ivano-Frankivsk, Vinnitsya and Zaporizhzhya regions in Ukraine.

As of 31 December 2020 DTEK Energy B.V. was owned by DTEK B.V. Starting 12 April 2021 DTEK Energy B.V. is directly owned by DTEK ENERGY HOLDINGS B.V., a private limited liability company incorporated on this date, domiciled in the Netherlands and owned by DTEK Group B.V. (former DTEK B.V., hereinafter referred to as DTEK B.V.).

The principal subsidiaries are presented below:

Name/Segment	% interest held as at 31 December		
	2021	2020	Country of incorporation
Coal mining and power generation			
DTEK Pavlogradugol PJSC	100.00	100.00	Pavlograd, Ukraine
DTEK Mine Komsomolets Donbassa PJSC	95.31	95.31	Dobropolie, Ukraine
DTEK Dobropolskaya CEP PJSC	60.06	60.06	Dobropolie, Ukraine
DTEK Oktyabrskaya CEP PJSC	-	60.85	Dobropolie, Ukraine
Bilozerska Mine ALC	95.44	95.44	Dobropolie, Ukraine
Mospino CPE LLC	99.00	99.00	Dobropolie, Ukraine
Pershotravensky RMZ LLC	99.00	99.00	Mykolaivka, Ukraine
Tehrempostavka LLC	100.00	100.00	Kurahovo, Ukraine
CCM Kurahovskaya LLC	99.99	99.99	Vovchanka, Ukraine
CCM Pavlogradskaya LLC	99.99	99.99	Verbky, Ukraine
DTEK Dobropolyeugol LLC	100.00	100.00	Dobropolie, Ukraine
DTEK Dniproenergo JSC	100.00	100.00	Zaporizhya, Ukraine
DTEK Westenergy JSC (former, DTEK Zakhidenergo PJSC)	100.00	100.00	Lviv, Ukraine
DTEK Skhidenergo LLC	100.00	100.00	Kurahovo, Ukraine
DTEK Kurahivska TPP LLC	100.00	100.00	Kurahovo, Ukraine
DTEK Luhanska TPP LLC	100.00	100.00	Lviv, Ukraine
Remtehpostavka LLC	100.00	100.00	Lviv, Ukraine
DTEK Trading Limited	100.00	100.00	Nicosia, Cyprus
DTEK Trading SA	100.00	100.00	Geneva, Switzerland
Interenergoservis LLC	99.99	99.99	Zaporizhya, Ukraine
DTEK Scientific and Project Centre LLC	100.00	100.00	Dnipro, Ukraine
DTEK Trading LLC	100.00	100.00	Kyiv, Ukraine
Electricity distribution			
DTEK Krymenergo PJSC	57.71	57.71	Kyiv, Ukraine
Other			
DTEK Power B.V. (former, DTEK Grids B.V.)	100.00	100.00	Amsterdam Netherlands
DTEK Finance PLC	100.00	100.00	London, United Kingdom
DTEK Investments Ltd	100.00	100.00	London, United Kingdom
DTEK Holdings Limited	100.00	100.00	Nicosia, Cyprus
GPL Power Limited	100.00	100.00	Nicosia, Cyprus
GPL Ingen Power Limited	100.00	100.00	Nicosia, Cyprus
DTEK Energy LLC	100.00	100.00	Kyiv, Ukraine
Elektronaladka LLC	99.00	99.00	Lviv, Ukraine
Power Trade LLC	100.00	100.00	Kyiv, Ukraine
Corum Trading LLC (former, Sotsis LLC)	99.00	99.00	Kyiv, Ukraine
Kharkivskyi Machine-Building Plant Svitlo Shakhtarya PJSC	66.65	66.65	Kharkiv, Ukraine
Corum Druzhkivskyi Machine-Building Plant LLC	100.00	100.00	Druzhkivka, Ukraine
Corum Group LLC (former, Engineering and Technical Center Mining Machines LLC)	100.00	100.00	Kyiv, Ukraine
Corum Repair LLC	100.00	100.00	Druzhkivka, Ukraine
Corum MineSpecialBuild LLC	100.00	100.00	Dobropolie, Ukraine

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

1 The Organisation and its Operations (Continued)

Supervisory Board and Management Board

The Supervisory Board of the Company during the year and up to the 17 May 2021 were as follows: Oleg Popov, Sergey Korovin, Irina Mykh, Robert Sheppard, Damir Akhmetov, Catherine Stalker and Johan Bastin. The Company has accepted the resignation of Oleg Popov, Robert Sheppard, Damir Akhmetov, Catherine Stalker and Johan Bastin from the positions of Supervisory Board members and appointed Dmytro Sakharuk, Oleksandr Kucherenko and Nikolay Ivin as a new Supervisory Board members with effect from 17 May 2021, further Oleksiy Povolotskiy, Pavlo Livertovskyi and Oleksandra Moskalenko were appointed as Supervisory Board members and Irina Mykh has resigned with effect from 23 March 2022.

The Management Board of the Company during the year and up to the 1 July 2021 were as follows: Maksym Timchenko and two directors of SCM Management B.V., Nataliya Muktan and Eliza Desiree den Aantrekker. The Company has accepted the resignation of Maksym Timchenko from the position of director and appointed Ildar Salieiev and Denys Negara as new directors with effect from 1 July 2021.

Changes in the Group structure

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

In November 2020 DTEK Energy sold DTEK Mironivka CHPP LLC to a third party. Net assets existing as of the date of disposal in the amount of UAH 122 million were transferred for cash consideration of UAH 62 million. The result of this transaction was recognised in the consolidated income statement.

In April 2020 the Group acquired 100% of the share capital of Power Trade LLC from the entity under common control of DTEK B.V. The result of the acquisition, being the difference between net liabilities acquired, consideration paid and the carrying value of the interest acquired, was recognized directly in the accumulated deficit in the amount of UAH 871 million.

In March 2020 DTEK Energy sold DTEK Hungary Power Trade LLC to a subsidiary of DTEK B.V. Net assets existing as of the date of disposal in the amount of UAH 59 million were transferred for cash consideration of UAH 138 million. The gain on this transaction was recognised in the consolidated income statement.

During spring-summer 2020 the Group registered new legal entities - DTEK Kurahivska TPP LLC, DTEK Luhanska TPP LLC and Remtehpostavka LLC.

Loss of control

On 24 September 2020 K.Energy was declared by the court as a bankrupt and liquidation procedure commenced. The court assigned a liquidator who took control over the entity from the Group. As a result K.Energy was deconsolidated from these consolidated financial statements as per this date (Note 34).

On 30 July 2020 and 7 October 2020 DTEK Rovenkiantracyte LLC and DTEK Sverdlovantracyte LLC were both declared by the court to be bankrupt and liquidation procedure commenced. The court assigned liquidators who took control over the entities from the Group. As a result the companies were deconsolidated from these consolidated financial statements as per mentioned dates (Note 34).

2 Operating Environment of the Group

Ukrainian economy. Emerging markets such as Ukraine are subject to various risks including economic, political and social, legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies can adversely affect the investment climate in those markets and their economies in general. Laws and regulations affecting businesses in the emerging markets continue to change rapidly, with their tax, currency and customs legislation being subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Ukraine. The future economic direction of the country is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Before 2020 the Ukrainian economy was showing signs of stabilization after years of political and economic tensions, which had previously led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and depreciation of the national currency against major foreign currencies. Since the first quarter of 2020, the Ukrainian economy contracted amid a decrease in industrial output and lockdown measures introduced in March 2020 to constrain the spread of the COVID-19 pandemic. It returned to modest growth in the first half of 2021 following the growth in the world commodity prices which helped with the balance of Ukraine's foreign trade, however slowed down at the end of 2021 as a result of political tensions.

The National Bank of Ukraine ("NBU") follows an interest rate policy consistent with inflation targets and keeps the hryvnia floating. The inflation rate in Ukraine stood at 10% for 2021 (2020: 5.0%) while GDP increased by 3% (2020: decrease 4.4%) according to the statistics published by the National Bank of Ukraine.

2 Operating Environment of the Group (Continued)

An increase in inflation along with an increase in consumer price index in 2021 led the NBU to begin monetary tightening and gradually increase its key policy rate several times during 2021 starting from 6% effective from 12 June 2020 to 9% effective from 10 December 2021 and further to 10% effective from 20 January 2022.

The conflict in the parts of Eastern Ukraine which started in spring 2014 has not been resolved to date and the relationships between Ukraine and the Russian Federation remained strained till December 2021. Since December 2021 news surrounding the potential escalation of the conflict have emerged. The political situation deteriorated at the end of 2021 and continued further deteriorating in the beginning of 2022 resulting in growing military tension in the country.

On 24 February 2022, Russian forces commenced an invasion of Ukraine resulting in a full-scale military conflict across the Ukrainian state, which had impact on all areas of Ukrainian economy. Ukrainian business, which is located out of war territories started to show signs of recovery during April-May 2022. However, the situation remains tense, it has impact not only on Ukrainian but also on international economy, and therefore its further impact and duration is difficult to predict and quantify.

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

The yield to maturity ("YtM") on Ukrainian Government's Eurobonds increased to 11.24% (for a 5-year maturity instruments) from 8.9% as at 31 December 2021 and 5.05% as at 31 December 2020.

In August 2021 Ukraine received over 2.7 billion as part of the IMF's assistance to member countries in economic recovery from the COVID-19 and as of 31 December 2021 international currency reserves were at the highest level since 2011 however these started to be gradually utilised since January 2022. From the start of the war Ukrainian budget experiences deficit, which is mainly financed by the national and international borrowings (Note 39).

In order to maintain price and financial stability in Ukraine, as well as maintaining the inflation under control, the NBU was forced to fix USD exchange rate and introduced a number of administrative restrictions, in particular on foreign exchange transactions and capital movements. Should the situation change, it may have a significant negative impact on the Group and the environment the Group operates in, however, the magnitude of such impact cannot be reasonably estimated.

As of 31 December 2021, the Group had significant balances receivable from and prepayments made to the State and entities dependant on government financing, including the trade receivables from Energorynok SE with gross carrying amount of UAH 6,268 million, VAT recoverable of UAH 5,105 million (Note 13), prepaid income taxes of UAH 176 million. The timing of settlement of these balances is uncertain and is dependent upon the availability of State funds and amounts of future taxable profits of the Group's subsidiaries.

Electricity market. From 1 July 2019, a new "wholesale" electricity market was introduced in Ukraine removing the previous pricing formula for electricity tariffs as well as removing the sole wholesale trader, state owned Energorynok SE from the market. The new market provides various mechanisms for the purchase and sale of electricity, namely direct contracts, a day-ahead market, an intraday market, balancing market and auxiliary services market. The market of direct contracts represents the sale of electricity based on bilateral agreements concluded for up to one year. The day ahead and intraday markets represent the sale of electricity with a coverage period being the next day, in which all transactions are agreed with the transmission system operator NEK "Ukrenergo". Pricing on the day ahead market is based on a supply and demand balance. The balancing market is a market of deviations of the actual hourly production and consumption of electricity from the planned trading schedule and together with the auxillary services markets were established in order to ensure sufficient amounts of electricity needed for the real-time balancing of electricity production and import/export, congestion management in the Integrated Power System ("IPS") of Ukraine, as well as financial settlement of electricity imbalances.

Despite this liberalisation of the energy market in recent years, the Ukrainian government still continues to influence the pricing on the market through implementing of price caps, balancing nuclear power production volumes, introduction/cancellation of restrictive measures on import/export of electricity or providing import duties on thermal coal, etc. In 2021-2022 till the date of issue of these consolidated financial statements the following major developments took place in the electricity market rules:

- restriction in electricity sales to affiliated companies to not more than 50% of sales volumes from 4 February 2021;
- the lower price margin for the sale of electricity in the balancing market was cancelled from 1 March 2021 (prior to this it was 55% of the tariff on day ahead market).
- widening of price caps (excluding Burshtyn energy island) from UAH 2,048.23 per mWt to UAH 2,655.99 per mWt/h in the day time and from UAH 1,228.94 per mWt/h to UAH 1,243.71 per mWt/h in the night time starting from 18 June 2021 and further to UAH 4,000.00 per mWt/h in the day time to UAH 2,000.00 per mWt/h in the night time starting from 1 August 2021;

2 Operating Environment of the Group (Continued)

- widening of price caps in Burshtyn energy island from UAH 2,048.23 per mWt to UAH 2,500.00 per mWt/h in the day time and from UAH 959.12 per mWt/h to UAH 1,500.00 per mWt/h in the night time starting from 8 October 2021 and further from UAH 2,500.00 per mWt to UAH 3,000 per mWt/h in the day time and from UAH 1,500.00 per mWt/h to UAH 1,650.00 per mWt/h in the night time starting from 2 February 2022;
- from 1 September 2021 90% of the generated electricity volumes were and shall be sold using the open auctions between the market participants;
- restrictions of electricity imports from Russia and Belarus from 26 May till 1 October 2021.

These developments have positive impact on the Group through increase in electricity tariffs and respectively gross profit margins.

During 24-26 February 2022 the Ukrainian power system started to operate in isolation from the power systems of Russia and Belarus and the ENTSO-E network was tested as part of preparation for synchronization with the European ENTSO-E. As a result of the events described in Note 3 the Ukrainian power system was not connected back to the power systems of Russia and Belarus and in the middle of March 2022 it was connected to ENTSO-E network.

In this continuously developing market, the trading strategies of energy market participants are also developing, including changing between direct contracts and other market mechanisms, utilising forward purchases/sales opportunities, etc. All this results in turbulences in the tariffs on day ahead and intraday markets which during the reporting period were varying substantially.

During the reporting period the electricity tariffs on the majority of the Group's revenue in Ukraine were equal to or based on tariffs formed on the day-ahead market. Also from January 2021, the Group started to sell electricity on the Ukrainian Energy Exchange using the open auctions where approximately 40% of the generated volumes were sold. During the first half of 2021, tariffs remained at a relatively low level, which was due to, among other things, the remaining impact of the COVID-19 pandemic on the overall electricity consumption in Ukraine. The tariff started to recover from August 2021, which was mainly driven by some liberalisation of electricity market and by the increases of relevant energy commodities prices in Europe and Ukraine. In particular, average base tariff on a day-ahead market in the second half of 2021 was 33.0% higher as compared to average tariff in January-June 2021 and 39% higher as compared to average tariff in July-December 2020. At the same time during 2021 there are positive trends indicating a recovery of consumption of electricity in Ukraine (5% increase of volumes sold as compared to last year). Further in 2022 tariff was impacted by subsequent events as described in Note 3.

On 24 February 2022, Russian forces commenced an invasion of Ukraine resulting in a full-scale military conflict across the Ukrainian state, which had impact on all areas of Ukrainian economy. Ukrainian business, which is located out of war territories started to show signs of recovery during April-May 2022. However, the situation remains tense, it has impact not only on Ukrainian but also on international economy, and therefore its further impact and duration is difficult to predict and quantify.

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

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

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

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

2 Operating Environment of the Group (Continued)

COVID-19. Late in 2019 news first emerged from China about COVID-19 (Coronavirus). In the first few months of 2020 the virus spread globally causing disruptions to business and economic activity. In March 2020 the World Health Organization recognised the Coronavirus as a pandemic. The spread of the virus had a significant negative impact on the economic activity in the world, including a drop in capital markets and a sharp decrease of commodity prices. This increased the level of uncertainties in future cash flows projections regarding, among others, volumes of electricity consumption in Ukraine which was negatively affected following the downshift in the retail, entertainment, transport, and other industries resulting from the quarantine and/or spreading of the virus in Ukraine. In the middle of the second half of March 2020 and throughout 2020-2021, the Government of Ukraine started to take restrictive measures to prevent the spread of the virus in the country including the introduction of quarantine modes during periods of high virus spread. To date the Government continues to monitor the spread of the virus and promptly responds to the situation including strengthening or easing restrictions depending on the statistics in a particular region of Ukraine.

By the end of 2020, multiple vaccines had been developed and during 2021 most countries continued vaccination with some already reaching a vaccination level of the adult population of more than 90% (in Ukraine the vaccination levels are substantially lower). However, the situation with Coronavirus remains fluid globally and therefore further impact is difficult to predict and quantify. There was a seasonal jump of infection rates in Ukraine in January-March 2022. Management continues to monitor the potential impact of it and the governmental restrictive measures and takes all steps possible to mitigate any possible negative effects. At the date of issuing these consolidated financial statements, based on the available information management believes that the uncertainties attributable to COVID-19 do not represent a key risk factor that may materially affect the Group's future cash flow projections.

3 Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the statutory provisions of Part 9, Book 2, of the Dutch Civil Code. The consolidated financial statements have been prepared using the historical cost convention, as modified by the revaluation of property, plant and equipment (revaluation model under IAS 16 *Property, plant and equipment*), and certain financial instruments measured in accordance with the requirements of IFRS 9 *Financial instruments*. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Since the income statement for 2021 and 2020 of DTEK Energy B.V. is included in the consolidated financial statements, an abridged income statement has been disclosed in accordance with Art.2:402 DCC.

Going concern The Group's business is concentrated in Ukraine, the majority of its revenue is generated in Ukraine and denominated in UAH (2021: 92% and 2020: 83%, respectively), although the Group also receives part of revenue in foreign currencies from its export of electricity. The majority of the Group's debt is denominated in currencies other than the UAH (as disclosed in Note 18).

As at 31 December 2020, the Group was in default in respect of the majority of it's bank borrowings and Eurobonds. In May 2021, DTEK Energy finalised the restructuring of substantially all of the DTEK Energy's indebtedness on the terms disclosed in Note 19. This resulted in a reclassification of the majority of the Group's debt to non-current according to the new maturity dates. Further in February 2022 DTEK Energy finalised the restructuring of remaining part of bank debt with repayment in 2023. Also in February 2022 DTEK Energy made a full repayment of debt to JSC Oschadbank and wrote-off the accrued general compensation fee under the terms with Sberbank of Russia (Note 18).

As of 31 December 2021 the Group had an excess of current liabilities over current assets of UAH 899 million and UAH 4,493 million of negative net assets (31 December 2020: excess of current liabilities over current assets of UAH 60,689 million and negative net assets of UAH 16,157 million). Excess of current liabilities over current assets was mainly caused by guarantee issued to Sberbank in the amount of UAH 2,728 million. Such guaranteed obligation was restructured formalizing it with a new guarantee agreement with respect to this amount was signed in February 2022, which resulted in decrease of fair value of this guarantee (Note 19) and corresponding decrease of current liabilities. Management plans to cover the remaining deficit in net assets through earnings of profits (including cash flows from operations) in the future periods.

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

There is a significant uncertainty resulting from the current situation and over the future development of military invasion. The current and future developments have a short and long-term impact on the Group, its people, operations, liquidity, and assets. There could be multiple scenarios of further developments of the current situation with unknown likelihood and the magnitude of the impact on the Group might be from significant to severe. Therefore, the Group has assessed the Going Concern assumption.

3 Significant Accounting Policies (Continued)

Since the start of the war, the Group has experienced a number of significant challenges and disruptions, including, but not limited to:

- lower domestic demand for electricity and accordingly electricity production in Ukraine fell by approximately 30% compared to March 2021.
- variability of movements of demand and prices for electricity between the different electricity market segments.
- the cessation of all electricity exports until 28 March 2022, since when the electricity export resumed, but only to Poland.
- the property of Luhansk TPP was damaged in February 2022 as a result of hostilities in the town of Shchastya. The station was forced to stop the production and supply of electricity and heat. Currently DTEK Energy lost the control over this TPP located in non-controlled territory. Zaporizhzhya TPP is also located in non-controlled territory and coal supplies are not possible to there from the Group's mines, including because of the destroyed bridge and railway track. It was running on gas during 2nd half of April 2022 and was put idle from 5th May 2022. Carrying value of property, plant and equipment of these TPPs as of 31 December 2021 was UAH 7,671 million and representing 23% of total installed capacity of the Group's TPPs.
- Kurakhiv TPP and Kryvyi Rih TPP are located near the active hostilities and periodically have difficulties with coal delivery, but as of now these TPPs continue to work on coal, which is a preferred feedstock for the Group.
- All other TPPs of DTEK Energy and Pavlogradcoal (which is located in the neighbouring region to those where military actions are ongoing in the east of Ukraine) operate without issues.

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

- continuous balancing of necessary efficient production on the basis of its fixed and variable costs versus payment collection;
- reduction of administrative expenses;
- pursuing regulatory and national energy policy negotiations to maintain adequate business environment;
- start of export of own coal;
- minimising any repairs and maintenance and keeping it only for the critical operating units;
- DTEK Energy also obtained a consent from the bond holders in April 2022 to capitalise part of interest obligations due in March and in June 2022 respectively.

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

As a part of the going concern assessment, management prepared monthly cash flow projections throughout 2022 and the first seven months of 2023. The cash flow forecast in the business plan for 2022 approved by Supervisory Board was updated to take into account the impact of the war, the finalisation of the restructuring in February 2022 and new guarantee terms issued in February 2022 to replace the old guarantee in connection with debt to Sberbank of Russia. Based on this forecast, management expects to have sufficient liquidity during the projected period. The projected cash flows assume:

- the military situation remains status quo as per the date of issue of these financial statements;
- the average tariffs in the projection period are expected to grow steadily by December 2022 reaching to the levels achieved in winter 2021/2022 adjusted by expected 2022 price inflation of 15-20%. Further 2023 period tariff dynamics moves with ordinary seasonal fluctuations;
- no significant further deterioration as a result of the war on the demand of electricity in Ukraine and controlled assets of DTEK Energy;
- no losses from non-payment by the main customers and return of accounts receivable days to a pre-war levels by the end of projection period;
- moratorium for cross-border debt and capital repayments shall be lifted or modified by National Bank of Ukraine to enable the Group to make payments due abroad, including on Eurobonds;
- payments of principal and interest under Eurobonds will be at the agreed level in the Indenture and consent obtained in April 2022;
- minimising any repairs and maintenance however keeping at the level ensuring the ability to operate;
- no settlements under the new guarantee issued in connection with debt to Sberbank of Russia.

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 consumption and tariffs. In case the military situation worsens, management still will be able to use mitigating liquidity measures including the option to elect for partially payment-in-kind (PIK) of the interest (Note 18), reduction of capital expenditure to minimum levels while maintaining minimum safety and environmental standards, varying the maintenance budget between the periods and optimising working capital through renegotiation of payment terms with suppliers. In case these will not be sufficient, a restructuring of the existing terms of repayment of coupon and principal of Eurobonds may also be required to fit to the operational cash inflows.

3 Significant Accounting Policies (Continued)

Management acknowledges that the facts and circumstances described above, in particular the current situation and the future development of military actions, as well as the related uncertainties embedded into electricity consumption and tariffs projections, represent material uncertainties, which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Some assumptions and/or preconditions containing uncertainties, existing at the date of these financial statements, in particular lifting the moratorium on payments abroad as explained above, fall beyond management control. The group considers different options to arrange the future settlements of Eurobonds liabilities, however these future settlements may be impacted by the uncertainty as explained earlier and may require the negotiations with the bondholders in the future. Despite these material uncertainties relating to the war in Ukraine, management is continuing taking actions to minimise the impact on the Group, and therefore believes that application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

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

Functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Ukrainian Hryvnia ("UAH"), which is the Company's functional and the Group's presentation currency. Transactions denominated in currencies other than the relevant functional currency are translated into the functional currency, using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses, resulting from settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities at year end, are recognised in the income statement. Translation at year end does not apply to non-monetary items including equity investments. The effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

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

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

As at 31 December 2021, the exchange rates used for translating foreign currency balances were USD 1 = UAH 27.28 (31 December 2020: USD 1 = UAH 28.27); EUR 1 = UAH 30.92 (31 December 2020: EUR 1 = UAH 34.74); RUB 10 = UAH 3.64 (31 December 2020: RUB 10 = UAH 3.78).

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

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

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

3 Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Property, plant and equipment. The Group uses the revaluation model to measure property, plant and equipment. Fair value was based on valuations by external independent valuers. The frequency of revaluation will depend upon the movements in the fair values of the assets being revalued. Subsequent additions to property plant and equipment are recorded initially at cost. Cost includes expenditure directly attributable to acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost of acquired and self-constructed qualifying assets includes borrowing costs.

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

3 Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

Initial recognition of financial instruments. The Group's principal financial instruments comprise loans and borrowings, cash and cash equivalents, financial liabilities designated at fair value through profit and loss, short-term deposits and financial guarantees. The Group has various other financial instruments, such as trade debtors and trade creditors, which arise directly from its operations.

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

3 Significant Accounting Policies (Continued)

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

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

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

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

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

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

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

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

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

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

3 Significant Accounting Policies (Continued)

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

Derecognition of financial liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. While assessing if modification is substantial, management considers both quantitative and qualitative factors. Qualitative factors include change of form of the instrument, interest rate, change in covenants and guarantors (Note 20). The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognised in profit or loss.

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

Derivative financial instruments.

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

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

Income taxes. Income taxes have been provided for in the financial statements in accordance with Ukrainian, Hungarian, Dutch, Cypriot, Swiss or UK legislation enacted or substantially enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the income statement unless it relates to transactions that are recognised, in the same or a different period, directly in equity or in other comprehensive income. Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

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

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

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

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is assigned on the first in first out basis for raw materials and spare parts and weighted average cost for coal. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

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

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

3 Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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

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

Revenue recognition. The Group's generating companies sell all electricity produced by its electricity generation plants to electricity market. Revenue from the sale of electricity is the value of units supplied during the year.

The Group recognises revenue from electricity sales over time. Revenue is recorded when control over electricity is transferred. Revenue from electricity sales is recognised in the accounting period in which the electricity was supplied to the final customer based on meter readings data. If a performance obligation is not satisfied over time, revenue is recognised at a point in time at which the Group satisfies a performance obligation.

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

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

3 Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

4 Critical Accounting Estimates and Judgements

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

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

The Group also assesses whether goodwill is impaired at least on an annual basis. Estimating value in use/ fair value less costs of disposal requires the Group to make an estimate of expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. For detailed analysis of impairment and related sensitivities refer to Notes 8 and 10.

The Group assesses whether goodwill is impaired based on the IAS 36 Impairment of assets requirements. Goodwill is tested for impairment annually, and whenever there is an indication of impairment. In certain circumstances, the Group may use the most recent impairment test made in a preceding period provided all of the following criteria are met:

4 Critical Accounting Estimates and Judgements (Continued)

(a) the assets and liabilities making up the unit have not changed significantly since the most recent recoverable amount calculation;

(b) the most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and

(c) based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.

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

As most of the Group's property, plant and equipment is of a specialised nature, its fair value is determined using depreciated replacement cost (Level 3). As at 30 September 2021, the Group's management decided to carry out a revaluation of property, plant and equipment for its mining and generation assets based on changes in economic conditions of business environment and an increase of the inflation rate. Fair values of property, plant and equipment and remaining useful lives were determined by an independent appraiser.

The carrying value and useful lives of property, plant and equipment are affected by the estimates of depreciated replacement cost and remaining useful life. Changes in these assumptions could have a material impact to the fair value of property, plant and equipment (Note 8).

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 comparatives 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;
- selection of market data when determining market value where it is available;
- determination of applicable cumulative price indices or changes in foreign exchange rates which would most reliably reflect the change in fair value of assets revalued using indexation of carrying amounts.

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

Key inputs into discounted cash flow models are consistent with the assumptions used for determination of economic ceiling (Note 8) and goodwill impairment testing (Note 10).

Changes in the above estimates and judgments could have a material effect on the fair value of property, plant and equipment, which, however, is impracticable to quantify due to wide variety of assumptions and assets being valued.

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

Control over the legal entities whose operations in the non-controlled territory were lost. On 15 March 2017 the self-proclaimed authorities took control of all of the Group's assets located in the non-controlled territory. The Group determined that it retains control over the legal entities whose operations were located in the non-controlled territories, as these entities are registered in the controlled territory of Ukraine and continue to serve its obligations and collect payments on receivables. Therefore, the Group continues to consolidate the remaining assets and liabilities of those entities as of 31 December 2021 or up until the commencement of liquidation procedure (Note 34).

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

The estimates used to assess the impairment (if any) of trade and other accounts receivable for those entities located in Eastern Ukraine are impacted by greater uncertainty than in other areas. Though most of the remaining non-fully impaired balances are from related parties and the major uncertainty is with respect to the timing of settlement.

4 Critical Accounting Estimates and Judgements (Continued)

As a result of the electricity market reform, from 1 July 2019 Energorynok SE as a sole buyer of electricity ceased to perform its main functions, but remained as a legal entity until all of its obligations are settled. The set of laws (the "Laws") required for settlement of these obligations have been partially adopted, but not yet in full by the Ukrainian parliament and the timing of the adoption of these laws and validity period is still uncertain. The Laws (http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=67296) assume several mechanisms of settlement of Energorynok SE's receivables and payables, but these are mainly via settlement with taxes including taxes of coal production entities of the Group or via settlement among respective counterparties of Energorynok SE. Due to the delay with the adoption of the laws management of the Group reassessed its assumptions related to the settlement period of receivables from Energorynok SE.

As at 31 December 2021 the gross carrying amount of trade receivables from Energorynok SE comprised UAH 6,268 million (31 December 2020: UAH 6,855 million). Management anticipates that Energorynok SE will repay all its obligations to the Group as anticipated by the Laws either in cash or via set off mechanism (with the taxes payable). Considering the further delays with adoptions of the laws and regulations a scenario-based method was used by management as at 31 December 2021 and 2020 where the key uncertainty relates to timing of cash flows.

In 2021 several events took place that led management to change some of its assumptions: amendment to the Law was adopted that postponed the liquidation of Energorynok SE until 2024 (instead of 2021); no respective items included into the Ukrainian State Budget for 2022 year; in December 2021 Energorynok SE repaid a debt of UAH 587 million through the mechanism of mutual settlements with the budget and other state legal entities.

As a result of those developments as at 31 December 2021 management revised weight of the scenarios and as at 31 December 2021 the scenarios with the most weight (75%) (31 December 2020: 95%) assume either settlement of receivables in equal instalments until 2024 via cash or settlement mechanisms with taxes payable by entities of the Group (30% probability) (31 December 2020: 50%) or a 20-year period for settlement (31 December 2021 and 31 December 2020: 45% probability). An alternative scenario assumes non-repayment (25% probability) (31 December 2020: 5% probability).

Change in assumptions of ECL calculation resulted in UAH 337 million of additional provision for Energorynok SE recognised in 2021. If the weight of the 20-year period for settlement scenario increased to 100%, this could result in additional provision totaling UAH 381 million as of 31 December 2021. The Group classified the whole balance of trade receivables as non-current trade and other receivables as at 31 December 2021 and as at 31 December 2020 (Note 13).

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

The major assumptions used in determining the net cost (income) for pensions include the discount rate, indexation rate and expected salary increases. Any changes in these assumptions will impact the carrying amount of pension obligations. Since there are no long-term, high quality corporate bonds issued in Ukrainian Hryvnias, significant judgement is needed in assessing an appropriate discount rate. Key assumptions and sensitivities are presented in Note 20.

Asset retirement obligations. Changes in the measurement of an existing asset retirement obligation result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate are recognised as an adjustment to the cost of the respective asset through the income statement or other reserves in equity to the extent of any revaluation balance existence in respect of the related asset. Provisions in respect of abandonment and site restoration are evaluated and re-estimated annually, and are included in these consolidated financial statements at each balance sheet date at their expected net present value, using discount rates which reflect the economic environment in which the Group operates and are specific to a liability.

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

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

4 Critical Accounting Estimates and Judgements (Continued)

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

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

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

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

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

Fair value of Eurobonds. As of 17 May 2021, new Eurobonds were initially recorded at a fair value, where a significant judgement was required to determine the fair value of new Eurobonds (Note 18).

5 Adoption of New or Revised Standards and Interpretations

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

- ***Amendments to IAS 1 Presentation of Financial Statements***: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively and effective for annual periods beginning on or after 1 January 2023);
- ***Amendments to IAS 12 Income Taxes***: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023);
- ***Amendments to IFRS 17 Insurance contracts***: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).

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

- ***Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2:*** Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- ***Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors:*** Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- ***IFRS 17 Insurance Contracts*** (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023); including Amendments to IFRS 17 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023);

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

- ***Amendments to IFRS 3 Business Combinations***; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

These amendments to standards will likely have no material impact on the Group.
New and amended standards adopted by the Group. The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- ***Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform*** – Phase 2 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021);
- ***Amendments to IFRS 16 Leases***: Covid-19- Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

These amendments did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

6 Segment Information

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

The Management Board has determined the operating segments used for disclosure by the Group based on reports reviewed by the Management Board for the purposes of assessing performance. The Management Board considers the business from a product perspective taking into account the vertical integration of the Group.

The Management Board assesses the performance of the operating segments based on a measure of Adjusted EBIT. This measurement basis (further referred to as 'segment result') represents profit for the year after excluding the following income statement items: foreign exchange losses less gains; income tax expense; impairment of property, plant and equipment, intangible assets and goodwill; certain income and expenses (losses on changes in settlement estimates on receivables related to: Energorynok SE (Note 4), and receivables related to operations in NCT prior to 2017, and guarantee under the borrowings of related parties (Note 19); fair value result on the financial instrument; extinguishment of trade payables and other operating expenses related to discontinued operations) driven by non-recurring operations of the Group; gain on loss of control; certain maintenance of social infrastructure costs; finance income and expenses except for gains/losses on initial recognition and early repayment of financial instruments from non-related parties, interest on bank deposits, unwinding of discount on the long-term restructured accounts receivable; late adjustments and impairment of financial investments.

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

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

The Group's mining and power generation operations are vertically integrated and while the operating businesses are organised and managed separately, with each business unit offering different products and serving different markets, there remains significant inter-dependence between mining and generation business units of the Group.

'Other' external revenues and segment results are immaterial and consist mainly of sales of machinery and services of Corum companies that are engaged in supporting the Group's underground mining operations and salaries, coal resale, rental and other administrative expenses. Revenues from electricity and coal resale within the Group for the purpose of internal consumption are presented in 'Coal and power generation' segment.

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

6 Segment Information (Continued)

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

In millions of Ukrainian Hryvnia	**Coal and power generation**	**Other**	**Elimination**	**Total**
Sales – external	49,848	5,179	-	55,027
Sales to other segments	-	2,189	(2,189)	-
Total revenue	49,848	7,368	(2,189)	**55,027**
Total segment result	5,918	(998)	**-**	**4,920**
Net operating foreign exchange gain				(211)
Foreign exchange losses less gains on financing and investing activities				1,622
Net finance costs not included in segment result				(3,994)
Impairment of property, plant and equipment and goodwill (Note 8,10)	(4,750)	-	-	(4,750)
Late adjustment of additional depreciation as a result of revaluation	(893)	-	-	(893)
Net impairment losses on financial instruments (Note 11, 13)				58
Late adjustment on net impairment losses on financial instruments				33
Unallocated (expenses)/income, net				(289)
Profit before income tax from continued operations				**(3,504)**
Capital expenditure	**4,096**	**354**	**-**	**4,450**
Net increase in valuation of property, plant and equipment	**18,962**	**274**		**19,236**
Material non-cash items included in segment result:				
Net impairment losses on financial assets	(195)	(103)	-	**(298)**
Depreciation and amortisation	(5,835)	(74)		(5,909)

Segment information for the reportable segments of the Group for the year ended 31 December 2020 is as follows:

In millions of Ukrainian Hryvnia	**Coal and power generation**	**Other**	**Elimination**	**Total**
Sales – external	45,921	3,530	-	49,451
Sales to other segments	51	2,123	(2,174)	-
Total revenue	**45,972**	**5,653**	**(2,174)**	**49,451**
Less: sales of discontinued operations other than those to continued operations		(2,216)		(2,216)
Revenue from continued operations	**45,923**	**1,312**		**47,235**
Segment result from continued operations				1,469
Segment result from discontinued operations				2
Total segment result	**2,431**	**(960)**	**-**	**1,471**
Net operating foreign exchange gain				27
Foreign exchange losses less gains on financing and investing activities				(7,125)
Net finance costs not included in segment result				(6,101)
Impairment of property, plant and equipment (Note 8)	(2,729)	-	-	(2,729)
Gain on loss of control (Note 34)				2,725
Net impairment losses on financial instruments (Note 11, 13, 19)				(7,078)
Less: segment result from discontinued operations				(2)
Unallocated (expenses)/income, net				139
Profit before income tax from continued operations				**(18,673)**
Capital expenditure	**2,974**	**95**	**-**	**3,069**
Net decrease in valuation of property, plant and equipment	**(5,643)**			**(5,643)**
Material non-cash items included in segment result:				
Net impairment losses on financial assets	(443)	(92)	-	(535)
Depreciation and amortisation	(7,158)	(36)	-	(7,194)

6 Segment Information (Continued)

Other segment include coal resale operations namely external revenue in the amount of UAH 2,883 million and segment result of UAH 121 million (2020: external revenue in the amount of UAH 1,948 million and segment result of UAH 53 million).

The results of the non-current assets held for sale and of liabilities of disposal group classified as held for sale are presented in Coal and power generation segment.

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Ukraine is UAH 47,871 million (2020: UAH 35,668 million). As at 31 December 2021 and 2020 the Group has no non-current assets, located in other countries than Ukraine. Customers concentration, exceeding 10% of total revenues is presented below):

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

In millions of Ukrainian Hryvnia	**Coal and power generation**	**Other**	**Total**
2020			
Entities under common control of SCM and DTEK B.V. Group subsidiaries	31,018	2,833	**33,851**
Total	**31,018**	**2,833**	**33,851**

Geographical information

In millions of Ukrainian Hryvnia	**2021**	**2020**
Ukraine	50,887	40,823
Foreign countries	4,140	8,628
Total revenues	**55,027**	**49,451**

The Company's revenues are presented by legal address of the customers under direct sales contracts.

The Group employed approximately 37.4 thousand people during 2021 (2020: 43.3 thousand people). The number of employees, based on full time equivalents, who are working outside the Netherlands as of 31 December 2021 was 37.4 thousand people (31 December 2020: 43.3 thousand people). Employees are allocated as follows within the Group's operating segment: coal and power generation – 32.9 thousand people (2020: 38.8 thousand people); other – 4.5 thousand people (2020: 4.5 thousand people).

7 Balances and Transactions with Related Parties

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2021 are detailed below.

7 Balances and Transactions with Related Parties (Continued)

			2021			2020
In millions of Ukrainian Hryvnia	**Entities under common control of SCM**	**DTEK B.V. Group subsidiaries**	**Associates and Joint Ventures of SCM**	**Entities under common control of SCM**	**DTEK B.V. Group subsidiaries**	**Associates and Joint Venture of SCM**
Prepayments for property, plant and equipment	14	10	-	14	7	-
Loans provided to related parties (Note 11)	-	-	-	-	14,510	-
Trade and other receivables	1,372	9,844	49	1,188	5,019	130
Restricted deposits	10	-	-	12	-	-
Cash and cash equivalents	1,333	-	-	627	-	-
Guarantee issued to Sberbank (Note 19)	-	-	-	-	(2,827)	-
Other financial liabilities	(2)	(170)	-	(23)	(69)	-
Trade and other payables	(439)	(6,558)	(23)	(319)	(3,848)	(67)
Prepayments received	(66)	(726)	(316)	(36)	(377)	(280)

As a result of the restructuring loans provided to related parties were exchanged to the Notes issued by NGD Holdings B.V. in favour of the holders of the existing Eurobonds (Notes 11, 18). This resulted in derecognition of the full amount of the loans issued to related parties the effect of which was included the finance income line as a part of gain on restructuring of borrowings.

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

			2021			2020
In millions of Ukrainian Hryvnia	**Entities under common control of SCM**	**DTEK B.V. Group subsidiaries**	**Associates and Joint Ventures of SCM**	**Entities under common control of SCM**	**DTEK B.V. Group subsidiaries**	**Associates and Joint Venture of SCM**
Sales of electricity	2	22,733	-	-	27,862	1
Sales of gas	-	-	-	2	2,170	-
Sales of coal	1,046	1,949	-	563	2,593	-
Sales of services and machinery	1,630	1	116	653	8	488
Other operating income	5	127	-	139	25	-
Purchase of coal and fuel	(326)	(5,589)	-	(31)	(3,057)	-
Purchase of production materials and spare parts	(1,369)	(10)	-	(1,192)	(32)	(112)
Purchase of gas	-	(2,361)	-	-	(2,748)	-
Purchase of electricity	-	(3,858)	-	-	(2,700)	-
Purchase of non-current assets	(42)	-	-	(48)	(1)	-
Purchase of services	(3,580)	(1,674)	(21)	(4,127)	(1,542)	(33)
Interest income on bank deposits	17	-	-	13	-	-
Interest income on loans issued	-	346	-	-	885	-

Sales, trade and other receivable

The trade receivable balances as of 31 December 2021 due from entities under common control and associates are non-interest bearing. Balances from related parties as of 31 December 2021 and 2020 are unsecured and settlements are made either in cash, in the form of debt set-off or by means of exchanging promissory notes issued by the settling counterparties or third parties to the transaction.

Sales of electricity include deduction of revenue due to variable consideration on penalties for electricity supply due to non-fulfilment of electricity supply volumes to DTEK B.V. subsidiaries of UAH 4,722 million. As of 31 December 2021 unpaid balance of penalties in the amount of UAH 4,468 million was included in Trade and other payables.

Sales and purchases of gas for 2020 are attributable to gas resale operations, performed by the trading company of the Group, and were discontinued in 2020 (Note 33).

7 Balances and Transactions with Related Parties (Continued)

Purchases, trade and other payables

Purchases and outstanding trade and other payables as at 31 December 2021 and 2020 comprised mainly balances due to related parties for provision of railway services, supplies of gas, iron shoring for mines, raw materials, steaming coal and professional services relating to DTEK Service LLC. Balances payable are non-interest bearing and are repayable in the normal course of business.

Purchases of services are mainly presented by purchase of railway transportation services of UAH 3,129 million (2020: UAH 3,762 million) from entities under common control of SCM.

Key management personnel compensation

In 2021 total compensation to key management personnel amounted to UAH 103 million (2020: UAH 138 million). Compensation to the key management personnel consists of salary and bonus payments.

8 Property, Plant and Equipment

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

In millions of Ukrainian Hryvnia	Mining assets	Buildings and structures	Plant and machinery	Furniture, fittings and equipment	Construction in progress	Total
At 1 January 2020						
Cost or valuation	20,413	15,378	42,527	2,652	1,159	**82,129**
Accumulated depreciation	(6,418)	(5,960)	(19,745)	(1,207)	-	**(33,330)**
Carrying amount at 1 January 2020	**13,995**	**9,418**	**22,782**	**1,445**	**1,159**	**48,799**
Additions	374	197	1,855	113	530	**3,069**
Disposals	(117)	(36)	(9)	(20)	(28)	**(210)**
Depreciation charge	(1,368)	(1,128)	(4,596)	(229)	-	**(7,321)**
Net decrease in valuation of property, plant and equipment	(911)	(1,800)	(2,903)	(29)	-	**(5,643)**
Impairment of property, plant and equipment	(164)	(328)	(1,768)	(303)	(166)	**(2,729)**
Transfer	133	82	673	24	(912)	**-**
Reclassification to non-current assets held for sale (or disposal groups) (Note 15)	(1,818)	(237)	(983)	(28)	(250)	**(3,316)**
Carrying amount at 31 December 2020	**10,124**	**6,168**	**15,051**	**973**	**333**	**32,649**
At 31 December 2020						
Cost or valuation	17,599	12,137	36,041	2,032	333	**68,142**
Accumulated depreciation	(7,475)	(5,969)	(20,990)	(1,059)	-	**(35,493)**
Carrying amount at 31 December 2020	**10,124**	**6,168**	**15,051**	**973**	**333**	**32,649**
Additions	859	433	2,678	99	381	**4,450**
Disposals	-	(86)	(37)	(3)	(4)	**(130)**
Depreciation charge	(1,396)	(1,041)	(4,159)	(172)	-	**(6,768)**
Net increase in valuation of property, plant and equipment	(895)	4,803	14,869	459	-	**19,236**
Impairment of property, plant and equipment	(1,481)	(485)	(2,154)	(33)	(7)	**(4,160)**
Transfer	324	175	37	16	(552)	**-**
Carrying amount at 31 December 2021	**7,535**	**9,967**	**26,285**	**1,339**	**151**	**45,277**
At 31 December 2021						
Cost or valuation	8,246	10,071	27,311	1,450	151	**47,229**
Accumulated depreciation	(711)	(104)	(1,026)	(111)	-	**(1,952)**
Carrying amount at 31 December 2021	**7,535**	**9,967**	**26,285**	**1,339**	**151**	**45,277**
Carrying amount without revaluation at 31 December 2020	**1,970**	**218**	**9,897**	**792**	**333**	**13,210**
Carrying amount without revaluation at 31 December 2021	**1,424**	**197**	**7,180**	**712**	**151**	**9,664**

As at 31 December 2021 total carrying amount of right-of-use assets is UAH 1,505 million consisted of 46% plant and machinery, 22% mining assets, 15% construction in progress, 17% buildings and structures (31 December 2020: UAH 1,436 million consisted of 53% mining assets, 23% plant and machinery, 19% construction in progress and 5% buildings and structures).

During 2021 the depreciation expense of right-of-use assets of UAH 192 million includes 52% of plant and machinery, 32% of buildings and structures, 15% of mining assets and 1% of furniture, fittings and equipment (during 2020: UAH 99 million, including 62% of plant and machinery, 23% of buildings and structures, 13 % of mining assets and 2% of furniture, fittings and equipment).

8 Property, Plant and Equipment (Continued)

During 2021 additions of right-of-use assets of UAH 559 million includes 60% of plant and machinery, 33% of buildings and structures, 4% of mining assets and 3% of construction in progress (during 2020: UAH 275 million, including 43% of construction in progress, 33% of plant and machinery, 22% of buildings and structures and 2% of furniture, fittings and equipment).

As at 31 December 2021 property, plant and equipment amounting to UAH 2,209 million (2020: UAH 2,388 million) have been pledged to third parties as collateral for borrowings (Note 32).

In 2021, the depreciation expense of UAH 5,922 million (2020: UAH 6,696 million) was included in cost of sales, UAH 636 million (2020: UAH 388 million) in other operating expenses, UAH 106 million (2020: UAH 50 million) in general and administrative expenses, UAH nil million (2020: UAH 35 million) in distribution expenses, UAH 104 million was capitalised (2020: UAH 152 million).

Revaluation 2021

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

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

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

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

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

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

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

8 Property, Plant and Equipment (Continued)

Generation volumes. Management assumes that average generation volumes for coal-fired stations for all CGUs during 2022-2027 will approximate the average total actual output during 2021. Thermal power generation volumes are expected to decline starting from 2028 till 2030 by 33% as a result of closure of several TPPs with further major reduction of volumes by 2035 for DTEK to become carbon neutral by 2040. Respectively the forecast period for terminal value was limited by 2035 as subsequent period did not have significant effect on valuation results. Management assumes that losses of generation entities will be compensated to ensure their break-even and incorporated respective compensation income from 2023 to ensure a positive cash flow on invested capital in forecasted periods. In case compensation income will not be included in cash flow projections, this would result in decrease of valuation of property plant and equipment in the amount of UAH 2,248 million (including UAH 1,647 million reduction in revaluation reserve).

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

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

Coal production volumes. Management assumes that average coal production during 2022-2023 will approximate the average actual output during 2021, then following a closure of part of the mines will decrease by approximately 18% during 2024-2025 and will remain flat from 2026 through to 2030. One of the assumptions in the future cash flow projections was an achievement of carbon neutrality by 2040. Management assumed that the coal production will continue decreasing after 2030 and the forecast period for terminal value was limited by 2035 as subsequent period did not have significant effect on valuation results.

Green Deal. Management expects that there shall be no need to perform any significant non-planned capital expenditures to decrease the CO2, SOX, NOX emissions by power stations (Note 33). Would the future actual developments be different, the recoverable value of power plants might be lower. Payment for CO2 emissions are expected to be paid as the environmental tax with annual growth during 2023-2024 by 40% and further forecast is based on the largest emissions trading system - EU ETS, which leads to growth of CO2 payments by 11 times in 2025 and further average growth of 18% per year. Carbon border adjustment mechanism (CBAM) proposed by European Commission is still in the stage of the legislative process and due to uncertainty of timing and mechanism was not embedded in the future cash flow projections.

Impairment assessment in 2020

Management determined that as at 30 June 2020 there were indicators of impairment with respect to property, plant and equipment and goodwill of generation business of the Group and ran an impairment test which was further revised as at 31 December 2020 using the fair value less cost of disposal model for its assets.

As a result of the impairment tests, certain CGUs were identified with the recoverable amount being lower than their net book value due to economic obsolescence. The amount of impairment of property, plant and equipment in the income statement is UAH 2,729 million and UAH 5,643 million in other comprehensive income. These amounts includes partial reversal of impairment of UAH 146 million in the income statement and UAH 542 million in other comprehensive income as a result of change in the assumptions in relation to sales volumes. No impairment of goodwill was recognised. Impairment was determined at the level of cash-generating (CGU) units related to electricity generating plants.

In performing its impairment tests management used post-tax cash flow projections based on financial budgets approved by management covering a five-year period, these were discounted using a post-tax weighted average cost of capital of 16.75% (2019: 17.0%). In case the post-tax weighted average cost of capital is higher by 1%, this would result in additional impairment of property, plant and equipment in the amount of UAH 601 million (including UAH 469 million reduction in revaluation reserve).

Cash flows beyond the five-year period were extrapolated using an estimated growth rate of 5.5% (2019: 5.5%) for electricity generation business.

Key Assumptions used were:

8 Property, Plant and Equipment (Continued)

Electricity market transformation:

In 2020 there were discussions at various levels regarding the practical ways of connection to EU network causing uncertainty whether the ENTSO-E, the European network of transmission of electricity, synchronisation will be implemented or an alternative project on export from one of Ukrainian nuclear power plant will be introduced. As such management applied a scenario approach with 50% weight of each of the respective scenarios in impairment assessment as at 31 December 2020. In the 1sh half of 2021 there was still uncertainty whether the Ukrainian energy system is technically feasible to ENTSO-E synchronisation and the respective system testing was expected in February 2022. In particular, average base tariff on a day-ahead market in July and August 2021 was 22.0% higher as compared to average tariff in January-June 2021

Under scenario 1 management assumed that synchronisation with ENTSO-E will commence at the end of 2023. Upon synchronisation with ENTSO-E the generation volumes are expected to be reallocated in favour of those TPPs which currently operate in the united energy system of Ukraine (OES) and which will have an ability to export electricity abroad upon synchronization.

Under scenario 2 management assumed that alternatively electricity export to EU from one of Ukrainian nuclear power plant will commence in 2025, which should positively impact volumes for thermal power generation used domestically in Ukraine, due to anticipated export of electricity generated by nuclear power plants to Europe.

In case the scenario 1 will be realised (100% probability), this would result in reversal of impairment of property, plant and equipment in the amount of UAH 89 million (including UAH 344 million additional charge in revaluation reserve). Alternatively if scenario 2 is crystallised, this would result in increase of impairment of property, plant and equipment in the amount of UAH 659 million (including UAH 180 million in revaluation reserve).

Electricity tariff. Management assumed that the tariffs in the market in the mid-run will reflect of the cost of production of the least efficient coal power generation station. Management assumed that average tariffs for 2021 will increase by 11% compared to 2020. Further, in 2022 the tariff will increase by 20.3% compared to 2021 due to increase the coal prices (see below), cancellation of the price caps and cancelation of Ukrenergo limitations on loading of TPPs. Average growth of tariffs expected in 2024-2030 is 6.4-7.9% per year for both scenarios. If the tariff will be lower by 1% in all projected periods, this would result in decrease in valuation of property, plant and equipment by UAH 2,499 million (including UAH 1,818 million through revaluation reserve).

Generation volumes. Management assumed that average generation volumes for coal-fired stations for all CGUs during 2021 will approximate the average total actual output during 2020. In 2022 generation volumes were expected to increase by 9% compared to 2021 due to increase of export of electricity to Europe and remain flat on average in the subsequent years until 2024. In 2024-2025 management assumes thar either the EU export project will be realized (scenario 2 above) leading to increase in total generation volumes in 2025 by 13.7%, or the synchronisation with ENTSO-E will occur (scenario 1 above) leading to a decrease on generation volumes in 2024 by 8.8%.

If the expected generation volumes will be lower by 1% than assumed by management in all projected periods this would result in additional impairment of carrying amount of property, plant and equipment totaling UAH 401 million (including UAH 292 million in revaluation reserve).

Cost of coal. Management assumed that the market price of coal will increase on average by 35% in 2022 compared to 2021 and by 5.5% onwards by 2025 during 2023-2024. If the price and respectively cost of coal starting from 2021 and onwards will grow by 1% higher than expected, this would result in additional impairment of property, plant and equipment of UAH 1,412 million (including UAH 1,024 million through revaluation reserve). If the price of coal is 1% lower than expected this would result in reduction of impairment of property, plant and equipment of UAH 1,408 million (including UAH 1,021 million in revaluation reserve). Coal prices were determined based on the most recent API2 index forecasts adjusted for freight costs and expected exchange rate of local currency in relation to US dollar until 2025. In 2025 coal prices are expected to decrease by 8.7% to align to the estimated market prices for coal in the CIS countries which are used as a benchmark for pricing in 2025 and onwards.

CO2 emissions charges. Management expected that there shall be no need to perform any significant non-planned capital expenditures to decrease the CO2 emissions by power stations (Note 33). Would the future actual developments be different, the recoverable value of power plants might be lower.

In relation to Dobropolyeugol LLC assets the impairment indicators were identified by management (as indicated above) and management performed an impairment test as of 30 June 2020 using the fair value less cost of disposal model. Further, in October 2020 management approved a plan to terminate the lease of the Dobropolyeugol mines between the Group and the State Property Fund of Ukraine and reclassified these assets into assets held for sale. As a result of these management further additionally impaired it's Dobropolyeugol LLC assets as at 31 December 2020 using the expected disposal consideration as an indicator of fair value of these assets and related liabilities. These developments in 2020 resulted in an additional impairment of property, plant and equipment of Dobropolyeugol LLC in 2020 in the amount of UAH 1,550 million (including UAH 1,210 million in revaluation reserve).

9 Intangible Assets

As at 31 December, intangible assets were as follows:

In millions of Ukrainian Hryvnia	**2021**	**2020**
Natural resources rights	135	136
Software and licenses	92	62
Other intangible assets	367	186
Total	**594**	**384**

The movements of intangible assets were as follows:

In millions of Ukrainian Hryvnia	**Cost**	**Accumulated amortisation and impairment**	**Carrying amount**
As at 1 January 2020	**2,494**	**(2,148)**	**346**
Additions/(charge) for the year	267	(25)	242
Disposals	(202)	86	(116)
Reclassification to non-current assets held for sale (or disposal groups) (Note 15)	(88)	-	(88)
As at 31 December 2020	**2,471**	**(2,087)**	**384**
Additions/(charge) for the year	269	(34)	235
Disposals	(35)	10	(25)
Reclassification to non-current assets held for sale (or disposal groups) (Note 15)	-	-	-
As at 31 December 2021	**2,705**	**(2,111)**	**594**

In 2021, the amortisation expense of UAH 13 million (2020: UAH 11 million), was included in cost of sales, and UAH 21 million (2020: UAH 14 million) in general and administrative expenses.

10 Goodwill

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

Management allocated goodwill to two main groups of CGUs:

In millions of Ukrainian Hryvnia	**2021**	**2020**
Coal and power generation:		
- DTEK Dniproenergo JSC	1,999	1,999
- DTEK Pavlogradugol PJSC	-	590
Total	**1,999**	**2,589**

The recoverable amount has been determined based on fair value less cost of disposal calculations. Cash flow projections, based on strategic model approved by senior management covering the period until 2030. Management believes that the assumptions used reflect market participant's expectations.

DTEK Pavlogradugol PJSC

The following table summarises key assumptions on the management has based its cash flow projections to undertake the impairment testing of goodwill.

	2021
Coal and power generation - DTEK Pavlogradugol PJSC	
Post-tax discount rate per annum, %	14.6%
Coal prices growth rate per annum, %	(28)%-37.9%

10 Goodwill (Continued)

Based on the above assumptions, management determined impairment of goodwill attributable to DTEK Pavlogradugol PJSC of UAH 590 million as at 31 December 2021 (Note 29). Key assumptions for CGU for which goodwill impairment testing was performed, were carried forward from the preceding period.

DTEK Dniproenergo JSC

Key assumptions for goodwill impairment testing in respect of DTEK Dniproenergo JSC that has been performed as at 31 December 2021 are as follows:

	2021	2020
Coal and power generation – DTEK Dniproenergo PJSC		
Post-tax discount rate per annum, %	14.2%	16.75%
Tariff growth rate per annum, %	0.9%-42%	2.0%-27.8%

Volume growth rate per annum and further details about assumptions used in the impairment testing models are described in the Note 8.

The values assigned to the key assumptions represent management's best assessment of future trends in the business and are based on both external and internal sources. Based on the above assumptions, management determined that goodwill attributable DTEK Dniproenergo JSC exceeds the respective carrying value of goodwill as at 31 December 2021.

The following tables illustrate the headroom derived from the impairment test using the assumptions disclosed above, and, for reasonably possible changes, the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to equal its carrying value:

CGU	Headroom (In millions of Ukrainian Hryvnia)	Increase of discount rate by (p.p.)	Decrease in volume growth by (p.p.)	Decrease in tariff by (p.p.)
At 31 December 2021				
DTEK Dniproenergo JSC	8,174	14.8	6.1	6.3
At 31 December 2020				
DTEK Dniproenergo JSC	8,197	9.6	22.5	5.3

11 Financial Investments

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

In millions of Ukrainian Hryvnia	2021	2020
Loans provided to related parties (Note 7)	-	14,510
Equity securities:		
- quoted	5	5
Deposits placed	1	1
Total	**6**	**14,516**

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

In millions of Ukrainian Hryvnia	2021	2020
Restricted deposits	-	20
Total	**-**	**20**

Equity securities are carried at fair value.

As at 31 December 2020 loans provided to related parties of UAH 14,510 million were represented by the loans issued to NGD Holdings B.V., a subsidiary of DTEK Oil&Gas B.V., an entity under common control of DTEK B.V. DTEK Oil&Gas B.V. is incorporated in the Netherlands and has the majority of its assets in Ukraine. Loans were pledged as collateral under the Eurobonds (Note 18).

As a result of the restructuring which was finalised on 17 May 2021 (Note 18) loans provided to related parties were exchanged into the Notes issued by NGD Holdings B.V. ("DOG Notes") in favour of the holders of the existing Eurobonds with the principal amount of USD 425 million (UAH 12 billion), final maturity in 2026 and 6.75% annual interest payable semi-annually. The result of the derecognition of loans provided to related parties of UAH 14,934 million was included in the net result on restructuring of the borrowings line in the finance costs (Note 30).

During the period till 17 May 2021 the reversal of net impairment loss on loans provided to related parties amounted to UAH 395 million, which was measured based on a 12-month ECL (stage 1) at 4.93% rate as at 17 May 2021 (charge for 2020: UAH 702 million). The ECL rate decreased from 7.48% as of 31 December 2020 due to the favourable change in credit spread on corporate bonds used as a basis for IFRS 9 expected credit losses measurement as a result of the progress with restructuring (Note 3),

Other movements in balances relate to interest accrued during the period of UAH 346 million (Note 30) and foreign exchange difference.

12 Inventories

As at 31 December, inventories were as follows:

In millions of Ukrainian Hryvnia	2021	2020
Coal	2,132	1,461
Production materials	813	768
Spare parts	305	437
Fuel supplies	209	216
Goods for resale	40	103
Total inventories	**3,499**	**2,985**

13 Trade and Other Receivables

Non-current trade and other receivables were as follows:

In millions of Ukrainian Hryvnia	**31 December 2021**	**31 December 2020**
Trade receivables less provision of UAH 4,235 million (31 December 2020: UAH 3,893 million)	2,038	2,962
Other financial receivables less discounting effect of UAH 3 million (31 December 2020: less discounting effect of UAH 3 million)	4	3
Total financial assets	**2,042**	**2,965**
VAT recoverable less provision of UAH nil million	1,782	-
Total non-financial assets	**1,782**	**-**
Total non-current trade and other receivables	**3,824**	**2,965**

Current trade and other receivables were as follows:

In millions of Ukrainian Hryvnia	**31 December 2021**	**31 December 2020**
Trade receivables less provision of UAH 3,091 million less discounting effect of UAH nil million (31 December 2020: less provision of UAH 3,287 million, less discounting effect of UAH 3 million)	12,321	7,606
Other financial receivables less provision of UAH 1,316 million (31 December 2020: UAH 1,420 million)	416	350
Total financial assets	**12,737**	**7,956**
VAT recoverable	3,323	4,127
Prepayments to suppliers less provision of UAH 376 million (31 December 2020: UAH 479 million)	3,140	369
Other non-financial assets less provision of UAH 23 million (31 December 2020: UAH 28 million)	135	87
Total non-financial assets	**6,598**	**4,583**
Total current trade and other receivables	**19,335**	**12,539**

As at 31 December 2021 current and non-current trade and other receivables in the amount of UAH 23,141 million (31 December 2020: UAH 15,438 million) were due from customers located in the controlled territory and UAH 18 million (31 December 2020: UAH 66 million) were due from entities registered in the controlled territory but having production assets and operations in the non-controlled territory of Ukraine.

Financial receivables and financial payables originated from operations on electricity balancing market in the amount of UAH 1,348 million are presented on net basis as at 31 December 2021 (31 December 2020: UAH 2,697 million).

As at 31 December 2021 prepayments to suppliers include advance payment to NEC Ukrenergo SE in the amount of UAH 2,343 million for access to cross-section for monthly auctions (31 December 2020: nil).

As at 31 December 2021, 34% of trade and other receivables are denominated in currency, other than UAH (31 December 2020: 24%).

The management reassessed expectations in respect of the timing of settlement of VAT recoverable and VAT liability arising on intercompany balances of UAH 1,782 million as of 31 December 2021 and as a result the respective VAT balances were reclassified to non-current trade and other receivables and other taxes payable respectively (Note 23). The rights to offset respective VAT credit against VAT liability will arise on the date of payment in cash or other forms of compensations to the supplier.

13 Trade and Other Receivables (Continued)

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

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

In millions of Ukrainian Hryvnia	2020 Financial receivables	 Financial receivables – credit-impaired	 Non-financial receivables
Provision for impairment at 1 January	**324**	**4,785**	**791**
Provision for impairment during the year	811	368	53
Reversal of provision	(644)	-	(51)
Individual financial assets transferred to credit impaired	(10)	10	-
Impact of changes in estimates and assumptions	-	4,318	-
Exchange rate difference	157	-	-
Loss of control	-	(1,492)	(272)
Amounts written off during the year as uncollectible and other movements	-	(27)	(14)
Provision for impairment at 31 December	**638**	**7,962**	**507**

Measurement of ECLs. For all significant debtors and related parties, the calculation of expected credit losses is carried out on an individual basis taking into account agreement terms, expected repayment period, internally assessed credit risks for significant debtors based on the financial performance and taking into account external credit rating, if available. ECL rate is calculated based on credit spread implicit in the average yield on bonds of similar credit risk companies and adjusted for maturity, risk free rate and liquidity premium.

As at 31 December 2021, the Group charged the provision in the amount of UAH 337 million due to change in estimates in respect of settlement period of trade receivables from Energorynok SE (Note 4), UAH 194 million due to change in estimates in respect of timing and probability of settlement of receivables from related parties. As at 31 December 2020, the Group charged the additional provision for the 12 months 2020 in the amount of UAH 3,151 million due to change in estimates in respect of settlement period of trade receivables from Energorynok SE (Note 4), UAH 1,167 million due to change in estimates in respect of timing and probability of settlement of receivables from related parties.

As at 31 December 2021, ECL related to trade receivables from related parted in relation to electricity export was assessed on a net basis with financial payables from these counterparties.

The following analysis provides further details about the calculation of ECLs related to trade receivables. The ECLs were calculated based on actual credit loss experience over the past year or publicly available observable information used as a benchmark for expected credit losses. The Group performed the calculation of ECL rates separately for different group of customers. Exposures within each group were segmented based on common credit risk characteristics such as credit risk and ageing of trade and other receivables.

As at 31 December 2021, the Group revised ECL as compared to 31 December 2020 due to changes in credit spread on corporate and government bonds used as a basis for IFRS 9 expected credit losses measurement.

13 Trade and Other Receivables (Continued)

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

In millions of Ukrainian Hryvnia	Expected loss rate	Gross carrying amount	Lifetime ECL	Basis
Financial receivables from Energorynok SE	67.49%	6,268	(4,230)	Adjusted yield to maturity on government bonds and repayment probability scenarios (Note 4)
Financial receivables from related parties	7.23%	11,336	(819)	Adjusted yield to maturity on corporate bonds
Overdue financial receivables from related parties	99.86%	2,022	(2,020)	Historical payment discipline
Financial receivables from NEC UKRENERGO SE	9.64%	1,645	(159)	Adjusted yield to maturity on government bonds
Financial receivables from Individuals	15.11%	61	(9)	Based on statistics of the National Bank of Ukraine
Trade and other receivables from other counterparties	21.28%	774	(165)	Historical payment discipline

For trade and other receivables with overdue period for more than one year as of 31 December 2021 with gross carrying amount of UAH 1,318 million, loss allowance was calculated based on historical default rates that fall within 94-100%. Trade and other receivables from other counterparties were assessed for impairment on portfolio statistics approach while the others were based on individual assessment.

The following table provides information about the exposure to credit risk and ECLs for financial receivables as at 31 December 2020:

In millions of Ukrainian Hryvnia	Expected loss rate	Gross carrying amount	Lifetime ECL	Basis
Financial receivables from Energorynok SE	56.8%	6,855	(3,893)	Adjusted yield to maturity on government bonds and repayment probability scenarios (Note 4)
Financial receivables from related parties	5.45%	6,187	(337)	Adjusted yield to maturity on corporate bonds
Overdue financial receivables from related parties	97.48%	2,259	(2,202)	Historical payment discipline
Financial receivables from NEC UKRENERGO SE	5.43%	1,414	(77)	Adjusted yield to maturity on government bonds
Financial receivables from Individuals	14.5%	97	(14)	Based on statistics of the National Bank of Ukraine
Trade and other receivables from other counterparties	10.0%	813	(81)	Historical payment discipline

For trade and other receivables with overdue period for more than one year as at 31 December 2020 with gross carrying amount of UAH 1,893 million, loss allowance was calculated based on historical default rates that fall within 97-100%. Trade and other receivables from other counterparties were assessed for impairment on portfolio statistics approach while the others were based on individual assessment.

14 Cash and Cash Equivalents

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

In millions of Ukrainian Hryvnia	2021	2020
Bank balances available on demand	3,833	1,551
Restricted cash	18	65
Term deposits with original maturity of less than three months	750	-
Total cash and cash equivalents	**4,601**	**1,616**

As of 31 December 2021, cash and cash equivalents of UAH 3,126 million were denominated in US dollars (31 December 2020: UAH 16 million), and UAH 140 million were denominated in EUR (31 December 2020: UAH 176 million). Remaining balances were denominated in Ukrainian hryvnia.

As of 31 December 2021 and 2020, no term deposits with original maturity of less than three months were pledged as collateral for borrowings or bank guarantees received.

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

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

			2021		2020
In millions of Ukrainian Hryvnia	**Bank balances payable on demand**	**Restricted cash**	**Term deposits with original maturity of less than three months**	**Bank balances payable on demand**	**Restricted cash**
Rating by Moody's Investors Service					
- A1 rated	160	-	-	56	-
- A2 rated	3,023	-	-	8	-
- A3 rated	-	-	-	2	-
- B3 rated	67	6	-	66	2
*- Non-rated**	583	12	750	1,419	63
Total	**3,833**	**18**	**750**	**1,551**	**65**

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

Significant non-cash changes from investing activities were disclosed in Note 11, non-cash changes from financing activities were disclosed in Note 18 and Note 19.

15 Non-current Assets Classified as Held for Sale (or Disposal Groups)

In October 2020 management approved a plan to terminate the lease of the Dobropolyeugol mines that was agreed between the Group and the State Property Fund of Ukraine. As a result of the termination of the agreement DTEK Dobropolyeugol LLC will remain in the group, while it will transfer to the State Property Fund of Ukraine or discharge certain assets and liabilities. Management believe that the transaction meets the definition of a held for sale (disposal groups) transaction and classified respective assets and liabilities as a held for sale as at 31 December 2020.

Major classes of non-current assets classified as held for sale are as follows as at 31 December:

In millions of Ukrainian Hryvnia	2020
Assets held for sale:	
Property, plant and equipment	3,316
Intangible assets	88
Total non-current assets classified as held for sale (or disposal groups) at 31 December	**3,404**

15 Non-current Assets Classified as Held for Sale (or Disposal Groups) (Continued)

Major classes of liabilities directly associated with disposal groups classified as held for sale are as follows as at 31 December:

In millions of Ukrainian Hryvnia	**2020**
Provisions for other liabilities and charges	732
Other financial liabilities	2,504
Total liabilities classified as held for sale at 31 December	**3,236**

Amount of accumulated equity reserves attributable to assets and liabilities held for sale that were previously recognised in Other comprehensive income comprise UAH 554 million.

The termination process complied with legal requirements and was finalised on 25 January 2021. The Group did not incur any material gains or losses as a result of the termination of the lease agreement.

16 Share Capital

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

17 Other Reserves

In millions of Ukrainian Hryvnia	**Additional paid in capital**	**Revaluation reserve**	**Currency translation reserve**	**Total**
Balance at 1 January 2020	**(4,199)**	**17,076**	**2,310**	**15,187**
Other comprehensive income/(loss) for the period:				
Change in estimate relating to asset retirement provision net of tax	-	(865)	-	**(865)**
Decrease in valuation of property plant and equipment net of tax	-	(4,613)	-	**(4,613)**
Other movement in other reserves posted directly through equity:				
Realised revaluation reserve net of tax	-	(3,188)	-	**(3,188)**
Balance at 31 December 2020	**(4,199)**	**8,410**	**2,310**	**6,521**
Other comprehensive income/(loss) for the period:				
Change in estimate relating to asset retirement provision net of tax	-	(241)	-	**(241)**
Increase in valuation of property, plant and equipment net of tax	-	15,989	-	**15,989**
Other movement in other reserves posted directly through equity:				
Realised revaluation reserve net of tax	-	(2,721)	-	**(2,721)**
Balance at 31 December 2021	**(4,199)**	**21,437**	**2,310**	**19,548**

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

17 Other Reserves (Continued)

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

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

18 Borrowings

As at 31 December, borrowings were as follows:

In millions of Ukrainian Hryvnia	**2021**	**2020**
Non-current		
Eurobonds	41,021	-
Bank borrowings	373	1,290
Total non-current borrowings	**41,394**	**1,290**
Current		
Eurobonds	546	37,993
Bank borrowings	1,140	15,250
Interest accrual	100	5,040
Total current borrowings	**1,786**	**58,283**
Total borrowings	**43,180**	**59,573**

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

In millions of Ukrainian Hryvnia	**2021**	**2020**
Opening balance as at 1 January	**59,573**	**45,256**
Cash movements		
Interest paid	(786)	(313)
Commissions paid	(923)	-
Non-cash movements		
Interest accrued during the period	3,644	5,140
Commissions for restructuring accrued	923	-
Foreign exchange differences	(1,945)	9,237
Recognition of new Eurobonds upon restructuring	40,423	-
Extinguishment of Bank Borrowings and Eurobonds upon restructuring	(58,633)	-
Unwinding of discounts on borrowings	904	253
Closing balance as at 31 December	**43,180**	**59,573**

As at 31 December the Group's borrowings were denominated in the following currencies:

In millions of Ukrainian Hryvnia		**2021**	**2020**
Borrowings denominated in:	- USD	41,939	52,577
	- EUR	-	5,113
	- UAH	1,241	1,198
	- CHF	-	685
Total borrowings		**43,180**	**59,573**

18 Borrowings (Continued)

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

In millions of Ukrainian Hryvnia	2021	2020
Loans and borrowings due:		
- within 1 year	1,786	58,283
- between 1 and 5 years	-	1,290
- over 5 years	41,394	-
Total borrowings	**43,180**	**59,573**

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

		2021				2020
In % per annum	**UAH**	**USD**	**UAH**	**USD**	**CHF**	**EUR**
	UIRD 3M + 5%-19%	5%-7.5%	UIRD 3m + 5% - 19%	Libor 1m + 5% - 10.75%	Libor 6m +5%	Euribor 1m + 5%
Total borrowings	**1,241**	**41,939**	**1,198**	**52,577**	**685**	**5,113**

Before restructuring finalised in May 2021, the effective interest rate of borrowings denominated in USD was 6.04% (2020: Libor 1m+5%), and the effective interest rate of Eurobonds was 11.10% per annum in 2021 (2020: 12.12%). After the restructuring, effective interest rate of borrowings denominated in USD was 8.21% and effective interest rate of New Eurobonds was 9.42%. The effective rates of borrowings denominated in other currencies correspond to the nominal rates. Interest accrued during the period includes UAH 975 million of capitalized interest that is included to the principal amount of the Eurobonds.

In the context of the increasing concerns around the COVID-19 pandemic, unprecedented financial markets deterioration, and volatility of commodity prices, and their combined impact on the Group's financial position and operations, on 31 March 2020 and 1 April 2020 the Group did not make a scheduled payment and subsequent scheduled payments of interest on its bank borrowings and interest coupon due on the Eurobonds, therefore entering a default for the majority of the bank borrowings and the Eurobonds. Further the Group did not make payment of principal on its bank borrowings scheduled for 2020. As a result, a major part of bank borrowings and Eurobonds were reclassified as current borrowings as of 31 December 2020.

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

Following the restructuring, in May 2021, the Group's new Eurobonds maturing in 2027 were traded on open markets with a discount of approximately 30% to their nominal value. However, as trading volumes were low (below 1% out of the total issue amount) and transactions were infrequent, the market was not considered by management as an active market. Therefore, to estimate the fair value of new Eurobonds at the inception date quoted prices for similar financial instruments (corporate bonds) on in active markets were used (Level 3), which included CCC rated bonds with maturities in 2026-2028 and trading volumes of at least 10% out of the total issue amount, resulting in effective interest rate for new Eurobonds of 9.42%. If the effective interest rates would be equal to the actual trade prices on DTEK Energy bonds, this would result in UAH 7,751 million increase in financial gain.

18 Borrowings (Continued)

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

- indebtedness under existing loans and Eurobonds was exchanged to the New Notes issued by DTEK Finance Plc ("New Eurobonds") with the final maturity in 2027 and 7% interest per annum payable quarterly except for 2021 where interest payable is limited to 5% per annum provided that at least 1.5% is paid in cash and the remaining is capitalised ("PIK"); payment schedule for new Eurobonds suggests USD 20 million (UAH 570 million) payable per annum in semi-annual instalments commencing from June 2022;
- the excess of the average available cash in any semi-annual period over and above USD 50 million (UAH 1.4 billion) to be used for discounted buybacks by way of public Dutch Auction; any unused amounts following completion of the Dutch Auction should be used to redeem the New Notes pro rata at par;
- debt from DTEK Oil&Gas B.V. as disclosed in Note 11 was exchanged into the Notes issued by NGD Holdings B.V. ("DOG Notes") in favour of the holders of the existing Eurobonds with the principal amount of USD 425 million (UAH 12 billion) and final maturity in 2026 and 6.75% annual interest payable semi-annually;
- additional credit support through pledge over 100% of the shares in DTEK Energy B.V. was provided by a new intermediary holding company that was created between DTEK B.V. and DTEK Energy B.V. (Note 1).

As at 31 December 2021 UAH 448 million of bank borrowings including interest accrued, representing about 1% of total borrowing, remained unrestructured. Subsequent to the year-end the Group agreed restructuring terms with the unrestructured lender and the restructuring was finalised in February 2022. Key terms assume UIRD 3M + 5% interest per annum payable quarterly and the debt maturing in 2023.

In February, the Group concluded an additional agreement with JSC Oschadbank on the termination of the credit line as a result of full repayment of the respective loan. Also in February 2022 the Group wrote off UAH 373 million (book value as of 31 December 2021) of Sberbank loan as a result of the agreement with the bank (Note 19).

Collaterals for bank borrowings and Eurobonds are disclosed in Note 32.

Covenants. The New Eurobonds documentation contain specific covenants, including but not limited to limitations on distribution to shareholders, limits on capital expenditure, restrictions on permissible business activities, restriction on certain payments (including any payments in relation to the guarantee under Fabcell debt), requirement to perform transactions on an arm's length basis, requirement to make periodic disclosure of financial information, requirements on approval of significant transaction by Independent Supervisory Board Member (including transactions with related parties). Events of default are comprehensive and include cross-default to other debt of the Group. However, the cross-default clauses in the New Notes excludes existing default in relation to the remaining unrestructured bank borrowings.

Following the restructuring the Group is in compliance with its covenants in relation to the restructured debt at the reporting date.

19 Other Financial Liabilities

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

In millions of Ukrainian Hryvnia	**2021**	**2020**
Lease liabilities	508	374
Restructured trade payables	84	106
Loans payable to related parties	13	13
Other long-term financial liabilities	53	55
Total non-current other financial liabilities	**658**	**548**

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

In millions of Ukrainian Hryvnia	**2021**	**2020**
Guarantee issued to Sberbank	2,728	2,827
Lease liabilities	130	151
Loans payable to related parties	22	27
Restructured taxes payable	16	19
Current portion of restructured trade payable	19	19
Total current other financial liabilities	**2,915**	**3,043**

19 Other Financial Liabilities (Continued)

Payable for lease liabilities relates primarily to lease of coal mine. It is carried at amortised cost at an effective discount rate of 16.56% per annum and matures in 2057.

Due to deleveraging transaction with Sberbank of Russia ("Sberbank") in 2016 the Group issued a guarantee with a limit of USD 100 million (UAH equivalents as at 31 December 2021 of UAH 2,728 million) to Sberbank with respect to the loan transferred to Fabcell, an entity under common control at that point in time. In 2019 Fabcell did not make scheduled payment on its bank borrowing and therefore entered into default. The bank has the legal right to request early repayment of the Fabcell loan and guarantee. Net impairment losses on this guarantee in the amount of UAH 2,058 million were accrued for the year 2020. On 18 September 2020 the Company received a demand for payment of USD 45.1 million (UAH 1,268 million) under a guarantee in respect of the obligations of Fabcell under its borrowings. In April 2021 the bank exercised its right under the share pledge agreement to claim 100% of the shares of Fabcell and DTEK B.V. lost its control over the Fabcell Limited. Further, in the second quarter of 2021 the bank increased its demand under the guarantee up to USD 90 million (UAH 2,446 million).

At the reporting date there were restructuring negotiations with respect to the bank debt and no payment was executed in favour of Sberbank. Subsequent to the year-end, in February 2022 the old guarantee was discontinued and restructured formalizing it with a new guarantee. It is limited to USD 100 million and this will be further reduced by any amounts of the primary obligation paid by counterparty to the bank (in February 2022 the guarantee was reduced to USD 80 million). As a result of these the claim of Sberbank was discontinued and original guarantee derecognised.

Payments for lease liabilities are included in the cash flows used in financing activities in the amount of UAH 161 million (2020: UAH 21 million). Repayment of the restructured trade payables of UAH 18 million (2020: UAH 91 million) are included in repayment of the restructured obligations in the cash flows from operating activities. There were no other material cash movements in other financial liabilities. Other changes in other financial liabilities in amount of UAH 143 million are presented by non-cash movements.

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

20 Retirement Benefit Obligations

The Group's production companies have a legal obligation to compensate the Ukrainian state pension fund for additional pensions paid to certain categories of the Group employees. There are also lump sum benefits payable upon retirement and post-retirement benefit programs. In 2021 the defined benefit plan covers 85,967 employees and 7,664 pensioners (2020: 86,665 and 8,364 respectively). None of the employee benefits plans stated below are funded.
The defined employee benefit liability as of 31 December originated as follows:

In millions of Ukrainian Hryvnia	**2021**	**2020**
Retirement benefits	5,827	6,243
Retirement benefits - coal support	958	1,021
Lump sum payments	465	476
Present value of Retirement benefit obligation	**7,250**	**7,740**

The amounts recognised in the income statement were as follows:

In millions of Ukrainian Hryvnia	**2021**	**2020**
Current service cost	210	237
Interest cost	746	956
Past service costs/ Sequester	(113)	(45)
Total	**843**	**1,148**

20 Retirement Benefit Obligations (Continued)

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

In millions of Ukrainian Hryvnia	2021	2020
Defined benefit obligation as at 1 January	**7,740**	**9,263**
Current service cost	210	237
Interest cost	746	956
Sequester	(113)	(45)
Benefits paid	(691)	(744)
Re-measurements of the defined benefit liability resulting from:		
- changes in financial assumptions	(1,098)	(1,159)
- changes in demographic assumptions	(73)	(4)
- experience adjustments	566	(236)
Disposal of subsidiary (Note 1)	(37)	-
Loss of control (Note 34)	-	(528)
Defined benefit obligation as at 31 December	**7,250**	**7,740**

As the result of loss of control over several companies due to commencement of liquidation procedure in 2020 defined benefit liabilities in the amount of UAH 528 million were disposed (Note 34).

The estimate of pension obligations requires significant judgement (see Note 4). The principal actuarial assumptions used were as follows:

	2021	2020
Nominal discount rate	11.63%	9.84%
Nominal salary increase	4.82%-7.54%	4.76%-7.90%
Pension indexation rate	4.82%-12.25%	4.76%-10.09%

Since there are no long-term high-quality corporate bonds in Ukraine, the Group applies market rates on Ukrainian government bonds of appropriate maturity to discount post-employment benefit obligations.

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

	2021	2020
Nominal discount rate increase/decrease by 1%	(7.05%)/8.03%	(7.85%)/9.04%
Nominal salary increase/decrease by 1%	3.55%/(3.27%)	4.02%/(3.68%)
Pension indexation rate increase/decrease by 1%	2.21%/(2.15%)	2.39%/(2.32%)

As at 31 December 2021, the weighted average duration of the Group's defined benefit obligations is 7.4 years and it varies across different Group's subsidiaries from 7.1 to 9.4 years (31 December 2020: 8.5 years, varying from 5.4 to 10.8 years). Payments in respect of defined benefit obligations expected to be made during the year ending 31 December 2022 are UAH 616 million (2021: UAH 710 million).

21 Provisions for Other Liabilities and Charges

Movements in provisions for liabilities and charges are as follows:

In millions of Ukrainian Hryvnia	**Asset retirement provision**	**Provision for legal claims**	**Total**
At 1 January 2020	**1,599**	**1,027**	**2,626**
Change in estimates	1,055	-	1,055
Arising during the year	17	76	93
Unwinding of discount (Note 30)	111	-	111
Utilised	(26)	(29)	(55)
Loss of control (Note 34)	-	(1,035)	(1,035)
Reclassification to liabilities classified as held for sale (Note 15)	(732)	-	(732)
At 31 December 2020	**2,024**	**39**	**2,063**
Change in estimates	294	-	294
Arising during the year	8	77	85
Unwinding of discount (Note 30)	161	-	161
Utilised	(46)	(7)	(53)
At 31 December 2021	**2,441**	**109**	**2,550**

The asset retirement provision is attributable to the mining and energy generating activities of the Group resulting from the obligation to dismantle and remove the mines and remediate soils disturbed by the underground works and ash dumps. The increase (2020: increase) of the asset retirement obligation was recorded in other reserves as the Group uses the revaluation model to measure property, plant and equipment.

Change in estimates in 2021 is mainly explained by the change of the maturity of the Group’s assets retirement obligations, which as at 31 December 2021 varies across different Group’s subsidiaries from 1 to 22 years (31 December 2020: varying from 1 to 80 years).

Key assumptions used to calculate asset retirement provision were as follows:

	2021	**2020**
Pre-tax nominal discount rate	11.63%	9.84%
Inflation long-term	4.7%	4.7%
Inflation middle-term	6.51%	6.51%

22 Trade and Other Payables

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

In millions of Ukrainian Hryvnia	**2021**	**2020**
Trade payables	12,958	6,077
Liabilities for purchased property, plant and equipment and intangible assets	793	695
Dividends payable	67	67
Liabilities for purchased securities	3	3
Other creditors	340	145
Total financial payables	**14,161**	**6,987**
Wages and salaries payable	669	727
Accruals for employees' unused vacations	883	795
Total non-financial payables	**1,552**	**1,522**
Total	**15,713**	**8,509**

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

31 December 2021

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

22 Trade and Other Payables (Continued)

31 December 2020

In millions of Ukrainian Hryvnia	**Trade payables**	**Liabilities for purchased property, plant and equipment**	**Dividends payable**	**Liabilities for purchased securities**	**Other creditors**
Currency analysis:					
UAH denominated	3,027	607	67	3	85
USD denominated	2,819	8	-	-	32
EUR denominated	212	43	-	-	25
Other currency	19	37	-	-	3
Total	**6,077**	**695**	**67**	**3**	**145**
Future undiscounted cash flow analysis:					
Up to 3 months	6,011	642	67	3	145
From 3 to 6 months	66	53	-	-	-
Total	**6,077**	**695**	**67**	**3**	**145**

23 Other Taxes Payable

As at 31 December other taxes payable were as follows:

In millions of Ukrainian Hryvnia	**2021**	**2020**
Value-added tax	1,782	-
Total non-current other taxes payable	**1,782**	**-**
Value-added tax	3,945	4,377
Payroll taxes	253	158
Other taxes	818	878
Total current other taxes payable	**5,016**	**5,413**

Other taxes are mainly presented by ecological tax.

Non-current other taxes payable are represented by VAT liability arising on intercompany balances that will become payable on the date of receiving payment in cash or other forms of compensations from the customer. In 2020 the management reassessed expectations in respect of the timing of settlement of respective intercompany balance and as result the respective VAT balances were reclassified to non-current.

24 Revenue

Analysis of revenue by category is as follows:

In millions of Ukrainian Hryvnia	**2021**	**2020**
Sale of electricity by direct contracts	28,286	26,673
Sale of electricity on day ahead and intraday markets	12,658	3,848
Sale of electricity on balancing market	2,955	3,041
Sale of coal purchased	2,883	1,948
Sales on auxiliary service market	2,345	947
Sale of produced coal	2,201	2,743
Sales of machinery	1,504	998
Sale of electricity abroad	1,403	6,453
Heat generation and tariff compensation	425	242
Sales of services	367	342
Total	**55,027**	**47,235**

24 Revenue (Continued)

Sales of machinery mainly related to Corum companies.

Revenue recognised over time is presented by electricity sales and sales of auxiliary services and comprised UAH 47,647 million (2020: 40,963 million). Remaining amount of revenue totalling UAH 7,380 million is recognised at a point of time (2020: 6,272 million).

Geographical analysis of revenue is presented in Note 6.

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

As at 31 December 2021 amount of contract liabilities from contracts with customers comprised UAH 1,661 million (31 December 2020: UAH 845 million). Contract liabilities existing as at 31 December 2020 in the amount of UAH 845 million were recognised as revenue during the period ended 31 December 2021. Amount of contract liabilities is included in prepayments received line in the consolidated balance sheet.

25 Cost of Sales

In millions of Ukrainian Hryvnia	2021	2020
Staff cost, including payroll taxes	8,006	8,423
Transportation services and utilities	7,114	6,335
Coal purchased for electricity production	5,987	2,700
Depreciation of property, plant and equipment and amortisation of intangible assets	5,935	6,707
Cost of electricity purchased for resale	3,981	6,168
Production materials	3,402	2,604
Fuel supplies	3,296	1,003
Production overheads	2,766	1,716
Cost of coal purchased for resale	2,762	1,895
Taxes, other than income tax	1,833	1,757
Other costs	649	415
Total	**45,731**	**39,723**

In 2021, staff costs include payroll in the amount of UAH 5,472 million (2020: UAH 5,668 million), payroll related taxes in the amount of UAH 1,495 million (2020: UAH 1,528 million), unused vacation and bonuses provisions in the amount of UAH 916 million (2020: UAH 994 million), current service costs in the amount of UAH 97 million (2020: UAH 192 million) and other personnel costs in the amount of UAH 26 million (2020: UAH 41 million).

Cost of electricity purchased for resale is presented by cost of electricity purchased by generation entities on the balancing electricity market in the amount of UAH 3,331 million (2020: UAH 4,180 million), cost of electricity purchased abroad by trading companies with a view for further resale on domestic market UAH 648 million (2020: UAH 665 million).

26 Other Operating Income

In millions of Ukrainian Hryvnia	2021	2020
Penalties and income on termination of contract	368	234
Assets received free of charge	195	89
Income on sales of property, plant and equipment	56	51
Extinguishment of accounts payable	35	14
Income on sales of inventories	24	-
Other	134	124
Total	**812**	**512**

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

27 Distribution Costs

In millions of Ukrainian Hryvnia	2021	2020
Transportation	331	459
Staff cost, including payroll taxes	20	66
Depreciation	-	35
Other costs	96	164
Total	**447**	**724**

In 2021, staff costs include payroll in the amount of UAH 11 million (2020: UAH 50 million), payroll related taxes in the amount of UAH 3 million (2020: UAH 11 million), unused vacation and bonus provisions in the amount of UAH 6 million (2020: UAH 5 million).

28 General and Administrative Expenses

In millions of Ukrainian Hryvnia	2021	2020
Staff cost, including payroll taxes	1,218	1,240
Professional fees	910	998
Office costs	174	209
Depreciation of property, plant and equipment and amortisation of intangible assets	127	64
Taxes, other than income tax	16	15
Transportation	13	10
Other costs	201	174
Total	**2,659**	**2,710**

In 2021, staff costs include payroll in the amount of UAH 778 million (2020: UAH 800 million), payroll related taxes in the amount of UAH 149 million (2020: UAH 142 million), unused vacation and bonuses provisions in the amount of UAH 272 million (2020: UAH 289 million) and other personnel costs in the amount of UAH 19 million (2020: UAH 9 million).

29 Other Operating Expenses

In millions of Ukrainian Hryvnia	2021	2020
Depreciation of property, plant and equipment and amortisation of intangible assets	636	388
Expenses on idle capacity	613	678
Social payments	604	599
Impairment of goodwill	590	-
Penalties provision	230	90
Non-recoverable VAT	228	190
Professional fees	180	70
Charitable donations and sponsorship	129	157
Maintenance of social infrastructure	90	96
Net movement in provision for impairment of non-financial receivables and prepayments made	7	2
Other	325	198
Total	**3,632**	**2,468**

Expenses on idle capacity represent payroll, depreciation and other costs incurred at mines being not operating at full capacity due to unexpected accidents on mines and maintenance of mines with suspended extraction.

29 Other Operating Expenses (Continued)

The following independent auditor's fees were included in Other operating expenses:

In millions of Ukrainian Hryvnia	2021	2020
Audit of the financial statements, including audit fee of PricewaterhouseCoopers Accountants N.V. of UAH 8 million (31 December 2020: UAH 5 million)	50	34
Other audit services	-	-
Tax services	29	27
Other non-audit services	5	5
Total	**84**	**66**

30 Finance Income and Finance Costs

In millions of Ukrainian Hryvnia	2021	2020
Gain on restructuring of borrowings	1,108	-
Interest income on loans issued to related parties (Note 7)	346	885
Unwinding of discount on loans and financial aids provided to related parties	106	234
Interest income on bank deposits	55	21
Other finance income	15	2
Total finance income	**1,630**	**1,142**
Interest expense		
- Eurobonds issued	3,998	4,234
- Bank borrowings	549	1,159
Unwinding of discounts on pension obligations (Note 20)	746	956
Unwinding of discounts on assets retirement provision (Note 21)	161	111
Unwinding of discounts on lease liabilities	70	45
Unwinding of discounts on restructured trade payable	16	22
Unwinding of discounts on deferred consideration related to acquisition (Note 19)	-	372
Finance expenses attributable to restructuring of borrowings	-	315
Other finance costs	8	8
Total finance costs	**5,548**	**7,222**

Gain on restructuring of borrowings consists of difference between extinguishment of Eurobonds and bank's loans of UAH 58,633 million, recognition of New Eurobonds of UAH 40,423 million and costs relating to the restructuring of UAH 2,168 million (Note 18), and derecognition of loans provided to related parties of UAH 14,934 million (Note 11).

31 Income Taxes

Income tax expense comprises the following:

In millions of Ukrainian Hryvnia	2021	2020
Continuing operations:		
Current tax	(306)	618
Deferred tax	1,547	(13)
Income tax from continued operations	**1,241**	**605**
Income tax expense	**1,241**	**605**

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

In millions of Ukrainian Hryvnia	2021	2020
Re-measurement of post-employment benefit obligations	38	252
Change in estimate relating to asset retirement provision recorded in equity	(53)	(190)
(Decrease) / increase in valuation of property, plant and equipment	3,153	(1,030)
Income tax charge through other comprehensive income	**3,138**	**(968)**

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

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

In millions of Ukrainian Hryvnia	2021	2020
Loss from continuing operations	(3,504)	(18,673)
Profit from discontinued operations	-	148
Total loss before income tax, including:	**(3,504)**	**(18,525)**
Loss before income tax of Ukrainian companies	(1,970)	(13,127)
Loss before income tax of non-Ukrainian companies	(1,534)	(5,398)
Income tax at statutory rates of 18% (Ukrainian operations)	(355)	(2,363)
Related tax effect calculated at different rates 25% (Dutch operations)	(588)	888
Related tax effect calculated at different rates 12,5% (Cyprus operations)	(343)	(1,095)
Related tax effect calculated at different rates 12% (Switzerland operations)	(16)	150
Related tax effect calculated at different rates 19% (UK operations)	745	(286)
Related tax effect calculated at different rates 40% (Hungary operations)	-	(6)
Tax effect of items not deductible or assessable for taxation purposes:		
- non-deductible expenses	32	927
- non-taxable income	(114)	(190)
Utilization of previously unrecognised tax losses	(339)	(816)
Non-deductible expenses related to restructuring	1,089	-
Forex effect on income tax provision	(193)	-
Unrecognised deferred tax on tax losses of current period	1,382	1,614
Tax effect of non-taxable forex losses/(gains) on foreign subsidiaries, net	(59)	757
Unrecognised deferred tax on impairment of property, plant and equipment and goodwill	-	1,299
Write-down of deferred tax assets on other deductible temporary differences	-	217
Loss of control	-	(491)
Income tax expense	**1,241**	**605**

31 Income Taxes (Continued)

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

In millions of Ukrainian Hryvnia	**2021**	**2020**
Deferred tax asset	1,265	3,627
Deferred tax liability	(2,926)	(603)
Net deferred tax asset	**(1,661)**	**3,024**

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

In millions of Ukrainian Hryvnia	**1 January 2020**	**Credited/ (charged) to income**	**Credited/ (charged) to OCI**	**31 December 2020**
Retirement benefit obligations	1,523	(256)	(252)	1,015
Trade and other receivables	754	(343)	-	411
Financial investments	284	6	-	290
Deferred consideration and lease liabilities	390	106	-	496
Provisions for other liabilities and charges	298	(164)	190	324
Inventories	163	(91)	-	72
Trade and other payables	56	(36)	-	20
Tax losses	1,785	536	-	2,321
Gross deferred tax asset	**5,253**	**(242)**	**(62)**	**4,949**
Less offsetting with deferred tax liabilities	(2,119)	797	-	(1,322)
Recognised deferred tax asset	**3,134**	**555**	**(62)**	**3,627**
Property, plant and equipment	(3,213)	258	1,030	(1,925)
Gross deferred tax liability	**(3,213)**	**258**	**1,030**	**(1,925)**
Less offsetting with deferred tax assets	2,119	(797)	-	1,322
Recognised deferred tax liability	**(1,094)**	**(539)**	**1,030**	**(603)**
Recognised net deferred tax asset/(liability)	**2,040**	**16**	**968**	**3,024**

31 Income Taxes (Continued)

As at 31 December 2021, the Group has not recorded a deferred tax liability in respect of taxable temporary differences of UAH 2,824 million (31 December 2020: UAH 1,814 million) associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

As at 31 December 2021, net recognised deferred tax asset of UAH 563 million is expected to be recovered or settled within twelve months after the reporting period (31 December 2020: net recognised deferred tax liability of UAH 2,484 million).

The deferred tax asset on unused tax losses not recognised as at 31 December 2021 comprised UAH 5,746 million (31 December 2020: UAH 4,703 million). According to the current legislation there is no expiry period for this amount.

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

32 Contingencies, Commitments and Operating Risks

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

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

The Group has income tax liabilities in various countries. The ultimate tax consequences of many transactions and calculations are uncertain, partly because of uncertainty concerning their timing. The Group continually assesses such matters and where final tax sums differ from the estimates such differences are recognised as income tax provisions in the period in which the differences become apparent. As at 31 December 2021 the Group's contingent liabilities in relation to uncertain tax positions are equal to UAH 698 million (31 December 2020: UAH 438 million).

Legal proceedings and tax litigations. From time to time and in the normal course of business, claims against the Group are received. Management believes that it has provided for all material losses in these financial statements. As at 31 December 2021 the Group's contingent liabilities in relation to legal claims on the Group's contractual obligations and contingent liabilities in relation to tax litigations are equal to UAH 1,215 million (31 December 2020: UAH 1,253 million).

In December 2020 the Antimonopoly Committee of Ukraine (AMCU) imposed a fine of UAH 176 million on DTEK Westenergy JSC for abuse of monopoly position on the Burshtyn Energy Island during July-October 2019 and further in April 2021 imposed a fine of UAH 553 million on few DTEK Energy companies for anti-competitive agreed behaviours together with several other independent entities (suppliers and consumers of steam coal) resulting in limitation of competition in the electricity generation market. DTEK Energy filed claims against AMCU considering both AMCU Decisions in question contain significant weaknesses that provide grounds for declaring it invalid in court. In particular, on the first case the determination of time boundaries of the commodity market involved was not in accordance with the Methodology, which should have been followed by AMCU. The second case contains significant weaknesses in completeness and appropriateness of the economic evidence collected by the AMCU confirming that the AMCU case respondents have mutually agreed for "similar actions" in the steam coal market as well as there have been consequences of such acts in the related electricity generation market. In case of negative outcome of the cases DTEK Energy will be imposed to penalties up to the amount of fine per each case.

On 8 September 2021 the Administrative Court of Cassation cancelled the decisions of courts of first and second instances and concluded that the Energy and Utilities Markets Regulator's resolution dated 07 February 2020 #360 (the "Resolution") was valid. This Resolution requires the exporters of electricity to additionally pay to NEK Ukrenergo SE for the transmission and other services in relation to electricity exports. Taking into account this is not in line with EU Energy community regulations binding for Ukraine and not valid within the period between the decisions of appeal and cassation courts management believes that no accrual in the accounts is needed. The Administrative Court of Cassation decision from 8th September 2021 contradicts in certain aspects the basis of decisions made previously by the Commercial Court of Cassation. Further, NEK Ukrenergo SE requested referral of outstanding proceedings for consideration to the Grand Chamber of the Supreme Court and on 18 January 2022 first hearing was held with no decision made. This contradictory in the court practice indicates a possible risk of new claims by NEK Ukrenergo SE for additional charges to the Group in the amount of UAH 1,286 million for the period till 31 December 2021.

32 Contingencies, Commitments and Operating Risks (Continued)

Capital expenditure commitments. As at 31 December 2021 the Group has purchase commitments for the property, plant and equipment in the amount of UAH 2 million (31 December 2020: UAH 6 million).

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

In millions of Ukrainian Hryvnia	2021 Asset pledged	Related liability	2020 Asset pledged	Related liability
Property, plant and equipment (Note 8)	2,209	781	2,388	781
Loans provided to related parties (Note 11)	-	-	14,510	42,228
Restricted deposits (Note 11)	-	-	20	-
Restricted cash (Note 14)	18	-	65	-
Total	**2,227**	**781**	**16,983**	**43,009**

Subsequent to the year end, property, plant and equipment amounting to UAH 2,209 million (2020: UAH 2,388 million) have been removed as the pledge to third parties as collateral for borrowings due to ful repayment of the respective loan in February 2022.

As at 31 December 2021 the movable and immovable property of the Group having value of UAH nil million is encumbered with a tax lien (31 December 2020: UAH 4 million).

The Group has pledged proceeds from future export sales of coal as security for its borrowings. As at 31 December 2021 future sales proceeds of coal in amount of UAH nil million were pledged as security for borrowings amounting to UAH nil million (31 December 2020: UAH 22,072 million for UAH 5,251 million borrowings).

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

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

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

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

As of 31 December 2020 the Group was in breach of certain covenants under majority of bank borrowings agreements and Eurobonds (Note 3).

In May 2021, DTEK Energy finalised the restructuring of substantially all of its borrowings (Note 18).

As at 31 December 2021 the Group was in compliance with covenants under a Eurobonds agreement, however was still in breach of a bank borrowing agreement, which is not yet restructured at 31 December 2021 (Note 18). Since the restructuring in February 2022 and as at the signing date the Group was in compliance with covenants.

Insurance. The insurance industry in Ukraine is developing and many forms of insurance protection common in other parts of the world are not yet generally available. At present, Group’s insurance policy incorporates “All Risks” Property Damage and Business Interruption coverage for generation and several mining companies. In particular, the policy covers losses resulting from loss or damage of property, plant and equipment, loss of profit resulting from business interruption and loss or damage of wagons of the third party transportation provider. The Group does not have full coverage for third party liability in respect of property or environmental damage arising from accidents on the Group’s property or relating to the Group’s operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have an adverse effect on the Group’s operations.

Lease of land. The Group leases the land on which its assets are located. The annual lease payment in 2021 amounted to UAH 160 million (2020: UAH 155 million). Impact of IFRS 16 disclosed in Note 4.

33 Discontinued Operations

During 2020 some operations of the Group representing major lines of the business were discontinued.

Sale of gas

In the second quarter of 2020 DTEK Energy discontinued the sale of gas as a result of the transfer of gas sales to trading companies under the DTEK B.V.

Analysis of the result of discontinued operations for the year ended 31 December is as follows:

In millions of Ukrainian Hryvnia	**2020**
Revenue	2,216
Cost of sales	(2,214)
Other income and expenses, net	146
Profit before tax from discontinued operations	**148**
Income tax expense	-
Profit from discontinued operations	**148**
Profit is attributable to:	
Equity holders of the Company	148
Non-controlling interest	-

Analysis of the net cash flows of discontinued operations is as follows:

In millions of Ukrainian Hryvnia	**2020**
Net cash generated from operating activities	148
Net increase in cash and cash equivalents	**148**

Elimination adjustments were posted against revenue and expenses of discontinued operations. As a result, revenue from sale of gas in 2021 was decreased by UAH nil million (2020: zero) with respective reduction in cost of sales being sales of discontinued operations to continued.

Other income and expenses represent net gain from gas price forward derivative transactions being fair value gain on this financial instrument less related expenses of UAH 465 million.

34 Loss of Control

During 2020 DTEK Energy lost control over several companies as a result of commencement of liquidation procedure.

K.Energy

The agreement with the Kyiv City Administration for the provision of heat and electricity generation to the residents and local companies of Kyiv city expired on 31 July 2018. As a result, the Group transferred tangible assets attributable to heat and electricity generation business of K.Energy (former PJSC Kyivenergo) to the new operator appointed by Kyiv City Administration.

Further at the end of 2019 the bankruptcy process over K.Energy started and on 24 September 2020 K.Energy was declared by the court as a bankrupt and liquidation procedure commenced. The court assigned a liquidator who took control over the entity from the Group.

The result of loss of control over K.Energy as at the date of the commencement of liquidation procedure is presented below:

In millions of UAH	**2020**
Cash and cash equivalents	5
Provisions for other liabilities and charges	(1,035)
Retirement benefit obligations	(70)
Trade and other payables	(877)
Other current liabilities	(446)
Total carrying amount of net liabilities	**(2,423)**
Non-controlling interest	973
Total carrying amount of net liabilities attributable to Equity holders of the Company	**(1,450)**
Fair value of cash consideration received	**-**
Gain on loss of control	**1,450**

34 Loss of Control (Continued)

Entities located in non-controlled territory

On 15 March 2017 the self-proclaimed authorities took control of all of the Group's assets located in the non-controlled territory in the Donbass region of Ukraine. Among other the entities, impacted were DTEK Rovenkiantracyte LLC and DTEK Sverdlovantracyte LLC.

On 30 July 2020 and 7 October 2020 DTEK Rovenkiantracyte LLC and DTEK Sverdlovantracyte LLC were both declared by the court to be bankrupt and liquidation procedures commenced. The court assigned liquidators who took control over the entities from the Group.

The result of loss of control over these entities located in non-controlled territory as at the date of the commencement of liquidation procedures is presented below:

In millions of UAH	**2020**
Other non-current assets	47
Retirement benefit obligations	(458)
Trade and other payables	(543)
Other liabilities	(321)
Total carrying amount of net liabilities	**(1,275)**
Non-controlling interest	-
Total carrying amount of net liabilities attributable to Equity holders of the Company	**(1,275)**
Fair value of cash consideration received	**-**
Gain on loss of control	**1,275**

35 Financial Risk Management

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

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

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

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

The maximum exposure to credit risk at the reporting date is UAH 22,114 million (2020: UAH 29,900 million) being carrying value of financial investments, trade and other financial receivables, cash and cash equivalents and the value of guarantee issued to Sberbank. As at 31 December 2021 carrying value of guarantee was UAH 2,728 million (31 December 2020: UAH 2,827 million). The Group does not hold any collateral as security.

35 Financial Risk Management (Continued)

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

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

Counterparty	Classification in balance sheet	31 December 2021	31 December 2020
PKO BANK POLSKI SA	Cash and cash equivalents	3,022	8
First Ukrainian International Bank (FUIB)*	Cash and cash equivalents	1,343	627
CREDIT SUISSE AG	Cash and cash equivalents	160	56
State Savings Bank of Ukraine PJSC*	Cash and cash equivalents	68	65
JSB "UKRGASBANK"	Cash and cash equivalents	-	855
DTEK Oil&Gas B.V. Group	Financial investments	-	14,510
D.Trading B.V. Group	Trade and other receivables	9,075	4,834
Energorynok SE	Trade and other receivables	2,038	2,962
NEC Ukrenergo	Trade and other receivables	1,486	1,337
Corum Group	Trade and other receivables	804	551
Metinvest Group	Trade and other receivables	493	336
Sberbank of Russia (Note 19)	Other financial liabilities**	2,728	2,827

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

** Nominal value of guarantee.

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

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

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

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

	At 31 December 2021		At 31 December 2020	
In millions of Ukrainian Hryvnia	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD strengthening by 10% (2020: 10%)	(4,431)	(4,431)	(4,659)	(4,659)
USD weakening by 10% (2020: 10%)	4,431	4,431	4,659	4,659
Euro strengthening by 10% (2020: 10%)	115	115	89	89
Euro weakening by 10% (2020: 10%)	(115)	(115)	(89)	(89)

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

At 31 December 2021 and 2020, the majority of the Group's variable interest debt is USD denominated. As at 31 December 2021, 1% of the total borrowings was provided to the Group at floating rates (31 December 2020: 27%).

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

35 Financial Risk Management (Continued)

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

The maturity dates and effective interest rates of borrowings are disclosed in Note 18. Re-pricing for fixed rate financial instruments occurs at maturity. Re-pricing of floating rate financial instruments occurs continually.

At 31 December 2021, if the interest rates on variable interest borrowings had been 200 basis points higher (2020: 200 basis points higher) with all other variables held constant, pre-tax loss for the year would have been UAH 7 million higher (2020: pre-tax gain for the year would have been UAH 265 million higher).

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

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

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

The maturity analysis of financial liabilities as of 31 December 2020 is as follows:

In millions of Ukrainian Hryvnia	**Up to 6 months**	**6 -12 months**	**1 - 2 years**	**2 - 5 years**	**Over 5 years**	**Total**
Liabilities						
Bank borrowings	15,977	78	610	740	156	**17,561**
Eurobonds	42,228	-	-	-	-	**42,228**
Guarantee under the borrowings of related parties	2,827	-	-	-	-	**2,827**
Lease liabilities	151	29	58	173	1,839	**2,250**
Other financial liabilities	65	10	19	59	270	**423**
Trade and other payables	6,987	-	-	-	-	**6,987**
Total future payments, including future principal and interest payments	**68,235**	**117**	**687**	**972**	**2,265**	**72,276**

36 Management of Capital

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

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

As at 31 December 2021 the total net debt and total negative net assets of the Group were UAH 38,579 million and UAH 4,493 million respectively (31 December 2020: UAH 57,957 million net debt and UAH 16,157 million negative net assets).

As disclosed in Note 3, the Group finalised the restructuring with lenders in May 2021 and plans to cover existing deficit in net assets through earnings of profits in the future reporting periods.

37 Fair Value of Assets and Liabilities

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

Property, plant and equipment at fair value. Property, plant and equipment are carried in the statement of financial position at their fair value. The Group's property, plant and equipment are all categorised as Level 3 in the fair value hierarchy. The Group has not updated its assessment of fair value of property, plant and equipment during the year ended 31 December 2020.

Financial instruments carried at amortised cost. Majority of the Group financial assets and liabilities are carried at amortised cost using the effective interest method. These assets are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 31 December 2021:

In millions of Ukrainian Hryvnia	**31 December 2021** Fair value	**31 December 2021** Carrying amount	**31 December 2020** Fair value	**31 December 2020** Carrying amount
FINANCIAL ASSETS				
Loans and financial aids provided to related parties	-	-	14,505	14,510
FINANCIAL LIABILITIES*				
Non-current Eurobonds**	39,853	41,021	-	-
Non-current bank borrowings	373	373	1,290	1,290
Current Eurobonds**	508	546	21,131	37,993
Current bank borrowings	1,140	1,140	8,482	15,250
Interest accrual	100	100	2,808	5,040

* Management considers carrying value of non-current bank borrowings, current bank borrowings and interest accrual as of 31 December 2021 to be equal to its Fair Value. As of 31 December 2020 market yields were used as a benchmark for fair value determination of current bank borrowings and Eurobonds.

** Management considers that there is no active market for the new Eurobonds issued and therefore current market yields cannot be used as a benchmark for fair value determination as such fair value was determined as disclosed in Note 18 (Level 3), resulting in interest rate for new Eurobonds of 10.11%.

37 Fair Value of Assets and Liabilities (Continued)

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

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

Valuation technique and description of inputs used in the fair value measurement for level 2 as of 31 December 2020:

	Valuation technique	Inputs used
FINANCIAL ASSETS		
Loans provided to related parties	Discounted cash flows	Adjusted yields on corporate bonds with similar risk profile
FINANCIAL LIABILITIES		
Bank borrowings and Eurobonds	Market approach	Market quotes on DTEK Eurobonds

38 Reconciliation of Classes of Financial Instruments with Measurement Categories

All of the Group's financial assets and financial liabilities are carried at amortised cost, except for equity securities carried at FVTPL.

39 Subsequent events

On 24 February 2022, Russian forces commenced an invasion of Ukraine resulting in a full-scale military conflict across the Ukrainian state, in response to which the Government of Ukraine declared martial law. In note 3 is described that the Group experienced a number of challenges and disruptions as a result of this invasion, and accordingly management concluded on the abovementioned material uncertainty on ability of the group to continue as a the going concern.

As disclosed in Note 8 revaluation of property, plant and equipment was performed as of 30 September 2021 resulting in net increase in valuation of property, plant and equipment. As a result of the war the assumptions used in valuation may need to be revised, which could result in change of value of property, plant and equipment in 2022. Further, property of Luhansk TPP was damaged in February 2022, the station was forced to stop the production and supply of electricity and heat and DTEK Energy lost the control over this TPP located in non-controlled territory. Zaporizhzhya TPP is also located in non-controlled territory and coal supplies are not possible to there from the Group's mines, including because of the destroyed bridge and railway track. It was running on gas during 2nd half of April 2022 and was put idle from 5th May 2022. Carrying value of property, plant and equipment of these TPPs was UAH 7,671 million as of 31 December 2021.

Management is continually assessing the impact of the war and its potential consequences on Group's operations, including on possible material adverse change effect of the war to the value of property, plant and equipment (Note 8), trade and other receivables (Note 13) and debt covenants (Note 18).

The abovementioned subsequent events are disclosed in Notes 2, 3. The additional subsequent events are disclosed in Notes 18 (in relation to restructuring or repayment of borrowings) and 19 (change in the terms and conditions of guarantee).

Company financial statements

31 December 2021

Company Balance Sheet (before profit appropriation)

In millions of Ukrainian Hryvnia	**Note**	**31 December 2021**	**31 December 2020**
ASSETS			
Non-current assets			
Property, plant and equipment	3	5	5
Investments in subsidiaries	4	55,574	44,098
Loans to related parties	5	14,483	14,504
Deferred income tax asset		-	280
Total non-current assets		**70,062**	**58,887**
Current assets			
Receivables from related parties	6	10,241	3,237
Dividend receivables from related parties	6	443	3,836
Other receivables	6	2	1
Cash and cash equivalents	6	2,823	59
Total current assets		**13,509**	**7,133**
TOTAL ASSETS		**83,571**	**66,020**
EQUITY			
Share capital		-	-
Share premium	7	9,909	9,909
Revaluation reserves	7	22,510	12,586
Other reserves	7	(4,199)	(4,199)
Other legal reserves	7/8	35,438	-
Retained earnings	7	-	43,038
Result for the year	7	(27,932)	(9,925)
TOTAL EQUITY		**35,726**	**51,409**
LIABILITIES			
Non-current liabilities			
Borrowings	9	376	516
Loans from related parties	10	39,972	581
Total non-current liabilities		**40,348**	**1,097**
Current liabilities			
Payables to related parties	11	4,749	10,667
Other payables	11	18	20
Other financial liabilities	12	2,730	2,827
Total current liabilities		**7,497**	**13,514**
TOTAL LIABILITIES		**47,845**	**14,611**
TOTAL LIABILITIES AND EQUITY		**83,571**	**66,020**

In millions of Ukrainian Hryvnia	**2021**	**2020**
Share of result of subsidiaries	(24,822)	(9,373)
Other income/(expense) after taxation	(3,110)	(552)
Net result attributable to shareholders	**(27,932)**	**(9,925)**

1 The Organisation and its Operations

General

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

The Company and its subsidiaries (together referred to as "the Group" or "DTEK Energy") is a vertically integrated coal mining, power generating and trading group. Its principal activities are coal mining for further supply to its power generating facilities in Ukraine. The Group's coal mines and power generation plants are located in the Donetsk (controlled territory), Lugansk (controlled territory), Dnipropetrovsk, Lviv, Ivano-Frankivsk, Vinnitsya and Zaporizhzhya regions of Ukraine. During the reporting period the Group sold a major part of electricity generated to electricity market.

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

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

Supervisory Board

The Board consists of 7 (seven) members (2020: 7 members). In 2021 DTEK Energy B.V. and its subsidiaries paid remuneration to the Supervisory Board in the amount of UAH 7 million (2020: UAH 11 million).

Basis of presentation of the company financial statements

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

Since the income statement for 2021 and 2020 of DTEK Energy B.V. is included in the consolidated financial statements, an abridged income statement has been disclosed in accordance with art. 2:402 DCC.

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

2 Accounting Policies

General

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

Subsidiaries

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

The company applies the acquisition method to account for acquiring subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred by the company, liabilities incurred to the former owners of the acquiree, and the equity interests issued by the company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent

2 Accounting Policies (Continued)

liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

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

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

In case of unprofitable subsidiaries having negative net asset value, any negative amounts are booked against receivables from these subsidiaries that are part of the net investment. Any unrealised property, plant and equipment revaluation will result in a legal reserve in case such revaluation leads to undistributable reserves in the country where the entity is incorporated. In the event the net equity value of a subsidiary becomes negative additional losses are not recognised as the company is not liable for the debts of its subsidiaries.

Elements of shareholders' equity

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

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

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

3 Property, plant and equipment

Movements in property, plant and equipment mainly represented by right-to-use asset are as follows:

In millions of Ukrainian Hryvnia	2021	2020
Carrying amount of 1 January	**5**	**10**
Right-to-use asset	3	-
Other fixed assets	5	0
Amortization of assets	(8)	(4)
Advance payments for next period	-	(1)
Carrying amount of 31 December	**5**	**5**

4 Investments in subsidiaries

Movements in investments in subsidiaries are as follows:

In millions of Ukrainian Hryvnia	2021	2020
Carrying amount of 1 January	**44,098**	**54,089**
Share of result of subsidiaries	(24,822)	(9,373)
Share of equity movements	11,942	(1,055)
Other movements in subsidiaries	26,244	1,715
Dividends accrued	(1,888)	(1,278)
Carrying amount of 31 December	**55,574**	**44,098**

Net loss of the subsidiaries within the Group attributable to shareholders for the year ending 31 December 2021 is UAH 24,822 million (31 December 2020: net loss of UAH 9,373 million). The difference of UAH 23,324 million with the consolidated result for the year ended 31 December 2021 of UAH 4,608 million (31 December 2020: UAH 19,132 million) is related to the fact that the Company recognises losses of the subsidiaries only to the extent of net investment in subsidiaries which includes long-term receivables that in substance form part of the net investment in the subsidiary. In the event the net equity value of a subsidiary becomes negative additional losses are not recognised unless there is

4 Investments in subsidiaries (Continued)

a probability of cash outflow due to guarantees given to third parties on loan and Eurobond contracts issued by its subsidiaries. As of 31 December 2021, the management assesses the probability of such cash outflow as possible.

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

Other movements in subsidiaries comprise ECL elimination on intercompany transactions, loss on initial recognition on loans due from DTEK Holdings Limited at UAH 30,435 million (for further details please refer to Note 5 of Company Financial Statements) and reversal of the unrealised results of the participations.

2021 year activity

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

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

2020 year activity

In November 2020 DTEK Energy sold DTEK Mironivka CHPP LLC to the third party. Net assets existing as of the date of disposal in the amount of UAH 122 million were transferred for cash consideration of UAH 62 million. The result of this transaction was not significant to these Company financial statements.

In April 2020 the Company acquired 100% of the share capital of Power Trade LLC from the entity under common control of DTEK B.V. The result of the acquisition, being the difference between net liabilities acquired, consideration paid and the carrying value of the interest acquired, was recognized directly in the accumulated deficit in the amount of UAH 871 million. This amount includes non-controlling interest of 1.46% in the share capital of DTEK Dniproenergo JSC, 2.76% in the share capital of DTEK Westenergy JSC, and 5.48% in the share capital of Kharkivskyi Machine-Building Plant Svitlo Shakhtarya PJSC and trade and other payables in amount of UAH 982 million due to the subsidiaries of DTEK Energy B.V. No other material balances existed at this entity at the date of the acquisition.

In March 2020 DTEK Energy sold DTEK Hungary Power Trade LLC to the one of DTEK B.V. subsidiaries. Net assets existing as of the date of disposal in the amount of UAH 59 million were transferred for cash consideration of UAH 138 million. The result of this transaction was not significant to these Company financial statements.

5 Loans to related parties

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

In millions of Ukrainian Hryvnia	2021	2020
Balance of 1 January	**14,504**	**11,536**
New loans issued	900	2
New loans transferred	27,643	-
Settlement of loans	(5)	-
Interest accrued during the period	1,444	1,103
Foreign exchange loss/(gain)	1,054	2,672
Recognition of discount	(1,431)	-
Unwinding of discount	1,134	-
Provision for impairment during the year	(30,760)	(809)
Balance of 31 December	**14,483**	**14,504**

As of 16 May 2021 loans provided to related parties of UAH 14,483 million were presented by the loans issued to a subsidiary of DTEK Oil&Gas B.V., an entity under common control of DTEK B.V. DTEK Oil&Gas B.V. is incorporated in the Netherlands and has the majority of its assets in Ukraine and outside of non-controlled territory. Loans were pledged as collateral under the Eurobonds of the Group.

As a result of the restructuring which was finalised on 17 May 2021 loans provided to a subsidiary of DTEK Oil&Gas B.V. to related parties were exchanged into the Notes issued by NGD Holdings B.V. (“DOG Notes”) in favour of the holders of the existing Eurobonds with the principal amount of UAH 11,736 million (USD 425 million) (Note 11 to the accompanying Consolidated Financial Statements). Subsequently, the Company obtained recourse right of claim against DTEK Finance PLC (Eurobonds issuer), which was converted into a loan with final maturity in December 2026 and 8.14% annual interest rate payable on the repayment date. The result of the derecognition of loans provided to

5 Loans to related parties (Continued)

related parties of UAH 3,940 million and loss on initial recognition of loans provided to related parties of UAH 1,424 million was included in Other income/(expense) after taxation in the Company Income Statement. Outstanding balance due from DTEK Finance PLC as of 31 December 2021 comprised of UAH 11,593 million principal and UAH 592 million accrued interest denominated in USD.

Further, the Group restructured portfolio of intercompany loans, as a result the Company obtained right from Company's subsidiary DTEK Finance PLC (Note 10) to claim from the Company's subsidiary DTEK Holdings Limited. The debt

due from DTEK Holdings Limited was converted to loan with final maturity in December 2027 and annual interest rate of 8.43% for USD and 6.8% for EUR payable on the repayment date. As of 31 December 2021 loan due from DTEK Holdings Limited comprised of UAH 33,440 million principal and UAH 510 million accrued interest denominated in USD and UAH 800 million principal and UAH 10 million accrued interest denominated in EUR. Loss on initial recognition of loans transferred to related parties of UAH 4,290 million was included in Other income/(expense) after taxation in the Company Income Statement.

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

On 29 November 2021 the Company provided loan to the Company subsidiary Mine Belozerska ALC with final maturity in 2023 carried at amortised cost with annual interest rate of 8,43% at origination date. As of 31 December 2021 loan to Mine Belozerska ALC comprised of UAH 900 million principal and UAH 2 million accrued interest denominated in USD.

The loans from related parties are carried at amortised cost at an effective discount rate of 9.42%.

The impact of expected credit loss (ECL) under IFRS 9 resulted in provision for loans provided to related parties totalling UAH 1,497 million as of 31 December 2021

As of 31 December 2021 the loans are unsecured and carrying amounts of loans to related parties approximate their fair values after the impairment recognised.

6 Current assets

As of 31 December, current assets were as follows:

In millions of Ukrainian Hryvnia	2021	2020
Accounts receivable from related parties	10,241	3,237
Dividend receivable from related parties	443	3,836
Other receivables	2	1
Cash and cash equivalents	2,823	59
Total current assets	**13,509**	**7,133**

Accounts receivable from related parties are recognized at fair value and subsequently measured at amortized cost. Fair value of other current assets approximates the book value, due to their short-term character. Cash and cash equivalents are freely disposable. Dividend receivable, accounts receivable from related parties, other receivables and cash and cash equivalents are not secured and bear no interest. As of 31 December 2021 all current receivables are due on demand.

In 2021 year, the Company decreased ECL balance accounted for Current assets due to decrease of yield on corporate bonds used as a basis for IFRS 9 expected credit losses measurement and receivables balance movement throughout the 2021 year.

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

In millions of Ukrainian Hryvnia	2021	2020
Provision for impairment at 1 January	**2,020**	**294**
Impact of changes in estimates and assumptions	(478)	1,649
Provision for impairment during the year	1,140	121
Reversal of provision	(985)	(104)
Effect of changes in exchange rate	(59)	60
Provision for impairment at 31 December	**1,638**	**2,020**

6 Current assets (Continued)

For all significant debtors of the Company that are primary related parties, expected credit losses (further, 'ECLs') rate is calculated based on credit spread implicit in the average yield on bonds of similar credit risk companies and adjusted for maturity, risk free rate and liquidity premium.

The following table provides information about the exposure to credit risk and ECLs for financial receivables:

	Expected loss rate as of 31 December 2020	**Expected loss rate as of 31 December 2021**	**Basis**
Financial receivables from related parties	22.32%	11.44%	Adjusted yield to maturity on corporate bonds

7 Equity

Movements in equity are as follows:

In millions of Ukrainian Hryvnia	**Share capital**	**Share premium**	**Revaluation reserves**	**Other legal reserves**	**Other reserves ***	**Retained earnings**	**Result for the year**	**Total**
As of 1 January 2020	**-**	**9,909**	**15,075**	**-**	**(4,199)**	**35,022**	**6,950**	**62,757**
Profit appropriation	-	-	-	-	-	6,950	(6,950)	-
Result for the year ended 31 December 2020	-	-	-	-	-	132	(9,925)	(9,793)
Property, plant and equipment:								
- Revaluation reserve	-	-	(886)	-	-	-	-	(886)
- Deferred tax	-	-	159	-	-	-	-	159
- Realised revaluation reserve	-	-	(2,085)	-	-	2,085	-	-
- Deferred tax related to realised revaluation reserve	-	-	323	-	-	(323)	-	-
Acquisition of entities under common control	-	-	-	-	-	(368)	-	(368)
Transfer due to specific agreement covenants	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	(460)	-	(460)
As of 31 December 2020	**-**	**9,909**	**12,586**	**-**	**(4,199)**	**43,038**	**(9,925)**	**51,409**
As of 1 January 2021	**-**	**9,909**	**12,586**	**-**	**(4,199)**	**43,038**	**(9,925)**	**51,409**
Profit appropriation	-	-	-	-	-	(9,925)	9,925	-
Result for the year ended 31 December 2021	-	-	-	-	-	183	(27,932)	(27,749)
Property, plant and equipment:								
- Revaluation reserve	-	-	14,610	-	-	-	-	14,610
- Deferred tax	-	-	(2,596)	-	-	-	-	(2,596)
- Realised revaluation reserve	-	-	(2,487)	-	-	2,487	-	-
- Deferred tax related to realised revaluation reserve	-	-	397	-	-	(397)	-	-
Acquisition of entities under common control	-	-	-	-	-	52	-	52
Transfer due to specific agreement covenants	-	-	-	35,438	-	(35,438)	-	-
As of 31 December 2021	**-**	**9,909**	**22,510**	**35,438**	**(4,199)**	**-**	**(27,932)**	**35,726**

* Other reserves were formed as a result of group restructuring (Note 18 to the accompanying Consolidated Financial Statements).

7 Equity (Continued)

The revaluation reserve is a legal reserve according to art. 2:363.3 DCC. The legal reserves are not distributable to the shareholders until they are transferred to retained earnings.

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

Differences in equity between the company and consolidated financial statements:

In millions of Ukrainian Hryvnia	2021	2020
Negative equity of consolidated participating interests/ group companies	40,291	69,521
Unrealised accumulated intercompany result	310	(1,530)
Total of difference in equity in the company financial statements and consolidated financial statements	**39,981**	**71,051**
Equity in the consolidated financial statements	(4,875)	(16,582)
Total of equity in the separate financial statements	**35,726**	**51,409**

Differences in result between the company and consolidated financial statements:

In millions of Ukrainian Hryvnia	2021	2020
Increase (decrease) in negative equity of group companies	(23,586)	9,244
Increase (decrease) in not realised cumulated intercompany result	262	(37)
Total of difference in result in the separate and consolidated financial statements	**(23,324)**	**9,207**
Result in the consolidated financial statements	(4,608)	(19,132)
Total of result in the separate financial statements	**(27,932)**	**(9,925)**

The difference between equity according to the company balance sheet and equity according to the consolidated balance sheet is explained by the fact that a participating interest included in the consolidation has a negative net asset value but is measured at nil in the company balance sheet.

Proposed profit appropriation

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

In millions of Ukrainian Hryvnia	2021	2020
Dividends	-	-
Gain/(loss) to retained earnings	(27,932)	(9,925)
Profit/(loss) for the period	**(27,932)**	**(9,925)**

8 Other legal reserves

There are contractual restrictions on future dividend distributions of DTEK Energy B.V. due to specific covenants, including limitations on payments to shareholders, as included in Notes (Eurobonds) contracts issued in December 2016 and restructured on 17 May 2021 (Note 19 to the accompanying Consolidated Financial Statements). The amount of the retained earnings subject to these restrictions as of 31 December 2021 is UAH 35,726 million (31 December 2020: UAH 43,038 million).

9 Borrowings

In 2016 the DTEK Energy B.V. Group entered into a deleveraging plan with Sberbank of Russia. As part of the transaction, as of 22 September 2016 indebtedness of the Group in respect of Sberbank of Russia in the amount of UAH 1,616 million was converted to “Delta Outstanding Amount” (further, the “Delta”). The Delta was separated on two equal parts: first half of the amount of UAH 808 million was allocated to swap arrangement; second half of the amount of UAH 808 million was presented as compensation fee liability of the Company and classified as the Borrowings at the transaction date with carrying amount of UAH 344 million as of 1 January 2017. In 2021 term of this Borrowings balance maturity was prolonged from June 2028 year to December 2032 year.

9 Borrowings (Continued)

As of 31 December borrowings were as follows:

In millions of Ukrainian Hryvnia	2021	2020
Carrying amount of 1 January	**516**	**405**
New borrowings	-	-
Settlement of borrowings	(3)	(4)
Foreign exchange loss/(gain)	(17)	78
Recognition of discount	(153)	-
Unwinding of discount	33	37
Carrying amount of 31 December	**376**	**516**

As of 31 December 2021 borrowings also include lease balance of UAH 2 million (2020: UAH 5 million). Borrowings are denominated in USD and initially recognised at amortized cost under annual interest rate of 8.21%. The carrying amounts of borrowing approximate their fair values. Other contractual stipulations are disclosed in Note 19 of the accompanying Consolidated Financial Statements. Most of the Borrowings balance is payable due in more than 5 years.

10 Loans from related parties

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

In millions of Ukrainian Hryvnia	2021	2020
Carrying amount of 1 January	**581**	**490**
New loans issued	42	157
Loans settled	(698)	(202)
Transfer of new loans	44,715	-
Interest accrued during the period	840	7
Foreign exchange gain/(loss)	1,227	129
Recognition of discount	(6,763)	-
Unwinding of discount	28	-
Carrying amount of 31 December	**39,972**	**581**

As of 31 December 2021, the loans from DTEK Holdings Limited are presented by revolving credit lines (2021: UAH 213 million denominated in EUR and UAH 3,124 million denominated in USD) under an annual interest rate of 6,9% and maturity date in December 2025.

In line with new restructuring plan of intercompany loans the Company obtained right from Company's subsidiary DTEK Finance PLC to claim to the Company's subsidiary DTEK Holdings Limited. The debt due to DTEK Finance PLC was converted to loan with final maturity in December 2027 and annual interest rate of 8.14% payable on the repayment date. As of 31 December 2021 loan due to DTEK Finance PLC comprised of UAH 42,904 million principal and UAH 411 million accrued interest denominated in USD. Loss on initial recognition of loans provided to related parties of UAH 6,076 was included in Other income/(expense) after taxation in the Company Income Statement.

The carrying amounts of loans to related parties approximate their fair values. The loans are unsecured and no repayment obligations for mentioned loans exist in 2022.

11 Payables to related parties and other payables

As of 31 December, other legal reserves are as follows:

In millions of Ukrainian Hryvnia	2021	2020
Payables to related parties	4,749	10,667
Other payables	18	20
Total	**4,767**	**10,687**

Payables to related parties as of 31 December 2021 are presented mainly by payables occurred as a result of investments' acquisition/disposal conducted by the Company back in 2020. Fair value of trade and other payable approximates the book value, due to their short-term character. Liabilities to related parties fall due within one year. Trade and other payables are not secured and not bearing any interest.

12 Other financial liabilities

As of 31 December 2021 and 2020 current financial liabilities are as follows:

In millions of Ukrainian Hryvnia	2021	2020
Carrying amount as of 1 January	**2,827**	**-**
Foreign exchange gain	(97)	158
Reclassification from non-current liabilities	-	611
Net impairment losses on guarantee	-	2,058
Carrying amount as of 31 December	**2,730**	**2,827**

As part of deleveraging plan with Sberbank of Russia (for further details please refer to Note 19 to the accompanying Consolidated Financial Statements), as of 22 September 2016 the Company issued guarantee to secure the obligation of its related party Fabcell under loan's facility. This guarantee is subject to a limit of USD 100 million. Initially the guarantee is recognized at fair value and its maturity falls within 1 to 5 years. In 2019 Fabcell did not make scheduled payment on its bank borrowing and therefore entered into a default. The bank had the legal right to request early repayment of the Fabcell loan and guarantee. Net impairment losses on this guarantee in the amount of UAH 2,058 million were accrued for the year 2020 and guarantee was reclassified to current due to developments in ongoing discussions with the bank in relation to the terms of the facility. On 18 September 2020 the Company received a demand for payment of USD 45.1 million (UAH 1,268 million) under a guarantee in respect of the obligations of Fabcell under its borrowings. In April 2021 the bank exercised its right under the share pledge agreement to claim 100% of the shares of Fabcell and DTEK B.V. lost its control over the Fabcell Limited. Further, in the second quarter of 2021 the bank increased its demand under the guarantee up to USD 90 million (UAH 2,446 million).

At the reporting date the Group was in negotiations with the bank and no payment was executed in favour of Sberbank. Subsequent to the year-end, in February 2022 the old guarantee was discontinued and a new guarantee issued. It is limited to USD 100 million and this will be further reduced by any amounts of the primary obligation paid by counterparty to the bank. As a result of these the claim of Sberbank was discontinued and original guarantee derecognised.

13 Average number of employees

As of 31 December 2021, two employees based on full time equivalents were employed by DTEK Energy B.V. (31 December 2020: two). None of the DTEK Energy B.V. employees are working outside the territory of the Netherlands.

14 Directors remuneration

The directors of the Company received remuneration of UAH 10 million in 2021 (2020: UAH 10 million).

15 Independent Auditor Remuneration

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

In millions of Ukrainian Hryvnia	2021	2020
Audit of the financial statements, including audit fee of PricewaterhouseCoopers Accountants N.V. of UAH 8 million (31 December 2020: UAH 5 million)	50	34
Other audit services	-	-
Tax services	29	27
Other non-audit services	5	5
Total	**84**	**66**

16 Commitments and contingencies not included in the balance sheet

Off balance sheet commitments of the Company are primarily related to the guarantees given to the banks for loans and bond holders issued by its subsidiaries and tax contingencies (for further details please refer to Note 18 to the accompanying Consolidated Financial Statements), DTEK Energy B.V. does not rely on special purpose entities to deconsolidate these risks.

For Current Income Tax (CIT) purposes the Company is part of the fiscal unity together with other Dutch DTEK Group entities which is headed by DTEK B.V. Under the standard conditions, the members of the fiscal unity are jointly and severally liable for any taxes payable by the fiscal unity. Based on the principles of the fiscal unity, the Company accrues CIT to DTEK B.V. DTEK B.V. settles, based on the outcome of the fiscal consolidation, the CIT with the tax authorities.

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

CIT assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Based on estimated tax result for the year ended 31 December 2021 the Company's payable amounts to UAH 563 million from the head of the fiscal unity, which is accounted by the Company as a contingent liability. The tax declaration will be filed by the head of the fiscal unity.

Deferred income tax expense for the Company is UAH 292 million for 2021 (2020: tax expense of UAH 4 million).

Contingent liabilities in relation to tax litigations are disclosed in Note 32 of the accompanying Consolidated Financial Statements

The ultimate tax consequences of transactions and calculations are uncertain, partly because of uncertainty concerning their timing. The Company continually assesses such matters and where final tax sums differ from the estimates such differences are recognised as income tax provisions in the period in which the differences become apparent. As of 31 December 2021 the Company's contingent liabilities in relation to uncertain tax positions are nil (31 December 2020: UAH nil).

As a result of restructuring (for further details please refer to Note 18 to the accompanying Consolidated Financial Statements) finalised in 2021 indebtedness under existing loans and Eurobonds was exchanged to the New Notes issued by DTEK Finance Plc ("New Eurobonds") in amount of USD 1,650 million (UAH 45,009 million) with the final maturity in 2027 and 7% interest per annum. The Company is subject to certain covenants related to DTEK Finance Plc Eurobonds. Non-compliance with such covenants may result in negative consequences for the Company, including increase in the cost of borrowings, declaration of default and demand for immediate repayment of borrowings which in turn may result in current financial liabilities accrual on DTEK Energy B.V. financial statements.

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

In millions of Ukrainian Hryvnia	**2021**	**2020**
Guarantees given on loan and Eurobonds and bank borrowings issued by its subsidiaries	46,217	58,270

17 Subsequent events

We refer to Note 39 to the accompanying Consolidated Financial Statements.

Signed by entire Management Board on 22 June 2022	Approved for issue and signed by entire Supervisory Board on 22 June 2022
Ildar Salieiev Director	Sergey Korovin
	Dmytro Sakharuk
Denys Negara Director	Oleksandr Kucherenko
	Oleksiy Povolotskiy
Nataliya Muktan Director	Pavlo Livertovskyi
	Oleksandra Moskalenko
Eliza Desiree den Aantrekker Director	Nikolay Ivin

Other information

Provisions in the Articles of Association relating to profit appropriation

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

Independent auditor's report

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

Report on the financial statements 2021

Our opinion

In our opinion:

- the consolidated financial statements of DTEK ENERGY B.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2021 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of DTEK ENERGY B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2021 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2021 of DTEK ENERGY B.V., Amsterdam. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2021;
- the following statements for 2021: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2021;
- the company income statement for the year then ended;
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

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

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The basis for our opinion

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

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

Independence

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

Material uncertainty related to going concern

We draw attention to the section 'Going concern assumption' included in Note 3 to the consolidated financial statements, which indicates that since 24 February 2022, the Group's operations are affected by the ongoing military invasion of Ukraine and that the magnitude of the further developments, as well as the related uncertainties embedded into electricity consumption and tariffs projections, and its impact on the Group are uncertain. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor’s report thereon.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the directors’ report and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors’ report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. Management should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 22 June 2022
PricewaterhouseCoopers Accountants N.V.

Antoine Westerman

A.F. Westerman RA

Appendix to our auditor's report on the financial statements 2021 of DTEK ENERGY B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.