

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 17 December 2025¹

UKRAINE

RLF - UHE HYDRO POWER PLANTS RESTORATION

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2024), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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ABBREVIATIONS / CURRENCY CONVERSIONS

AMI	Annual Mobilised Investment
bn	billion
c.	Circa
Capex	Capital Expenditure
CMU	Cabinet of Ministers of Ukraine
COGS	Costs of goods sold
DAM	Day-ahead market
DSCR	Debt Service Cover Ratio
EA	Energoatom
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ENTSO-E	European Network of Transmission System Operators for Electricity
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESG	Environmental, Social and Governance
ESP	Environmental and Social Policy
ETI	Expected transition impact
EU	European Union
EUR	Euro currency unit
EURIBOR	Euro Interbank Offered Rate
FW	Framework
FX	Foreign Exchange
FY	Financial year
G7	Group of Seven
GB	Guaranteed Buyer
GBVH	Gender-based violence and harassment
GET	Green Energy Transition
GO	Guarantees of Origin
GW	Gigawatt
GWh	Gigawatt-hour
HPP	Hydroelectric Power Plant
IDM	Intra-day market
IFI	International Financial Institution
IMF	International Monetary Fund
IPM	Investment Profitability Model
IPS	Integrated power system of Ukraine
kWh	Kilowatt-hours
LGD	Loss Given Default
m	million
MW	Megawatt
MWh	Megawatt-hour
N/A	Not applicable
O&M	Operational and maintenance
OCCO	Office of the Chief Compliance Officer
OHSE	Occupational Health and Safety and Environment
PC	Physical Climate
PD	Probability of default
PIU	Project Implementation Unit
PIS	Project implementation support
PJSC	Private joint stock company
PPR	Procurement Policies and Rules

PSD	Project Summary Document
PSO	Public Service Obligation
PSPP	Pump Storage Power Plant
RAROC	Risk Adjusted Return on Capital
RLF	Resilience and Livelihoods Framework
SOE	State-Owned Enterprise
SSF	EBRD Shareholder Special Fund
TC	Technical cooperation
TI	Transition Impact
TSO	Transmission System Operator of Ukraine
TWh	Terawatt-hour
UAH	Ukrainian Hryvnia
UHE	PJSC “Ukrhydroenergo”
UIF	Ukraine Investment Framework
US	United States of America
USD	United States Dollar
USS	Universal Service Supplier
VAT	Value added tax
YE	Year end
YoY	Year-over-year

CURRENCY EQUIVALENTS

1 EUR 48.92 UAH

WEIGHTS AND MEASURES

1 Megawatt	(MW)	=	1,000 kilowatts (10^3 kW)
1 Gigawatt	(GW)	=	1 million kilowatts (10^6 kW)
1 Terawatt	(TW)	=	1 billion kilowatts (10^9 kW)
1 Megawatt-hour	(MWh)	=	1,000 kilowatt-hours (10^3 kWh)
1 Gigawatt-hour	(GWh)	=	1 million kilowatt-hours (10^6 kWh)
1 Terawatt-hour	(TWh)	=	1 billion kilowatt-hours (10^9 kWh)

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of PJSC Ukrhydroenergo (the “Company” or “UHE”), a state-owned company, registered in Ukraine, are submitted for consideration by the Board of Directors.

The operation will consist of (i) a loan to the Company in the amount of up to EUR 75m [REDACTED] and (ii) investment grants from international donors amounting up to EUR 20m, subject to availability. The loan and grants will finance the supply of critical equipment for selected hydro power plants operated by UHE, including the emergency reserve stock of electrical equipment, and the consultancy services support for the project implementation (the “Project”).

The Project holds significant importance in ensuring the continued stable and safe production of green electricity by the Company, while partially addressing the overall electricity supply shortages in the country directly resulting from the military invasion of the territory of Ukraine by the Russian Federation and the destruction of energy infrastructure over the last three years. Under its primary transition impact quality (*Resilient*) the Project will help UHE replace the damaged and worn-out critical equipment within selected hydro power plants, leading to notable increase in its operational efficiency and green energy production volumes. Under its secondary transition impact quality (*Inclusive*) the Project will introduce strategic new training programme addressing human capital gaps among UHE’s engineering staff transitioning to using modern hydro-power equipment aligned with European standards. The Project is also assessed under the Gender SMART methodology and rated as “gender additional”.

TC support for Project preparation is provided by the EBRD Shareholder Special Fund (the “SSF”), while post-signing TC support for human capital development, improvements in UHE’s ESG practices, rapid procurement capacity-building and executive search for a new CEO – critical for strengthening UHE’s governance and leadership continuity – is expected to be funded by the EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account (“Ukraine MDA”), other international donors and/or the SSF.

I am satisfied that the operation is consistent with the “War on Ukraine - EBRD Resilience Package - Resilience and Livelihoods Framework”, a framework that is part of the “War on Ukraine – EBRD Resilience Package”, which aims to help citizens, companies and countries affected by the military invasion of the territory of Ukraine by the Russian Federation. The operation is also consistent with the Bank’s Strategy for Ukraine, the Energy Sector Strategy, the Equality of Opportunity Strategy, the Strategy for the Promotion of Gender Equality and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

Ukraine – RLF – UHE Hydro Power Plants Restoration - DTM 56257 Framework: Ukraine - Resilience and Livelihoods Framework - DTM 53662	
Transaction / Board Decision	Board approval ² is sought for a senior loan of up to EUR 75m in favour of PJSC “Ukrhydroenergo” (the “Company” or “UHE”), a state-owned company established in Ukraine. [REDACTED] The loan is expected to be supplemented by investment grants from international donors in a total amount of up to EUR 20m, subject to availability. [REDACTED]
Client	UHE is a 100% state owned enterprise, Ukraine’s main hydropower generation company and the Bank’s long-standing client, which owns and operates HPPs and PSPPs [REDACTED]
Main Elements of the Proposal	<p><u>Transition impact</u></p> <p>Primary Quality – Resilient. The Project will result, inter alia, in the restoration of critical hydro power generation facilities with a total capacity of around 119 MW. This would entail the production of c. 223 GWh of renewable energy per year, which could be also produced in the hours of peak energy demand, reducing power deficit and associated outages in the country.</p> <p>Secondary Quality – Inclusive. The Project will help to introduce a new strategic technical training programme broadening access to modern hydro power engineering skills among UHE’s engineers and new recruits. <i>Gender SMART tag:</i> As part of this technical training programme the client will develop and deliver a comprehensive gender action plan including a gender audit, training and the formation of a gender action committee within the Company.</p> <p><u>Additionality:</u> Financing Structure (EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions), Risk mitigation (absorbing risk in Ukraine) and Standard-setting ((i) UHE makes use of EBRD expertise on best international procurement standards and human capital development support; (ii) EBRD is helping the client achieve higher climate risk management and environmental standards, above ‘business as usual’).</p> <p>[REDACTED]</p>
Key Risks	[REDACTED]
Strategic Fit Summary	<ul style="list-style-type: none"> • War on Ukraine – EBRD Resilience Package: Focus on energy security in Ukraine. • Strategy for Ukraine: Strengthen energy security. • Energy Sector Strategy: Energy security. • Equality of Opportunity Strategy and the Strategy for the Promotion of Gender Equality: Ensuring access to services and promoting human capital recovery and resilience.

² Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	An up to EUR 95m financing package consisting of an up to EUR 75m loan and up to EUR 20m investment grants to be provided to PJSC “Ukrhydroenergo”. [REDACTED] Investment grants will be provided by international donors, subject to availability.
Mutual Reliance	No
Existing Exposure	<p>UHE exposure: Total debt (all sovereign or sovereign guaranteed): EUR 306.3m (portfolio) / EUR 88.2m (operating assets):</p> <ul style="list-style-type: none"> • Hydro Power Plant Rehabilitation Project [REDACTED] • Hydro Generation Rehabilitation Programme [REDACTED] • RLF - Hydro Power Plants Emergency Restoration [REDACTED]
Maturity / Exit / Repayment	15 years [REDACTED]
Potential AMI eligible financing	N/A
Use of Proceeds - Description	Supply of critical equipment, including the emergency reserve stock of electrical equipment, for selected hydro power plants operated by UHE and the consultancy services for the purposes of Project implementation.
Investment Plan	Critical equipment for HPPs and consultancy services to support Project implementation [REDACTED].
Financing Plan	[REDACTED]
Key Parties Involved	<ul style="list-style-type: none"> • PJSC “Ukrhydroenergo” (the “Borrower”). • EU represented by the European Commission (the “Guarantor”). • Grant providers (multilateral or bilateral international donors).
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	[REDACTED]
Other material agreements	[REDACTED]
Associated Donor Funded TC and Blended Concessional Finance	<p>A. Technical Cooperation (TC):</p> <p><i>Pre-signing:</i></p> <p>TC1: Technical Due Diligence to assist the Bank in assessing the Project’s overall technical feasibility. [REDACTED]</p> <p>TC2: Environmental and Social Assessment to assist the Bank in reviewing the current environmental and social risks of the Company’s operations. [REDACTED]</p> <p>TC3: Legal Advisory Services to assist the Bank with structuring and preparation of the legal documentation. [REDACTED]</p> <p><i>Post-signing:</i></p> <p>TC4: Access to Skills and Employment TC to support establishment of a strategic new training programme for hydro power engineers and technical specialists with a complementary Gender Action Plan to promote women’s access to skills development and economic opportunities within the sector. [REDACTED]</p> <p>TC5: Advisory Services for the Improvements of UHE’s ESG Practices to develop UHE’s practices for identifying and managing ESG and climate risks and opportunities. [REDACTED]</p> <p>TC6: Rapid Capacity-Building for Procurement and Executive Recruitment to deliver trainings on key procurement issues to address the client’s capacity gaps and help its board develop a CEO recruitment process. [REDACTED]</p> <p>TC7: HR Management Support to develop GBVH risk mitigation mechanism at the Company. [REDACTED]</p> <p>B. Blended Concessional Finance / guarantees: [REDACTED]. The loan is expected to be complemented by investment grants in the amount of up to EUR 20m from international donors. [REDACTED]</p>

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

PJSC “Ukrhydroenergo” (“Ukrhydroenergo”, the “Company” or “UHE) is a 100% state-owned enterprise and Ukraine’s main hydropower generation company. Before the military invasion of the territory of Ukraine by the Russian Federation, UHE operated hydro power plants (HPPs) on the Dnipro and Dniester rivers with a total installed nominal capacity of 6.2 GW. However, following the destruction of the Kakhovska HPP by Russian forces in June 2023, UHE’s total installed capacity was reduced [REDACTED].

The Company is of significant importance for the Ukrainian integrated power system (“IPS”) as it is one of the major sources of cheap and green energy in the country. UHE also provides such critical services as peaking electricity generation, frequency and capacity regulation, as well as the reliable emergency reserve to the power system, contributing to the stability and quality of the electricity supply. In addition, UHE together with Energoatom, the state-owned nuclear power plants operator, are responsible for the Public Service Obligations (“PSO”), a mechanism, which allows to supply the Ukrainian households with electricity at a subsidized price that remains to be extremely important in a context of the declining wealth and purchasing power of the population suffering from the military invasion of the territory of Ukraine by the Russian Federation.

[REDACTED]

While the Project does not anticipate providing financing to UHE to support the reconstruction of the Kakhovska HPP and the adjacent dam, it will address the immediate Capex needs of the [REDACTED] selected hydro power plants which are critical to maintain the electricity production capacity and stability. [REDACTED]

The proposed transaction represents a strategic continuation of the Bank’s existing engagements with UHE under Hydro Power Plants Rehabilitation Programme and Hydro Power Plants Emergency Restoration, focusing on the modernization of hydropower assets and further strengthening the UHE’s operational resilience and maintenance capacity. The Project will also complement the Bank’s other recent activities in the energy sector aimed at maintaining stable functioning of the Ukraine’s energy system during the military invasion of the territory of Ukraine by the Russian Federation.

The Project is in line with the War on Ukraine – EBRD Resilience Package endorsed by the Board and consistent with the objectives of the War on Ukraine - EBRD Resilience Package - Resilience and Livelihoods Framework, aimed to help citizens, companies and countries affected by the military invasion of the territory of Ukraine by the Russian Federation. The Project specifically targets Resilience and Livelihoods programme focusing on the energy security in Ukraine through the construction of the green power generation facilities, reduction of war-related disruptions in electricity and heating supply to people’s homes and workplaces, enabling people to carry out their economic activities and, as such, to maintain their livelihoods. The Project is also in line with the Strategy for Ukraine and the Energy Sector Strategy as it will strengthen energy security in the country by reducing power deficit and associated outages in the country in the hours of peak energy demand. The Project supports human capital recovery and resilience in response to economic crises and shocks. The strategic new training programme will be provided by international experts to ensure that UHE engineers and technical staff develop key skills to operate the new, modern equipment in line with European standards. The client will also be supported to deliver a comprehensive gender action plan which will include training for staff, establishment of new governance as well as other actions. As such, the Project is in line with EBRD’s Equality of Opportunity Strategy through its engagement on strengthening human capital and upskilling existing workforces, as well as with the Strategy for the

Promotion of Gender Equality through the promotion of gender equality across the male-dominated energy sector.

1.2 TRANSITION IMPACT

Primary Quality: Resilient

Obj. No.	Objective	Details
1.1	The sub-operation supports the Resilient quality of the FW through Energy security measures, strengthening municipal service providers directly affected by the wider economic consequences of the war, facilitating imports and exports of production equipment and related materials (capital goods) and TF-related technical assistance, or supporting businesses directly affected by the conflict (i.e., in Ukraine, including those trying to relocate) and businesses indirectly affected (Ukraine part of value chain).	The Project will aim to restore damaged hydro generation unit with total capacity of around 119 MW, enhancing the resilience and reliability of the Ukrainian IPS. This would entail restoring the production of the estimated 223 GWh of renewable energy per year. It will reduce reliance on electricity import and strengthen the sector ability to absorb high peak demand.

Secondary Quality: Inclusive

Obj. No.	Objective	Details
2.1	The sub-operation contributes to the Inclusive quality of the FW by promoting access to vital services and/or goods that enable people's livelihoods (e.g. food, energy, accommodation, infrastructure, communications, health services, basic utilities, and products...); human capital development or preservation; access to employment and training (particularly for IDPs and refugees); export of food/energy to address shortages and disruptions caused by the Ukraine war; or access to finance to support businesses directly or indirectly affected by the war in mitigating its economic consequences.	The Project will help safeguard access to electricity and heating in the context of the elevated risks to people's livelihoods due to the ongoing war on Ukraine. The Project, in particular, will help reduce war-related disruptions on electricity and heating supply to people's homes and workplaces and reduce the hours of power outages, enabling people to carry out their economic activities and, as such, to maintain their livelihoods. Through EBRD's engagement and technical support, the Project will also introduce a strategic new training programme for UHE's hydro power engineers and technicians aligned with its most pressing human capital development needs. Some 90 percent of UHE's new equipment is purchased from European countries, aligned with modern technological and operating standards, while the majority of its engineering and maintenance staff have been trained to outdated, Soviet-era standards. UHE's new training programmes, to be developed and delivered under the Project, will directly address this gap by broadening access to market-relevant training for its engineers and technicians in line with modern EU standards. The training programme is expected to improve skills [REDACTED] of UHE's hydro power engineers and [REDACTED] of its procurement experts, extending to more under future cohorts through a sustainable 'training of trainers' delivery model coordinated via an international expert provider. The training is critical and timely to bring the bulk of UHE's core engineering staff members up-to-speed on modern new technology and operating specifications. This initiative will enable UHE to independently offer training in the future to existing staff aligned with its most pressing wartime crisis and ongoing reconstruction and recovery needs.

1.3 ADDITIONALITY

Identified triggers	Description
<p>A subsequent/consecutive transaction (issuance) with the same client/group either with the same use of proceeds or in the same destination country (repeat transaction).</p>	<p>Since 2011, the Bank, in coordination with the European Investment Bank, has been financing the rehabilitation programme of the UHE's core assets within the Hydro Power Plant Rehabilitation Project signed in 2011, and its subsequent continuation within the Hydro Generation Rehabilitation Programme.</p> <p>Additionally, in 2024 the Bank signed the Hydro Power Plants Emergency Restoration Project aimed at procurement of critical equipment and providing emergency liquidity support to the Company. [REDACTED] The proposed transaction represents a strategic continuation of the Bank's existing engagements with UHE. The EBRD's assistance is crucial to address UHE's critical Capex needs to restore assets damaged by the Russian missile strikes and shelling.</p>
Additionality sources	Evidence of additionality sources
<p>Financing Structure:</p> <ul style="list-style-type: none"> • EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions, e.g. a longer grace period. Such financing is necessary to structure the project. • EBRD offers a tenor, which is longer than available to the client in the market on reasonable terms and conditions. • Crisis response: EBRD financing effectively bridges a financing gap due to adverse market conditions. 	<p>EBRD is offering financing, which is not available on the market due to the unfolding war, the high level of risk and political and economic uncertainty in Ukraine.</p> <p>EBRD financing will be supplemented by the EIF guarantee from the EU.</p> <p>The tenor of the loan will be up to 15 years [REDACTED].</p>
<p>Standard-setting: helping projects and clients achieve higher standards:</p> <ul style="list-style-type: none"> • Client seeks/makes use of EBRD expertise and resources on best international procurement standards. • Gender SMART: Client seeks/makes use of EBRD expertise for the adoption of gender standards and/or equal opportunities action plans (e.g. improving women's access to safe transport and/or women-led businesses participation in the client supply chain). • Client seeks/makes use of EBRD expertise on corporate governance improvements, including for climate risk management. • Client seeks/makes use of EBRD expertise on higher environmental standards, above 'business as usual' (e.g. adoption of emissions 	<p>EBRD funding and application of Bank's PPR will ensure wider market outreach, particularly in the current high risk environment.</p> <p>To support women's improved access to economic opportunities in the traditionally male-dominated energy sector, the Company will (with EBRD's support) deliver a gender mainstreaming effort by developing a comprehensive Gender Action Plan for the Company. This plan will be developed and delivered by expert consultants who will be hired as part of the Access to Skills and Employment TC assignment. This Gender Action Plan will undertake a gender audit which will support the development of this plan. Already potential gender inclusion interventions identified would be further training, greater ratio of women in board positions as well as a gender advisory committee.</p> <p>UHE already has several policies in place responding to gender equality issues and has been increasing the proportion of women within the Company over recent years [REDACTED]. However, there remains a challenge to attract women into engineering and technical roles. Hence, the Company can enhance the pipeline of talent by the development and delivery of this Gender Action Plan and can monitor its implementation through its Gender Action Committee. It will also support retention of existing workforce</p>

<p>standards, climate-related ISO standards etc.).</p>	<p>which remains crucial in this wartime setting and will remain important in the reconstruction period.</p> <p>UHE's ESG/climate practices are considered as 'early stage' with significant room for improvements. Capitalising on the Bank's expertise and subsequent support, UHE will substantially improve their climate risk management practices and effectively become one of the frontrunners in the country in performing a double materiality assessment; including <i>financial</i> materiality (i.e., how sustainability issues affect the business) and <i>impact</i> materiality (i.e., how the business impacts people and the environment).</p> <p>In addition, the EBRD's support will enable UHE to adopt higher climate-related standards, including (a) calculation of GHG emissions in line with the internationally recognized GHG Protocol; (b) development of strategic targets in line with the Science Based Targets Initiative (SBTi); and (c) development of an ESG data collection and analysis system informed by the Hydropower Sustainability Standard.</p>
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1.4 SOUND BANKING - KEY RISKS

Risks	Probability/ Effect	Comments
Imple- men-ta- tion Risk	High/ Medium	<p>(i) There is a risk of delays with implementation given the Company's current limited capacity to implement multiple projects in parallel.</p> <p>(ii) The ongoing attacks on infrastructure limit the ability of suppliers to carry out services on site.</p> <p>Mitigants: (i) UHE operates a dedicated Project team, including the specialists with experience in implementation of similar complexity projects with IFIs. The loan will include a condition precedent to disbursement of keeping the Project implementation unit adequately staffed and assisted by an independent experienced PIS Consultant. The consultant will ensure any issues during tendering and contract implementation are addressed in a professional and timely manner. The PIU staff and back-office staff will also benefit from a bespoke training on procurement and contract management.</p> <p>(ii) The Capex scope is limited to supply of equipment only at this stage. At the same time, there is no realistic risk mitigant to possible further damage to HPP infrastructure.</p>
Energy yield/ genera- tion risk	High/ Medium	<p>There is a risk that the energy generation volumes may be affected by (i) loss of assets due to missile attack, or (ii) volume decrease due to unfavourable hydrology and low water flows.</p> <p>Mitigants: [REDACTED] (i) The HPPs and PSPPs were designed to withstand potential missile strikes, which decreases the risk that the HPP or PSPP could be destroyed. The Kakhovska HPP and its dam were blown up with explosive charges set inside the asset, thus causing its full destruction. While the hydrologic units could be affected by missile attacks, the total effect should be limited (i.e. not affect the asset itself) and could be partially mitigated by constantly increasing Ukraine's anti-missile and anti-aircraft capabilities. [REDACTED] (ii) For the second consecutive year (since 2023), UHE has observed the beginning of the flood season in February. Such high-water runoff is atypical for winter and occurs once every ten years. [REDACTED]</p>
Credit- worthi- ness of the Borrower	High/ Medium	[REDACTED]
FX risk	High/ Low	A devaluation of the Ukrainian Hryvnia against EUR and USD increases the debt burden on UHE in UAH terms of predominantly hard currency

		denominated loan portfolio. <i>Mitigants:</i> Under extreme war conditions, the National Bank of Ukraine (“NBU”) has been skilfully managing the macro-financial stability. After the lifting of fixed UAH/USD rate, introduced by NBU shortly after the start of the war, the exchange rate remained stable. It is likely that the external financing gap may deepen in short to medium term because of the high reconstruction costs after the end of the war and the time needed to renew the export potential. This risk is likely to be mitigated by international support pledging significant financial aid for Ukraine. [REDACTED]
Regulatory risk	Medium/ Low	<p>Any adverse action of the Regulator may cause potential risk to the Company. While UHE’s low operating costs ensure its sound financial standing, any actions of the Regulator directed at increasing the cost burden of the Company through PSO mechanism might adversely affect its profitability.</p> <p><i>Mitigants:</i> Within the mechanism valid from October 2021, UHE no longer sells a determined share of own electricity generation to the Guaranteed Buyer under PSO to supply the IPS. Instead, the Company sells its produced electricity on different market segments at market prices as well as incurs expenses related to PSO for difference between fixed price at which universal service suppliers (“USSs”) sell electricity to households and market prices. The PSO is currently in effect until 30 April 2026 and expected to be extended if the war continues. [REDACTED]</p>

UHE continues to be a creditworthy borrower with resilient performance despite the war. The Project will benefit from the EIF guarantee provided by the EU. In the conditions of the war, when the energy infrastructure of Ukraine is being significantly damaged, UHE plays a crucial role in providing peaking electricity, frequency and capacity regulation and reliable emergency reserve to the IPS. The Project will help UHE to restore damaged capacity, enhance the Company’s financial stability and maintain the uninterrupted operations of hydro power facilities across the country.

2. MEASURING / MONITORING SUCCESS

Transition Impact Monitoring Indicators

Primary Quality: Resilient

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	<i>CO2 emissions avoided (tonnes/year)</i>	The CO2 emissions avoided because of renewable energy produced by restored generation capacities as a result of Project implementation	[REDACTED]	[REDACTED]	[REDACTED]
1.2	<i>Renewable energy capacity installed (MW)</i>	Restoration of 119 MW of hydro power producing capacities	[REDACTED]	[REDACTED]	[REDACTED]
1.3	<i>Renewable energy electricity produced (GWh/year)</i>	Increased volume of hydroelectric power generation as a result of the hydro unit's restoration	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Quality: Inclusive

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
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2.1	<i>Tailored training programme developed and implemented</i>	UHE will develop and deliver a tailored new learning programme for its engineering and technical staff members, establishing internal capacities through a training of trainers model. [TC]	[REDACTED]	[REDACTED]	[REDACTED]
2.2	<i>Partnership between private sector and education providers established or strengthened</i>	UHE's new training programmes will be developed and delivered through a new partnership with one or more international expert training providers. [TC]	[REDACTED]	[REDACTED]	[REDACTED]
2.3	<i>Number of individuals trained</i>	UHE's new basic- and expert-level training courses will target [REDACTED]engineering employees and [REDACTED]procurement experts in line with its immediate-term needs (to be sustained in future cohorts through the planned 'training of trainers' delivery model).	[REDACTED]	[REDACTED]	[REDACTED]

Additional Indicators

Indicator type	Monitoring indicator	Details	Base-line	Target	Due date
Gender SMART: Advisory & Policy Indicators	Practices of the relevant stakeholder improved (equal opportunity practices of the client) [TC]	With EBRD's TC support the Company will develop and deliver a Gender Action Plan (including a gender audit, training on gender mainstreaming and GBVH prevention and the establishment of a Gender Action Committee) to support greater attraction and retention of female staff amongst other gender mainstreaming outcomes	[REDACTED]	[REDACTED]	[REDACTED]
Advisory & Policy Indicators	Corporate governance improved: Commitment to Corporate Governance	Standards of CEO appointment were improved by engaging a reputable third-party executive search firm.	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER / INVESTEE COMPANY

UHE, an existing client of the Bank, is a 100% state-owned corporatised Company and Ukraine's only large hydropower generation company. Prior to the military invasion of the territory of Ukraine by the Russian Federation, UHE operated nine hydro power plants (7 HPPs and 2 PSPPs) on the Dnipro and the Dniester rivers with a total installed capacity of 6.2 GW, but after the destruction of the Kakhovska HPP by Russian forces in June 2023 and Russian missile attacks in spring 2024 the nominal installed capacity under UHE's operation decreased [REDACTED].

UHE also provides peaking electricity, frequency and capacity regulation and reliable emergency reserve to the power system of Ukraine. UHE's generating units are a major contributor to the security, stability and quality of the national power system. It is expected that the proposed financing for the procurement of critical equipment under the Project will enable UHE to maintain operation of their HPPs reliably, sustain the revenue generation and Ukraine's energy supply.

[REDACTED]

3.2 GUARANTOR

The EU's sovereign credit risk is considered low due to its AAA rating by all major credit risk agencies except S&P (AA+). Its credit profile is backed by its budget, member states' contributions and the high creditworthiness of most of them. Potential risks could arise from high debt levels in certain member states, weak economic performance and global events like financial crises or geopolitical tensions.

4. MARKET CONTEXT

The Ukrainian energy sector moved to a liberalized market system on 1 July 2019. The new market replaced the regulated single buyer model, and it consists of (i) a bilateral contracts market; (ii) a day-ahead market; (iii) an intraday market; (iv) a balancing market; and (v) an ancillary services market. Despite the liberalisation, some administrative interferences in the electricity market are still taking place. In particular, household electricity tariffs are subsidized through a Public Service Obligation (PSO) mechanism operated by the Guaranteed Buyer (GB) that allocates part of low-cost electricity generated by Energoatom and UHE. From 1 October 2021, the PSO model became "financial PSO".

[REDACTED]The repeated missile attacks targeting the power infrastructure, with a primary focus on the semi-flexible and flexible generation facilities, have disrupted IPS balance limiting the system's ability to meet peak demand. Persistent generation deficit drove the need for import. [REDACTED]The price at the day-ahead market rose to 134.7 EUR/MWh (incl. VAT) in 2024 (+23 YoY). During the 2024-2025 heating season some of the capacities were restored, however, the system still lacks sufficient flexible capacity and continues to rely on imported electricity during certain peak hours.

Since the occupation of the [REDACTED]Zaporizhzhia nuclear power plant, the largest nuclear power plant in Europe, operated by Energoatom, which accounted for roughly one fourth of the total pre-war energy output in the country, the share of UHE in the electricity generation mix has increased. [REDACTED]

UHE's main function on the market is to provide peaking electricity, frequency and capacity regulation and reliable emergency reserve to the IPS. The Company operates on the following market segments:

- **Market of bilateral agreements.** [REDACTED]
- **Day-ahead (DAM) and intraday (IDM) markets.** [REDACTED]
- **Balancing market.** [REDACTED]

Ancillary services market. [REDACTED]

On 31 May 2024 the CMU approved the resolution No. 632, which increased the fixed electricity price for household consumers from 2,640 UAH/MWh (or 55 EUR/MWh) to 4,320 UAH/MWh (or 90 EUR/MWh), with the validity of the tariff recently extended until 30 April 2026. Despite the significant increase compared to the previous regulatory period (1 June 2023 – 31 May 2024), the new fixed price for households does not fully reflect market conditions (the weighted average DAM price in 2024 amounted to 134.7 EUR/MWh). However, the new tariff still eases the UHE's financial obligations to the Guaranteed Buyer and improves its financial condition.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

[REDACTED]

5.2 SENSITIVITY ANALYSIS

[REDACTED]

5.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Category B (ESP 2024). The loan is for procurement of critical HPP equipment and emergency reserve equipment for Ukrhydroenergo in order to ensure safe and sustainable electricity generation process, which will have mainly beneficial E&S impacts.

The Company is well known to the Bank through previous deals and has been implementing Environmental and Social Management Plans (ESMP), Environmental and Social Action Plans (ESAP) under previous financing agreements and providing annual monitoring reports (AESR), which have been found satisfactory.

An independent Environmental and Social Due Diligence (ESDD) has been undertaken of the Project and of the corporate Environmental, Social and Governance management systems (ESMS). The Company has begun developing and implementing the ESMS and has allocated required E&S resources across all critical corporate functions such as occupational health and safety, environmental protection, waste management, governance and community relations, human resources and social welfare, physical protection, security and safety departments. Corporate Code of Ethics includes environmental principles, with the two standalone Environmental and Energy Policies adopted in accordance with ISO 14001 and 50001 respectively.

UHE has comprehensive occupational health and safety plans and procedures covering all aspects of operational activities. The Company also invests in psychosocial support and has introduced civil protection protocols adapted to wartime conditions. However, the system is not yet ISO 45001-certified, and certain procedures (e.g. contractor oversight, climate risk assessments) would benefit from further formalization and integration. The ESDD confirmed that the Company demonstrated a high level of compliance with national legislation across environmental, water, energy, occupational health and safety, and labour domains.

The Company offers regular employee training, provision of free personal protective equipment, health insurance and budget allocations for contentious workplace improvement, which is reflected in the Collective agreement with the Trade Union covering all workers. UHE operates a formalised Human Resource management policy and employs more than 3,500 employees. It ensures fair employment conditions, promotes non-discrimination, and has a functioning grievance mechanism.

Procurement of equipment will be conducted following a competitive selection in line with EBRD Procurement Policies and Rules, and tender requirements will include compliance of the equipment with EU environmental and safety standards.

No Environmental Impact Assessment (EIA) is legally required for this type of project, as it is carried out within existing facilities and does not involve reconstruction or construction of new facilities, the replacement of the damaged equipment will be on like-to-like basis. The Company is operating within sector-specific regulations and based on special water use permits. The Project is not associated with any significant environmental impacts.

All newly procured equipment using the Bank's proceeds will be EU compliant and environmental, health and Safety (EHS) issues will be considered in all operations of the Company and the planned investment.

The Project does not involve land acquisition, physical or economic displacement, or restriction of access to livelihoods. Activities will be implemented exclusively on land owned and registered by UHE. The Project is not located within critical habitats and proposed infrastructure upgrades avoid sensitive areas.

The Company has an operationalised corporate social responsibility strategy aligned with international standards and requiring contentious engagement with relevant stakeholders and local communities. However, due to security rules under the martial law, the Project disclosure will be limited, and stakeholder engagement approach will require smaller, controlled formats and alternative communication methods as per developed project-specific Stakeholder Engagement Plan (SEP) to ensure stakeholders' safety and compliance with the national regulation.

Based on the outcomes of ESDD a comprehensive corporate Environmental and Social Action Plan (ESAP) was developed. It has been shared with the Company and has been fully agreed. ESAP includes, *inter alia*: a further formalising contractor management process, inclusion of confidentiality option into the worker grievance mechanism, conducting GBVH risk assessment, incorporating traffic management into Occupational Health and Safety and Environment (OHSE) system, conducting corporate level climate risk assessment and mitigation, as well as developing a corporate biodiversity management plan.

A Non-Technical Summary (NTS) has been developed for the Project and will be disclosed on EBRD website in a shortened form to exclude sensitive information that can expose Company's assets to security risks.

The Bank will continue to monitor Client's E&S performance and ESAP status based on AESRs.

6.2 INTEGRITY

In conjunction with OCCO, updated integrity due diligence was undertaken on the Company, its senior management and other relevant parties. [REDACTED]

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the Project, and the Project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the Project.

6.3 OTHER ISSUES

Concessional Finance. The loan is expected to benefit from an EU guarantee [REDACTED]

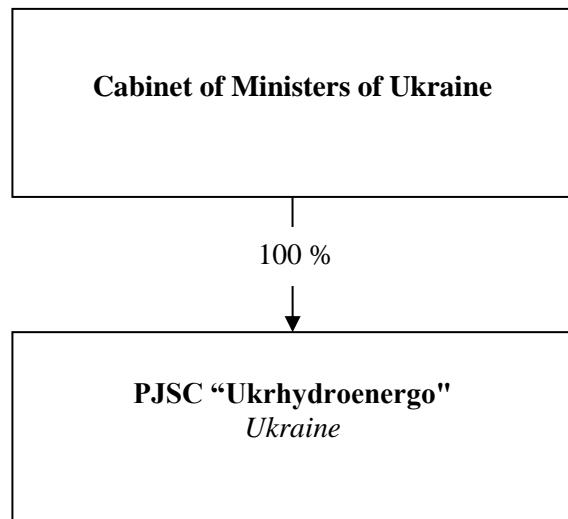
The loan is also expected to be complemented by investment grants in the amount of up to EUR 20m from international donors, subject to availability, which will help to provide the extended support to the Company, while its borrowing capacity remains limited.

[REDACTED]

ANNEXES TO OPERATION REPORT

ANNEX 1	SHAREHOLDING STRUCTURE
ANNEX 2	UKRHYDROENERGO`S HISTORICAL FINANCIAL STATEMENTS
ANNEX 3	PROJECT IMPLEMENTATION
ANNEX 4	GREEN ASSESSMENTS

ANNEX 1 – SHAREHOLDING STRUCTURE



ANNEX 2 – UKRHYDROENERGO`S HISTORICAL FINANCIAL STATEMENTS

[REDACTED]

ANNEX 3 – PROJECT IMPLEMENTATION

[REDACTED]

Project implementation arrangements:

A Project Implementation Unit is established within the Company and will have an overall responsibility for the implementation of the Project. The PIU will be supported by the PIS Consultant, envisaged to be financed from the loan proceeds.

Procurement arrangements:

The Project is classified as public sector for procurement purposes. The procurement of Capex items to be financed out of the EBRD loan and investment grants shall be subject to the provisions of the EBRD Procurement Policies and Rules (“PPR”) applicable to public sector operations, and shall be conducted in ECEPP. There is only one Ukrainian manufacturer of power generation units, thus ECEPP would ensure access to wider international market.

[REDACTED]

ANNEX 4 – GREEN ASSESSMENTS

SUMMARY

- The Project will support the supply of critical equipment for [REDACTED] selected hydro power plants [REDACTED] operated by UHE, a state-owned hydropower energy company.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed 100% **Green finance.**

[REDACTED]

PARIS ALIGNMENT ASSESSMENT

Alignment with the mitigation goals of Paris Agreement - General screening

The Project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance.

- The Project's activity is included in the 'MDBs' aligned list' under the category "Rehabilitation and desilting of existing hydropower plants including maintenance of the catchment area (for example, a forest management plan)".
- There are no activities included in the 'non-aligned list'.

Alignment with the adaptation goals of Paris Agreement

The Project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. All material physical climate risks have been addressed

GREEN FINANCE ATTRIBUTION

The Project is attributed 100% green finance based on its climate mitigation and climate adaptation benefits. This share has been calculated in line with "Generation of renewable energy with low lifecycle GHG emissions to supply electricity, heating, mechanical energy or cooling" as well as the Green Finance attribution criteria set out under the climate adaptation section.

[REDACTED] The planned investments will repair the significant damage from direct hits during the ongoing war on Ukraine and rectify operational challenges that relate to ageing infrastructure and equipment. These have serious implications for the overall operational integrity and performance of the plants, potentially leading to reduced energy output and increased operational risks. [REDACTED] Climate adaptation:

The Project is attributed 3% in climate adaptation finance based the replacement and upgrade of critical equipment to operate hydraulic structures at [REDACTED] selected hydro power plants, which will ensure these structures are further adapted to the impacts of climate-related flooding.

Relative to a non-project baseline, the sealed metal covers for the powerhouses will allow for better operational control of the reservoir and increased discharge capacity in the event of floods. Under the current green finance climate adaptation methodology, these activities are classified as "adapted".

[REDACTED]