

**STATE MUNICIPAL ENTERPRISE
"LUTSKTEPLO"**

FINANCIAL STATEMENTS
for the year ended 31 December 2025
with Independent Auditor's Report

STATE MUNICIPAL ENTERPRISE "LUTSKTEPLO"

FINANCIAL STATEMENTS For the year ended 31 December 2025

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INDEPENDENT AUDITOR'S REPORT

To the Owners and Management of STATE MUNICIPAL ENTERPRISE "LUTSKTEPLO", Department of Housing and Communal Services of Lutsk City Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of STATE MUNICIPAL ENTERPRISE "LUTSKTEPLO" (the Company) which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We, including our key audit partner, are independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 and Note 3 to the financial statements that describe the impact of the ongoing military invasion of the Russian Federation and economic instability in Ukraine, as well as management's assumptions about the Company's ability to continue as a going concern. These events or conditions, along with other matters specified in notes, indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, determined in response to the assessed risks of material misstatement of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter
Revenue recognition

The Company recognizes revenue from the provision of heat and hot water supply services as the services are rendered, which is evidenced by the delivery of heat and hot water to the customer in accordance with the contract, i.e. when control of the asset is transferred to the customer.

We focused our attention on this area as a key audit matter because revenue is one of the Company's key performance indicators, which gives rise to the risk that revenue may be recognized in an incorrect period or may be misstated in order to achieve targets.

In accordance with International Standards on Auditing, there is also an inherent risk of fraud associated with revenue recognition.

How the matter was addressed in the audit

Our audit procedures included the following:

- we concentrated our audit procedures and paid significant attention to the Company's accounting and document management system, in particular, in terms of the completeness and timeliness of revenue recognition in the accounting records;
- we reviewed the completeness and reliability of revenue disclosures in the financial statements and their compliance with applicable IFRSs requirements;
- we also tested the appropriateness and consistency of accounting policies applied to the amount of revenue recognized during the period, analyzed the use of judgments and estimates, and tested sales transactions on a test basis to ensure the amounts recognized were reasonable.

No material issues were identified in our testing.

Disclosures on the recognition of revenue from heat and hot water supply services are provided in Note 19 to the financial statements.

Debt repayment and liquidity

The Company has significant borrowings from the European Bank for Reconstruction and Development under the guarantee of the Lutsk City Council (LCC), as well as significant amounts of debt for natural gas consumed, which are restructured under agreements with creditors secured by the LCC. The Company is required to comply with certain financial and non-financial covenants stipulated in the loan and restructuring agreements. Failure to comply with the covenants may result in penalties and may affect the maturity of the debt and the amount of fees for the use of funds. Management takes measures to manage liquidity to ensure timely repayment of the Company's liabilities.

We identified the issue of debt repayment and liquidity as a key audit matter because the Company had significant amounts of debt to be repaid from its own funds. The Company's inability to repay or refinance its current debt in a timely manner may have additional negative consequences for its liquidity position.

Risk of management override of internal controls

ISAs require us to consider the risk of management override of internal controls as a significant risk in each audit.

Management has a significant opportunity to commit fraud because of its ability to

Our audit procedures included the following:

- We reviewed the terms of the loan agreements, including the definition of financial ratios and events causing default;
- we evaluated management's estimates of financial ratios. We paid particular attention to the classification of components, as well as specific and exceptional components included or excluded from the calculation of financial ratios;
- we assessed the classification of interest-bearing loans and borrowings as current or non-current liabilities;
- we reviewed the completeness of disclosures in the notes to the financial statements about liquidity risks and measures taken by management to address them.

Based on the results of the procedures performed, we found the estimates and forecasts of the Company's management to be acceptable, as well as sufficient disclosures in Notes 3 and 13 to the financial statements.

Our audit procedures included the following:

- we assessed the Company's general internal control system, approval procedure and authority limits provided for by the Charter;
- we reviewed the minutes of the meetings of the Company's corporate management bodies, conducted interviews with the Company's personnel in order to identify any transactions outside the normal course of business;

Key audit matter

manipulate accounting records by overriding otherwise effective controls.

How the matter was addressed in the audit

- we discussed and analyzed internal decision-making processes, in particular regarding cooperation with buyers and suppliers;
- we conducted a review of the validity of accounting estimates and judgments of management personnel for the existence of signs of possible bias of management personnel.

We checked settlements with third parties and received confirmation letters from them (including from banks, individual suppliers and customers), analyzed prices and other terms of contracts. Among other procedures, we performed a revenue recognition review and review of potentially non-standard and non-recurring significant transactions to ensure that such transactions were properly approved and properly accounted for and disclosed in the financial statements.

According to the results of the performed procedures, no significant problematic issues were identified.

To obtain reasonable assurance, we had to obtain sufficient appropriate audit evidence to reduce the risk of material misstatement (including the risk of fraud) to an acceptable level, which would enable us to reach conclusions on which our opinion is based. The ability to detect fraud is ensured by compliance with ISA requirements and the audit methodology applied during the audit. We are not aware of any actual or suspected incidents of fraud, and no other issues related to fraud were identified during our audit procedures.

Other Matter

The audit of the Company's financial statements for the year ended 31 December 2024 was performed by another auditor, Crowe Erfolg Ukraine LLC, who expressed an unmodified opinion on those financial statements in their auditor's report dated 23 May 2025.

Other information

Management is responsible for the other information. The other information consists of the management report (but not the financial statements and our auditor's report thereon) that we have received prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management report and, in doing so, consider whether there is any material inconsistency between the financial information included in the management report and the financial statements or other information obtained during the audit, or whether the management report appears to contain a material misstatement. We have not identified any inconsistencies in the financial information in the management report with the Company's financial statements for the reporting period and/or with other information obtained during the audit. We have not identified any material misstatements in the management report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the requirements of the Ukrainian legislation on financial reporting, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless owners either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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 level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Information Required by the Law of Ukraine "On Audit of Financial Statements and Auditing Activities"

In accordance with Part 4 Article 14 of the Law of Ukraine "On Audit of the Financial Statements and Auditing", we provide information that the audit report on the results of the statutory audit of financial statements of the public interest entity (on the results of the statutory audit of the public interest entity) must contain additionally.

1. We were appointed as the independent auditor of the STATE MUNICIPAL ENTERPRISE "LUTSKTEPLO" by the order approving the decision of the authorized person dated 8 January 2026 based on the results of the open bidding procedure in accordance with the Law of Ukraine "On Public Procurement".
2. Our appointment as an independent auditor of the Company first took place in 2021 (initiative audit of the financial statements for 2021 and 2022, statutory audit of the financial statements for 2021, 2022, 2023). The total duration of continuous performance of our mandate to conduct a statutory audit of the Company, taking into account the continuation of mandates that have taken place and re-appointments, is 1 year.
3. We check financial statements based on testing. The level of testing we perform is based on our assessment of the risk that an item in the financial statements may be materially misstated. In this regard, our audit approach has focused on those areas of the Company that we consider significant for the Company's performance results in 2025 and financial state as of 31 December 2025.

Our audit assessments include, in particular:

- a) a description and assessment of the risks of material misstatement of the information in the audited financial statements, in particular as a result of fraud;
- b) a reference to the relevant article or other disclosure in the financial statements for each description and assessment of the risk of material misstatement of the audited information;
- c) a brief description of the measures we have taken to address such risks;
- d) main warnings about such risks

are presented in the *Key Audit Matters* section of this independent auditor's report.

These matters were considered in the context of our audit of the financial statements as a whole and taken into account in forming our opinion thereon, and we do not express a separate opinion on these matters. During this statutory audit engagement, we did not identify any other matters regarding audit assessments other than those listed in the *Key Audit Matters* section of this report, which we consider appropriate to disclose in accordance with the requirements of paragraph 4.3 Article 14 of the Law № 2258-VIII.

4. We confirm that there are no obstacles to the detection of irregularities, including fraud, during our audit of the financial statements.
5. We confirm that the auditor's opinion given in this independent auditor's report is consistent with the additional report for the highest governing body dated 29 June 2026.
6. We confirm that we are independent of the Company in accordance with the International Code of Ethics for Professional Accountants and the ethical requirements that are relevant in Ukraine to our audit of financial statements, we have also fulfilled our ethical obligations under these regulations and the Code of Ethics. We have complied with the relevant ethical requirements for independence, and report that we have not identified any threats to our independence, either at the level of the audit firm or at the level of key audit partner Oleksandr Bilyk and the staff involved in the audit of the Company's financial statements. We did not provide the Company with any services prohibited in accordance with the requirements of Article 6 of the Law of Ukraine "On Audit of the Financial Statements and Auditing" dated 21.12.2017 No. 2258-VIII during 2024 and 2025 and in the period from 1 January 2026 to the date of signing this independent auditor's report.
7. We did not provide the Company with other services, including non-audit services, other than statutory audit of financial statements.
8. Our explanations regarding the scope of the audit and the inherent limitations of the Company's financial statements are set out in the *Auditor's Responsibility for the Audit of the Financial Statements* section of our report.

Information on Compliance with the Requirements of Ukrainian Legislation Regarding the Preparation of Financial Statements Based on the Taxonomy in a Single Electronic Reporting Format

In accordance with part five of Article 121 of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", entities applying International Financial Reporting Standards are required to prepare and submit financial statements based on the IFRS financial reporting taxonomy in a single electronic format. As of the date of our auditor's report, the Company had not prepared the financial statements for the year ended 31 December 2025 in the single electronic format (iXBRL); therefore, in our opinion, the financial statements do not comply with the requirements of part five of Article 121 of the

Law of Ukraine "On Accounting and Financial Reporting in Ukraine" with respect to the requirement to prepare financial statements in a single electronic format.

Basic information about the auditing firm

The audit was conducted by an independent auditing company, Nexia DK Audit Limited Liability Company (hereinafter Nexia DK Audit LLC).

The legal and actual address of Nexia DK Audit LLC is 102v Antonovycha street, Lviv, 79029.

Certificate of entry of Nexia DK Audit LLC in the Register of Audit Entities No. 3150 dated 22.10.2018.

Identification code: 32409677.

Website: www.nexia.dk.ua.

The Engagement partner on the audit resulting in this independent auditor's report is Oleksandr Bilyk.

Registration number in the Register of Auditors and Audit Entities: 100517

Oleksandr BILYK on behalf of NEXIA DK AUDIT LLC

Kyiv, 29 June 2026



STATE MUNICIPAL ENTERPRISE "LUTSKTEPLO"

STATEMENT ON MANAGEMENT'S RESPONSIBILITY FOR PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

The hereinafter statement, which should be read together with the description of the duties of independent auditor, included in the above presented independent auditor's report, is made in order to differentiate between the responsibilities of the management of State Municipal Enterprise "Lutskteplo" (hereinafter referred to as "the Company") and mentioned independent auditor as to the financial statements of the Company.

Management of the Company is responsible for the preparation of the financial statements that present fairly, in all material respects, the financial position of the Company as of 31 December 2025, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS").

In the course of preparation of the financial statements the management of the Company is responsible for:

- Selecting, applying and consistent application of appropriate accounting policies;
- Applying reasonable estimates and assumptions;
- Following the corresponding IFRS and disclosure of all material variances in the notes to the financial statements;
- Preparation of the financial statements based on the assumption that the Company will continue as a going concern except for the cases when such assumption is inappropriate.

Management is also responsible for:

- Designing, implementing and maintaining the effective and reliable internal control;
- Support of the accounting system which enables to prepare the information concerning the financial position of the Company with an appropriate level of accuracy at any time and guarantee the compliance of the financial statements with the requirements of IFRS;
- Taking measures within their competence in order to ensure safekeeping of the assets of the Company;
- Prevention and detection of frauds and other abuses.

The financial statements of the Company as of 31 December 2025 were approved by management on 25 May 2026.

Director / Ivan Skorupsky

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Chief accountant / Ruslana Skrobaka

STATE MUNICIPAL ENTERPRISE "LUTSKTEPLO"

STATEMENT OF FINANCIAL POSITION, current/non-current as of 31 December 2025

(in thousands of UAH, unless otherwise stated)

	Note	31 December 2025	31 December 2024
Assets			
Non-current assets			
Property, plant and equipment	6,7	1 049 617	968 332
Intangible assets other than goodwill		1 559	1 833
Other non-current non-financial assets	8	24 301	26 725
Total non-current assets		1 075 477	996 890
Current assets			
Current inventories	9	22 923	30 317
Trade and other current receivables	10	355 563	335 077
Other current non-financial assets	8	25 790	30 385
Cash and cash equivalents	11	57 186	50 130
Total current assets		461 462	445 909
Total assets		1 536 939	1 442 799
Equity and liabilities			
Equity			
Issued capital	12	438 294	306 677
Other equity interest		289 438	207 852
Retained earnings (Accumulated deficit)		15 993	63 880
Total equity		743 725	578 409
Liabilities			
Non-current liabilities			
Long-term bank loans	13	112 857	165 723
Deferred tax liabilities	24	16 145	24 263
Other non-current financial liabilities	7, 15	62 333	110 833
Other non-current non-financial liabilities	14	164 765	134 904
Total non-current liabilities		356 100	435 723
Current liabilities			
Current provisions for employee benefits	16	17 124	15 172
Trade and other current payables	17	196 979	195 075
Current tax liabilities	18	70 355	78 933
Other current financial liabilities	7, 13, 15	140 883	128 641
Total current liabilities		425 341	417 821
Deferred income	14	11 773	10 846
Total liabilities		793 214	864 390
Total equity and liabilities		1 536 939	1 442 799

Director / Ivan Skorupskyi

Chief accountant / Ruslana Skrobaka

These financial statements should be read in conjunction with the annexed notes which form its integral part.

STATE MUNICIPAL ENTERPRISE "LUTSKTEPLO"

**STATEMENT OF COMPREHENSIVE INCOME, PROFIT OR LOSS, by function of expense
for the year ended 31 December 2025**
(in thousands of UAH, unless otherwise stated)

	Notes	2025	2024
Profit (loss)			
Revenue	19	741 318	738 155
Cost of sales	20	(982 189)	(890 323)
Gross profit (loss)		(240 871)	(152 168)
Other income	21	313 195	261 752
Administrative expenses	20	(32 124)	(29 569)
Other expense	20	(15 954)	(17 205)
Other gains (losses)	22	(16 300)	(121)
Profit (loss) from operating activities		7 946	62 689
Finance income	23	679	-
Finance costs	23	(64 391)	(48 014)
Profit (loss) before tax		(55 766)	14 675
Tax income (expense)	24	7 879	(4 544)
Profit (loss) from continuing operations		(47 887)	10 131
Total comprehensive income		(47 887)	10 131

Director / Ivan Skorupska



Chief accountant / Ruslana Skrobaka

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STATE MUNICIPAL ENTERPRISE "LUTSKTEPLO"

STATEMENT OF CASH FLOWS, direct method for the year ended 31 December 2025

(in thousands of UAH, unless otherwise stated)

	Notes	2025	2024 (restated)
Cash flows from (used in) operating activities			
Classes of cash receipts from operating activities			
Receipts from sales of goods and rendering of services		938 570	918 986
Other cash receipts from operating activities	25	252 709	216 881
Classes of cash payments from operating activities			
Payments to suppliers for goods and services		(888 311)	(855 641)
Payments to and on behalf of employees		(153 376)	(152 287)
Other cash payments from operating activities	25	(44 224)	(35 862)
Net cash flows from (used in) operations		105 368	92 077
Interest received		8 024	1 615
Income taxes refund (paid)		(7 774)	(3 636)
Other inflows (outflows) of cash		-	-
Net cash flows from (used in) operating activities		105 618	90 056
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(111 568)	(139 368)
Net cash flows from (used in) investing activities		(111 568)	(139 368)
Cash flows from (used in) financing activities			
Proceeds from issuing of other equity instruments	12	131 589	34 573
Repayments of borrowings	13	(70 470)	-
Payment of lease liabilities	7	(33 610)	(29 695)
Interest paid	13	(14 462)	(9 981)
Net cash flows from (used in) financing activities		13 047	(5 103)
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes		7 097	(54 415)
Effect of exchange rate changes on cash and cash equivalents			
Effect of exchange rate changes on cash and cash equivalents		(41)	2 936
Net increase (decrease) in cash and cash equivalents after effect of exchange rate changes		7 056	(51 479)
Cash and cash equivalents at beginning of period		50 130	101 609
Cash and cash equivalents at end of period		57 186	50 130

Director / Ivan Skorupskyi

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Chief accountant / Ruslana Skrobaka

Ruslana Skrobaka

STATE MUNICIPAL ENTERPRISE "LUTSKTEPLO"

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2025
(in thousands of UAH, unless otherwise stated)

	Notes	Issued capital	Other equity interest	Retained earnings (Accumulated deficit)	Total
Balance as at 1 January 2023		306 677	116 889	90 130	513 696
Profit (loss)		-	-	10 131	10 131
Issuance of equity		-	-	-	-
Increase through other contributions by owners, equity		-	-	-	-
Increase (decrease) through other changes, equity		-	90 963	(36 381)	54 582
Balance as at 31 December 2024		306 677	207 852	63 880	578 409
Profit (loss)		-	-	(47 887)	(47 887)
Issuance of equity	12	131 617	(131 617)	-	-
Increase through other contributions by owners, equity		-	213 203	-	213 203
Increase (decrease) through other changes, equity		-	-	-	-
Balance as at 31 December 2025		438 294	289 438	15 993	743 725

Director / Ivan Skorupskyi



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Chief accountant / Ruslana Skrobaka

STATE MUNICIPAL ENTERPRISE "LUTSKTEPLO"

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

(in thousands of UAH, unless otherwise stated)

1. Information about the Company

State Municipal Enterprise "Lutskteplo" was founded on the basis of heating networks enterprise "Lutskteploenergo" according to the decision of Lutsk City Council dated 19.05.1999 № 231, according to the Economic Code of Ukraine, Civil Code of Ukraine, and the Law of Ukraine "On local self-government in Ukraine". Lutsk City Council is a founder and the sole owner of the Company.

Registered address and place of business of the Company: 20, Hulaka-Artemovskoho Street, Lutsk, 43000, Ukraine.

The Company is a diversified enterprise which performs, according to the Charter, the following main activities:

- providing thermal energy for heating and water heating for households, public enterprises and other facilities;
- technical support, operating and exploitation of boiler houses, heating stations and heating networks transferred as municipal ownership to the Company;
- carrying out current and capital repairs of heating equipment, owned by the Company's;
- issuance of technical documentation for heat supply of facilities, at the stage of their design, and those subject to reconstruction or overhaul.

The Company's primary objective is to provide heat supply to households, public enterprises and other customers.

The Company's average headcount for 2025 was 672 employees (for 2024: 682 employees).

2. The Company's operating environment

The Ukrainian economy, as before, is characterized by the signs and risks of a market with a transition economy. Such features include, but are not limited to, the low level of liquidity in the capital markets, the relatively high level of inflation and the presence of currency controls, which do not allow the national currency to be a liquid means of payment outside of Ukraine. The stability of Ukraine's economy largely depends on the government's policies and actions aimed at reforming the administrative and legal systems, as well as the economy as a whole.

In recent years, against the background of the restriction of political and economic ties with the Russian Federation, Ukraine has reoriented its economy to close cooperation with the countries of the European Union ("EU"), realizing the potential of the established Deep and Comprehensive Free Trade Area ("DCFTA") with the EU.

Starting from 24 February 2022, large-scale hostilities related to the invasion of the Russian Federation continue in Ukraine. This attack is a continuation of the Russian-Ukrainian war, which was started by the Russian Federation with the seizure of Crimea in February-March 2014 and the war in certain areas of Luhansk and Donetsk regions since April 2014.

As a result of the military invasion of the Russian Federation, full-scale hostilities broke out and continue a large territory, covering several regions of Northern, Eastern and Southern Ukraine. The airspace is closed to civil aviation; objects of military and civilian infrastructure throughout the territory of Ukraine are regularly subjected to rocket and bomb attacks, artillery shelling. In Ukraine, starting from 24 February 2022, martial law is in effect continuously.

Throughout 2025, Ukraine's economy continued to operate under conditions of ongoing attacks on energy infrastructure, disrupted domestic and international logistics, and high security risks. Nevertheless, according to estimates of the Ministry of Economy, Environment and Agriculture of Ukraine, in 2025 Ukraine's real GDP increased by 2,2% (2024: growth of 2,9%). Positive trends were observed in such key sectors as retail trade, construction, defense and manufacturing industries, production of construction materials, metallurgy, and others.

In December 2025, inflation in Ukraine slowed to 8,0% year-on-year (2024: 12,0%). The main drivers of price growth were: an increase in business costs for energy supply, logistics and wages (amid labor shortages); low harvests caused by adverse weather, which significantly pushed up food prices in the first half of the year; depreciation of the hryvnia (from UAH 43,69 per EUR at the beginning of the year to UAH 49,86 per EUR at the end of the year), which led to a noticeable increase in prices of imported goods and fuel; strong exports amid resilient domestic consumer demand; and tax and regulatory changes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

(in thousands of UAH, unless otherwise stated)

2. The Company's operating environment (*continued*)

The main risks for economic development and business activity in Ukraine are a longer term and/or a potential expansion of the theatre of hostilities, a further destruction of the energy infrastructure, as well as a decrease in international financial and military aid. These risks may limit or make impossible the Company's business activities in Ukraine. However, as of the end of the reporting year, the Company's ordinary operations have not been disrupted, and there are no active hostilities in the region where the Company's main assets are located.

The stabilization of the military, political and economic situation largely depends on the success of the joint efforts of Ukraine and the international community, but at the moment it is difficult to predict the further development of events, including the functioning of public authorities, enterprises and organizations in Ukraine.

The financial statements reflect the current assessment of the Company's management of the military, political and economic situation in Ukraine and its potential impact on the Company's activities and financial position. Further developments in the country may differ significantly from management's assessment.

3. Basis of preparation

3.1 Statement of compliance

These financial statements were prepared according to the International Financial Reporting Standards ("IFRS"), approved by the International Accounting Standards Board ("IASB"), as well as the interpretations issued by the IFRS Interpretations Committee ("IFRIC").

In accordance with paragraph 5 of Article 121 of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", entities applying International Financial Reporting Standards are required to prepare and submit financial statements based on the IFRS Taxonomy in a single electronic reporting format. Accordingly, the financial statements have been prepared in accordance with the UA XBRL Taxonomy 2025, and the Company plans to submit the financial statements for the year ended 31 December 2025 in the single electronic reporting format (iXBRL). Such financial statements will be generated through the conversion of the annual financial statements prepared in accordance with IFRS and will correspond to them in substance.

3.2 Basis for measurement and preparation

These financial statements have been prepared on the accrual and historical cost basis, with the exception of property, plant and equipment, which were measured at revalued cost.

In practice the substance of transactions and other circumstances and events does not always conform to their legal form. The Company arranged and maintains records and reflects business transactions and other events according to their substance and economic nature, not merely their legal form.

3.3 Functional and presentation currency

The functional currency of the Company is Ukrainian Hryvnia, being the currency of the environment in which all business transactions are performed. Ukrainian Hryvnia is not a fully convertible currency outside of Ukraine. The financial statements have been prepared in thousands of UAH, unless otherwise stated.

3.4 Significant accounting estimates, judgements, and management assumptions

Preparation of financial statements in accordance with the IFRS requires from the Company's management to make estimates and assumptions which influence the presentation in the financial statements of the amounts of assets and liabilities, income and expenses recognized in the financial statements, as well as the disclosure of information about contingent assets and liabilities.

These management estimates and assumptions are based on the information available on the date of preparation of the financial statements. Actual results can differ from the estimates. These estimates and assumptions are reviewed from time to time, and, if adjustments are necessary, such adjustments are presented in profit and loss in the period in which it became known about them. Information on the most significant accounting judgments and assumptions of the Company's management is presented below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

(in thousands of UAH, unless otherwise stated)

3. Basis of preparation (*continued*)

Useful lives of property, plant and equipment

The Company estimates the remaining useful lives of property, plant and equipment at least at the end of each financial year. Sometimes new expectations differ from previous estimates; these changes are considered to be a change in accounting estimates and are accounted for prospectively. These estimates can have a material influence on the carrying amount of property, plant and equipment and a depreciation charge recognized in the statement of comprehensive income.

Impairment of property, plant and equipment

At each reporting date the Company assesses whether there are indicators of possible impairment of a specific asset or a group of assets forming a cash-generating unit. The evaluation of impairment of property, plant and equipment requires application of estimates which include determining the reason, time, and the amount of impairment. The estimation of impairment is based on a number of factors such as change in current competitive environment, expectation of the expansion of industry, increase in cost of capital, changes in future accessibility of financing, technological deterioration, termination of a certain type of activity, current recoverable amount, and other changes in circumstances leading to the recognition of impairment.

Decommissioning

The provision for decommissioning obligations depends on the cost and timing of decommissioning works, legal requirements and the discount rate to be applied to such costs. Based on the currently available information the management of the Company conducted a review of these factors when estimating this provision.

Allowance for expected credit losses

The Company uses an allowance matrix to calculate expected credit losses for trade and other receivables and contract assets. The allowance rates are based on days past due for groupings of various customer segments that have similar loss patterns. The allowance matrix is based on the Company's historically observed default rates. The Company calibrates the matrix to adjust the historical credit loss data with forward-looking information. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historically observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and in forecast of economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Taxes

There is uncertainty concerning interpretation of complicated tax laws as well as amounts and timing of future taxable income. Given the nature of operations of the Company and complicated nature of contractual arrangements, differences between actual results and assumptions, as well as future changes in such assumptions, may result in significant adjustments to income tax benefits and expenses already recognised. The Company does not accrue provisions, based on reasonable assumptions.

Deferred tax recognition

Deferred tax assets, including those arising from unused tax losses are recognized to the extent that it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profit. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the amount of future taxable profits together with future tax planning strategies.

Incremental borrowing rate

In the absence of information about the interest rates implicit in the leases, the Company applies its incremental borrowing rate. For the purposes of these financial statements, interest rates on loans issued by banks with similar characteristics (currency, maturity, etc.) were used according to statistics published by the National Bank of Ukraine.

Restructured payables

Restructured trade payables are discounted to their present value using the effective interest rate applicable to the vast majority of financial instruments with similar terms and characteristics at the date of initial recognition

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

(in thousands of UAH, unless otherwise stated)

3. Basis of preparation (*continued*)

Restructured receivables

The restructured receivables are discounted to their present value, using the effective interest rate that is equal to the effective interest rate calculated for the restructured payables. The selection of the mentioned approach to the amount of the discounted rate for the restructured receivables is based on the assumption that funds received as a result of the repayment of receivables, first of all, will be directed to repay payables.

3.5. Going concern assumption

In the foreseeable future, the Company will continue to be affected by the unstable economy in the country. As a result, there is uncertainty that may affect future operations and the ability to recover the value of the Company's assets, its ability to service and repay its liabilities as they fall due.

The Company's financial statements are prepared on a going concern basis, which provides for the realization of assets and the settlement of liabilities in the normal course of business. Therefore, these financial statements do not include any adjustments that might have been necessary if the Company were unable to continue as a going concern and if it did not realise its assets or settle its liabilities in the ordinary course of business.

It is expected that the war will affect the Company's financial results, but it is impossible to make a reliable estimate of such an effect on the financial statements. Management does not intend to liquidate the Company or cease its operations and expects the Company to be able to operate for at least 12 months from the date of these financial statements.

The ongoing military invasion of Ukraine by the Russian Federation and the related extensive damage to energy facilities and infrastructure, economic challenges and a potential decline in business activity increase uncertainty, which adversely affects the forecast of financial results for the next year. These and other events and conditions, including those set out in Note 2 to the financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

For the years ended 31 December 2025 and 2024, the Company reported net loss of UAH 47 887 thousand and net profit of UAH 10 131 thousand, respectively. The loss incurred in 2025 was mainly attributable to an increase in the cost of raw materials and consumables without a corresponding increase in tariffs for services. Net cash generated from operating activities amounted to UAH 96 478 thousand and UAH 78 537 thousand in 2025 and 2024, respectively.

As at 31 December 2025, the Company had positive equity of UAH 743 725 thousand (31 December 2024: UAH 578 409 thousand). In addition, as at 31 December 2025, the Company's current assets exceeded its current liabilities by UAH 36 121 thousand (31 December 2024: current assets exceeded current liabilities by UAH 28 088 thousand).

The Company's management continues negotiations with creditors regarding the restructuring of the debt portfolio. In addition, the Company receives financial support from the Lutsk City Council, which is its founder and supports the Company in performing its socially important role of providing heat supply services to the households and other consumers. Furthermore, City Council Resolution No. 44/51 of 26 April 2023 approved the support program for the municipal enterprise "Lutskteplo" for the period 2024–2028. According to this resolution, the total financial resources required to implement the Program amounted to UAH 965 741 thousand (2024 – UAH 227 904 thousand, UAH 2025 – 2 196 731 thousand, 2026 – UAH 195 293 thousand, UAH 2027 – 193 513 thousand, 2028 – UAH 152 300 thousand).

Management reasonably believes that:

- The Company has sufficient resources to continue its operating activities in the foreseeable future;
- The Company is taking all necessary measures to maintain the stable development and growth of its business under the current circumstances; and
- The going concern assumption remains appropriate for the preparation of these financial statements.

3.6 Application of new and revised IFRS

The accounting policies applied in the preparation of these financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2024, except for the adoption of new standards and amendments to the standards effective from 1 January 2025. The Company has not applied any other standard, interpretation or amendment that has been issued but was not yet effective.

STATE MUNICIPAL ENTERPRISE "LUTSKTEPLO"

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

(in thousands of UAH, unless otherwise stated)

3. Basis of preparation (continued)

Although these changes were applied for the first time in 2025, they did not have a material impact on the Company's financial statements. The impact of each amendment is described below:

Standard/ Interpretation	Contents	Impact
Amendments to IAS 21	Lack of Exchangeability	None

4. Summary of significant accounting policies

These financial statements have been prepared in accordance with the IFRS that were applicable at the reporting date. The main principles of the accounting policy which have been used while preparing these financial statements are presented below. This policy has been consistently applied during all accounting periods presented in these financial statements.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing on the date of the transaction. Gains and losses that arise as a result of settlements as part of these transactions and from the translation of monetary assets and liabilities denominated in foreign currency at the exchange rate at the yearend are recognized in the statement of comprehensive income as foreign currency exchange gains or losses.

Non-monetary items measured at historical cost in a foreign currency, are translated into the functional currency using the exchange rates prevailing at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value is determined.

The exchange rates of the UAH used during the preparation of these financial statements were as follows:

	As of 31 December 2025	Average for 2025	As of 31 December 2024	Average for 2024
UAH/USD	42,3878	41,6891	42,0390	40,1521
UAH/EUR	49,8565	47,0635	43,9266	43,4504

Classification as non-current (long-term) and current (short-term)

The Company presents assets and liabilities in its statement of financial position based on the classification as non-current and current assets and long-term and short-term liabilities.

The Company classifies an asset as current if:

- the asset is expected to be realized or the Company intends to sell or consume it during its normal operating cycle;
- the asset is held mainly for the purpose of sale;
- the Company expects to sell the asset within twelve months after the reporting date;
- an asset is cash or cash equivalents unless there is a restriction on the exchange or use of that asset to repay the liabilities for at least twelve months after the reporting date.

All other assets are classified as non-current.

The Company classifies a liability as current (short-term) if:

- the Company plans to repay the liability within its normal operating cycle;
- the Company retains the liability primarily for the purpose of sale;
- the liability is repayable within twelve months after the reporting date;
- the Company has no unconditional right to defer repayment of the liability for at least twelve months after the reporting date.

All other liabilities are classified as non-current (long-term).

Deferred tax assets and liabilities are classified as non-current assets and non-current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

(in thousands of UAH, unless otherwise stated)

4. Significant accounting policies *(continued)*

Fair value measurement

Fair value measurement assumes that an asset would be sold or a liability transferred in an orderly transaction between market participants at the measurement date under current market conditions.

Fair value measurement assumes that the sale of an asset or the transfer of liability takes place either:

- a) on the main market for that asset or liability; or
- b) in the absence of the main market the most favourable market for that asset or liability.

The main or most favourable market should be accessible to the Company.

The fair value of an asset or liability is measured using assumptions that market participants use in pricing the asset or liability assuming that they are acting in their economic interest.

The fair value measurement of a non-financial asset takes into account the ability of market participants to generate economic benefits through the most profitable and best use of the asset or by selling it to another market participant who would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy described below based on the lowest level inputs that are significant to the fair value measurement as a whole:

- Level 1 - quotation prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation methods for which input data (other than quotation prices classified as Level 1) can be observed for an asset or liability, directly or indirectly;
- Level 3 - valuation techniques that use unobservable inputs for the asset or liability.

To disclose fair value, the Company has identified classes of assets and liabilities based on the characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Property, plant, and equipment

Property, plant and equipment are recognized by the Company in the financial statements at purchase or construction cost including non-refundable taxes as well as any additional expenses related to delivery and bringing property, plant and equipment to working conditions. After initial recognition, the Company carries property, plant and equipment at cost less accumulated depreciation and accumulated impairment losses.

Expenses for repair and maintenance related to items of property, plant and equipment are recognized in profit and loss for the year in which they were incurred. The cost of capital construction and other subsequent expenses are included in the carrying amount of the property, plant and equipment, if they result in increase of future economic benefits of the Company, originally expected from the use of the item. Expenses related to the improvement of the item of property, plant and equipment are depreciated over the asset's remaining useful life.

Construction in progress includes expenses for construction and reconstruction of items of property, plant and equipment and incomplete capital investments. Construction in progress as of the date of the financial statements is carried at cost less any impairment losses. Construction in progress is not depreciated until the assets are available for use.

For the purposes of the financial statements the Company applies a straight-line method of depreciation, pursuant to which the value of each asset is written off to its liquidation value within its useful life period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

(in thousands of UAH, unless otherwise stated)

4. Significant accounting policies *(continued)*

The useful lives of the groups of property, plant and equipment are as follows:

Groups of property, plant and equipment	Useful life, months
Buildings	50 - 480
Machinery	12 - 240
Vehicles	50 - 170
Fixtures and fittings	50 - 120
Communication and network equipment	24 - 120
Rights of use assets	12 - 120
Other property, plant and equipment	40 - 120

Intangible assets

Acquired intangible assets are initially recognized at cost and amortised on a straight-line basis over their estimated useful lives. The useful lives for intangible assets are set in the range from 24 to 240 months. After initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses.

Lease

- *the Company as a lessee*

At the commencement date of lease, the Company recognises a right-of-use asset and a lease liability.

At the commencement date, a lessee shall measure the right-of-use asset at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company;
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

After the commencement date, the Company accounts for the right-of-use asset applying a cost model less any accumulated depreciation and any accumulated impairment losses. The Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

At the commencement date, the Company measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

After the commencement date, the Company measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The Company does not apply these requirements to short-term leases and leases for which the underlying asset is of low value (up to UAH 140 thousand).

The Company has decided to present right-of-use assets within the same line as that within which the corresponding underlying assets would be presented if they were owned, whereas lease liabilities – separately from borrowings, within other financial liabilities in the statement of financial position.

- *the Company as a lessor*

A lease is classified as a financial lease if it transfers substantially all the risks and rewards incidental to ownership of an asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an asset. When the Company is a lessor and all risks and rewards under an operating lease are not transferred to the lessee, a total amount of operating lease payments is recognised in the statement of comprehensive income by using a proportionate recognition method over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

(in thousands of UAH, unless otherwise stated)

4. Significant accounting policies *(continued)*

Borrowing costs

Borrowing costs comprise interest expenses and other expenses incurred in connection with the borrowing of funds. The Company capitalizes borrowing costs, which directly relate to purchase, construction, or manufacturing of a qualified asset as part of the cost of this asset.

The date of commencement of capitalization is the date when the Company fulfills all terms stated below for the first time:

- a) incurred expenses related to the asset;
- b) incurred expenses for loans;
- c) carries out the activity required to prepare the asset for its use for the intended purpose or sale.

Capitalization of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired.

If there is any indication of impairment, the assets are assessed for impairment. An asset is impaired when the asset's carrying amount exceeds its recoverable amount. An impairment loss is recognized in the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of two values: fair value less costs to sell or value in use. For the purposes of assessment of assets for impairment assets are grouped together into the smallest group, for which separate cash flows can be identified (cash generating units).

The fair value less costs to sell is best evidenced by a price in a binding sale agreement between independent parties. If there is no such agreement, but the asset is sold and bought in an active market, then the asset's fair value less costs to sell is the asset's market price less costs to sell. If there is no either the agreement or the active market, then the definition of the asset's fair value less costs to sell is based on the best available information which the Company can obtain at the end of the reporting period such as results of last transactions with similar assets in the same industry, etc.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in profit or loss in the expense line that corresponds to the function of the impaired asset.

At each reporting date, the Company evaluates whether impairment losses recognised in prior periods for assets other than goodwill should be reversed. If there is such evidence, the Company evaluates the recoverable amount of asset (or a cash-generating unit). A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's (except goodwill) recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount is increased to the amount of its recoverable amount that should not exceed the carrying amount (less accumulated depreciation) that would have been determined had no impairment loss been recognized in previous periods. This reversal of the impairment loss is recognized in profit or loss.

Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

(in thousands of UAH, unless otherwise stated)

4. Significant accounting policies (*continued*)

Except for trade receivables at initial recognition, the Company measures a financial asset at its fair value minus (in case of a financial asset not at fair value through profit or loss) transaction costs that are directly attributable to the acquisition of the financial asset. On initial recognition of financial assets, the Company allocates them to a respective category. Unless the Company changes its business model for managing financial assets, the Company does not change the category determined at initial recognition.

Subsequent measurement

Subsequently, a financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

The Company does not have financial assets measured at fair value. Financial assets Company at amortized cost include trade and other receivables, cash and cash equivalents.

Trade and other receivables

The Company measures financial assets at amortized cost if both of the following conditions are met:

- a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are exclusive payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Impairment of financial assets

The Company recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The calculation of the allowance takes into account cash flows from the sale of the held collateral or other means of improving the credit quality of the financial asset, which is an integral part of the terms of the agreement.

For trade receivables, the Company applies a simplified approach to estimating the allowance for expected credit losses. Under this approach, the Company does not track changes in credit risks, instead the Company recognizes expected credit losses over the life of the financial asset at each reporting date. The Company uses an allowance matrix that takes into account the Company's historical credit loss experience, adjusted for forecast information about debtors or changes in the economic environment.

The Company believes that the default of a financial asset occurs when the contractual cash flows are overdue for 365 days or more. However, in certain cases, the Company may recognize a default on a financial asset when available internal or external information indicates that the Company is unlikely to receive the outstanding contractual amount in full after taking into account any credit enhancement. If the Company has no reasonable expectation that it will receive contractual cash flows from a financial asset, the asset is derecognised.

Derecognition

A financial asset (or, where applicable a part of a financial asset) is derecognized when:

- a) the contractual rights to receive cash flows from the asset have expired;
- b) the Company retains the contractual rights to receive the cash flows of a financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients without material delay under a 'pass-through' arrangement; and either
 - the Company has transferred substantially all the risks and rewards of the asset, or
 - the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

(in thousands of UAH, unless otherwise stated)

4. Significant accounting policies *(continued)*

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

The Company's subsequent participation in an asset that takes form of a guarantee for the transferred asset is measured at the lower of the carrying amount of the asset or the maximum amount of compensation that can be provided to the Company for payment.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, or as other financial liabilities which are recognised at amortised cost using the effective interest rate method.

The Company measures a financial liability at its fair value plus (in the case of a financial liability not at fair value through profit or loss) transaction costs that are directly attributable to the issue of the financial liability.

On initial recognition the Company allocates financial liabilities to a respective category. Subsequent reclassification of financial liabilities is not allowed.

The Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

The influence of the classification of financial liabilities at initial recognition on their subsequent measurement is described as follows:

Loans and borrowings and trade and other payables

Loans and borrowings and trade and other payables are the most relevant category of financial liabilities to the Company. After initial recognition, loans and payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discounts or premiums on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation is discharged, cancelled or expired.

When one existing financial liability is replaced by another liability to the same creditor on significantly different terms or in the event of a material change in the terms of existing liability, the original liability is derecognized and the new liability is recognized with differences in the carrying amounts of liabilities recognized in profit or loss.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

(in thousands of UAH, unless otherwise stated)

4. Significant accounting policies (*continued*)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash in bank and short-term deposits with an initial maturity less than three months. For the purposes of the statement of cash flows cash and cash equivalents include cash in hand and cash in bank, short-term deposits, as mentioned above, less bank overdrafts.

Inventories

Inventories are initially recognised at acquisition cost, including costs incurred in bringing the inventories to their present location and condition. The inventories are written off under FIFO method ("first in – first out").

At the reporting date inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provisions

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement becomes probable. Amount of expected reimbursement should not exceed the amount of provision recognised. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

In cases when the influence of the time value of money is significant, the amount of the provision has to be the present value of expenditures which, as expected, will be necessary to settle the liability. The pre-tax discounting rate has to reflect current market evaluations of the value of money in time and risks attributable to the liability. If the discounting is used, the increase in the amount of the provision is recognized in financial expenses of the statement of comprehensive income.

Provision for reimbursement of expenses for payment and delivery of preferential pensions

Provision for reimbursement for the payment and delivery of pension concerns State pension defined benefit plans. The Company is obliged to reimburse the State the amount of pension payments, which are determined by the legislation of Ukraine and are carried out by the State to employees who have worked for a certain period of time in harmful conditions, which are determined by regulations. Such employees have the right to retire before reaching the standard retirement age set by the law. Pension liabilities are repaid at the expense of funds received from operating activities. No special program assets are allocated to finance these liabilities.

The net amount of the defined benefit obligation is calculated by estimating the amount of future benefits earned by employees in the current and previous periods for the services they provide. The amount of these payments is discounted to determine their present value.

Provision for unused vacations

Provision for unused vacations is accrued based on the actual number of days worked and average daily wage of the employees.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

(in thousands of UAH, unless otherwise stated)

4. Significant accounting policies *(continued)*

Government subsidies and grants

Government subsidies and grants are government or international technical assistance in the form of transfers of the funds to the Company in the past or the future, subject to certain conditions. Government subsidies and grants are not recognized unless there is reasonable assurance that the Company will comply with the terms of the grant and there is reasonable assurance of the receipt of the funds. The Company recognizes government grants in profit or loss on a systematic basis over the periods in which it recognizes as expenses the related expenses for which these grants were intended.

Grants related to the acquisition, construction, reconstruction or modernization of property, plant and equipment are recognised as deferred income. Such grants include both monetary funding and non-monetary assistance in the form of consulting, engineering and other services directly attributable to the implementation of investment projects. Where grant funding relates to assets under construction or modernization, the related amount is recognised as deferred income until such assets are brought into use. Once the assets are commissioned, the deferred income is recognised systematically over the useful lives of the related assets, generally in proportion to the depreciation expense recognised on those assets.

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the financial statements unless there is the possibility of an outflow of resources embodying economic benefits to repay a liability and a reliable estimate of such liabilities can be made. The information on contingent liabilities is disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but they are disclosed when an inflow of economic benefits is possible. If it has become virtually certain that an inflow of economic benefits will take place, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities according to the Ukrainian legislation. The tax rates and tax laws used to compute the amount are those that were effective during the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax

Deferred tax is recognised on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

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4. Significant accounting policies *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax is charged or credited to profit or loss, except when it relates to items credited or charged directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority, and the tax authority allows to make or receive a single net payment.

Value Added Tax

Income, expenses, assets and liabilities are recognized net of VAT, except for the below cases:

- VAT that arises on purchase of assets or services that are not refunded by the tax authority; in this case VAT is recognized as part of cost of purchase of an asset or part of the expense item, depending on the circumstances;
- receivables and payables comprise the VAT amount.

The net VAT amount that is refunded by the tax authority or is paid to it is included in receivables or payables presented in a statement of financial position.

Recognition of revenue

Revenue from contracts with customers is recognized when control of the goods or services has been transferred to the buyer in an amount that reflects the consideration the Company expects to be entitled to in exchange for the goods or services provided to customers. The Company has concluded that under the vast majority of contracts, it acts as the principal because it controls the goods and services until they are handed over to customers.

The following recognition criteria must be met before revenue is recognized:

Heat supply and other related services

The Company operates in the industry of natural monopoly, providing heat supply and related services to consumers in the city of Lutsk. The Company recognizes revenue from the provision of heat and hot water over time, as evidenced by the delivery of heat to the buyer under the contract, that is when control of is transferred to the customer.

Sale of goods

Sales revenue is recognized when control of an asset is transferred to the buyer, usually after the sale of the goods.

NOTES TO THE FINANCIAL STATEMENTS

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4. Significant accounting policies *(continued)*

Revenue is measured at the fair value of the consideration received or receivable, which is usually equal to the transaction price. If the transaction price, specified in the contract, includes a variable amount, the Company estimates the amount of compensation to which it will be entitled in exchange for the transfer of the promised goods to the customer. Variable compensation is determined by the Company at the time of the conclusion of the contract and is recognized only if there is a high probability that when the uncertainty associated with variable compensation is largely resolved, a significant recovery in the amount of recognized cumulative income from ordinary activities will not occur.

Contract assets

A contract asset is a right to consideration in exchange for goods or services transferred to the customer. If the Company satisfies its performance obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Company does not have contract assets in an ordinary course of business, as generally control is transferred in the same moment when the Company obtains unconditional right for the payment.

Trade receivables

At initial recognition, the Company measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component in accordance with IFRS 15. Subsequently, receivables are measured at amortized cost using the effective interest method, less allowance for expected credit losses.

The Company measures the loss allowance in an amount equal to lifetime expected credit losses using an allowance matrix. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of loss is recognized in the statement of profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of profit or loss.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company satisfies performance obligations.

Recognition of other income and expenses

Other income and expenses are recognized in accounting and the financial statements at the time of their occurrence (incurrence) based on the principles of accrual and correspondence, regardless of the date of payment.

Expenses are recognized as expenses of a certain period simultaneously with the recognition of income for generation of which they are incurred. Expenses that cannot be directly related to the income of a certain period are reflected in expenses of the reporting period in which they were incurred. If an asset provides economic benefits over several reporting periods, expenses are recognized by systematically allocating its value between the relevant reporting periods.

Financial income and expenses

Financial income comprises interest income on invested funds. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

(in thousands of UAH, unless otherwise stated)

4. Significant accounting policies *(continued)*

Financial expenses comprise interest expense on borrowings and the amortisation of the discount on restructured debt. Borrowing costs that are not directly attributable to the acquisition, construction or production of an asset are recognised in profit or loss using the effective interest method.

Transactions with related parties

The parties are considered to be related if one party has a possibility to control the other party or influence it significantly when taking financial or operational decisions. This definition of a related party may differ from the one under the Ukrainian legislation.

As defined by IAS 24 "Related party disclosures" related parties represent:

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same.
 - (ii) One entity is an associate or joint venture of the other entity.
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Reporting segments

An operating segment is a component of an entity:

- a) engaged in an economic activity from which it can earn income and incur costs (including income and expenses related to transactions with other components of the same entity);
- b) the operating results of which are regularly reviewed by the entity's senior operating officer to decide on the resources to be allocated to the segment and to evaluate the results of its operations; and
- c) about which discrete financial information is available.

Management has determined that the Company operates as a single operating segment, as the chief operating decision maker reviews performance and allocates resources on an aggregated basis. Accordingly, no separate segment disclosures are presented.

Events after reporting date

Events that occur after the reporting date and before the date of approval of the financial statements for issue, which provide additional evidence regarding the financial statements of the Company, are reflected in the financial statements. The events that occur after the reporting date and before the date of approval of the financial statements which indicate conditions arising after the reporting period and do not affect the financial statements of the Company as of the reporting date, are disclosed in notes to the financial statements if they are significant.

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For the year ended 31 December 2025

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5. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below.

Standard/ Interpretation	Contents	Effective date	Probable impact
Amendments to IFRS 9 and IAS 7	Classification and measurement of financial instruments	1 January 2026	Insignificant
Annual Improvements to IFRS Accounting Standards	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	1 January 2026	None
Amendments to IFRS 9 and IFRS 7	Classification and measurement of contracts for renewable electricity, which depend on nature-dependent variables	1 January 2026	None
IFRS 18	Presentation and disclosure of information in financial statements	1 January 2027	Not yet determined
IFRS 19	Disclosure of information in the financial statements of non-public subsidiaries	1 January 2027	None
Amendments to IAS 21	Translation of financial statements into the currency of a hyperinflationary economy	1 January 2027	None
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Effective date not yet determined	None

The Company does not intend to early adopt any standards or amendments to standards that are not yet mandatory.

6. Property, plant, and equipment

	31.12.2025	31.12.2024
Carrying amount of property, plant and equipment	894 990	897 680
Construction in progress	154 627	70 652
	1 049 617	968 332

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6. Property, plant, and equipment (continued)

The information on the movement in property, plant and equipment in 2025 and 2024 is presented below:

	Buildings	Machinery	Vehicles	Fixtures and fittings	Communication and network equipment	Construction in progress	Right-of-use assets	Other property, plant and equipment	Total
Cost									
As at 31 December 2023	146 208	355 959	18 786	3 384	1 171	36 117	101 379	279 240	942 244
Additions	1 068	207 522	2 416	316	484	34 535	6 142	38 111	290 594
Disposals	(2 455)	(467)	-	(300)	(17)	-	-	(647)	(3 886)
Other changes	-	-	-	(13)	-	-	-	6	(7)
As at 31 December 2024	144 821	563 014	21 202	3 387	1 638	70 652	107 521	316 710	1 228 945
Additions	12 621	67 426	7 018	465	35	83 975	2 833	34 710	209 083
Disposals	(15 483)	(4 169)	-	(137)	(30)	-	-	(575)	(20 394)
Other changes	(511)	(662)	-	11	-	-	-	1 162	-
As at 31 December 2025	141 448	625 609	28 220	3 726	1 643	154 627	110 354	352 007	1 417 634
Accumulated depreciation									
As at 31 December 2023	13 501	39 927	6 558	939	711	-	38 936	70 751	171 323
Depreciation charge	6 658	30 997	2 568	548	276	-	21 477	27 320	89 844
Disposals	-	(95)	-	(98)	(14)	-	-	(347)	(554)
As at 31 December 2024	20 159	70 829	9 126	1 389	973	-	60 413	97 724	260 613
Depreciation charge	6 725	43 928	3 499	505	289	-	24 662	30 888	110 496
Disposals	(1 420)	(1 550)	-	(85)	(30)	-	-	(7)	(3 092)
Other changes	(118)	203	-	12	-	-	-	(97)	-
As at 31 December 2025	25 346	113 410	12 625	1 821	1 232	-	85 075	128 508	368 017
Carrying amount									
As at 31 December 2023	132 707	316 032	12 228	2 445	460	36 117	62 443	208 489	770 921
As at 31 December 2024	124 662	492 185	12 076	1 998	665	70 652	47 108	218 986	968 332
As at 31 December 2025	116 102	512 199	15 595	1 905	411	154 627	25 279	223 499	1 049 617

As of 31 December 2025, property, plant and equipment items with cost of UAH 22 499 thousand were fully depreciated but still in use (31 December 2024: UAH 17 514 thousand).

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7. Lease

	Right-of-use assets	Total
Right-of-use assets		
As of 31 December 2023	62 443	62 443
Depreciation charge	(21 477)	(21 477)
Modification	6 142	6 142
As of 31 December 2024	47 108	47 108
Depreciation charge	(24 662)	(24 662)
Modification	2 833	2 833
As of 31 December 2025	25 279	25 279

In the statement of financial position the long-term portion of lease liabilities is presented in line "Other non-current financial liabilities", and the short-term portion is presented in line "Other current financial liabilities".

	31.12.2025	31.12.2024
Short-term lease liabilities	30 753	23 507
Long-term lease liabilities	-	28 915
Total lease liabilities	30 753	52 422

The changes in lease liabilities are presented below:

	Short-term liabilities	Long-term liabilities	Total
As of 31 December 2024	17 066	46 814	63 880
Financial expenses	12 095	-	12 095
Lease payments	(29 695)	-	(29 695)
Reclassification due to maturity	24 041	(24 041)	-
Modification	-	6 142	6 142
As of 31 December 2024	23 507	28 915	52 422
Financial expenses	9 108	-	9 108
Lease payments	(33 610)	-	(33 610)
Reclassification due to maturity	31 748	(31 748)	-
Modification	-	2 833	2 833
As of 31 December 2025	30 753	-	30 753

Reconciliation of lease liabilities to future minimum lease payments is shown below:

	31.12.2025	31.12.2024
Future minimum lease payments, including:		
up to one year	34 343	32 290
from one to five years	-	32 290
Less: future interest lease payments	(3 590)	(12 158)
	30 753	52 422

8. Other non-current non-financial assets

	31.12.2025	31.12.2024
VAT input credit:		
Short-term portion	25 790	30 385
Long-term portion	24 301	26 725
	50 091	57 110

The non-current portion of the VAT input credit is related to the agreements on restructuring of debt for natural gas consumed concluded between the Company and NJSC "Naftogaz of Ukraine" dated 12 September 2022 for the total amount of UAH 238 121 thousand which are payable by installments over 7 years (Note 15).

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NOTES TO THE FINANCIAL STATEMENTS

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9. Current inventories

	31.12.2025	31.12.2024
Current raw materials	20 771	25 880
Current spare parts	933	815
Current fuel	713	1 262
Other current inventories	506	2 360
	22 923	30 317

10. Trade and other receivables

Trade and other receivables, including allowance, were as follows:

	31.12.2025	31.12.2024
Current trade receivables	143 484	147 545
Current receivables due from related parties	1 035	1 215
Current advances to suppliers	12 657	1 584
Current receivables from taxes other than income tax	61 301	47 842
Other current receivables	137 086	136 891
	355 563	335 077

As of 31 December 2025, "Other current receivables" line includes subventions due from the State Budget of Ukraine for the total amount of UAH 133 441 thousand (31.12.2024: UAH 133 441).

The reconciliation of changes in the allowance for expected credit losses is presented below:

	31.12.2025	31.12.2024
At the beginning of the year	(118 956)	(120 148)
Charge for period	-	(4 260)
Change in allowance for expected credit losses	12 891	5 452
At the end of the year	(106 065)	(118 956)

The Company's exposure to credit risk mainly depends on the individual characteristics of each customer. However, management also considers factors that may affect the credit risk of its customer base.

The Company accrued an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables.

An analysis is performed at each reporting date using an allowance matrix to estimate expected credit losses. The allowance rates are based on days past due and the likelihood of default over a given time period. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current and forecast economic conditions.

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10. Trade and other receivables (continued)

Credit quality analysis of trade and other receivables is presented below:

31.12.2025	Receivables, past due days						Total
	Not past due	< 90 days	90-180 days	180-365 days	Over 365 days	Over 1095 days	
Trade receivables, households	79 978	13 754	7 971	31 183	47 852	48 540	229 278
Allowance for impairment	2 399	1 609	1 594	10 914	33 496	48 540	98 552
Expected credit loss rate, %	3,0	11,7	20,0	35,0	70,0	100,0	
Trade receivables, other consumers	9 071	2 196	515	2 209	3 370	3 832	21 193
Allowance for impairment	63	94	52	663	2 696	3 832	7 400
Expected credit loss rate, %	0,7	4,3	10,1	30,0	80,0	100,0	
Other receivables	136 823	102	115	50	4	105	137 199
Allowance for impairment	-	-	1	3	4	105	113
Expected credit loss rate, %	-	-	1,0	6,0	100,0	100,0	

31.12.2024	Receivables, past due days						Total
	Not past due	< 90 days	90-180 days	180-365 days	Over 365 days	Over 1095 days	
Trade receivables, households	88 126	22 366	9 905	24 548	58 002	44 092	247 039
Allowance for impairment	2 996	5 174	3 665	9 083	46 402	44 092	111 412
Expected credit loss rate, %	3,4	23,1	37,0	37,0	80,0	100,0	
Trade receivables, other consumers	8 552	2 286	398	1 939	4 259	3 134	20 568
Allowance for impairment	60	133	119	582	3 407	3 134	7 435
Expected credit loss rate, %	0,7	5,8	29,9	30,0	80,0	100,0	
Other receivables	136 845	26	13	10	5	101	137 000
Allowance for impairment	1	-	-	2	5	101	109
Expected credit loss rate, %	0,1	-	-	20,0	100,0	100,0	

11. Cash and cash equivalents

	31.12.2025	31.12.2024
Cash		
Balances with banks	57 186	50 130
Bank balances in foreign currency (EUR)	38 279	28 403
Bank balances in national currency	18 907	21 727
Total cash and cash equivalents	57 186	50 130

12. Issued capital

As of 31 December 2025, authorized capital of the Company amounted to UAH 438 294 thousand (31.12.2024: UAH 306 677 thousand). The founder and sole owner of the Company is Lutsk City Council (LCC). Additional capital of the Company consists of assets obtained free of charge according to the decisions of Lutsk City Council.

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12. Issued capital (continued)

Below you can find information about the movement of issued capital and other equity interest in 2025 and 2024:

	Issued capital	Other equity interest	Total
As of 31.12.2023	306 677	116 889	423 566
Cash contributions	-	34 573	34 573
Contributions of property, plant, and equipment	-	56 390	56 390
As of 31.12.2024	306 677	207 852	514 529
Approval of the Articles of Association	131 617	(131 617)	-
Cash contributions	-	131 589	131 589
Contributions of property, plant, and equipment	-	81 614	81 614
As of 31.12.2025	438 294	289 438	727 732

Other equity interest includes contributions made by participant of the Company with the purpose of increasing the Company's capital. As of the reporting date, the relevant amendments to the Articles of Association and the increase in the issued capital were not approved and registered in accordance with the applicable legal requirements. Therefore, the received contributions were recognised within other equity interest and were not included in the issued capital. Upon approval of the respective amendments to the Articles of Association and their state registration, the contributed amounts will be reclassified from other equity interest to the Company's issued capital.

13. Bank loans

	31.12.2025	31.12.2024
Non-current interest-bearing loans and borrowings		
Bank loans	112 857	165 723
Total non-current interest-bearing loans and borrowings	112 857	165 723
Current loans and borrowings		
Current share of long-term interest-bearing loans from banks	75 238	66 290
Interest payable on bank loans	4 017	4 827
Total current loans and borrowings	79 255	71 117
Total loans and borrowings	192 112	236 840

Detailed information about loans and borrowings:

As of 31 December 2025, terms and conditions of bank loans are presented as follows:

Unsecured bank loans	Currency	Interest rate type	Interest rate	Year of receipt	Year of maturity	Carrying amount
EBRD (tranche 2,4)	EUR	fixed	0,75%	2018, 2020, 2023	2028	59 373
EBRD (tranche 1,3)	EUR	flexible	8,39%	2018, 2022, 2023	2028	128 722
						188 095

As of 31 December 2024, terms and conditions of bank loans are presented as follows:

Unsecured bank loans	Currency	Interest rate type	Interest rate	Year of proceeds	Year of repayment	Carrying amount
EBRD (tranche 2,4)	EUR	fixed	0,75%	2018, 2020, 2023	2028	73 235
EBRD (tranche 1,3)	EUR	flexible	9,89%	2018, 2022, 2023	2028	158 778
						232 013

In 2014, in order to finance the reconstruction and modernization of the heating system of the city of Lutsk, the Company concluded a loan agreement with the European Bank for Reconstruction and Development guaranteed by the Lutsk City Council in the amount limited to EUR 10 million, which consists of:

- Tranche 1 of the Loan in an amount not exceeding EUR 3 500 000 (three million five hundred thousand), financed from EBRD Resources

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13. Bank loans (continued)

- Tranche 2 of the Loan in an amount not exceeding EUR 1 500 000 (one million five hundred thousand), financed from the resources of the Clean Technology Fund Special Fund (CTF Special Fund).
- Tranche 3 of the Loan in an amount not exceeding EUR 3 500 000 (three million five hundred thousand), financed from the EBRD Resources and
- Tranche 4 of the Loan in an amount not exceeding EUR 1 500 000 (one million five hundred thousand) financed from the resources of the CTF Special Fund.

The loan is repayable in twenty equal (or substantially equal) semi-annual installments starting from September 2018. For each reporting period, the EBRD determines the interest rate effective during the relevant interest accrual period. In accordance with the agreement, the interest on Tranche 1 and 3 consists of the sum of the margin (6%, subject to reduction based on the city rating) and the interbank rate (the 6-month EURIBOR rate) for such interest period. The interbank rate increased significantly due to global inflation in 2025, which affected the changes in the tranches' interest rates.

Changes in liabilities arising from financial activities for the year ended 31 December 2025 are presented as follows:

	Bank loans	Interest	Total
As of 1 January 2025	232 013	4 827	236 840
Repayment of borrowings	(70 470)	-	(70 470)
Accrued interest	-	13 620	13 620
Interest paid	-	(17 001)	(17 001)
Capitalised interest	-	2 571	2 571
Foreign exchange difference	26 552	-	26 552
As at 31 December 2025	188 095	4 017	192 112

Changes in liabilities arising from financial activities for the year ended 31 December 2024 are presented as follows:

	Bank loans	Interest	Total
As of 1 January 2024	222 935	3 666	226 601
Accrued interest	-	11 719	11 719
Interest paid	-	(21 996)	(21 996)
Capitalised interest	-	11 438	11 438
Foreign exchange difference	9 078	-	9 078
As at 31 December 2024	232 013	4 827	236 840

14. Deferred income

The construction and reconstruction of the Company's property, plant and equipment is partially financed by grants. Since part of such property, plant and equipment is under construction, as of 31 December 2025 and 2024, income from grants received was reflected as deferred income. Income on grants received for the current period was recognized pro rata to the depreciation of items of property, plant and equipment put into operation. This income also includes consulting services related to the implementation of grant projects that were capitalized as part of modernized property, plant and equipment.

As of 31 December 2025, the Company accounted for deferred income in respect of capital investments received for free and consulting services on the investment grant received from the Eastern European Partnership for Energy Efficiency and Environment Fund for the project "Modernization of district heating in Lutsk" and the grant agreement for financing with EBRD dated 24 October 2014 under agreements with the EBRD dated 7 June 2023 (operation number 40858) and 7 June 2024 (operation number 54875).

Furthermore, during 2025, the Company received new grants in the form of consultancy services. In particular, a Financial Support and Consultancy Services Agreement was entered into with Swedfund International AB on 13 February 2025 for the project "Construction of a New Power and/or Heat Generation Plant", as well as a Grant Agreement with the Nordic Environment Finance Corporation (NEFCO) dated 16 July 2024 for the project "Installation of a Condensing Heat Exchanger Utilizing Flue Gas Heat from a Biomass Boiler".

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14. Deferred income (continued)

	31.12.2025	31.12.2024
Short-term portion (included in deferred income line)	11 773	10 846
Long-term portion (included in other non-current non-financial liabilities line)	164 765	134 904
	176 538	145 750

The movements in deferred income for 2024 and 2025 are presented in the table below:

	2025	2024
At the beginning of the period	145 750	153 198
Grants received	42 234	969
Depreciation of property, plant and equipment	(11 446)	(8 417)
At the end of the period	176 538	145 750

15. Other financial liabilities

	31.12.2025	31.12.2024
Other non-current financial liabilities		
Long-term lease liabilities (Note 7)	-	28 915
Long-term portion of the restructured payables for natural gas consumed	62 333	81 918
Total other non-current financial liabilities	62 333	110 833
Other current financial liabilities		
Current share of long-term interest-bearing loans from banks (Note 13)	75 238	66 290
Current portion of restructured payables for natural gas consumed	30 875	34 017
Short-term lease liabilities (Note 7)	30 753	23 507
Interest payable on bank loans (Note 13)	4 017	4 827
Total other current financial liabilities	140 883	128 641

On 12 September 2022 the Company and NJSC "Naftogaz of Ukraine" concluded agreements on debt restructuring for consumed natural gas for the total amount of UAH 238 121 thousand which are payable by instalments over 7 years.

The Company's obligations are secured by the decision of the Lutsk City Council dated 27 July 2022 No. 33/61 "On Approval of the Debt Restructuring of the State Municipal Enterprise "Lutskteplo" under the Agreements on Restructuring of Indebtedness for Consumed Natural Gas with NJSC "Naftogaz of Ukraine", which guarantees the fulfillment of obligations by the Company under the agreement for the total amount of indebtedness subject to restructuring.

In December 2025, the Company made an advance payment to repay of the restructured indebtedness for consumed natural gas in respect of payments scheduled for January–February 2026 in the amount of UAH 3 142 thousand. Due to the early repayment of a portion of the restructured debt, the Company recalculated its amortised cost (present value). As a result of this recalculation, in 2025 the Company recognized income amounting to UAH 679 thousand which was included in finance income.

As of 31 December 2025, the restructured payables were stated at their net present value in the amount of UAH 93 208 thousand (31 December 2024: UAH 115 935 thousand).

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15. Other financial liabilities (continued)

The changes for the year ended 31 December 2025 and 2024 are shown below:

	Long-term portion	Short-term portion	Total
As of 31.12.2023	100 813	-	100 813
Amortization of discount	15 122	-	15 122
Reclassification of current liabilities	(34 017)	34 017	-
As of 31.12.2024	81 918	34 017	115 935
Repayment	-	(37 159)	(37 159)
Discounting to net present value	(679)	-	(679)
Amortization of discount	(34 017)	34 017	-
Reclassification of current liabilities	15 111	-	15 111
As of 31.12.2025	62 333	30 875	08

16. Current provisions for employee benefits

The Company's provisions were as follows:

	31.12.2025	31.12.2024
Provision for unused vacations	14 136	12 527
Provision for pension liabilities	2 988	2 645
	17 124	15 172

The movements in provisions for the period were as follows:

	Provision for unused vacations	Provision for pension liabilities	Total
As of 31.12.2023	10 636	2 239	12 875
Accrued during period	12 694	2 681	15 375
Utilised	(10 803)	(2 275)	(13 078)
As of 31.12.2024	12 527	2 645	15 172
Accrued during period	13 487	2 846	16 333
Utilised	(11 878)	(2 503)	(14 381)
As of 31.12.2025	14 136	2 988	17 124

17. Trade and other current payables

	31.12.2025	31.12.2024
Current trade payables	139 731	124 595
Current payables to related parties	6 434	2 516
Short-term employee benefits accruals	10 516	4 889
Current advances received, representing current contract liabilities for performance obligations satisfied at point in time	3 366	2 755
Other current payables	36 932	60 320
	196 979	195 075

As of 31 December 2025, "Other current payables" line item includes liabilities for fines and penalties for the total amount of UAH 22 203 thousand (31.12.2024: UAH 22 203 thousand).

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18. Current tax liabilities

	31.12.2025	31.12.2024
VAT liabilities	61 329	65 682
Social insurance	4 130	2 331
Personal income tax	2 511	1 174
Military fee	699	275
Income tax liability	239	7 774
Other tax liabilities	1 447	1 697
	70 355	78 933

19. Revenue

	2025	2024
Thermal energy	607 969	607 867
Hot water supply	114 247	112 639
Subscription service fee	19 102	17 649
	741 318	738 155

Allocation of sales revenue by consumer groups:

	2025	2024
Households	527 093	538 612
Public sector organizations	170 029	161 478
Other consumers	44 196	38 065
	741 318	738 155

Thermal energy (TE) supplied to consumers and hot water supply (HWS) services provided were as follows:

	2025		2024	
	<i>HWS, cubic meters</i>	<i>TE, Gcal</i>	<i>HWS, cubic meters</i>	<i>TE, Gcal</i>
Households	939 462	194 252	932 917	205 308
Legal entities	62 624	53 497	60 498	55 248
departmental housing	34 207	3 958	32 070	3 900
state-owned	24 938	40 221	24 142	41 354
other	3 479	9 318	4 286	9 994
	1 002 086	247 749	993 415	260 556

Up-to-date information on tariffs for heat supply services and hot water supply services of the Company by categories of consumers is provided on the Company's website in the section "Tariffs".

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20. Expenses by nature

	2025	2024
Raw materials and consumables used	(693 542)	(634 056)
Cost of goods sold	(4 800)	(1 912)
Insurance expenses	(15)	(91)
Expenses for professional services	(11 680)	(11 163)
Bank and similar charges	(400)	(408)
Business trip expenses	(177)	(125)
Communication expenses	(147)	(591)
Utility expenses	(594)	(83)
Salaries and wages	(165 504)	(154 421)
Social security contributions	(35 490)	(29 772)
Depreciation and amortization expenses	(110 459)	(89 156)
Tax expense other than income tax	(4 901)	(4 913)
Other expenses	(2 558)	(10 406)
	(1 030 267)	(937 097)

	2025	2024
<i>Included in profit and loss lines</i>		
Cost of sales	(982 189)	(890 323)
Administrative expenses	(32 124)	(29 569)
Other expense	(15 954)	(17 205)
	(1 030 267)	(937 097)

21. Other income

	2025	2024
Income from fines and penalties	1 202	1 192
Interest income on cash and bank balances at central banks	8 098	1 703
Rental income	678	749
Miscellaneous other operating income	303 217	258 108
Subsidies received	251 507	215 689
Income from current assets received for free	15 686	23 914
Income from accounts payable written-off	11	12
Income from changes in the allowance for expected credit losses	12 891	5 452
Income from equipment placement	5 337	5 612
Income from the sale of other current assets	6 195	2 148
Other income	11 590	5 281
	313 195	261 752

Subsidies received comprise financial support provided to the Company under the State and local support programs, including those implemented in accordance with Resolution No. 44/51 of the Lutsk City Council dated 26 April 2023, aimed at compensating certain operating expenses.

22. Other gains (losses)

	2025	2024
Foreign exchange gain (loss)		
Foreign exchange gain	558	9 192
Foreign exchange loss	(822)	(6 582)
Net foreign exchange gain (loss)	(264)	2 610
Expenses from write-off of non-current assets	(16 036)	(2 731)
Total other gains (losses)	(16 300)	(121)

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23. Financial income and expenses

	2025	2024
Income from discounting of accounts payable	679	-
Expenses from non-operational exchange rate differences	(26 552)	(9 078)
Interest expense on borrowings	(13 620)	(11 719)
Amortization of discount	(15 111)	(15 122)
Other finance income (expenses)	(9 108)	(12 095)
Total finance income (cost)	(63 712)	(48 014)
	2025	2024
<i>Included in profit and loss lines</i>		
Finance income	679	-
Finance costs	(64 391)	(48 014)
	(63 712)	(48 014)

In 2025 and 2024, financial expenses arising from lease liabilities totalling UAH 9 108 thousand and UAH 12 095 thousand, respectively, were included in the item "Other finance income (expenses)".

24. Income Tax

During 2025 and 2024, income tax rate was 18%.

Significant components of tax expenses (tax refund benefit)

	2025	2024
Current tax expense (income)	(239)	(7 227)
Deferred tax expense (income) relating to origination and reversal of temporary differences	8 118	2 683
Total tax expense (income)	7 879	(4 544)

Reconciliation of accounting profit multiplied by the applicable tax rates

	2025	2024
Profit (loss) before tax	(55 766)	14 675
Tax expense (tax refund income) at the applicable tax rate	(10 038)	2 642
Tax effect of non-deductible expenses	10 277	4 585
Other tax effects	(8 118)	(2 683)
Total tax (income) expense	(7 879)	4 544

Disclosure of temporary differences, unused tax losses and unused tax benefits

2025	Allowance for credit losses	Other temporary differences*	Total
Deferred tax assets	19 092	-	19 092
Deferred tax liabilities	-	(35 237)	(35 237)
Net deferred tax liability (asset)	19 092	(35 237)	(16 145)
Deferred tax liability (asset) at the beginning of the period	21 412	(45 675)	(24 263)
Deferred tax expense (income) recognized in profit or loss	(2 320)	10 438	8 118
Deferred tax liability (asset) at the end of the period	19 092	(35 237)	(16 145)

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24. Income Tax (continued)

2024	Allowance for credit losses	Other temporary differences*	Total
Deferred tax assets	21 412	-	21 412
Deferred tax liabilities	-	(45 675)	(45 675)
Net deferred tax liability (asset)	21 412	(45 675)	(24 263)
Deferred tax liability (asset) at the beginning of the period	21 626	(48 572)	(26 946)
Deferred tax expense (income) recognised in profit or loss	(214)	2 897	2 683
Deferred tax liability (asset) at the end of the period	21 412	(45 675)	(24 263)

*Other temporary differences include temporary differences related to property, plant and equipment

As at 31 December 2025 and 31 December 2024, there were no unrecognised deferred tax assets arising from tax losses carried forward.

All changes in deferred tax assets and liabilities during 2025 and 2024 were recognised in profit or loss.

25. Additional information to the statement of cash flows

Other cash receipts from operating activities for 2025 and 2024 are presented in the table below:

	2025	2024
Subsidies received	251 507	215 689
Other	1 202	1 192
Total amount	252 709	216 881

Other cash payments from operating activities for 2025 and 2024 are presented in the table below:

	2025	2024
Payments of tax liabilities other than income tax	(43 559)	(33 766)
Payments for penalties and legal fees	(8)	(342)
Other	(657)	(1 754)
Total amount	(44 224)	(35 62)

26. Correction of errors

Following the publication of the financial statements for the year ended 31 December 2024, the Company identified inaccuracies and made corrections to the financial statements for the year ended 31 December 2024. In particular, the changes affected the statement of cash flows.

The resulting totals are presented solely to illustrate the effect of the corrections and do not represent the arithmetic sum of the individual line items presented above.

Changes to the statement of cash flows:

	2024	Correction	2024 (restated)
Cash flows from (used in) operating activities			
Payments to suppliers for goods and services	(885 336)	29 695	(855 641)
Net cash flows from (used in) operations	60 361	29 695	(90 056)
Cash flows from (used in) financing activities			
Payment of lease liabilities	-	(29 695)	(29 695)
Net cash flows from (used in) financing activities	24 592	(29 695)	(5 103)

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27. Transactions with related parties

Related parties include companies under common control, key management personnel. The ultimate controlling party of the Company is Lutsk City Council.

The following table details transactions with related parties:

	Other related parties		Total	
	2025	2024	2025	2024
Related party transactions				
Purchase of goods	31 245	16 168	31 245	16 168
Revenue from rendered services	99 744	2 299	99 744	2 299

The Company had the following balances with related parties:

	Other related parties		Total	
	2025	2024	2025	2024
Balances with related party				
Amounts payable	6 434	2 516	6 434	2 516
Amounts receivable	1 035	1 215	1 035	1 215

26. Transactions with related parties (continued)

Transactions with key management

For the year ended 31 December 2025, the remuneration to the key management personnel (5 persons) amounted to UAH 3 461 thousand (2024: UAH 2 120 thousand).

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement is performed in cash.

The ultimate controlling party guarantees promptitude in payments under the Company's long-term bank loans.

For the years ended 31 December 2025 and 2024, the Company did not recognize any impairment of receivables relating to amounts due from related parties. Receivables are assessed for impairment at the end of each financial year through examining the financial position of the related party and the market in which the related party operates.

28. Financial risk management

Capital management and fair value of financial instruments

Fair value disclosures in respect of financial instruments are made in accordance with the requirements of IFRS 7 "Financial Instruments: Disclosures" and IFRS 13 "Fair Value Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced sale or liquidation. As no readily available market exists for a large part of the Company's financial instruments, judgment is necessary to determine fair value, based on current economic conditions and specific risks attributable to the instrument. The management believes that the Company's financial assets and financial liabilities are categorized within the Level 3 of fair value hierarchy, except for bank loans, which belong to the 2nd level of the hierarchy.

The Company's management believes that the carrying amount of financial assets and financial liabilities recognized in the financial statements is approximates their fair value.

During 2025 and 2024, there were no changes between levels of the fair value hierarchy.

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28. Financial risk management (*continued*)

Main categories of financial instruments

Main categories of financial instruments of the Company are as following:

Financial assets

	31.12.2025	31.12.2024
Trade receivables	144 519	148 760
Other receivables	2 290	2 095
Cash and cash equivalents	57 186	50 130
	203 995	200 985

Financial liabilities

	31.12.2025	31.12.2024
Long-term bank loans	112 857	165 723
Other non-current financial liabilities	62 333	110 833
Other current financial liabilities	140 883	128 641
Trade payables	146 165	127 111
Salaries and related charges	10 516	4 889
Other payables	36 932	60 320
	509 686	597 517

Financial risk factors

In its ordinary activities the Company is exposed to some financial risks, including liquidity risk, foreign currency risk and interest rate risk, which result from influence of financial instruments it owns.

The Company's overall risk management program is concentrated on uncertainties of financial markets and targeted at minimization of potential negative consequences. The Company's risk management policy is presented below.

Credit risk

The Company faces credit risk that is determined as the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations as they fall due. The maximum level of the Company's credit risk, in general, is limited by carrying amount of financial assets, which is stated in the statement of financial position. The influence of possible offsets of assets and liabilities on the reduction of potential credit risk is insignificant. Allowances for impairment are accrued to cover credit losses expected to be incurred at the reporting date.

The specific character of the Company's activity, including rendering of services on supply of heating energy to the households does not make it possible for the Company to influence the choice of contractors with which the Company will cooperate in the future. The Company obtains financial and other support from the founder – Lutsk City Council. There is no concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the Company may face difficulties while repaying its financial liabilities as they fall due.

The level of this risk increases when the maturity of assets and liabilities do not match, i.e. when the maturity of financial assets exceeds the maturity of financial liabilities.

The task of the Company's management is to keep balance between continual financing and sufficient cash and other highly liquid assets, and to keep a proper level of credit liabilities to suppliers and banks. It is worth to note that the unstable financial and economic situation in Ukraine makes the attraction of external financing to support adequate liquidity levels significantly more difficult.

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28. Financial risk management (continued)

The table below shows the financial liabilities of the Company in respect of their types and maturity dates:

31.12.2025	Balance	On demand	< 3 months	3-12 months	1-5 years	Over 5 years	Total
Long-term bank loans	112 857	-	-	-	120 838	-	120 838
Other non-current financial liabilities	62 333	-	-	-	78 180	-	78 180
Other current financial liabilities	140 883	-	45 222	119 860	-	-	165 082
Trade payables	146 165	-	146 165	-	-	-	146 165
Salaries and related charges	10 516	-	10 516	-	-	-	10 516
Other payables	36 932	-	36 932	-	-	-	36 932
	509 686	-	238 835	119 860	175 190	-	557 713
31.12.2024	Balance	On demand	< 3 months	3-12 months	1-5 years	Over 5 years	Total
Long-term bank loans	165 723	-	-	-	183 312	-	183 312
Other non-current financial liabilities	110 833	-	-	-	142 588	-	142 588
Other current financial liabilities	128 641	-	45 087	117 884	-	-	162 971
Trade payables	127 111	-	127 111	-	-	-	127 111
Salaries and related charges	4 889	-	4 889	-	-	-	4 889
Other payables	60 320	-	60 320	-	-	-	60 320
	597 517	-	237 407	117 884	325 900	-	681 191

Interest rate risk

The Company exposure to the risk of changes in market interest rates relates primarily to the Company loans (Note 13). The Company's policy is to manage its interest rate risk by maintaining a balanced portfolio of fixed- and variable-rate loans and borrowings. The following table demonstrates the annualized sensitivity of the Company profit before tax to a reasonably possible change in interest rates, with all other variables held constant:

	Increase (decrease) in the interest rate, %	Effect on profit before tax
2025		
Interest rate	3	5 643
Interest rate	(3)	(5 643)
2024		
Interest rate	3	6 960
Interest rate	(3)	(6 960)

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates in respect to the national currency. Exposure to foreign currency risk relates to monetary assets and liabilities denominated in foreign currencies.

The Company operates in the Ukrainian market and most of the sales are generated in UAH. The Company attracts loans denominated in EUR. Operating expenses are mainly carried out in the functional currency.

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28. Financial risk management *(continued)*

The table below presents the concentration of currency risk as of 31 December:

	EUR
31.12.2025	
Financial assets	38 279
Financial liabilities	(192 112)
	<u>(153 833)</u>
	EUR
31.12.2024	
Financial assets	28 403
Financial liabilities	(236 840)
	<u>(208 437)</u>

The table below shows the sensitivity analysis of financial result before tax to probable change in foreign currency rate, provided all other variables remain unchanged:

	Increase (decrease) in interest rate, %	Effect on profit before tax
2025		
EUR	20	(30 767)
EUR	(5)	7 692
2024		
EUR	20	(41 687)
EUR	(5)	10 422

Operating risk

Operating risk is the risk arising from deficiencies in the Company's information technology and system management, and from the human factors. The Company's systems are evaluated, maintained and upgraded continuously.

Energy supply risk

Electricity and natural gas are the Company's key energy sources. The Company, like the majority of manufacturers based in Ukraine, faces significant challenges concerning energy supply especially in respect of natural gas. Any disruptions in energy supply can lead to termination of production of heat, and therefore may have a negative effect on operating results.

Also, both rising and unstable cost of natural gas and increasingly uncertain supply can affect the cost of the Company's services. The Company evaluates risk and develops the measures to minimize it.

Non-compliance risk

Non-compliance risk is the risk of financial loss that arises from non-compliance with laws and other regulations. The risk is limited due to continuous monitoring of the influence and application of regulations that relate to the Company's activity.

29. Events after reporting date

The following non-adjusting events occurred after the reporting date:

After 31 December 2025 and up to the date of approval of the financial statements (unaudited), the Company received current transfers from the Lutsk City Council in the form of cash funds in the total amount of UAH 119 315 thousand.

In addition, pursuant to the decision of the Lutsk City Council dated 28 January 2026 No. 87/108, Lutsk, the Charter of the State Municipal Enterprise "Lutskteplo" was approved in a new edition, and the share capital was increased to UAH 571 954 thousand (increased by UAH 133 660 thousand).

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29. Events after reporting date (continued)

Furthermore, pursuant to the decision of the City Council dated 27 May 2026 No. 94/77, Lutsk, the total amount of financial resources required for the implementation of the Support Program for the State Municipal Enterprise "Lutskteplo" for 2024–2028 was increased to UAH 2 300 783 thousand.

Apart from the events described above, after the reporting date and up to the date of approval of the financial statements for issue, no significant events occurred that would provide additional information regarding the Company's financial statements or that would require recognition or disclosure in the financial statements.


Director / Ivan Skorupskiy




Chief accountant / Ruslana Skrobaka