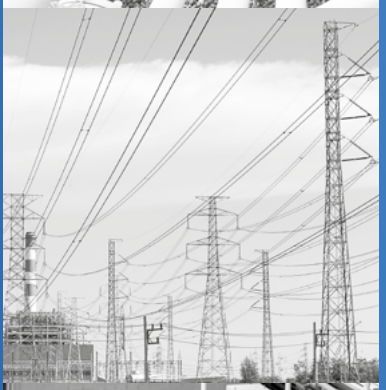












2023

MANAGEMANT REPORT

UKRAINIAN ENERGY EXCHANGE LLC

UKRAINIAN ENERGY EXCHANGE

УКРАЇНСЬКА ЕНЕРГЕТИЧНА БІРЖА

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Oleksii Dubovskyi

Chairman of the Exchange Committee

The Ukrainian Energy Exchange plays a key role in ensuring the transparency, efficiency and sustainability of Ukraine's energy sector. Thanks to our well-coordinated work in the challenging year of 2023, we continued to work, adapting to the new conditions and achieved certain successes.

In 2023, we focused our efforts on developing exchange-traded products in existing markets and laid the foundation for the introduction of new areas in 2024. We also managed to expand cooperation between Ukraine and EU countries to develop energy markets.

In the second year of the full-scale war, the Ukrainian energy market has stabilized and is able to supply energy to households, businesses, and critical enterprises.

We are committed to continuing to facilitate the development of Ukraine's exchange-traded energy market, ensuring transparency, reliability and efficiency.

We would like to thank all market participants and partners for their trust and fruitful cooperation.

We continue to work together for Ukraine's victory! We are confident that thanks to our joint efforts and commitment to democratic beliefs, in the near future Ukraine will take its rightful place among the developed economies of the world!

1. Ukrainian Energy Exchange in 2023

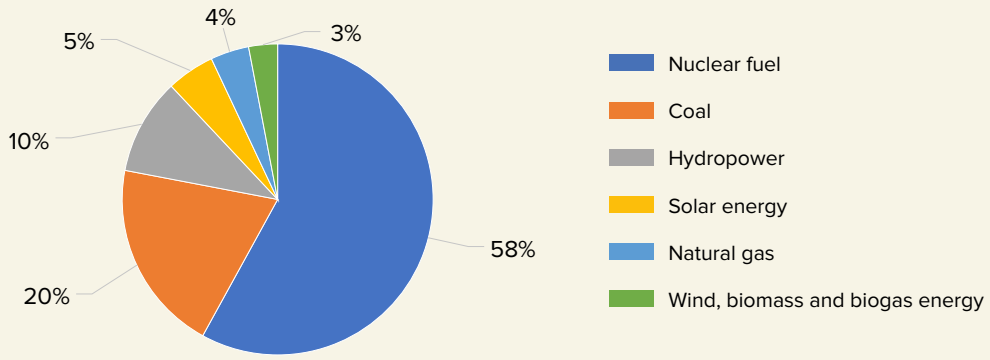
1.1. Energy markets in the second year of the war

ELECTRICITY

Russia's war against Ukraine, which began in February 2022, continued throughout 2023 and caused increased risk and uncertainty in Ukraine's energy system.

The structure of electricity generation in 2023 did not change significantly. Nuclear power plants generated more than 50% of electricity, while thermal power plants ranked second.

Structure of electricity production in 2023

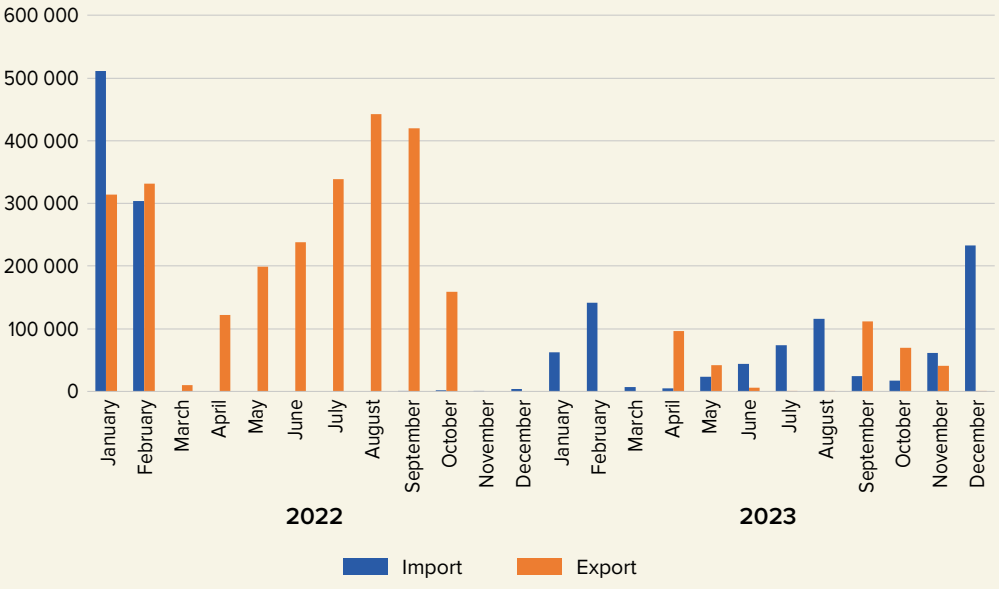


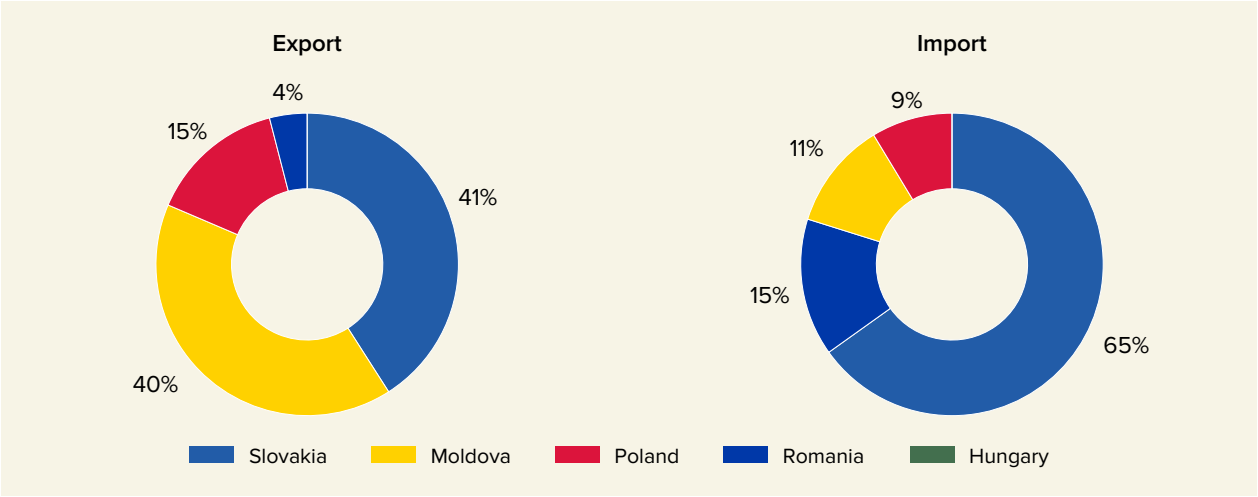
The transfer of the largest nuclear power plant in Ukraine and Europe, Zaporizhzhia NPP, to the temporary occupation regime of the Russians caused a significant deficit in the IPS of Ukraine in 2022 and 2023. Currently, 9 NPP units are located on the territory controlled by Ukraine. Therefore, for a decentralized energy system to function properly, incentives are needed to build new generation and expand import and export flows.

On October 11, 2022, due to the shelling of the energy infrastructure, electricity exports to Europe were banned. In 2023, Ukraine was able to continue to work on the implementation of technical and regulatory solutions that allowed export flows to continue during certain hours and made the Ukrainian power system more flexible and closer to the European electricity market.

In total, in 2023, Ukraine received the most electricity from Slovakia - 65%. Exports were carried out mainly to Moldova and Slovakia - 40% of total electricity exports each. In total, for the whole of 2023, the volume of imports amounted to 806.4 thousand MWh, and exports - 366 thousand MWh.

Electricity imports and exports, MWh, 2022-2023





Last year, an opportunity was opened for even freer imports and exports with neighboring countries, in accordance with European rules. Prior to that, bilateral auctions for the allocation of transmission capacity were held for imports/exports with Ukraine (on the platform of NPC Ukrenergo and a neighboring operator). In 2023, the rules for the allocation of crossings at daily auctions in the directions of Ukraine-Poland, Ukraine-Slovakia and Ukraine-Hungary were agreed upon which are planned to be held on the basis of the electronic auction platform Joint Allocation Office (JAO). In November, Ukraine and Romania began jointly sharing capacity under European rules. The auctions are held daily by the Ukrainian side on the Ukrenergo auction platform with delivery the next day. Holding only daily auctions is a requirement of the operators of the European continental network ENTSO-E.

Timeline for raising price caps in 2023

- On 30.06.2023, according to the NEURC resolution, price caps were increased in the DAM and IDM segments. The increase was as follows:

  Minimum load (from 23:00 to 07:00). from 2000 UAH/MWh, up to 3000 UAH/MWh.

  Increased load (from 07:00 to 19:00). from 4000 UAH/MWh to 5600 UAH/MWh.

  Maximum load (from 19:00 to 23:00). from 4000 UAH/MWh to 7000 UAH/MWh.
- On 30.11.2023, according to the NEURC resolution, the price cap was increased in the DAM and IDM segments. The increase was as follows:

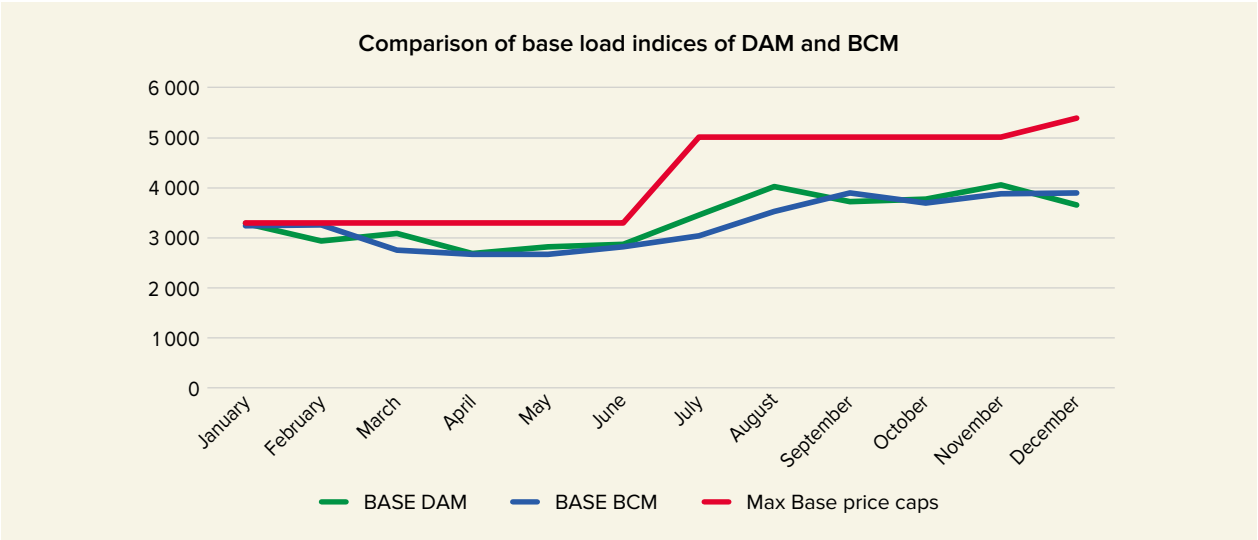
  Minimum load (from 23:00 to 7:00) - 3 000 UAH/MWh.

  Average load (from 7:00 to 8:00, from 11:00 to 17:00) - 5,600 UAH/MWh.

  Increased load (from 8:00 to 11:00) - 6 900 UAH/MWh.

  The maximum load (from 17:00 to 23:00) is 7,500 UAH/MWh.

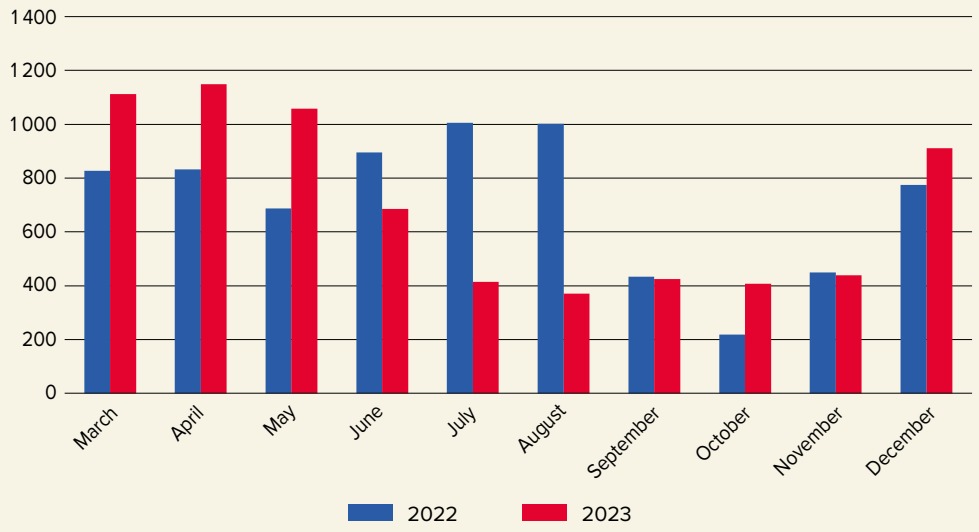
The change in price caps has expanded the opportunity for imports during peak hours.



In 2023, Ukraine began to rethink the vision of its energy system, taking into account the possibilities of green energy. In particular, in late June, the Law of Ukraine No. 3220-IX «On Amendments to Certain Laws of Ukraine on Restoration and Green Transformation of the Energy System of Ukraine» was adopted in late June, which shows that Ukraine is starting its difficult path of green energy development in the context of war, the need for maximum energy saving and the implementation of commitments. Agreements were also signed with Westinghouse on the AP1000 project and Energoatom on the construction and completion of power units, which will ensure the normal functioning of the energy system.

The main conditions for the imposition of special obligations (hereinafter referred to as PSO) remained unchanged from the previous year. The electricity sellers for the public interest were electricity producers, which were assigned the respective obligations by SE NNEGC Energoatom and PrJSC Ukrhydroenergo. The share of each energy source used for electricity generation in the trade zone of the IPS of Ukraine, which the Guaranteed Buyer sold to universal service providers to ensure public interests in the electricity market (pursuant to the order of the Ministry of Energy of Ukraine dated 21.03.2022 No. 132) for 2023 is as follows NPP - 35.44%, HPP - 64.56%.

Volumes of electricity for the public interest sold by the Guaranteed Buyer to the public service providers, thousand MWh.



NATURAL GAS

In 2023, Ukraine's natural gas market was experiencing a regulatory environment shaped by the first year of full-scale invasion. The gas industry managed to overcome the downward trend in production, with state-owned companies leading the way in increasing production. At the same time, private companies reduced production by 14%. In total, Ukraine produced almost 19 billion cubic meters of natural gas in 2023. Compared to 2022, gas production in Ukraine increased by 1%. Natural gas consumption in 2023 was about 21 billion cubic meters. Given the ban on the export of Ukrainian gas, the country covers its needs for the resource from domestic production. Compared to the previous year, consumption increased slightly due to the consumption of TPPs and CHPPs that received resources under PSO. The main terms of PSO remained virtually unchanged from last year. In particular, the August UEEX figures were included in the formation of the gas price for heat producers (HPA).

State-owned companies significantly expanded their sphere of influence on the market. Naftogaz completed the integration of regional gas companies into its structure, becoming a kind of monopolist in gas distribution. Ukrnaftoburinnya first came under the control of Ukrnafta in May 2023, and in December it completely stopped production at the Sakhalin field. In addition, in 2023, Smart Energy Group significantly reduced production due to the suspension of special permits for some fields. Such steps did not contribute to the growth of private companies' production.

On April 7, 2023, the NEURC made the final decision on the certification of the gas storage operator - Ukrtransgaz. This created the conditions for higher utilization of underground gas storage capacities and contributed to additional financial revenues from underground gas storage services. Also, the number of non-resident companies serviced by the UGS Operator increased by 30% last year, to 163 companies.

And imports using the customs warehouse service increased 4 times compared to 2022.

As of December 31, 2023, natural gas reserves in Ukrainian underground storage facilities amounted to about 13 bcm, which is 6% more than the same date a year ago. The storage facilities were filled with 39% of the working volume of natural gas. Despite the war, the UGS facilities managed to accumulate enough natural gas to last through the 2023-2024 heating season. In addition, non-residents actively pumped gas into Ukrainian UGS facilities.

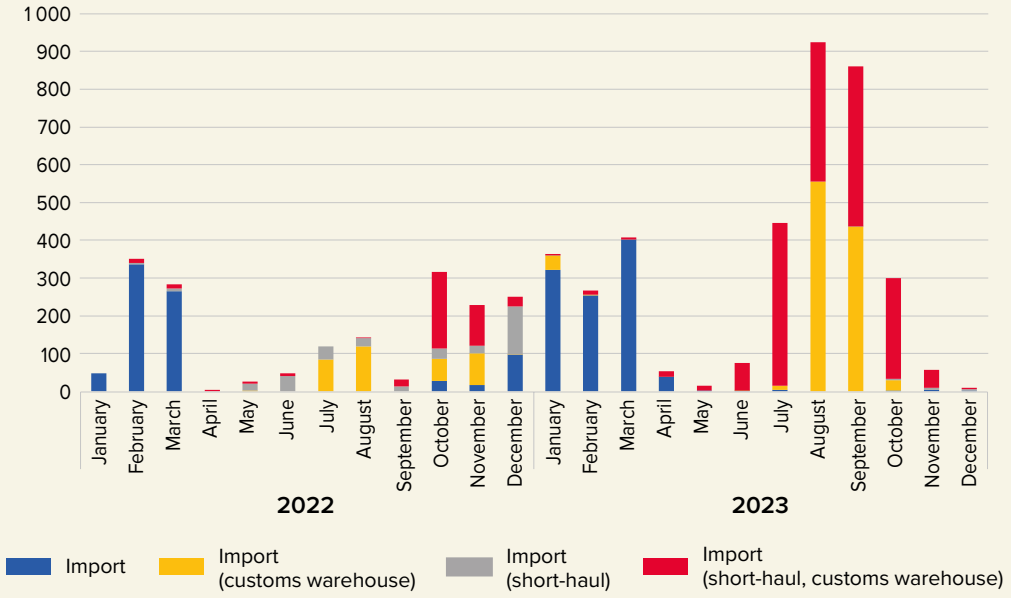
Prices of natural gas supply under PSO to different categories of consumers

For the provision of heat and hot water to the population by district heating companies		7 420 UAH/th. cub m
Budgetary and religious organizations		16 390 UAH/th. cub m
For other needs		38 325,5 UAH/th. cub m Till August 2023, after that, the price was determined by the results of trading on the UEEX
Budgetary institutions		16 390 UAH/th. cub m
To the population		7 956 UAH/th. cub m
DSOs Technological losses Losses caused by hostilities Overtime costs according to the formula based on Slovak spot prices +		7 420 UAH/th. cub m 0,01 UAH/th. cub m
Non-household consumers performing vital functions (until April 30, 2023)		32 000 UAH/th. cub m
Dormitories		7 420 UAH/th. cub m
TPPs and CHPs		16 500 / 10 950 UAH/th. cub m

Fullness of gas storage facilities in Ukraine and Europe
as of 12/31/2023



Natural gas imports from the EU, mln.

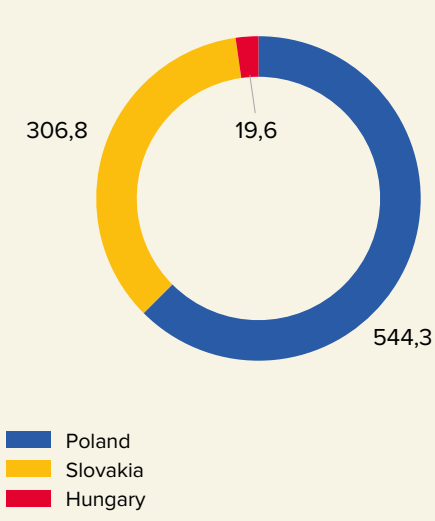


Overall, during the year, price dynamics did not favor gas imports to Ukraine, but its volumes were higher than in 2022. There were two peak periods - in the first and third quarters. In the first case, it was mainly Naftogaz that imported to fulfill its PSO obligations during the heating season. In the second case, many companies, residents and non-residents, injected gas to Ukrainian UGS. It should be noted that the starting point of this trend was largely the almost complete filling of available storage capacity in Europe.

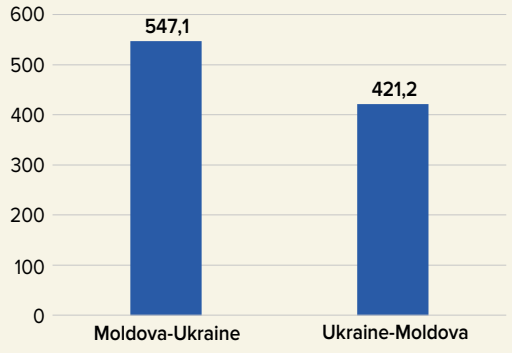
In general, most of the natural gas was imported from the largest amount of natural gas was imported from Slovakia - 1831 million cubic meters, while from Hungary - 1341 million cubic meters, and from Poland - 602 million cubic meters.

Exports were present only from the «customs warehouse», given that the export of gas of Ukrainian origin remains prohibited. The periods of high demand for exports were the months of the beginning of the heating season, when non-residents returned the resources stored in Ukraine. The largest volume of exports was to Poland - over 544 million cubic meters. Moldova was also a popular destination for export and import operations last year. The state-owned company Energocom also used the capabilities of Ukrainian UGS facilities.

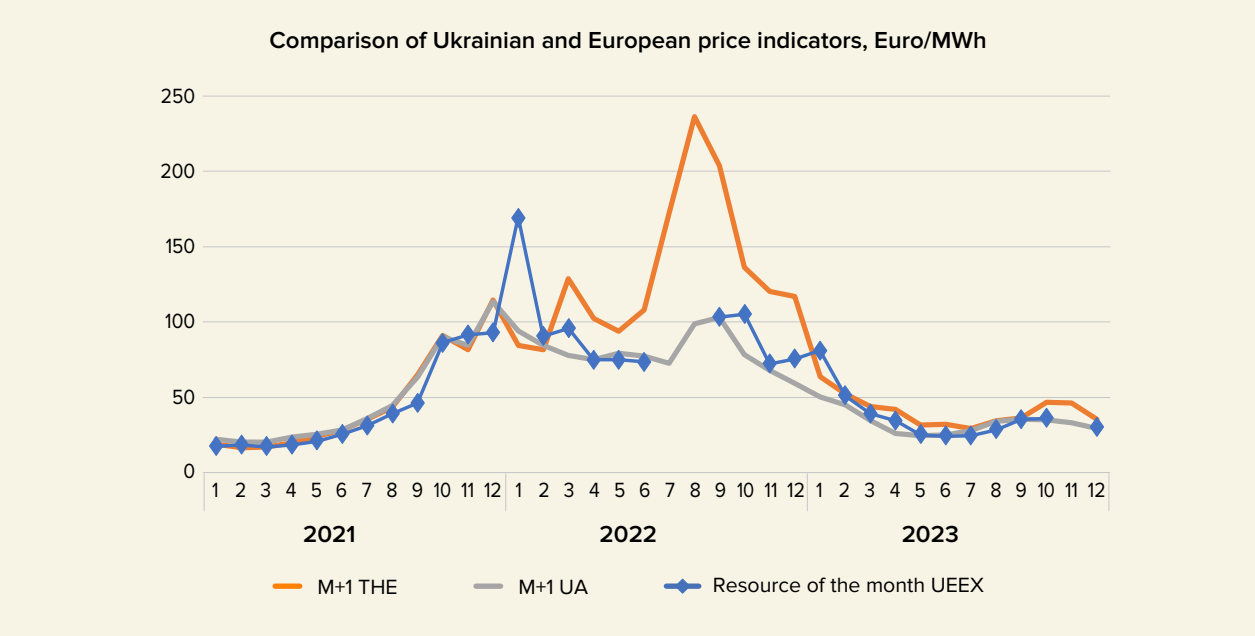
Structure of natural gas exports to the EU countries, mln. cubic



Structure of natural gas flows to/from Moldova, million cubic



Last year's domestic market prices were already more correlated with European hub prices than in the first year of the full-scale invasion. Already in February, natural gas prices on the UEEX crossed the UAH 20,000 (excluding VAT) mark in a downward direction for the first time since September 2021 (when Europe began to see a long-term increase in quotations). The year also ended with a downward trend - the weighted average price of natural gas for the month of December in the GTS at the UEEX amounted to UAH 12,864.43 (excluding VAT). This price is more than twice lower than in 2022.



OIL AND GAS CONDENSATE

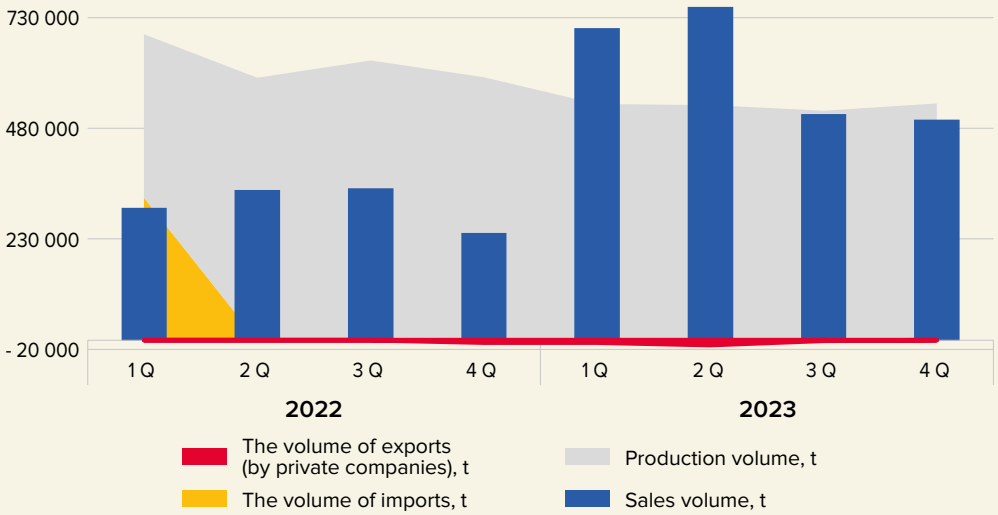
The state of Ukraine's oil and gas condensate market in 2023 reflected the specifics and challenges of the current difficult and prolonged confrontation with the «hybrid» and later full-scale Russian war against Ukraine. The sector was in the process of adapting to a long-term regime of countering aggression and faced a number of challenges: power supply disruptions after Russian shelling and accidents caused by it; cancellation of special permits of private companies; disruption of logistics due to hostilities and the blockade; blocking of the western borders; lack of skilled workers due to mobilization; financial difficulties. The Ukrainian market's needs for oil and gas condensate were met by domestic production. The largest oil and gas condensate producers in Ukraine are Ukrnafta and Ukrgazvydobuvannya, both part of Naftogaz of Ukraine. Raw material production in Ukraine continued its downward trend and fell to its lowest level in 7 years. In 2023, Ukraine produced almost 2.14 million tons of oil and condensate, compared to 2.2 million tons in 2022. In the structure of production in 2023, 1.51 million tons were oil and 0.63 million tons were gas condensate. On the other hand, state-owned companies produced 1.8 million tons, and privately owned companies produced 0.318 million tons of liquid hydrocarbons. In 2023, the share of the country's largest oil company, PJSC Ukrnafta, in the total production of oil and gas condensate in Ukraine amounted to 66%, producing about 1.34 million tons of oil and almost 72 thousand tons of gas condensate.

Private companies supply the market mainly with gas condensate. Major condensate producers: Burisma Group, DTEK Oil&Gas Group, UNB Group, JV PPC, Smart Energy, Geo Alliance Group, etc.

In 2023, Ukraine did not import crude oil and gas condensate. In the first half of 2023, 9 private Ukrainian companies exported gas condensate to Lithuania, Romania, Serbia, Latvia, Poland, Moldova, and Austria in the total volume of 15.7 thousand tons. First, high prices for raw materials on the domestic market made it more attractive to sell the extracted condensate in Ukraine instead of exporting it. Additionally, difficulties with gas condensate exports were associated with thorough inspections and queues at the borders, especially the Polish border. Market demand has recovered compared to 2022.

The driving forces were the interest in resources from PJSC Ukrnafta and mini-refineries. Previously, Ukrgasvydobuvannya did not sell oil on the market but consumed it for the needs of Naftogaz of Ukraine Group, but since the beginning of 2023, the Shebelynka Gas Processing Plant has stopped processing due to constant shelling by Russia and the company's resources have become available to other market participants. This also affected exchange trading: JSC Ukrgasvydobuvannya, PJSC Ukrnafta, and D.Trading consistently offered raw materials for sale through the exchange.

UEEX share in the oil and gas condensate market by quarters in 2022-2023



The upward trend in oil and gas condensate prices reached its peak in August-November 2023, when prices reached almost 48,000 UAH/t (including VAT), overall, against the backdrop of rising demand. The rise in oil prices on the global market also had its effect, supporting price growth in Ukraine.

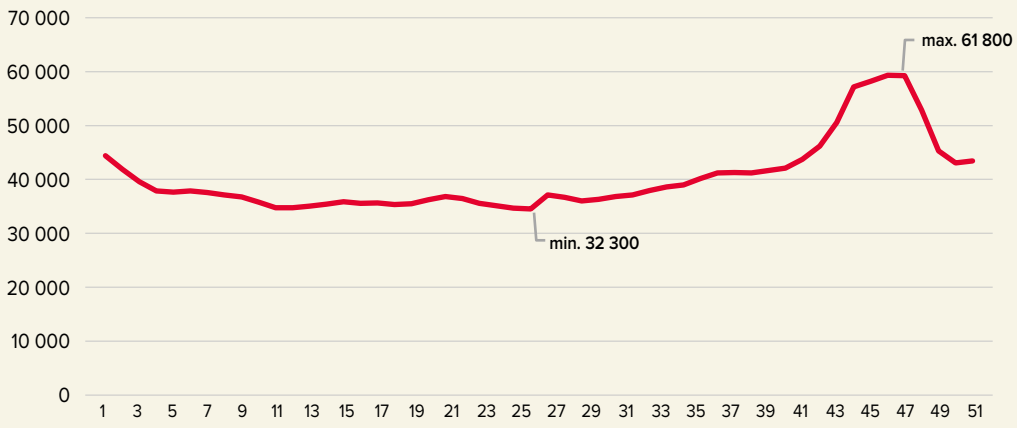
LIQUIFIED GAS

In 2023, there was a general recovery of the liquefied natural gas market compared to the previous year.

In 2023, Ukraine imported 0.962 million tons of liquefied natural gas, compared to 0.856 million tons in 2022. In the first quarter of last year, average imports were at 201.6 thousand tons per month. Starting from the second quarter and until the end of the year, they increased and amounted to 252.5-255 thousand tons per month.

The market experienced several price hikes. Starting in the second quarter, market participants were looking for something to replace the Baltic and Kazakh «blend», and imported gas prices rose in anticipation that the cost of non-Russian gas would be much more expensive. Starting from October 17, 2023, customs control over the sources of origin and import routes of oil products, especially liquefied gas, has been strengthened. Later, in December, the EU imposed sanctions on Russian LPG, but supplies from the east of the Russian mixture remain high.

Average weekly LPG prices on the Ukrainian domestic market in 2023, UAH/t

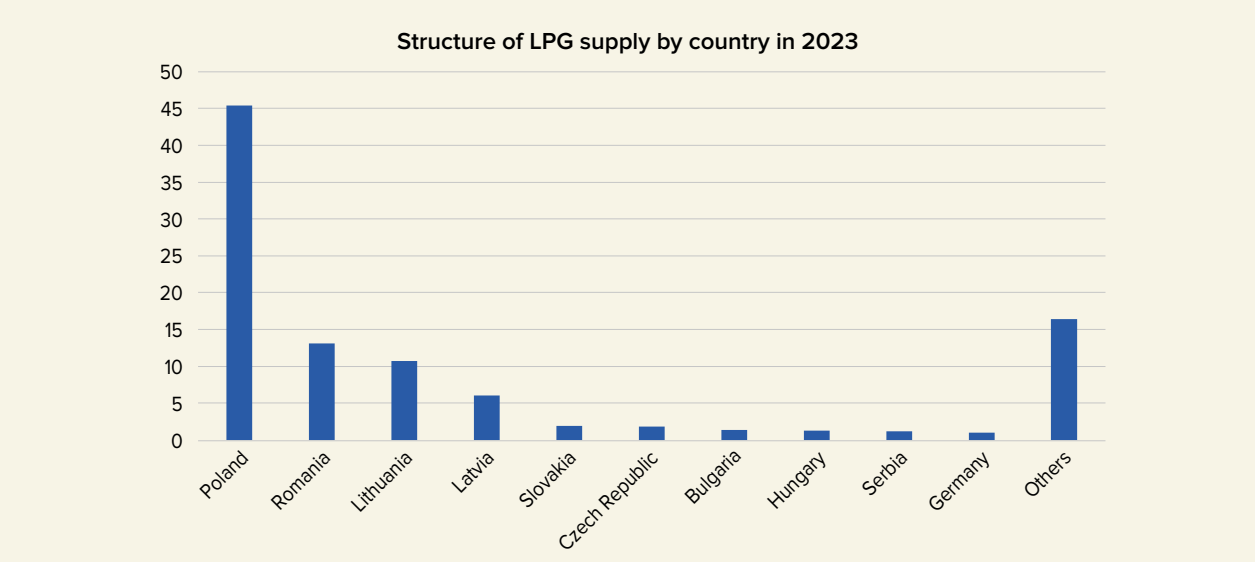


The real test at the end of the year for the Ukrainian LPG market, which had already suffered greatly due to the war, was the blocking of supplies through the Polish-Ukrainian road border crossings. Prior to the strike, the supply of trucks was decreasing due to the deterioration of the eChezha service, when the waiting time for trucks to leave the country increased to more than 10 days.

In the future, the period of strike of Polish carriers and farmers who blocked key road crossing points between

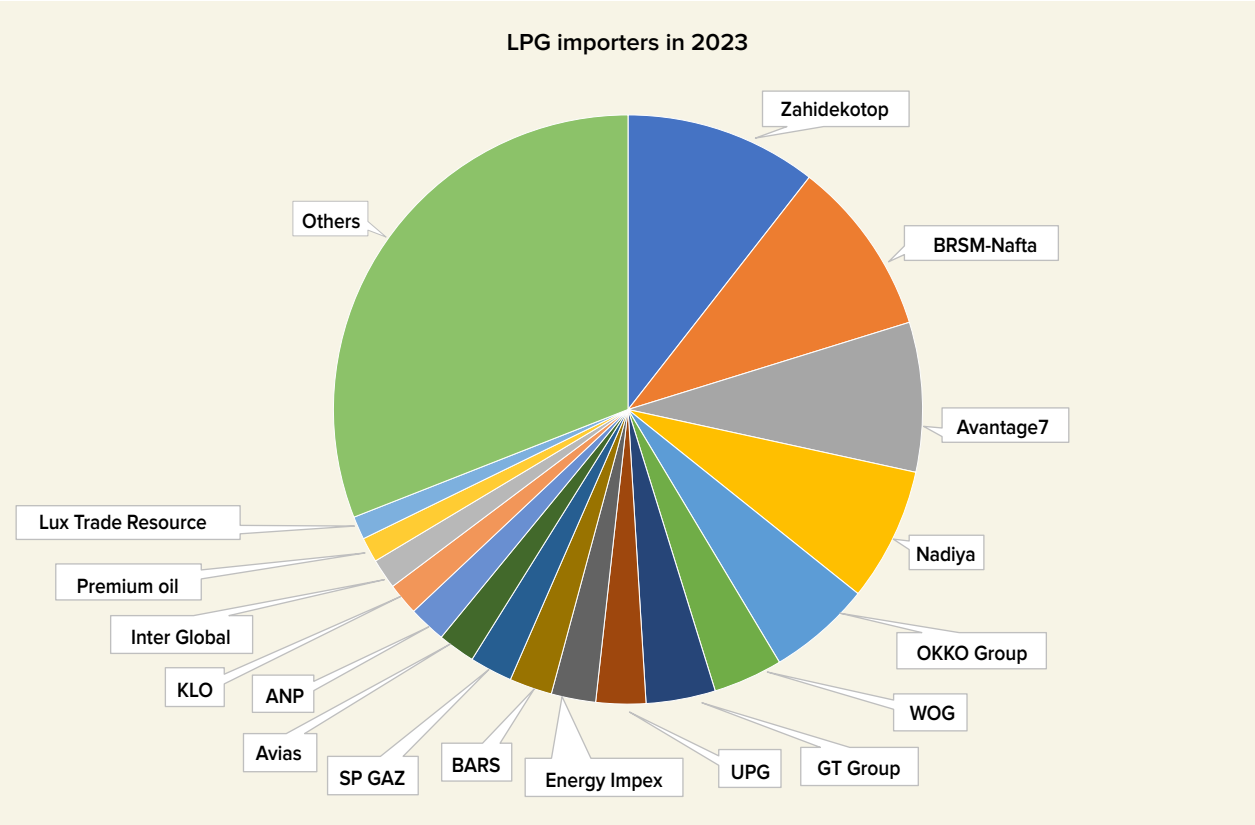
the two countries for months had a negative impact on the volume of road deliveries of liquefied natural gas from the west. As for the change in supply volumes, in 2023 they increased by 25.3% to 35.7 thousand tons per month.

Poland and Romania remained the main suppliers. LPG supplies also came from Slovakia, Germany, Bulgaria, Norway, Hungary, Serbia, Croatia, Tunisia, Moldova, Kazakhstan, the Czech Republic, Austria, Albania, and the Netherlands.



The largest volumes for the year came from the Polish direction - 44.5%. The share of Romania amounted to 12.9% for the year. The volume of supplies from Lithuania amounted to 10.5%, and from Latvia - 6% of total imports. Supplies from other countries accounted for about 11% of imports in 2023, and receipts on the Danube basis increased to 14.9%.

About 20 players consistently replenished the market with imported resources. The largest volumes were imported by the group of companies of the wholesale trader Zahidekotop - 10.8%, the supplier companies of the «BRSM-Nafta retained their market share of 9.9%, Avantage7 Group - 8.4%, Nadiya Group - 7.5%, GT Group - 5.8%.



The largest suppliers were Slovakia's VPC Trade and Romania's Vixon Gas and RND Grifon, Bulgaria's Bulmarket, Lithuania's Logistika and Naftos dujos, Polish Venor Polska and Unimot, and others. 55.2% of the resource was delivered to the market by road, 29.9% by rail, and 21.9% by sea.

UNTREATED TIMBER AND LUMBER

The regulations adopted in the pre-war years helped to ensure the development of the domestic timber market, improve and modernize timber exchange trading, and provide additional financial revenues to the forestry sector of Ukraine.

Prior to the timber market reform, there were more than 350 forestry enterprises in Ukraine - a huge number of institutions and administrative apparatus, which made the entire system inefficient.

The first stage of the reform involved the consolidation of forestry enterprises and subsequently demonstrated the significant benefits of such centralization. The second stage took place during the war: the separation of administration and management functions and the merger of more than 150 forestry enterprises into the State Enterprise «Forests of Ukraine».

The war against Ukraine launched by Russia endangers the environmental safety of thousands of people every day. It also causes significant damage to forests and other natural landscapes, and hinders forestry activities in the country. In total, since February 24, 2022, nearly 30% of forests have suffered varying degrees of damage as a result of hostilities.

It should be noted that in the occupied and de-occupied territories, heavy military equipment is being moved through the forests, military units are located in the forests, and active hostilities are taking place in 6 forests. This leads to serious disruption of forest ecosystems, as well as soil and water pollution. A full assessment of forest losses in the de-occupied territories is impossible due to the contamination of forests with explosive ordnance and potential risks to the lives of workers.

According to the operational information of the State Forestry Agency, the area of de-occupied (liberated) and active hostilities, in addition to the temporarily occupied forest lands of enterprises, institutions and organizations belonging to the sphere of management of the State Forestry Agency, is about 1 million hectares. In total, about 0.5 million hectares of forests in the government-controlled area need to be demined. The situation with explosive contamination of forests on the temporarily occupied forest lands, approximately 0.8 million hectares of forests, remains unknown.

Despite the challenges facing Ukraine, in 2023, the state forestry enterprises under the management of the State Agency of Forest Resources of Ukraine restored forests on an area of 35.2 thousand hectares. Of these, 27.4 thousand hectares were planted and sown in the forest fund, including 5.9 thousand hectares of reforestation on lands granted for permanent use (creation of new forests). Natural regeneration occurred on an area of 7.8 thousand hectares. Forest regeneration in 2023 increased by 3.1 thousand hectares (or 9.7%) compared to 2022.

In 2023, 197.5 million trees were planted by state forestry enterprises under the management of the State Forestry Agency as part of the implementation of the Green Country program of the President of Ukraine. In total, 465.0 million trees have been planted since the beginning of the program, which is 46.5% of the program's implementation.

In addition, in 2023, state-owned enterprises, institutions and organizations harvested forest seeds in the amount of 636.0 tons, which is 93.5 tons (or 28.3%) more than in 2022.

Forest certification is an assessment of the compliance of a forest management system with the established international requirements for forest management and forest use on the basis of sustainable development.

The purpose of forest certification is to ensure economically, environmentally and socially sustainable forest management by meeting relevant, generally accepted and credible standards.

According to the state specialized economic enterprise «Forests of Ukraine», as of January 01, 2024, 4.65 million hectares in 96 branches had the FSC-10 certified status. In 2023, this status was granted to 3 branches covering an area of 0.59 million hectares.

The military aggression of the Russian Federation against Ukraine in the context of the transformation of society and ongoing reforms has exacerbated the existing challenges to sustainable forest management, complicating the functioning of the forest sector and increasing the risks to the integrity of the FSC system.

Maintaining FSC certification was made possible by the active position of Ukraine's international FSC members and commitment to the values of other members of the system. The comprehensive changes made to the FSC regulatory framework in accordance with the decision regarding Ukraine allow us to continue to ensure responsible forest management in areas not affected by the military conflict and to maintain the integrity of the supply chain.

Despite the suspension of certificates in the military conflict zones, the certified area did not decrease, but even increased by 14.5% due to the extension of certificates within the united forestry enterprises to the territory that was not covered by the FSC national standard.

According to the Unified State System of Electronic Timber Accounting, the volume of liquid timber harvested from all types of logging in 2023 amounted to 15.7 million cubic meters. Of this amount, about 13.1

million cubic meters were harvested by the enterprises of the State Forestry Agency, including about 5.6 million cubic meters of roundwood, 0.4 million cubic meters of longwood, 3.9 million cubic meters of industrial wood, and 3.2 million cubic meters of non-industrial wood (fuelwood).

The structure of harvesting by species group consists of coniferous timber (7.6 million cubic meters), hardwood (4.1 million cubic meters) and softwood (1.4 million cubic meters).

Evaluating the results for 2023, we can note positive trends in timber trade with an increase in the volume of timber sold. These indicators indicate the active development of the timber market in Ukraine. The market that used to operate partly in the shadow sector is now becoming more transparent and fair. This opens up prospects for effective regulation and control in the industry, ensuring a higher level of safety for consumers and market participants. This development is a favorable condition for further growth of the timber market, and its impact is felt not only by industry players but also by the state budget.

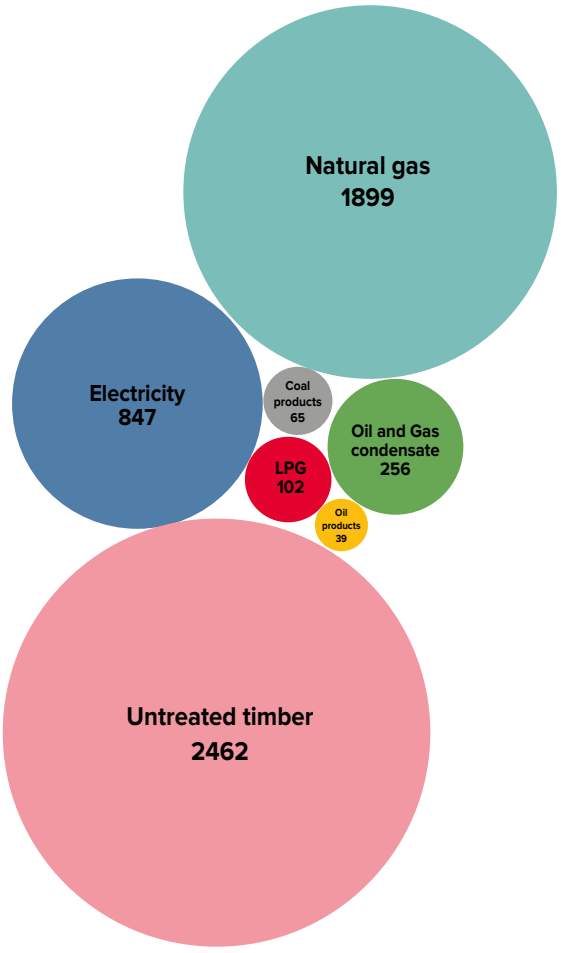
1.2. Key performance indicators of the UEEX

In 2023, the exchange held 4183 trading sessions in the form of a one-way auction and 1460 in the form of a two-way auction (in the natural gas market).

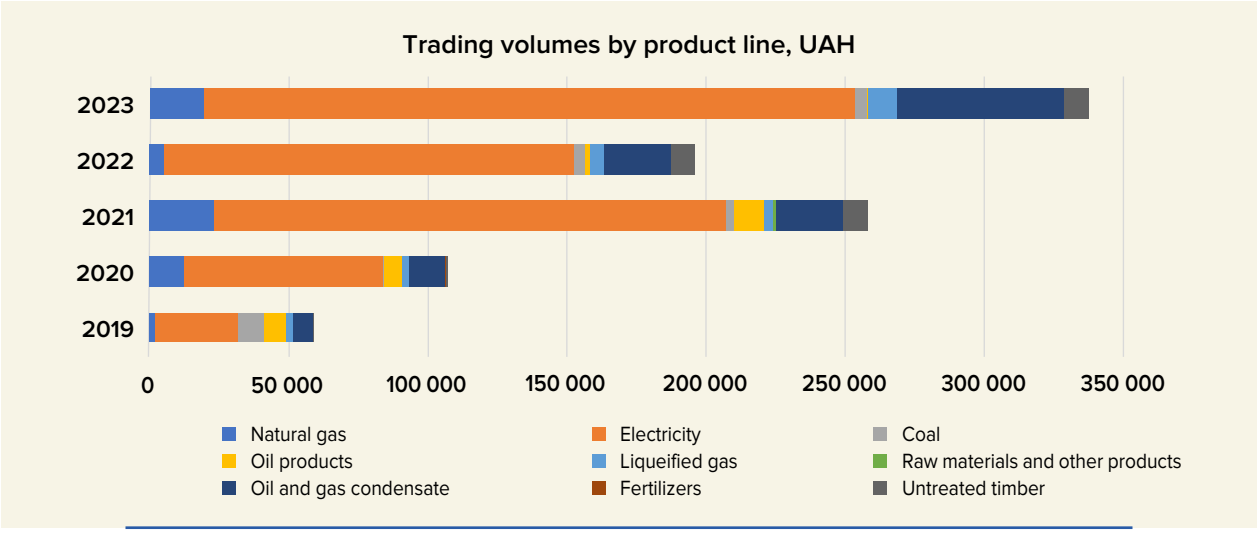
Calendar of auctions in all directions

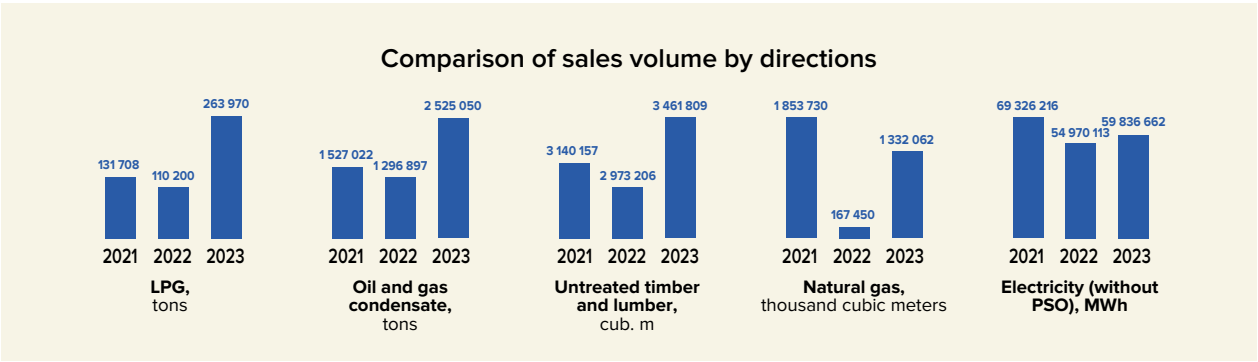
2023	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Total
January	9 5	10 5	11 5	12 6	13 7	14	15	16 8	17 17	18 12	19 14	20 8	21	22	216
	23 16	24 19	25 9	26 17	27 9	28	29	30 21	31 17						
February										1 15	2 21	3 4	4	5	329
	6 13	7 16	8 13	9 21	10 5	11	12	13 19	14 25	15 13	16 20	17 9	18	19	
	20 15	21 23	22 14	23 26	24 5	25	26	27 23	28 21						
March										1 12	2 20	3 5	4	5	442
	6 13	7 26	8 15	9 24	10 8	11	12	13 13	14 22	15 29	16 27	17 8	18	19	
	20 20	21 25	22 30	23 25	24 10	25	26	27 18	28 19	29 44	30 15	31 10			
April													1	2	263
	3 9	4 14	5 9	6 12	7 7	8	9	10 9	11 17	12 10	13 14	14 6	15	16	
	17 4	18 23	19 10	20 20	21 7	22	23	24 10	25 24	26 19	27 28	28 8	29	30	
May	1 7	2 20	3 11	4 14	5 5	6	7	8 14	9 24	10 12	11 22	12 13	13	14	381
	15 14	16 13	17 14	18 22	19 15	20	21	22 8	23 24	24 10	25 19	26 8	27	28	
	29 23	30 31	31 17												
June				1 17	2 6	3	4	5 19	6 17	7 4	8 30	9 11	10	11	339
	12 20	13 26	14 13	15 16	16 8	17	18	19 9	20 20	21 10	22 19	23 5	24	25	
	26 12	27 21	28 11	29 14	30 6										
July						1	2	3 9	4 16	5 7	6 23	7 4	8	9	253
	10 4	11 19	12 8	13 16	14 7	15	16	17 4	18 24	19 9	20 18	21 6	22	23	
	24 9	25 25	26 12	27 16	28 8	29	30	31 8							
August									1 15	2 9	3 18	4 3	5	6	318
	7 10	8 21	9 8	10 11	11 5	12	13	14 10	15 18	16 16	17 17	18 10	19	20	
	21 13	22 19	23 12	24 23	25 8	26	27	28 14	29 23	30 13	31 22				
September												1 8	2	3	387
	4 19	5 21	6 14	7 29	8 24	9	10	11 29	12 31	13 28	14 30	15 7	16	17	
	18 18	19 21	20 13	21 26	22 6	23	24	25 8	26 13	27 14	28 24	29 4	30		
October							1	2 5	3 17	4 16	5 21	6 6	7	8	365
	9 8	10 19	11 12	12 22	13 6	14	15	16 15	17 20	18 23	19 25	20 9	21	22	
	23 24	24 30	25 13	26 23	27 10	28	29	30 18	31 23						
November										1 17	2 23	3 2	4	5	462
	6 15	7 31	8 17	9 19	10 4	11	12	13 26	14 29	15 16	16 25	17 12	18	19	
	20 22	21 28	22 28	23 23	24 8	25	26	27 27	28 33	29 28	30 28				
December												1 15	2	3	428
	4 20	5 25	6 25	7 31	8 32	9	10	11 21	12 35	13 27	14 29	15 12	16	17	
	18 22	19 34	20 14	21 21	22 7	23	24	25 5	26 21	27 16	28 9	29 3	30	31	

Breakdown of auctions by directions, 2023



According to the results of all trading sessions, 59.84 million MWh of electricity, 2.53 million tons of oil and gas condensate, 263.97 thousand tons of liquefied gas and oil products, 1.33 billion cubic meters of natural gas, and 585 thousand tons of coal were sold.





In the Untreated timber and lumber segment, 2,416 auctions were held. The total sales volume amounted to 3.46 million cubic meters.

Last year, almost 12,000 exchange certificates were concluded in energy resources and electricity trading, and 228 transactions were made on the short-term natural gas market. In addition, more than 12,400 timber sale and purchase agreements were signed.

More than 3,000 exchange transactions were concluded in the area of «Trading in exchange-traded commodities included in the list of products traded exclusively on organized commodity markets» in a separate module of the electronic trading system. The volumes of oil and gas condensate sold in this area amounted to more than 200 thousand tons, and liquefied gas - 56 thousand tons. By the end of 2023, 41 companies had joined the registration of exchange transactions.

A total of 5,984 participants had access to trading on the UEEX at the end of the year, 571 more than a year ago.

Indicators	2019	2020	% growth	2021	% growth	2022	% growth	2023	% growth
Number of trading sessions*	759	1024	105,92	2270	121,68	2760	21,59	4183	51,56
Number of participants	1040	1220	17,31	5374	340,49	5413	0,73	5984	10,55
Sales of energy resources, UAH billion	58,96	105,92	79,65	256,41	142,08	194,98	-23,96	335,26	71,95

Participants of the UEEX exchange market

















ЕНЕРГОАТОМ · DE TRADING · УКРЕНЕРГО · НАФТОГАЗ ТРЕЙДИНГ · ЦЕНТРЕНЕРГО

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1.3. Main events of the exchange in 2023

January 20

The Ukrainian Energy Exchange and USAID, as part of the Energy Security Project (ESP), signed a Memorandum of Understanding aimed at creating a favorable environment for implementing reforms in Ukraine's energy sector and strengthening energy security.

30

The Ukrainian Energy Exchange has become a member of the American Chamber of Commerce in Ukraine. The ACC is an international community of leading global companies that are present in Ukraine and invest in its development.

February 28

The Ukrainian Energy Exchange has introduced identity verification through the Diia app. From now on, participants who are accredited at the exchange to participate in trading on energy markets have the opportunity to pass verification through Diia. This greatly simplifies the verification process for the participant compared to other available methods and speeds up the process of accreditation and access to trading.

April 26

Naftogaz entered the UEEX auction to buy natural gas from private Ukrainian producers. In 2023, Naftogaz purchased 962 million cubic meters of gas from private producers. This allowed private producers to sell natural gas during the ban on its export.

June 8

Starting from June 8, 2023, the Ukrainian Energy Exchange will start publishing a monthly weighted average price index in the area of «Trading in exchange-traded commodities included in the list of products traded exclusively on organized commodity markets». The indices are published for liquefied gas and gas condensate.

23

The Energy Trading Platform (ETP) software product was modernized and updated. The updated ETP software, in addition to the possibility of trading in short-term standardized products (intraday and day-ahead), provides the possibility of trading medium-term standardized products (weekly and monthly).

August 9

The UEEX and BRM signed a memorandum of understanding to further develop regional exchange trade. The memorandum outlines the commitment of both entities to assess and exploit opportunities in the energy sector, focusing on natural gas, electricity and commodities. The main goal is to improve the interconnection and harmonization of trading and clearing systems, which will facilitate smooth cross-border activities between Ukraine and Romania.

22

The prices of the Ukrainian Energy Exchange will be taken into account when determining the cost of gas for heating companies. The Government extended the Regulation on the imposition of special obligations for the provision of natural gas to heat producers and budgetary institutions until 15.04.2024. At the same time, the government stipulated that the price for Volume II (calculated as the difference between the total volume of natural gas extraction/consumption by a heat producer and the sum of Volume I and Volume III, or the total volume of supply to customers, excluding households and budgetary institutions) will be calculated using a formula based on market prices in Ukraine, which are formed on the Ukrainian Energy Exchange.

September 6

On September 6, 2023, in Warsaw, Towarowa Giełda Energii S.A. (TGE), Izba Rozliczeniowa Giełd Towarowych S.A. (IRGiT) and Ukrainian Energy Exchange Limited Liability Company (UEEX) signed a Memorandum of Understanding (MoU). The main goal of the agreement is to strengthen cooperation between the Polish and Ukrainian parties, relying on TGE Group's knowledge and experience in the stock market.

October 25

UEEX took part in the eighth Ukrainian Gas Forum: New Energy Architecture of the World and Green Transition. Oleksii Dubovskiy took part in the forum and covered the topic «Exchange trading of natural gas in Ukraine and Eastern Europe» and noted the beginning of the exchange market recovery, when various companies started to offer their resources on the exchange.

December 1

The Ukrainian Energy Exchange introduces a new electricity price index aimed at ensuring greater stability in the energy market - the Semi-Annual Baseload Index.

8

UEEX took part in the 10th SEEGAS meeting in Bucharest. The event was aimed at promoting cooperation between gas exchanges and transmission system operators to develop cross-border natural gas trade in South-Eastern Europe.

15

Oleksii Dubovskyi, Chairman of the Exchange Committee of the Ukrainian Energy Exchange, has been elected Co-Chairman of the Energy Committee of the European Business Association (EBA). The EBA Energy Committee is actively involved in the development of energy regulations and the implementation of strategies aimed at improving the investment climate in Ukraine.

19

The Ukrainian Energy Exchange launches a cross-border electricity trading platform, opening an import/export section. The launch of the project is an important step in the development of cooperation between Ukraine and the EU and Moldova in the energy sector, and will provide expanded opportunities for electricity imports on transparent terms.

2. About the Ukrainian Energy Exchange

2.1. General information

On May 18, 2021, the Ukrainian Energy Exchange, which was founded in April 2010 with the aim of creating an organized exchange market for energy resources in Ukraine, operates as the Ukrainian Energy Exchange Limited Liability Company (hereinafter referred to as UEEX, UEEX, the Exchange). The transformation of CE UEEX into UEEX LLC was carried out by the decision of the General Meeting of Members of CE UEEX, formalized by Minutes No. 3 dated 17.05.2021. Based on Articles 104, 108 of the Civil Code of Ukraine, UEEX LLC is the legal successor of all rights and obligations of CE UEEX.

The reorganization of the UEEX took place in connection with bringing the organizational and legal form of the exchange in line with the requirements of the Law of Ukraine *«On Amendments to Certain Legislative Acts of Ukraine on Simplifying Investment Attraction and Introducing New Financial Instruments»* No. 738-IX dated 19.06.2020 (hereinafter referred to as the Law No. 738-IX). This law restated the Laws of Ukraine *«On Capital Markets and Organized Commodity Markets»* and *«On Commodity Exchanges»*, which, in effect, reformed the Ukrainian exchange market in accordance with the best European standards as of July 1, 2021. The National Securities and Stock Market Commission (NSSMC) has begun to carry out state regulation of commodity exchanges, including by licensing their activities and registering their rules, acting in the manner, on the basis and within the powers defined by the Law of Ukraine *«On State Regulation of Capital Markets and Organized Commodity Markets»*.

UEEX LLC has the following licenses issued by the NSSMC in accordance with the procedure established by it:

- License No. 445 (dated 30.06.2021) for professional activities in organized commodity markets - activities for organizing trade in products on commodity exchanges;
- License No. 446 (dated 30.06.2021) for professional activities in the capital markets - clearing activities for the determination of obligations, which allows to control settlements between market participants and guarantee the execution of transactions.

The NSSMC has also registered the non-discriminatory Rules of UEEX LLC and the Rules of Clearing Activities.

The Exchange is located at: 44 Khreshchatyk St., Kyiv, Shevchenkivskyi district, 01001, Ukraine. The EDRPOU code is 37027819.

In accordance with the law, the founders of an exchange may be legal entities or individuals who are permanent members of the exchange, who have paid a share fee and have a certain number of quotas (exchange places). The authorized capital of UEEX LLC consists of the nominal value of the shares of the permanent members of the commodity exchange (founders), which amounts to UAH 51 million. The founders of UEEX LLC (permanent members of the commodity exchange) are:

BIZNES ALLIANCE LLC
Founder's EDRPOU code: 32266443
Country of residence: Ukraine
Amount of contribution to the authorized capital: 10 200 000,00 UAH
Share (%): 20.00

TAKT-BIZ LLC
Founder's EDRPOU code: 38728012
Country of residence: Ukraine
Amount of contribution to the authorized capital: UAH 35,700,000.00
Share (%): 70.00

UKRBIZNES CAPITAL LLC
Founder's EDRPOU code: 34429480
Country of residence: Ukraine
Amount of contribution to the authorized capital: 5 100 000.00 UAH
Share (%): 10.00

Oleksii Dubovskyi
Type of beneficial ownership: not direct decisive influence; 70%.

In addition to the legislatively established rules governing exchange activities, the NSSMC has implemented a number of bylaws to create regulated exchange markets that form the basis for a strong economy, its de-shadowing, and the prevention of corruption and abuse. In addition, UEEX's activities are also governed by internal regulations, the Exchange's Charter, Rules, Regulations, Procedures, Provisions, etc.

UEEX LLC is a commodity exchange operating for the purpose of sustainable economic development of Ukraine as a result of **building transparent, reliable and competitive exchange markets** in line with the strategic priorities of Ukraine's development and Ukrainian energy sector and its integration into the EU markets with the possibility of strengthening the country's energy security.

For 13 years, UEEX LLC has been an active advocate for the creation and development of an energy exchange market in Ukraine, which should result in the right price signals (exchange rate, price indicators, benchmarks, etc.). Understanding the crucial role of Ukrainian organized commodity markets in ensuring competitiveness and transparent prices, reducing risks and transaction costs for producers, traders and end users, UEEX is committed to providing a reliable market trading and clearing infrastructure to protect the integrity, increase the efficiency of trade and settlement and deepen market liquidity.

2.2. Description of the areas of activity

TRADING AND CLEARING TECHNOLOGIES

UEEX LLC has several electronic systems that provide different trading and fulfillment technologies depending on the commodity market, direction and section. All systems provide anonymity and competitive trading mechanisms, and most of them support a bilingual interface (Ukrainian/English).

UEEX LLC uses the following technical solutions to conduct trades and auctions:



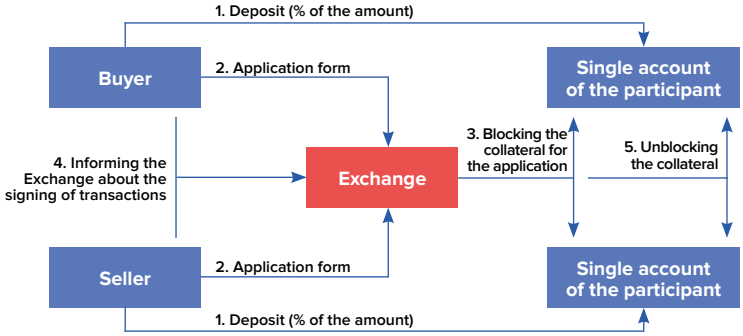
1. EXCHANGE ELECTRONIC TRADING SYSTEM (PP BETS)

It operates on a one-sided auction technology with the possibility of submitting counter bids. Most of the exchange's trades in the medium- and long-term market are conducted at PP BETS. For the vast majority of directions, PP BETS uses a **single account model** to account for guarantee deposits as a mechanism for guaranteeing the fulfillment of obligations.

The system supports trading in differentials (a premium or discount in monetary terms from the underlying quote) or odds (the amount of differentiation in relation to the underlying quote).

PP BETS trading system





2. PP BETS IN THE «ELECTRIC POWER» VERSION

It is used to manage auctions for the purchase/sale of electricity under bilateral contracts. The system supports two bidding algorithms: a unilateral counter auction and a bilateral continuous auction. The system's operation with guarantee deposits for bilateral auctions has differences, as the guarantees apply not only to the conclusion of the purchase and sale agreement, but also to its execution.

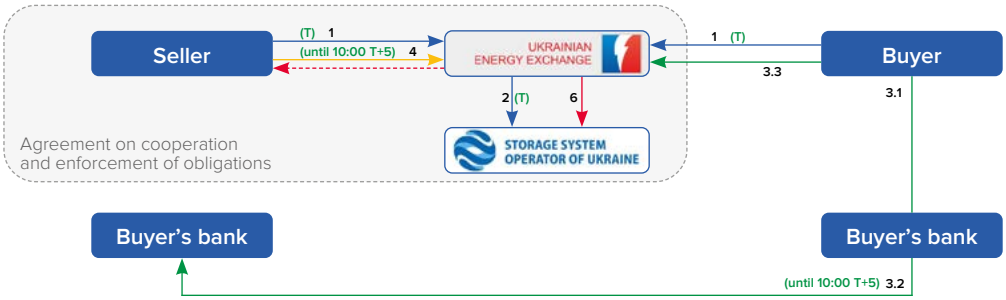
Guarantee fee

Depending on the type of security for the auction bidders' obligations, the guarantee fees are accounted for by PP BETS as:

Guarantee fee as collateral **conclusion of an electricity purchase and sale bilateral contract**	Guarantee fee as collateral **the fulfillment of obligations under an electricity purchase and sale bilateral contract**	Guarantee fee under collateral **payment of the commission fee to the Auction Organizer**
2% of the total cost of electricity specified in the application for the purchase/sale of electricity that the auction participant intends to purchase or sell	the cost of the volume of electricity for 5 (five) consecutive days of supply within the performance period specified in the application for the purchase/sale of electricity submitted by such auction participant	100% of the commission fee

3. PP BETTS IN THE «UGS» VERSION

Designed for trading natural gas stored in a gas storage facility in the customs warehouse mode. It is integrated with the information platform of the UGS operator. The mechanism of trading and fulfillment of obligations provides for preliminary blocking of gas in the UGS by the seller and guarantees of payment for the goods.



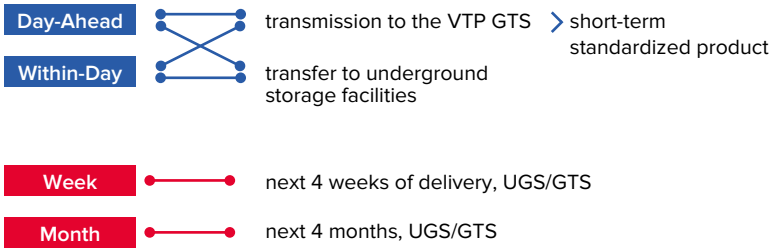
1. The parties enter into an exchange transaction on the UEEX
2. The UEEX shall send to the TSO a notice of withdrawal of the Good Faith Refusal (preliminary gas reservation) for unfulfilled and partially fulfilled applications
3. The buyer shall submit a payment order to his Bank - 3.1 for transfer of funds to the seller's account - 3.2 with simultaneous informing the Exchange about it by providing a copy of SWIFT - 3.3.
4. The seller informs the Exchange about the receipt of payment by providing a copy of the SWIFT
5. If at 10:00 T+5 clause 3.3 is fulfilled, and payment is not confirmed under clause 4, the Exchange has the right to suspend the execution of the relevant exchange transaction for 48 hours to clarify objective circumstances.
6. UEEX sends a notification to UTG TS, UTG records the transfer. In case of non-payment, the buyer's GW is transferred to the seller, and the gas blocked under the agreement is unblocked.

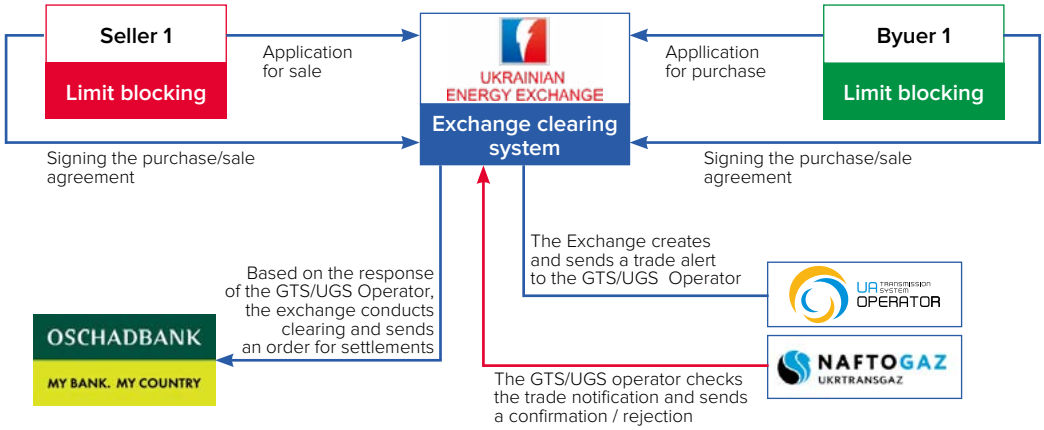
4. ENERGY TRADING PLATFORM (PP ETP)

Supports trading in standardized products on the natural gas market: short-term market (within-day and day-ahead with transmission to the DAM and UGS) and medium-term market (weekly and monthly contracts with transmission to the DAM and UGS).

The system is integrated with the information platform of the Ukrainian GTS Operator LLC (GTSOU) and the information platform of the UGS operator (Ukrtransgaz JSC) to accept and process trade notifications under concluded agreements (guaranteeing delivery) and has a clearing module integrated with the banking system to work with escrow accounts (guaranteeing payment for goods).

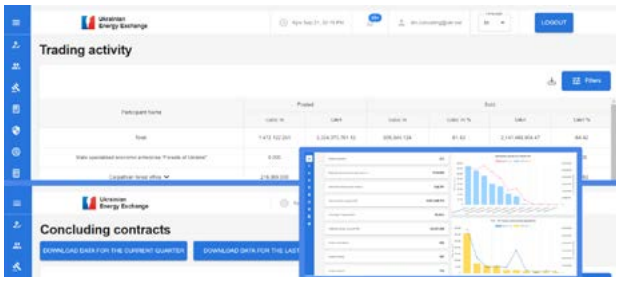


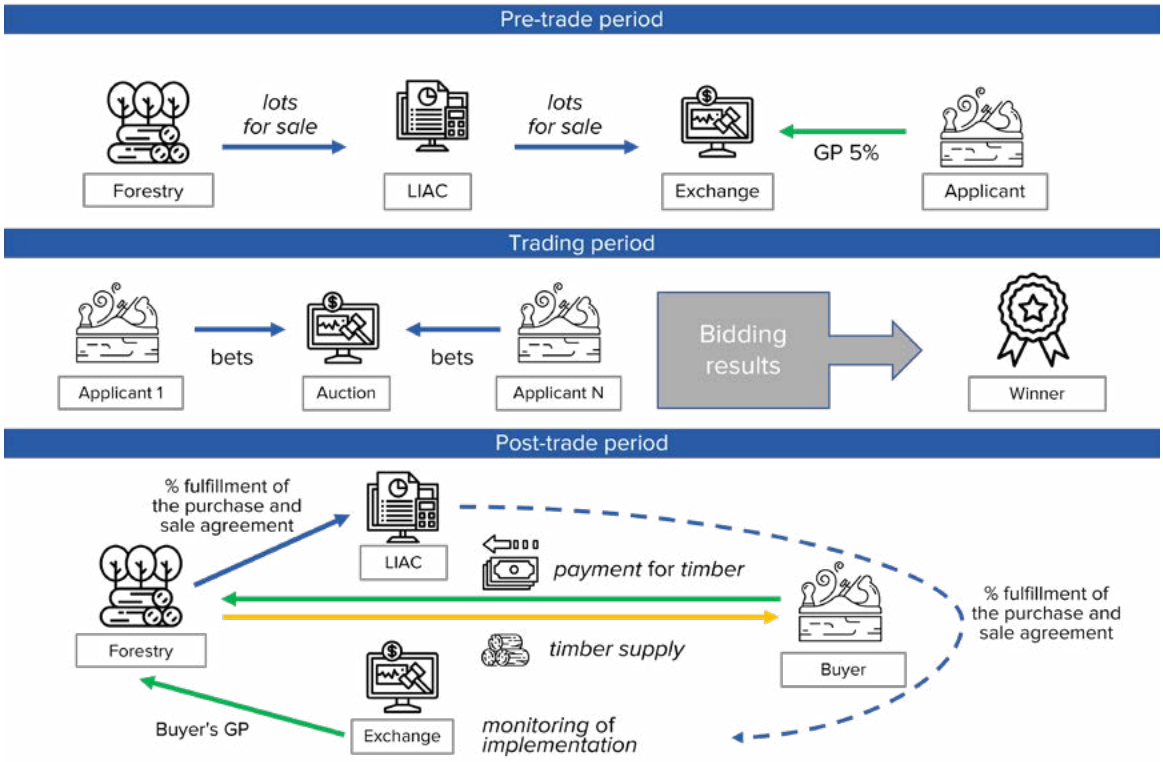




5. ELECTRONIC TRADING SYSTEM (ETS)

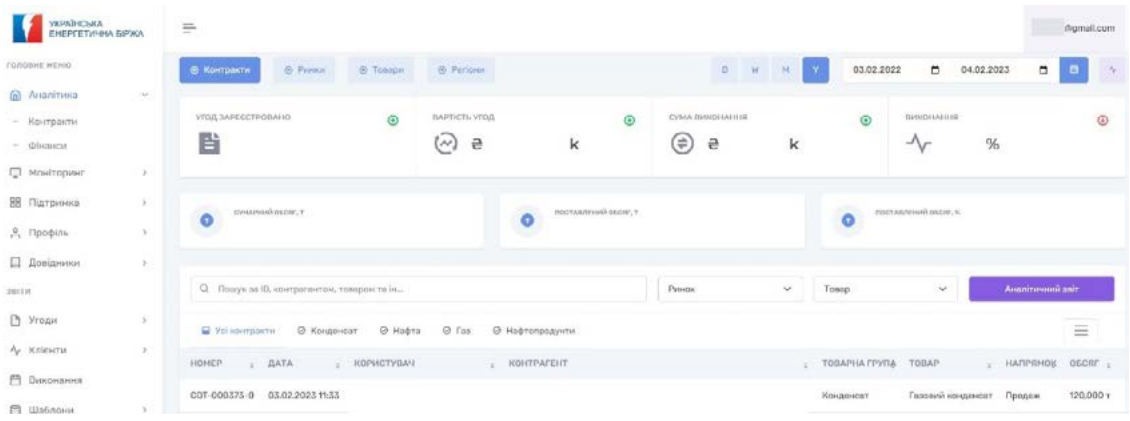
A multilateral system operating in the field of untreated timber and lumber. The system provides for bidding using various technologies (English auction, reduction auction, Dutch auction), the ability to place announcements on the OTS, generate documentation (minutes, contracts, reports), record obligations and monitor contract performance (control system), and exchange data with third-party reporting services.





6. A SEPARATE MODULE OF THE EXCHANGE'S ELECTRONIC TRADING SYSTEM (ETS)

It operates in the area of «Trading in exchange-traded commodities included in the list of products traded exclusively on organized commodity markets» and allows participants, in particular, to enter into the electronic trading system Exchange information on the essential terms of the purchase and sale agreement, recording and registration of exchange transactions and exchange agreements on exchange traded securities in accordance with such essential terms, etc.



7. ELECTRONIC PLATFORM

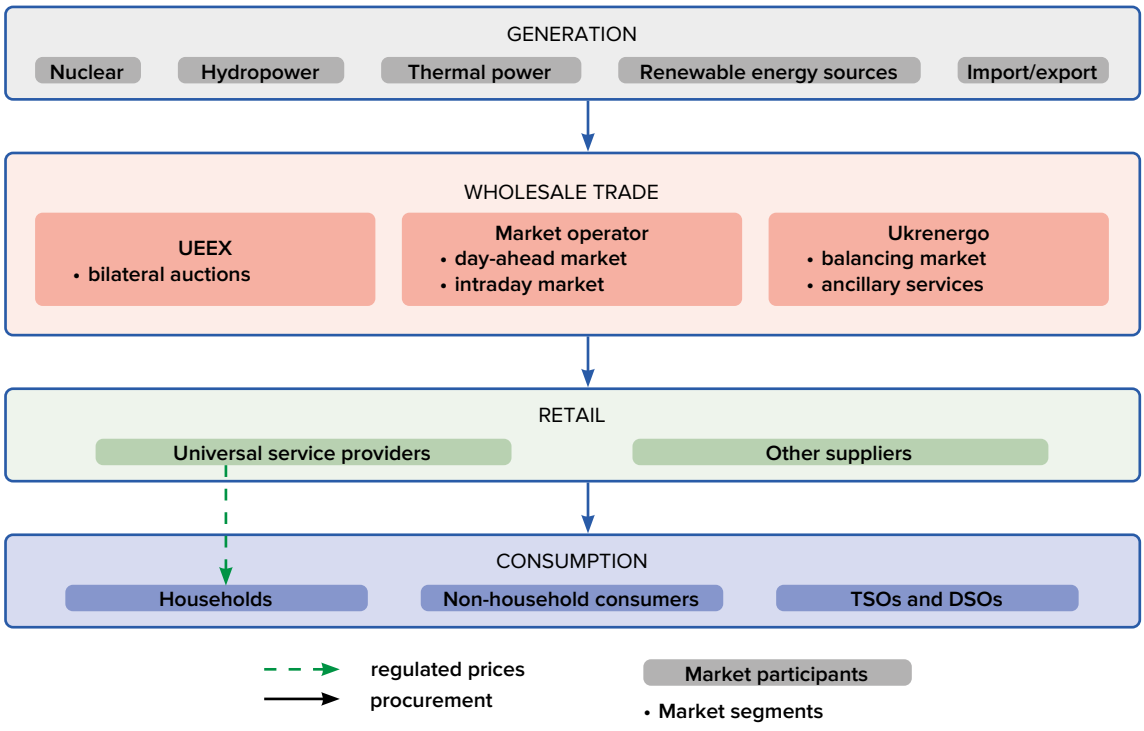
Hardware and software complex connected to the central database of ProZorro.Sale and providing the auction organizer, users and participants with the opportunity to use the services of the ETS ProZorro.Sale with automatic exchange of information on the process of conducting electronic auctions and which is separately pre-authorized in accordance with the requirements of regulations for each individual trade area.

ELECTRICITY

UEEX LLC is designated by the state as the Organizer of electronic auctions for the sale of electricity under bilateral contracts and functions as a centralized trading platform for the purchase and sale of electricity under bilateral contracts.



The wholesale segment of the Ukrainian electricity market has several segments (submarkets), and the retail market is often segmented.



The Law of Ukraine «On the Electricity Market» stipulates that market participants have the right to enter into bilateral contracts on freely negotiated terms, but with certain exceptions: producers and importers must sell certain volumes (10%) on the DAM and producers may sell electricity under bilateral contracts only at electronic auctions.

Thus, Article 66 of the Law stipulates the obligation of producers (except for electricity producers who have been set a «green tariff» and electricity producers who have acquired the right to support based on the results of the auction) to sell electricity under bilateral contracts at electronic auctions, the procedure for which is approved by the Resolution of the Cabinet of Ministers of Ukraine of June 5, 2019, No. 499 «*On Approval of the Procedure for Conducting Electronic Auctions for the Sale of Electricity under Bilateral Contracts and the Procedure for Selecting Organizations in 2019, the Ukrainian Energy Exchange received the right to conduct such auctions for the sale of electricity on the bilateral contracts market*» (hereinafter-Resolution N° 499). Ukrainian Energy Exchange got the right to conduct auctions on the sale of electricity on the bilateral contracts market in 2019 (hereinafter BCM) based on the results of a competitive selection process in accordance with the Procedure for the selection of organizers of electronic auctions for the sale of electricity under bilateral contracts.

According to Resolution No. 499, monitoring of auctions at UEEX is carried out by the Auction Com-

mittee, consisting of representatives of the Ministry of Energy, NEURC, Ministry of Economy, AMCU and electricity producers. The Auction Committee also monitors compliance by the auction participants and the Exchange with the auction rules, prevention of unfair competition, compliance with the requirements of the electricity market in terms of organizing and conducting auctions, approves the auction rules and amendments thereto developed and approved by the auction organizer, develops and submits recommendations to the Exchange on measures aimed at supporting fair competition, determines the forms and technologies of the auction.

Thus, UEEX LLC may conduct auctions for

for the sale of electricity by producers exclusively within the rules established by Resolution No. 499 and the relevant Exchange Regulations, which are also approved by the Auction Committee.

In general, the types of auctions for electricity trading electricity auctions held at the UEEX are divided into:

- **Specialized sections** are held in accordance with Resolution No. 499;
- **Commercial section**s — are held for all those who wish to participate outside of legal obligations;
- **Import/export section** — for cross-border electricity import/export operations.

The UEEX offers two trading technologies for its auctions: unilateral counter auctions and bilateral continuous auctions. In a one-sided auction, initiators (sellers and/or buyers) place their bids (positions) for bidding, and an unlimited number of participants can compete for lots of these positions at the auction. In a bilateral continuous auction, trading is carried out in standardized products, there is no single initiator, and an unlimited number of sellers and buyers can participate simultaneously.

SPECIALIZED SECTIONS				COMMERCIAL SECTIONS	IMPORT\EXPORT SECTION
REGULATED PRICES		MARKET PRICES			
UNILATERAL COUNTER AUCTION					
		BILATERAL COUNTER AUCTION			
Auctions for the implementation of Article 62 of the Law (PSO) Special session	**Special session on the sale of lot packages**	**Auctions for the implementation of paragraph 6 of Part 2. Art. 66 of the Law**	**Special session for the sale of electricity produced from alternative energy sources**	**Commercial section**	**Auctions for purchase and sale of electricity for further import/ export**
PARTICIPANTS - SELLERS					
State producers who are entrusted with special obligations - Energoatom, Ukrhydroenergo	State, municipal, private producers. Other sellers, on a voluntary basis	Producers and others, on a voluntary basis (Guaranteed Buyer for bilateral counter auction).	Guaranteed Buyer	In accordance to the Regulations UEEX LLC - Electricity suppliers, traders	**Import:** · Non-resident legal entities intending to sell electricity. **Export:** · Participants of the electricity market of Ukraine who intend to sell electricity, except those limited by legislation;
PARTICIPANTS - BUYERS					
Providers of universal services DSO	Legal entities whose 100 percent of shares belong to the state Licensees for railway transportation	Electricity suppliers Traders Consumers TSO DSO Guaranteed Buyer	Electricity suppliers Traders Consumers TSO DSO	Guaranteed Buyer TSO DSO Electricity suppliers Traders Consumers Other wholesale market participants	**Import:** · Participants of the electricity market of Ukraine who intend to purchase electricity, except those limited by legislation; **Export:** · Non-resident legal entities intending to purchase electricity.

Thus, electricity trading on the UEEX is regulated by such internal regulations:

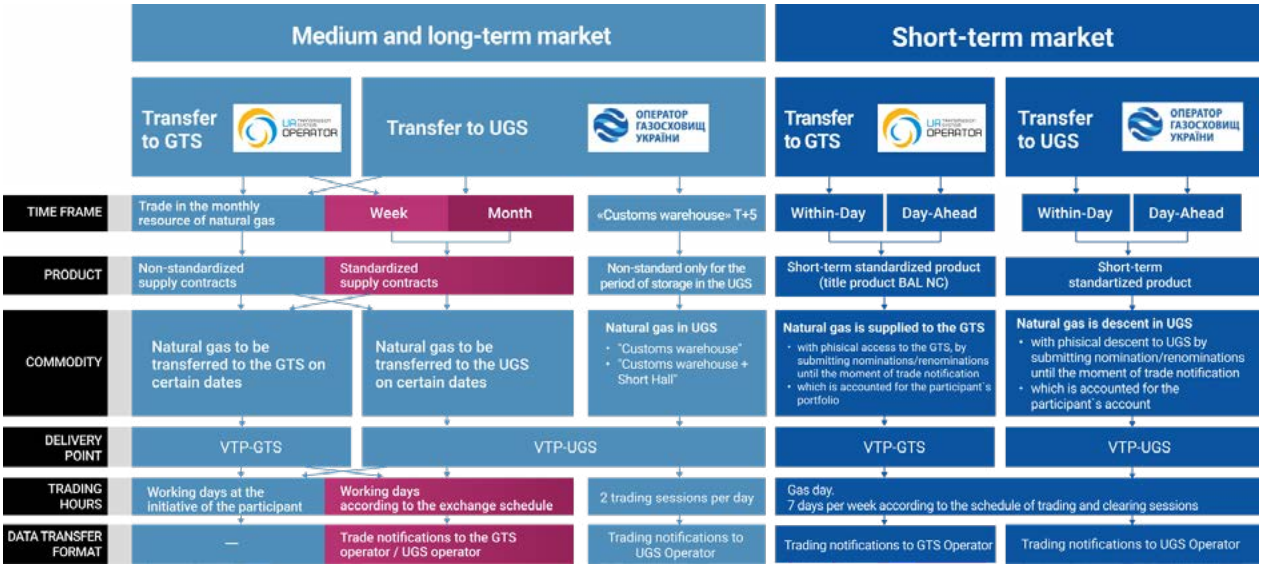
Specialized sections	Regulations on the organization and conduct of an electronic auction for the sale of electricity on the commodity exchange - Ukrainian Energy Exchange LLC.
	Regulations on the organization and conduct of electronic auctions for the purchase and sale of electricity under bilateral contracts using the technology of bilateral continuous auction on the commodity exchange - Ukrainian Energy Exchange LLC.
Commercial sections	Regulations on the organization and conduct of electronic auctions for the purchase and sale of electricity under bilateral contracts in the commercial sections of the Ukrainian Energy Exchange LLC.
Section import/export section	Regulations on the organization and conduct of an electronic auction for the purchase and sale of electricity for further import/export on the commodity exchange - Ukrainian Energy Exchange LLC.

NATURAL GAS

UEEX LLC is a trading platform within the meaning of EU Regulation 312 and the GTS Code of Ukraine, managing the short-term natural gas market (within-day and day-ahead markets) and the largest organized medium- and long-term exchange market for native gas.



UEEX LLC organizes natural gas trading in 2 areas: **the medium- and long-term market and the short-term market.**



Until recently, **the medium- and long-term market** was traded in the PP BETS using non-standardized contracts based on the one-sided counter auction technology, i.e., when position initiators can set some individual parameters of their orders and attach their own draft purchase and sale agreement.

As part of UEEX's focus on standardization, in 2023, 2 new medium-term standardized products (weekly and monthly) were launched, traded using the continuous trading technology in the PP ETP trading system.

Due to the restrictions on cross-border currency transactions established by the Resolution of the Board of the National Bank of Ukraine (NBU) No. 18 dated 24.02.2022 «On the operation of the banking system during the period of martial law restrictions on currency transactions», in 2023 UEEX LLC was forced to temporarily suspend the operation of the UGS - Customs Warehouse section, as this made it impossible to use the guarantee deposit as a penalty under the section's bidding mechanism.

This section was created by UEEX LLC together with the Gas Storage Operator to enable customers of gas storage services in UGS facilities (primarily non-residents, since this is the only opportunity for them to trade natural gas in Ukraine without the appropriate registration of their company). to trade in two products: natural gas stored in UGS facilities under the customs regime of «customs warehouse» and natural gas stored in gas storage facilities under the customs regime of «customs warehouse» on the basis of one-time use of capacity with restrictions («short-haul»).

Such a mechanism would have been an important element in the restoration of the Ukrainian gas market in the postwar period, as it would have allowed non-residents to trade gas in Ukraine rather than re-export it from Ukrainian gas storage facilities.

The **UEEX short-term natural gas market** trades in standardized products in the ETP system:

- short-term standardized products (within-day (WD) and day-ahead (DA) with transmission to the GTS);
- within-day (ID) and day-ahead (DA) with transmission to UGS facilities.

The exchange provides facilitated clearing for its short-term transactions, as the ETP software is integrated with GTS and UGS operators to exchange trade notifications for gas transmission and integrated with a bank to work with escrow accounts to ensure payment for the goods.

This section is also used by participants for the purpose of daily balancing in accordance with the requirements of the GTS Code of Ukraine. The GTS Operator shall participates in trading in short-term stan-

dardized products at UEEX to balance the GTS and in accordance with the results of the competitive selection of the trading platform. UEEX LLC also received the NEURC's approval of its rules and regulations for compliance with the GTS Code (since, according to the Law of Ukraine «On Amendments to Article 3 of the Law of Ukraine «On Public Procurement» regarding the purchase of natural gas», the exchange where state-owned enterprises can balance their portfolios (including GTSOU) must comply with the requirements of the GTS Code). Starting from January 2022, the NEURC agreed to use the indicators of the UEEX trading platform to calculate the payment for gas imbalances (marginal prices) in accordance with paragraph 9 of Chapter 6 of Section XIV of the GTS Code.

Natural gas trading on the UEEX is governed by the following internal regulations:

Specialized sections	Natural gas (medium-term market); Natural gas - differentials	Regulations for conducting electronic exchange trading on the commodity exchange - Ukrainian Energy Exchange LLC.
	Standardized products	Regulations on exchange trading of standardized products in the natural gas market using the trading platform of the commodity exchange - Ukrainian Energy Exchange LLC.
Commercial sections	UGS - Customs warehouse	Regulations for exchange trading in natural gas stored in gas storages in the customs regime of «customs warehouse» on the commodity exchange - Ukrainian Energy Exchange LLC.
Short-term market		Regulations on exchange trading in the short-term natural gas market using the trading platform of the commodity exchange - Ukrainian Energy Exchange LLC.

LPG OIL AND GAS CONDENSATE





As Ukraine has reformed its commodity exchange market and introduced transparent regulation and control, at the end of 2022, Article 4[1] of the Law of Ukraine *«On Oil and Gas»*, which clarified the mandatory sale of state-owned crude oil, gas condensate and liquefied gas at exchange trading. Prior to that, this law contained a provision on auctions held in accordance with CMU Resolution No. 570 of 16.10.2014 *«On the organization and conduct of exchange auctions for the sale of crude oil, gas condensate of own production and liquefied gas»* (the resolution expired on 28.03.2023).

Currently, in accordance with Article 41 of the Law of Ukraine *«On Oil and Gas»*, enterprises with a state share in the authorized capital of 50% or more, business entities with 50% or more shares in the authorized capital of other business entities in which the state is a shareholder and holds a controlling stake, as well as subsidiaries, representative offices and branches of such enterprises, participants in joint venture agreements sell **crude oil** and gas condensate of their own production (except for volumes used for their own technological needs), **as well as liquefied natural gas of their own production at the exchange trading.**

In accordance with part five of Article 5 of the Law of Ukraine *«On Capital Markets and Organized Commodity Markets»* the CMU adopted Resolution No. 1433 dated December 30, 2021 *«On Approval of the List of Products Exclusively Traded on Organized Commodity Markets»* (hereinafter - Resolution No. 1433) with subsequent amendments, according to which, in particular, crude oil and gas condensate of domestic production, domestic liquefied natural gas and liquefied petroleum gas were included in this list of exchange-traded products.

Thus, in order to create conditions for the implementation of the above regulations, UEEX LLC has sections

that allow the sale of oil, gas condensate and liquefied gas to state producers in accordance with Article 41 of the Law of Ukraine *«On Oil and Gas»* to carry out exchange trading of these products to all other market participants (including private producers), and to trade exchange-traded commodities separately, included in the list of products traded exclusively on organized commodity markets.

Trading in liquefied gas, oil and gas condensate at the UEEX is governed by the following internal regulations:

Oil and gas condensate; Liquefied natural gas	Regulations for conducting electronic exchange trading on the commodity exchange - Ukrainian Energy Exchange LLC
Trade in products carried out exclusively on organized commodity markets	Trade in products carried out exclusively on organized commodity markets Regulations on the organization of trade in exchange-traded commodities included in the list of products traded exclusively on organized commodity markets.

OIL PRODUCTS



Before the start of the large-scale war, UEEX was actively trading in gasoline, diesel fuel, bitumen and other refined products, in particular, Ukrgasvydobuvannya JSC sold its oil products at UEEX. The barbaric attacks by Russian aggressors on Ukraine's oil refining infrastructure have caused devastating damage and forced the state to completely reorient itself to alternative mechanisms of fuel security.

Such flows are still a desirable target for the occupiers, which is why the publicity of fuel trade poses great risks in times of war.

The Ukrainian oil market is currently more than 85% dependent on imports, as the key refinery, the Kremenchuk refinery, has been repeatedly attacked by Russian missiles since March 2022. The Shebelynka gas processing plant stopped processing in early 2023. Given the new realities of the domestic oil refining system, the demand for oil for further production of oil products has fallen significantly. The market has fully adapted to the new conditions with imported «resources on wheels»: amid declining demand, logistics chains have recovered and there were enough oil products to meet the needs of the domestic market, primarily diesel fuel, which was imported by 23% more compared to 2022.

Electronic exchange trading in oil products at UEEX LLC are conducted in accordance with the Rules of Electronic Exchange Trading at the UEEX LLC and using the technology of unilateral counter auction in the BETS, including the possibility of opening sessions for export and import, trading in differentials and coefficients.

UNTREATED TIMBER



UEEX LLC is a leader in the trade of untreated timber and lumber, which became possible after the creation of a legal framework for the functioning of organized commodity markets.

For a long time, the government has been striving to make timber trading operations transparent and competitive. There have been several unsuccessful attempts to reform the market, however, the transition of timber trade to organized commodity markets (commodity exchanges) took place only with the entry into force in July 2021 of the new version of the Laws of Ukraine *«On Capital Markets and Organized Commodity Markets»* and *«On Commodity Exchanges»*, which, in particular, stipulate that exchangeable commodities in the organized commodity market are products and other things defined by generic characteristics, including wood.

The development of commodity markets and, in particular, the timber market was one of the points of Ukraine's Memorandum with the IMF. The State Forestry Agency (a central executive body that implements state policy in the field of forestry and hunting and operates about 73% of all forests in Ukraine) adopted the state's position to ensure the elimination of corruption

in timber trade and the formation of an organized market, and in this regard, forestries (forestry enterprises that are subordinated to the State Forestry Agency) began to sell their products through licensed and state-controlled commodity exchanges. The NSSMC and the State Forestry Agency signed a memorandum on consolidating efforts to create the preconditions for the effective development of organized timber markets and ensure their transparency.

Other forestry enterprises have also started selling their products through licensed commodity exchanges. This was facilitated by the adoption of CMU Resolution No. 1433 to ensure fair pricing on the timber market. The positive dynamics of exchange trading's impact on the timber market, and in particular the fact that exchange trading has clearly demonstrated its effectiveness for sellers and the state as a whole, continues to have a positive impact on market liquidity.

UEEX LLC operates two sections in the trade area «Untreated timber and lumber»: «Electronic auctions for the sale of untreated timber/firewood» and «Electronic auctions for the sale of lumber», where non-resident participants are allowed to bid, among other things. Bidding is conducted in the ETS ets.ueex.com.ua using the technology of a one-sided auction, when the initiator sells (auction for sale, Dutch auction) or buys (auction for purchase) untreated timber/firewood/lumber on the terms of competitive counter offers (purchase orders or sale orders) from other bidders.

The Ukrainian Energy Exchange not only trades in untreated timber, but also monitors the entire cycle of the resource's sale, as sometimes the parties to a contract have disputes over the quality of wood and the process of its shipment. To resolve them, UEEX provides a post-trade service involving exchange agents in the regions. After a joint inspection of the consignment by the parties, a relevant act is drawn up. Such measures improve communication between the seller and the buyer, help resolve disputes, ensure transparency, fairness and openness of trading and fulfillment of the terms of the agreements concluded by the parties.

Electronic exchange trading in untreated timber and lumber by UEEX LLC is conducted in accordance with the Regulations on the organization and conduct of exchange trading in the purchase and sale of untreated timber wood and sawn timber on the commodity exchange - Ukrainian Energy Exchange LLC.

COAL PRODUCTS



One of the goals of the Strategy of UEEX LLC until 2030 in the context of the strategic direction «Transition to a low-carbon economy» is to reduce the volume of coal trading at UEEX LLC as the exchange trade in alternative fuels develops.

Exchange trading in coal products at UEEX began in 2011, when the Exchange was selected as the winner of the tender (one of four commodity exchanges) and authorized to conduct electronic exchange trading in the purchase and sale of coal products in accordance with the Order of the Ministry of Economic Development and Trade of Ukraine No. 723 dated 19.06.2012 and the Order of the Cabinet of Ministers of Ukraine No. 1070-p dated October 26, 2011. No. 1070-p «On Approval of the Concept of Transition to the Exchange Form of Coal Sales».

On 22.07.2022, the CMU adopted Resolution No. 838 «On Approval of the Regulation on the Imposition of Special Obligations on the Transmission System Operator to Ensure Public Interest in the Functioning of the Electricity Market», which was in effect until June 1, 2023 and provided for the use of interest-free repayable assistance from NPC Ukrenergo to purchase coal at market price for TPPs and CHPs by SE Ukrvuhillya. The market-based pricing mechanism was ensured through electronic exchange trading, which motivated other participants to join such an organized market. Coal products are traded using the technology of a one-sided counter auction at the BETS and in accordance with the Rules of Electronic Exchange Trading at the commodity exchange, Ukrainian Energy Exchange LLC.

RAW MATERIALS AND OTHER PRODUCTS. FERTILIZERS



UEEX's systems provide opportunities for trading a wide range of commodities, including methanol and fertilizers.

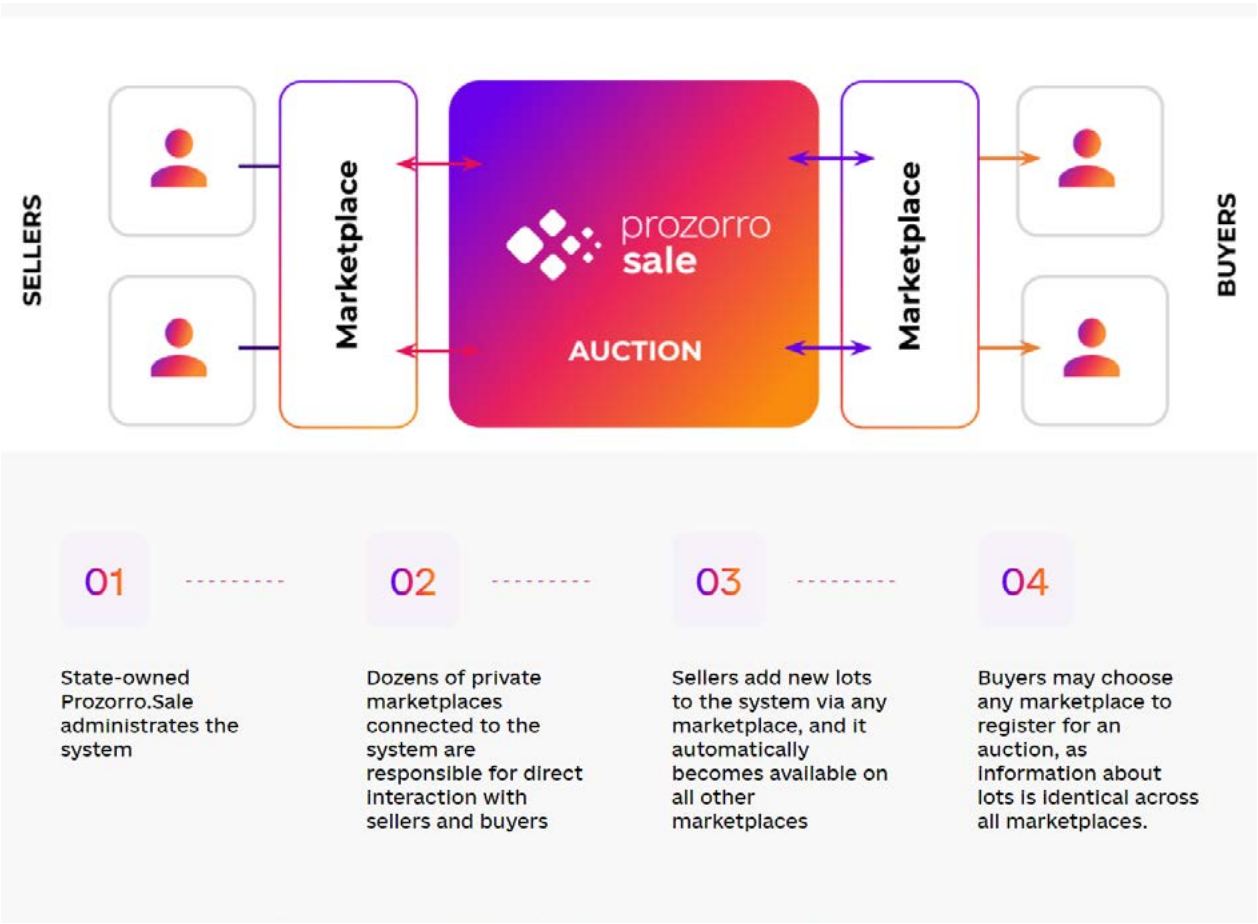
Electronic exchange trading is conducted at the BETS using the technology of a one-sided counter auction in accordance with the Rules of Electronic Exchange Trading at the commodity exchange - Ukrainian Energy Exchange LLC. Legal entities and resident/non-resident individual entrepreneurs who have such a right under the current legislation of Ukraine and have acquired the status of a non-permanent member of the exchange may participate in electronic trading.

PROZORRO.SALE



The Ukrainian Energy Exchange has been a part of the ProZorro.Sale project since 2017 and remains among the leading platforms in terms of revenue from property sold.

The Prozorro.Sale ETS was created at the initiative of the Ministry of Economy, Transparency International Ukraine, the Deposit Guarantee Fund, the NBU and operators of Ukrainian electronic platforms. The Prozorro.Sale system is two-tiered, i.e., Prozorro.Sale JSC administers the ETS system itself, which is connected to several dozen platforms that support auction buyers and sellers.



The first assets to be sold in the system were those of liquidated banks, and gradually other areas were added, budgetary institutions began selling goods and services in the system, new segments were opened, and the number of accredited platforms grew. Through the system of electronic auctions, citizens and businesses get access to unique assets owned by the state:

- Privatization of state and municipal property
- Lease of state and municipal property
- Bankruptcy
- Special permits for the use of subsoil
- Property and assets of banks in liquidation
- Land auctions
- Use of aquatic bioresources and use of inland sea waters
- Sale and lease of property of state joint stock companies
- Sale of goods that have not passed customs control

Auctions are held in accordance with the applicable regulations approved by orders of JSC ProZorro. Sale» (available at https://sale.ueex. com.ua/reglament.aspx), as well as in accordance with other regulatory acts, in particular the Law of Ukraine «On Privatization of State and Communal Property», the Cabinet of Ministers of Ukraine *«On Approval of the Procedure for Holding an Auction (Electronic Bidding) for the Sale of Special Permits for Subsoil Use»* and others.

2.3. UEEX strategy and the level of fulfillment of strategic goals in 2023

The vision, mission, values and strategy of UEEX LLC are set out in the Management Strategy of Ukrainian Energy Exchange LLC until 2030, which is published on the Exchange's official website.



The UEEX strategy defines a number of manageable priorities. By implementing its strategy, UEEX LLC demonstrates a sustainable interest and readiness to take the lead in building communities and coalitions of advocates for economic efficiency and de-shadowing of trade, green transition, energy independence and fair market pricing.

The UEEX Strategy has five main directions and is a roadmap for their implementation. The Strategy's directions are revealed by the strategic goals and relate to the development of the UEEX's role in the Ukrainian economy and the transformation of the Exchange's internal environment.

Direction of the strategy	Strategic goal	Measures of provision in 2023
European integration and ensuring efficient operation of energy markets	**Introduction of cross-border exchange trading in natural gas and electricity. Interconnection (unification) into a single EU gas and electricity exchange market**	• The electricity import/export section was launched; • Working groups were established under a memorandum with TGE and IRGiT and a memorandum with BRM to develop regional trade and clearing; • Participation in the development of legislation and support for the implementation of a competitive model for the appointment of a nominated market operator for market coupling in Ukraine; • Participation in the SEEGAS project and elaboration of a joint concept for the development of regional partnership.
	Standardization of exchange-traded products, trading and clearing mechanisms, unification of EU standards	• A USAID Memorandum was signed under the Energy Security Project (ESP), which, in particular, provides for assistance in developing an operating model for clearing and settlement of accounts for the segments of the wholesale electricity and gas markets, assistance in developing standardized physical and financial (forwards) products for the wholesale electricity and gas markets. The relevant work has begun; • Medium-term (weekly and monthly) products were launched in the natural gas market; • Launch of natural gas trading as a standardized day-ahead product with a transfer point to the UGS facilities; • Developing a roadmap for the development of standardized products and clearing within SEEGAS.

Direction of the strategy	Strategic goal	Measures of provision in 2023
European integration and ensuring efficient operation of energy markets	Implementation of mechanisms to ensure integrity and transparency on the wholesale energy market	• The memorandum with USAID also provides for assistance and support in promoting best practices in reporting (reporting) in accordance with EU Regulation No. 1227/2011 on the reliability and transparency of the wholesale energy market REMIT. The relevant work has been started; • Amended the Memorandum with the NEURC to improve information interaction for the effective development of transparency on the electricity and natural gas markets and improved the relevant reporting mechanisms within the transitional period to fully implement the requirements of the Law of Ukraine «On Amendments to Certain Laws of Ukraine on Prevention of Abuse in Wholesale Energy Markets» No. 3141-IX dated 10.06.2023 (hereinafter - REMIT); • The mechanisms of reporting to the NSSMC were improved to ensure further effective interaction between the two regulators in the framework of REMIT implementation; • Participation in the development of bylaws in accordance with REMIT; • A concept product of reporting systems as a data transfer administrator (hereinafter referred to as RRM) was developed; • Work has begun on the acquisition of a surveillance system and procedures for detecting violations on an organized trading platform in accordance with REMIT; • Improved visualization of public information on the website.
	Increasing competition on the UEEX exchange market	• Continuous work to increase the number of bidders; • A technical support line for foreign clients was introduced; • No increase in tariffs for customers; • Digitalization and optimization (simplification) of organizational processes in customer relations.
	Creating a gas hub in Ukraine on the basis of the UEEX	• A project has been launched to launch medium-term standardized products that will be executed through the UEEX; • The NBU is working with stakeholders and the NBU to ease currency regulations regarding the participation of non-residents in exchange trading (transactions with guarantee deposits and expedited approval of payments under foreign economic contracts); • Work to popularize the idea of introducing mechanisms to support the initial liquidity of organized trade (Gas Release Programs) in Ukraine.
	Formation of indices of Ukrainian prices for commodities recognized for use outside the country	• In cooperation with USAID ESP, the Project engaged EY to improve the practice of developing and managing energy indices in Ukraine within the framework of the project «Analysis and Development of a Comprehensive Methodology for Indexing Energy Markets in Ukraine» and started the relevant work; • A new Semi-Annual Base load Index was launched to complement the already published Monthly and Quarterly Baseload Indexes; • Inclusion of the UEEX price indicators in the CMU Resolution No. 812 of July 19, 2022 to calculate the price of gas for heat producers other than households and non-budget organizations; • Methodologies have been developed for calculating integrated indicators (DAM and BCM) for electricity prices; • Work was started with international pricing agencies to popularize the UEEX price indices.
Transition to a low-carbon economy	Launch of trade in biogas and biomethanol/biodiesel	• Analytical studies of the prospects for launching an exchange market in these segments have been conducted, and the market is constantly monitored to track trends and opportunities for exchange trading.

Direction of the strategy	Strategic goal	Measures of provision in 2023
Transition to a low-carbon economy	Launching the market for solid biofuels and agrobiomass	• We started cooperation with the State Agency on Energy Efficiency and Energy Saving to create a transparent and competitive biofuel market; • Drafts of legislative initiatives have been developed to support the formation of exchange markets for alternative fuels.
	Launch of trading in derivatives and contracts for difference	• The attractiveness of the product for renewable energy producers and potential buyers has been assessed, and ongoing monitoring is being conducted to assess the prospects for launching the market.
	Launch of trade in guarantees of origin	• Participation in projects aimed at developing a regulatory framework to ensure the market's operation; • Support for initiatives to recognize Ukrainian guarantees of origin for electricity and synthetic gases produced from renewable energy sources (RED II Directive stipulates that «Member States shall not recognize guarantees of origin issued by a third country unless the EU has concluded an agreement with that third country on the mutual recognition of guarantees of origin issued in the EU and compatible systems of guarantees of origin established in that third country and only where there is a direct import or export of energy»).
	Launch of the emissions trading system	• To avoid the CBAM tax, one of the conditions for Ukraine is that it will have to launch an ETS for electricity by January 1, 2030, with price parity with the EU ETS. UEEX LLC is constantly monitoring the prospects for launching the market and assessing its own capabilities for trading emissions/emission rights.
	Reduction of coal trading volumes	• Trade volumes in 2023 decreased by 17.6% compared to 2022.
Security of transactions and developments	Introduce mechanisms to control the execution of contracts and deliveries	• An electronic delivery and payment schedule for the untreated timber and lumber market was developed and the mechanism for monitoring the execution of contracts was improved. The delivery schedule is automatically generated in the UEEX system so that timber is shipped in equal quantities every week during the period specified in the contract, but the parties have the opportunity to change the automatically generated schedule before its confirmation, depending on their wishes.
	Development of alternative mechanisms for guaranteeing payments	• A system of automatic rating of participants in the untreated timber and lumber market was introduced. A participant can raise its rating by actively participating in auctions and fulfilling already signed contracts. A high rating is a good indicator that a customer can be trusted. And in the future, new projects will be developed and implemented, where a high participant rating will provide greater opportunities for the client; • Programs have been implemented with a number of banks that are ready to support the business of bidders for untreated timber and lumber and offer banking products that will free up part of the working capital and finance business development projects; • Working with banks to improve and simplify settlement guarantee mechanisms; • Working with JSC Ukrtransgaz to use gas blocking mechanisms as a guarantee of fulfillment of obligations.
	Introduction of simplified clearing of exchange transactions	• The concept of execution of exchange transactions on the medium-term market for standardized products with a guarantee of execution in UGS facilities and GTS overhead transmission facilities was developed; • An automated system for monitoring the execution of contracts in the timber market was developed and implemented.
	Clearing activities of the central counterparty	• Work within the SEEGAS project to develop clearing solutions; • Launch of a working group within the framework of cooperation between TGE and IRGiT to launch clearing services for the markets managed by UEEX LLC. The working group will prepare a feasibility study, including, among other things, recommended systemic and regulatory changes, recommended clearing and risk management methodologies, and proposed technical solutions.

Direction of the strategy	Strategic goal	Measures of provision in 2023
Expansion of areas of activity	**Provision of wider opportunities on the natural gas market**	• Creation of technical conditions for the purchase of natural gas by consumers with transfer at a commercial gas metering node.
	Launching a reporting system within the framework of the system for preventing manipulation, increasing the transparency, controllability and predictability of strategic markets of Ukraine	• Technical improvement of the work of the direction «Trading in exchange goods, included in the list of types of production, which are traded exclusively on organized commodity markets»; • Improvement of the system for timely detection of violations during the organization and execution of exchange trading, which includes, among other things, automated systems for monitoring exchange trades and information on their results; • Continuous work with regulators and the Auction Committee to improve anti-abuse tools.
	Development of exchange trade in commercial agricultural and agricultural products	• Analytical studies of the prospects for launching the stock market in these segments have been carried out, and market monitoring is constantly carried out to track trends and possibilities of exchange trading.
	Development of new areas of trade	• Continuous research and evaluation of prospective markets is conducted.
Social responsibility	**High organization of personnel management system**	• A system of personnel training and attestation was introduced; • Constant evaluation of the quality of knowledge and qualifications of personnel and job satisfaction; • Expansion of the numerical composition of personnel due to the involvement of leading experts in the field; • The list of key employees has been determined, and the creation of a personnel reserve has begun.
	Increasing the operational efficiency of work	• Continuous improvement of operational processes and procedures, transition to electronic document flow where possible, improvement of approaches to planning, management and control; • Setting up processes for disseminating corporate information for prompt informing of all employees; • The creation of an educational center and knowledge base on the basis of UEEX for education, adaptation and involvement of personnel has been started; • Modernization and consolidation of IT infrastructure to build a more secure perimeter of the organization and improve data protection.
	Partnership and communication with stakeholders	• Established partnerships with sports centers, psychological support centers, entertainment and beauty services establishments, public catering establishments, etc., to ensure better accessibility to their services for Exchange employees; • Implementation of charitable measures to provide the armed forces and defense forces with the necessary means and ammunition; • Interaction with authorities, regulators and other stakeholders in order to promote the reform and development of markets in accordance with the European integration processes in the state and to overcome crisis phenomena in the markets; • Cooperation with forestry companies on tree planting activities, etc.; • Cooperation with industry and other mass media to promptly inform the public about the markets.
	Effective corporate management	• Development of the updated Corporate and Social Responsibility Policy of Ukrainian Energy Exchange LLC was carried out; • Improving the corporate governance system in terms of increasing transparency, improving internal audit, corporate ethics and anti-corruption management; • The ESG (environmental, social, governance) management structure of UEEX has been developed; • Audits of environmental management systems and occupational health and safety management systems were conducted, international ISO 14001:2015 and ISO 45001:2018 certificates were obtained.

3. Management

3.1. Management system

The management system of the Exchange is a set of all elements, subsystems and communications between them, as well as processes that ensure the implementation of professional activities on organized commodity markets and are designed to solve organizational, technical, economic and social tasks.

The statutory governing bodies of **the Exchange are the General Meeting of Participants, the Exchange Committee, the Directorate**, as well as **the Risk Management Committee**, established in accordance with the requirements of the legislation for the conduct of professional activity by commodity exchanges.

The Charter of Ukrainian Energy Exchange LLC was approved by the General Meeting of Participants (Minutes No. 3 of May 17, 2021).

The general meeting of Participants is the highest governing body of the Exchange. Such issues as:

- determination of the main directions of the Exchange's activities;
- amending the Exchange Charter, making a decision on the Exchange's activities based on the model charter;
- changing the size of the Exchange's authorized capital;
- approval of the monetary value of a Member's non-monetary contribution;
- redistribution of shares among the Exchange Members in cases provided for by law;
- election and termination of powers of the Exchange Committee or individual members of the Exchange Committee, setting the amount of remuneration to the members of the Exchange Committee;
- election and dismissal of members of the Exchange Management, setting the amount of remuneration to the members of the Management;
- determining the forms of control and supervision over the activities of the Exchange's Management;
- establishing other bodies of the Commodity Exchange, determining the procedure for their activities;
- making a decision on acquisition by the Exchange of a share (part of a share) of the Member;
- approval of the Exchange's performance results for the year or other period;
- distribution of the Exchange's net profit, decision-making on payment of dividends;
- making decisions on spin-off, merger, division, accession, liquidation and transformation of the Exchange, election of the termination commission (liquidation committee), approval of the procedure for termination of the Exchange, the procedure for distribution of property remaining after satisfaction of creditors' claims among the Exchange members in case of its liquidation, approval of the liquidation balance sheet of the Exchange.

Membership of the General Meeting of Exchange Members:

1. TAKT-BIZ LLC (EDRPOU code 38728012) - 70% of the Authorized Capital (votes).
2. BIZNES ALLIANCE LLC (EDRPOU code 32266443) - 20% of the authorized capital (votes).
3. UKRBIZNES CAPITAL LLC (EDRPOU code 34429480) - 10% of the authorized capital (votes).

During 2023, 9 meetings of the General Meeting of Shareholders were held.

The Exchange Committee is the body responsible for the control and supervision of the Exchange in its professional activities. The Committee manages the Exchange in the period between the General Meetings of Participants.

In its activities, the Exchange Committee is guided by the Charter of the Exchange, *the Regulations on the Exchange Committee*, approved by the decision of the General Meeting of Participants of the Ukrainian Energy Exchange LLC dated June 15, 2021 No. 4 and the current legislation of Ukraine.

The current composition of the Exchange Committee was formed by the decision of the General Meeting of Participants of Ukrainian Energy Exchange LLC dated June 15, 2021 No. 4.

The competence of the Exchange Committee includes:

- control over the implementation of resolutions of the General Meeting of Participants and the Exchange Committee;
- approval of the Commodity Exchange Rules;
- setting the amount of fines and other sanctions for violation of the Exchange Charter and the Commodity Exchange Rules;
- imposing penalties for violation of the Rules adopted in accordance with the Charter, for failure or refusal to execute decisions and orders of the Exchange Committee, for other violations;
- setting the amount of membership fees and other fees determined by the Exchange;;
- creation of quotation, arbitration and other commissions, committees, as well as creation of other consultative and advisory bodies at the Commodity Exchange and approval of provisions or rules about them;
- control of all matters related to the collection, distribution and use of quotations and price reports on the Commodity Exchange;
- approval of the personnel of the Exchange Arbitration, Section Council, etc.;
- granting permission to lease exchange seats by Exchange Participants;
- Powers of the General Meeting of Participants may be delegated to the Exchange Committee, except for those assigned to the exclusive competence of the General Meeting of Participants.
- other powers provided for in the Regulation on the Exchange Committee.

Composition of the Exchange Committee:



Oleksii Dubovskyi

He has more than 26 years of work experience, 20 of which are related to exchange activities.

Initiator of the creation and development of the energy exchange market in Ukraine, co-developer of a number of regulatory acts aimed at the liberalization of energy markets.

Co-Chairman of the Board of the Fuel and Energy Committee of the European Business Association.



Inna Scherbyna

She has 13 years of work experience at UEEX, from the initiation of the exchange idea to its establishment as a leader in the industry.

She is an expert in energy markets and is responsible for the strategic development of UEEX, develops projects and their management.



Serhii Fedorenko

Deputy Director for Commercial Affairs of Ukrnafta PJSC.

An expert in the field of energy, has many years of experience in management positions (including as a commercial director of Ukrgazvydobuvannya JSC) related to commercial activities in the markets of oil products, oil and liquefied gas; athlete, social activist, joined the Defense Forces of Ukraine from the first days of the war.

In 2023, 292 meetings of the Exchange Committee were held. All meetings were valid. At the meetings, decisions were made on key issues of the Exchange's professional activity.

The Directorate is a collegial executive body of the Exchange that manages the current activities of the Exchange within the limits of its competence, and carries out its activities in accordance with the legislation of Ukraine, the Charter of the Exchange, decisions of the General Meeting of Participants and the Exchange Committee of the Exchange, and internal documents of the Exchange. The Directorate is accountable in its activities to the General Meeting of Participants and the Exchange Committee, organizes and ensures the implementation of their decisions.

In its activities, the Directorate is guided by the Charter of the Exchange, the Regulations on the Directorate, approved by the decision of the General Meeting of Participants of Ukrainian Energy Exchange LLC dated June 15, 2021 No. 4 and the current legislation of Ukraine.

The current composition of the Directorate was formed by decisions of the General Meeting of Participants of the Ukrainian Energy Exchange Limited Liability Company dated June 15, 2021 N°. 4 and dated December 3 N°. 9 of 2021.



CEO
Oleksandr Kovalenko



FCO
Anna Ryabova



Operating Director
Volodymyr Briukhovetskyi



Director
of Legal Affairs
Oksana Gerbach



Director
for Government
Relations
Roman Matvienko

The competence of the Directorate includes the resolution of all issues related to the management of the current activities of the Exchange, except for issues that belong to the exclusive competence of the General Meeting of Participants, the Exchange Committee and the General Director, including:

- organization and implementation of decisions of the General Meeting of Participants and the Exchange Committee;
- approval of current and prospective plans of the Exchange and measures necessary for their implementation, organization of their implementation;
- development of business plans and other programs of financial and economic activity of the Exchange;
- development and submission for approval by the General Meeting of Project Participants of annual estimates and reporting on the progress of their implementation;
- development and submission for review and approval: 1) General meetings of Participants - their proposals on defining the main directions of the Exchange's activity, creating new funds; 2) to the Exchange Committee - proposals on creation and liquidation of subsidiaries, branches and representative offices of the Exchange, on the participation of the Exchange in other enterprises and business associations;
- submission of the annual report and balance sheet (financial report) of the Exchange for consideration by the Exchange Committee for further approval by the General Meeting of Exchange Participants;
- organization of convening and holding regular and extraordinary General Meetings of Participants;
- notification of Exchange Participants about regular and extraordinary General Meetings of Participants;
- disposal of the property of the Exchange within the competence of the Directorate;
- resolution of other issues related to the activities of the Exchange;
- implementation of other actions arising from the Charter, internal documents of the Exchange, decisions of the General Meeting of Participants and the Exchange Committee.

The system of internal control, as a constituent element of the management system of the Exchange

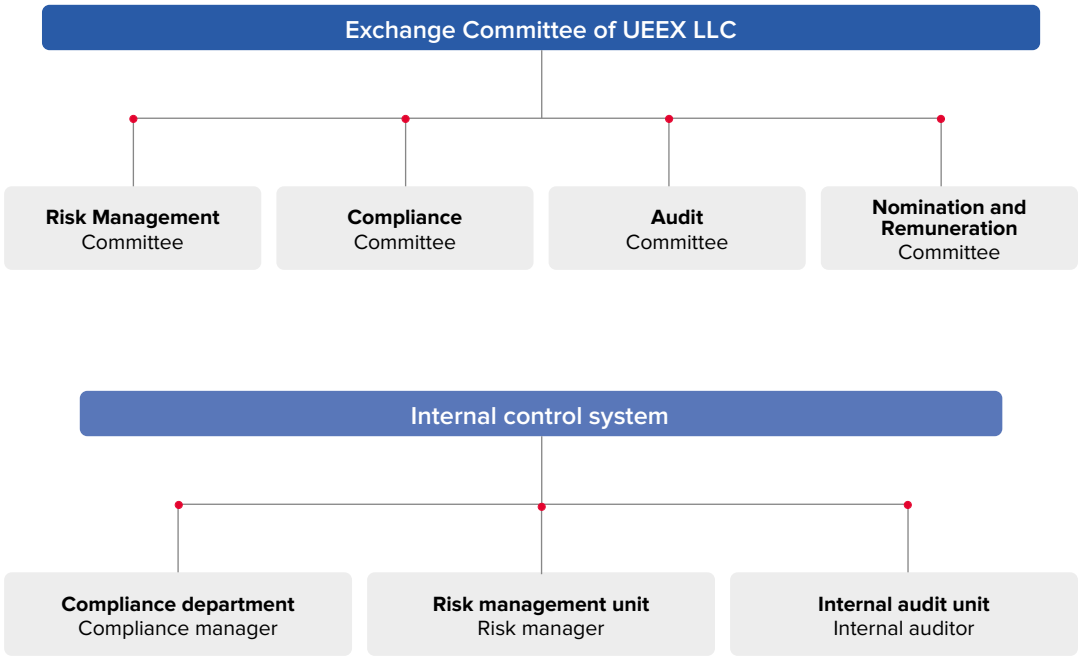
The organizational structure of the Exchange's internal control system consists of:

- The Exchange Committee;
- Committees of the Exchange Committee and/or responsible persons entrusted with the duties of ensuring the functions of the respective committee;
- the Management/CEO of the Exchange;
- compliance manager;
- risk manager;
- internal auditor.

The division of responsibilities is based on the application of the three lines of defense model, namely:

- ***the first line of defense*** is at the level of the Exchange's divisions. These units initiate, execute or reflect transactions, take risks in the course of their activities and are responsible for the ongoing management of these risks, and implement control measures;
- ***the second line of defense*** is at the level of the Risk Manager and Compliance Manager. They ensure control over the measures implemented by the first line of defense;
- ***the third line of defense*** is at the level of the Internal Auditor, who independently assesses the effectiveness of the first and second lines of defense and the overall effectiveness of the internal control system, taking into account the requirements of applicable law.

Structure of the internal control system



In its activities, the **Compliance Committee** is guided by the Regulation on the Organization of Control (Compliance) of UEEX LLC, approved by the Exchange Committee's decision No. 985\1 dated June 17, 2021, and the current legislation of Ukraine.

The Exchange's compliance manager is a separate official performing executive functions, who is entrusted with the functions of the Exchange's control (compliance) organization, who is appointed and dismissed by the Exchange Committee and is directly accountable to it. On administrative and personnel issues that do not require a decision by the Exchange Committee, the Compliance Manager reports to the General Director of the Exchange.

Duties of the compliance manager are performed by an authorized employee in accordance with the decision of the Exchange Committee dated June 17, 2021 No. 985\1).

The Risk Management Committee is a collegial, permanent, consultative and advisory body, which is created by the decision of the Exchange Committee in order to ensure the effectiveness of the Exchange's risk management system and performs the following main functions:

- carries out an examination of risks related to the execution (conclusion) and execution of transac-

tions concluded on the Exchange, including in the area of examination of measures to detect and prevent trading using insider information, requirements for the financial condition of bidders and clearing participants, as well as financial institutions with which the Exchange has contracts for settlement service or a clearing agreement;

- pre-approves the internal documents of the Exchange, which define measures aimed at reducing the risks of the Exchange as an organization, including risks that arise when the Exchange conducts clearing activities and other types of professional activity on the capital markets, measures to ensure the uninterrupted functioning of software and technical means , intended for carrying out activities related to the organization of trade in products on commodity exchanges, as well as, in case of combining clearing activities or other types of professional activity on the capital markets by the Exchange, measures aimed at preventing and settling conflicts of interests when combining types of professional activities on organized commodity markets and capital markets, etc.

The Risk Management Committee in its activities is guided by the Charter of the Exchange, the *Regulation on the Risk Management Committee*, approved by the decision of the Exchange Committee of UEEX LLC dated June 17, 2021. No. 985\1 and the current legislation of Ukraine. The current composition of the Risk Management Committee was formed by the decision of the Stock Exchange Committee of UEEX LLC dated June 17, 2021 No. 985\1.

The risk manager acts independently of the operational divisions of the Exchange and performs the following functions:

- ensures the development and submits to the risk management committee for consideration the draft regulations on risk management and draft amendments to it, which are approved by the Exchange Committee;
- to implement the provisions on risk management together with the Compliance Manager ensures the development, implementation and maintenance of adequate internal risk management rules and procedures aimed at identification, analysis, assessment, processing, monitoring and review of risks related to the activity , processes and systems of the Exchange, and takes effective measures to minimize such risks, taking into account the risk appetite and acceptable level of risk;
- develops recommendations for employees of the Exchange (including persons performing executive functions) regarding internal rules, procedures and measures provided for in subparagraph 2 of this clause;
- continuously monitors the level of practical implementation by the Exchange of internal rules, procedures and measures provided for in sub-clause 2 of this clause;
- carries out on a permanent basis the monitoring of compliance by the employees of the Exchange with the internal rules, procedures and measures provided for in sub-clause 2 of this clause;
- continuously monitors the adequacy and effectiveness of the Exchange's internal risk management rules and procedures and measures taken to eliminate deficiencies in these internal rules and procedures, as well as monitors the adequacy and effectiveness of the measures provided for in subclause 2 of this clause, including monitoring the ability of individual employees of the Exchange to comply with such measures or internal rules and perform such procedures;
- provides advice and helps persons performing executive functions to comply with the requirements of the regulation on risk management;
- regularly, but at least once every six months, submits a risk management report directly to the management bodies of the Exchange, which contains information on the performance of the duties of the Risk Manager, including the implementation of the provided recommendations regarding internal rules, procedures and measures, as well as information on identified risks and recommendations for their management.

Duties of a risk manager are performed by an authorized employee in accordance with the decision of the Exchange Committee dated June 17, 2021 No. 985\1).

In its activities, the Audit Committee is guided by the Regulation on the Organization of Internal Audit of UEEX LLC, approved by the Exchange Committee's decision No. 985\1 dated June 17, 2021, and the current legislation of Ukraine. The current composition of the Audit Committee was formed by the decision of the Exchange Committee dated June 17, 2021 No. 985\1.

The internal auditor is appointed and dismissed by the Exchange Committee and reports directly to it. On administrative and personnel matters that do not require a decision by the Exchange Committee of the Exchange in accordance with the Regulation on the Organization of Internal Audit, the Internal Auditor reports to the CEO of the Exchange.

The internal auditor performs the following functions:

- establishes, implements and maintains an internal audit plan in order to verify and assess the adequacy and effectiveness of the Exchange's systems, including the internal control system in terms of compliance and risk management subsystems and mechanisms and measures related to these systems;
- checks the internal rules and procedures of risk management and compliance, including in the field of prevention and countermeasures against legalization (laundering) of proceeds obtained through crime, financing of terrorism and financing of proliferation of weapons of mass destruction;

- provides recommendations to the Exchange Committee and checks compliance by the Exchange employees with these recommendations;
- verifies the results of current financial activities of the Exchange, including the results of financial monitoring;
- carries out other functions provided by the legislation, related to the supervision of the Exchange's activities;
- prepares a report on internal audit issues, etc.

Duties of the internal auditor are performed by an authorized employee in accordance with the decision of the Exchange Committee dated June 17, 2021 No. 985\1.

An integral part of the **Exchange's management system is also the Appointments Committee**, which is guided in its activities by the Regulations on the Procedure for Appointments of UEEX LLC, approved by the Exchange Committee's decision No. 985\1 dated June 17, 2021, and the current legislation of Ukraine. The current composition of the Appointments Committee was formed by the decision of the Exchange Committee dated June 17, 2021 No. 985\1.

The subject of responsibilities (functions) of the responsible person include:

- development and periodic revision of the policy (internal regulation) of the Exchange on appointments;
- determination and recommendation for approval by the Exchange Committee of candidates for filling vacant positions in the Directorate, evaluation of the level of competence of members (candidates for members) of the Exchange Committee;
- periodic assessment of the structure, size, composition and work of the Directorate, providing recommendations to the Exchange Committee regarding changes;
- periodic assessment of the members of the Directorate for compliance with qualification requirements and reporting on the specified issue to the Exchange Committee;
- development of a succession plan for the positions of the chairman and members of the Exchange Committee;
- developing a succession plan for the positions of members of the Exchange Directorate, ensuring that the Directorate has an appropriate succession plan for other persons who perform the management functions of the Exchange;
- providing the Exchange Committee with recommendations regarding the personal composition of each of its committees, developing a description of competencies for a specific appointment and assessing the necessary time spent on performing the duties of the chairman or a member of the committee (responsible person), as well as periodic rotation of members of the Exchange Committee between committees;
- provision of professional orientation and training programs for members of the Exchange Committee and the Directorate, necessary for their effective performance of their duties in the introduced model of corporate governance.

The Advisory Board is a collegial body of UEEX LLC, the purpose of which is to develop strategic areas of the exchange's activities, to provide proposals and consultations on increasing the efficiency of its activities and development in accordance with European standards, to promote the strengthening of international cooperation to ensure transparency and competition of the Ukrainian market, with the ultimate goal - obtaining advantages for Ukrainian consumers. The Advisory Committee functions in accordance with *the Regulations on the Advisory Board at the Commodity Exchange* – UEEX LLC, approved by the Exchange Committee's decision No. 1547 dated 02.10.2023.

In accordance with the terms of the signed Memorandum, the Advisory Board of the Exchange included representatives of the Secretariat of the Energy Community, the EBRD and the Ministry of Energy. Accordingly, the Advisory Board is actively working on the full transition of UEEX LLC to the standards of European exchanges, ensuring clearing, an appropriate organizational structure, and better technologies. Relevant contracts were concluded with leading European consultants and vendors, the best experts from European energy exchanges are involved in the work.

The Members of Advisory Board:



Gregor Weinzettel,
Gas Market Expert,
Energy Community Secretariat



Giuseppe Grimaldi,
Assosiate Director –
Senior Economist at EBRD

The Council of Sections is a permanent consultative body of UEEX LLC, created to ensure the effective participation of energy market participants in the formation, development and implementation of policy, as well as legal regulation of activities. The Council of Sections was created and functions in accordance with the Regulations on Councils of Sections at the Commodity Exchange - UEEX LLC. The Council of Sections exercises its powers in specialized areas of stock exchange trading (Natural gas, Electricity, Untreated timber, Oil, oil products and liquefied gas).

The main tasks of the Sections Council are:

- representing the interests of market participants regarding issues related to the organization of trading on the Exchange, membership, clearing, settlements, etc., introduction of new products and services by the Exchange;
- ensuring the effective interaction of the Exchange with market participants in identifying their problems and needs and jointly developing measures to solve them;
- maintaining a dialogue with the government, business, expert environment on issues of transparency of activity,
- pricing, manipulation, taxation, competition, energy reform in Ukraine, new strategic initiatives;
- adoption of recommendations for authorized bodies of the Exchange.

The management system of Ukrainian Energy Exchange LLC has been developed and functions in accordance with the Licensing conditions for conducting professional activities on organized commodity markets - activities on the organization of trade in products on commodity exchanges, approved by the decision of the NSSMC dated May 13, 2021 No. 276.

State regulation and control:

State regulation and control over the activities of the Exchange, as a professional participant of the capital markets and organized commodity markets, is carried out by the NSSMC. In terms of legal relations related to activities in the fields of energy and communal services, the subject of state regulation and control is the NSSMC.

3.2. The organizational structure

The organizational structure of Ukrainian Energy Exchange LLC is built with a focus on people, as the main capital of the Exchange and with the aim of ensuring effective cooperation in the interests of the state and business.

Basic principles of the organizational structure of the management system:

The principle of efficiency

- timely making of transparent and quick decisions

The principle of agreement

- interaction between hierarchical links vertically and horizontally regarding coordination of management and organizational decisions

The principle of transparency

- fulfillment of legal requirements

The principle of progressivity

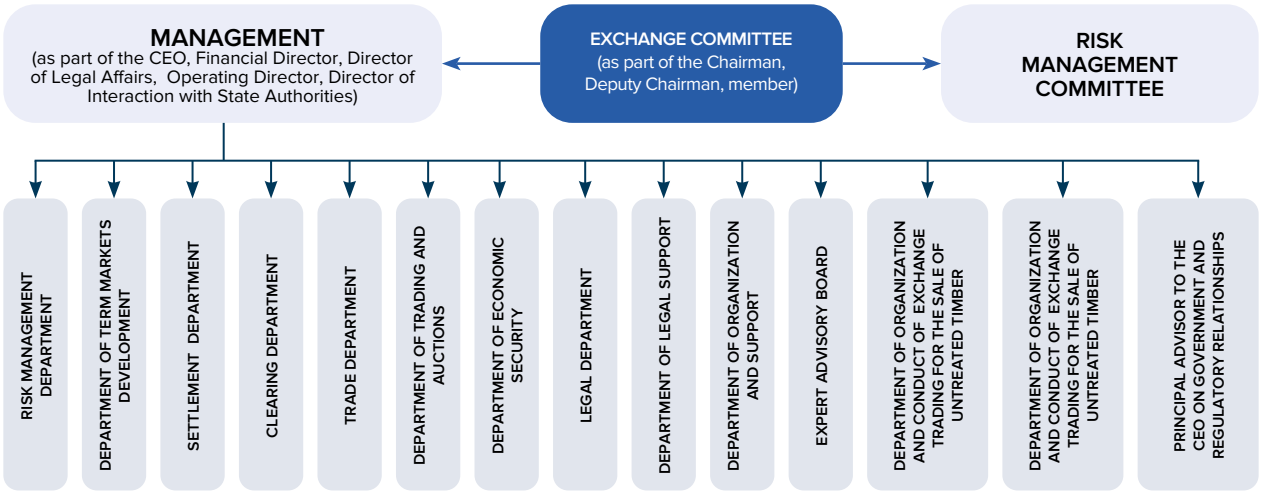
- the management system meets advanced standards

The principle of specialization

- distribution of professional responsibilities through the creation and functioning of separate divisions

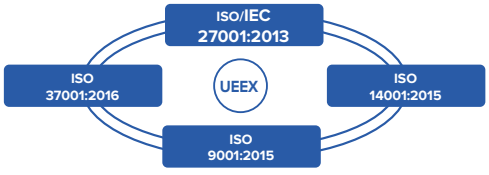
The principle of hierarchy

- rational autonomy of structural units or individual employees is ensured in horizontal and vertical sections of the management system



3.3. Integrated management system

The first stage of building an integrated system is the implementation and certification of its individual systems. The UEEX's high standards are confirmed by international quality certificates.





Certificate for the system of information security management
ISO/IEC 27001:2013

This certificate confirms that UEEX's information security management system has been tested and meets the requirements of the international standard «Information Technology. Methods of protection. Information security management systems. Requirements.»

Certificate of environmental management system
ISO 14001:2015



This certificate confirms that UEEX's environmental management system has been verified and meets the requirements of the international standard «Environmental Management Systems. Requirements and Guidelines for Use».



Certificate for the quality management system of quality management
ISO 9001:2015

This certificate certifies that the UEEX quality management system meets the requirements of the international standard «Quality Management Systems. Requirements», based on the established principles of quality management, including customer focus, progressive management strategies and continuous improvement.

Certificate of management system anti-corruption
ISO 37001:2016



This certificate confirms that UEEX's anti-corruption management system has been verified and meets the requirements of the international standard «Anti-Corruption Management Systems. Requirements and Guidelines for Use». The certificate covers the organization of the anti-corruption system, management of measures aimed at identifying and eliminating risks associated with corruption.

Ukrainian Energy Exchange LLC timely and successfully passes recertification audits and takes other measures to improve its management systems. Thus, the Ukrainian Energy Exchange has implemented elements that are planned to be combined into an integrated management system based on the best

international practices next year. The certification of the integrated management system will facilitate international cooperation of the Exchange, have a positive impact on competitiveness and business reputation.

3.4. Corporate policies

As of 2023, the Exchange, by Order No. 20-OCH dated May 24, 2021, implemented the Corporate Policy of the Ukrainian Energy Exchange LLC. In general, the corporate policy of the Exchange in 2023 was aimed at:

- increasing work efficiency at all levels;
- optimization and stabilization of the staff of the Exchange and ensuring effective use of employees, their opportunities and potential;
- creation and development of the system of training and development of employees;
- forming and maintaining a high level of employee loyalty;
- formation and strengthening of the corporate culture of the Exchange.

The main goal of the corporate policy was to ensure the sustainable development of employees, proper and safe working conditions, as well as the further development of the corporate ethics and culture of the Exchange. The policy ensured respect, honesty, professionalism, responsibility, creating conditions for self-improvement of employees, providing opportunities for career growth, compliance with the law and combating corruption - as the main principles of corporate ethics and culture of the Exchange, on the basis of which the professional environment of the Exchange employees is built. Also, the policy created a system that allows active and effective management of work performance at all levels: from an individual employee to the Exchange as a whole, including a performance management system.

To this end, during 2023, the Exchange continued to develop and improve the performance management system, as well as continued the development of its own corporate culture, for which it formulated and communicated to employees the strategic directions of development, the main goals and objectives of the Exchange, as well as ways to achieve them.

Achieving professional results by employees is an important corporate value of the Exchange. However, for the Exchange, it is important not only to achieve results, but also how they were achieved.

The policy also regulated the issue of personnel selection in order to provide the Exchange with highly professional employees and personnel rotation.

No less important attention was paid to issues of gender equality and prohibition of any discrimination. As mentioned earlier, the Exchange affirms the equality of the rights of men and women and does not allow manifestations of discrimination in workplaces or outside working hours.

The Exchange's achievement of its strategic activity goals is inextricably linked to the unwavering performance by all employees of their job duties, their observance of labor discipline, the rules of internal labor regulations, and the fulfillment of the tasks assigned to them.

To motivate employees, the policy provided, as a basic component, a system of material rewards that takes into account work results and work pay. In turn, material remuneration consists of a guaranteed part (salary) and a variable part (bonus), which allows rewarding the employee in accordance with the results of his work.

On a regular basis, the exchange evaluates inflationary processes and the purchasing power of employees and makes the necessary decisions regarding the revision of the salary of employees.

The politician did not ignore environmental issues either. The task of the Exchange is to have as little negative impact on the surrounding ecological environment as possible. UEEX LLC is concerned about future generations and strives to preserve the environment, therefore it continues to develop and improve its own environmental practices.

Also, the system of corporate policies includes the Order dated 02/01/2019 No. 2/1 OCH *«On providing employees with additional scheduled rest breaks and establishing requirements for the safety and health protection of employees when working with screen devices»*. In order to take care of the health of employees, UEEX provides the opportunity to use additional regulated breaks for rest, lasting 10 minutes after each hour of working with screen devices, to perform exercises to relieve visual fatigue, as well as for sanitary and hygienic use. For the same purpose, the safety of working with screen devices is regulated, which should be built in such a way as not to have a negative impact on the life and health of employees. Also, the creation of rest rooms for employees and their equipment with everything necessary, in particular, for storing and heating food and drinks, is foreseen.

During 2023, UEEX LLC step by step moved on the path of improving and improving its own internal policies, which resulted in the approval of the Environmental Policy and the development of the project of the corporate and social responsibility policy, which is planned to be approved in the first quarter of 2024.

Other regulations and policies

Committee on audit issues	Risk Management Committee	Compliance Committee	Nomination Committee
• Regulations on the organization of internal audit of Ukrainian Energy Exchange LLC	• Regulations on the Risk Management Committee of Ukrainian Energy Exchange LLC • Regulations on the risk management system of Ukrainian Energy LLC	• Regulations on the Compliance Committee of Ukrainian Energy Exchange LLC. • Regulations on the organization of control (compliance) of Ukrainian Energy Exchange LLC	• Regulations on the Procedure for Appointments of Ukrainian Energy Exchange LLC. • Regulations on Remuneration of the Ukrainian Energy Exchange Limited Liability Company
Audit of the Exchange			
The audit of the Exchange's annual financial statements and review of the semi-annual reports is conducted by an independent auditor appointed by the Board.			

1. ***Regulations on the Risk Management Committee of Ukrainian Energy Exchange LLC.***
2. ***Regulations on the Risk Management System of Ukrainian Energy Exchange LLC*** - regulates the functioning of the risk management system (RMS), reflects the general provisions of the RMS, defines the types of risks and the system of measures to prevent and minimize their impact, as well as establishes the rights and obligations and distributes responsibility between the Exchange's structural units and employees in the process of risk management.
3. ***Regulations on the Organization of Internal Audit of Ukrainian Energy Exchange LLC*** - establishes the specifics of organizing and conducting internal audit at the Exchange and is approved by the Exchange Committee.
4. ***Regulations on the Compliance Committee of Ukrainian Energy Exchange LLC.***
5. ***Regulations on the Organization of Control (Compliance) of Ukrainian Energy Exchange LLC*** - defines the main goals and principles of organization and functioning of a comprehensive, adequate and effective system of internal control in all areas of the Exchange's activities at all organizational levels.
6. ***Regulation on Prevention of Actions Containing Signs of Corruption and on Prevention/Regulation of Conflicts of Interest in the Course of Business of Ukrainian Energy Exchange LLC*** - defines the basic principles, goals and objectives of combating corruption, principles and requirements aimed at timely detection, prevention and settlement of conflicts of interest in the course of the Exchange's business, defines the types of conflicts of interest, procedures and measures to prevent and resolve conflicts of interest.
7. ***Regulation on Remuneration of Ukrainian Energy Exchange LLC*** - defines a transparent and effective system for determining the remuneration of employees, including identified personnel and members of the Exchange Committee. Promotes effective control over remuneration and implementation of the Exchange's development strategy, as well as long-term interests and stability of operations by establishing an effective and balanced remuneration policy for important executives, as well as persons acting on behalf of the Exchange and whose activities have a direct impact on the achievement of strategic goals.
8. ***Regulation on the Procedure for Appointments at Ukrainian Energy Exchange LLC.***
9. ***Regulations on Trade Secrets, Professional Secrets and Confidential Information of Ukrainian Energy Exchange LLC*** - defines the basis for protection and the procedure for storing and disseminating information constituting trade secrets, professional secrets and confidential information of the Exchange.
10. ***Regulations on the procedure for processing and protecting personal data of employees.***
11. ***Regulations on the procedure for processing and protecting personal data of individuals whose personal data is processed in the course of business activities.***

3.5. Risk management

Risk management system UEEX LLC was built in order to detect and analyze factors which are caused risks for the Exchange while conduction of its professional activities, taking timely response measures and preventing (minimizing) potentially negative consequences.

Risk management principles:

- **Principle of Continuity:** Risk management process is ongoing and is carried out in a sustainable manner.
- **Principle of comprehensiveness:** Risk management system shall be comprehensive and integrated into business processes related to professional activities and coordinated at the level of all responsible bodies (divisions).
- **Principle of adequacy:** Risk management procedures and tools do not interfere with professional activities and are consistent with current market conditions, scale and complexity of business operations.
- **Awareness principle:** Governing bodies and all employees are informed of the main risks inherent in the professional activities carried out by the Exchange and participate in risk management as part of their duties.
- **Principle of risk minimization:** Minimizing the impact of risks and their consequences on the Exchange's professional activities.

UEEX assesses its market position, level of threats and potential based on the Porter's Five Forces model and the PESTEL model. After assessing external and internal factors and risks, UEEX conducts a SWOT analysis to determine scenarios for its own strategic actions in response to a threat. The risk management process includes identification of risks, their assessment, planning of measures to prevent the realization of risks and response measures, monitoring and control of the risk level.

Risk assessment is differentiated depending on:

level of probability of their occurrence	possible negative consequences	level of risk threat and its consequences

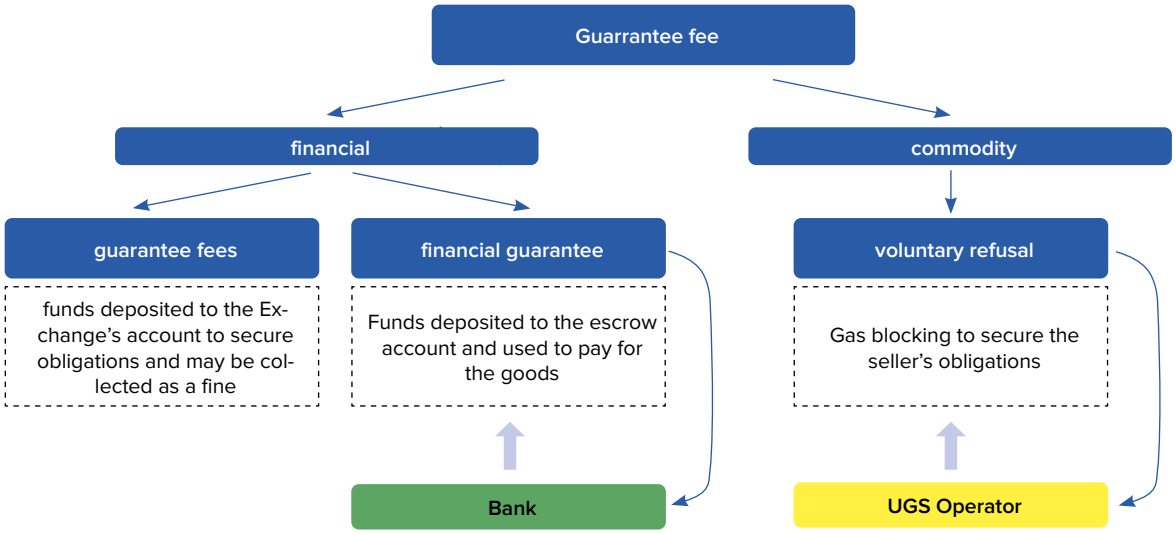
In 2023, Exchange focused on the following key professional risks:

Information security risks	Risks associated with the use of information systems that support the business enterprise and electronic trading and other systems used in the course of professional activities.
Financial risks (market (price, currency, interest rate)**, liquidity** (market, balance sheet)**, credit risks** (counterparty, default))	Risks associated with the possibility of loss of financial resources (cash) due to improper fulfillment of obligations by counterparties, changes in market conditions, price fluctuations, deterioration of the macroeconomic situation, etc.
Risks for life and health of employees	Risks arising from terrorist threats from the russian federation and other external causes
Legal risks	Risks related to changes in legislation, litigation, and other legal risks that may lead to administrative, civil or criminal liability of Exchange and/or its members
Compliance risks	Risk of legal liability or financial and reputational losses that Exchange and/or its client may incur due to failure to ensure an appropriate level of compliance with all requirements of the legislation and internal documents of the Exchange
Regulatory risks	Risks associated with changes in legislation governing exchange activities and organized commodity markets

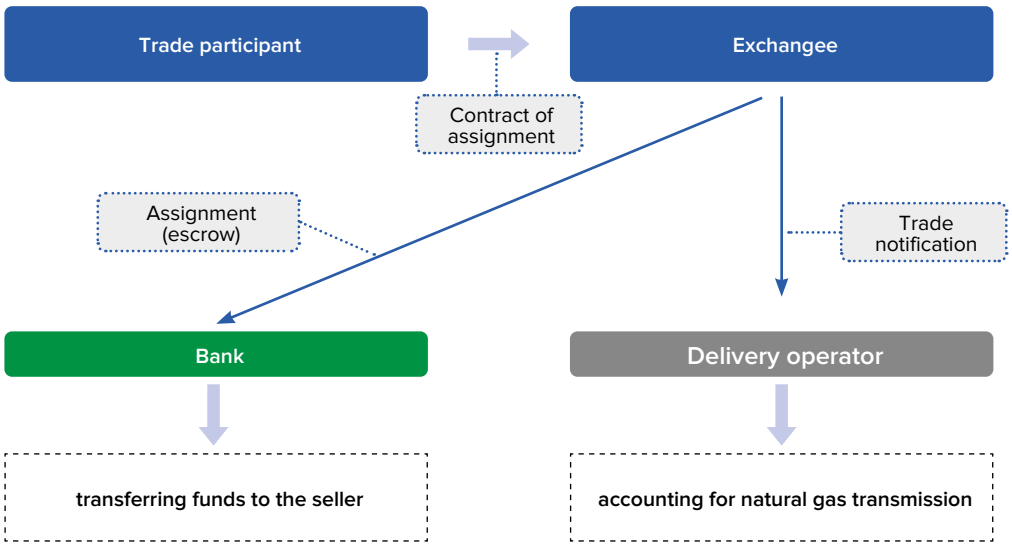
The work on preventing and minimizing significant risks is carried out by specialized bodies (units) of the Exchange using three lines of defense - at the level of functional units, the risk manager and the internal auditor, who checks the effectiveness of the risk management system.

RISKS OF NON-FULFILLMENT OF OBLIGATIONS BY EXCHANGE TRADING PARTICIPANTS:

Mechanisms for reducing the risks of non-performance by trading participants are regulated by the Clearing Rules and the Exchange's trading regulations. As part of its clearing activities, Exchange envisages the possibility of using the following tools to minimize the risks of non-performance of obligations by trading participants - ***guarantee fee, commercial representation, control over calculations and/or delivery, calculations through Exchange on a «delivery versus payment» basis.*** The main mechanism used to minimize the credit risks of trading participants is to provide them with guarantee fee in the amount determined by the Exchange. As a rule, the guarantee fee can be provided in the form of guarantee fees and/or financial collateral for calculations (financial form). In the natural gas market with a delivery basis in UGS facilities, Exchange also provides for a commodity form of collateral by the seller to secure its obligation by pre-blocking the volume of natural gas offered for sale.



Commercial representation as a mechanism for mitigating the risks of non-fulfillment of obligations by trading participants was introduced by the Exchange in the short-term natural gas market. On the basis of orders concluded with trading participants, Exchange submits trade notifications to delivery operators on behalf of the parties of the exchange contract, and submits an order to the settlement bank to transfer funds from the buyer's escrow account.



In cases determined by the Exchange's internal documents, Exchange may provide services for control over settlements and/or delivery, including:

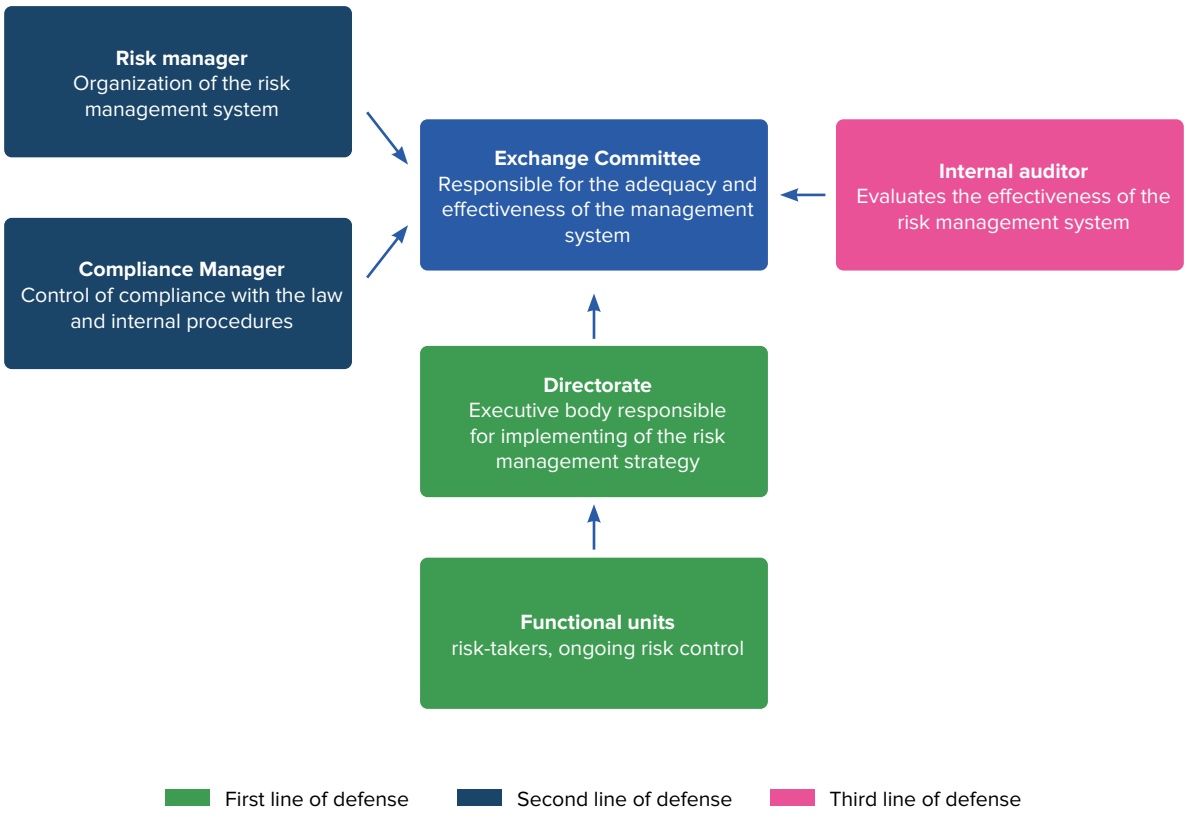
- monitoring (control) of delivery and/or calculation of exchange transactions;
- calculation of an exchange transactions through the account of the Exchange, which acts as a guarantor of such calculations on the part of the buyer;
- control of commodities acceptance process in terms of quantity and quality.

In some organized commodity markets operated by Exchange, there is an obligation of the parties to the exchange agreement to notify the Exchange of the fulfillment of obligations under such an agreement and confirm this with the necessary documents (receipts, payment orders, acceptance certificates, etc.).

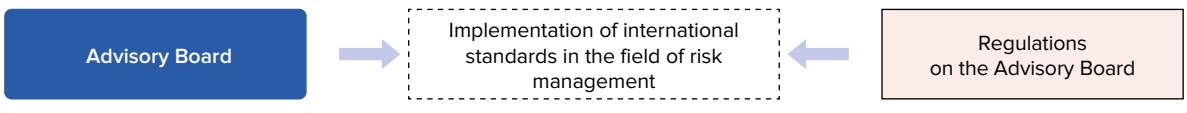
Exchange's internal documents regulating exchange trading in a particular section of the Exchange may also provide for the receipt of such documents (information) from the delivery operator and the authorized settlement bank(s). In addition, Exchange may be involved in the process of delivery and acceptance of the goods to confirm their proper quality.

ORGANIZATION OF THE RISK MANAGEMENT SYSTEM:

Exchange Committee, Management Board, Risk Management Committee, Compliance Committee, Internal Auditor, Responsible Specialist for Primary Financial Monitoring, Advisory Committee (advisory body) and specialists of functional units are involved in the risk management process at UEEX LLC.



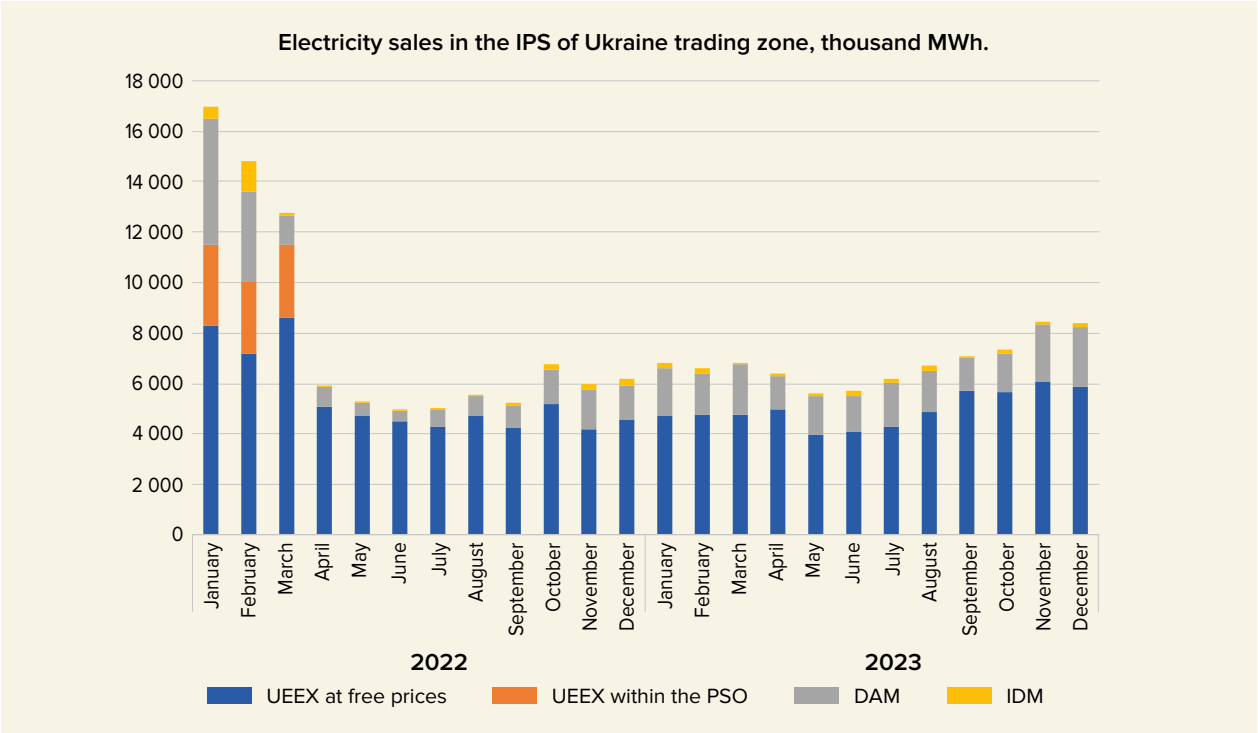
In addition, Exchange has an advisory body that promotes, among other things, the integration of international risk management standards and is a source of expertise on strategic and systemic risks in commodity markets:



4. Results of activities

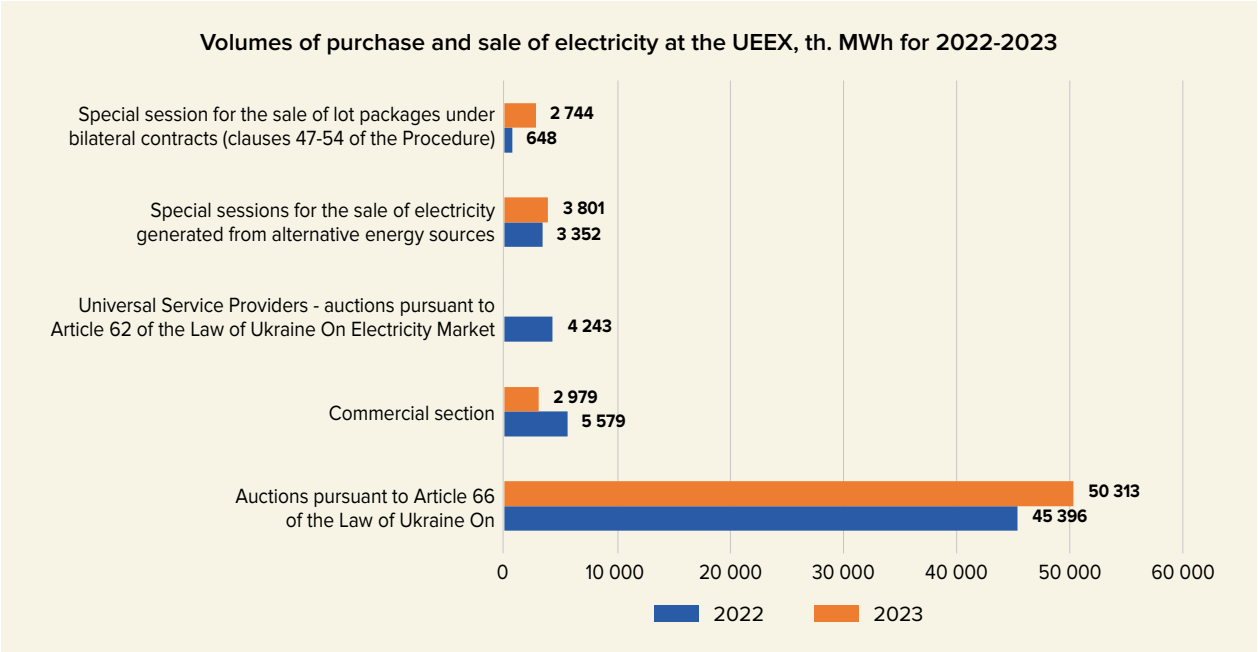
4.1. Electricity

The total volume of electricity sales on the UEEX bilateral contracts market in 2023 amounted to 59,8 million MWh. The graph below shows a comparison of the volume of electricity sales under bilateral contracts on the UEEX by the delivery periods with the volumes, sold on the DAM and IDM. Thus, 25% of the total volume of electricity sold on the DAM, 2% on the intraday market, and 73% under bilateral contracts was sold on the Ukrainian electricity market.

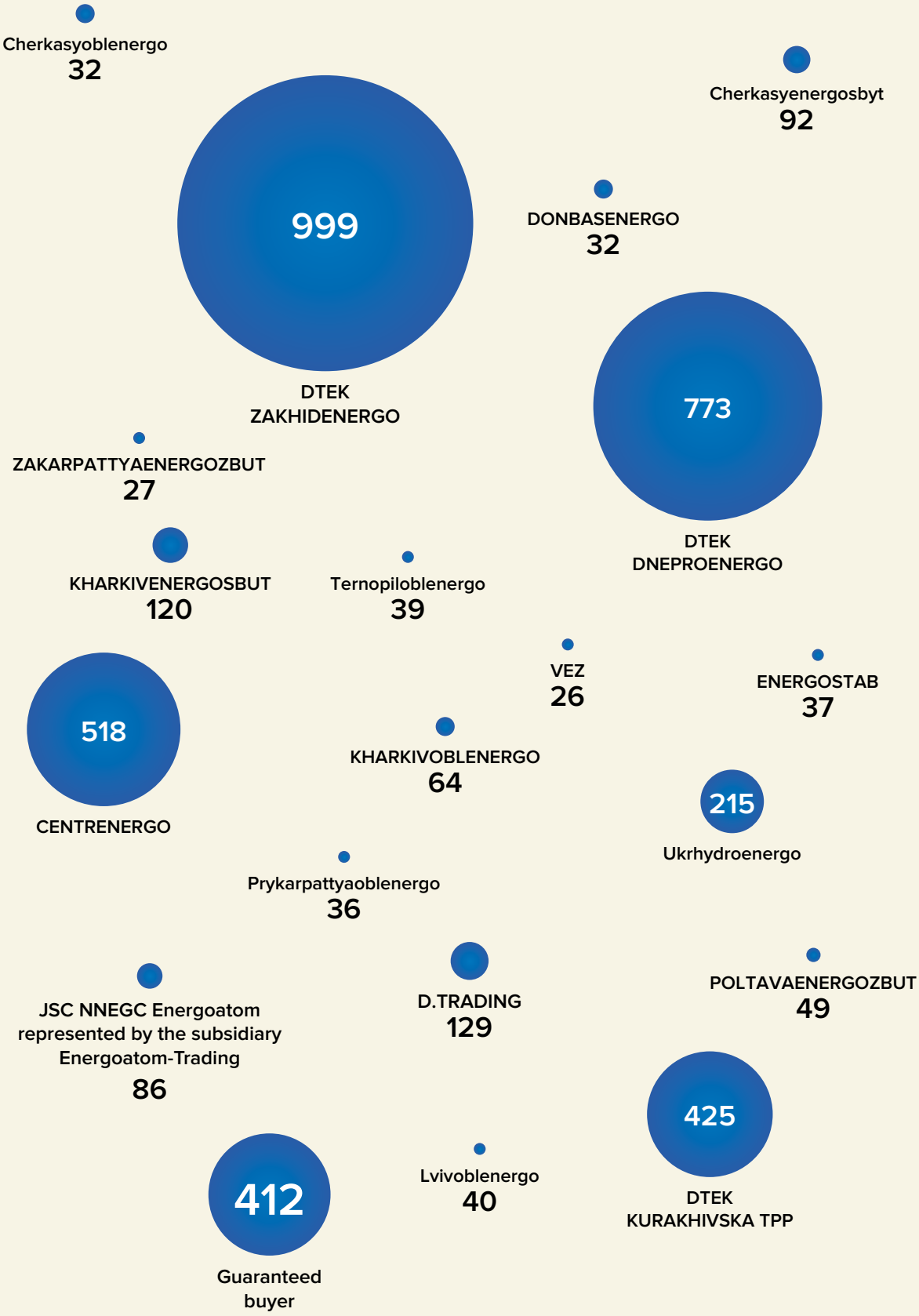


In 2023, UEEX held 847 auctions for the purchase/sale of electricity in the unilateral auction mode, at which 4,456 starting positions were formed for the sale/purchase of electricity of various types of loading and 6,128 exchange certificates were concluded.

As of the end of 2023, 544 participants were accredited at UEEX in the Electricity sector.

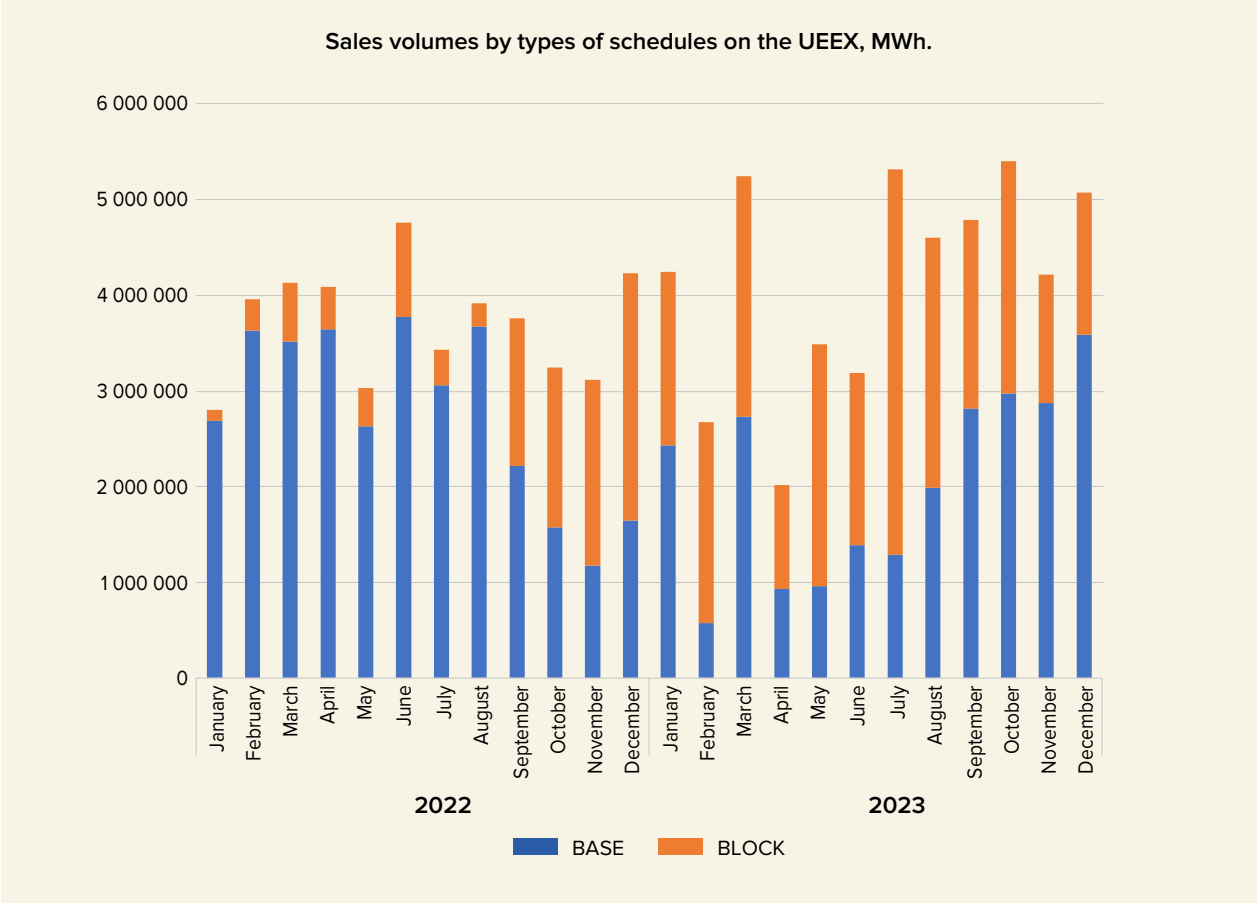


Top 20 companies by number of starting positions



AUCTIONS PURSUANT TO ARTICLE 66

In general, at the auctions pursuant p.6. part 2 Article 66 of the Law of Ukraine *"On electricity market"* 50310 mln. of MWh of electricity at UEEX were sold.



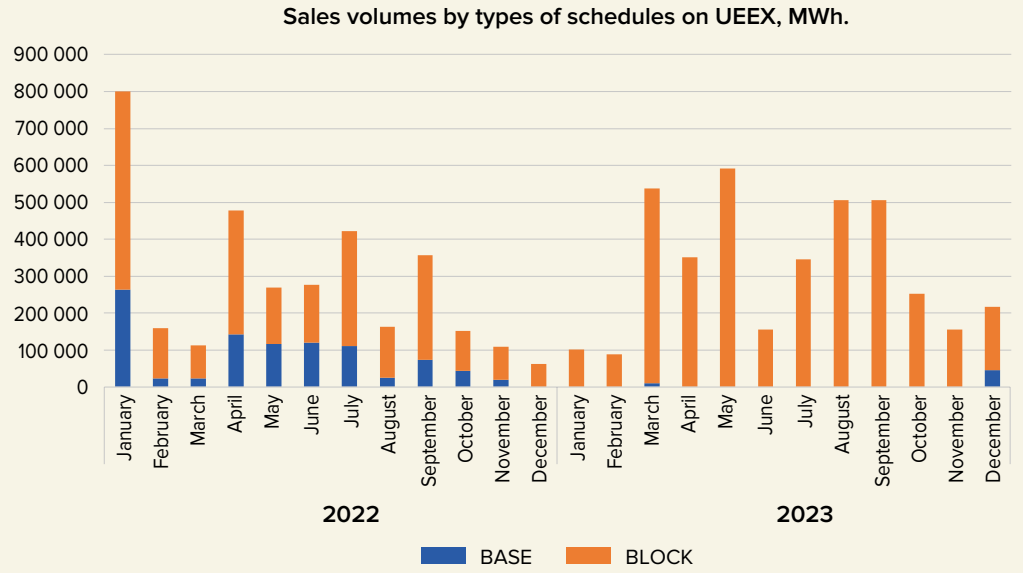
Month	Sold volume, MWh.	Month	Sold volume, MWh.
January	4 257 313	July	5 323 805
February	2 668 781	August	4 602 610
March	5 248 547	September	4 792 028
April	2 017 713	October	5 412 498
May	3 488 160	November	4 225 784
June	3 194 807	December	5 080 828
Totaly			**50 312 874**

Starting from July 8, 2022, the obligation of producers to sell their electricity under bilateral contracts through auctions held by UEEX LLC was extended to private producers (except for those who were granted a "green" tariff and who became eligible for support based on the results of the auction). Accordingly, in 2023, electricity producers held 226 auctions and sold 29,6 million MWh of electricity.

AUCTIONS IN THE FORM OF SPECIAL SESSIONS FOR THE SALE OF ELECTRICITY GENERATED FROM ALTERNATIVE ENERGY SOURCES

Month	Sold volume, MWh.	Month	Sold volume, MWh.
January	99 750	July	345 195
February	87 825	August	506 390
March	537 585	September	504 950
April	350 584	October	252 310
May	591 690	November	154 400
June	154 260	December	215 705
Totaly			**3 800 644**

In 2023, SE "Guaranteed Buyer" held 105 auctions in compliance with Clause 61, Part 2, Article 66 of the Law of Ukraine *"On the Electricity Market"*. The volume of sales amounted to 3800,64 thousand MWh, which is 13% more than in the same period last year.



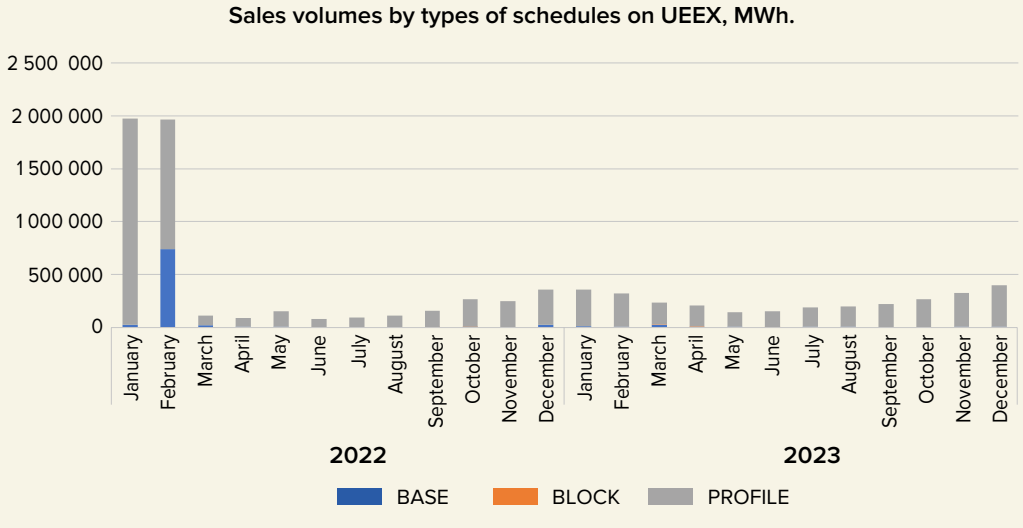
A SPECIAL SESSION FOR THE SALE OF LOT PACKAGES UNDER BILATERAL CONTRACTS (PARAGRAPHS 47-54 OF RESOLUTION NO. 499)

CM Resolutions No. 791 dd. July 28, 2021 and No. 983 dd. September 22, 2021 amended Resolution No. 499, which allowed JSC Ukrzaliznytsia, as the largest critical electricity consumer, to purchase electricity at auctions of UEEX LLC in indivisible packages of 25 lots with a delivery period of up to 36 months.

Indicator	2022	2023
Volume MWh	647 700	2 744 350
Number of auctions	1	5
Type of sales	BASE	BASE
Withdrawal period	I Q 23	II Q23; III Q23; IV Q23; I Q 24

COMMERCIAL SECTION

Auctions held in accordance with Resolution No. 499 stipulate that only the seller can initiate the auction. Therefore, in order to enable traders, DSOs, and USP (to meet the needs of non-household consumers) to centrally trade electricity under bilateral contracts, as well as buyers were able to initiate auctions, commercial section for the purchase and sale of electricity under bilateral contracts was created at UEEX. In general, in 2023, the total volume of electricity purchase and sale in the commercial sections amounted to 2 978,79 thousand MWh and 291 auctions were held.



AUCTIONS PURSUANT TO ARTICLE 62

Relevant auctions were held at UEEX LLC in order to fulfill special obligations of the electricity market entities to ensure the public interest in the functioning of the electricity market — to ensure the supply of electricity at an affordable price to household consumers. According to the PSO financial model, which was amended on October 1, 2021, NNEGC Energoatom is obliged to sell electricity at electronic auctions to the PSOs in volumes corresponding to the minimum hourly electricity consumption by households in the same month of the previous year. In addition, Energoatom and Ukrhydroenergo must pay a financial fee to the Guaranteed Buyer (in a special form), which, in turn, compensates the PSOs for the difference between the price of the base load on the DAM and the regulated price for households.

UEEX LLC held auctions for the sale of electricity in the form of special sessions in order to fulfill special obligations of electricity market participants to ensure the public interest on a non-commercial basis, with a commission fee for such operations amounting to UAH 1 for each auction certificate.

After the introduction of the legal regime of martial law in Ukraine, the Ministry of Energy of Ukraine issued Order No. 132 dd. 21.03.2022 “On Ensuring the Purchase and Sale of Electricity by Universal Service Providers during a Special Period”, according to which electricity under PSO began to be sold under bilateral contracts off the exchange. This decision was made in order to preserve the interests of the state, since all information that is publicly available can be used by the aggressor for its own predatory purposes.

BILATERAL CONTINUOUS AUCTION

Bilateral continuous auction on UEEX is held according to the approved schedule every Wednesday from August 10, 2022 and involves trading in standardized products, when sellers and buyers place their standard bids and conclude transactions by means of matching.

Sellers at such auctions are electricity producers (except for producers who have been granted a ‘green’ tariff and who have acquired the right to support based on the results of the auction), and buyers are electricity market participants who intend to purchase electricity in accordance with the terms of the auction and are not limited by applicable laws and regulations.

In 2023, no deals were concluded at this type of auction.

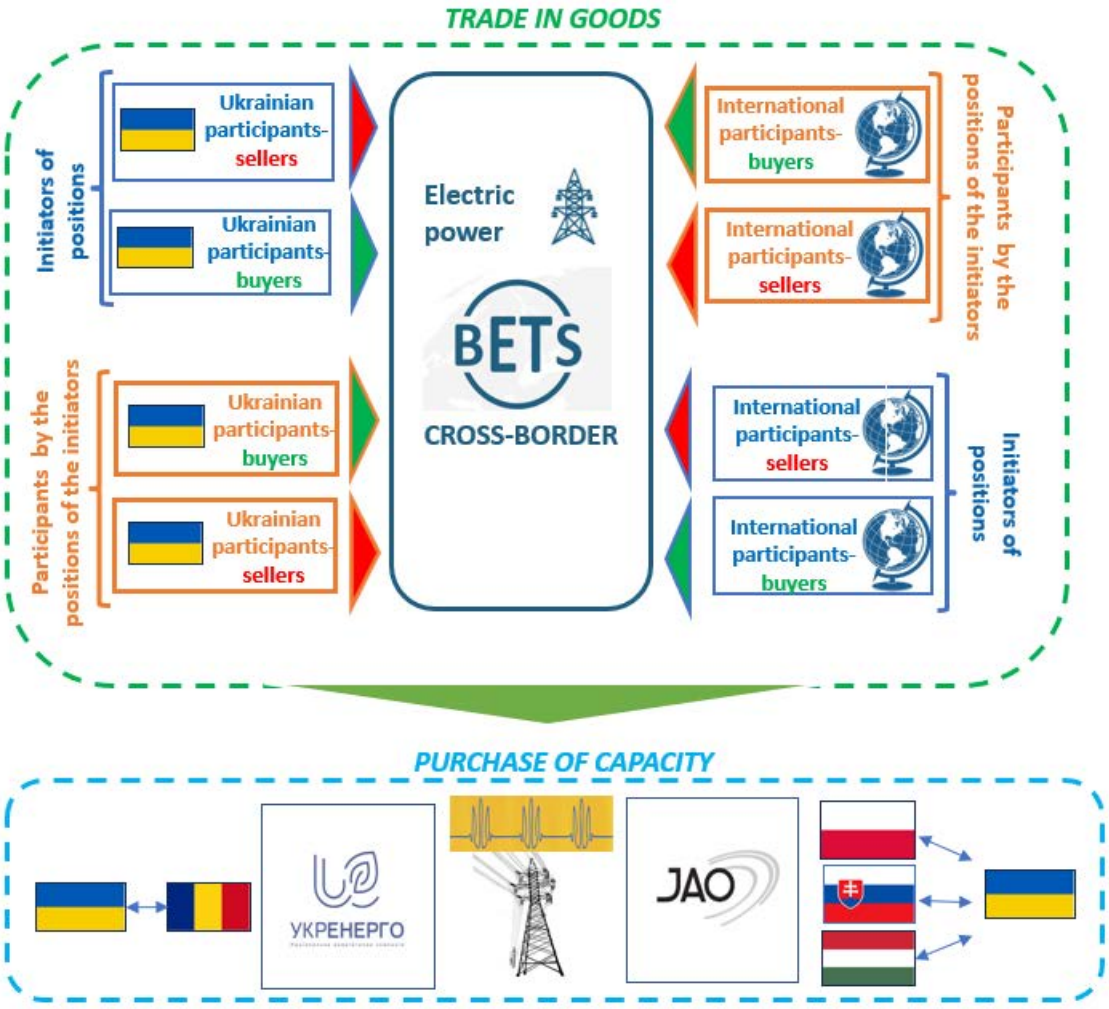
IMPORT/EXPORT SECTION



On December 18, 2023, the Exchange Committee approved the Rules for organizing and conducting an electronic auction for the purchase and sale of electricity for further import/export on the Ukrainian

Energy Exchange.

Until now, cross-border trade under bilateral contracts has not been organized, and participants have been limited in the ways they can find counterparties. The project envisages the launch of an electronic platform for the import and export of electricity to/from Ukraine. Both buyers and sellers - residents and non-residents of Ukraine - can initiate the auction (place positions). Other participants (residents and non-residents) may participate in the auction for these items. After/before the conclusion of exchange agreements, the parties independently purchase transmission rights (capacity) at the relevant auctions.



4.2. Natural gas

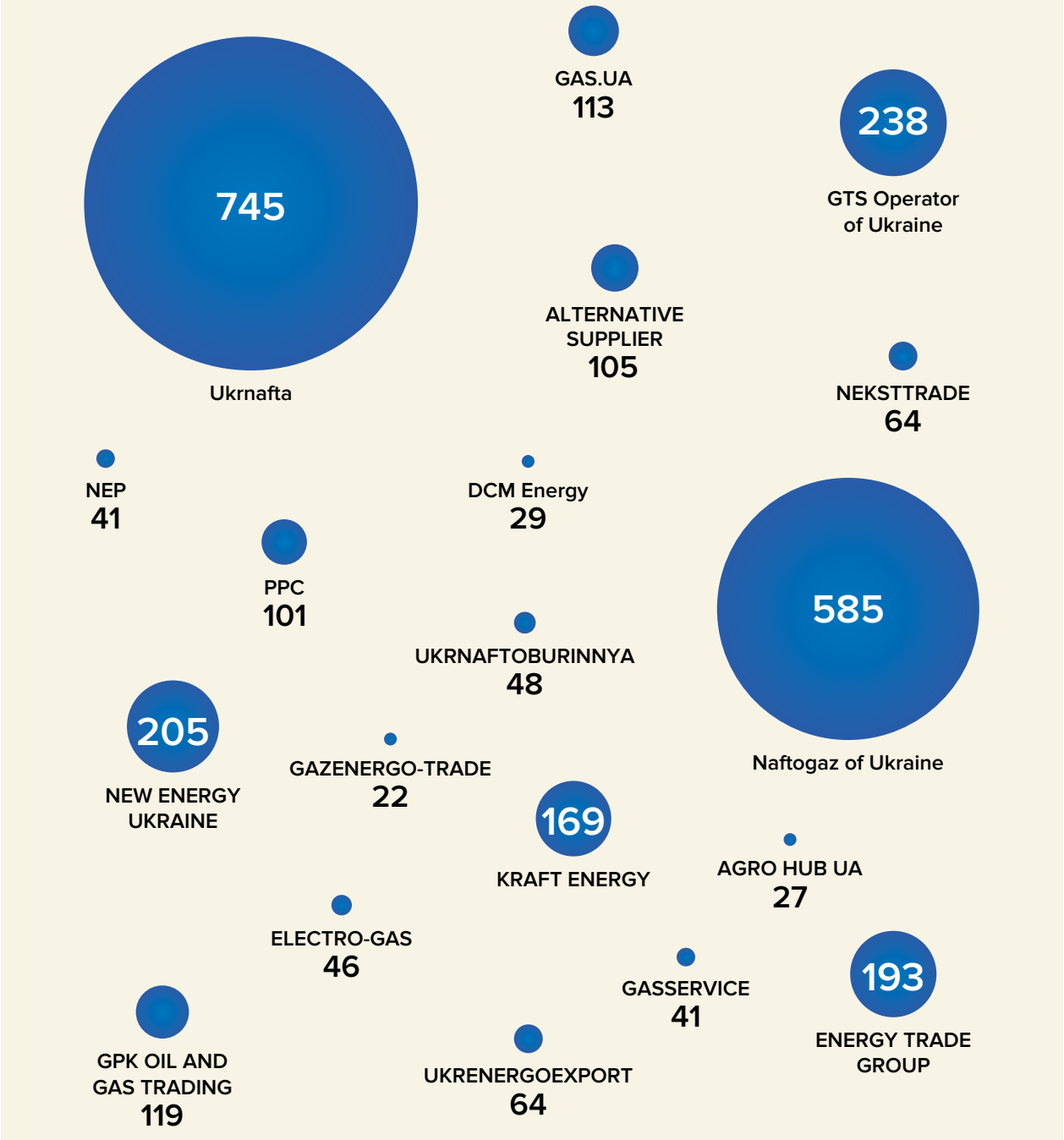
MEDIUM- AND LONG-TERM NATURAL GAS MARKET

Last year, 1,33 billion cubic meters of natural gas were sold at PP BETS. 419 trading sessions were held, in which 3272 starting positions were formed for the purchase and sale of the resource. For comparison, 332 trading sessions were held in 2022 and 333 in 2021.

As of the end of the year, 392 companies were accredited for natural gas trading. In total, over 1400 deals were concluded on the UEEX medium and long-term markets during the year. The trades were initiated by 49 companies.

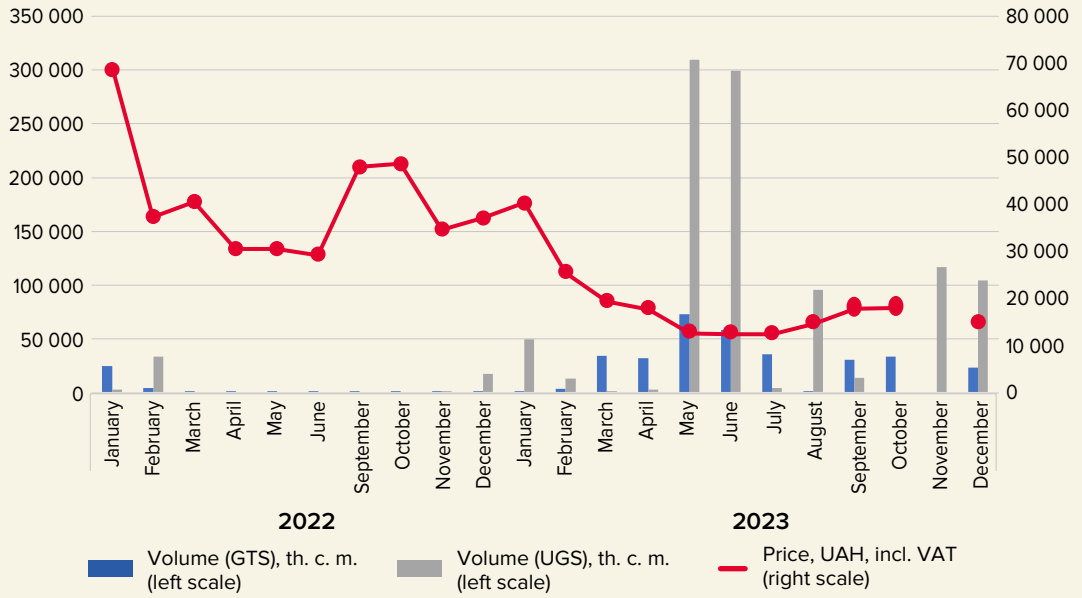
The following participants formed the largest number of starting positions: PJSC Ukrnafta, NJSC Naftogaz of Ukraine, Kraft Energy LLC, and Gas Transmission System Operator of Ukraine LLC.

Top 20 companies by number of starting positions



In April 2023, Naftogaz joined the UEEX to purchase domestically produced natural gas. In total, Naftogaz Group companies purchased a total of 962 million cubic meters of natural gas at the UEEX. This allowed gas producers to sell part of the accumulated gas, which had a positive impact on the market dynamics and the balance of resource distribution.

Results of monthly natural gas sales in the GTS and UGS facilities

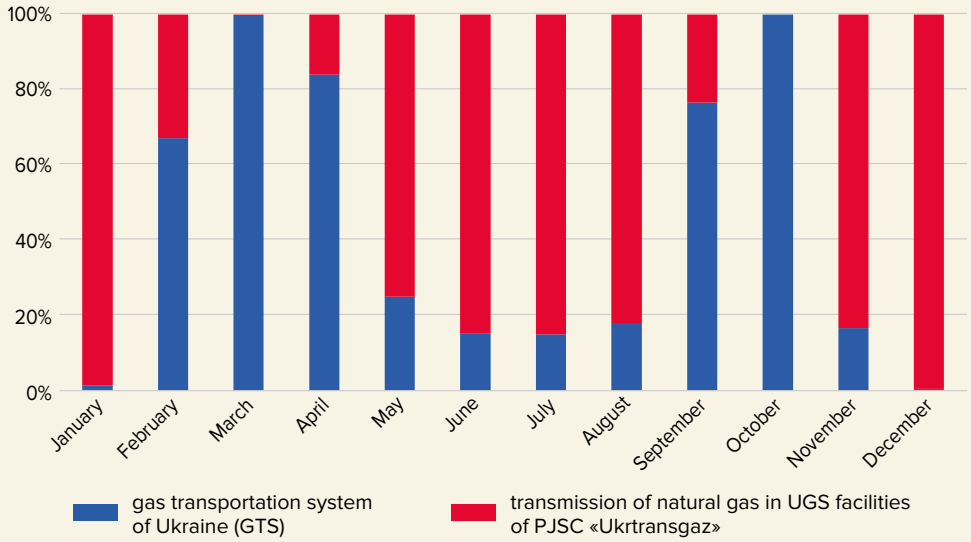


In general, last year, UEEX participants continued to show interest in trading in natural gas with a transfer point in UGS facilities. It was largely due to the offering of domestic producers' resources, which had not been sold earlier due to lower demand and the inability to export.

Trading volatility in the UGS is associated with periods of the highest activity of individual companies, usually state-owned, and correlated with the activity of participants on the UEEX in general. For example, in January, Ukrnafta was a major seller in UGS facilities. In April-July, Naftogaz of Ukraine purchased gas mainly in underground storage facilities, and in May-August, a significant share of volumes was purchased by the GTS Operator of Ukraine.

In November, Naftogaz Group continued purchases from UEEX LLC, represented by its subsidiary "Naftogaz Trading", purchasing the resource also mainly in underground storage facilities.

Distribution of sales by terms of supply during the year

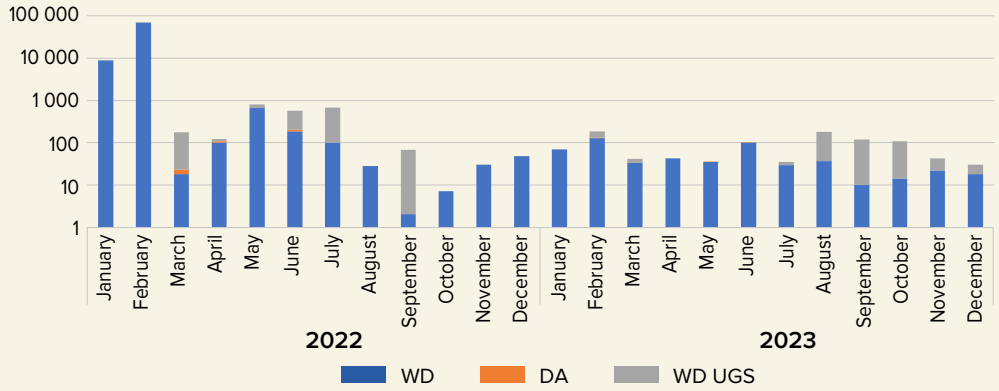


SHORT-TERM NATURAL GAS MARKET

During the last year, 988 th.c.m. of natural gas was sold in the segment.

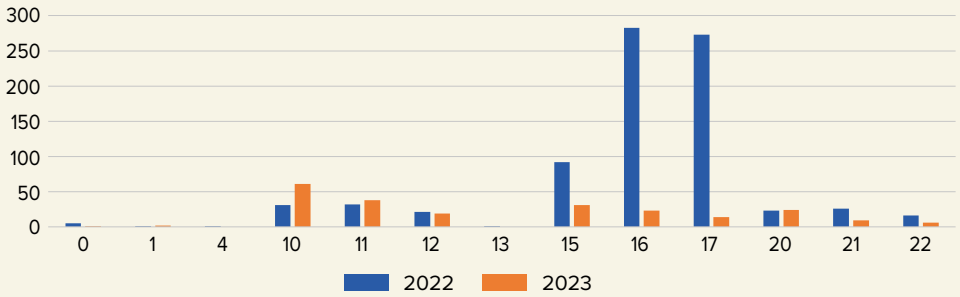
There were two peak periods of gas sales during the year: in February and August-September. In both cases, gas sales to UGS facilities played a significant role, this could be due to the sale of surplus resources in underground storage facilities at the end of the heating season and before the beginning of the next one. At that time, the monthly results of trade with the transmission point at the WATT in the GTS did not show such significant fluctuations.

Sales of natural gas on the short-term market, th. c. m.



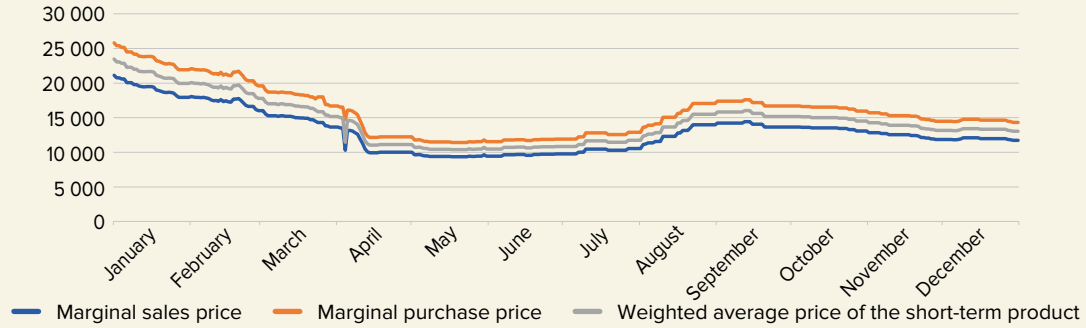
While in 2022 the majority of deals were made in the second trading session, in 2023 the focus of participants' attention shifted to the first trading session, however, the intensity of trade itself has declined significantly since the outbreak of the war.

Distribution of transactions by hours of the day, pcs.



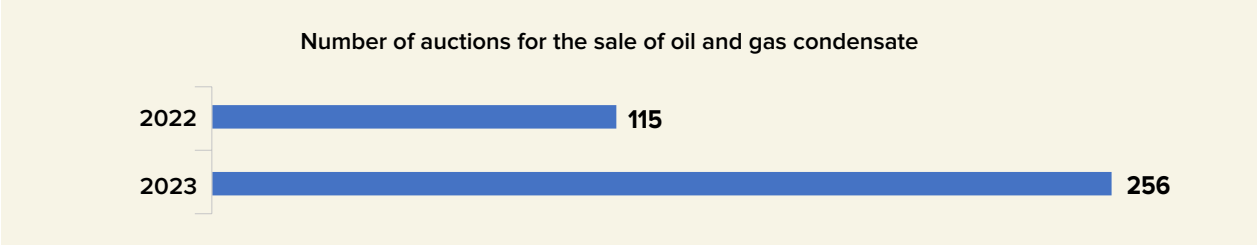
In total, 34 companies were accredited in the segment at the end of the year, among which the GTS Operator of Ukraine should be singled out as an active bidder. As it is known, starting from January 2022, the marginal prices for the purchase and sale of natural gas of the GTS Operator are determined based on the results of trading on the UEEX. Prices are formed by the market method and all participants of the short-term UEEX market can participate in their formation. Mostly throughout the year, the clause of the GTS Code was applied, according to which the weighted average price of short-term standardized products is increased or decreased by 10% in order to determine the marginal purchase and sale price respectively.

Marginal purchase price and marginal sale price, UAH/th. c. m. excluding VAT



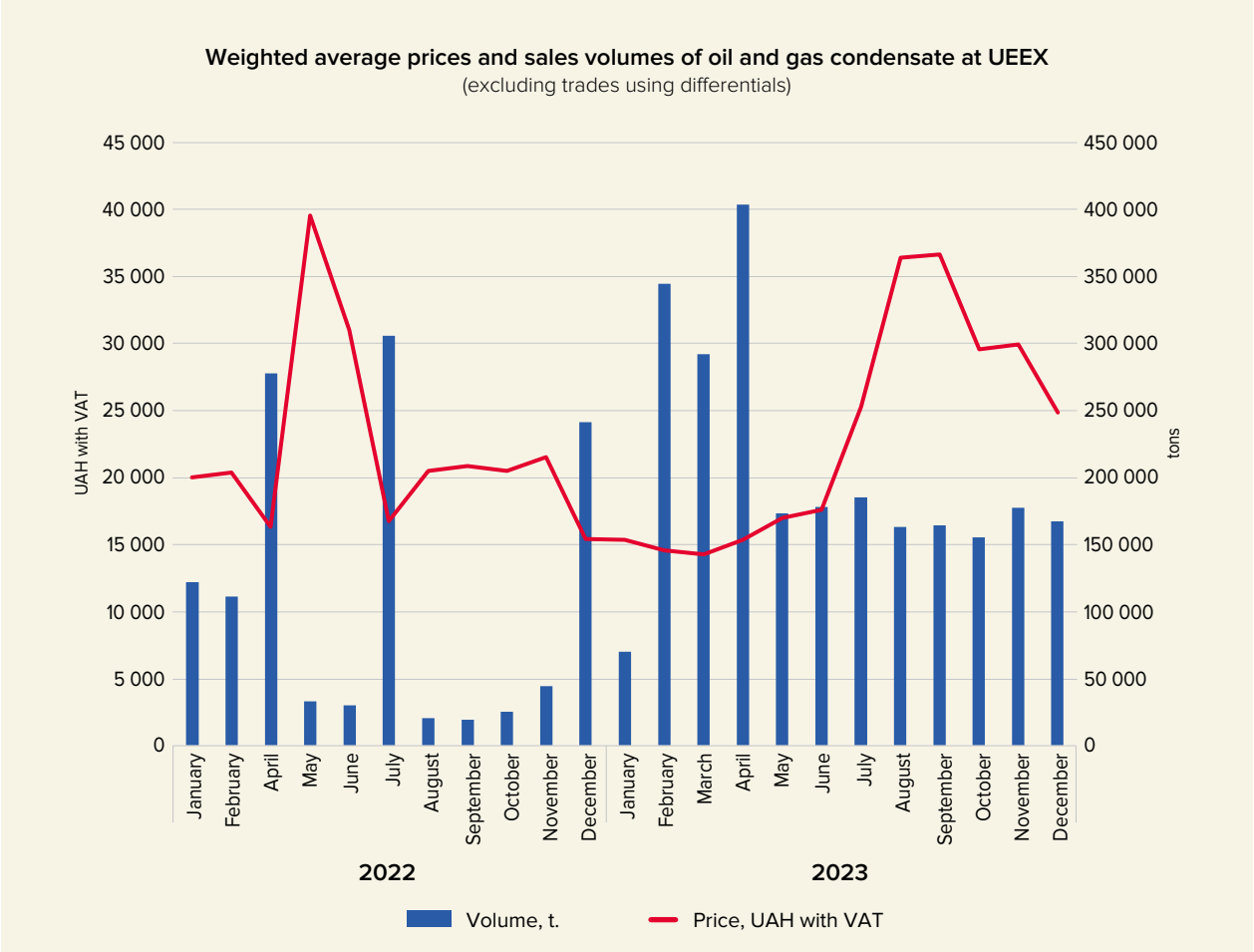
4.3. Oil and gas condensate

In 2023, Oil and Gas Condensate was the second largest trading area on UEEX in terms of sales volume and value. Over the past year, 256 trading sessions were held in this area, in which 1557 starting positions were formed for the purchase and sale of resources and 2193 exchange certificates were concluded.



The main initiators of the auctions were PJSC Ukrnafta, JSC Ukrgasvydobuvannya, LLC D.TRADEDING.

As of the end of 2023, 191 companies were accredited to the UEEX in the Oil and Gas Condensate sector.



In 2023, trading in the Oil and Gas Condensate segment was also conducted in the form of trading with the use of differentials. Based on the results of all trading sessions in this area, the total sales volume amounted to 2525 million tons of oil and gas condensate, or 2475 million tons of oil and gas condensate excluding trading with differentials.

According to the results of the auctions, the lowest annual oil price was recorded in April 2023, which amounted to UAH 12485,69 including VAT/t for delivery by road, EXW, 100% prepayment. The lowest annual price for gas condensate was reached in February and amounted to UAH 10000 including VAT/t for delivery by road, EXW, payment within 3 banking days. During gas condensate trading, the largest price increase of 96% of the starting price was recorded in September 2023.

4.4. Liquefied gas and oil products

LIQUEFIED GAS

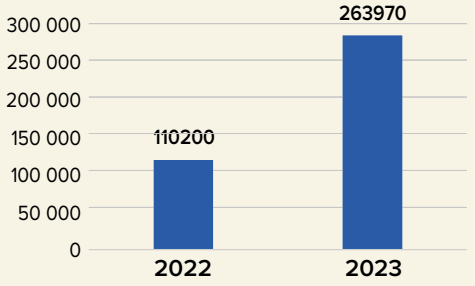
In 2023, 102 trading sessions for the sale of liquefied gas were held at UEEX and more than 3 thousand exchange certificates were concluded.

Number of auctions for the sale of liquefied gas



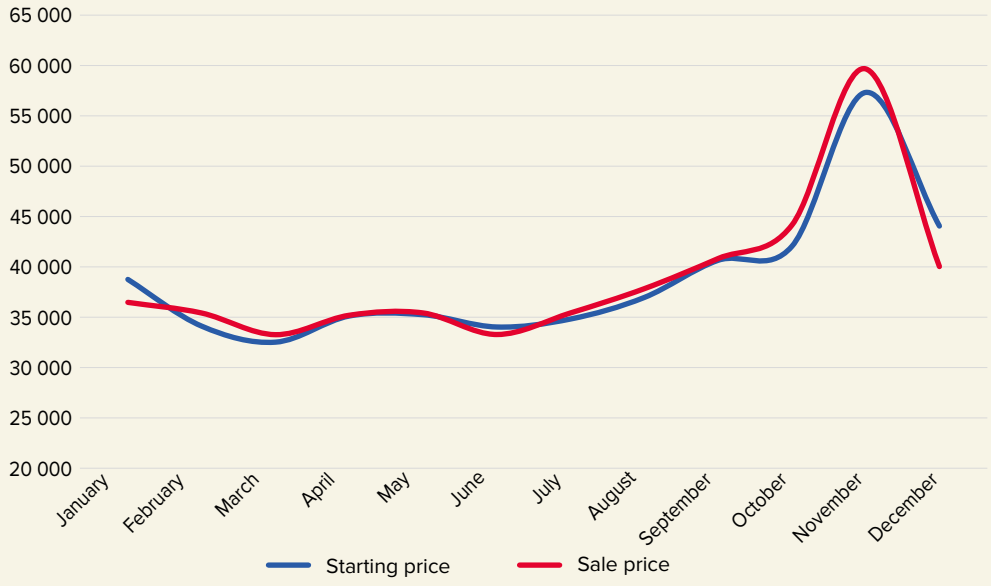
PJSC Ukrnafta and JSC Ukrgasvydobuvannya offered the largest volumes of domestic gas for sale during the year. Last year, there were regulatory changes in this area. Since the end of the year, state-owned companies have been selling liquefied natural gas of their own production in accordance with Article 4[1] of the *Law of Ukraine "On Oil and Gas"* at exchange auctions in the LPG segment. These changes in legislation had virtually no impact on exchange trading, as companies that sold through the exchange continued to do so.

Sales volumes of liquefied gas at the UEEX in 2022-2023, tons



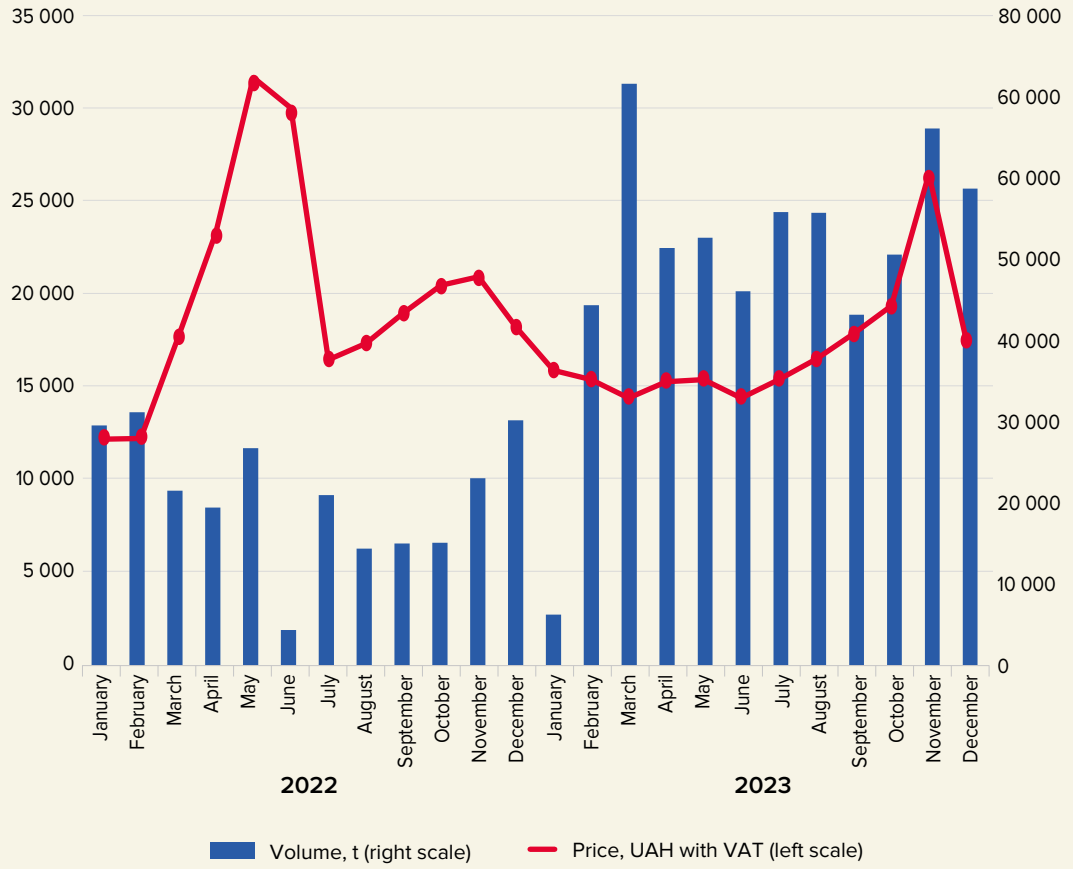
Starting prices during the year fluctuated in the range of UAH 30-64 th. per ton (including VAT).

Dynamics of average starting and selling prices for liquefied gas, UAH/t (including VAT)



During the year, the lowest sales prices were achieved in March and June, 29 thousand UAH/t (including VAT) and 28 thousand UAH/t (including VAT), respectively. The blocking of checkpoints on the Polish-Ukrainian border had a negative impact on domestic prices and in November the maximum monthly price was reached, with prices for some transactions exceeding 65 thousand UAH/t (including VAT).

Weighted average prices and sales volumes of liquefied gas at the UEEX

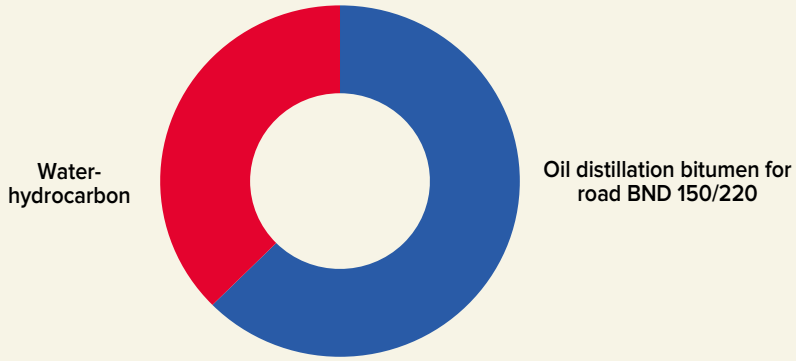


For the reporting year, the largest sales volumes were in March, with sales of more than 30 thousand tons. t.

OIL PRODUCTS

In 2023, 39 trading sessions were held at UEEX in the "Oil Products" segment. The following products were offered for sale: fuel oil, bitumen and water-hydrocarbon emulsion produced by domestic manufacturers.

Sales volumes of oil products and other refined products on UEEX in 2023, tons



As a result of the auction, 39 exchange certificates were concluded. The total sales volume amounted to 2,4 thousand tons.

4.5. Untreated timber and lumber

General indicators in 2023

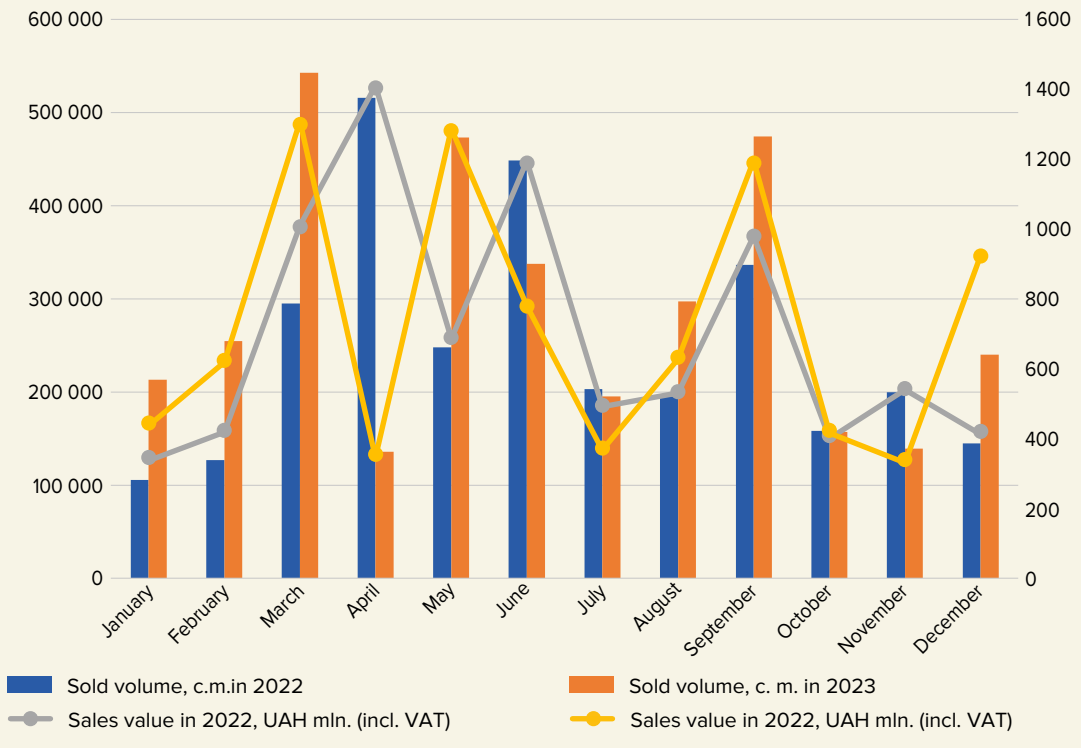
Trades results in 2023		
Number of auctions > 2 400		Number of winners > 1 600
Sold volume 3,46 mln.c.m.	Sales value 8,66 UAH bln.	Additional income > 510 UAH mln.

Evaluating the results for 2023, we can note positive trends in timber trade with an increase in sales volumes for two years in a row. Compared to 2022, timber sales at UEEX increased by 15% and amounted to a total sales value of UAH 8,66 billion.

These indicators indicate the active development of the timber market in Ukraine, its de-shadowing, transparency and competitiveness. This opens up prospects for effective regulation and control in the industry, ensuring a higher level of safety for consumers and market participants. This development is a favorable condition for further growth, and its positive impact is felt not only by industry players but also by the state budget.

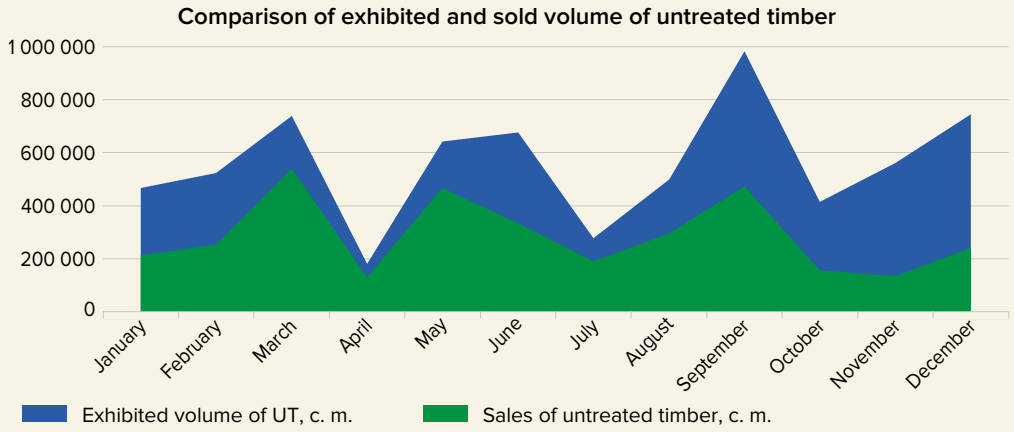
During the year, the highest volume of untreated timber sales was recorded in March, when we sold about 544 thousand cubic meters for UAH 1,29 million. Other active months were in May and September, when we sold 474 and 475 thousand cubic meters of timber. More detailed information can be found in the graph below.

Comparison of sale volumes and sale value of untreated timber and lumber in 2022/2023



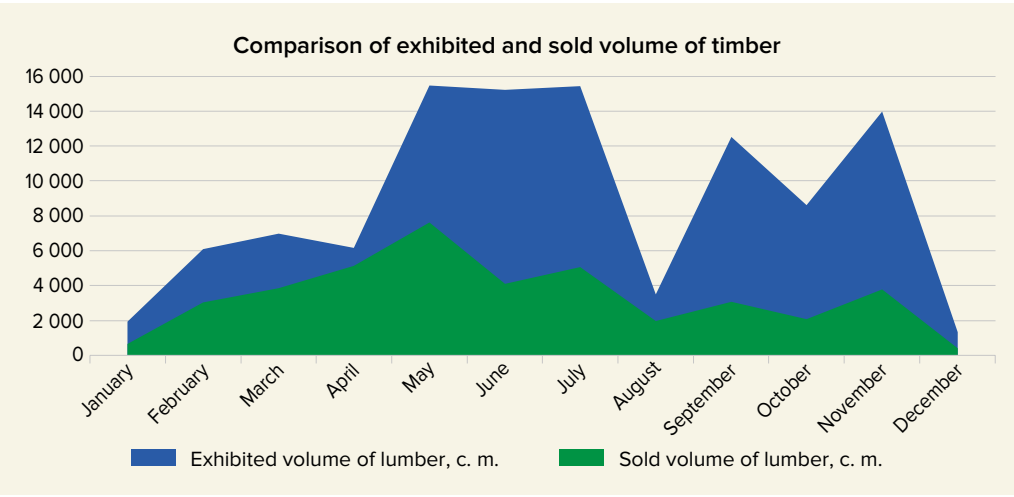
In 2023, the volume of lumber sales increased to 40,7 thousand cubic meters, with a total value of UAH 143,62 million. These figures exceed the results of the previous year, which is also explained by the emergence of new product names at UEEX's auctions: timber, unedged board, edged board, sawdust, fuel chips, process chips, picket fence. Positive trend indicates an increase in demand for lumber among consumers and construction companies, which is the basis for the stable development of this market. Stability and a gradual increase in the share of lumber can make a significant contribution to market diversification and ensure its sustainability in the future.

Changes in supply and demand during the year are best characterized by monthly figures for volumes supplied and sold.



Maximum volume of products sold for the month was recorded in September and amounted to over 981 thousand cubic meters, of which over 471 thousand cubic meters were sold. The highest sales figure was recorded in March, when over 539 thousand cubic meters were sold, or 73%.

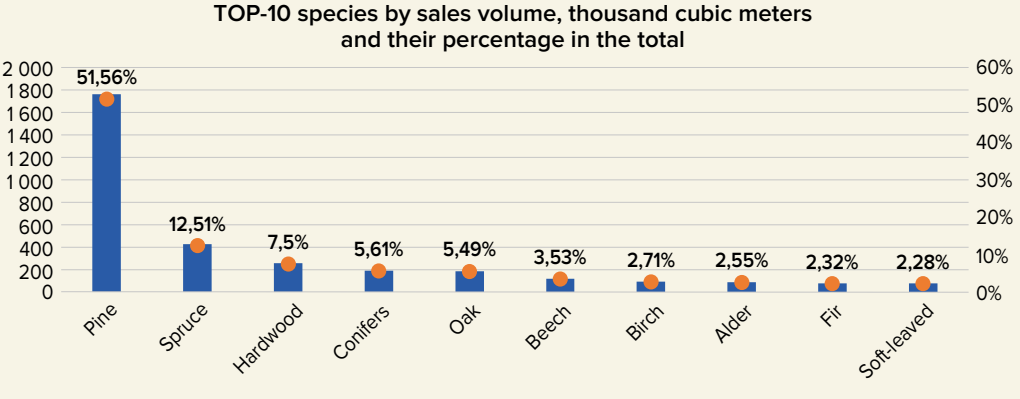
The largest volume of timber sold was observed in May, June and July, when it reached 15,5, 15,2 and 15,4 thousand cubic meters respectively. The maximum percentage of sales was recorded in April, which amounted to 83%.



For a deeper understanding of the timber market, it is important to examine the indicators for each species separately. In recent years, pine has been a leader in the untreated timber market. In 2023, 1764 thousand cubic meters of pine were sold, accounting for more than 50% of total sales. This figure is 27% higher than in 2022.

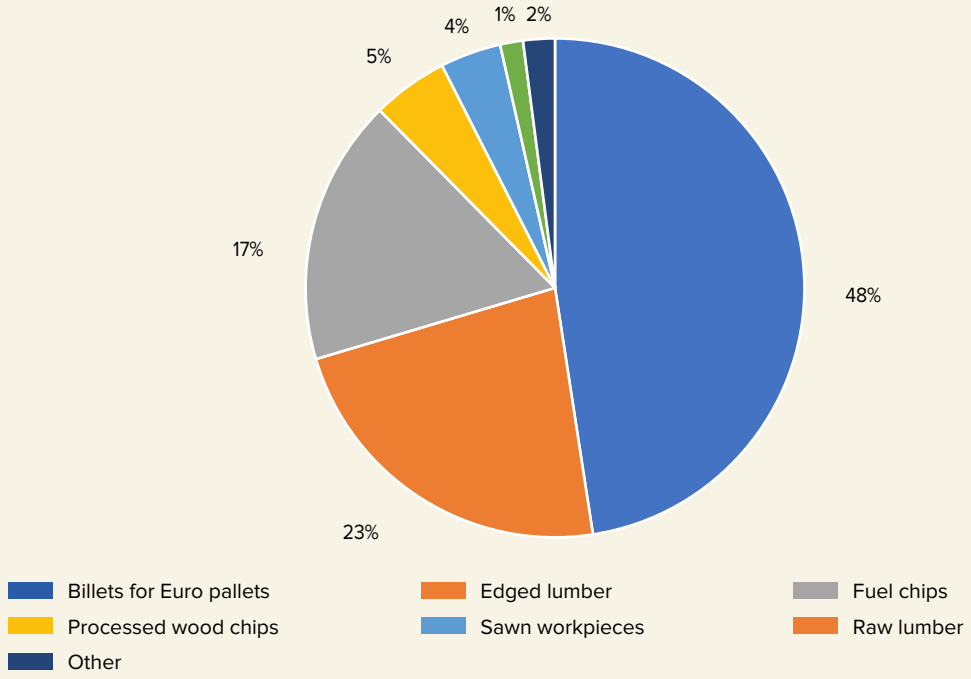
Spruce ranks second with a share of 12,51% or 427 thousand cubic meters in 2023. This is 28% more than in the previous year.

Hardwoods are also among the top sellers. In 2023, we sold more than 256 thousand cubic meters of hardwood, which is 7,5% of total sales.



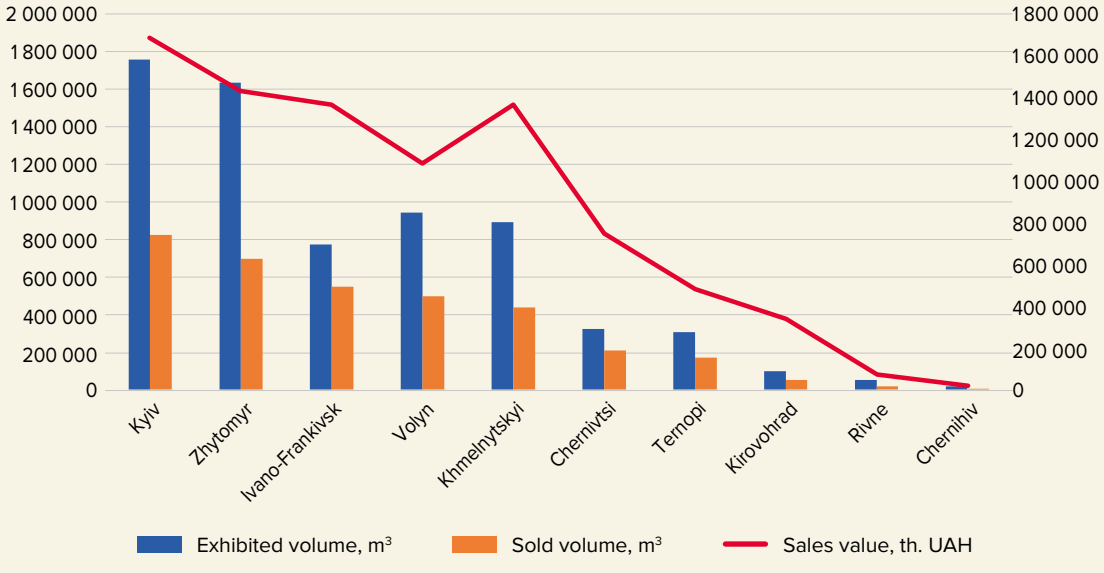
Almost 50% of the total volume of sold lumber was accounted for by preparations for euro pallets, which were sold in the amount of 19 thousand cubic meters in 2023. It is also worth noting the popularity of edged lumber, which accounts for 23% of the total volume sold. A significant part of the market is also occupied by fuel wood chips, which were sold in the reporting period in a total amount of 7 thousand cubic meters.

Structure of sold lumber by assortment, cubic meters, %.

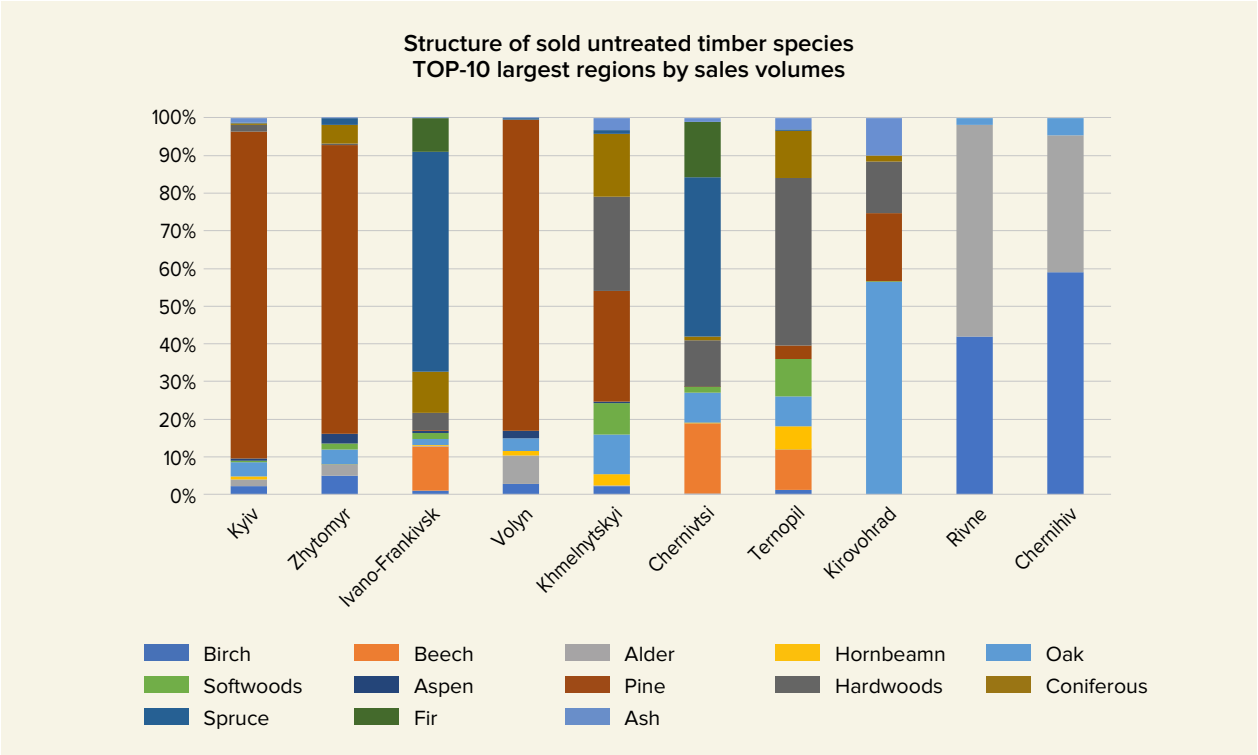


Timber sale process covered forestry enterprises in 14 regions of Ukraine.

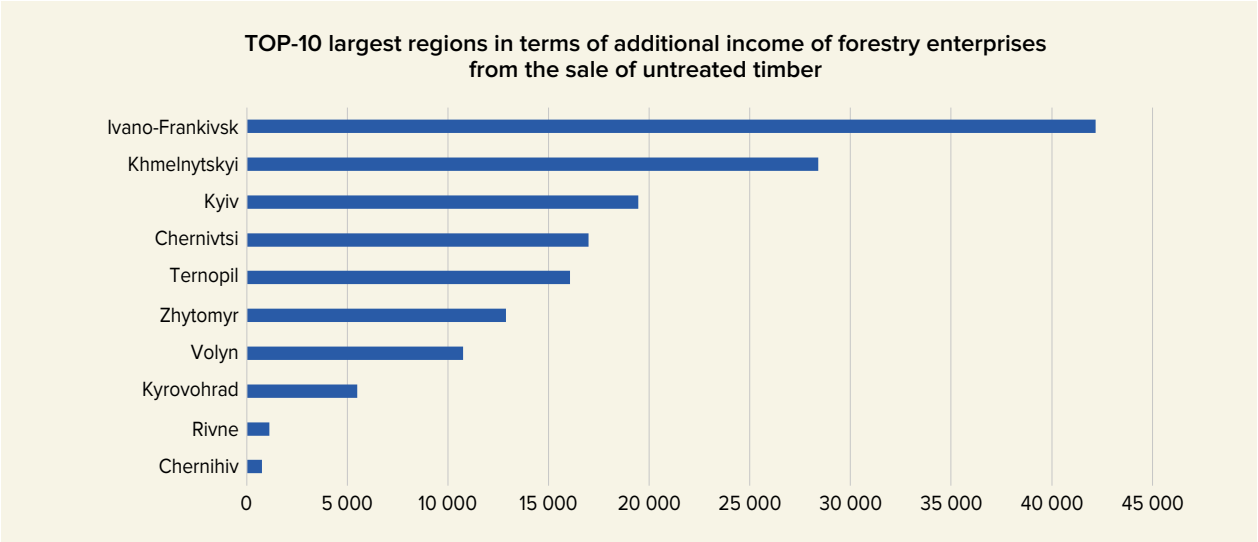
TOP-10 largest regions in terms of exhibited and sold volumes of untreated timber and lumber



Forestry enterprises have the right to sell timber species only that grow on the territories under their jurisdiction. This is due to the need for rational use of forest resources and preserving biodiversity. For example, pine predominates in Kyiv and Zhytomyr regions, which is why it accounts for the majority of timber sold. The graphic below provides a visual representation of which tree species dominate in each region.



Development of the industry in a particular district or region is influenced by the level of additional income that forestry enterprises receive after timber sales of untreated timber were recorded in farms located in Ivano-Frankivsk region, which amounted to 42,2 thousand UAH. This figure is significantly higher compared to other regions.

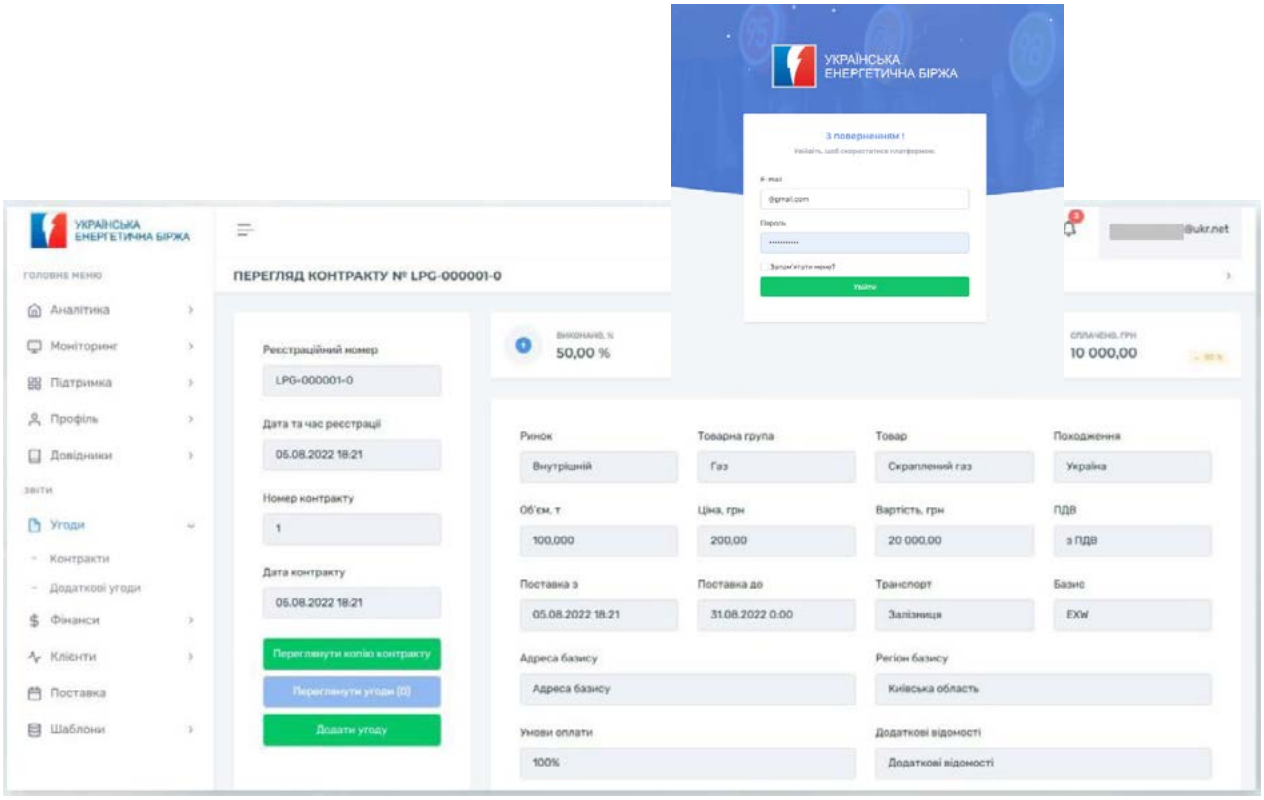


4.6. Exchange commodities trades, included in the list of products traded exclusivelyon organized commodity markets

During two years, Ukrainian Energy Exchange has been providing its participants with the opportunity to comply with the requirements of the current legislation (Resolution No. 1433) and receive services for organizing trade in products on organized commodity markets in the area of «Trade in exchange-traded products included in the list of products, which are traded exclusively on organized commodity markets» by entering information on the essential terms of contracts for the purchase and sale of exchange commodities into a separate module of the UEEX ETS and registering exchange transactions in accordance with it. The registration transactions subject are those that involve the transfer of ownership or an obligation to transfer own-

ership of products in accordance with the list approved by the Cabinet of Ministers of Ukraine, with a volume of at least 10 tons.

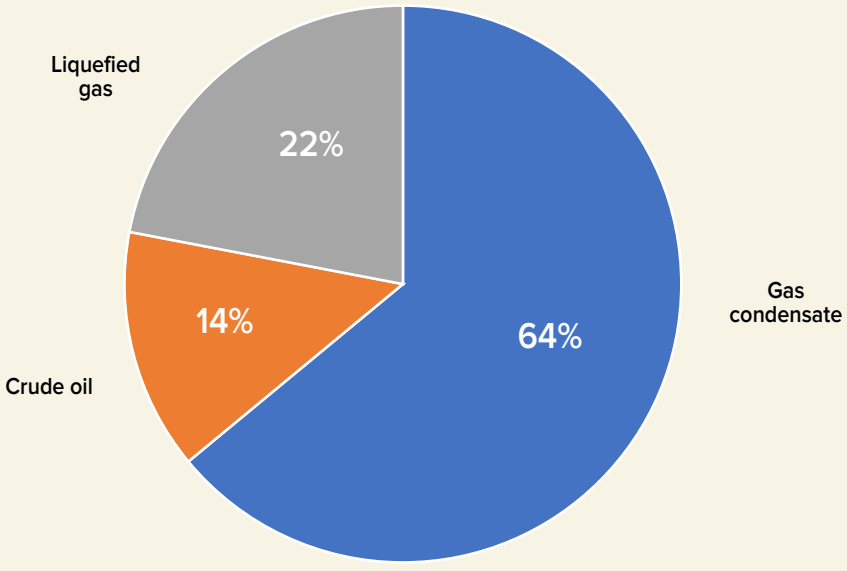
Obligation to register is imposed on the buyer (for import transactions) and on the seller (for domestic transactions).



Number of accredited companies that registered exchange transactions increased to 41 in 2023. The largest number of exchange transactions was concluded by PrJSC Ukrnaftoburinnya, JV PPC, Regal Petroleum Corporation Limited, Systemoilengineering LLC, Esco-Pivnich LLC, and others.

In 2023, more than 4500 exchange transactions were concluded for the following types of exchange commodities: liquefied gas, oil and gas condensate.

Breakdown of exchange transactions by product type in 2023 %.



4.7 Prozorro.Sale

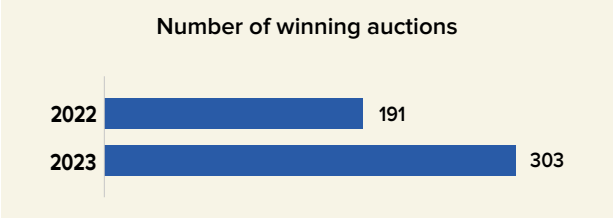
In 2023, almost half a thousand online bidders worked on the platform of Prozorro.Sale of the Ukrainian Energy Exchange LLC. They submitted about 1000 offers for auctions. The winning bidders brought UAH 314 809 774 to the budgets of various levels.

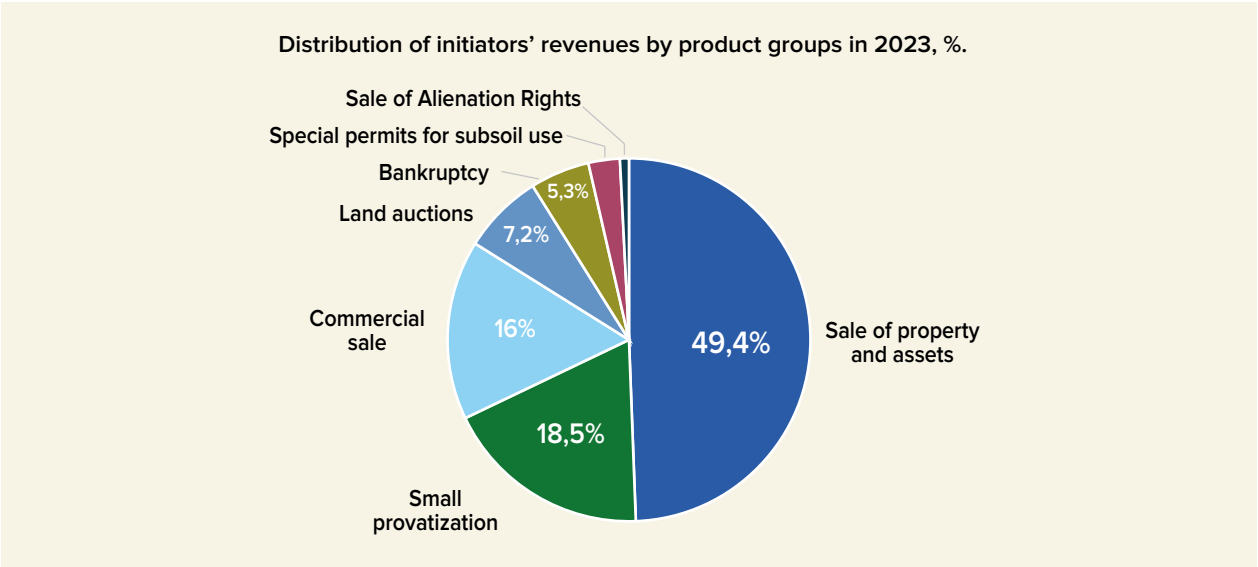
Organizers working at the UEEX platform, announced a total of 399 auctions in general during the year. As a result of the successful auctions, they generated revenue of UAH 1 953 090 198.

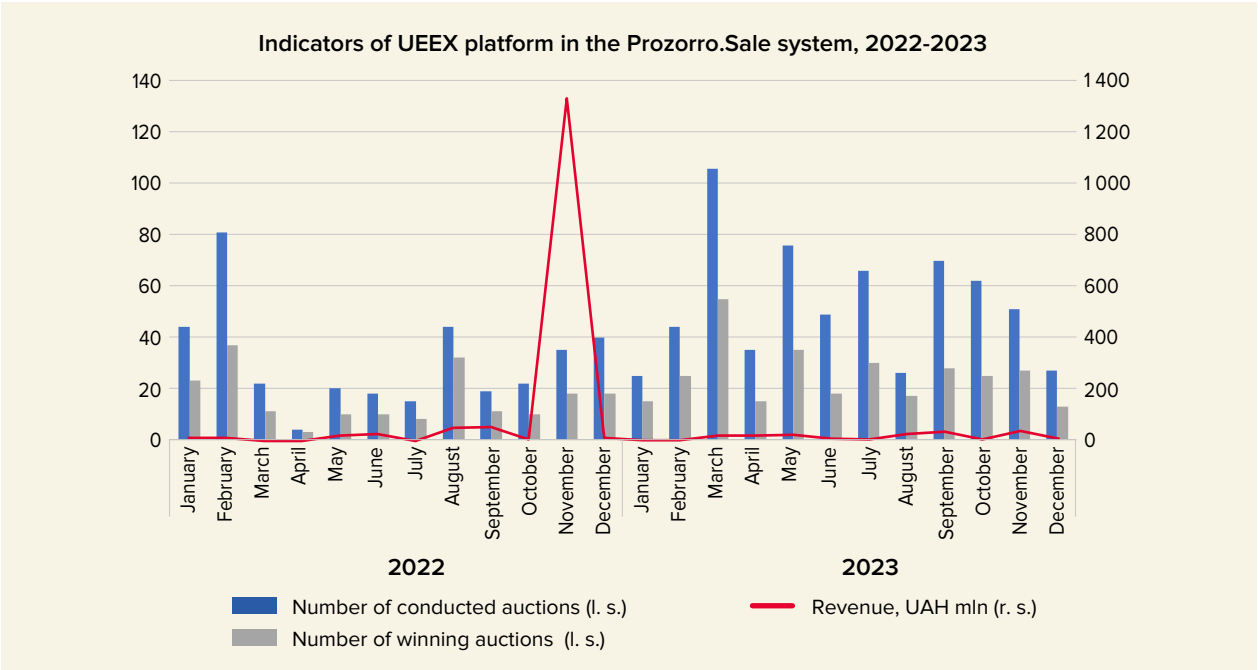
Traditionally, the State Service of Geology and Subsoil of Ukraine is among the largest auction organizers, having held 79 successful auctions for the sale of special permits for subsoil use in 2023. With a starting price of UAH 189 million, the state budget received more than UAH 539 million after competitive bidding.

In general, UEEX platform has consistently high performance in other areas of trading: scrap metal sales, bankruptcy property, small-scale privatization, commercial trading, etc.

High-quality technical support and professional assistance in preparing for auctions are the main advantages why bidders and organizers choose to work in the ProZorro.Sale system and use the https://sale.ueex.com.ua.







4.8. Customer service policy

UEEX's core business is to provide services to other companies in organizing and conducting electronic trading (via electronic trading systems). UEEX tries to make this process as customer-oriented as possible. This requires both the Exchange as a whole and each employee to be fully committed and committed to creating an efficient service that can meet the needs and requirements of the most demanding customers.

In its work with clients, UEEX is guided by the best modern standards of international and domestic interaction practices. Exchange builds trusting relationships with clients through the best customer service and a wide portfolio of products and solutions. The decisive role is the client's role, transition and transformation from a service provider to a solution provider, integrator of new business ideas and directions for clients.

The coronavirus pandemic and the war have made significant adjustments to customer service, focusing the Exchange on remote interaction. From an ordinary employee to the CEO of the Exchange, everyone worked hard in difficult conditions to ensure continuous and reliable customer service. With the outbreak of war, the main challenge for UEEX was to ensure the safety of clients while maintaining high-quality service. Another challenge was the need to implement modern IT solutions for effective remote interaction between employees and customers, as well as protection against russian cyberattacks.

Despite all the difficulties, Exchange has not only maintained the quality of service for clients, but has also fully and successfully implemented advanced technologies that allowed it to stay in touch with clients 24/7 and provide them with quality service, as well as protect the Exchange and clients from enemy hacker attacks. Exchange also always provides high-quality additional services for its clients: free access to analytics, analytical reports and exchange information, educational programs and trainings, and consulting support.

UEEX continues to constantly improve, introduce new programs and mechanisms, and expand its network of information, communication and continuous support. Exchange's client-oriented aspirations are aimed at further digitalization and optimization (simplification) of organizational processes in relations with clients, increasing its usefulness to them.

At the same time, UEEX LLC must comply with the requirements of the law in its relations with the client. In particular, potential clients of the Exchange must undergo the appropriate accreditation procedures (to gain access to trading). The accreditation procedure is implemented as comfortable as possible for the client and is intuitive, while taking into account all the necessary procedures for verification, identification and verification of potential clients in accordance with the law.

In general, the process of access to trading can be described as follows:

- receiving and verifying all necessary documents from a potential client;
- checking and obtaining a conclusion from the compliance department on the possibility of cooperation with a potential client;
- approval by the Exchange Committee of the lease of exchange places (where applicable);
- signing the necessary agreements with a potential client;
- training in trading systems and obtaining information to access the systems.

All necessary actions can be performed online on the Exchange's official website.

Verification of UEEX's counterparties as a subject of primary financial monitoring is carried out in accordance with the Law of Ukraine "On Prevention and Counteraction to Legalization (Laundering) of Proceeds of Crime, Financing of Terrorism and Financing of Proliferation of Weapons of Mass Destruction", taking into account the requirements of the Regulation on Financial Monitoring by Primary Financial Monitoring Subjects, State Regulation and Supervision of which is carried out by the NSSMC.

UEEX is obliged to carry out each of the due diligence measures to the extent determined by the subject of primary financial monitoring, taking into account the client's risk profile, in particular the level of risk, purpose of business relations, amount of transactions, regularity or duration of business relations. Based on the results of the study of the information received and collected, the Compliance Department determines the "risk level" for a potential client - "low", "medium", "high" or "unacceptably high".

This is to prevent the use of the Exchange's services for legalization (laundering) of proceeds of crime, terrorist financing and/or financing of the proliferation of weapons of mass destruction.

Subsequently, the potential client and/or its representatives are verified on the basis of the documents received. For convenience, Exchange defines several possible verification methods:

- in personal presence;
- by conducting video verification:
- verification by obtaining an electronic copy of the e-passport/e-passport for traveling abroad/ e-passport for permanent residence/e-passport for temporary residence generated by the Diia Portal.

The most popular verification method among potential clients is verification through the Diia app (over 45% of clients in 2023). Verification through Diia allowed potential clients to speed up the process of gaining access to trading and helped automate the work of the compliance department. Verification in this way takes only a few minutes and can be done

independently at any time convenient for the potential client. All you need is a smartphone, Internet, Diia app, and your passport.

When verifying its counterparties, including in order to identify risks associated with the establishment of business relations, UEEX LLC is also guided by its own internal procedures and documents: **Program of Initial Financial Monitoring of Ukrainian Energy Exchange LLC, Regulations on the Risk Management System, Risk Profile and Risk Appetite in the Field of Prevention and Counteraction to Legalization (Laundering) of Proceeds of Crime, Terrorist Financing and Financing of Proliferation of Weapons of Mass Destruction of UEEX LLC, Rules of Financial Monitoring of UEEX LLC.**

Unfortunately, in certain cases, Exchange is forced to deny potential customers access to trading, such cases include:

- failure of a potential client to provide all necessary documents or information;
- inability to identify and/or verify a potential client;
- impossibility of establishing data on the ultimate beneficial owners of a potential client or if the Exchange has doubts that the person is acting on his or her own behalf;
- establishing an unacceptably high level of risk for a potential client;
- submission of false information by a potential client or his representative or submission of information with the purpose of misleading the Exchange;
- Impossibility to identify the person on whose behalf or in whose interests the financial transaction is conducted, and identification of its ultimate beneficial owner or beneficiary under a financial transaction;
- inclusion of a potential client in the list of persons associated with terrorist activities or subject to international sanctions;
- Inclusion of a person and/or organization acting for and on behalf of a potential client in the list of persons associated with terrorist activities or subject to international sanctions;
- Inclusion of a person and/or organization that directly or indirectly owns or is the ultimate beneficial owner of a potential client in the list of persons associated with terrorist activities or subject to international sanctions;
- inclusion of a person and/or organization that is directly or indirectly owned or the ultimate beneficial owner of which is a potential client in the list of persons associated with terrorist activities or subject to international sanctions.

After a potential client successfully passes the verification, he/she gets the opportunity to participate in the types of trading chosen by him/her and becomes a full-fledged client of the Exchange, receiving all the possible benefits of cooperation with UEEX LLC.

4.9. Reporting and transparency

One of the OECD principles of corporate governance *(Organisation for Economic Co-operation and Development)* is information disclosure and transparency, which is also ensured by the corporate governance system at UEEX LLC. At the same time, the legislation of Ukraine establishes other requirements for ensuring transparency and reporting on exchange transactions in the organized commodity market. The activities of UEEX LLC are characterized by transparency, competitiveness, high business reputation and support of market participants.

НКЦПФР

NSSMC will carry out state regulation of capital markets and organized commodity markets (commodity exchanges), including by licensing their activities. Other state authorities may be involved in the regulation of commodity exchanges, in cases established by law, namely: regulators of the relevant commodity market and central executive authorities that ensure the formation and implementation of state policy in the relevant areas, NEURC and AMCU.

Licensed exchange activities in Ukraine are regulated by a number of legislative acts and internal documents of the NSSMC, which excludes corruption in trading, requires high transparency, reporting, and compliance with standards (at the capital market level), appropriate organizational structure, software requirements, professional and qualification composition of personnel, financial monitoring, obligations to disclose certain information, and measures to prevent manipulation, insider trading and other abuses, etc. In partic-

ular, the Licensing Conditions for Professional Activity on Organized Commodity Markets contain a number of requirements, including transparency of the exchange's activities, which exchange must comply with throughout the entire period of its license.

That is why companies' participation in exchange trading demonstrates their willingness to declare their commitment to high standards of transparent competitive trade and zero tolerance for corruption.

Exchange is obliged to monitor exchange trading and control compliance by exchange trading participants with the rules of the commodity exchange, including to prevent manipulation on the commodity exchange. Article 148 of the Law of Ukraine «On Capital Markets and Organized Commodity Markets» defines the actions of trading participants that constitute manipulation on commodity exchanges.

Commodity exchange is also a subject of primary financial monitoring and carries out verification and due diligence of clients in accordance with the Law of Ukraine *«On Prevention and Counteraction to Legalization (Laundering) of Proceeds of Crime, Terrorist Financing and Financing of Proliferation of Weapons of Mass Destruction» and the NSSMC Decision «On Approval of the Regulation on Conducting Financial Monitoring by Primary Financial Monitoring Entities, State Regulation and Supervision of Whichis Carried Out by the NSSMC»*.

Pursuant to Part 1 of Article 13 of the Law of Ukraine «On Commodity Exchanges» and Decision of the NSSMC No. 3 dd. 13.01.2022 «On Approval of the Regulation on the Procedure for Compiling, Submitting and Publishing Reporting Data by Commodity Exchanges», UEEX LLC publishes and submits information to the NSSMC. In particular, it submits daily, monthly, annual and irregular data in electronic form and in the established format.

To accomplish this, UEEX has created and operates electronic reporting systems for submitting information. In particular, as part of the daily information, reports are provided on all exchange transactions/exchange contracts concluded on the commodity exchange. Monthly reporting includes a register of commodities admitted to exchange trading; a list of commodity exchange members, trading participants and their exchange brokers admitted to enter into and execute exchange transactions; certificates of assets, prudential standards, data and calculation of the amount and sufficiency of regulatory capital, operational risk coverage ratio and credit risk concentration ratio, etc. Annual reporting includes annual financial and consolidated financial statements in accordance with international financial reporting standards and the auditor's report on the financial statements. Irregular reporting is provided in the event of changes, for example, in case of cancellation of an exchange transaction/exchange agreement, detection of transactions with signs of manipulation, price instability, etc.

Other regulatory documents of the NSSMC regulating the activities of exchanges are the Decision of the NSSMC *«On Approval of the Regulation on Conducting Activities on Organization of Commodity Trading on Commodity Exchanges»*, the Decision of the NSSMC *«On Approval of the Regulation on Clearing Activities»,* etc.

NEURC

On June 10, 2023, the Law of Ukraine No. 3141-IX *"On Amendments to Certain Laws of Ukraine on Prevention of Abuse in Wholesale Energy Markets"* was adopted, according to which a commodity exchange is an entity that professionally organizes operations with wholesale energy products (PPAT).

In pursuance of Law No. 3141-IX, the NEURC approved a number of bylaws aimed at implementation, in particular, the Procedure for Registration of Wholesale Energy Market Participants, the Procedure for Investigation of Abuse in the Wholesale Energy Market, the Procedure *(Methodology) for Determining the Amount of Fines Imposed* by the NEURC, *Procedure for Acquiring, Suspending and Terminating the Status of a Data Transfer Administrator (RRM), Procedure for the Functioning of Insider Information Platforms, Procedure for Providing Information on Commercial Operations with Wholesale Energy Products, Requirements for Ensuring Integrity.*

In early 2025, the NEURC plans to introduce an information system to ensure the fulfillment of the NEURC's functions. Law No. 3141-IX stipulates that the PPAT is obliged to notify the Regulator immediately, but no later than the next business day, if there are reasonable grounds to believe that transactions were carried out in violation of the established restrictions on the use of insider information or such transactions have signs of manipulation or attempted manipulation in the wholesale energy market. For this purpose, PPAT must establish (within 18 months from the date

of entry into force of the Law) and maintain effective organizational measures, mechanisms (including a monitoring system) and procedures for detecting violations on an organized trading platform. The requirements for the PPAT are set out by the NEURC Resolution *«On Approval of the Requirements for Ensuring Integrity and Transparency in the Wholesale Energy Market»*. The regulator establishes requirements for the amount of information on transactions in relation to wholesale energy products carried out on organized trading platforms, commodity exchanges, electronic auctions, trading platforms and the procedure for its provision to the PPAT.

Thus, during 2024, UEEX LLC will take preparatory measures to establish reporting mechanisms and ensure its compliance as an RRM in accordance with the new legislation. In addition, UEEX has begun to develop mechanisms for performing functions as an RRM and is considering the prospects of introducing an insider information platform.

At the same time, since 2021, the NEURC and UEEX LLC have been signing a Memorandum on promoting the effective development of electricity and natural gas markets, cooperation on information interaction for the purpose of effective development, transparency of electricity and natural gas markets. Thus, during the transition period (until the full implementation of the REMIT legislation), UEEX LLC provides reporting and access to analytical data on its operations in the wholesale energy market for the NEURC.

MINISTRY OF ENERGY OF UKRAINE

Ukrainian Energy Exchange provides weekly summarized information to the Ministry of Energy of Ukraine on electricity purchase and sale transactions under bilateral contracts in accordance with the law for the purpose of market monitoring.

AN AUCTION COMMITTEE FOR THE SALE OF ELECTRICITY UNDER BILATERAL CONTRACTS AT AUCTIONS

In order to enable the Auction Committee to perform its monitoring and control functions, including the observance of fair competition, UEEX LLC provides daily reporting on the results of auctions held in accordance with Resolution No. 499.

In addition, in accordance with the requirements of Resolution No. 499, UEEX publishes on its website an annual report on the results of electricity trading, including information on the existence of violations by the organizer and/or participants.

UEEX ensures full transparency of such electronic auctions by publishing all information on the course and results of trading, cooperates with all regulatory authorities to assist in identifying possible facts of unfair competition, promptly introduces all technical and operational changes to the system and Exchange (without any delay in implementation) if the Auction Committee changes the conditions and requirements for holding auctions.

A number of technical solutions were implemented to improve the bidding mechanisms and meet the needs of market participants for the efficient operation of the electricity market. No complaints against the Ukrainian Energy Exchange regarding violations of the Procedure or Rules for conducting auctions have been recorded.

ALL STAKEHOLDERS

UEEX LLC, as a licensed operator of the commodity exchange market, fulfills its obligations to ensure publicity and constant availability of exchange information on its website.

However, beyond this, UEEX strives to remain an effective tool for the public in providing quality information about the markets it operates. In particular, all information about the conducted and planned trades can be viewed in the “Trading Calendar” by selecting the desired date. User will be able to view the Exchange/Auction Bulletin, which contains all information about the auction (seller, product, starting price, volume, etc.). Upon completion of trading, the Bulletin of Weighted Average Prices is published, which indicates



sold volume, the minimum, maximum and weighted average price.

UEEX quotes and other exchange information are effectively used by the authorities, regulators, law enforcement agencies, public and the media. In particular, UEEX quotes are used to calculate the price of universal services in accordance with the NEURC Resolution *"On Approval of Amendments to the Procedure for Pricing Universal Services"*, since January 2022, the NEURC has approved the use of indicators of the UEEX trading platform to calculate the payment for gas imbalances, and the price of gas for heat producers (not for households and non-budget organizations) is calculated using a formula based on the market prices of UEEX *(CMU Resolution of 19. 07.2022 No. 812 (as amended on 22.08.2023 No. 896))*, in accordance with the provisions of Article 252 of the Tax Code of Ukraine, the rent for gas production is also calculated according to the exchange prices. Pursuant to Article 12 of the Law of Ukraine *"On Commodity Exchanges"*, a commodity exchange is obliged to calculate and publish the exchange rate of a commodity no later than the business day following the trading day on which the commodity was traded on the exchange and may calculate indices and other indicators of exchange trading. In performing such calculations, commodity exchange may use publicly available information and information obtained in the course of or as a result of exchange trading, information from exchange contracts and exchange transactions.

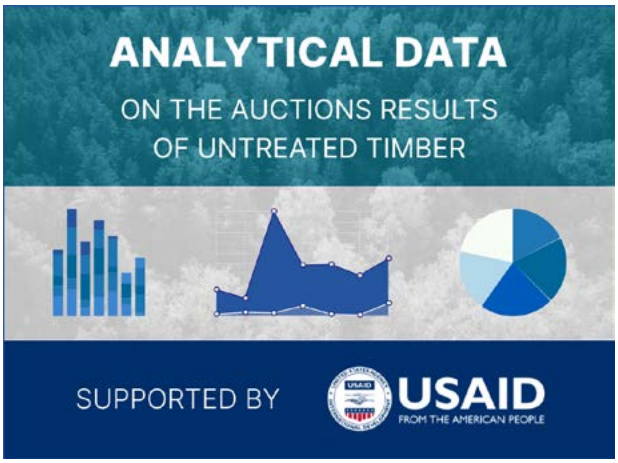
Methodology for Calculating Quotation Prices and Other Indicators of Exchange Trading on the Commodity Exchange - UEEX LLC stipulates that **a quotation on the UEEX** is a quotation price (including the exchange rate), indices and other price indicators of exchange trading that reflect the market price of a commodity/exchange commodity, which are determined on the basis of the criteria and calculation methods established by this Methodology. Thus, UEEX LLC publishes and calculates:

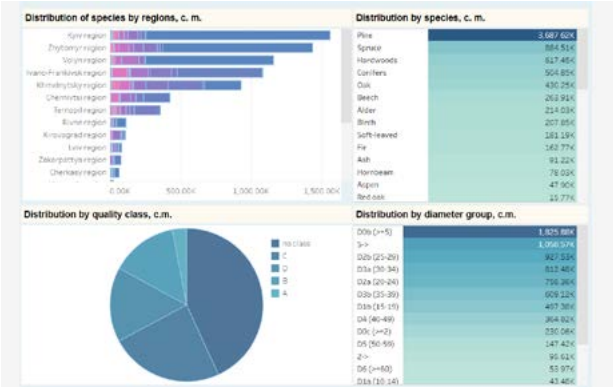
- **Exchange rate** - shall be determined at the end of the trading day, but no later than 09:30 of the next day, as the weighted average price of all exchange transactions concluded during all trading sessions on the relevant exchange commodity (product/instrument), on which exchange contracts were executed;
- **Weighted average price of short-term standardized products per gas day**
- is calculated to meet the requirements of paragraph 9 of Chapter 6 of Section XIV of the GTS Code for determining marginal prices;
- **Weighted average prices of the monthly resource Quoted prices are determined by the results of the trading day as the weighted average price of all exchange transactions concluded during all trading sessions on the relevant exchange commodity (product/instrument);**
- **Natural gas price calculated by the Exchange** - calculated as a weighted average price for a particular month, cumulatively from the first day of the sale of the resource of the respective month to the last calendar day of the respective delivery month;
- **Indices:**
  - *Monthly base load index (electricity);*
  - *Quarterly base load index (electricity);*
  - *Monthly weighted average price index for round timber;*
  - *Weekly weighted average price index for round timber;*
  - *Monthly weighted average price index for firewood;*
  - *Weekly weighted average price index for firewood;*
- **Indices of weighted average prices of exchange-traded commodities in the area of «Trading in exchange-traded commodities included in the list of products traded exclusively on organized commodity markets»**:
  - *Monthly index of weighted average liquefied gas prices;*
  - *Monthly index of weighted average gas condensate prices.*

Exchange also provides for the publication of other aggregated analytics and exchange information in convenient formats that can be used by market participants for their own analytical work. In particular:

- to comply with the requirements of the GTS Code, UEEX publishes information on changes in the marginal purchase price and marginal sale price of natural gas immediately after each trade transaction;
- electricity auctions results - aggregated information in tabular form on the results of each individual auction according to the selected filters of the auction date, supply period, schedule type, auction type, zone;
- weighted average electricity prices by type of delivery schedule - calculated separately for each sales schedule as a cumulative total for each day according to the delivery periods.

In December, the UEEX, with the support of USAID ESP, presented to the general public and launched the updated Wood Analytics Module online. The system ensures extraordinary efficiency, speed of information processing and allows for easy data visualization. Thanks to the interactive interface and powerful tools, it is possible to quickly understand and analyze the results of the auction. In addition, the system opens up new opportunities in the field of forecasting and strategic planning, which allows using this information to predict trends, risks and opportunities, which is essential in today's business environment.





Next year, UEEX plans to extend the analytical module to other energy markets.

4.10. Partnerships and cooperation

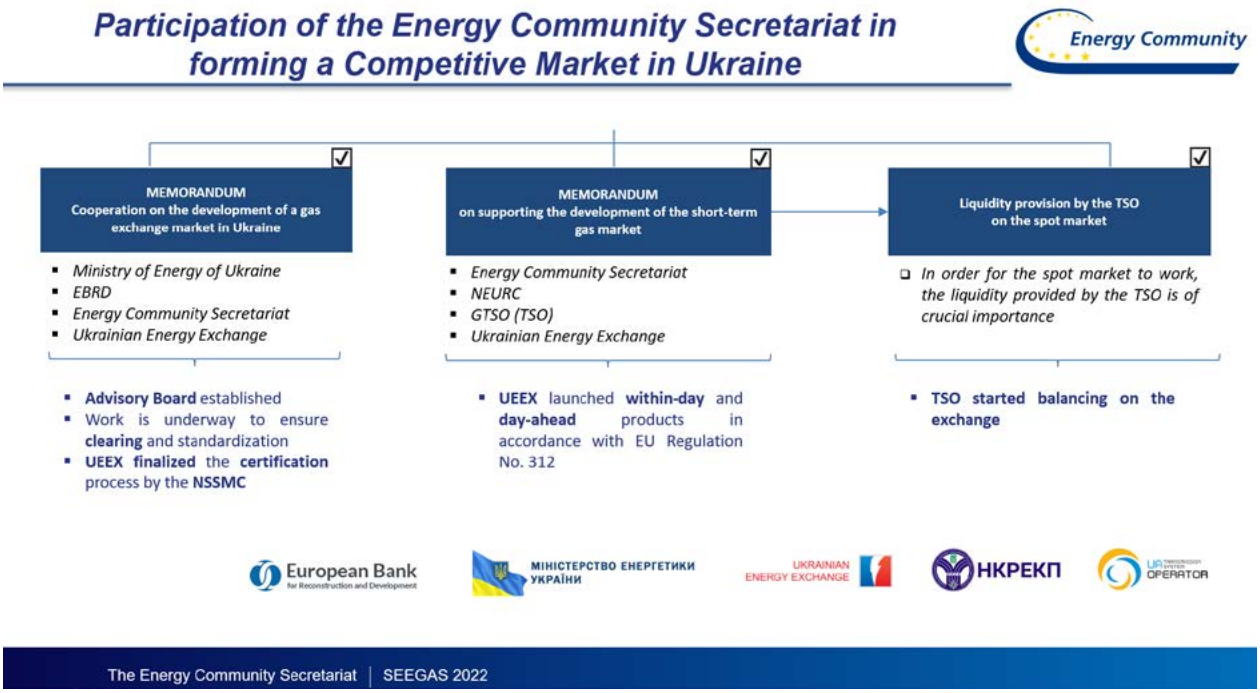
UEEX continues to cooperate fruitfully with government authorities and Regulators, as it strives to be an effective tool for them to build a competitive market, ensure transparency, combat corruption and improve the economic performance of companies in the industry. UEEX aims to remain the leading exchange in Ukraine, concentrating high liquidity, identifying and personifying the concept of the energy market in Ukraine.

UEEX LLC is a member of the **Europex Association of European Energy Exchanges**, which includes 33 leading energy exchanges, a member of **the American Chamber of Commerce (ACC),** and **the European Business Association (EBA).**

Exchange is also a member of the Association of Exchange and Electronic Platforms to promote joint work on the transparency of commodity markets and the efficiency of the commodity exchange market. It is a member of the Energy Club, the largest business community of energy companies in Ukraine, which brings together energy leaders to enable communication between energy market stakeholders, and is also a member of the Ukrainian Energy Association. UEEX LLC also cooperates on a regular basis with industry associations to respond to market needs and respond to them in a timely manner, in particular with the Association of Gas Producers of Ukraine, the Association of Gas Traders of Ukraine, the Association of Woodworking Companies of Ukraine, the “Energy Union” Public Organization, Ukrainian Oil and Gas Association, Ukrainian Liquefied Gas Association, etc.

Representatives of market participants’ companies are members of the **UEEX Section Councils**, which is a permanent advisory body established to ensure effective participation of energy market participants in the formation, development and implementation of policy, as well as legal regulation of UEEX activities.

In order to build a competitive and transparent European-style natural gas exchange market in Ukraine, the **Energy Community Secretariat** (the Secretariat) launched a support program, identifying UEEX LLC as an exchange capable of ensuring the implementation of European requirements and able to demonstrate high liquidity concentration in energy trading. The Secretariat, the EBRD, the Ministry of Energy and UEEX signed a Memorandum aimed at ensuring the development of UEEX in accordance with European standards. In order to develop short-term exchange trading in natural gas, a second memorandum was signed between the above parties, which was joined by the NEURC and LLC GTS Operator of Ukraine.



The **Advisory Board of UEEX LLC** includes representatives of the Secretariat, the EBRD and the Ministry of Energy. Accordingly, the Advisory Board is actively working on the full transition of UEEX LLC to the standards of European exchanges, clearing, appropriate organizational structure and best technologies.

The Secretariat, with the participation of UEEX LLC, is implementing the **SEEGAS** project, which aims to unite the countries of South-Eastern and Eastern Europe for joint gas trade within a single trading space with further integration into the single European gas market. In July 2021, UEEX LLC, UEEX, the Secretariat, GTSOU and European exchanges and TSOs signed a Memorandum aimed at creating conditions for the functioning of a competitive liquid SEEGAS market, ensuring unimpeded access to the relevant natural gas markets for all its participants and service providers on a non-discriminatory basis and on equal terms, in accordance with EU legislation.

During 2023, UEEX took part in a number of meetings within SEEGAS, in particular, on December 7-8, 2023, the 10th stakeholder meeting of the SEEGAS regional initiative project was held in Bucharest with the participation of representatives of governments, the Energy Community Secretariat, the European Commission, ENTSOG, IEA, gas exchanges and transmission system operators, market participants, experts and other stakeholders.

Within the framework of cooperation in SEEGAS, on August 9, 2023, UEEX and the Romanian Commodity Exchange BRM signed a Memorandum of Understanding to further develop regional exchange trade and to start a new beginning in cooperation between regional exchanges for the possibility of creating new operating models adapted to the needs of the region. On September 6, 2023, a Memorandum of Understanding was signed in Warsaw with Towarowa Giełda Energii S.A. (TGE), Izba Rozliczeniowa Giełd Towarowych S.A. (IRGiT) and UEEX LLC, which, in particular, provides for the accession of a TGE representative to the UEEX Advisory Board and the creation of two teams charged with developing recommendations for the development of the product offering and the launch of clearing services in Ukraine.



Also in 2023, UEEX LLC and USAID, within the framework of ESP, signed a Memorandum of Understanding aimed at creating a favorable environment for the implementation of reforms in the energy sector of Ukraine and strengthening energy security. The Memorandum envisages assistance in the following areas: development of an operational model for clearing and settlement for the segments of the wholesale electricity and gas markets; development of standardized physical and financial (forwards) products for the wholesale electricity and gas markets; promotion of best practices in reporting in accordance with EU Regulation 1227/2011 on the REMIT (Wholesale Energy Market Integrity and Transparency).



Taking into account the needs of its participants, UEEX will continue to develop Ukrainian commodity and energy exchange markets as a result of the liberalization process, attract the interest of international participants and integrate Ukrainian markets with internationally organized commodity markets based on international best practices and innovative technologies. UEEX clearly demonstrates how the best international experience and global practices can be implemented in Ukrainian realities to build competitive markets, de-shadow the economy, create national benchmarks and bring trade relations to the international arena.

4.11. Research and innovations

Implementation of innovations in the activities of UEEX LLC is expressed in the process of continuous improvement and modification of products and processes, reconfiguration of mechanisms, creation of new products and solutions.

Structure of capital investments of UEEX LLC for 2023, UAH

Purchases of property, plan and equipment	11 092 897,39
Purchases of other non-current tangible assets	1 736 219,06
Purchases of intangible assets	18 614 219,66
Modernization of intangible assets	16 173 225,16

DEVELOPMENT OF IT INFRASTRUCTURE AND CYBERSECURITY

- A new system for trading standardized products in the natural gas market, developed by UEEX, was developed and launched.
- Developed and launched a trading session in the BETS software product in the Electric Power version for conducting auctions for the purchase and sale of electricity in the import/export section.
- Improvement of the trading systems in BETS and BETS in the Electric Power version, which allows the generation of exchange certificates and trading protocols in the format of an electronic document (.p7s). The update package introduces the generation of electronic documents in the sense of the current legislation, i.e., exchange certificates and protocols generated and signed by the QES will have full legal force and will not require printing and subsequent live signing.
- Improvement of the trading systems in BETS and BETS Electric Power software products, which allows for the separation of the exchange certificate with the identification of exchange transactions, namely their division into two certificates: the first one contains transactions that are acceptable to the parties and will be signed by the parties, and the second one - agreements that one of the parties refuses to sign. Accordingly, both parties enter into a contract for “quality” agreements and one of the parties will be fined only for “poor quality” agreements.
- An update package was developed for the BETS and BETS Electric Power software products, which allows editing the price in the position’s lot queue in the pre-trading period. The initiator may put up for auction a large number of items with a certain starting price, which may not correspond to the market price at the time of trading, so these updates provided the possibility of changing the price by the initiator in the lot queue before the start of the trading period for the lot.
- The functionality of setting a price fuse for trading participants in the electronic trading systems

BETS and BETS in the Electric Power version has been introduced. In other words, the seller (including the author of the position) has the opportunity to set the minimum price for the respective position, which will prevent him from mistakenly selling the volume below the specified price. Similarly, the buyer will be able to set the maximum price for himself and the system will not allow him to buy more expensive by mistake. During the auction, the participant will be able to change the threshold prices in the fuse. The system also signals participants when they try to change the price by more than 20% of the current one.

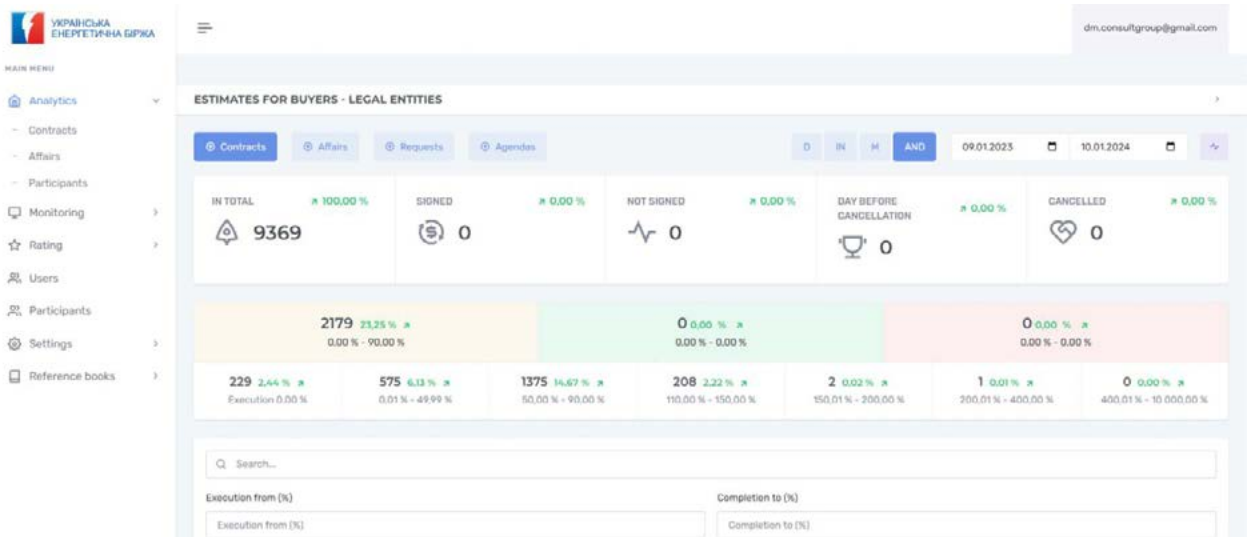
- The ability to automatically expand the working area in the "Positions" block to accommodate the large number of positions in the electronic trading systems BETS and BETS in the Electric Power version has been developed. The update package introduces the functionality of automatically increasing the display area in height of the window of the "Positions" block when submitting more than 6 positions in one trading session. Both the initiator of a position and all participants will be able to see all placed positions at the same time without the need to use the scroll of the corresponding block in the navigation area.
- The functionality of an audible signal for bidders in the electronic trading systems BETS and BETS in the Electric Power version was introduced. The sound signal notifies participants of the bidding process for the selected position, and if the participant is interested in the price at the auction, the buyer can make a higher offer.
- The possibility of increasing the productivity of agents generating documents based on the results of trading in the electronic trading systems BETS and BETS in the Electric Power version has been developed. In the update package, the procedure for generating certificates, protocols and other documents on bidders' bags will be based on a different technology, which will reduce the time for their generation.
- Improved the in-house software solution for generating reports to the NSSMC. Automation of reporting processes, including the calculation of the liquidity indicator of commodity exchange assets, was introduced.
- Ensured timely and complete daily reporting of exchange transactions/exchange contracts to the NSSMC by improving approaches to the formation of clarifying information on the content of exchange transactions, which is indicated in the notes to the reports.
- The process of generating and submitting a report to the NSSMC in case of absence of concluded exchange trades/exchange contracts for the relevant trading day has been improved.
- Improved the process of timely preparation and submission of irregular reports to the NSSMC.
- Automation of the processes of generating irregular reporting on the fact of cancellation of exchange transactions/exchange contracts (as of the end of the year, irregular reporting on " Untreated timber and lumber" is automatically generated), changes in the list of participants, exchange members and their brokers, changes in the register of exchange commodities was continued.
- The reporting system to the NSSMC has added the ability to generate a sample of reports for a certain period and combine such reports into a single data set.
- The automated process of preparing and submitting reports to the NEURC was updated and improved.
- A technical solution has been developed to calculate the monthly and weekly index for untreated timber and the semi-annual index for Electricity.
- The process "3 * VMware HA cluster with performance balancing" has been launched - the cluster uses the High Availability mechanism, which provides for the possibility of transferring the computing load of virtual machines to another cluster node in case of failure or shutdown of one of the servers / nodes - a member of the cluster.
- Deployment of cluster monitoring and management software (vmWare vsphere + NSX Manager).
- A replica of the timber trading system, Prozorro-Sale, has been developed in case of a collapse of the main cluster.
- Implemented Application Performance Monitoring (APM), Network Monitoring System (NMS) and OPM monitoring systems,
- Configured and implemented antivirus orchestrators (ESET, McAfee (Trellix))
- Test environments have been developed for the development and testing of individual systems (RRM, monitoring, ETS module of exchange transactions for fuel and energy), energy resources and wood.
- Improvement of a separate ETS module to ensure that participants comply with certain legal requirements for trading in organized commodity markets.
- Developing a system of data transmission administrator (RRM) to meet the requirements of national legislation on transparency of energy markets.
- Development of the CRM module - Compliance. It was developed specifically for the requirements of compliance with the Financial Monitoring Rules and the rules for conducting compliance checks of potential counterparties. This section allows you to check customers in a convenient way, using external sources of information.

NEW SERVICES AND PRODUCTS IN THE UNTREATED TIMBER AND LUMBER

- An interactive analytics unit was launched in cooperation with USAID, including the preparation and publication of metrics to inform participants about trade in organized commodity markets.
- A delivery and payment schedule was developed.



- A service has been developed to ensure settlements under exchange contracts concluded in compliance with the "delivery versus payment" principle. Exchange will act as a payment agent and guarantee that the buyer will pay for the delivered volume of contracted goods. This approach will significantly reduce the parties' risks of non-fulfillment of contractual obligations by the counterparty. The software solution is being finalized, which includes automated exchange of data and instructions with the payment bank's system.



- A methodology was developed for rating bidders based on a set of indicators with the resulting score reflecting their level of credit risk. The calculation of the score is automated and provides for integration with the open data aggregation service. Each trading participant will be assigned to one of 5 risk groups A, B, C, D, E according to a scale based on the score received. This tool will allow Exchange to set requirements for securing the obligations of trading participants of different risk levels in a more qualitative and flexible manner.



- A pilot project was implemented with a number of partner banks to support liquidity of trading participants in order to maintain their business activity during the martial law period. Using a service on the Exchange's website, each trading participant can send a request to partner banks to provide financing under the programs offered by the Bank. The goal of the Exchange in this project is to improve the access of bidders to working capital financing through the Exchange's technological solution and to act as an ambassador for the woodworking business.
- A joint product of the partner bank and the Exchange was developed and launched - bank guarantees that can be accepted by the Exchange as a type of guarantee fee (an alternative to cash). In order to automate the accounting of the guarantee fee balance free of liabilities, changes to the trading system are envisaged, which provide for the accrual of virtual funds to the trading participant, which he can use to guarantee his obligations on guarantee fees. This service will allow bidders to partially free up working capital and use it to increase business operations.

5. Financial and economic operating results

5.1. Economic results and financial condition

The financial results of Ukrainian Energy Exchange LLC for the year ended 31.12.2023 are also presented in the Statement of Financial Performance. The financial and economic activities of the company during the reporting year 2023 were profitable.

The gross income for 2023 amounted to UAH 490 485 thousand, which is UAH 126 803 thousand (35%) more than the same indicator for the previous year 2022.

Net profit for 2023 amounted to UAH 171 197 thousand, which is UAH 84 989 thousand (98%) more than the same indicator for the previous year 2022.

Equity at the end of the reporting period amounted to UAH 377 029 thousand. Increase in own capital in 2023 compared to 2022 amounted to UAH 139 217 thousand, the increase was due to the net profit.

5.2. Liquidity and liabilities

Ukrainian Energy Exchange LLC has sufficient solvency and sufficient working capital. During 2023, the company independently managed and controlled cash flows without resorting to external financing.

As of 31.12.2023, the liquidity, solvency and financial stability indicators of Ukrainian Energy Exchange LLC were as follows:

Indicator name	Value of the indicator	Normative value
Total liquidity ratio (coverage)	1,59	> 1
Absolute liquidity (solvency) ratio	1,50	> 0,5
Quick ratio	1,57	> 0,8

The total liquidity (coverage) ratio is used to assess the ability of an enterprise to meet its short-term obligations. The ratio is defined as the sum of current assets divided by the sum of current liabilities.

The standard value of the coverage ratio is more than 1. The actual ratio (1,59) shows that the company has sufficient funds to meet its obligations.

The absolute liquidity (solvency) ratio is a strict criterion of an enterprise's solvency. It shows what part of current liabilities and collateral can be repaid by assets with absolute liquidity: cash and current financial investments. The ratio is defined as the amount of financial investments and cash divided by the amount of current liabilities.

The company's absolute liquidity (solvency) ratio is 1,50, while the regulatory requirement is more than 0,5. Thus, the company's solvency is higher than the regulatory requirements.

The quick ratio characterizes how much of the current liabilities and collateral can be repaid not only with cash but also with expected receipts from the repayment of accounts receivable. The ratio is defined as the sum of current assets minus their least liquid part - inventories - divided by the sum of current liabilities.

The quick liquidity ratio as of 12.31.2023 was 1,57, with an optimal value of more than 0,8.

The Exchange's liabilities are accounted and recognized in accordance with IFRS 37 «Provisions, Contingent Liabilities and Contingent Assets». Liabilities are recognized by an enterprise if their measurement can be reliably determined and it is probable that an outflow of economic benefits will be required to settle the obligation.

Exchange's liabilities are classified as long-term (maturing in more than 12 months) and current (maturing in less than 12 months).

Information on accounts payable is formed in the accounting records and disclosed in the financial statements in accordance with the requirements of IFRS 9 «Financial Instruments».

Current accounts payable are recognized and reported in the balance sheet at cost, which is equal to fair value.

At the balance sheet date, long-term accounts payable are measured at amortized cost using the effective interest rate method (present value). Any difference between net proceeds and the repayment amount is recognized in income or expense over the period of the loan using the effective interest rate. A provision is established when a present obligation arises as a result of past events, and 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.

Provision for vacation pay is determined monthly as the result of actual salaries and wages paid to employees and a percentage calculated as the ratio of the annual planned amount for vacation pay to the total planned payroll, including the corresponding amount of contributions to the mandatory state social insurance. As of the end of the year, the unused amount of provision for vacation pay amounted to UAH 4024 thousand.

No provisions for long-term liabilities were created.

There are no unforeseen liabilities.

Composition of liabilities (accounts payable) of the company (UAH thousand):

Name of articles	As of 31.12.2023
Accounts payable for commodities, works, services (current liabilities)	4 913
Current debt on settlements with the budget	12 557
• including income tax	5 742
Current insurance debt	9
Current receivables on advances received	109
Current provisions (employee benefits)	4 024
Other current liabilities	410 450
Total liabilities and collateral	**432 062**

As of December 31, 2023, the line «Other current liabilities» includes guarantee fees paid by participants for participation in electronic auctions and refundable after the auction, with the date of occurrence in the last month of the reporting period and the maturity date in the first days of the next reporting period.

6. Sustainable development

6.1. Social aspects and HR policy

HR AND SOCIAL POLICY IN GENERAL

Social responsibility and adherence to the principles of sustainable development are important values of the Exchange, which strives to ensure a comprehensive and balanced approach to business development and the interests of society.

Exchange ensures respect for human rights, including those provided for by the Constitution and the Universal Declaration of Human Rights and UN conventions. By creating a favorable working environment, Exchange ensures its compliance with the requirements of recognized international conventions, in particular the ILO Core Conventions.

Ukrainian Energy Exchange LLC is a responsible employer and strives to ensure the best possible rights of its employees, striving to build a socially responsible company.

The social aspects and human resources policy of Exchange are based on the aspirations of the following:

- Increasing the level of employees' salaries;
- preventing employees from being dismissed and retaining human resources;
- increasing the prestige of work at the Exchange;
- to strengthen employees' confidence in the Exchange as a reliable employer.

The main goal of the Exchange's HR policy is to create a highly motivated team of professionals with modern key competencies and practices to ensure the effective performance of its functions by the Exchange. Relations with and between employees are based on affirming the possibility of flexible working conditions for employees who need appropriate conditions, gender equality in and outside the workplace, and compliance with the principle of work life balance.

In general, the Exchange's HR policy is built around people, as people are its main factor and priority, and ensuring comfortable and safe working conditions is the key to a successful HR and social policy.

In 2023, the number of employees amounted to 112. Of these, 111 were at the main place of work and 1 was a part-time employee. In total, 77 women and 35 men worked at the Exchange in 2023.

The composition of the staff as of December 31, 2023 by category is as follows:

- managers - 60 people;
- professionals - 30 people;
- specialists - 9 persons;
- technical employees – 1 person;
- skilled workers - 0 persons;
- simple occupations - 0 people.

Employee composition by age:

- up to 35 years old - 50 people;
- 35 to 50 years old - 50 people;
- 50 and older - 12 people.

SALARY

Exchange ensures the amount of wages and the periodicity of their payment in accordance with the provisions of the current legislation. Exchange conducts regular wage revisions in accordance with the rise in the inflation index and the general rise in prices. The purpose of the wage increase is to strengthen the professional motivation of employees and ensure the purchasing power of employees and their families at a sustainable level. When determining the level of remuneration of a specific employee, only his professional skills, competencies and available experience are taken into account.

During 2023, the amount of the wage fund amounted to 56 961 000 UAH, including: 29 386 000 UAH — basic wage fund, 27 575 000 UAH — additional wage fund. In comparison with 2022, in 2023 the wage fund increased by 12 805 thousand hryvnias.

GENDER EQUALITY

Exchange adheres to the principles of gender equality from the management level to the workplace of each employee. Gender balance contributes to the development of the Exchange as a European-level company dominated by the democratic principle of management and observance of basic civil liberties.

Exchange affirms and strictly adheres to the principle of equal rights of men and women. The exchange ensures equal rights of men and women both in production processes and in making management decisions in relevant cases. Women and men have equal opportunities in terms of career and professional social development, including salary increases and management positions.

Men and women have an equal right to parental leave until the child reaches the age of three and to ensure the possibility of combining work with family responsibilities. The amount of remuneration is determined regardless of gender.

During 2023, 40 women worked in the management positions of the Exchange. The percentage of women among the employees of the exchange during the year was about 70%.

EMPLOYEE SELECTION

Selection of employees is carried out in accordance with the provisions of the current legislation and is carried out from both internal and external sources. The main criterion for hiring new employees is their professionalism, regardless of gender or other personal characteristics. In all cases, the main criterion for personnel appointments is their objective expediency and potential and/or proven effectiveness of the candidate, his professional level and skills.

Exchange strives not only to attract highly qualified employees, but also to ensure their maximum effective use in accordance with the characteristics of each employee.

During 2023, 25 employees were hired.

EMPLOYEE DEVELOPMENT

Exchange is aware of the need for continuous development of its own employees and, for this purpose, creates all the necessary conditions for employees. Thus, Exchange provides employees with the opportunity to participate in various trainings and seminars at the expense of the Exchange, both those that directly relate to the work performed by the employee, and those that contribute to the development of related competencies in the employee.

Exchange prefers the development of the necessary skills and competencies of its own employees through their training rather than recruiting new employees. This approach is aimed at additional motivation of employees for further development and self-improvement, and also demonstrates to employees their true value for the Exchange. Development of each individual employee is the key to the development of the Exchange as a whole. Also, Exchange provides employees with free access to the information resources and databases they need in their work.

SAFE WORKING CONDITIONS

Exchange policy in the field of labor protection is based, first of all, on the requirements of the Law of Ukraine “On Labor Protection”, other regulatory and legal acts and international standards in the field of labor safety and health protection and the requirements of the international standard ISO 45001. In the first quarter of 2024, Exchange plans to undergo a certification audit of the security management system occupational health and safety in compliance with the requirements of the ISO 45001:2018 standard.

Exchange, as a responsible employer, provides employees with safe working conditions in accordance with current legislation and provides employees with all necessary to ensure that work is safe and comfortable.

6.2. Environmental aspects



Ukrainian Energy Exchange is an environmentally aware and responsible enterprise. Given the specifics of its activity, Exchange does not create any environmental pollution or otherwise negatively affect environmental safety in Ukraine. Exchange is neither a producer of products, nor a mining or processing enterprise, nor does it carry out transportation or storage of goods/products of other manufacturers. Also, Exchange is not an environmental tax payer and has no objects that have a harmful effect or may affect.

At the same time, Exchange in its activities strives to implement advanced environmentally saving practices and technologies aimed at protecting the natural environment and preventing any damage to it. Starting from 2021 and during 2023, the environmental aspects of the Exchange's activities were regulated by Order 3/2-OSN dd. January 21, 2021 "On approval of the basic principles of the enterprise's environmental policy and their implementation in the enterprise's activities." Specified order was, in fact, an indicative document in terms of environmentally saving practices in the Exchange's activities.

Yes, it approved the following principles of the environmental policy of the Exchange, namely:

- recognition of a person's constitutional right to a favorable environment;
- strict compliance with national environmental protection legislation, regional and industry requirements regulating the work of the Exchange in the field of environmental protection;
- control within established limits, striving for the complete elimination of environmental pollution related to the conduct of economic activity by the Exchange;
- use of office equipment and machinery, materials that affect or ensure environmental safety, in accordance with the best global standards;
- rational use of natural resources and reduction of the amount of waste in conducting economic activities of the Exchange, timely disposal;
- openness and accessibility of environmental activities and cooperation with stakeholders in the field of environmental protection, constructive interaction with the public;
- training of personnel in the culture of safety, health and environmental protection;
- increasing the sense of responsibility for the environment among Exchange employees at all levels;
- preliminary assessment of the impact on the environment of all new activities of the Exchange;
- involvement of all personnel of the Exchange in activities aimed at reducing environmental risks;
- ensuring the necessary sanitary and hygienic working conditions of personnel in accordance with the requirements of current legislation;
- providing objective information about the nature of the economic activity of the Exchange and its impact on the environment, the health of personnel and the population.

The allocation and consolidation of these principles confirms the commitment and orientation of the Exchange to the protection and preservation of the natural environment. Also, in order to follow the declared principles and proceed the implemented order, Exchange undertook to train and inform the company's personnel on environmental protection issues, to regularly organize events aimed at environmental protection, and to involve Exchange employees in these events.

No less important for the real implementation of the above-mentioned principles of the Exchange's environmental policy are those provided by the order:

- transition to the use of phosphate-free detergents;
- regular improvement and greening of the territory around the office premises of the enterprise;
- implementation of the European approach to the separate collection of waste generated in the course of economic activity, with the aim of further transferring it to relevant organizations for disposal or reuse;
- refusal to use plastic dishes by the company's employeesy.

Summarizing the above, Exchange does not have negative environmental aspects in its activities, however, environmental aspects are extremely important in the activities of the Exchange. Exchange always strives to develop and improve its environmental practices, taking into account advanced ecological practices and technologies. Following the mentioned ecological principles and aspirations, in November 2023, Exchange implemented the Environmental Policy of the Limited Liability Company Ukrainian Energy Exchange.

The policy was developed and implemented in order to ensure effective management of possible en-

vironmental risks and environmental aspects in the course of the Exchange's professional activities and is aimed at preventing negative environmental consequences from the Exchange's activities, minimizing negative environmental consequences, if they occur. In general, the policy adopted the previous environmental assets of the Exchange and transformed them into a full-fledged environmental policy of a European-level enterprise that strives to take care of the natural environment as best as possible.

It should be noted separately that in order to implement the strategic goals of the environmental policy, the Exchange undertook:

- ensure the participation of Exchange employees in environmental seminars, trainings and other events with the aim of developing environmental awareness, adopting advanced environmental values and practices;
- develop and implement a comprehensive system of ecological values by the Exchange;
- carry out an analysis of possible environmental risks in the activities of the Exchange, their regular assessment, minimization or complete avoidance;
- ensure and develop environmental cooperation with interested parties;
- if there is a financial opportunity - to finance environmental initiatives and projects;
- carry out a preliminary assessment of the impact on the environment of all new types of activities of the Exchange;
- ensure the publicity of information regarding the Exchange's environmental management system and the system of informing the Exchange's employees regarding the Exchange's environmental policy.
- implement energy-saving technologies and economical use of resources;
- participate in external environmental protection initiatives, including the development and improvement of environmental protection legislation of Ukraine;
- to motivate Exchange employees to improve environmental performance and competence;
- conduct a regular audit of the implementation of the environmental policy in order to find ways to improve it.

The result of the environmentally oriented policy of the Exchange was successful passing of the certification audit of the environmental management system for compliance with the requirements of the ISO 14001:2015 standard on 07.12.2023 and the receipt of certificate No. ECS. UA.02.4053 from 07.12.2023 to 07.12.2026, which additionally confirms the Exchange's commitment to following the best environmental practices and standards.



7. UEEX plans for 2024

1. Introduction and organization of exchange trade in alternative fuels.
2. Introduction of organized trade in guarantees of origin.
3. Preparatory work and assessment of the possibility of introducing trade in emissions quotas (ETS).
4. Introduction of trading contacts for price differences (PPA) - contracts for the provision of services to ensure the stability of the energy price.
5. Obtaining a license to carry out of trade in medium-term standardized natural gas market, which will involve ensuring the fulfillment of obligations under the agreements.
6. Launch of the II stage of the project of trade in medium-term standardized products on the natural gas market, which will provide for the fulfillment of obligations under the agreements.
7. Cooperation with USAID ESP within the framework of four elements of integrated trade in energy products (harmonization, standardization, unification, cooperation).
8. Expansion of cross-border trade directions (in case of removal of currency restrictions).
9. Implementation of joint projects for the development of regional trade in energy products within the framework of SEEGAS.
10. Improvement of clearing services for the segment of wholesale energy products.
11. Assessment of the possibility of obtaining the status of nominated electricity market operator (NEMO) and preparatory processes for work in SDAC and SIDC.
12. Launch of the mechanism of reporting to the NEURC as an entity who professionally organizes operations with wholesale energy products (PPAT) and launch of the RRM system with the acquisition of the status of data transfer administrator in accordance with REMIT.
13. Improvement of internal technological solutions regarding the automation of customer verification processes and interaction in integration of the exchange's accreditation system with the registers of wholesale energy market participants.
14. Expansion of the interactive analytical module to the remaining markets of the exchange.
15. Launch of the Integrated Management System (Sustainable Development), which includes:
    - operation of the environmental management system (ISO 14001);
    - implementation of the occupational health and safety system (ISO 45001);
    - adoption and implementation of the updated Corporate and social policy, which includes personnel, social, gender policies, occupational health and safety systems, corporate ethics and culture;
    - improvement and expansion of the already implemented quality management system (ISO 9001) and anti-corruption management system (ISO 37001).
16. Modernization and consolidation of IT infrastructure to build a more secure perimeter of the organization, in particular:
    - Modernization of network equipment;
    - Transition to a new endpoint and server protection platform. Launch of EDR and DLP solutions;
    - Implementation of new monitoring and analysis systems to improve response to cyber incidents;
    - Audit of the IT infrastructure according to the NIST CSF standard in partnership with USAID;
    - Preparation for implementation of own SOC.
17. Adaptation of Ukrainian standards on the wood market under EUDR.
18. Implementation of new national standards on the wood market.
19. Improvement of the trade system by direction "Untreated timber and lumber"..
20. Development of trade in other lumber.

UKRAINIAN ENERGY EXCHANGE

УКРАЇНСЬКА ЕНЕРГЕТИЧНА БІРЖА

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