DTEK Oil&Gas B.V.

Annual Report

31 December 2023

CONTENTS

Directors' Report

Introduction

The Management Board of DTEK Oil&Gas B.V. (formerly called DTEK Oil&Gas Holdings B.V) (the "Company") presents their report in order to disclose the results of the activity of the Company for the year ended 31 December 2023 and future development of the Company.

Principal activities

DTEK Oil&Gas B.V. (formerly called DTEK Oil&Gas Holdings B.V) is a private limited liability company incorporated on 30 June 2020, under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. The Company is 100% owned by DTEK GROUP B.V.

As a part of an internal reorganization of the Oil&Gas business of DTEK GROUP B.V. Group (Company and its subsidiaries - together referred to as "the Group" or "DTEK Oil&Gas") in 2020, the DTEK Oil&Gas Production B.V. (formerly called DTEK Oil&Gas B.V.), which previously consolidated all the Oil&Gas business, was split and part of its subsidiaries were transferred to DTEK Oil&Gas Development B.V. which had been dormant before this transaction.

Further in 2020 DTEK GROUP B.V. made a share premium contribution to the equity of the Company by means of 100% of the shareholding in DTEK Oil&Gas Production B.V. (formerly called DTEK Oil&Gas B.V.) and DTEK Oil&Gas Development B.V., the companies which were fully owned by DTEK GROUP B.V. Group and the Company is an intermediary holding company which fully owns DTEK Oil&Gas Production B.V. (formerly called DTEK Oil&Gas B.V.) and DTEK Oil&Gas Development B.V.

The Group is beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management ("SCM") with ultimate parent being SCM Holdings Limited, Cyprus. Mr. Akhmetov has a number of other business interests outside of the Group.

The principal activities of the Group are exploration, development, production and sale of gas and gas condensate in Ukraine. As of 31 December 2023, the Group has nine licensed oil and gas fields in Poltava, Sumy and Kharkiv regions, including license received in accordance with the conditions of the Product sharing agreement with the State of Ukraine.

The organizational structure consists of the Group's management board, to which include separate structural units of the Group: directorate, departments and divisions. The Group has a vertical management structure.

DTEK Oil&Gas's mission is to form a technological ecosystem and drive Ukraine's upstream industry development. Following that mission, the Company has developed the Oil&Gas Technology Hub, which is aimed to introduce technologies previously unavailable domestically, establish partnerships with major international companies, and spur Ukraine's scientific and technological potential. DTEK Oil&Gas strives to enhance the Ukrainian energy sector by strengthening the Group's position in the market.

Currently DTEK Oil&Gas and its subsidiaries are producing and selling the gas and gas condensate extracted from licensed fields in Ukraine mainly to related party for further distribution to various customers and are developing further projects for extracting hydrocarbons and oil in Ukraine.

Due to historical shortage of internally produced gas in Ukraine, excluding 2022 and 2023 with oversupply due to war and significant destruction of demand, all produced gas was sold without any advertising, marketing or other distribution activities. The gas demand is expected to resume after the end of hostilities.

Quality of the extracted gas, which is transferred to the pipe-line network, is strictly controlled by legal requirements, therefore gas must pass all necessary treatment and preparation before dispatch.

The Group purchases major components such as tubing, methanol, industry-specific spare parts, drilling and supervisory services, geological data interpretations by contracting with a diverse group of top-tier suppliers, which are reputable and well-known in the oil & gas industry. The Group selects suppliers based on a number of factors including expected cost, reliability, warranty coverage, availability and performance guarantees, installation complexity and other ancillary costs. The Group engages engineering advisors from reputable international technical companies to control the construction process.

Changes in Group structure

In February 2023 new subsidiary of the Group named Florestone ltd was incorporated in Cyprus. Additionally, in March 2023 two subsidiaries of the Group, Winburg Investments Ltd. and Alfredo Trading Ltd., that were not engaged in operating activities were liquidated.

Further in June 2023 subsidiaries of the Group named Oil&Gas Force LLC and Oil&Gas Sense LLC were incorporated in Ukraine. The principal activities of these subsidiaries are exploration, development and production of gas and gas condensate on new gas fields.

Financial position, financial performance and solvency

Revenue of DTEK Oil&Gas for the year ended 31 December 2023 was UAH 27,037 million (for the year ended 31 December 2022: UAH 38,834 million) and profit was UAH 11,389 million (for the year ended 31 December 2022: UAH 12,665 million). On 31 December 2023 the total assets of the DTEK Oil&Gas were UAH 49,347 million (as of 31 December 2022: UAH 57,780 million) and the equity UAH 5,881 million (as of 31 December 2022: UAH 3,335 million). For the year ended 31 December 2023, the Group received positive cash flows generated from operating activities in the amount of UAH 5,359 million (for the year ended 31 December 2022: UAH 1,624 million). On 31 December 2023 current liabilities of DTEK Oil&Gas are exceeded its current assets by UAH 3,295 million (as of 31 December 2022: UAH 3,428 million). The Group's debt to equity ratio as of 31 December 2023 was 3.91 (31 December 2022: 10.38). The Group's total liabilities to total assets ratio as of 31 December 2023 was 88.1% (31 December 2022: 94.2%). The Group's current liabilities to current assets ratio as of 31 December 2023 was 114.1% (31 December 2022: 110.4%).

Liquidity and capital resources

The Group expects that capital expenditures, repayment of outstanding debt and working capital requirements will present the most significant uses of funds for the next several years. In the period under review, the Group met its liquidity needs out of cash generated from operating activities and cash accumulated at the beginning of the reporting period.

As of 31 December 2023, the Group`s current liquidity ratio was at 0.88 (31 December 2022: 0.91), cash ratio 0.004 (31 December 2022: 0.05).

The current ratio is a liquidity ratio that measures a Group's ability to pay short-term obligations or those due within one year. The management assesses this level of liquidity as sufficient.

Issued Capital and Capital Distributions

As of 31 December 2023 and as of 31 December 2022 the authorised share capital of DTEK Oil&Gas B.V. (formerly DTEK Oil&Gas Holdings B.V) equals to fully paid share capital and comprises 1,000 ordinary shares with a par value of Euro 1 per share in total amount of Euro 1,000. All shares carry one vote. All issued shares are fully paid.

Financing activity

The DTEK GROUP's overall risk management policies are also applicable to the DTEK Oil&Gas B.V. and seek to minimise the potential adverse effects on the DTEK GROUP's financial performance of those risks that are manageable or noncore to the oil and gas business.

Financial risk management is carried out by a treasury departments working closely with the operating units, under policies approved by the Management Board. The Treasury departments identifies, evaluates and proposes risk management techniques to minimise these exposures.

Additionally, DTEK Oil&Gas B.V. developed a compliance function to monitor and analyse financial, reputation or legal risks connected with business activities.

Financial reporting, internal and external provision of information

Group's Economics and Finance departments are responsible for preparation of the Group's financial statements and various management reports. The Group assures accuracy of its annual financial statements for external and internal users by conducting regular audits by an external independent auditor.

Additionally, the Group implemented a new reporting system named SAP S/4 Hana starting from 1 January 2020. This system implemented advanced internal controls for making sure that the Group's established processes and procedures in key business processes are followed, thus providing additional comfort over quality of information for external and internal users of financial reports.

Key external stakeholders of Group's financial statements are DTEK GROUP's lenders, bondholders and rating agencies. Management reports are produced on a regular basis and include various financial and non-financial information to assist Management Board in decision making process.

Financial risk management

Exposure of the Group to different financial risks is disclosed in Note 29 of the accompanying consolidated financial statements.

Principal risks and uncertainties

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

Due to the Russian invasion starting from 24 February 2022, the broad security concerns became challenging for the further stable development of economical and finance segments in Ukraine, and the operating environment remains risky and with high level of uncertainties since then. Given the fast-moving nature of the situation and the unpredictability of war, it will likely take time to assess the economic fallout.

● **Supply chain.** The gas produced is ultimately supplied to a group of industrial customers, who at the date of this report have been affected significantly by the Russian-Ukrainian war, especially in eastern part of Ukraine, which is mainly occupied now. From perspective of the risks related to supply chains the level of the risk was assessed by management as not significant. The Group purchases major components such as tubing, methanol, industry-specific spare parts, drilling and supervisory services, geological data interpretations by contracting with a diverse group of top-tier suppliers, which are reputable and well-known in the Oil & Gas industry. The Group selects suppliers based on a number of factors including expected cost, reliability, warranty coverage, availability and performance guarantees, installation complexity and other ancillary costs.

● **Revenues and profitability**. Following the gas supply shock of 2022, natural gas markets moved towards a gradual rebalancing in 2023 due to timely policy action, market forces and favorable weather conditions. Gas prices decreased significantly compared with their 2022 highs but remain well above their historical averages in Asia and Europe. Despite this gradual rebalancing, the market remained tight on the supply side, and prices continued to display high volatility. Natural gas markets are expected to return to growth in 2024, although the expansion of gas use will be capped in import markets.

The softening of market conditions in 2023 was primarily driven by the demand side. The rapid expansion of renewables and improving nuclear availability weighed on natural gas demand in Europe and mature markets in Asia, driving prices lower. Mild winter weather conditions together with gas-saving measures also reduced gas use in the residential and commercial sectors.

Asian spot LNG and European hub prices have more than halved since 2022 but remain more than double the averages between 2016-2020. Just like in the summer of 2023, in the 1st quarter of 2024, Title Transfer Facility (TTF) spot prices fell below 30 Euro/MWh against the backdrop of underground gas storages in Europe exceeding the 5-year average by more than 30% as of mid-February 2024 (or by more than 18 bcm).

● **Impairments**. In 2023, the Group's main operating subsidiary Naftogazvydobuvannya PrJSC engaged independent appraisers to determine the fair value of property, plant and equipment as of 30 September 2023 other than oil and gas assets which are recorded at cost.

For other assets management determined that the gas price decrease is an indicator of potential impairment of property, plant and equipment as of 31 December 2023 and performed an impairment test. The test is driven by a significant increase in country risks because of the war (which generally result in assumed discount rates), however it's impact is fully offset with the existing headroom. As such management determined that as of 31 December 2023 there was no impairment of property, plant and equipment.

● **Government assistance.** The Group does not have any government assistance, thus has no material exposure to the risks that such may not be prolonged.

● **Financing and liquidity.** As a part of DTEK Energy B.V. debt restructuring transaction, on 17 May 2021 ("Restructuring Effective Date") the Group issued Eurobonds in the amount of USD 425 million following the procedure sanctioned by the High Court of Justice of England and Wales on 14 May 2021.

As a result, the Group exchanged loans payable to DTEK Energy B.V. for Eurobonds issued by the Group with the nominal amount of USD 425 million (as of 17 May 2021: UAH 11,736 million) and the final maturity in 2026 and 6.75% annual interest payable semi-annually. The Eurobonds were issued by NGD Holdings B.V., the subsidiary of the Group.

The Guarantors under the Eurobonds are DTEK Oil&Gas Production B.V., Naftogazvydobuvannya PrJSC, Oil&Gas Overseas Trading B.V., Oil & Gas Exploitation LLC, NGD Holding LLC and Florestone Ltd.

The Group is subject to financial and non-financial covenants (including transactions with affiliates at an arms-length basis) related to Eurobonds. Non-compliance with such covenants may result in negative consequences for the Group, including declaration of default and demand for immediate repayment of borrowings. The Group was in compliance with covenants as of 31 December 2023 and as of 31 December 2022.

● **Internal controls.** The Group designed for measures enabling it to operate effectively in a work from home regime. Internal controls are in place for segregation of duties, layers of reviewers and approvers, standard documentary turnover requirements were kept for may be affected by working from home requirements and how this may make the entity more vulnerable to risks of errors or fraud.

● **Going concern.** As of 31 December 2023 the Group's current liabilities exceeded its current assets by UAH 3,295 million (as of 31 December 2022: current liabilities exceeded current assets by UAH 3,428 million) and it generated positive cash flows from operating activities in the amount of UAH 5,359 million for 2023 year (2022: positive cash flows in amount of UAH 1,624 million). The Group generated a net profit of UAH 11,389 million for the year ended 31 December 2023 (net profit 2022: UAH 12,665 million).

Current liabilities include UAH 14,110 million of dividends payable to NCI, that is subject to the NBU restrictions on dividend payments abroad. The Group currently believes that it will have sufficient funds and management will be able to realise mechanism to execute the payment of interest on Eurobonds due in June and December 2024.

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

Production assets of the Group are located in central part of the country (Poltava region) which is controlled by Ukrainian government and were not damaged or destroyed as of the date of these consolidated financial statements. Amongst the Group priorities are the safety and wellbeing of employees and the continuous support of its subsidiaries and country.

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

The current situation of the military invasion did not have a significant impact on the profitability of the Group which could trigger going concern issues. This was mainly due to the fact that:

- During the 2023 the Group extracted the volume budgeted in the 2023 business plan;
- Sales volumes for 2023 approximately equal to the budgeted ones.

Management analysed the possible scenarios of economic developments and the expected cash flows for 2024 and the first 6 months of 2025 and concluded that the Group will have no gaps in liquidity and will be able to pay its obligations in respect of third party payables including the scheduled payments on Eurobonds in June and December 2024 and continue its operation activity. However, going forward there are uncertainties outside management's control that result in an uncertainty relating to the ability of the Group to meet its obligations, including those on Eurobonds, when they fall due.

Among other assumptions, the management's base scenario assumes:

- the military situation remains status quo as observed as of the date of issue of these financial statements;
- production volumes in 2024 are expected to be reduced by 6% as compared to the actuals of 2023;
- 100% of the extracted gas volumes during the projected period are expected to be sold at prices approximate USD 290 per 1 thousand cubic meters;
- no settlement of the dividends payable to NCI is expected before May 2025;
- the investment program is planned to drill new wells;
- payments of principal and interest under Eurobonds will be at the agreed level in Eurobonds documentation.

Some uncertainties, existing at the date of these financial statements, in particular lifting the moratorium on payments abroad, fall beyond the management's control. The Group considers different options to arrange the future settlements of Eurobonds liabilities, however these future settlements may be impacted by the uncertainty as explained earlier and may require the negotiations with the bondholders in the future. Negotiations may be required with the NCI regarding the timing of dividends settlement, which are currently restricted to be paid abroad.

Management acknowledges that the facts and circumstances described above, in particular the current situation and the future development of military actions, resulting limited ability to transfer cash abroad to make scheduled payments under Eurobonds, and ability to agree the timing of NCI dividends settlement, represent material uncertainties, which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Despite these material uncertainties caused by the war in Ukraine, management is continuing to take actions to minimise the impact on the Group, and thus believes that application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

● **Gas market developments.** Following the gas supply shock of 2022, natural gas markets moved towards a gradual rebalancing in 2023 due to timely policy action, market forces and favorable weather conditions. Gas prices decreased significantly compared with their 2022 highs but remain well above their historical averages in Asia and Europe. Despite this gradual rebalancing, the market remained tight on the supply side, and prices continued to display high volatility. Natural gas markets are expected to return to growth in 2024, although the expansion of gas use will be capped in import markets by the limited increase in global LNG supply.

Gas supplies remained tight as the increase in global LNG production (+13 bcm) was not sufficient to offset the continued decline in Russian piped gas deliveries to Europe (-38 bcm) year on year.

The softening of market conditions in 2023 was primarily driven by the demand side. The rapid expansion of renewables and improving nuclear availability weighed on natural gas demand in Europe and mature markets in Asia, driving prices lower. Mild winter weather conditions together with gas-saving measures also reduced gas use in the residential and commercial sectors.

Asian spot LNG and European hub prices have more than halved since 2022 but remain more than double the averages between 2016-2020. Just like in the summer of 2023, in the 1st quarter of 2024, TTF spot prices fell below 30 Euro/MWh against the backdrop of underground gas storages in Europe exceeding the 5-year average by more than 30% as of mid-February 2024 (or by more than 18 bcm).

Ukraine's domestic virtual trading point (UAVTP) prices decreased below the import parity since the beginning of the full-scale war due to export ban and lower demand: ICIS UAVTP MA (month-ahead) price discount from ICIS TTF MA 2023 was (-)25% in average with monthly deviation in the range of (+)1%... (-)51%.

Thus, the average price of natural gas in Ukraine fell by 2 times in 2023 (ICIS UAVTP Month Ahead: from 57.6 EUR/MWh for January 23 to 32.8 EUR/MWh for December 23) and continues to decrease below 28 Euro/MWh in February 2024. After a decline in prices in Europe, on certain days in 2023 and 2024 the price of gas in Ukraine is already trading at a premium to the TTF, but in any case, below the import parity price to prevent commercially justified imports.

The price of gas in Ukraine, in addition to import parity, strongly depends on the choice of Naftogaz - additional imports (or purchasing of non-residents' gas in UGS warehouse regime) and overstocking of the commercial segment or purchasing on UEEX the local resource. In 2024, the volumes of lower current production (without state-owned Ukrgazvydobuvannya) practically correspond to the level of higher industrial consumption, however, there are still high reserves of underground gas storage facilities from previous periods (1,9 bcm as of the 1st of February 2024), competing with sales of current production, that will, as in the spring of 2023, put pressure on domestic market prices in addition to the declining import parity price.

Risk Management Framework

In order to mitigate and minimise the principal risks and uncertainties Group implemented an Internal Control and Risk Management system which is based mainly on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. It is fully integrated into strategic and tactical planning, including but not limited to business planning and budgeting processes, investment projects, etc. The risk management function covers all levels of business and production units (risk managers and coordinators). Risk management approach and processes are unified across all units, iterative bottom-up and top-down approaches are in place for identification and assessment of risks and opportunities, three-lines of defense principle is used.

For the identified risks deemed to be material, comprehensive mitigating action plans are developed and reviewed on a regular basis to ensure that the risks' levels remain at acceptable levels. Management is kept informed via regular risk reports and understands how risks influence the achievement of business targets, so management's decisions are made based on existent/potential risks and opportunities. The Group strives to implement necessary internal controls into the business processes based on performed risk assessments. The primary objective in setting up an internal control system is to ensure the reliability of the Group's financial information (statements), to meet the Company`s goals and to attain compliance with applicable laws. Controls itself are embedded into all Company's business processes.

For all the risk categories within the Group's risk management framework, the Group's risk appetite is defined as low tolerance. Prior to investing into new projects, the management is to ensure that the regulatory framework is clear and transparent, shareholders equity to be invested in projects under development is available and debt capital required to fund a portion of capital expenditures is accessible.

Thus, the Group's Risk Management and Internal Control framework provides reasonable assurance that business objectives can be achieved.

During 2023 the Group considered the following main risks:

Risks of corporate strategy:

- Risk of delays in commissioning new gas production facilities planned before for 2023 and further till 2030 due to implications of war and related uncertainties;
- Risk is not to get the financing on the desirable terms and conditions to finance the expansion of the Group.

Political, macroeconomic and geopolitical risks:

The Group's operations are primarily located in Ukraine, Poltava region.

Ukrainian economy has features inherent for emerging markets and its development is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment which changes rapidly.

On 24 February 2022, Russian forces commenced a full-scale invasion across the Ukrainian state, which had impact on all areas of the Ukrainian life and economy. The territories of Kyiv, Chernihiv, Sumy, Kharkiv and part of Kherson regions were occupied at the beginning of the war however were liberated subsequently. As of 31 December 2023 Crimea and the major parts of Donetsk, Luhansk, Kherson and Zaporizhzhia regions are still under occupation and active military actions are ongoing there, though with no major move of the frontline since 2022. Mobilisation of people to the Ukrainian army continues, stressing the labour market and affecting those companies and industries that are not eligible for securing its male employees from mobilisation. In 2023 Russia continued to attack the civil infrastructure, specifically targeting to damage the Ukrainian sea and Danube ports facilities since pulling out of the Black Sea grain deal in July 2023, that temporarily decreased the Ukraine's export abilities. Despite these developments export by sea was re-started from August 2023, while the additional complexities appeared for transportation by land in the end of 2023 caused by the strikes of Polish carriers blockading the border crossing points with Ukraine. The situation remains tense, it has an impact not only on the Ukrainian but also on the international economy, and its further impact and duration is difficult to predict and quantify. For the additional details on the war impact on the Group's assets and operations refer to Note 3.

According to projection published by the National Bank of Ukraine ('NBU') in December 2023, Ukrainian GDP increased by 5.7% in 2023 (2022: 29.1% decrease).

The National Bank of Ukraine follows an interest rate policy consistent with inflation targets. The inflation rate in Ukraine for 2023 stood at 5.1% (2022: 26.6%) according to the statistics published by the State Statistics Service of Ukraine. The NBU increased its key policy rate from 10% effective from 21 January 2022 to 25% effective from 3 June 2022. Further during 2023 the NBU was gradually decreasing its key policy rate reaching to 15% effective since 15 December 2023.

As of 24 February 2022, the hryvnia exchange rate was effectively fixed at UAH 29.25 per USD on the FX market to ensure the sound and stable operation of the country's financial system. From 21 July 2022, the hryvnia exchange rate was adjusted to UAH 36.57 per USD 1, and on 3 October 2023, the NBU returned to a floating exchange rate for the hryvnia. As of 31 December 2023 the exchange rate was 37.98 per USD 1 (as compared to UAH 36.57 per USD 1 as at 31 December 2022).

In order to keep inflation under control, in 2022 the NBU also introduced a number of administrative restrictions, in particular on foreign exchange transactions and capital movements including restrictions on interest and dividends payments to abroad in foreign currencies. In June 2023 the NBU lifted some of the currency restrictions, including those related to transferring of funds abroad for servicing and repayment of external credits/loans obtained after 20 June 2023 (subject to a number of requirements met simultaneously) and those that were provided earlier through an international financial organisation or secured by foreign export credit agency/a foreign state. Further the NBU introduced new relaxations effective since 1 December 2023 that relate inter alia to cancellation of foreign currency sale limits for banks and non-banking financial institutions and permission to Export credit agency to transfer funds abroad for compensations based on insurance/reinsurance contracts.

At the same time some of the other regulatory easings provided earlier by the government were revoked from 1 August 2023, in particular the moratorium for the tax audits was partially cancelled.

The yield to maturity ("YtM") on Ukrainian Government's Eurobonds decreased to 50.6% (for a 5-year maturity instruments as of 31 December 2023) from 63.4% as of 31 December 2022. At the same time, the domestic Ukrainian sovereign bonds in UAH (for a 5-year maturity) were traded with the yields of 18% as of 31 December 2023 (22% as of 31 December 2022) according to the NBU data.

From the start of the war the Ukrainian budget experiences a significant deficit, which was financed by national and international borrowings, grants, national borrowings and other means. Due to the inflow of international aid, currency reserves have reached a new record of USD 41.7 billion as of 31 July 2023. That is the highest level of the reserves in more than 30 years. Further, following a slowdown of international aid, a decrease in currency reserves of Ukraine occurred and as of 31 December 2023 they amounted to USD 40.5 billion. International support is crucially important for Ukraine's ability to continue fighting against the aggression and to fund the budget deficit and on-going debt repayments.

Fraud risk

DTEK GROUP BV has a fraud risk assessment which is further cascaded down to each of the subholdings, including DTEK Oil&Gas B.V., however is not formalised yet and management is currently in progress of preparation of it. Fraudulent activities by employees and the bypassing of internal control procedures could result in an adverse impact on commercial operations and reputational damage. To mitigate such risks, DTEK Oil&Gas B.V. has further improved its internal control framework, which includes a strict Code of Conduct. In addition, DTEK Oil&Gas B.V. maintains a zero-tolerance policy with regard to fraudulent behaviour and a strong 'tone-of-the-top' so as to serve an example across the organisations. With the further automation of administrative processes DTEK Oil&Gas B.V. continue to mitigate risks in manual processes. Furthermore, a whistle-blower hotline is in place for which any incidents are closely monitored and independently followed up. Fraud cases, if any, are reported to the Audit Committee. During the reporting period, there were no reported or confirmed cases of fraud or corruption violations.

Financial risks and Market risks

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding to meet existing obligations as they fall due. In order to manage liquidity risk and ensure timely repayment of debt, the Company diligently plans and monitors cash inflows and outflows on daily basis, takes measures to optimize working capital structure. Management monitors liquidity on a daily basis, management incentive programs use key performance indicators such as EBITDA, operating and free cash flow and cash collections to ensure liquidity targets are actively monitored.

With regard to currency risk, the national currency of Ukraine had high volatility during the recent years and it has weakened in 2023. As a result, Company received forex losses mainly on financing activities. The following measures are implemented in order to manage the currency risk: the foreign exchange flow planning was carried out; the need for hedging currency positions was evaluated and it was decided not to take currency hedging in 2023. Credit risk management was based on an internal scoring system, which assigns internal ratings and limits to counterparties based on financial performance and other aspects.

Financial reporting risk

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

Reputational Risks

The Group actively manages reputational risks, performs regular assessments of the reputation, changes in the social climate both in the internal and external environment. DTEK Oil&Gas B.V. executives make proactive and reactive communications at the local and international level in order to minimize the impact of reputational risks.

Corporate Governance and Compliance Risks

In order to manage compliance risks, the Group follows restrictions of the current sanction regimes and acts in accordance with the international legislation, execute KYC procedures and performs compliance checks while working with its counterparties. The Group also implements anti-corruption and anti-bribery programs, Compliance Policy, Code of ethics & business conduct, Regulation on implementation of Code of ethics & business conduct, regularly provides employees with appropriate compliance trainings and monitors the internal compliance rules being in place. No cases of non-compliance were reported during 2023.

IT risks

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

Human resources' risks

Considering the political and economic instability in Ukraine and the specifics of the industry, the Group faces risks associated with the shortage of qualified engineering and working specialists. The Group manages these risks by creating a motivation and educational system, and also by proactive communications with all parties involved.

Industrial engineering

Risk associated with the operation of technical facilities. Breakdowns and accidents remained relevant for the Group in 2023. To limit the risk, technical facilities are regularly inspected and maintained, production processes and technologies are constantly upgraded and optimized and staff is trained accordingly. The investment program of the business units includes the costs for technological maintenance and overhaul programs.

Risk associated with the construction of technical facilities

Group's investment program includes a large number of maintenance projects. Risk management activities are an integrated part of the project management business process, so the key risks of the projects are identified, their potential impact on the project results is assessed, risk comprehensive mitigation action plans are developed, and regular monitoring of the status is carried out.

Interest rate risk and cash flow risk

Interest rate risk and cash flow risk are assessed as low by management as such no specific monitoring the risks is performed.

Sustainable development and climate change

As part of the ongoing work within the DTEK GROUP of Companies, Group is working to strengthen its performance on environmental, social and governance (ESG) issues. Recognising the pivotal role of climate change in shaping its ESG framework, Group is preparing to reporting according to Corporate Sustainability Reporting Directive (CSRD) for FY 2025 to enhance its internal processes and strengthen external disclosure. This includes working to strengthen governance of climate change-change related risks, among other things through a dedicated Sustainability Committee within Group' Supervisory Board, which convenes quarterly.

DTEK GROUP assesses risks in its business plans, providing recommendations on risk scenarios, expert assessments, and measures to manage or mitigate risks and opportunities. Group is in the early stages of formulating its more specific climate risk management processes, which are not only contingent upon the evolving DTEK GROUP strategy, but must also consider external factors like the impact of the Russian invasion of Ukraine.

Strategic risks and opportunities

As part of our efforts to strengthen our climate strategy, this year DTEK commissioned external specialist support to identify and assess the principal climate change-related risks and opportunities facing the company. We looked at both the possible transition and physical risks and opportunities facing the business.

The initial high-level physical risks assessment was conducted and considered the potential likelihood and impact of a range of risks to the Oil and Gas businesses. The potential physical risks identified were:

- Flooding and storm events causing damage and disruption to exploration and production facilities, external power supply (through Overhead line (OHL)) transportation networks, emergency shutdown;
- Extreme heat causing loss of efficiency, equipment shut down, off-spec products, increase of process losses;
- Extreme cold causing operational challenges at well sites and production facilities;
- Storm and wildfire events causing damage and disruption to exploration and production facilities, external power supply (through OHL) transportation networks, emergency shutdown.

According to this qualitative risk assessment, flood and storm events potentially can have bigger scale as compared to the other risks. Flooding and storms can damage drilling rigs, pipelines, and production equipment, leading to operational disruptions and loss of production in oil and gas exploration and production facilities. This can result in operational downtime and a decreased supply of resources resulting in revenue losses and an increase in operational costs. At the same time, considering the location of DTEK's assets are inside the continent and not located near the sea or areas of higher risk of floods, this and other physical climate risks are initially assessed as not likely to have material impact on the financial statements.

Among the key potential transition risks identified to the Oil and Gas businesses were:

- Policy and legal risks including the potential introduction of carbon pricing mechanisms, enhanced emissions-reporting obligations, and increased exposure to climate change-related litigation;
- Market risks including increasing regulation limiting or banning oil and gas production in certain jurisdictions, policy incentives and regulation curtailing medium to long-term fossil fuel demand, and reduced access to capital due to increased stakeholder concerns;
- Technology risks including unsuccessful investment in decarbonisation technologies and increased cost due to decarbonisation trends and;
- Reputational risks including stigmatisation of the sector and associated impacts on talent retention.

Among the key transition opportunities identified for the Oil and Gas businesses were;

- Market opportunities including increased demand resulting from the transition away from coal (especially considering the role of gas);
- Products and services opportunities including for the development and/or expansion of low emission power generation and;
- Technology opportunities including opportunities to decarbonise operations, benefiting both the company and its customers.

According to the risk assessment performed, Policy and legal risks potentially can have potentially higher impacts compared to other transition risks. The Group is still in the process of assessment of the detailed accurate impact of such risks, although the timing of its completion is subject to decarbonization strategy finalisation after the end of the war.

In response to the identified risks, the journey towards the overarching DTEK GROUP goal of carbon neutrality by 2040, the impacts of climate change-related opportunities are also being assessed and incorporated into business planning, to maximise financial returns for shareholders, include the longevity and necessary growth of Group, and provide reliable power to Ukraine as it navigates the ongoing war, and plans for reconstruction.

The Group also analyses an impact of the upcoming regulations and considers the mitigation measures. Ukraine has already stated its intention to launch an ETS as a part of its obligations under the Ukraine-EU Association Agreement.

Based on the current best management estimate, as of the date of the issue of these financial statements other transition climate change risks are not expected to have material impact on the Group's financial position.

Prioritised steps in our ESG journey

With regard to potential physical risks DTEK GROUP companies is going to conduct full quantitative analysis in next years to estimate accurate financial effects on its businesses. After conducting this work, the business will structure priorities and analyse possible ways of risks mitigation.

With regards to potential transitions risks: they depend on DTEK GROUP Sustainability goals, which in turn depend on (i) international and domestic sustainability regulatory requirements (incl. national Ukrainian sustainability strategy) and (ii) updated DTEK GROUP business strategy and goals that are currently under review. After defining its sustainability goals, DTEK GROUP will estimate (i) accurate possible financial effects of these risks and (ii) priorities and possible ways of risks mitigation.

Group is committed to further aligning its processes with the CSRD requirements. Additionally, Group plans to prioritise the strengthening of its governance structures to oversee climate-related risks and opportunities, including board-level oversight and accountability.

Research and Development Costs

During 2023 the Group undertook drilling and commissioning of 5 wells (Note 8).

Automation

The general management and operation of the constructed projects are performed by the Group's in-house team, while equipment service and maintenance are typically outsourced to the original equipment manufacturer or specialized service companies. High degree of automation introduced at the Group production facilities gave a possibility to establish control rooms to monitor the Group's portfolio of constructed projects at all times. Currently, the Group aims to enhance automation in its administrative support function where it is possible.

Human resources

DTEK GROUP considers any form of discrimination to be unacceptable. Along with other Ukrainian and International businesses, DTEK GROUP has joined initiatives aimed at promoting equal rights and possibilities of access to work and services for vulnerable social groups, notably based on their disability, age, gender and other aspects.

In 2023, the Group's average number of employees was 560 people (2022: 209 people). To ensure continuous development of employees, in 2010, DTEK GROUP launched its corporate university – Academy DTEK.

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

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

A strategic goal of Academy DTEK is to become a leader in the adult education market as part of the life-long learning concept. Academy DTEK expands international cooperation and is a member of international associations, such as CEEMAN, EFMD bringing the world's best education practices to Ukraine. Academy DTEK works in partnerships with top international business schools and professional associations: INSEAD, IE Business School, LBS, ACCA, Coursera and is an official partner of the certification institute HRCI (Human Resources Certification Institute). DTEK Academy implements training programs for public sector, contributing to the education system reform in Ukraine. For this activity, Academy DTEK was recognized as the best Corporate University in the world in corporate and social responsibility in 2019. Academy DTEK is the first organization in Ukraine that approved professional standards for 64 working professions at the state level.

DTEK GROUP pays significant attention to the healthcare issues by providing all employees with access to timely and high-quality medical assistance.

- implementation of Health & Recreation programs for the employees and their family members;
- enforcing our occupational safety measures and promotion of healthy lifestyle and responsible attitude to health.

DTEK GROUP enables full employment and decent work for all employees and ensures reliable and safe labour conditions.

Code of Ethics

The DTEK GROUP has a Code of Ethics developed and approved in 2011 with changes introduced in 2014 and in 2023. It is mandatory for all the Group entities and prescribes the key principles that the Group follows in its operations, including relationship with its employees, counterparties, state authorities and non-governmental and public authorities, responsibility for all activities the Group performs, conflicts of interests etc. The Code is available on the DTEK GROUP's official website. No significant incompliances were detected nor communicated through the website or revealed by management during 2023 and 2022.

Gender diversity

The Group strives to get the best applicable persons in the Management Board irrespective of the gender or ethnical origin.

As of 31 December 2023 and 31 December 2022, the Management Board consists of two male and a legal entity represented by two females.

The Gender Diversity Act, which entered into force on 1 January 2022 requires 'large' Dutch companies to set appropriate and ambitious targets for gender diversity in its Management Board, Supervisory board and senior management. DTEK Oil&Gas B.V. goal is to ensure not less than 33% of the presence of female in management bodies by 2030. At this moment, the composition of the Management Board comply with the targets.

As of 31 December 2023, 50% of Management board were female (above target). As of 31 December 2023, 38% of Supervisory board were female (above target).

The goal set for diversity will be taken into consideration when there are vacancies in the Management Board. Selection of members of the Management Board and Supervisory Board will continue to be based on experience, background, skills, knowledge and insights, with due regard to the importance of gender diversity.

Future Developments

In the period of war and significant challenges for the economy of Ukraine, the Group in 2024 does not stop and looks for opportunities for growth and development. The revised strategic goals are aimed at achieving the maximum result in the conditions of the limited market of drilling services and significant difficulties in the direction of provision and transportation of materials and equipment, which are mainly purchased abroad.

The main strategic goal of the Group is the maximum growth of hydrocarbon production due to the expansion of the resource base and the implementation of innovative technologies.

For this purpose, in 2024 the Group will implement projects for drilling a new exploration of the gas fields and the relevant infrastructure for hydrocarbon preparation. Also it is planned to perform 3D seismic surveys in other gas field.

To achieve DTEK Oil&Gas B.V. strategic aims, the Group introduces modern technologies throughout the production process – in exploration, drilling, production and integrated preparation of hydrocarbons. One of the most important Company's tasks is complete digitalization.

Following that mission, the Company has developed the Oil&Gas Technology Hub. The plan is to introduce technologies previously unavailable domestically, establish partnerships with major international companies, and spur Ukraine's scientific and technological potential.

Post balance sheet events

Changes in the Group

In March 2024 the Group incorporated two legal entities as wholly owned subsidiaries of DTEK Oil&Gas Development B.V. named Oil&Gas Perspective LLC and Oil&Gas Synergy LLC, that do not have any material assets or liabilities.

Trade and Other Receivables

During January-February 2024 UAH 1,982 million of receivables for sales of gas from DTEK GROUP B.V. subsidiary (Note 13) are settled by cash and UAH 2,359 million are settled till the date of signing this report by exchange to promissory notes issued by DTEK GROUP B.V. subsidiary. Further the promissory notes were claimed for settlement and settled in cash in amount of UAH 460 million.

Financial Investments

During March-May 2024 UAH 460 million of non-current loans receivable were issued to the Parent company, with interest rate of 7.85%, denominated in Euro and due in December 2026.

Borrowings

In March 2024 the Group signed a revolving credit line with JSC Taskombank, with a total limit of UAH 400 million bearing effective 15.8% interest with maturity in August 2024. As of date of signing this report, the Group has used UAH 400 million.

Laws and regulations

In early May 2024, the National Bank of Ukraine (NBU) announced a new wave of foreign currency liberalization measures. The new package of amendments, introduced by the NBU Resolution No.56 dated 3 May 2024, which entered into force in May 2024. Among other things the NBU has allowed the transfer of funds abroad for the purpose of disbursing dividends based on financial results from 1 January 2024. During a calendar month, the amount of repatriated dividends cannot exceed EUR 1 million equivalent. Management assesses that these changes increase management possibilities to accumulate funds abroad for due payments under Eurobond debt obligations. Further steps towards currency liberalization are expected.

No other subsequent events which are required for disclose occurred till the date of signing this report.

5 June 2024

Signed by entire Management Board,	Approved for issue and signed by entire Supervisory Board
Igor Shchurov, Chairman	Maksym Timchenko Iryna Mykh
Dmytro Iurgens, Director	Dmytro Sakharuk Robert Sheppard
Nataliya Muktan, SCM Management B.V., Director	Olena Semych Margaryta Povazhna
Eliza den Aantrekker, SCM Management B.V., Director	Pavlo Livertovskyi Peel David Jeffry
	(appointed from 01 March 2024) Oleksiy Povolotskiy (resigned from 31 March 2024)

In millions of Ukrainian Hryvnia	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	8	20,034	17,805
Exploration and evaluation assets	8, 9	3,174	720
Intangible assets	9	527	439
Financial investments	10	2,229	5,874
Deferred income tax asset	26	62	25
Total non-current assets		**26,026**	**24,863**
Current assets			
Inventories	11	259	4,699
Trade and other receivables	12	10,130	6,407
Financial investments	10	12,818	19,990
Cash and cash equivalents	13	114	1,821
Total current assets		**23,321**	**32,917**
TOTAL ASSETS		**49,347**	**57,780**
EQUITY			
Share capital	14	0	0
Share premium	15	3,815	3,815
Other reserves	16	2,829	2,926
Accumulated deficit		(4,753)	(11,546)
Equity attributable to owners of the parent		**1,891**	**(4,805)**
Non-controlling interest in equity		3,990	8,140
TOTAL EQUITY		**5,881**	**3,335**
LIABILITIES			
Non-current liabilities			
Borrowings	17	12,344	15,542
Other financial liabilities	18	2,505	-
Provisions for other liabilities and charges		39	18
Deferred income tax liability	26	1,962	2,540
Total non-current liabilities		**16,850**	**18,100**
Current liabilities			
Borrowings	17	1,902	4
Other financial liabilities	18	6,253	19,055
Prepayments received		412	951
Trade and other payables	19	2,510	1,620
Dividends payable to NCI	14	14,110	9,054
Current income tax payable		678	1,145
Other taxes payable	20	751	4,516
Total current liabilities		**26,616**	**36,345**
TOTAL LIABILITIES		**43,466**	**54,445**
TOTAL LIABILITIES AND EQUITY		**49,347**	**57,780**

5 June 2024

Signed by entire Management Board,	Approved for issue and signed by entire Supervisory Board
Igor Shchurov, Chairman	Maksym Timchenko Iryna Mykh
Dmytro Iurgens, Director	Dmytro Sakharuk Robert Sheppard
Nataliya Muktan, SCM Management B.V., Director	Olena Semych Margaryta Povazhna
Eliza den Aantrekker, SCM Management B.V., Director	Pavlo Livertovskyi Peel David Jeffry (appointed from 01 March 2024) Oleksiy Povolotskiy (resigned from 31 March 2024)

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

In millions of Ukrainian Hryvnia	**Note**	**2023**	**2022**
Revenue	21	27,037	38,834
Cost of sales	22	(11,723)	(10,257)
Impairment of property, plant and equipment		(568)	-
Gross profit		**14,746**	**28,577**
Other operating income		170	41
General and administrative expenses	23	(996)	(726)
Selling expenses		(585)	(563)
Other operating expenses	24	(1,246)	(898)
Net impairment of financial assets	10,12	1,133	(3,093)
Operating profit		**13,222**	**23,338**
Net foreign exchange losses on financing and investing activities		(661)	(3,367)
Finance income	25	2,343	417
Finance costs	25	(1,721)	(1,272)
Profit before income tax		**13,183**	**19,116**
Income tax expense	26	(1,794)	(6,451)
Profit for the year		**11,389**	**12,665**
Profit is attributable to:			
Equity holders of the Company		10,585	7,627
Non-controlling interest		804	5,038

Consolidated Statement of Comprehensive Income

In millions of Ukrainian Hryvnia	**2023**	**2022**
Profit for the period	11,389	12,665
Items that may not be reclassified to profit or loss:		
Property, plant and equipment:		
- Revaluation of Property, plant and equipment	2,806	-
- Decrease in valuation of Property, plant and equipment	(2,348)	-
- Income tax recorded on revaluation of property plant and equipment	(82)	-
Other comprehensive income/ (loss) for the period	**376**	**-**
Total comprehensive income for the period	**11,765**	**12,665**
Total comprehensive income attributable to:		
Equity holders of the Company	10,859	7,627
Non-controlling interest	906	5,038
Total comprehensive income for the period	**11,765**	**12,665**

In millions of Ukrainian Hryvnia	Attributable to equity holders of the Company					Non-controlling interest in equity	Total Equity
	Share capital	**Share premium**	**Other reserves**	**Accumulated deficit**	**Total**		
Balance at 1 January 2022	**0**	**25,521**	**3,327**	**(19,574)**	**9,274**	**12,114**	**21,388**
Profit for the period	-	-	-	7,627	**7,627**	5,038	**12,665**
Other comprehensive loss	-	-	-	-	**-**	-	**-**
Total comprehensive income	**-**	**-**	**-**	**7,627**	**7,627**	**5,038**	**12,665**
Distribution of share premium (Note 15)	-	(21,706)	-	-	**(21,706)**	-	**(21,706)**
Subsidiary's dividend distribution (Note 14)	-	-	-	-	**-**	(9,012)	**(9,012)**
Property, plant and equipment:							
- Realised revaluation reserve (Note 16)	-	-	(489)	489	**-**	-	**-**
- Deferred tax related to realised revaluation reserve (Note 16)	-	-	88	(88)	**-**	-	**-**
Balance at 31 December 2022	**0**	**3,815**	**2,926**	**(11,546)**	**(4,805)**	**8,140**	**3,335**
Profit for the period	-	-	-	10,585	**10,585**	804	**11,389**
Other comprehensive income	-	-	274	-	**274**	102	**376**
Total comprehensive income	**-**	**-**	**274**	**10,585**	**10,859**	**906**	**11,765**
Subsidiary's dividend distribution (Note 14)	-	-	-	-	**-**	(5,056)	**(5,056)**
Loss on transaction with owners (Note 4)	-	-	-	(4,163)	**(4,163)**	-	**(4,163)**
Property, plant and equipment:							
- Realised revaluation reserve (Note 16)	-	-	(452)	452	**-**	-	**-**
- Deferred tax related to realised revaluation reserve (Note 16)	-	-	81	(81)	**-**	-	**-**
Balance at 31 December 2023	**0**	**3,815**	**2,829**	**(4,753)**	**1,891**	**3,990**	**5,881**

In millions of Ukrainian Hryvnia	Note	2023	2022
Cash flows from operating activities			
Profit before income tax		13,183	19,116
Adjustments for:			
Net foreign exchange loss on investing and financing activities and unrealised foreign exchange differences on operating activity		661	3,066
Finance costs / (income), net	25	(622)	855
Depreciation of property, plant and equipment and amortisation of intangible assets	8,9	2,575	2,904
Net change in provision for financial instruments and trade and other receivables		(1,133)	3,093
Impairment of property, plant and equipment and inventory		589	-
Losses less gains on disposals of property, plant and equipment and intangible assets	8,9	74	38
Reversal of impairment of property, plant and equipment	8	(124)	-
Change in provisions for other liabilities and charges		21	5
Operating cash flows before working capital changes		**15,224**	**29,077**
Trade and other receivables		(8,205)	(7,961)
Inventories		4,419	(4,481)
Prepayments received		(31)	(98)
Trade and other payables		636	(11,988)
Taxes payable other than corporate income tax		(3,765)	2,979
Cash generated from operations		**8,278**	**7,528**
Income taxes paid (including payment of withholding tax)		(2,958)	(5,938)
Interest received		39	34
Net cash generated from operating activities		**5,359**	**1,624**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(6,993)	(2,494)
Repayment of loans and financial aid provided		333	2,871
Loans and financial aids provided		(507)	(3,209)
Consideration settlements on a related party debts		-	424
Net cash used in investing activities		**(7,167)**	**(2,408)**
Cash flows from financing activities			
Repayment of Eurobonds	17	(1,917)	-
Loans and financial aid received from related parties	18	3,207	696
Repayment of lease liabilities	18	(19)	-
Repayment of loans received from related parties	18	(33)	(55)
Interest paid	17, 18	(1,058)	(943)
Net cash generated from / (used in) financing activities		**180**	**(302)**
Net decrease in cash and cash equivalents		**(1,628)**	**(1,086)**
Cash and cash equivalents at the beginning of the year	**13**	**1,821**	**2,887**
Exchange losses on cash and cash equivalents		(79)	20
Cash and cash equivalents at the end of the year	**13**	**114**	**1,821**

Because of number of assignment agreements (Note 10) the following non-cash movements are excluded from the consolidated statement of cash flows:

In millions of Ukrainian Hryvnia	**Note**	**2023**	**2022**
Operating activities:			
Reassignment of trade receivables for gas from related party to other receivables from a parent company		(4,196)	(20,799)
Set-off receivables on assignment agreements from related party with other liabilities and payables		-	(17)
Reassignment of other financial liabilities on assignment agreements from related party		-	(10,275)
Investing activities:			
Reassignment of other financial liabilities on assignment agreements from related party		7,188	12,029
Reassignment of trade receivables for gas from related party to other receivables from a parent company		4,196	20,799
Set-off receivables on assignment agreements from related party with other liabilities	10	(15,850)	(17,631)
Reassignment of payables on assignment agreements from related party		-	(1,152)
Financing activities:			
Reassignment of payables on assignment agreements from related party		-	1,152
Reassignment of other financial liabilities on assignment agreements from related party		(7,188)	(1,754)
Set-off of receivable on assignment agreements from related parties with liabilities		-	17
Set-off receivables on assignment agreements from related party with other liabilities	10	15,850	17,631

1 The Organisation and its Operations

DTEK Oil&Gas B.V. (before February 2020 named as DTEK Oil&Gas Holdings B.V) (the "Company") is a private limited liability company incorporated on 30 June 2020, under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands.

As a part of an internal reorganization of the Oil&Gas business of DTEK GROUP B.V. Group in 2020, DTEK Oil&Gas Production B.V. (formerly called DTEK Oil&Gas B.V.), which previously consolidated all the Oil&Gas business, was split and part of its subsidiaries were transferred to DTEK Oil&Gas Development B.V. which had been dormant before this transaction.

Further in 2020 DTEK GROUP B.V. made a share premium contribution to the equity of the Company by means of 100% of the shareholding in DTEK Oil&Gas Production B.V. (formerly called DTEK Oil&Gas B.V.) and DTEK Oil&Gas Development B.V., the companies which are fully owned by DTEK GROUP B.V. As such, the Company started to consolidate all the Oil&Gas business of DTEK GROUP B.V. Group and the Company is an intermediary holding company which fully owns DTEK Oil&Gas Production B.V. (formerly called DTEK Oil&Gas B.V.) and DTEK Oil&Gas Development B.V. The Company is 100% owned by DTEK GROUP B.V.

Resulting from this reorganization transaction, the Group recognized Share premium in the amount of UAH 40,174 million, which was accounted at the fair value of the investments contributed to the equity of DTEK Oil&Gas B.V. (formerly DTEK Oil&Gas Holdings B.V) and reduced the Retained earnings by the same amount.

The principal activities of the Company and its subsidiaries (together referred to as "the Group" or "DTEK Oil&Gas") are exploration, development and production of gas and gas condensate in Ukraine. As of 31 December 2023, the Group has nine licensed (31 December 2022: six licensed) oil and gas fields in Poltava, Sumy and Kharkiv regions, including license received in accordance with the conditions of the Product sharing agreement with the State of Ukraine (Note 27).

The Group is beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management ("SCM") with ultimate parent being SCM Holdings Limited, Cyprus Mr. Akhmetov has a number of other business interests outside of the Group. Related party transactions are detailed in Note 7.

The Company is registered at Strawinskylaan 1531 Tower B, Lev 1077 XX Amsterdam, the Netherlands, Dutch Chamber of Commerce registration number is 78447208. The address of Ukrainian office is 8 Khokhlov Family str (20D), 041119 Kyiv, Ukraine.

The Group employed approximately 560 people during 2023 (2022: 342 people), including nine persons (2022: three persons) employed by Netherlands companies on full time equivalent. An increase in the number of employees in 2023 is mainly due to the hiring of new employees engaged with the complex drilling property transferred under the Property management agreement with the Ukrainian Government representative - Agency for the Identification, Search and Management of Assets Obtained from Corruption and Other Crimes (ARMA). All employees are allocated within the Group's single operating segment - exploration, development and production of gas and gas condensate.

The principal subsidiaries are presented below:

Name	**% interest held as of 31 December**		**Country of incorporation**
	2023	**2022**	
DTEK Oil&Gas Production B.V. (formerly called DTEK Oil&Gas B.V.)*	100.00	100.00	Amsterdam, the Netherlands
DTEK Oil&Gas Development B.V.*	100.00	100.00	Amsterdam, the Netherlands
Naftogazvydobuvannya PrJSC	73.00	73.00	Kyiv, Ukraine
Oil&Gas Sphere LLC (former DTEK Oil&Gas LLC)	100.00	100.00	Kyiv, Ukraine
Winburg Investments Ltd.	-	100.00	Nicosia, Cyprus
NGD Holdings B.V.	100.00	100.00	Amsterdam, the Netherlands
Oil&Gas Overseas Trading B.V. (former NGD B.V.)	100.00	100.00	Amsterdam, the Netherlands
Investecogaz LLC	100.00	100.00	Kyiv, Ukraine
Neftegazrazrabotka LLC	100.00	100.00	Kyiv, Ukraine
NGR B.V.	100.00	100.00	Amsterdam, the Netherlands
Alfredo Trading Ltd.	-	100.00	Nicosia, Cyprus
Oil&Gas Systems LLC	100.00	100.00	Kyiv, Ukraine
Oil&Gas Exploitation LLC	100.00	100.00	Kyiv, Ukraine
Oil&Gas Energy LLC	100.00	100.00	Kyiv, Ukraine
Oil&Gas Geoexploring LLC	100.00	100.00	Kyiv, Ukraine
Oil&Gas Global Development B.V.	100.00	100.00	Amsterdam, the Netherlands
Oil&Gas Global Extraction B.V.	100.00	100.00	Amsterdam, the Netherlands
Oil&Gas Innovation Stream B.V.	100.00	100.00	Amsterdam, the Netherlands
Wolford Holding LTD	50.00	50.00	Engomi. Cyprus
NGD Holding LLC	100.00	100.00	Kyiv, Ukraine
Kosul LLC	100.00	100.00	Kyiv, Ukraine
Oil&Gas Region LLC	100.00	100.00	Kyiv, Ukraine
DTEK Oil&Gas LLC*	100.00	100.00	Kyiv, Ukraine
Oil&Gas Action LLC	100.00	100.00	Kyiv, Ukraine
Oil&Gas Force LLC	100.00	-	Kyiv, Ukraine
Oil&Gas Sense LLC	100.00	-	Kyiv, Ukraine
Florestone ltd	100.00	-	Nicosia, Cyprus

** direct ownership*

1 The Organisation and its Operations (Continued)

In February 2023 new subsidiary of the Group named Florestone ltd was incorporated in Cyprus. This subsidiary became new guarantor in respect of bonds' obligation (Note 17). Additionally, in March 2023 two subsidiaries of the Group that were not engaged in operating activities were liquidated. No major operations / balances were carried by these subsidiaries as such impact on the consolidated financial statements is not significant.

Further in June 2023 subsidiaries of the Group named Oil&Gas Force LLC and Oil&Gas Sense LLC were incorporated in Ukraine. The principal activities of these subsidiaries are exploration, development and production of gas and gas condensate on new gas fields.

2 Operating Environment of the Group

The Group's operations are primarily located in Ukraine, Poltava region.

Ukrainian economy. Ukrainian economy has features inherent for emerging markets and its development is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment which changes rapidly.

On 24 February 2022, Russian forces commenced a full-scale invasion across the Ukrainian state, which had impact on all areas of the Ukrainian life and economy. The territories of Kyiv, Chernihiv, Sumy, Kharkiv and part of Kherson regions were occupied at the beginning of the war however were liberated subsequently. As of 31 December 2023, Crimea and the major parts of Donetsk, Luhansk, Kherson and Zaporizhzhia regions are still under occupation and active military actions are ongoing there, though with no major move of the frontline since 2022. Mobilisation of people to the Ukrainian army continues, stressing the labour market and affecting those companies and industries that are not eligible for securing its male employees from mobilisation. In 2023 Russia continued to attack the civil infrastructure, specifically targeting to damage the Ukrainian sea and Danube ports facilities since pulling out of the Black Sea grain deal in July 2023, that temporarily decreased the Ukraine's export abilities. Despite these developments export by sea was re-started from August 2023, while the additional complexities appeared for transportation by land in the end of 2023 caused by the strikes of Polish carriers blockading the border crossing points with Ukraine. The situation remains tense, it has an impact not only on the Ukrainian but also on the international economy, and its further impact and duration is difficult to predict and quantify. For the additional details on the war impact on the Group's assets and operations refer to Note 3.

According to projection published by the National Bank of Ukraine ('NBU') in December 2023, Ukrainian GDP increased by 5.7% in 2023 (2022: 29.1% decrease).

The National Bank of Ukraine follows an interest rate policy consistent with inflation targets. The inflation rate in Ukraine for 2023 stood at 5.1% (2022: 26.6%) according to the statistics published by the State Statistics Service of Ukraine. The NBU increased its key policy rate from 10% effective from 21 January 2022 to 25% effective from 3 June 2022. Further during 2023 the NBU was gradually decreasing its key policy rate reaching to 15% effective since 15 December 2023.

As of 24 February 2022, the hryvnia exchange rate was effectively fixed at UAH 29.25 per USD on the FX market to ensure the sound and stable operation of the country's financial system. From 21 July 2022, the hryvnia exchange rate was adjusted to UAH 36.57 per USD 1, and on 3 October 2023, the NBU returned to a floating exchange rate for the hryvnia. As of 31 December 2023 the exchange rate was 37.98 per USD 1 (as compared to UAH 36.57 per USD 1 as at 31 December 2022).

In order to keep inflation under control, in 2022 the NBU also introduced a number of administrative restrictions, in particular on foreign exchange transactions and capital movements including restrictions on interest and dividends payments to abroad in foreign currencies. In June 2023 the NBU lifted some of the currency restrictions, including those related to transferring of funds abroad for servicing and repayment of external credits/loans obtained after 20 June 2023 (subject to a number of requirements met simultaneously) and those that were provided earlier through an international financial organisation or secured by foreign export credit agency/a foreign state. Further the NBU introduced new relaxations effective since 1 December 2023 that relate inter alia to cancellation of foreign currency sale limits for banks and non-banking financial institutions and permission to Export credit agency to transfer funds abroad for compensations based on insurance/reinsurance contracts.

At the same time some of the other regulatory easings provided earlier by the government were revoked from 1 August 2023, in particular the moratorium for the tax audits was partially cancelled.

The yield to maturity ("YtM") on Ukrainian Government's Eurobonds decreased to 50.6% (for a 5-year maturity instruments as of 31 December 2023) from 63.4% as of 31 December 2022. At the same time, the domestic Ukrainian sovereign bonds in UAH (for a 5-year maturity) were traded with the yields of 18% as of 31 December 2023 (22% as of 31 December 2022) according to the NBU data.

From the start of the war the Ukrainian budget experiences a significant deficit, which was financed by national and international borrowings, grants, national borrowings and other means. Due to the inflow of international aid, currency reserves have reached a new record of USD 41.7 billion as of 31 July 2023. That is the highest level of the reserves in more than 30 years. Further, following a slowdown of international aid, a decrease in currency reserves of Ukraine occurred and as of 31 December 2023 they amounted to USD 40.5 billion. International support is crucially important for Ukraine's ability to continue fighting against the aggression and to fund the budget deficit and on-going debt repayments.

2 Operating Environment of the Group (Continued)

Gas market developments

Following the gas supply shock of 2022, natural gas markets moved towards a gradual rebalancing in 2023 due to timely policy action, market forces and favorable weather conditions. Gas prices decreased significantly compared with their 2022 highs but remain well above their historical averages in Asia and Europe. Despite this gradual rebalancing, the market remained tight on the supply side, and prices continued to display high volatility. Natural gas markets are expected to return to growth in 2024, although the expansion of gas use will be capped in import markets by the limited increase in global LNG supply.

Gas supplies remained tight as the increase in global LNG production (+13 bcm) was not sufficient to offset the continued decline in Russian piped gas deliveries to Europe (-38 bcm) year on year.

The softening of market conditions in 2023 was primarily driven by the demand side. The rapid expansion of renewables and improving nuclear availability weighed on natural gas demand in Europe and mature markets in Asia, driving prices lower. Mild winter weather conditions together with gas-saving measures also reduced gas use in the residential and commercial sectors.

Asian spot LNG and European hub prices have more than halved since 2022 but remain more than double the averages between 2016-2020. Just like in the summer of 2023, in the 1st quarter of 2024, Title Transfer Facility (TTF) spot prices fell below 30 Euro/MWh against the backdrop of underground gas storages in Europe exceeding the 5-year average by more than 30% as of mid-February 2024 (or by more than 18 bcm).

Ukraine's domestic virtual trading point (UAVTP) prices decreased below the import parity since the beginning of the full-scale war due to export ban and lower demand: ICIS UAVTP MA (month-ahead) price discount from ICIS TTF MA 2023 was (-)25% in average with monthly deviation in the range of (+)1%... (-)51%.

Thus, the average price of natural gas in Ukraine fell by 2 times in 2023 (ICIS UAVTP Month Ahead: from 57.6 EUR/MWh for January 23 to 32.8 EUR/MWh for December 23) and continues to decrease below 29 Euro/MWh in April 2024. After a decline in prices in Europe, on certain days in 2023 and 2024 the price of gas in Ukraine is already trading at a premium to the TTF, but in any case, below the import parity price to prevent commercially justified imports.

The price of gas in Ukraine, in addition to import parity, strongly depends on the choice of Naftogaz - additional imports (or purchasing of non-residents' gas in UGS warehouse regime) and overstocking of the commercial segment or purchasing on UEEX the local resource. In 2024, the volumes of lower current production (without state-owned Ukrgazvydobuvannya) practically correspond to the level of higher industrial consumption, however, there are still high reserves of underground gas storage facilities from previous periods, competing with sales of current production, that will, as in the spring of 2023, put pressure on domestic market prices in addition to the declining import parity price.

3 Material accounting policy information

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

As the financial data of the Company are included in the consolidated financial statements, the income statement in the company financial statements is presented in its condensed form (in accordance with art. 2:402 DCC).

Going concern. As of 31 December 2023 the Group's current liabilities exceeded its current assets by UAH 3,295 million (as of 31 December 2022: current liabilities exceeded current assets by UAH 3,428 million) and it generated positive cash flows from operating activities in the amount of UAH 5,359 million for 2023 year (2022: positive cash flows in amount of UAH 1,624 million). The Group generated a net profit of UAH 11,389 million for the year ended 31 December 2023 (net profit 2022: UAH 12,665 million).

Current liabilities include UAH 14,110 million of dividends payable to NCI, that is subject to NBU restrictions on dividend payments abroad. The Group currently believes that it will have sufficient funds and management will be able to realise mechanism to execute the payment of interest on Eurobonds due in June and December 2024.

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

Production assets of the Group are located in the central part of the country (Poltava region) which is controlled by the Ukrainian government and were not damaged or destroyed as of the date of these consolidated financial statements. Amongst the Group's priorities are the safety and wellbeing of employees and the continuous support of its subsidiaries and country.

3 Material accounting policy information (Continued)

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

The current situation of the military invasion did not have a significant impact on the profitability of the Group which could trigger going concern issues. This was mainly due to the fact that:

- During the 2023 the Group extracted the volume budgeted in the 2023 business plan;
- Sales volumes for 2023 approximately equal to the budgeted ones.

Management analysed the possible scenarios of economic developments and the expected cash flows for 2024 and the first 6 months of 2025 and concluded that the Group will have no gaps in liquidity and will be able to pay its obligations in respect of third party payables including the scheduled payments on Eurobonds in June and December 2024 and continue its operation activity. However, going forward there are uncertainties outside management's control that result in an uncertainty relating to the ability of the Group to meet its obligations, including those on Eurobonds, when they fall due.

Among other assumptions, the management's base scenario assumes:

- the military situation remains status quo as observed as of the date of issue of these consolidated financial statements;
- production volumes in 2024 are expected to be reduced by 6% as compared to the actuals of 2023;
- 100% of the extracted gas volumes during the projected period are expected to be sold at prices approximate USD 290 per 1 thousand cubic meters;
- no settlement of the dividends payable to NCI is expected before May 2025;
- the investment program is planned to drill new wells;
- payments of principal and interest under Eurobonds will be at the agreed level in Eurobonds documentation.

Some uncertainties, existing at the date of these consolidated financial statements, in particular lifting the moratorium on payments abroad, fall beyond the management's control. The Group considers different options to arrange the future settlements of Eurobonds liabilities, however these future settlements may be impacted by the uncertainty as explained earlier and may require the negotiations with the bondholders in the future. Negotiations may be required with the NCI regarding the timing of dividends settlement, which are currently restricted to be paid abroad.

Management acknowledges that the facts and circumstances described above, in particular the current situation and the future development of military actions, resulting limited ability to transfer cash abroad to make scheduled payments under Eurobonds, and ability to agree the timing of NCI dividends settlement, represent material uncertainties, which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Despite these material uncertainties caused by the war in Ukraine, management is continuing to take actions to minimise the impact on the Group, and thus believes that application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

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

Functional and presentation currency. The consolidated financial statements are presented in Ukrainian Hryvnia ("UAH"), which is the Company's functional and the Group's presentation currency.

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

As of 31 December 2023, the exchange rates used for translating foreign currency balances were USD 1 = UAH 37.98 (31 December 2022: USD 1 = UAH 36.57); EUR 1 = UAH 42.21 (31 December 2022: EUR 1 = UAH 38.95).

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

3 Material accounting policy information (Continued)

Property, plant and equipment. The Group uses the revaluation model to measure all classes of property, plant and equipment except for oil and gas assets, which are measured under the cost model. Oil and gas assets were initially measured at fair value as of the date of acquisition of Naftogazvydobuvania PrJSC being their deemed cost as of that date with subsequent measurement under the cost model. For those classes of assets, which are measured using the revaluation model, fair value is based on valuations by external independent appraisals.

The frequency of revaluation depends upon the movements in the fair values of the assets being revalued. Subsequent additions to property plant and equipment are recorded at cost.

Any increase in the carrying amounts resulting from revaluation are credited to other reserves in equity through other comprehensive income. Decreases that offset previously recognised increases of the same asset are charged against other reserves in equity through other comprehensive income; all other decreases are charged to the income statement. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement. Every year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from other reserves to retained earnings. When an item of property, plant and equipment is revalued the accumulated depreciation is eliminated against the gross carrying amount of the asset.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from the continuing use of the asset.

Gains and losses on disposals determined by comparing proceeds with carrying amount of property, plant and equipment are recognised in the consolidated income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Oil and gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are expensed. Capitalisation of eligible costs is made within property, plant and equipment.

Development and production assets are grouped into cash generating units ("CGU") by field for impairment testing. Additionally, when no future economic benefits are expected from the use or disposal of individual items of oil and gas assets (e.g. wells), such items are derecognised and impaired.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognised in profit or loss as incurred. Such capitalised costs generally represent costs incurred in developing proved reserves and bringing in or enhancing production from such reserves, and are accumulated on a field basis. The carrying amount of any replaced or sold component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Construction in progress is stated at cost less impairment losses.

Depreciation. Oil and gas properties are depreciated using the units-of-production method based on the estimated quantities of proved developed commercially producible hydrocarbons which the existing geological, geophysical and engineering data show to be recoverable in future years from known reserves. Oil and gas reserves are depreciated over proved, probable and possible reserves adjusted on probability of successful extraction.

Depreciation of assets not directly associated with production of gas and gas condensate is charged on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use.

The estimated useful lives are as follows:

	Useful lives in years
Plant and machinery	from 2 to 50
Furniture, fittings and equipment	from 2 to 15

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

Leases. The Group leases land from local authorities for its oil and gas extraction facilities. Rental contracts are typically made for the period of extraction license validity but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

3 Material accounting policy information (Continued)

Leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources are exceptions from IFRS 16. Lease payments are variable and calculated as a percentage from “normative monetary appraisal of land”. Normative monetary appraisal of land does not constitute fair value of land as of reporting date. Furthermore, changes in normative monetary appraisal of land would not represent a change in a market index or rate. In general, normative monetary appraisal of land is based on specific requirements in the legislation. Therefore management concluded that variable lease payment based on normative monetary appraisal of land shall not be included in the calculation of lease liability under IFRS 16 and respectively no lease asset and liability should be recorded for lease of land contracts.

Other lease contracts refer to lease of the Group’s office premises mainly from a related party and are concluded for 12 months or less. Payments associated with these short-term leases are recognised on a straight-line basis as an expense in profit or loss.

Intangible assets. All of the Group’s intangible assets have definite useful lives and primarily include licenses for operating of the gas fields as well as capitalised computer software and capitalised services for seismic development. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring them to use. Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any.

Licenses for operating of the gas fields are depreciated using the units-of-production method based on the estimated quantities of proved, probable and possible reserves of hydrocarbons adjusted on probability of successful extraction which the existing geological, geophysical and engineering data show to be recoverable in future years from known reserves.

Other intangible assets are amortised on a straight-line basis over estimated useful life of 1 - 20 years.

Exploration and evaluation expenditure. Pre-license costs are recognised in profit or loss as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, initially are capitalised as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. Items used for drilling purposes (e.g. drilling rigs) are capitalised as tangible exploration and evaluation assets. Expenditures providing valuable technical and geological information that can be further used for making a decision on technical feasibility and commercial viability of extracting a resource (e.g. exploratory wells drilling, specific technical and geological assessments) are capitalised as tangible exploration and evaluation assets.. Administrative and other overhead costs associated with exploration and evaluation activity are not capitalised. Costs that meet capitalisation criteria are accumulated in cost centers by field (exploration area) pending determination of technical feasibility and commercial viability.

After initial recognition of exploration and evaluation assets are carried at cost less impairment losses. Depreciation and amortisation of exploration and evaluation expenditure assets does not commence until the assets are placed in service.

The technical feasibility and commercial viability of extracting a resource is determined based on several factors including the assignment of proved reserves. Upon determination of technical feasibility and commercial viability, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within Property, plant and equipment referred to as Oil and gas properties and within Intangible assets.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are grouped by field (exploration area).

Initial recognition of financial instruments. The Group’s principal financial instruments comprise loans and borrowings, cash and cash equivalents and short-term deposits. The Group has various other financial instruments, such as trade debtors and trade creditors, which arise directly from its operations.

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

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

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL.

3 Material accounting policy information (Continued)

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

Derecognition of financial liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. While assessing if modification is substantial, management considers both quantitative and qualitative factors. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognised in profit or loss. If the exchange or modification of financial liability is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Income taxes. Income taxes have been provided for in the financial statements in accordance with Ukrainian, Cypriot and Dutch legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the income statement unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

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

Inventories. The cost of inventory is determined on the weighted average basis for gas and gas condensate and on the first in first out basis for raw materials and spare parts, specific identification principle for goods for resale.

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

Value added tax ("VAT"). In Ukraine VAT is levied at four rates: 20% on sales and imports of majority of goods within the country, works and services, 14% for sales of agricultural products, 7% for cultural services and sales of medicals and 0% on the export of goods. A taxpayer's VAT liability equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. A VAT credit is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period.

Rights to VAT credit arise when a VAT invoice is received, which is issued on the earlier of the date of payment to the supplier or the date goods are received. VAT related to sales and purchases is recognised in the consolidated balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Decommissioning provision. The Company's assessment of the decommissioning provision is based on the estimated future costs expected to be incurred in respect of the decommissioning and site restoration, adjusted for the effect of the projected inflation for the upcoming periods and discounted using interest rates applicable to the provision. Interest expense related to the provision is included in finance costs in profit or loss.

Revenue recognition. Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised net of discounts, returns and value added taxes, excise tax, other similar mandatory payments.

Sales are recognised when control of the goods has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Revenue from the sale of gas is recognised at the date of transfer of control over goods at the virtual entry point of the gas transmission system.

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

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

3 Material accounting policy information (Continued)

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

Changes in presentation in the comparative period. In the current period DTEK GROUP B.V. reassessed its policy on presentation of cash flows from interest paid in the consolidated statement of cash flow and started to classify interest paid as financing cash flows because they are costs of obtaining financial resources primarily spent on investing activities or returns on investments, rather than on funding the working capital. Following this, management also changed its presentation of cash flows from interest paid for the 12 months ended 31 December 2022 to match the DTEK GROUP B.V.'s policy. As a result, an amount of UAH 943 million was reclassified to financing cash flows from operating cash flows for comparative period.

As of 31 December 2022 Trade and other payables line in the consolidated balance sheet included UAH 9,054 million of unsettled balance of dividends accrued to NCI resulted from a single transaction in 2022 (Note 14). In the current period management reassessed presentation of subsidiary's dividends payable to NCI and disclosed it as a separate line in the consolidated balance sheet to improve transparency of presentation. Further to ensure comparability and consistency of presentation, management changed comparatives respectively and as a result, the amount of UAH 9,054 million was reclassified to Dividends payable to NCI from Trade and other payables as of 31 December 2022.

During 2023 the Group reassessed its policy on presentation of intangible exploration and evaluation assets in the consolidated balance sheet and started to classify licenses for fields where the production has not started yet as Exploration and evaluation assets at the consolidated balance sheet. Following this, management also changed the presentation of consolidated balance sheet for the 12 months ended 31 December 2022 to match the DTEK Oil&Gas B.V.'s policy. As a result, an amount of UAH 720 million was reclassified to Exploration and evaluation assets for comparative period.

4 Critical Accounting Estimates and Judgements

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

Revaluation of property, plant and equipment.

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

As most of the Group's property, plant and equipment is of a specialised nature, its fair value is determined using depreciated replacement cost (Level 3). As of 30 September 2023, the Group's management decided to carry out a revaluation of property, plant and equipment based on decrease in estimated gas reserves, changes in economic conditions of the business environment and the cumulative impact of inflation. Fair values of property, plant and equipment and remaining useful lives were determined by an independent appraiser.

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

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

- choice of information sources for construction costs analysis (actual costs recently incurred by the Group, specialised reference materials and handbooks, estimates for cost of construction of various equipment etc.);
- determination of comparatives for replacement cost of certain fixed assets, as well as corresponding adjustments required to take into account differences in technical characteristics and condition of new and existing equipment;
- selection of market data when determining market value where it is available;
- determination of applicable cumulative price indices or changes in foreign exchange rates which would most reliably reflect the change in fair value of assets revalued using indexation of carrying amounts: and
- determination of future gas extraction volumes which limited by proved developed producing gas reserves estimated by an independent mineral reserves appraiser.

4 Critical Accounting Estimates and Judgements (Continued)

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

Changes in the above estimates and judgments could have a material effect on the fair value of property, plant and equipment, which, however, is impracticable to quantify due to wide variety of assumptions and assets being valued (Note 9).

Interest rates applied to financial liabilities and investments.

Judgement has been used to estimate the fair value of long-term liabilities and financial assets in the absence of similar financial instruments. A change in the effective interest rates used in assessing the fair value of loans and borrowings may have a material impact on the consolidated financial statements.

The fair value financial assets was calculated with reference to cash flows discounted at an assumed market rate on similar instruments, being the average rate on market debts of third party companies with a comparable rating.

During 2020 DTEK GROUP B.V., the Parent Company, reassigned to the Group its obligation to repay their loans due to Primorska WEP B.V., entity under common control of DTEK GROUP B.V. The payment due dates on this reassigned obligation was in mid 2023.

The Group entered into negotiations with the creditor to extent he maturity and modify the terms of the instrument. In December 2023 the loan payable to Primorska WEP B.V was reassigned to the other entity under common control of DTEK GROUP B.V. on the following terms and conditions: denominated in UAH, interest-free loan with the maturity in December 2025. These changes to the terms and conditions of the loan lead to the significant modification of the loan payable and was derecognized. To recognize the fair value of the reassigned liability, the Group applied a discount rate of 27.69% which was determined based on market data. The difference between nominal value and the fair value was recognized as discount on financial liabilities received from related parties in the amount of UAH 1,462 million. As of 31 December 2023, carrying value of this liability is UAH 2,398 million which are accounted at amortised cost. In case the discount rate is determined to be 5 p.p higher / (5 p.p lower), the discount will be UAH 172 million higher / (UAH 172 million lower).

Non-current financial liabilities on debts assignment agreements.

In December 2023 the loan payable to Primorska WEP B.V (Note 18) was reassigned to the other entity under common control of DTEK GROUP B.V. on the following terms and conditions: denominated in UAH, interest-free loan with the maturity in December 2025. These changes to the terms and conditions of the loan lead to the significant modification of the loan payable and was derecognized. To recognize the fair value of the reassigned liability, the Group applied a discount rate of 27.69% which was determined based on market data.

The difference between nominal value and the fair value was recognized as discount on financial liabilities received from related parties in the amount of UAH 1,462 million. As of 31 December 2023, carrying value of this liability is UAH 2,398 million which are accounted at amortised cost. In case the discount rate is determined to be 5 p.p higher / (5 p.p lower), the discount will be UAH 172 million higher / (UAH 172 million lower).

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

Estimation of gas reserves.

Engineering estimates of oil and gas reserves are inherently uncertain, require professional judgment and are subject to future revisions. Accounting measures such as depreciation, depletion and amortization expenses, impairment assessments and asset retirement obligations that are based on the estimates of proved developed producing reserves are subject to change based on future changes to estimates of gas reserves. Proved developed producing reserves are estimated by reference to available well information, including production and pressure trends for producing wells. Furthermore, estimates of proved developed producing reserves only include volumes for which access to market is assured with reasonable certainty.

All proved developed producing reserves estimates are subject to revision, either downward or upward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. Proved developed producing reserves are defined as the estimated quantities of gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic conditions. In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As those fields are further developed, new information may lead to further revisions in reserve estimates. Gas reserves have a direct impact on certain amounts reported in the consolidated financial statements, most notably depreciation, depletion and amortization. Depreciation rates on oil and gas assets using the units-of-production method for each field are based on proved developed producing reserves and development costs.

4 Critical Accounting Estimates and Judgements (Continued)

Assuming all variables are held constant, an increase in proved developed producing reserves for each field decreases depreciation, depletion and amortization expenses. Conversely, a decrease in the estimated proved developed producing reserves increases depreciation, depletion and amortization expenses. Moreover, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is present.

Gas reserves were assessed as of 31 December 2023 by an independent oil and gas appraiser. Should proved developed producing reserves be 20% lower, the depletion charge for the year ended 31 December 2023 would be UAH 234 million higher (2022: UAH 217 million higher).

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

For the period ended 31 December 2023 and 31 December 2022, default rate of customers is calculated as Fitch credit rating set for country of counterparty's operations or a counterparty where relevant and adjusted for weighted average loss default rate determined according to Fitch recovery ratings.

Measurement and accounting of financial investments from the entities under common control of SCM

During the first half of 2023 the Group entered in a number of agreements and performed a set of transactions, resulting from which the outstanding receivables on financial investments due from the related parties under common control of SCM with low credit risk were settled and new financial instruments were issued to related parties under control SCM with higher credit risk as well on some of these changed their key terms, including became non-interest bearing and denominated in UAH. In accordance with IAS 1 p.109 the financial result of these transactions was booked directly in equity.

The fair value of the new financial instrument with the entity under common control of SCM with nominal amount in UAH 3,481 million upon initial recognition were assessed as close to nil based of ceased operations and poor financial position of the counterparty. Further details are disclosed in Note 10.

The fair value of another instrument from the entity under common control of SCM (which is an investment property business, has a reasonable financial position, however is not liquid and limited on free cash flow generation capacity) was assessed as UAH 1,041 million assuming the discount rate of 21.2% calculated based on the average NBU rates for middle-term financial instruments. Taken into account financial results of the counterparty fair value was assessed based on 3-year period as the average period required for distressed collection of the debt. Due to no significant worsening or improving factors of the financial ability to repay, the recoverable value did not change as of 31 December 2023. Would the period of debt settlement be 1 year longer than expected, the carrying amount of the financial investment as of 31 December 2023 would be UAH 182 million lower and respectively consolidated equity for 2023 would be UAH 182 million lower.

ECL measurement of consideration receivable for PJSC DTEK Kyiv Regional Grids and JSC DTEK Odesa Grids.

As a result of historic transactions, the Group recognised receivables for shares sold to related parties.. The asset was recognised as an originated credit-impaired asset (POCI) as of origination date and at origination date the nominal balance was discounted at 12.5% annual rate, which includes time-value of money and a lifetime credit risk of the debtor calculated based on the expected cash flows.

During 2023 the remaining outstanding balance was reassigned to another subsidiary of DTEK Grids B.V. Group and the contractual due date was set to 31 December 2023 (2022: contractual maturity was October 2026). As of 31 December 2023, management expects that UAH 2,000 million will be settled till the end of 2024 and the remaining balance - during 2025. The change of these contractual terms do not lead to a significant modification of the originally recognised asset and the balance continued to be accounted for and measured as an original POCI asset. As of 31 December 2023 it was discounted at 22.34% credit-impaired discount rate (31 December 2022: 21.9%), which includes time value of money and a lifetime credit risk of the debtor calculated based on the expected cash flows.

The Group recognised UAH 757 million of net impairment reversal during 2023 (2022: UAH 1,012 million of the impairment charge), which represented cumulative changes in ECL during the period and UAH 257 million of unwinding of POCI discount (Note 25). Would the period of settlement of such receivables be 1 year longer than currently expected, the impairment provision as of 31 December 2023 would be UAH 561 million higher (31 December 2022: UAH 370 million higher).

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

5 Adoption of New or Revised Standards and Interpretations

New and amended standards adopted by the Group. The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

- ***Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies*** (issued on 12 February 2021). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  As a result of this amendment the Group updated its disclosure in Note 3 to disclose only material accounting policies.

- ***Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*** (issued on 12 February 2021). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

  The application of these amendments had no material impact on the Group's consolidated financial statements.

- ***Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*** (issued on 7 May 2021). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

  The application of these amendments had no material impact on the Group's consolidated financial statements.

- ***IFRS 17 Insurance Contracts*** (issued on 18 May 2017) ***including Amendments to IFRS 17*** (issued on 25 June 2020), ***Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information*** (issued on 9 December 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. Under IFRS 17 measurement model all cash flows are based on current assumptions and revenue recognition rules are more consistent with IFRS 15, excluding deposit components, and revenue is not recognized on a cash basis. Some insurance contracts are scoped out of IFRS 17 either mandatorily or optionally and are accounted under other applicable standards such as IFRS 15.

  The application of these amendments had no material impact on the Group's consolidated financial statements as the Group does not issue any insurance contracts in the scope of IFRS 17.

- ***Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules*** (issued on 23 May 2023). In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with IASB effective date, the companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

  The Group is within the scope of the Pillar Two model rules, its impact is disclosed in Note 26.

New accounting pronouncements. Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Group has not early adopted.

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

- ***Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback*** (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024)
- ***Amendments to IAS 1 Presentation of Financial Statements***:
  - Classification of Liabilities as Current or Non-current (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2024);
  - Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2024);
  - Non-current Liabilities with Covenants (issued on 31 October 2022 and effective for annual periods beginning on or after 1 January 2024).

The Group will provide extended disclosures of borrowing terms when these amendments become effective.

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

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

- ***Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*** (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025)
- ***Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements*** (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024).

The Group is currently assessing the impact of the amendments on the consolidated financial statements.

6 Subsidiaries with Material Non-controlling Interest

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

In millions of Ukrainian Hryvnia	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary
Year ended 31 December 2023					
Naftogazvydobuvannya PrJSC	Ukraine	27.00%	27.00%	804	3,990
Year ended 31 December 2022					
Naftogazvydobuvannya PrJSC	Ukraine	27.00%	27.00%	5,038	8,140

The summarised financial information of these subsidiaries was as follows at 31 December 2023 and 2022:

In millions of Ukrainian Hryvnia	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit	Total compre-hensive income	Cash flows
Year ended 31 December 2023								
Naftogazvydobuvannya PrJSC	26,068	23,529	33,550	1,269	27,527	2,979	3,356	(789)
Year ended 31 December 2022								
Naftogazvydobuvannya PrJSC	27,118	22,624	18,258	1,336	35,996	18,643	18,643	(300)

7 Balances and Transactions with Related Parties

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2023 and 2022 are detailed below.

			31 December 2023
In millions of Ukrainian Hryvnia	**Parent - DTEK GROUP B.V.**	**DTEK Group B.V. GROUP subsidiaries**	**Entities under common control and joint ventures of SCM**
Loans receivable from related parties (Note 10)	645	-	16
Financial aid receivable from related parties (Note 10)	-	440	5,241
Equity securities (Note 10)	-	7	-
Receivable on assignment agreements from related parties (Note 10)	2,579	2,944	-
Receivables for shares sold to related parties (Note 10)	-	3,071	-
Prepayments received	-	(395)	-
Trade and other receivables	-	9,154	1
Cash and cash equivalents	-	-	55
Loans, interest payable and other liabilities (Note 18)	(31)	(6,309)	(1)
Payables to related parties (Note 19)	(35)	(643)	(4)

7 Balances and Transactions with Related Parties (Continued)

			31 December 2022
In millions of Ukrainian Hryvnia	Parent - DTEK GROUP B.V.	DTEK GROUP B.V. Group subsidiaries	Entities under common control and joint ventures of SCM
Loans receivable from related parties (Note 10)	7,952	-	3,365
Financial aid receivable from related parties (Note 10)	-	246	4,597
Equity securities (Note 10)	-	7	-
Receivable on assignment agreements from related parties (Note 10)	4,216	1,131	1,774
Corporate bonds issued by related parties (Note 10)	-	514	-
Receivables for shares sold to related parties (Note 10)	-	2,057	-
Prepayments received	-	(951)	-
Trade and other receivables	-	5,435	-
Current contract assets from contracts (Note 12)	-	-	179
Cash and cash equivalents	-	-	1,253
Loans, interest payable and other liabilities (Note 18)	(970)	(15,785)	(1)
Payables to related parties (Note 19)	(16)	(522)	(258)

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

	Year ended 31 December 2023			Year ended 31 December 2022		
In millions of Ukrainian Hryvnia	Parent - DTEK GROUP B.V.	DTEK GROUP B.V. Group subsidiaries	Entities under common control and joint ventures of SCM	Parent - DTEK GROUP B.V.	DTEK GROUP B.V. Group subsidiaries	Entities under common control and joint ventures of SCM
Sales of gas	-	24,871	-	-	36,669	-
Sales of gas condensate	-	1,685	-	-	1,975	-
Income from resales of goods	-	-	-	-	-	3,287
Purchases of goods for further resale	-	-	-	-	-	(3,275)
Purchase of goods and services	(11)	(435)	(9)	-	(225)	(39)
Penalties	-	(36)	-	-	-	-
Non-refundable financial aid to related parties	-	(52)	-	-	-	-
Interest income on bank deposits	-	-	36	-	-	27
Interest income on loans and corporate bonds provided (Note 25)	315	44	20	4	81	189
Interest expense on loans received (Note 25)	(78)	(521)	-	-	(186)	-
Recognition of discount on financial liabilities received from related parties (Note 25)	-	1,462	-	-	-	-
Unwinding of discount on financial investments provided to related parties (Note 25)	-	40	-	-	-	-
Unwinding of POCI discount (Note 25)	-	257	-	-	-	-
Recognition of discount on financial investments provided to related parties (Note 25)	-	(13)	-	-	-	-
Discount on loans received from related parties (Note 25)	-	(26)	-	-	(87)	-
(Net impairment)/ Net reversal of impairment on financial assets	2,087	(557)	(387)	(2,075)	650	557
Loss on transaction with owners (Note 4)	-	-	(4,163)	-	-	-

During the 2022 year the Group has entered into a commission-based agreement followed by sale-purchase agreements with related parties. Therefore, during 2022 the Group purchased goods for the amount of UAH 3,275 million and partially sold these for the total amount of UAH 3,287 million. This transaction resulted in an additional net income up of UAH 62 million, an increase in current contract assets from contracts of UAH 179 million (Note 12) and an increase in trade payables of UAH 225 million as of 31 December 2022. The main reason for entering into such sale-purchase agreements was the ability to receive foreign currency denominated proceeds. Due to the one-off nature and immaterial effect on the net profit of the Group the financial result of this transaction was accounted for on a net basis and reported as other operating income in the consolidated income statement. The balances for such transactions have been accounted for on gross basis in the consolidated balance sheet.

7 Balances and Transactions with Related Parties (Continued)

Prepayments received

Prepayments received from related parties as of 31 December 2023 and 31 December 2022 are non-interest bearing. Prepayments received from DTEK GROUP B.V. Group subsidiaries as of 31 December 2023 are represented by prepayments for gas (as of 31 December 2022: prepayments for gas in the amount of UAH 443 million and prepayment for corporate bonds by a DTEK GROUP B.V. Group subsidiary in the amount of UAH 508 million, which was subsequently settled with consideration and interest receivable for the bonds during 2023 (Note 10).

The balances outstanding from related parties as of 31 December 2023 and 31 December 2022 are unsecured.

Key management personnel compensation

In 2023 total compensation to key management personnel amounted to UAH 333 million (2022: UAH 46 million) and increased compared to 2022 mainly as a result a one-off additional bonus paid. Compensation to the key management personnel consists of salary and bonus payments.

8 Property, Plant and Equipment and Tangible Exploration and Evaluation Assets

Movements in the carrying amount of property, plant and equipment and tangible exploration and evaluation assets were as follows:

In millions of Ukrainian Hryvnia	**Oil and gas assets**	**Oil and gas properties**	**Plant and machinery**	**Furniture, fittings and equipment**	**Exploration and evaluation assets**	**Right-of-use assets**	**Construction in progress**	**Total**
At 1 January 2022								
Cost or valuation	6,856	8,490	4,994	44	-	-	1,515	21,899
Accumulated depreciation and impairment	(2,999)	(599)	(186)	(4)	-	-	-	**(3,788)**
NBV at 1 January 2022	**3,857**	**7,891**	**4,808**	**40**	**-**	**-**	**1,515**	**18,111**
Additions	-	-	-	-	-	-	2,572	**2,572**
Disposals	-	(7)	(23)	-	-	-	(8)	**(38)**
Depreciation charge	(202)	(1,934)	(694)	(10)	-	-	-	**(2,840)**
Transfer	-	1,416	1,169	10	-	-	(2,595)	**-**
NBV at 31 December 2022	**3,655**	**7,366**	**5,260**	**40**	**-**	**-**	**1,484**	**17,805**
At 1 January 2023					-	-		
Cost or valuation	6,856	9,899	6,140	54	-	-	1,484	**24,433**
Accumulated depreciation and impairment	(3,201)	(2,533)	(880)	(14)	-	-	-	**(6,628)**
NBV at 31 December 2022	**3,655**	**7,366**	**5,260**	**40**	**-**	**-**	**1,484**	**17,805**
Additions	-	-	-	-	1,176	146	4,625	**5,947**
Disposals	-	-	(39)	-	-	-	(3)	**(42)**
Impairment of property, plant and equipment	-	(425)	(277)	(3)	-	-	-	**(705)**
Reversal of impairment of property, plant and equipment	-	30	100	7	-	-	124	**261**
Revaluation recorded in equity	-	(1,719)	2,060	117	-	-	-	**458**
Depreciation charge	(179)	(1,533)	(766)	(14)		(22)	-	**(2,514)**
Other movement	-	-	-	-	(58)	-	-	**(58)**
Transfer	-	1,360	2,065	7	-	-	(3,432)	**-**
NBV at 31 December 2023	**3,476**	**5,079**	**8,403**	**154**	**1,118**	**124**	**2,798**	**21,152**
At 31 December 2023								
Cost or valuation	6,856	6,030	8,672	162	1,118	146	2,798	**25,782**
Accumulated depreciation and impairment	(3,380)	(951)	(269)	(8)	-	(22)	-	**(4,630)**
NBV at 31 December 2023	**3,476**	**5,079**	**8,403**	**154**	**1,118**	**124**	**2,798**	**21,152**

In 2023, the depreciation expense of UAH 2,503 million (2022: UAH 2,829 million) was included in cost of sales, UAH 11 million (2022: UAH 9 million) in general and administrative expenses and UAH nil million (2022: UAH 2 million) in other operating expenses.

8 Property, Plant and Equipment and Tangible Exploration and Evaluation Assets (Continued)

Estimation of gas reserves.

In 2023 the Group engaged independent appraisers to assess its gas reserves as of 31 December 2023. Change in the estimated amount of the proved developed producing reserves affected depreciation charges starting from the period from 1st January 2023. Depreciation charge for 2023 approximates the depreciation charge if new report data was adopted as of 1st January 2023. In 2022 the Group engaged independent appraisers to assess its gas reserves as of 31 December 2022.

Revaluation of property, plant and equipment.

In 2023, the Group engaged independent appraisers to determine the fair value of property, plant and equipment as of 30 September 2023 other than oil and gas assets which are recorded at cost. The fair value of property, plant and equipment has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

The majority of the property, plant and equipment are specialised in nature and are rarely sold in the open market in Ukraine other than as part of a continuing business. Consequently, the fair value of structures, plant and machinery was primarily determined using depreciated replacement cost (Level 3). This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economic depreciation, and obsolescence.

The depreciated replacement cost of Oil and gas properties was estimated based on the actual cost of drilling for typical wells and for wells with unique parameters based on historical construction costs adjusted for cumulative indices of changes in prices. Depreciated replacement cost was determined based on management estimate of future gas extraction volumes limited by proved developed producing gas reserves estimated by an independent mineral reserves appraiser. If the estimated extraction volumes were 10% lower, this would result in decrease in value of property, plant and equipment by UAH 233 million with a corresponding reduction in revaluation reserve in equity.

The depreciated replacement cost of Plant and machinery and Furniture, fittings and equipment was estimated by indexing their carrying amount to cumulative price indices or based on the cost of a similar object adjusted for cumulative indices of changes in prices, historical costs of the Group for similar items, and available price lists.

Impairments of property, plant and equipment.

As of 31 December 2023, the Group identifies each field as a cash-generated unit (CGU). The recoverable amount of each CGU is determined based on value-in-use calculations. Management determined that as of 31 December 2023, there was indicator of impairment with respect to property, plant and equipment and intangible assets and ran an impairment test. Indicator of impairment was a decrease in price of gas during 2023. As a result of the impairment test in 2023, the recoverable values exceed the respective carrying values with headroom and thus no impairment recognised.

The price of gas, gas reserves and the post-tax weighted average cost of capital were considered to be areas of significant judgement. The Group estimated the post-tax weighted average cost of capital to be 23% for USD denominated cash flows. The price of gas was assumed as follows: USD 314 for the year 2024 and USD 327 – USD 345 for the years 2025-2030. The production volumes were based on estimated amount of the proved developed producing reserves by independent appraisers.

The model is sensitive to the price of gas, where in case the price for gas will be lower by 15% in all projected periods, this would result in impairment of property, plant and equipment on some of the CGUs totaling UAH 239 million. In regard to other assumptions no reasonable change in estimates would result in impairment.

Property management agreement with the Government representative.

On April 6, 2023, the Group signed the Property management agreement with the Ukrainian Government representative - Agency for the Identification, Search and Management of Assets Obtained from Corruption and Other Crimes (ARMA). Under the property management agreement, the property, which provides a complex of drilling and other specialized geological works, is transferred to the Group for 5 years till April 2028 with the right of early termination on the terms stipulated by the contract.

The Group, from its side, undertakes financial obligations to pay to the State budget a part of the net income obtained from using the property under this Property management agreement, but not less than the specified fixed amount, as determined by the agreement.

When the Group obtained control over assets transferred under the property management agreement, it recognised right-of-use assets that mostly consist of plant and machinery assets in amount UAH 146 million and UAH 146 million of lease liabilities at the initial recognition date.

9 Intangible Assets and Intangible Exploration and Evaluation Assets

The movements of intangible assets and intangible exploration and evaluation assets were as follows:

In millions of Ukrainian Hryvnia	Cost	Accumulated amortisation and impairment	Net book value
As of 1 January 2022	**1,423**	**(284)**	**1,139**
Additions / (Charge) for the year	84	(64)	**20**
As of 31 December 2022	**1,507**	**(348)**	**1,159**
Additions / (Charge) for the year	1,517	(61)	**1,456**
Disposals	(52)	20	**(32)**
As of 31 December 2023	**2,972**	**(389)**	**2,583**

In 2023, the amortisation expense of UAH 53 million (2022: UAH 53 million) was included in cost of sales and UAH 8 million (2022: UAH 11 million) into general and administrative expenses.

In February 2023, the group received 2 new special permits for the use of subsoil in the Poltava region, open auctions for which were held at the end of 2022. The special permits are valid for 20 years were purchased for UAH 1,102 million and UAH 211 million, respectively and paid for it. During 2023 the extraction has not started yet and no wells were drilled on these licensed fields.

The table above includes capitalized costs on licenses for fields where the production has not started yet. As of 31 December 2023 the total cost of such licenses is classified as Exploration and evaluation assets at the consolidated balance sheet in amount of UAH 2,056 million (31 December 2022: UAH 720 million).

10 Financial Investments

As of 31 December, non-current financial investments comprised:

In millions of Ukrainian Hryvnia	31 December 2023	31 December 2022
Receivables for shares sold to related parties (Note 7)	1,576	2,057
Loans receivable from related parties (Note 7)	645	3,365
Equity securities (Note 7)	7	7
Financial aid receivable from related parties (Note 7)	1	-
Corporate bonds issued by related parties (Note 7)	-	441
Other	-	4
Total	**2,229**	**5,874**

Receivables for shares sold to related parties

Financial assets receivable from DTEK Grids B.V. Group. As a result of historic transactions, the Group recognised receivables for shares sold to related parties, which was recognised as an originated credit-impaired asset (POCI) as of origination date the nominal balance was discounted at 12.5% annual rate, which includes time-value of money and a lifetime credit risk of the debtor calculated based on the expected cash flows.

In 2022, following the restructuring performed, the contractual due date for the remaining outstanding balance was set to October 2026.

During 2023 the remaining outstanding balance was reassigned to another subsidiary of DTEK Grids B.V. Group and the contractual due date was set to 31 December 2023. In 2023, part of receivables in amount of UAH 250 million has been written off and the remaining nominal amount as of 31 December 2023 is UAH 4,109 million. As of 31 December 2023, management expects that nominal amount of UAH 2,000 million will be settled till the end of 2024, and the remaining part of nominal - during 2025. As a result, UAH 1,495 million of carrying amount is classified as current and UAH 1,576 million classified as non-current.

Approach to measurement and determination of expected credit loss allowance is disclosed in Note 4. The Group recognized UAH 757 million of net impairment reversal during 2023 (2022: UAH 1,782 million of the impairment charge), which represented cumulative changes in ECL during the period and UAH 257 million of unwinding of POCI discount (Note 25).

Corporate bonds issued by related parties

Non-current corporate bonds issued by related parties were recognised at fair value, bearing nominal interest rate of 18% and were accounted for under amortised cost at an effective interest rate of 19.79% at origination date and were due in December 2030. In 2022 the Group signed a bonds selling contract with a related party under common control of DTEK GROUP B.V and received a prepayment under the contract. Consideration for the bonds was defined as their nominal value and accrued interest receivable.

10 Financial investments (Continued)

During 2023 UAH 508 million of the consideration for bonds and interest receivable were settled with the prepayment that was received in 2022, and UAH 36 million was settled with the payable accrued as penalty on the financial liability from the related party under common control of DTEK GROUP B.V.

Loans receivable from related parties

Non-current loans receivable from related parties as of 31 December 2022 in the amount of UAH 3,365 million comprised interest bearing loan due from entity under common control of SCM. The loan receivable from related party was denominated in US dollars and as of 31 December 2022 had a contractual maturity till 31 December 2028, with effective interest rate of 6.5% per annum. As of 31 December 2022, the Group charged a provision for 12-month ECL for this loan receivable at expected loss rate of 2.76%. Interest accrued for 2023 is UAH 20 million.

This non-current loan provided to related party was reassigned between various entities under common control of SCM for UAH consideration equal to the nominal value of the loan and capitalised interest, which was paid in cash to the Group. Further the Group issued the financial aid in amount of UAH 3,481 million to Ukrainian entity under common control of SCM, which has high credit risk due to cease of its operations in 2022. The debt is denominated in UAH, is no interest bearing, with maturity till 1 December 2025. In December 2023 it was further prolonged till 30 April 2033.

The difference of UAH 3,384 million between carrying amount of the original financial instrument (including UAH 97 million of ECL) and fair value of the new financial instrument was recognized directly in equity.

In December 2023 upon a number of transactions Group recognised non-current loans receivable from parent in the amount of UAH 4,196 million, bear nominal and effective interest rate of 8,5% and are due in December 2025. Further, part of this balance was settled via a non-cash set-off with liabilities in the amount of UAH 3,521 million.

As of 31 December 2023 the Group has sufficient accumulated profits for the dividends distribution and future profits for dividends distribution during the next 12 months, so the parent can settle the balances once dividends will be declared by their decision. Based on this expected credit loss allowance is applied annual ECL rate adjusted on probability of dividend's distribution in long-term perspective and applied 4.59% of ECL as of 31 December 2023. Loss allowance as of 31 December 2023 is UAH 31 million.

Equity securities

Equity securities are carried at fair value as of 31 December 2023 and as of 31 December 2022. The balance included non-controlling interest of 1.46% in the share capital of DTEK Mironovskaya TPP LLC.

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

In millions of Ukrainian Hryvnia	**31 December 2023**	**31 December 2022**
Financial aid receivable from related parties (Note 7)	5,680	4,843
Receivable on assignment agreements from related parties (Note 7)	5,523	7,121
Receivables for shares sold to related parties (Note 7)	1,495	-
Other financial investments	53	1
Financial aid receivable	51	-
Loans receivable from related parties (Note 7)	16	7,952
Corporate bonds issued by related parties (Note 7)	-	73
Total	**12,818**	**19,990**

Receivable on assignment agreements from related parties

In 2022 upon a number of reassignments of trade accounts receivable for gas from a related party, the Group recognised UAH 20,799 million of interest free receivable on demand from the entity of the common control of DTEK Group BV. Additionally, the Group reassigned UAH 907 million of current loans receivable from related parties to a parent company. From total balance of receivable on assignment agreements UAH 17,631 million was settled via a non-cash set-off with liabilities; UAH 424 million was reassigned to a related party and further was settled in cash. Further the Group settled all these receivables from parent company with set off against the share premium payable (Note 15) to parent company in the amount of UAH 21,706 million, UAH 3,168 million was reassigned to a related party and further was settled in cash.

As of 31 December 2022 part of the receivable on assignment agreements from the parent company in carrying amount of UAH 950 million was denominated in EUR, interest free and due on demand. The Group charged a provision for 12-month ECL for this receivable at expected credit loss rate of 14.57%.

10 Financial investments (Continued)

In a series of transactions, these receivables in nominal amount of UAH 1,205 million were reassigned to other DTEK GROUP B.V. subsidiary for UAH consideration equal to nominal value of these receivables. Also, in 2023 upon a reassignment, the Group recognised receivable on assignment agreement in amount UAH 2,992 million of nominal value is on demand `with respective recognition of liabilities by the Group, which was unsettled as of 31 December 2023. This reassigned receivable amounted UAH 4,197 million is denominated in UAH, no interest bearing, and on demand. Loss allowance as of 31 December 2023 is UAH 1,255 million which is represented by expected credit loss rate and time value of money in ECL rate of 29.9% (based on expectation that it will be settled in one year).

Also, as of 31 December 2022 part of the receivable on assignment agreements from the parent company in carrying amount of UAH 3,266 million was interest free and due on demand (UAH 1,876 million were denominated in Euro, and UAH 1,390 million - in US dollars). The Group charged a provision for 12-month ECL for this receivable at expected credit loss rate of 14.57%.

During 2023 in a series of transactions, these receivables in nominal amount of UAH 1,442 million were reassigned to other DTEK GROUP B.V. subsidiary and were set-off against the financial liabilities. As of 31 December 2023, unsettled receivable on assignment agreement included interest free receivable on demand from a parent company in amount UAH 2,579 million which is non-interest bearing and on demand. The Group had sufficient accumulated profits for the dividends distribution, so the parent can settle the balances once dividends will be declared by their decision. Impairment provision expected to be insignificant so was not charged as of 31 December 2023.

The remaining amount of the receivable on assignment agreements as of 31 December 2022, in carrying amount of UAH 1,146 million was denominated in USD, interest free and due on demand. The Group charged a provision for 12-month ECL for this receivable at expected credit loss rate of 12.55% - 22.17%. During 2023 these balances in nominal amount of UAH 1,280 million was settled via a non-cash set-off with liabilities.

Loans receivable from related parties

As of 31 December 2022 the loans receivable from related parties were represented by loan from parent in nominal amount of UAH 8,919 million of principal and UAH 389 million of interest balance with bearing interest rate of 8.5% and contractual maturity in June 2023. Loss allowance as of 31 December 2022 is UAH 1,356 million which is represented by expected credit loss rate of 14.57%.

During 2023 UAH 317 million of interest was accrued on this loan, further in a series of transactions, these receivables in nominal amount of UAH 9,622 million were set-off against the financial liabilities (Note 18).

Receivable on assignment agreements from related parties as of 31 December 2022 and financial aid receivable from related parties as of 31 December 2023

As of 31 December 2022 part of the receivable on assignment agreements from related parties in carrying amount of UAH 1,759 million was denominated in EUR, interest free and due for payment in December 2023. The Group accounted for it using the effective interest rate of 5.44% and charged a provision for 12-month ECL for this loan receivable at expected credit loss rate of 0.05%.

In a series of transactions, this receivable on assignment agreements was further reassigned among various entities under common control of SCM for UAH consideration equal to its nominal value, which was paid in cash to the Group. Further the Group issued the refundable financial aid Ukrainian entity under common control of SCM in amount of UAH 1,871 million. The debt is denominated in UAH, is no interest bearing, with maturity till 10 January 2024. The financial asset was recognized as a purchased originated credit-impaired asset (POCI) as of origination date. The fair value was determined at the level of UAH 1,041 million, which includes time value of money and a lifetime credit risk of the debtor (Note 4). The difference between carrying amount (including UAH 51 million of unamortized discount) and its fair value was recognized directly in equity in the amount of UAH 779 million.

The Group believes no new negative or positive events occurred from the date of initial recognition and till 31 December 2023 in respect of the counterparty's ability to repay the debt. As such, carrying amount as of 31 December 2023 remained the same and amounted to UAH 1,041 million. Approaches applied to measurement are described in Note 4.

Financial aid receivable from related parties

As of 31 December 2022 the financial aid receivable from a related party under common control of SCM with carrying amount of UAH 4,596 million was interest free and due for payment in January 2023. The Group charged a provision for 12-month ECL for this loan receivable at expected credit loss rate of 0.05%.

In January 2023 part of the financial aid receivable in the amount of UAH 988 million was reassigned to an entity under common control of SCM on the same terms and conditions. Contractual maturity of the reassigned receivable is 30 April 2024, which was further changed to July 2024 in the post-balance sheet period. The Group expected that the receivable will be finally reassigned to the initial debtor, so the change of these contractual terms do not lead to a significant modification of the originally recognised asset. Loss allowance as of 31 December 2023 is UAH 129 million which is represented by ECL rate 13%, which include time value of money and credit risks.

10 Financial investments (Continued)

During 2023 the Group provided financial aid to related parties in cash in the amount of UAH 383 million, UAH 181 million were repaid in cash.

As of 31 December 2023 the financial aid receivable from a related party under common control of SCM with carrying amount of UAH 3,780 million are interest free, denominated in UAH. UAH 3,341 million of this financial aid receivable is due for payment on 10 January 2024 and the other part is due for payment within 1st quarter of 2024 (31 December 2022: 4,843 million of interest free financial aid receivable due for payment during 1st quarter of 2023). Loss allowance of other financial aid to related parties (investments (other than those discussed separately above) as of 31 December 2023 is UAH 333 million which is represented by ECL rate 4.09% - 16.23%.

Financial aid receivable

During 2023 the Group provided refundable financial aid by cash in the amount of UAH 124 million, UAH 68 million were repaid in cash. Unsettled amount of the financial aid receivable in amount of UAH 32 million is due for payment during 1Q 2024 and the remaining part is due for payment in December 2023, interest free, denominated in UAH.

As of 31 December 2023, UAH 661 million of the financial investments were denominated in US dollars (31 December 2022: UAH 13,694 million) and UAH 2,579 million in Euro (31 December 2022: UAH 4,742 million). Remaining balance of the financial investments was denominated in Ukrainian hryvnia.

Movement in the impairment provision for financial investments were as follows:

	2023			**2022**		
In millions of Ukrainian Hryvnia	**Stage 1 (12 months ECL)**	**Stage 3 (lifetime ECL for credit im-paired)**	**POCI (Lifetime ECL)**	**Stage 1 (12 months ECL)**	**Stage 3 (lifetime ECL for credit im-paired)**	**POCI (Lifetime ECL)**
Provision for impairment at 1 January	**2,480**	**242**	**769**	**669**	**885**	**-**
Provision for impairment during the year	1,431	-	-	2,304	60	769
Write-off provision	-	-	(250)	-	(691)	-
Decrease in provision posted through equity	(95)	-	-	-	-	-
Reversal of provision	(2,332)	-	-	(568)	(4)	-
Exchange rate difference	32	-	-	87	-	-
Changes in estimates and assumptions	253	-	(90)	(12)	(8)	-
Provision for impairment at 31 December	**1,769**	**242**	**429**	**2,480**	**242**	**769**

The following table provides information about the exposure to credit risk and ECLs for financial investments (other than those discussed separately above) as of 31 December 2023:

In millions of Ukrainian Hryvnia	**Expected annual loss rate**	**Gross carrying amount**	**Lifetime ECL**	**Basis**
Financial investments issued to related parties	0.08%-29.9%	17,135	2,192	Fitch credit rating set for counterparties or country where counterparty located adjusted for the weighted average loss default rate based on Fitch recovery ratings
Financial investments issued to other parties	0%-10%	110	6	

The following table provides information about the exposure to credit risk and ECLs for financial investments (other than those discussed separately above) as of 31 December 2022:

In millions of Ukrainian Hryvnia	**Expected annual loss rate**	**Gross carrying amount**	**Lifetime ECL**	**Basis**
Financial investments issued to related parties	0.05%-22.43%	29,113	3,249	Fitch credit rating set for counterparties or country where counterparty located adjusted for the weighted average loss default rate based on Fitch recovery ratings

As of 31 December 2023, for financial investments with overdue period for more than 1 year with gross carrying amount of UAH 242 million allowance were measured based on ECL rate 100% (31 December 2022: UAH 242 million).

11 Inventories

As of 31 December, inventories were as follows:

In millions of Ukrainian Hryvnia	31 December 2023	31 December 2022
Gas	29	4,493
Raw materials	74	72
Spare parts	63	81
Other inventory	93	53
Total inventories	**259**	**4,699**

Gas. As of 31 December 2022, part of the extracted gas volumes were not sold to the market and instead pumped into the underground storages for the resale later on. The storage facility is owned by the state-owned operator (Ukrtransgas JSC).

12 Trade and Other Receivables

As of 31 December, current trade and other receivables were as follows:

In millions of Ukrainian Hryvnia	31 December 2023	31 December 2022
Trade receivables	9,208	5,435
Current contract assets from contracts	-	179
Total financial assets	***9,208***	***5,614***
Prepayments to suppliers	508	689
VAT to the refund	414	104
Total non-financial assets	***922***	***793***
Total trade and other current receivables	**10,130**	**6,407**

As of 31 December 2023 and as of 31 December 2022, the entire amount of financial trade and other receivables were denominated in UAH.

Trade receivables include receivables for sales of gas from DTEK GROUP B.V. subsidiary in gross amount of UAH 9,521 million as of 31 December 2023 (31 December 2022: UAH 5,491 million).

As of 31 December 2023, trade receivables for sales of gas in amount UAH 4,480 million was overdue, remaining amount has a contractual maturity in January-February 2024. As of 31 December 2023 management initiated a negotiation with the debtor and as a result reassessed expectations on its repayment: UAH 2,148 million is expected to be settled during January-February 2024 by cash and remaining balance is expected to be settled during March-June 2024 by exchange to promissory notes issued by DTEK GROUP B.V. subsidiary. Further promissory notes shall be claimed for settlement and expected to be settled in cash in March-June 2024.

Expected credit loss allowance is assessed based on the approach described in Note 4 and applied annual ECL rate at 12.27% as of 31 December 2023 (31 December 2022: 12.55%) adjusted on expected repayment period. Loss allowance as of 31 December 2023 is UAH 367 million (31 December 2022: UAH 58 million).

Movement in the impairment provision for financial receivables was as follows:

In millions of Ukrainian Hryvnia	2023	2022
Provision for impairment at 1 January	**68**	**558**
Provision for impairment during the year	373	68
Reversal of provision	(68)	(558)
Provision for impairment at 31 December	**373**	**68**

The following table provides information about the exposure to credit risk and ECLs for trade receivables as of 31 December 2023:

In millions of Ukrainian Hryvnia	Expected loss rate	Gross carrying amount	Lifetime ECL	Basis
Trade receivables from related parties	2.04% - 4.06%	9,521	367	Fitch credit rating set for counterparties or country where counterparty located adjusted for the weighted average loss default rate based on Fitch recovery ratings
Trade receivables from other parties	5.26%	57	3	

12 Trade and Other Receivables (Continued)

The following table provides information about the exposure to credit risk and ECLs for financial receivables as of 31 December 2022:

In millions of Ukrainian Hryvnia	**Expected loss rate**	**Gross carrying amount**	**Lifetime ECL**	**Basis**
Trade receivables from related parties	1.05%	5,492	57	Fitch credit rating set for counterparties or country where counterparty located adjusted for the weighted average loss default rate based on Fitch recovery ratings
Current contract assets from contracts	4.15%	187	8	

As of 31 December 2023, for trade receivables with overdue period for more than 1 year with gross carrying amount of UAH 3 million allowance was measured based on ECL rate 100% (31 December 2022: UAH 3 million).

13 Cash and Cash Equivalents

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

In millions of Ukrainian Hryvnia	**31 December 2023**	**31 December 2022**
Bank balances receivable on demand	114	1,345
Term deposits with original maturity of less than three months	-	476
Total cash and cash equivalents	**114**	**1,821**

As of 31 December 2023, cash and cash equivalents of UAH 15 million were denominated in US dollars (31 December 2022: UAH 831 million), UAH 4 million were denominated in EUR (31 December 2022: UAH 9 million) and UAH 95 million were denominated in UAH (31 December 2022: UAH 981 million).

The bank balances and term deposits are neither past due nor impaired. Analysis by credit quality of bank balances and term deposits is as follows:

In millions of Ukrainian Hryvnia	**31 December 2023**		**31 December 2022**	
	Bank balances payable on demand	**Term deposits**	**Bank balances payable on demand**	**Term deposits**
Rating by Moody's Investors Service				
- A3 rated	1	-	30	-
- B3 rated	1	-	-	-
Non-rated	112	-	1,315	476
Total	**114**	**-**	**1,345**	**476**

* Non-rated banks rank in the top 15 Ukrainian banks by size of total assets and capital (per National Bank of Ukraine) or have high creditworthiness national rating.

14 Share Capital

The authorised share capital of DTEK Oil&Gas B.V. (formerly DTEK Oil&Gas Holdings B.V). equals to fully paid share capital and comprises 1,000 ordinary shares with a par value of Euro 1 per share in total amount of Euro 1,000. All shares carry one vote. The total issued share capital amounts to UAH 30 thousand (EUR 1 thousand) using historic exchange rate of UAH 29,95 per EUR 1 as of 31 December 2023 and as of 31 December 2022.

During the 2023 the Group's main operating subsidiary Naftogazvydobuvannya PrJSC announced dividends in the amount of UAH 18,725 million (2022: UAH 33,379 million), UAH 13,669 million (2022: UAH 24,367 million) of which is attributable to the Company and UAH 5,056 million (2022: UAH 9,012 million) to non-controlling interests. No dividends payment was made to the non-controlling shareholders before the issue of these consolidated financial statements, as the National Bank of Ukraine introduced temporary restrictions on the withdrawal of foreign currency from Ukraine for the purpose of paying dividends to foreign investors.

15 Share Premium

In 2020 DTEK GROUP B.V. made a share premium contribution to the equity of the Company by means of 100% of the shareholding in DTEK Oil&Gas Production B.V. (formerly called DTEK Oil&Gas B.V.) and DTEK Oil&Gas Development B.V., the companies which were fully owned by DTEK GROUP B.V.

Resulting from this reorganization transaction, the Group recognized Share premium in the amount of UAH 40,174 million, which was accounted at the fair value of the investments contributed to the equity of DTEK Oil&Gas B.V. (formerly DTEK Oil&Gas Holdings B.V) and reduced the Retained earnings by the same amount.

In 2022 the Company distributed its share premium in the amount of UAH 21,706 million to its direct parent. Payable for distributed share premium was settled by means of set-off with financial investments (Note 10) following reassignment of financial instruments receivable from related parties.

16 Other Reserves

In millions of Ukrainian Hryvnia	**Revaluation reserve**
Balance at 1 January 2022	**3,327**
Other movement in other reserves posted directly through equity:	
- Realised revaluation reserve	(489)
- Deferred tax related to realised revaluation reserve	88
Balance at 31 December 2022	**2,926**
Other movement in other reserves posted directly through equity:	
- Revaluation of property, plant and equipment	2,048
- Decrease in valuation of property, plant and equipment	(1,714)
- Income tax recorded on valuation of property plant and equipment	(60)
- Realised revaluation reserve	(452)
- Deferred tax related to realised revaluation reserve	81
Balance at 31 December 2023	**2,829**

The revaluation reserve is not distributable to the shareholders until it is realised to retained earnings.

17 Borrowings

Non-current borrowings comprised:

In millions of Ukrainian Hryvnia	**31 December 2023**	**31 December 2022**
Eurobonds	12,344	15,542
Total	**12,344**	**15,542**

Current borrowings comprised:

In millions of Ukrainian Hryvnia	**31 December 2023**	**31 December 2022**
Eurobonds	1,902	4
Total	**1,902**	**4**

Eurobonds

As a part of DTEK Energy B.V. debt restructuring transaction, on 17 May 2021 ("Restructuring Effective Date") the Group issued Eurobonds in the amount of USD 425 million following the procedure sanctioned by the High Court of Justice of England and Wales on 14 May 2021. As a result, the Group exchanged loans payable to DTEK Energy B.V. for Eurobonds issued by the Group with the nominal amount of USD 425 million (as of 17 May 2021: UAH 11,736 million) and the final maturity in 2026 and 6.75% annual interest payable semi-annually. The Nominal value of the Eurobonds approximates its fair value at inception date. The Eurobonds were issued by NGD Holdings B.V., the subsidiary of the Group, in favour of the holders of the existing debt of DTEK Energy B.V. Group. The Guarantors under the Eurobonds are DTEK Oil&Gas Production B.V., Naftogazvydobuvannya PrJSC, Oil&Gas Overseas Trading B.V., Oil & Gas Exploitation LLC, NGD Holding LLC and Florestone Ltd.

Compliance with covenants

The Group is subject to financial and non-financial covenants (including transactions with affiliates at an arms-length basis) related to Eurobonds. Non-compliance with such covenants may result in negative consequences for the Group, including declaration of default and demand for immediate repayment of borrowings. The Group was in compliance with covenants as of 31 December 2023 and as of 31 December 2022.

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

In millions of Ukrainian Hryvnia	**2023**	**2022**
Opening balance as of 1 January	**15,546**	**11,595**
Cash movements		
Repayment of interest expenses	(1,052)	(942)
Repayment of Eurobonds	(1,917)	-
Non-cash movements		
Interest expense	1,052	942
Foreign exchange difference	617	3,951
Closing balance as of 31 December	**14,246**	**15,546**

18 Other Financial Liabilities

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

In millions of Ukrainian Hryvnia	31 December 2023	31 December 2022
Loans payable to related parties (Note 7)	2,398	-
Lease liabilities	107	-
Total non-current other financial liabilities	**2,505**	**-**

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

In millions of Ukrainian Hryvnia	31 December 2023	31 December 2022
Financial liabilities on debts assignment agreements (Note 7)	3,878	2,835
Deferred consideration for acquisition	2,271	2,299
Lease liabilities	39	-
Financial aid payable to related parties (Note 7)	35	35
Loans payable to related parties (Note 7)	30	13,886
Total current other financial liabilities	**6,253**	**19,055**

Loans payable to related parties and Financial liabilities on debts assignment agreements

During 2020 DTEK GROUP B.V., the Parent Company, reassigned to the Group its obligation to repay their loans due to Primorska WEP B.V., entity under common control of DTEK GROUP B.V. As of 31 December 2022, the Group's loan payable to Primoska WEP B.V. in the amount of UAH 3,092 million is denominated in US dollars and UAH 484 million denominated in EUR, bears nominal interest in range from of 6% to 7.12% and is due on 14 July 2023.

In December 2023 the loan payable to Primorska WEP B.V was reassigned to another entity under common control of DTEK GROUP B.V. on the following terms and conditions: denominated in UAH, interest-free loan with maturity in December 2025. These changes to the terms and conditions of the loan led to significant modification of the initial loan payable, which was derecognized. As a result, the Group recognized a new financial instrument – loan payable at fair value with the effective rate of 27.69%. The difference between nominal value and the fair value was recognised as discount on financial liabilities received from related parties (Note 25) in the amount of UAH 1,462 million. As of 31 December 2023, carrying value of this liability is UAH 2,398 million, which is accounted at amortised cost.

As of 31 December 2022 loans payable to related parties included UAH 970 million of loans from parent. The nominal value of the loan approximates its fair value at inception date. During 2023 Group received a loan payable from parent in the amount of UAH 3,207 million by cash. Also, during 2023 UAH 77 million of interest was accrued on this loan. Further UAH 4,253 million was settled via a non-cash set-off with receivable. As of 31 December 2023, carrying value of this liability is UAH 30 million. The loan is denominated in US dollars, bears nominal and effective interest of 10.1% and is due in December 2025. The loan is accounted at amortised cost.

As of 31 December 2022 loans payable to related parties included a loan in amount of UAH 9,305 million (including UAH 385 million of interest balance) from the DTEK GROUP B.V subsidiary which bears interest rate of 8.5% and is payable on 31 December 2023. The nominal value of the loan approximates its fair value at inception date. During 2023 Group UAH 317 million of interest was accrued on this loan. Further UAH 9,622 million was settled via a non-cash set-off with receivable (Note 10).

Further, in 2023 upon a reassignment, the Group recognised a financial liability on debts assignment agreements from a related party in the amount UAH 2,992 million of nominal value with respective recognition of receivable by the Group, which was unsettled as of 31 December 2023 (Note 10). As of 31 December 2023 the liability is due on demand.

The financial liabilities on debts assignment agreements as of 31 December 2022, in carrying amount of UAH 2,835 million was interest free. During 2023 these balances in nominal amount of UAH 1,990 million was settled via a non-cash set-off with receivable. Other changes are due to foreign exchange difference. As of 31 December 2023, carrying value of this liability is UAH 885 million. The liability is accounted at amortised cost.

Deferred consideration for acquisition of PrJSC Naftogazvydobuvannya.

Deferred consideration for acquisition of PrJSC Naftogazvydobuvannya is linked to the USD. The purchase and sale agreement include certain provisions which may require the Group to pay additional consideration to the sellers, the fair value of which is included in the purchase accounting. During 2022 UAH 8 million of interest under deferred consideration was accrued. The remaining change in deferred consideration is due to foreign exchange loss.

As of 31 December 2023, deferred consideration for acquisition of PrJSC Naftogazvydobuvannya is classified as current financial liability, as it was as of 31 December 2022. The change in this part of deferred consideration is due to change in fair value of the liability.

Lease liabilities. During 2023 Group signed lease agreement (Note 8). As of 31 December 2023 the total amount of non-current and current part of lease liabilities is UAH 146 million.

18 Other Financial Liabilities (Continued)

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

In millions of Ukrainian Hryvnia	2023	2022
Opening balance as of 1 January	**-**	**-**
Non-cash movements		
Lease liability recognition	155	-
Interest expense related to lease liabilities (Note 25)	10	-
Cash movements		
Repayment of lease liabilities	(19)	-
Closing balance as of 31 December	**146**	**-**

As of 31 December 2023, UAH 2,286 million of other financial liabilities were denominated in US dollars (31 December 2022: UAH 18,158 million) and UAH 3,350 million in Euro (31 December 2022: UAH 302 million), remaining balances were denominated in Ukrainian hryvnia.

Cash and non-cash movements in Other Financial Liabilties during the period are as follows:

In millions of Ukrainian Hryvnia	2023	2022
Opening balance as of 1 January	**19,055**	**14,825**
Cash movements		
Receipt of loans, bonds and financial aid from related parties	3,207	696
Interest paid	(6)	-
Repayment of lease liabilities	(19)	-
Repayment of loans, bonds and financial aid from related party	(33)	(55)
Non-cash movements		
Assignment / Set-off of with financial assets from related parties	(12,344)	340
Fair value profit on deferred consideration for acquisition (Note 25)	(104)	(101)
Interest accrued on loans received from related parties (Note 25)	599	186
Discount on loans received from related parties (Note 25)	(1,436)	-
Interest expense on deferred consideration	-	8
Interest expense related to lease liabilities (Note 25)	10	-
Lease liability recognition	155	-
Reassignment of trade receivables for gas from related party to other receivables from a parent company	-	20,799
Set-off receivables on assignment agreements from related party with other financial liabilities from a parent company	(3,521)	(20,799)
Set-off of financial liabilities on forward derivative contracts with reassigned trade accounts receivable for gas	-	(10,275)
Recognition of other financial liabilities from related party with respective recognition of receivables from related party (Note 10)	2,992	8,919
Reassignment of other financial liabilities to related party and a parent company	-	3,072
Foreign exchange losses less gains / (gains less losses)	203	1,418
Other	-	22
Closing balance as of 31 December	**8,758**	**19,055**

19 Trade and Other Payables

As of 31 December, trade and other payables were as follows:

In millions of Ukrainian Hryvnia	31 December 2023	31 December 2022
Trade payables	1,092	444
Payables to related party (Note 7)	682	796
Liabilities for purchased property, plant and equipment	472	162
Other creditors	84	118
Total financial payables	**2,330**	**1,520**
Wages and salaries payable	138	75
Accruals for employees' unused vacations	42	25
Total non-financial payables	**180**	**100**
Total	**2,510**	**1,620**

19 Trade and Other Payables (Continued)

The trade payable includes purchasing of major components such as tubing, methanol, industry-specific spare parts, drilling and supervisory services, geological data interpretations from a diverse group of suppliers.

As of 31 December 2023, UAH 537 million of trade and other payables was denominated in USD (31 December 2022: UAH 435), UAH 126 million in EUR (31 December 2022: UAH 105 million), UAH 34 million in GBP (31 December 2022: UAH 19 million), remaining balances were denominated in Ukrainian hryvnia.

20 Other Taxes Payable

As of 31 December, other taxes payable were as follows:

In millions of Ukrainian Hryvnia	31 December 2023	31 December 2022
Subsoil tax payable	329	4,014
Value-added tax	422	502
Total other taxes payable	**751**	**4,516**

21 Revenue

In millions of Ukrainian Hryvnia	2023	2022
Revenue from sales of gas	25,350	36,850
Revenue from sales of gas condensate	1,687	1,984
Total	**27,037**	**38,834**

22 Cost of Sales

In millions of Ukrainian Hryvnia	2023	2022
Changes in gas balances (Note 12)	4,464	(4,493)
Subsoil tax	2,948	10,727
Depreciation of property, plant and equipment, depletion and amortisation of intangible assets	2,556	2,882
Production overheads and other costs	710	588
Equipment maintenance and repairs	553	165
Wages and bonuses	258	183
Raw materials	197	128
Cost of goods sold	37	77
Total	**11,723**	**10,257**

Subsoil tax

In March 2022, the Verkhovna Rada of Ukraine adopted the Law of Ukraine № 2139-IX "On amendments to the Tax Code of Ukraine and certain legislative acts of Ukraine on the introduction of differentiated subsoil tax for natural gas production", which introduced changes to the procedure for subsoil taxation for the subsoil use for natural gas production. The Law introduced a mechanism for collecting tax for natural gas production using three rates depending on actual prices, which corresponds to the monthly average market price calculated by the Ministry of Economy. Change in amount of subsoil tax is caused by change in tax legislation, decrease in the basis for subsoil tax calculation (gas prices) and change in gas balances.

Equipment maintenance and repairs

The increase in expenses of equipment maintenance and repairs is due to renewal of investment activity and an increase in the budget for repair works in 2023, after 2022 when the Group had a policy of making only highly necessary costs.

During 2023 the Group employed an average of 441 employees of production personnel (2022: 277 employees).

23 General and Administrative Expenses

In millions of Ukrainian Hryvnia	2023	2022
Salaries and bonuses	599	209
Professional fees	231	402
Rent costs	48	26
Depreciation of property, plant and equipment, depletion and amortisation of intangible assets	19	20
Other costs	99	69
Total	**996**	**726**

During 2023 the Group employed an average of 119 employees of administrative personnel (2022: 51 employees).

23 General and Administrative Expenses (Continued)

The following independent auditor's fees were included in General and administrative expenses:

In millions of Ukrainian Hryvnia	2023	2022
Audit of the financial statements including audit fee of PricewaterhouseCoopers Accountants N.V. of UAH 8 million (31 December 2022: UAH 4 million)	31	13
Other audit services	1	-
Tax services	2	1
Total	**34**	**14**

The fees listed above relate to the procedures applied to the Company and its consolidated group entities by accounting firms and external auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountants organisaties Wta') as well as by Dutch and foreign based accounting firms, including their tax services and advisory groups.

These fees relate to the audit of the 2023 financial statements, regardless of whether the work was performed during the financial year.

24 Other Operating Expenses

In millions of Ukrainian Hryvnia	2023	2022
Charitable donations and sponsorship	550	47
Insurance	358	460
Non-refundable financial aid	178	-
Impairment provision for inventory	21	8
VAT expenses	4	128
Depreciation of property, plant and equipment, depletion and amortisation of intangible assets	-	40
Other	135	215
Total	**1,246**	**898**

Charitable donations and sponsorship expenses increased in 2023 as a result of a full-scale invasion across Ukraine and respective support of damaged regions and Ukrainian army. The demands of the communities have changed significantly, and businesses had to quickly rebuild their relationships and work with them. In collaboration with communities the priorities in 2023 were: assistance to the Armed Forces of Ukraine, assistance to communities in matters of repair and restoration work, support for public initiatives and work with children.

25 Finance Income and Finance Costs

In millions of Ukrainian Hryvnia	2023	2022
Recognition of discount on financial liabilities received from related parties (Note 18)	1,462	-
Interest income on loans provided to related parties (Note 7)	353	194
Unwinding of POCI discount (Note 10)	257	-
Revaluation of deferred consideration (Note 18)	104	101
Unwinding of discount on financial investments provided to related parties	40	-
Interest income on bank deposits	39	42
Interest income on corporate bonds provided to related parties (Note 7)	26	80
Other	62	-
Total finance income	**2,343**	**417**
Interest accrued on Eurobonds	1,051	943
Interest expense on loans received from related parties (Note 7)	599	186
Discount on loans received from related parties (Note 7)	26	87
Recognition of discount on financial investments provided to related parties	13	-
Interest expense related to lease liabilities (Note 18)	10	-
Other finance costs	22	56
Total finance costs	**1,721**	**1,272**

26 Income Taxes

Income tax expense comprises the following:

In millions of Ukrainian Hryvnia	**2023**	**2022**
Current tax	2,491	6,115
Deferred tax	(697)	336
Income tax expense	**1,794**	**6,451**

In 2023 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18% (2022: 18%). In 2023 the tax rate for Dutch operations was 25.8% (2022: 25.8%). In 2023 the tax rate for Cyprus operations was 12.5% (2022: 12.5%).

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

In millions of Ukrainian Hryvnia	**2023**	**2022**
Profit/(loss) before income tax	13,183	19,116
Profit before income tax of Ukrainian companies	13,388	26,788
Loss before income tax of non-Ukrainian companies	(205)	(7,672)
Income tax at statutory rates 18% (Ukrainian operations)	2,410	4,822
Loss taxed at different rates 25.8% (Dutch operations)	(48)	(1,918)
Tax effect of non-taxable gains / non-deductible expenses on Dutch subsidiaries	52	1,935
Tax effect of items not deductible or assessable for taxation purposes:		
- non-deductible expenses	11	10
Change of temporary differences on withholding tax on post-acquisition profits of subsidiaries	(412)	1,594
Non recognised DTA on tax losses carried forward	19	22
Utilisation of previously unrecognised tax loss carry forwards	(51)	-
Non-recognition/(utilisation of previously non-recognised) of deferred tax assets on deductible temporary differences	-	10
Other	(187)	(24)
Income tax expense	**1,794**	**6,451**

The parent and its subsidiaries are separate tax payers and therefore the deferred tax assets and liabilities are presented on an individual basis.

Deferred tax assets were non-recognised in 2023 and 2022 if there were no objective certainty that taxable profit during future 5 years' period would be available against which the Group can utilise the benefits therefrom.

The deferred tax liabilities and assets reflected in the consolidated balance sheets as of 31 December are as follows:

In millions of Ukrainian Hryvnia	**1 January 2023**	**Charged to equity**	**Credited/ (charged) to income**	**31 December 2023**
Inventories	1	-	-	1
Financial investments	1	-	-	1
Trade and other payable	-	-	20	20
Trade and other receivable	23	-	51	74
Gross deferred tax asset	**25**	**-**	**71**	**96**
Less offsetting with deferred tax liabilities	-	-	(34)	(34)
Recognized deferred tax asset	**25**	**-**	**37**	**62**
Property, plant and equipment	(1,382)	(82)	214	(1,250)
Investment in subsidiaries	(1,158)	-	412	(746)
Gross deferred tax liability	(2,540)	(82)	626	(1,996)
Less offsetting with deferred tax assets	**-**	**-**	**34**	**34**
Recognized deferred tax liability	(2,540)	(82)	660	(1,962)
Recognized net deferred tax liability	**(2,515)**	**(82)**	**697**	**(1,900)**

26 Income Taxes (Continued)

In millions of Ukrainian Hryvnia	**1 January 2022**	**Charged to equity**	**Credited/ (charged) to income**	**31 December 2022**
Inventories	1	-	-	1
Financial investments	18	-	(17)	1
Trade and other receivables	29	-	(6)	23
Gross deferred tax asset	**48**	**-**	**(23)**	**25**
Less offsetting with deferred tax liabilities	(16)	-	16	-
Recognized deferred tax asset	**32**	**-**	**(7)**	**25**
Property, plant and equipment	(1,555)	-	173	(1,382)
Investment in subsidiaries	(672)	-	(486)	(1,158)
Gross deferred tax liability	(2,227)	-	(313)	(2,540)
Less offsetting with deferred tax assets	**16**	**-**	**(16)**	**-**
Recognized deferred tax liability	(2,211)	-	(329)	(2,540)
Recognized net deferred tax liability	**(2,179)**	**-**	**(336)**	**(2,515)**

Net deferred tax benefit charged to equity represents deferred tax effects on recognition of financial instruments upon the sale of subsidiaries.

Withholding tax at the level of 5% will be withheld in Ukraine when paying dividends from Ukraine to Dutch shareholders according to the current tax legislation. Such withholding tax (Repatriation tax) is applicable for Dutch companies, but not applicable if shareholder is Ukrainian company regardless of ownership share. Consequently, as of 31 December 2023 the Group recognised UAH 746 million (31 December 2022: UAH 1,158 million) of deferred tax liability relating to post-acquisition profits of its subsidiaries where it is probable that the temporary difference will not reverse in the foreseeable future.

The Group has unrecognised potential deferred tax assets in respect of deductible temporary differences of UAH 491 million as of 31 December 2023 (31 December 2022: UAH 351 million). The deductible temporary differences do not expire under current tax legislation.

Pillar Two impact assessment.

The Group is within the scope of the OECD Pillar Two model rules. Main part of the Group's subsidiaries located in the Netherlands, Cyprus and Ukraine. Pillar Two legislation was enacted in the EU via European Union Minimum Taxation Directive (2022/2523). In the Netherlands respective law came into force, while in Cyprus draft law is under public consultation. Ukraine has committed to join the Pillar Two framework, however, as of now no legislation has been introduced yet. The legislation will be effective for the Group's financial year beginning 1 January 2024.

Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the Group is liable to pay a top-up tax for the difference between the 15% minimum rate and GloBE (Global Anti-Base Erosion) effective tax rate per jurisdiction. In most of the jurisdictions where the Group operates either the Jurisdictional Effective Tax Rate is greater than 15% or there are Jurisdictional GloBE Losses (e.g. Cyprus). As such no material impact is expected.

Due to the complexities in applying the legislation and calculating GloBE income/losses, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate is above 15%, there may still be Pillar Two tax implications. The Group is currently engaged with tax specialists to assist with applying the legislations.

27 Contingencies, Commitments and Operating Risks

Tax legislation. Ukrainian tax and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.
On 1 September 2013 the Law "On Changes to the Tax Code of Ukraine in respect of transfer pricing rules" came into effect. Transfer pricing rules are much more detailed than previous legislation and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). Legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), if the transaction price is not arm's length and not supported by relevant documentation. Since 1 January 2015, the transfer pricing rules were amended so that transactions between Ukrainian companies (irrespective whether they are related parties or not) ceased to be treated as controlled transactions. Management believes it is taking appropriate measures to ensure compliance with the transfer pricing legislation.

27 Contingencies, Commitments and Operating Risks (Continued)

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

The Group has income tax liabilities in various countries. The ultimate tax consequences of many transactions and calculations are uncertain, partly because of uncertainty concerning their timing. The Group continually assesses such matters and where final tax sums differ from the estimates such differences are recognised as income tax provisions in the period in which the differences become apparent.

The Dutch tax legislation is complex and consists of laws, court practice and rulings of Dutch Tax Authority (DTA). There is a possible risk that in an absence of established court practice DTA may disagree with the Group's approach to tax treatment of certain transactions. As a result, the DTA may claim for a taxable income to be recognised for the amount of UAH 6,761 million as of 31 December 2023 (31 December 2022: UAH 6,495 million).

Legal proceedings and tax litigations. From time to time and in the normal course of business, claims against the Group are received. Management believes that it has provided for all material losses in these consolidated financial statements.

Because of non-explicit requirements of the applicable tax legislation, some past transactions of the Group companies may be challenged. As of 31 December 2023, the management estimated potential tax risk exposure as UAH 288 million (31 December 2022: UAH 288 million). Management believes the Group's positions and interpretations can be supported if challenged by tax authorities.

Environmental matters. The enforcement of environmental regulation in Ukraine and globally is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately.

Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. Management believes that there are no significant liabilities for environmental damage. DTEK Oil&Gas Group activities are tightly connected with production cycles impacting heavily the environment. Thus, maintaining high ecological compliance standards is a crucial point for the business development of the Group. The Group complies with regional environmental laws and regulations.

Purchase commitments. As of 31 December 2022, the Group has purchase commitments for the property, plant and equipment in the amount of UAH 971 million (31 December 2022: UAH 837 million).

Asset retirement obligation. The Group determines the amount of asset retirement obligation for all its wells and facilities located in all gas and gas condensate fields. Decommissioning expenditure will be incurred by the Group at the end of the operating life of the Group's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Assets pledged and restricted. All rights in relation to loan receivable from DTEK Oil & Gas Development B.V. (in amount of UAH 2,078 million as of 31 December 2023, in amount of UAH 1,467 million as of 31 December 2022) were pledged under the Eurobonds issued with a restriction on amending the terms of these receivables without the consent of the noteholders.

Product sharing agreement with the Government of Ukraine. On 31 December 2020, the Group's subsidiaries signed a Product sharing agreement (PSA) with the State of Ukraine, represented by the Cabinet of Ministers of Ukraine, for distribution of hydrocarbons, which has to be extracted within the Zinkivska licensed area, in the Sumy and Poltava regions of Ukraine. The PSA stipulates that for 50 years the State of Ukraine is transferring to the Group the right of exploration and extraction of minerals in a defined licensed area. The Group, from its side, undertakes an obligation to perform the assigned work at its own expense, followed by reimbursement of costs by part of produced hydrocarbons. The Group informed the State about commencement of oil and gas activities starting from 31st July 2023. Thus, according to the PSA terms at the date of these consolidated financial statements the Group has already begun the oil and gas activities. In case of termination of the PSA based on the sole decision of the Group after 31st July 2023, the exit fee payable by the Group will depend on the progress of oil and gas activities and would be UAH 443 million as of the date of these consolidated financial statements.

28 Financial Risk Management

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

28 Financial Risk Management (Continued)

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

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

Credit risk is managed on an entity by entity basis with oversight by the Group. Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions. For Banks only SCM related banks or upper tier Ukrainian banks are accepted, which are considered at time of deposit to have minimal risk of default. The exposure to credit risk for other customers is approved and monitored on an ongoing basis individually for all significant customers. The Group does not require collateral in respect of trade and other receivables.

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

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

Counterparty	Classification in balance sheet	31 December 2023	31 December 2022
Entities under common control of SCM			
D.Trading LLC	Trade and other receivables	9,154	5,434
SCM PrJSC	Financial investments	3,341	4,596
DTEK GROUP B.V.	Financial investments	3,224	12,168
D.Trading LLC	Financial investments	3,087	-
Smart Energy Systems LLC	Financial investments	3,072	-
Esta Holding LLC	Financial investments	1,041	-
Media Group Ukraine LLC	Financial investments	859	-
DTEK LLC	Financial investments	230	216
First Ukrainian International Bank (FUIB)	Cash and cash equivalents	55	1,253
SCM LTD.	Financial investments	16	1,773
Rainwell Limited	Financial investments	-	3,365
DTEK High Voltage Grids LLC	Financial investments	-	2,057
DTEK Grids B.V.	Financial investments	-	569
D. Trading B.V.	Financial investments	-	561
Primorskaya WPP-2 LLC	Financial investments	-	515
PJSC Zaporizhstal	Trade and other receivables	-	179
Total of entities under common control of SCM		**24,079**	**32,686**
Other counterparties			
Ukrgazbank JSB	Cash and cash equivalents	-	400
MTB Bank JSC	Cash and cash equivalents	50	100
Credit Suisse AG	Cash and cash equivalents	1	30
Total of other counterparties		**51**	**530**

The maximum exposure to credit risk at the reporting date is UAH 24,369 million (2022: UAH 33,299 million) being carrying value of financial investments, trade and other receivables and cash.

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

Currency risk. The Group primarily operates within Ukraine and accordingly its exposure to foreign currency risk is determined mainly by borrowings, financial liabilities, cash balances and deposits, which are denominated in or linked to USD and EUR. Increasing domestic uncertainty led to volatility in the currency exchange market and resulted in significant downward pressure on the Ukrainian Hryvnia relative to major foreign currencies.

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

28 Financial Risk Management (Continued)

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

In millions of Ukrainian Hryvnia	At 31 December 2023		At 31 December 2022	
	Impact on profit or loss	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
USD strengthening by 25% (2022: 25%)	(4,102)	(4,102)	(5,159)	(5,159)
USD weakening by 25% (2022: 25%)	4,102	4,102	5,159	5,159
Euro strengthening by 25% (2022: 25%)	(77)	(77)	(244)	(244)
Euro weakening by 25% (2022: 25%)	77	77	244	244

Liquidity risk. Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding to meet existing obligations as they fall due.

Management monitors liquidity on a daily basis, management incentive programs use key performance indicators such as EBITDA, free cash flow and cash collections to ensure liquidity targets are actively monitored. Prepayments are commonly used to manage both liquidity and credit risks. The Group has capital construction programs which can be funded through existing business cash flows, however the Group also has significant investment and acquisition targets which will probably require incremental debt finance.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are undiscounted cash flows.

The maturity analysis of financial liabilities at 31 December 2023 is as follows:

In millions of Ukrainian Hryvnia	**Up to 6 months**	**6 -12 months**	**1 - 2 years**	**2 - 5 years**	**Over 5 years**	**Total**
Liabilities						
Other financial liabilities - external	13,034	23	3,881	101	-	**17,039**
Borrowings	481	2,380	2,733	11,151	-	**16,745**
Dividends payable to NCI	14,110	-	-	-	-	**14,110**
Trade and other payables	2,330	-	-	-	-	**2,330**
Total future payments, including future principal and interest payments	**29,955**	**2,403**	**6,614**	**11,252**	**-**	**50,224**

** Other financial liabilities line in the table above includes UAH 6,761 million of the Remaining Indebtedness. As a result of issuing Eurobonds (Note 17) in 2021, the Group exchanged USD 466 million and EUR 115 million loans payable to DTEK Energy B.V. to the Eurobonds with the carrying amount of USD 425 million. The Eurobonds were issued by NGD Holdings B.V., the subsidiary of the Group, in favor of the holders of the existing debt of DTEK Energy B.V. Group. The terms of remaining balance of the loan payable which was not exchanged for the Eurobonds in amount of USD 153 million and EUR 23 million (UAH 4,979 million at nominal value as of 17 May 2021, referred as "Remaining Indebtedness") were amended and the right to receive this balance was transferred by the Glas Trust Corporation Ltd (Security agent who previously took over rights on this debt from DTEK Energy B.V. Group) to DTEK Oil&Gas Development B.V. Group for USD 1. The Remaining Indebtedness has no fixed maturity and is payable only in case of bankruptcy, suspension of payments or liquidation of the debtor. At the initial recognition the fair value of the Remaining Indebtedness (with the change of repayment terms) approximates USD 1. No actual cash outflow is expected to occur in respect of this amount in the foreseeable future.*

The maturity analysis of financial liabilities at 31 December 2022 is as follows:

In millions of Ukrainian Hryvnia	**Up to 6 months**	**6 -12 months**	**1 - 2 years**	**2 - 5 years**	**Over 5 years**	**Total**
Liabilities						
Other financial liabilities - external	12,623	13,776	-	-	-	**26,399**
Borrowings	525	2,353	2,754	13,366	-	**18,998**
Dividends payable to NCI	9,054					**9,054**
Trade and other payables	1,520	-	-	-	-	**1,520**
Total future payments, including future principal and interest payments	**23,722**	**16,129**	**2,754**	**13,366**	**-**	**55,971**

**Other financial liabilities line in the table above includes UAH 6,464 million of the Remaining Indebtedness.*

29 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return on capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of its gearing ratio, where the target varies from period to period depends on the market circumstances and long-term plans. This ratio is calculated as net liabilities divided by total capital under management. Net debt is calculated as total borrowings and other financial liabilities (current and long-term as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital under management equals equity as shown in the consolidated balance sheet.

As of 31 December 2023, the total net debt and the total capital of the Group were UAH 22,890 million and UAH 5,881 million respectively (31 December 2022: UAH 32,780 million and UAH 3,335 million), the net debt to equity ratio was 3.89 (31 December 2022: 9.83).

30 Fair Value of Assets and Liabilities

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

Property, plant and equipment at fair value. Property, plant and equipment are carried in the statement of financial position at their fair value. The Group's property, plant and equipment are all categorised as Level 3 in the fair value hierarchy.

Financial instruments carried at fair value. Part of deferred consideration for acquisition of PrJSC Naftogazvydobuvannya are carried in the consolidated balance sheet at their fair values (as part of Other financial liabilities). Fair values were determined based on quoted market prices or third party valuations using discounted cash flows techniques.

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In millions of Ukrainian Hryvnia	31 December 2023 Level 3	31 December 2022 Level 3
FINANCIAL LIABILITIES		
Financial liabilities		
- Deferred consideration for acquisition (Note 18)	198	302
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	**198**	**302**

Fair value of financial assets and liabilities carried at amortised cost:

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

Significant differences were identified for the following instruments:

	31 December 2023		31 December 2022	
In millions of Ukrainian Hryvnia	Fair value (Level 2)	Carrying value	Fair value (Level 2)	Carrying value
FINANCIAL Liabilities				
Eurobonds (Note 17)	10,019	14,246	8,889	15,546
Total LIABILITIES	**10,019**	**14,246**	**8,889**	**15,546**

The fair value of Eurobonds is determined based on market approach, which is based on the quotations of the Group's Eurobonds.

31 Subsequent Events

Changes in the Group

In March 2024 the Group incorporated two legal entities as wholly owned subsidiaries of DTEK Oil&Gas Development B.V. named Oil&Gas Perspective LLC and Oil&Gas Synergy LLC, that do not have any material assets or liabilities.

Trade and Other Receivables

During January-February 2024 UAH 2,149 million of receivables for sales of gas from DTEK GROUP B.V. subsidiary (Note 13) are settled by cash and UAH 2,359 million are settled till the date of signing this report by exchange to promissory notes issued by DTEK GROUP B.V. subsidiary. Further the promissory notes were claimed for settlement and settled in cash in amount of UAH 460 million.

31 Subsequent Events (Continued)

Financial Investments

During March-May 2024 UAH 460 million of non-current loans receivable were issued to the Parent company, with interest rate of 7.85%, denominated in Euro and due in December 2026.

Borrowings

In March 2024 the Group signed a revolving credit line with JSC Taskombank, with a total limit of UAH 400 million bearing effective 15.8% interest with maturity in August 2024. As of date of signing this report, the Group has used UAH 400 million.

Laws and regulations

In early May 2024, the National Bank of Ukraine (NBU) announced a new wave of foreign currency liberalization measures. The new package of amendments, introduced by the NBU Resolution No.56 dated 3 May 2024, which entered into force in May 2024. Among other things the NBU has allowed the transfer of funds abroad for the purpose of disbursing dividends based on financial results from 1 January 2024. During a calendar month, the amount of repatriated dividends cannot exceed EUR 1 million equivalent. Management assesses that these changes increase management possibilities to accumulate funds abroad for due payments under Eurobond debt obligations. Further steps towards currency liberalization are expected.

No other subsequent events which are required for disclose occurred till the date of signing this report.

Company financial statements

31 December 2023

In millions of Ukrainian Hryvnia	**Note**	**31 December 2023**	**31 December 2022***
ASSETS			
Non-current assets			
Property, plant and equipment		2	3
Financial investments	4	645	-
Investments in subsidiaries	**3**	5,894	2,770
Total non-current assets		**6,541**	**2,773**
Current assets			
Financial investments	**4**	3,029	12,721
Cash and cash equivalents		4	33
Total current assets		**3,033**	**12,754**
TOTAL ASSETS		**9,574**	**15,527**
EQUITY			
Share capital	**5**	0	0
Share premium	**5**	3,815	3,815
Revaluation reserves	**5**	909	922
Accumulated losses	**5**	(8,090)	(16,081)
Result for the year	**5**	5,737	7,864
TOTAL EQUITY		**2,371**	**(3,480)**
LIABILITIES			
Non-current liabilities			
Financial liabilities	**6**	2,646	-
Total non-current liabilities		**2,646**	**-**
Current liabilities			
Trade and other payables		21	65
Financial liabilities	**6**	4,536	18,942
Total current liabilities		**4,557**	**19,007**
TOTAL LIABILITIES		**7,203**	**19,007**
TOTAL LIABILITIES AND EQUITY		**9,574**	**15,527**

*as restated, refer to Note 2, Corrections and changes in comparative figures.

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For identification purposes only

In millions of Ukrainian Hryvnia	**Note**	**2023**	**2022***
Share of result of subsidiaries	3	4,742	8,350
Other income / (expense) after taxation		995	(486)
Net income attributable to shareholders		**5,737**	**7,864**

*as restated, refer to Note 2, Corrections and changes in comparative figures.

1 The Organisation and its Operations

General

DTEK Oil&Gas B.V. ("the Company") is a private limited liability company incorporated on 30 June 2020, under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands with the following registered and actual address: Strawinskylaan 1531, Tower B, Level 15, grid TB-15-046/089, 1077XX Amsterdam the Netherlands. The Company is 100% owned by DTEK GROUP B.V. The main activity of Company relates to the holdings equity interests on possible acquisitions of subsidiaries in future.

Dutch Chamber of Commerce registration number of the Company is 78447208.

Supervisory Board

In 2023 the Board consists of 8 (eight) members (2022: 8 (eight) members). In 2023 DTEK Oil&Gas B.V. and its subsidiaries paid remuneration to the Supervisory Board in the amount of UAH 14 million (2022: UAH 11 million).

Management Board

The Board consists of 4 (four) directors, which are one legal person, represented by 2 (two) directors and other 2 (two) directors) (2022: 4 (four) directors). In 2023 DTEK Oil&Gas B.V. and its subsidiaries paid remuneration to the Management Board in the amount of UAH 0.1 million (2022: UAH 4 million).

Basis of presentation of the company financial statements

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

Since the income statement for 2023 and 2022 of DTEK Oil&Gas B.V. is included in the consolidated financial statements, an abridged income statement has been disclosed in accordance with art. 2:402, DCC.

The subsidiaries of the Company are presented in Note 1 to the accompanying Consolidated Financial Statements.

2 Accounting Policies

General

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

Investments in consolidated subsidiaries

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

The company applies the acquisition method to account for acquiring subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred by the company, liabilities incurred to the former owners of the acquiree and the equity interests issued by the company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date, and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

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

When an acquisition of an investment in a consolidated subsidiary is achieved in stages, any previously held equity interest is remeasured to fair value on the date of acquisition. The remeasurement against the book value is accounted for in the income statement.

When the company ceases to have control over a subsidiary, any retained interest is remeasured to its fair value, with the change in carrying amount to be accounted for in the income statement.

2 Accounting Policies (Continued)

When parts of investments in consolidated subsidiaries are bought or sold, and such transaction does not result in the loss of control, the difference between the consideration paid or received and the carrying amount of the net assets acquired or sold, is directly recognised in equity. Investments in consolidated subsidiaries are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

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

If the share of losses attributable to Company exceeds the carrying amount of a subsidiary, losses over and above that amount are not recognised unless Company has given guarantees to the entity concerned or other commitments have been entered into or payments have been made on behalf of that entity. In that case, a provision is made only when Company has a constructive or legal obligation.

In case of unprofitable subsidiaries having negative net asset value, any negative amounts are booked against receivables from these subsidiaries that are part of the net investment. The revaluation reserve is a legal reserve according to art. 2:373.4 DCC. The legal reserves are not distributable to the shareholders until they are transferred to retained earnings. In the event the net equity value of a subsidiary becomes negative additional losses are not recognised as the company is not liable for the debts of its subsidiaries and there are no other receivables which are considered to be a part of the net investment into such subsidiary.

Investments unrealised gains and losses

Unrealised gains on transactions between the company and its investments in consolidated subsidiaries are eliminated in full, based on the consolidation principles. Unrealised gains on transactions between the company and its investments in associates or joint ventures are eliminated to the extent of the company's stake in these investments.

Amounts due from investments

Amounts due from investments are stated initially at fair value and subsequently at amortised cost. Amortised cost is determined using the effective interest rate.

Elements of shareholders' equity

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

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

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

Corrections and changes in comparative figures

Upon preparation of financial statements for 2023 management reconsidered its correct application of net asset value accounting of investments in consolidated subsidiaries and extended the scope of consideration of other receivables which should be treated as extension of net investment into a negative net asset subsidiary to also the instruments between the subsidiaries. While in the past the scope of such consideration was limited only to receivables held by the Company.

The comparative figures were changed to reflect the application of amended scope of consideration of extension of net investment in subsidiaries as follows:

In millions of Ukrainian Hryvnia

Balance Sheet item	**31 December 2022**	**Increase/ (Decrease)**	**31 December 2022, as restated**	**1 January 2022**	**Decrease**	**1 January 2022, as restated**
Investments in subsidiaries	4,975	(2,205)	2,770	12,540	(2,920)	9,620
Net assets	**(1,275)**	**(2,205)**	**(3,480)**	**13,282**	**(2,920)**	**10,362**
Accumulated losses	(13,161)	(2,920)	(16,081)	(16,390)	(2,920)	(19,310)
Result for the year	7,149	715	7,864	3,103	-	3,103
Total equity	**(1,275)**	**(2,205)**	**(3,480)**	**13,282**	**(2,920)**	**10,362**

In millions of Ukrainian Hryvnia

Company income statement	**2022**	**Increase**	**2022, as restated**
Share of result of subsidiaries	7,635	715	8,350
Net income attributable to shareholders	**7,149**	**715**	**7,864**

3 Investments in Subsidiaries

Movements in investments in subsidiaries are as follows:

In millions of Ukrainian Hryvnia	2023	2022*
Carrying amount at 1 January	**2,770**	**9,620**
Share of result of subsidiaries	4,742	8,350
Share of equity movements	114	-
Other movements in subsidiaries	(149)	100
Dividends declared	(1,583)	(15,300)
Carrying amount at 31 December	**5,894**	**2,770**

*as restated, refer to Note 2, Corrections and changes in comparative figures.

Company's subsidiaries declared dividends to the Company during the year ended 31 December 2023 in amount of UAH 1,583 million (2022: UAH 15,300 million).

4 Financial Investments

The movement in financial investments is presented in the table below:

In millions of Ukrainian Hryvnia	2023	2022
Balance at 1 January	**12,721**	**754**
Increase in financial investments due to Novation/Assignment agreement	4,775	13,858
Repayment of financial investments	(67)	-
Payment under agency agreement	2,684	-
Set-off of with financial liabilities from related parties	(19,186)	-
Interest accrued during the period	345	4
Accrual and change in ECl provision	2,195	(2,176)
Foreign exchange gain	207	281
Balance at 31 December	**3,674**	**12,721**

Non-current financial investments

As of 31 December 2023, UAH 645 million (31 December 2022: UAH nil million) of non-current financial investments are presented by loans receivable from the Parent company, recognised at fair value, bear nominal interest rate of 8,5%, denominated in US dollars and due in December 2025.

As of 31 December 2023 the Company has sufficient accumulated profits for the dividends distribution and future profits for dividends distribution during the next 12 months, so the parent can settle the balances once dividends will be declared by their decision. Based on this expected credit loss allowance is applied annual ECL rate adjusted on probability of dividend's distribution in long-term perspective and applied 4.59% of ECL as of 31 December 2023. Loss allowance as of 31 December 2023 is UAH 31 million.

Current financial investments

As of 31 December 2023, UAH 3,029 million (31 December 2022: UAH 4,200 million) of current financial investments are presented by receivable on assignment agreements from related parties, financial investments are neither past due nor impaired and are non-rated. As of 31 December 2023, UAH 2,619 million of current financial investments are non-interest bearing (31 December 2022: UAH 4,200 million).

As of 31 December 2022, UAH 569 million of current financial investments are presented by loans receivable from related parties, recognised at fair value, bear nominal interest rate of 6%, denominated in US dollars. During 2023 the Company settled all these receivables with set off against the liabilities.

As of 31 December 2022, current financial investments for UAH 7,952 loans receivable from the Parent company bear nominal interest rate of 8.5%, denominated in US dollars and due in June 2023. During 2023 the Company settled all these receivables with set off against the liabilities. As of 31 December 2023, unsettled receivable on assignment agreement also included interest free receivable on demand from a parent company in amount UAH 2,579 million which is non-interest bearing and on demand. The Group had sufficient net assets and ability for the dividends distribution therefore, parent could settle the balances once dividends were declared by their decision. Consequently, no material credit loss allowance was charged as of 31 December 2023.

Expected credit loss rate as of 31 December 2023 for loans receivable and receivables on assignment agreements due the other related parties was in range from 15,3% up to 100% (31 December 2022: from 14.6% up to 22.2%). Credit loss allowance both as of 31 December 2023 and 31 December 2022 was charged as 12-months expected credit losses. ECL rate is calculated based on default rates corresponding to Fitch credit rating set for country of counterparty's operations or a counterparty where relevant and adjusted for weighted average loss default rate determined according to Fitch recovery rates or the European Banking Authority if Fitch recovery rate is unavailable. The carrying amounts approximate their fair values.

As of 31 December 2023, UAH 861 million (31 December 2022: UAH 10,846 million) of financial investments were denominated in USD, UAH 2,579 million (31 December 2022: UAH 1,875 million) were denominated in EUR.

All financial investments are not secured.

5 Equity

Movements in equity are as follows:

In millions of Ukrainian Hryvnia	Share capital	Share premium	Revaluation reserves	Accumulated losses	Result for the year	Total
Balance at 1 January 2022 as reported	**0**	**25,521**	**1,048**	**(16,390)**	**3,103**	**13,282**
Correction (Note 2)	-	-	-	(2,920)	-	**(2,920)**
Balance at 1 January 2022 as corrected	**0**	**25,521**	**1,048**	**(19,310)**	**3,103**	**10,362**
Profit appropriation	-	-	-	3,103	(3,103)	**-**
Result for the year*	-	-	-	-	7,864	**7,864**
Other comprehensive income	-	-	-	-	-	**-**
Distribution of share premium	-	(21,706)	-	-	-	**(21,706)**
Property, plant and equipment:						
- Realised revaluation reserve	-	-	(154)	154	-	**-**
- Deferred tax related to realised revaluation reserve	-	-	28	(28)	-	**-**
Balance at 31 December 2022*	**0**	**3,815**	**922**	**(16,081)**	**7,864**	**(3,480)**
Profit appropriation	-	-	-	7,864	(7,864)	**-**
Result for the year	-	-	-	-	5,737	**5,737**
Other comprehensive income	-	-	180	-	-	180
Share of equity movements	-	-	(66)	-	-	(66)
Property, plant and equipment:						
- Realised revaluation reserve	-	-	(155)	155	-	**-**
- Deferred tax related to realised revaluation reserve	-	-	28	(28)	-	**-**
Balance at 31 December 2023	**0**	**3,815**	**909**	**(8,090)**	**5,737**	**2,371**

*as restated, refer to Note 2, Corrections and changes in comparative figures.

The authorised share capital of DTEK Oil&Gas B.V. equals to fully paid share capital and comprises 1,000 ordinary shares with a par value of Euro 1 per share in total amount of Euro 1,000. All shares carry one vote. The total issued share capital amounts to UAH 30 thousand (EUR 1 thousand) using historic exchange rate of UAH 29,95 per EUR 1 as of 31 December 2023 and as of 31 December 2022.

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

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

In millions of Ukrainian Hryvnia	2023	2022*
Profit to retained earnings	5,737	7,864
Profit for the period	**5,737**	**7,864**

Differences in equity between the company and consolidated financial statements:

In millions of Ukrainian Hryvnia	2023	2022*
Negative equity of consolidated participating interests/ group companies	480	1,325
Total of difference in equity in the company financial statements and consolidated financial statements	**480**	**1,325**
Equity in the consolidated financial statements	*1,891*	*(4,805)*
Total of equity in the separate financial statements	**2,371**	**(3,480)**

Differences in result between the company and consolidated financial statements:

In millions of Ukrainian Hryvnia	2023	2022*
Increase (decrease) in negative equity of group companies	(4,848)	237
Total of difference in result in the separate and consolidated financial statements	**(4,848)**	**237**
Result in the consolidated financial statements	*10,585*	*7,627*
Total of result in the separate financial statements	**5,737**	**7,864**

The difference between equity according to the company balance sheet and equity according to the consolidated balance sheet is explained by the fact that a participating interest included in the consolidation has a negative net asset value, but is measured at nil in the company balance sheet. No liability statement or other guarantee has been issued for this company. No liability statement or other guarantee has been issued for this company and no other receivables by the company or its subsidiaries qualify as an extension of the net investment in these subsidiaries.

6 Financial Liabilities

The non-current financial liability is presented in the table below:

In millions of Ukrainian Hryvnia	**2023**	**2022**
Loans payable to related parties	2,646	-
Total non-current financial liabilities	**2,646**	**-**

The current financial liability is presented in the table below:

In millions of Ukrainian Hryvnia	**2023**	**2022**
Financial liabilities on debts assignment agreements	4,536	8,509
Loans payable to related parties	-	10,280
Penalties	-	153
Total current financial liabilities	**4,536**	**18,942**

The movement in financial investments is presented in the table below:

In millions of Ukrainian Hryvnia	**2023**	**2022**
Opening balance as of 1 January	**18,942**	**-**
Receipt of loans from related parties	3,207	-
Debt repayment under the assigned agreement	(602)	-
Recognised liability for accrued penalties	232	153
Increase in financial liabilities due to Novation/Assignment agreement	4,775	19,347
Set-off of with financial investments from related parties	(19,186)	-
Set-off of with dividends receivables	(1,583)	-
Interest accrued on loans received from related parties	397	-
Unwinding of discount on financial liabilities from related parties	523	204
Income on recognition of liabilities	-	(762)
Foreign exchange losses less gains / (gains less losses)	477	-
Closing balance as of 31 December	**7,182**	**18,942**

As of 31 December 2023 financial liability are presented by:

- loans payable to related parties for UAH 2,616 million which bears interest rate of 8.4% and payable on 31 December 2025 and UAH 30 million bears interest rate of 10.1% and payable on 31 December 2025 (31 December 2022: UAH 9,305 million (including UAH 385 million of interest balance) bears interest rate of 8.5% and payable on 31 December 2023; UAH 732 million bears interest rate of 6% and payable on 31 December 2023 and UAH 243 million bears interest rate of 9.4% and payable on 1 July 2023);
- interest-free assigned payables for UAH 4,536 million (31 December 2022: UAH 8,509 million), which are on demand (31 December 2022: till 31 December 2023).

The fair value of the financial liabilities approximates the book value, all financial liabilities are not secured.

7 Average Number of Employees

During the years ended 31 December 2023, the average number of employees, based on full time equivalents, was one person (2022: one person), all employees work in the Netherlands.

8 Directors Remuneration

The directors of the Company received remuneration of UAH 0.1 million (2022: UAH 4 million).

8 Independent Auditor's Remuneration

Fees were expensed in the income statement in the reporting period are presented in Note 23 to the accompanying Consolidated Financial Statements.

9 Commitments and contingencies not included in the balance sheet

Off balance sheet commitments and contingencies of the Company are primarily tax related.

The Company is subject to corporation tax on taxable profits at the rate of 19% (2022: 15%) for profits up to EUR 200 thousand (2022: EUR 395 thousand) and at the rate of 25.8% (2022: 25.8%) for profits exceeding EUR 200 thousand (2022: EUR 395 thousand) per annum.

For Current Income Tax (CIT) purposes the Company is part of the fiscal unity together with other Dutch DTEK Group entities which is headed by DTEK GROUP B.V. Under the standard conditions, the members of the fiscal unity are jointly and severally liable for any taxes payable by the fiscal unity. The tax declaration will be filed by the head of the fiscal unity.

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

DTEK GROUP B.V. settles, based on the outcome of the fiscal consolidation, the CIT with the Dutch tax authorities, taking into account an allocation of the benefits of the fiscal unity to its members; as such CIT assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities by the fiscal unity as a whole.

No current income tax is recognized in the DTEK Oil&Gas B.V. financial statements as of 31 December 2023, as management expects that the fiscal unity will be in a loss-making position for the year 2023 and DTEK Oil&Gas B.V. also expects a taxable loss (UAH 148 million) from a stand alone perspective. Therefore, no intercompany settlement of any corporate income tax with respect to FY23 is expected.

For value added tax purposes the Company is part of the fiscal unity together with other Dutch DTEK Group entities, which is headed by DTEK GROUP B.V. Under the standard conditions, the members of the fiscal unity are jointly and severally liable for any taxes payable by the fiscal unity.

The ultimate tax consequences of transactions and calculations are uncertain, partly because of uncertainty concerning their timing. The Company continually assesses such matters and where final tax sums differ from the estimates such differences are recognised as income tax provisions in the period in which the differences become apparent.

As of 31 December 2023, the Company's contingent and current tax liabilities in relation to uncertain tax positions are equal to UAH nil million (31 December 2022: UAH nil million).

10 Subsequent Events

We refer to Note 31 of the notes to the consolidated financial statements.

5 June 2024

Signed by entire Management Board,	Approved for issue and signed by entire Supervisory Board
Igor Shchurov, Chairman	Maksym Timchenko Iryna Mykh
Dmytro Iurgens, Director	Dmytro Sakharuk Robert Sheppard
Nataliya Muktan, SCM Management B.V., Director	Olena Semych Margaryta Povazhna
Eliza den Aantrekker, SCM Management B.V., Director	Pavlo Livertovskyi Peel David Jeffry
	(appointed from 01 March 2024) Oleksiy Povolotskiy (resigned from 31 March 2024)

Other Information

Articles of association governing profit appropriation

The articles of association stipulate, in accordance with article 23, that the annual result obtained is at the free disposal of the General Meeting.

Independent auditor’s report

The independent auditor’s report is set forth on the next pages.

Independent auditor's report

To: the general meeting and the supervisory board of DTEK OIL&GAS B.V.

Report on the audit of the financial statements 2023

Our opinion

In our opinion:

- the consolidated financial statements of DTEK OIL&GAS B.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2023 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of DTEK OIL&GAS B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2023 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2023 of DTEK OIL&GAS B.V., Amsterdam. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2023;
- the following statements for 2023: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes to the financial statements, including material accounting policy information and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2023;
- the company profit and loss account for the year then ended; and
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

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

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The basis for our opinion

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

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

Independence

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

Material uncertainty related to going concern

We draw attention to the section 'Going concern' included in Note 3 to the consolidated financial statements, which indicates that since 24 February 2022, the Group’s and the Company’s operations and cash flows are significantly affected by the ongoing military actions in Ukraine and resulting foreign currency control restrictions in place. The magnitude of further military developments and the timing of cessation of these circumstances and the impact thereof on the Group’s and the Company’s operations and assets are uncertain. These conditions, along with the other matters as set forth in Note 3, including the uncertainty in management’s ability to agree the timing of settlement of dividends payable to non-controlling interest, indicate the existence of material uncertainty which may cast significant doubt about the Group’s and the Company’s ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

We refer to the section ‘Audit approach going concern’ for further information on our audit procedures regarding the going-concern assumption.

Information in support of our opinion

We designed our audit procedures with respect to fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of DTEK OIL&GAS B.V. and its environment and the components of the internal control system. This included the management board’s risk assessment process, the management board’s process for responding to the risks of fraud and monitoring the internal control system and how the supervisory board exercised oversight, as well as the outcomes. We refer to the section *Fraud risks* of the management report for management’s fraud risk assessment.

We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment, as well as the code of conduct and whistleblower procedures among other things. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked members of the management board as well as the internal audit department and legal affairs and the supervisory board whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risks	***Our audit work and observations***
The risk of management override of controls Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, in all our audits, we pay attention to the risk of management override of controls in: • the appropriateness of journal entries and other adjustments made in the preparation of the financial statements; • tendencies in judgements and conclusions with respect to estimates; • significant transactions, if any, outside the normal course of business for the entity.	We have, to the extent relevant to our audit, evaluated the design and implementation of the internal control system in the processes of generating and processing journal entries, making estimates, and monitoring projects. We also paid specific attention to the access safeguards in the IT system and the possibility that these lead to violations of the segregation of duties. We performed our audit procedures through primarily substantive procedures, including test of agreements and transactions. We selected journal entries based on risk criteria and conducted specific audit procedures for these entries. These procedures include, amongst others, inspection of the entries to source documentation. We analyzed purchases and compared to prior period by counterparties, identified the substance of purchase, its business need, performed counterparty search in available internet sources to identify unusual counterparties for analysis. For counterparties chosen for the analysis we obtained an understanding of the Group's procurement process and tested the tender process. We also paid particular attention to consolidation and elimination entries, focusing on testing entries that affect revenue and results in the relevant year. We did not identify any significant transactions outside the normal course of business. We also performed specific audit procedures related to management's estimates, including impairment assessment of property, plant and equipment, loss allowance for expected credit losses. In our assessment, we specifically paid attention to the inherent risk of bias of management in estimates.

Identified fraud risks	*Our audit work and observations*
	Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of controls.
The risk of fraud in revenue recognition As part of our risk assessment and based on a presumption that there are risks of fraud in revenue recognition, we evaluated which types of revenue transactions or assertions give rise to the risk of fraud in revenue recognition. Most data is entered manually into the accounting system, as such, it is subject to human error or intentional manipulation. Management has limited the opportunity to record fictitious revenue as all revenue transactions are with the same counterparty, which is a related party. We defined accuracy assertion as those having significant risk of fraud for all revenue streams.	Where relevant to our audit, we evaluated the design and implementation of the internal control system and assessed the effectiveness of relevant controls in the processes related to revenue reporting. We mainly performed our audit procedures based on substantive procedures. We performed reconciliations with customers in respect of selected turnovers and transactions, tested agreements and supporting documents for revenue transactions. We performed gas sales volume reconciliations to extraction adjusted for gas balance in gas storage facilities. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud in respect of revenue recognition.

We incorporated an element of unpredictability in our audit. We reviewed lawyer's letters. During the audit, we remained alert to indications of fraud. Furthermore, we considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance with laws and regulations.

Audit approach going concern

In the going-concern paragraph in the section 'Going concern' included in Note 3 of the consolidated financial statements, management disclosed conditions that indicate the existence of material uncertainties which may cast significant doubt about the entity's ability to continue as a going concern.

In order to evaluate the appropriateness of management's use of the going-concern basis of accounting, including management's expectation that their plans sufficiently address the identified going-concern risks and the adequacy of the related disclosures, we, with support of risk management specialists amongst others, performed the following procedures.

Based on our knowledge obtained regarding the entity, its environment and current financial situation, we assessed whether the information obtained regarding events or conditions that may result in going-concern risks has been included in management's assessment. We have taken into account external information such as the development of the war in Ukraine and its impact on the sales, market sales prices, analysed current government restrictions imposed on gas export, read the terms *of* loan agreements and bonds documentation *and* determined whether any covenants have been breached. In addition, we have inquired of management as to their knowledge of going-concern risks beyond the period of management's assessment.

Regarding the assumptions underlying management's plans and cash flow forecasts, we:

- used external information such as level of market selling prices for gas to consider whether there is adequate support for those assumptions;
- evaluated the consistency of these assumptions with assumptions made by management in other significant estimates such as property, plant and equipment impairment assessment.

Regarding management's plans and cash flow forecast we:

- evaluated whether the scenarios applied in management's sensitivity analysis regarding the expected outcome of management's plans were acceptable;
- evaluated whether management can realise its plans timely, in particular if the market selling prices will be lower than the current market expectations;
- assessed whether the expected outcome of management's plans has been adequately included in management's cash flow forecast;
- evaluated the consistency of management's business plan, the aforementioned plans and cash flow forecast;
- evaluated the sufficiency of the liquidity headroom as included in the forecast, specifically with regard to management's worst-case scenario when both the volume of sold gas and market selling prices are expected to be at a low level;
- evaluated, where necessary, whether the financing of expected shortages in liquidity will be sufficient based on inspection of the underlying documents for at least twelve months from the date of preparation of the financial statements.

To consider whether any additional facts or information are available that may be relevant to the identified going-concern risks, including the sufficiency of management's plans to mitigate the identified risks, we:

- read minutes of the meetings of shareholders, supervisory board, and management board for reference to financing difficulties;
- inquired of management, legal advisors;
- analysed and discussed the entity's latest available interim financial statements and reconciled these with the underlying accounting records.

We evaluated whether the going-concern risks including management's plans to address the identified risks and the most significant underlying assumptions have been sufficiently described in the notes to the financial statements. We found the disclosure in the section 'Going Concern' included in Note 3 of the financial statements, where management disclosed conditions that indicate the existence of material uncertainties which may cast significant doubt about the entity's ability to continue as a going concern, to be adequate.

Report on the other information included in the annual report

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

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

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

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

Rotterdam, 5 June 2024
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A.F. Westerman RA

Appendix to our auditor's report on the financial statements 2023 of DTEK OIL&GAS B.V.

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

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

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

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

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

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