

DTEK Oil&Gas Production B.V.

Condensed Consolidated Interim Financial Statements

30 June 2023

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Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders and Supervisory Board of DTEK Oil&Gas Production B.V.:

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of DTEK Oil&Gas Production B.V. and its subsidiaries (together – the “Group”) as at 30 June 2023 and the related condensed consolidated interim income statement, condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting” as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim Financial Reporting” as adopted by the European Union.

Emphasis of Matter – Material Uncertainty Related to Going Concern

Without modifying our conclusion, we draw attention to the section 'Going concern' included in Note 3 to the condensed consolidated interim financial statements, which indicates that since 24 February 2022, the Group’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 operations and assets are uncertain. These conditions, along with the other matters as set forth in Note 3 indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern.

LLC “PricewaterhouseCoopers (Audit)”

25 September 2023

Kyiv, Ukraine

DTEK Oil&Gas Production B.V.
Condensed Consolidated Interim Balance Sheet

<i>In millions of Ukrainian Hryvnia</i>	Note	30 June 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	8	16,637	16,802
Intangible assets		272	283
Trade and other receivables	11	6,416	5,034
Financial investments	9	1,612	1,472
Total non-current assets		24,937	23,591
Current assets			
Inventories	10	1,936	4,436
Trade and other receivables	11	12,494	9,760
Financial investments	9	2,950	3,002
Cash and cash equivalents		201	867
Total current assets		17,581	18,065
TOTAL ASSETS		42,518	41,656
EQUITY			
Share capital	12	0	0
Other reserves		2,731	2,916
Accumulated deficit		(3,538)	(5,492)
Equity attributable to owners of the parent		(807)	(2,576)
Non-controlling interest in equity		8,803	8,140
TOTAL EQUITY		7,996	5,564
LIABILITIES			
Non-current liabilities			
Borrowings	13	13,713	15,542
Provisions for other liabilities and charges		15	9
Deferred income tax liability		1,485	2,100
Total non-current liabilities		15,213	17,651
Current liabilities			
Borrowings	13	1,833	4
Other financial liabilities		2,238	2,291
Trade and other payables	14	1,514	1,682
Dividends payable to NCI	3,12	9,054	9,054
Current income tax payable		574	1,018
Other taxes payable	15	4,096	4,392
Total current liabilities		19,309	18,441
TOTAL LIABILITIES		34,522	36,092
TOTAL LIABILITIES AND EQUITY		42,518	41,656

Signed by entire Management Board,
25 September 2023

Mr. Horhul Andrii, Director

Ms. Nataliya Muktan, SCM Management
B.V., Director

Mr. Dmytro Iurgens, Director

Ms. Eliza Desiree den Aantrekker, SCM
Management B.V., Director

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

DTEK Oil & Production Gas B.V.
Condensed Consolidated Interim Income Statement

<i>In millions of Ukrainian Hryvnia</i>	Note	Six months ended 30 June	
		2023	2022
Revenue	16	13,113	19,149
Cost of sales	17	(7,487)	(4,438)
Gross profit		5,626	14,711
Other operating income	18	324	52
General and administrative expenses		(238)	(261)
Selling expenses		(326)	(191)
Other operating expenses	18	(661)	(171)
Net impairment on financial assets	9,11	(1,851)	(3,066)
Operating profit		2,874	11,074
Net foreign exchange losses on financing and investing activities		(56)	(749)
Finance income	19	375	213
Finance costs	19	(525)	(459)
Profit before income tax		2,668	10,079
Income tax expense	20	(285)	(3,008)
Profit for the period		2,383	7,071
Profit is attributable to:			
Equity holders of the Company		1,720	4,608
Non-controlling interest		663	2,463

Condensed Consolidated Interim Statement of Comprehensive Income

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2023	2022
Profit for the period	2,383	7,071
Other comprehensive income/(loss) for the period	-	-
Total comprehensive income for the period	2,383	7,071
Total comprehensive income attributable to:		
Equity holders of the Company	1,720	4,608
Non-controlling interest	663	2,463
Total comprehensive income for the period	2,383	7,071

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

DTEK Oil&Gas Production B.V.
Condensed Consolidated Interim Statement of Changes in Equity

<i>In millions of Ukrainian Hryvnia</i>	Attributable to equity holders of the Company				Non-controlling interest in equity	Total Equity
	Share capital	Other reserves	Accumulated deficit	Total		
Balance at 1 January 2023	0	2,916	(5,492)	(2,576)	8,140	5,564
Profit for the period from continuing operations	-	-	1,720	1,720	663	2,383
Other comprehensive income / (loss)	-	-	-	-	-	-
Total comprehensive income	-	-	1,720	1,720	663	2,383
Gain on transaction with owners (Note 9)	-	-	49	49	-	49
Property, plant and equipment:						
- Realised revaluation reserve	-	(226)	226	-	-	-
- Deferred tax related to realised revaluation reserve	-	41	(41)	-	-	-
Balance at 30 June 2023	0	2,731	(3,538)	(807)	8,803	7,996

<i>In millions of Ukrainian Hryvnia</i>	Attributable to equity holders of the Company				Non-controlling interest in equity	Total Equity
	Share capital	Other reserves	Retained earnings	Total		
Balance at 1 January 2022	0	3,327	3,736	7,063	12,114	19,177
Profit for the period from continuing operations	-	-	4,608	4,608	2,463	7,071
Other comprehensive income / (loss)	-	-	-	-	-	-
Total comprehensive income	-	-	4,608	4,608	2,463	7,071
Company's dividend distribution (Note 12)	-	-	(6,900)	(6,900)	-	(6,900)
Subsidiary's dividend distribution (Note 12)	-	-	-	-	(3,323)	(3,323)
Loss on transaction with owners (Note 9)	-	-	(762)	(762)	-	(762)
Property, plant and equipment:						
- Realised revaluation reserve	-	(248)	248	-	-	-
- Deferred tax related to realised revaluation reserve	-	45	(45)	-	-	-
Balance at 30 June 2022	0	3,124	885	4,009	11,254	15,263

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

DTEK Oil&Gas Production B.V.
Condensed Consolidated Interim Statement of Cash Flows

<i>In millions of Ukrainian Hryvnia</i>	Note	Six months ended 30 June	
		2023	2022
Cash flows from operating activities			
Profit before income tax		2,668	10,079
Adjustments for:			
Net foreign exchange loss on investing and financing activities and unrealised foreign exchange differences on operating activity		56	749
Finance costs / (income), net	19	150	246
Depreciation of property, plant and equipment and amortisation of intangible assets		1,092	1,291
Net change in provision for financial instruments and trade and other receivables	9,11	1,851	3,066
Losses less gains on disposals of property, plant and equipment	8	9	11
Impairment of inventory	18	6	29
Reversal of impairment of inventory	18	(115)	-
Change in provisions for other liabilities and charges		6	3
Operating cash flows before working capital changes		5,723	15,474
Trade and other receivables		(6,292)	(13,993)
Inventories		2,609	(2,502)
Trade and other payables		(157)	2,082
Taxes payable other than corporate income tax		(296)	1,610
Cash generated from operations		1,587	2,671
Income taxes paid (including payment of withholding tax)		(1,344)	(2,892)
Interest received		10	13
Net cash generated from / (used in) operating activities of continuing operations		253	(208)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(985)	(731)
Repayment of loans and financial aid provided	9	591	424
Net cash used in investing activities of continuing operations		(394)	(307)
Cash flows from financing activities			
Loans and financial aid received from related parties		-	224
Interest paid	13	(525)	(418)
Net cash used in from financing activities of continuing operations		(525)	(194)
Net decrease in cash and cash equivalents		(666)	(709)
Cash and cash equivalents at the beginning of the year		867	1,172
Cash and cash equivalents at the end of the year		201	463

Because of number of assignment agreements (Note 9) the following non-cash movements are excluded from the condensed consolidated interim statements of cash flows:

<i>In millions of Ukrainian Hryvnia</i>	Note	Six months ended 30 June	
		2023	2022
Operating activities:			
Reassignment of trade receivables for gas from related party to other receivables from a parent company		-	(9,335)
Investing activities:			
Reassignment of trade receivables for gas from related party to other receivables from a parent company	9	-	9,335
Set-off of receivable on assignment agreements from related parties with liabilities	9	-	(7,139)
Financing activities:			
Set-off of receivable on assignment agreements from related parties with liabilities		-	7,139

DTEK Oil&Gas Production B.V.

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2023

1 The Organisation and its Operations

DTEK Oil&Gas Production B.V. (formerly DTEK Oil&Gas B.V.) (“the Company”) is a private limited liability company incorporated on 12 October 2007, under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. The Company and its subsidiaries are further together referred to as “the Group”. On 3 July 2020, as a part of the reorganisation of the DTEK Oil&Gas Production B.V. Group, the Company changed its direct parent from DTEK GROUP B.V. to DTEK Oil&Gas B.V. (formerly DTEK Oil&Gas Holdings B.V.) - an intermediate holding company, which is fully owned by DTEK GROUP B.V.

The principal activities of the Company and its subsidiaries (together referred to as “the Group” or “DTEK Oil&Gas Production B.V.”) are exploration, development and production of gas and gas condensate in Ukraine. As of 30 June 2023, the Group has three licensed gas and gas condensate fields in Poltava and Sumy region, including license received in accordance with the conditions of the Product sharing agreement with the State of Ukraine (Note 21).

The Group is beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management (“SCM”) with the 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 principal subsidiaries are presented below:

Name	% interest held as of		Country of incorporation
	30 June 2023	31 December 2022	
Naftogazvydobuvannya PrJSC	73.00	73.00	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
Alfredo Trading Ltd.	-	100.00	Nicosia, Cyprus
Oil & Gas Exploitation LLC	100.00	100.00	Kyiv, Ukraine
Florestone Ltd	100.00	-	Nicosia, Cyprus
Wolford Holding LTD	50.00	50.00	Engomi, Cyprus
NGD Holding LLC	100.00	100.00	Kyiv, Ukraine

In February 2023 new subsidiary of the Group named Florestone Ltd was incorporated in Cyprus.

In March 2023 two subsidiaries of the Group (Alfredo Trading Ltd and Winburg Investments Ltd) that were not engaged in operating activities were liquidated. This liquidation did not result in a negative impact on the financial position of the Group.

The Company is registered at Strawinskylaan 1531 Tower B, Level, 1077XX Amsterdam, the Netherlands, Dutch Chamber of Commerce registration number is 34284942. The address of the office of the main operation subsidiary in Ukraine is 1 Magnitogorska str, 02660 Kyiv, Ukraine.

2 Operating Environment of the Group

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

The 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 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 30 June 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. In early June 2023 Ukraine launched another substantial counteroffensive against Russian forces with a long-term goal of breaching the frontlines, with efforts made in several directions, primarily in Donetsk and Zaporizhzhia regions. Russia continued to attack civil infrastructure, specifically targeting the Ukrainian sea and Danube ports facilities since pulling out of the Black Sea grain deal in July 2023, which temporarily decreased Ukraine’s export abilities. For details on the war impact on the Group’s assets and operations refer to Note 3.

According to a projection published by the National Bank of Ukraine (“NBU”) in July 2023, Ukrainian GDP may increase by 2.9% in 2023 (2022: 30.4% decrease to 2021). In the 1st quarter of 2023, GDP fell by 10.5% compared to the same period in 2022 while it grew by 2.4% compared to the last quarter of 2022. 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.

The National Bank of Ukraine (“NBU”) follows an interest rate policy consistent with inflation targets. The inflation rate in Ukraine for the 1st half 2023 stood at 4.6% (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 20 January 2022 to 25% effective from 3 June 2022. Further the NBU decreased its key policy rate to 22% effective from 28 July 2023.

2 Operating Environment of the Group (Continued)

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 it has been fixed at that level until signing these condensed consolidated interim financial statements.

In order to constrain price increases in Ukraine, as well as keep inflation under control, the NBU was forced not only to fix the USD exchange rate, but 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 eased some of the currency restrictions, including allowing 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 which were provided earlier through an international financial organisation or secured by foreign export credit agency/a foreign state. Due to restrictions in place UAH lacks exchangeability and is not freely convertible to hard currencies.

At the same time some of the other regulatory easings provided earlier by the government were revoked as of 1 August 2023, in particular the moratorium on tax audits was partially cancelled and the simplified tax (single tax) regime was suspended.

The yield to maturity ("YtM") on the Ukrainian Government's Eurobonds decreased to 48.5% (for 5-year maturity instruments as of 30 June 2023) from 63.4% as at 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 19% as at 30 June 2023 (22% as at 31 December 2022) according to the NBU data.

From the start of the war the Ukrainian budget experienced a significant deficit, which was financed by national and international borrowings, grants, national borrowings and other means. Since the beginning of the war and till 30 June 2023, the total amount of funds received from international partners amounted to USD 55.7 billion, approximately half of which were in grant format. Due to the inflow of international aid, currency reserves have reached a new record of USD 39 billion as of 1 July 2023. That is the highest level the reserves have risen in more than 30 years. International support is crucially important for Ukraine's ability to continue fighting against the aggression and funding the budget deficit and on-going debt repayments.

Gas market developments

Europe's political response to Russia's invasion of Ukraine in 2022 was to accelerate its electricity transition. There is now a focus on rapidly cutting gas demand - at the same time as phasing out coal as part of the massive scale-up in clean energy. Pressure on the European and global gas markets has eased since the beginning of 2023 due to favorable weather conditions and timely policy actions. By the end of the 1st quarter 2023 European spot LNG prices had fallen below their summer 2021 levels although remaining well above their historic averages. By July 2023, gas prices in Europe were down to below 40 EUR/MWh. Despite the massive fall year-on-year, prices were still about twice higher their pre-crisis level.

The decline in natural gas demand reduced the need for storage withdrawals in Europe over the 2022/2023 winter. As a result, storage sites closed the heating season with inventory levels standing well above their five-year average. This reduced the injection demand during the summer of 2023, and overall gas demand has gone down with limited prospects of a rapid recovery this year.

The gas market in Ukraine continues to be in surplus considering falling demand due to a more than 2-times decrease in industrial gas consumption. Ukraine's domestic virtual trading point (UAVTP) prices decreased below the import parity since the beginning of the war due to export ban and lower demand: monthly ICIS UAVTP MA (month-ahead) price discount from ICIS TTF MA 1H2023 deviates in the range of (-)14% - 51%. Additional internal factors for lower prices are the end of the off-season with higher than average stocks in Ukrainian UGS facilities and short-term price dumping strategies of certain producers. Thus, the average price of natural gas in Ukraine fell by 2 times in the first six months of 2023 (ICIS UAVTP Month Ahead: from 57.6 EUR/MWh for Jan23 to 25.5 EUR/MWh for Jun23) and has a very restricted upside potential due to high UGS stocks and surplus production. In such bearish circumstances NJSC "Naftogaz Ukraine" started to buy natural gas for the social sphere before the heating season 2023/2024 (totally NJSC "Naftogaz Ukraine" bought in 2Q23 0.7 bcm). NJSC "Naftogaz Ukraine" as a main price-maker in 2023 managed to convince the market to sell part of the surplus in the face of uncertainty about the future.

Recently, there have been repeated statements from the government of Ukraine that the export ban will not be lifted at least until the spring of 2024. The current goal of the Cabinet of Ministers is to accumulate 14.7 bcm in UGS facilities before the heating season 2023/2024, which in any case requires the import during heating season 2023/2024 by NJSC "Naftogaz Ukraine". In addition, due to a shortage of free UGS capacities in Europe, some European traders expect to temporarily move 1.3-3.0 bcm to Ukraine for re-export in the winter of 2023/2024.

3 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. These condensed consolidated interim financial statements do not include all the information and disclosures required for a complete set of annual financial statements and should be read in conjunction with the Group's financial statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Going concern. As of 30 June 2023 the Group's current liabilities exceeded its current assets by UAH 1,728 million (as of 31 December 2022: current liabilities exceeded current assets by UAH 376 million) but it generated positive cash flows of continuing operations from operating activities in the amount of UAH 253 million for the first half of 2023 (for the first half of 2022: negative cash flows in amount of UAH 208 million). The Group incurred a net profit from continuing operations of UAH 2,383 million for the 6 months ended 30 June 2023 (for the first half of year ended 30 June 2022: net profit UAH 7,071 million).

Regardless of the fact that current liabilities exceed the current assets as of 30 June 2023 by UAH 1,728 million, expected profits from operating activities during the second half of 2023 will be sufficient to manage this shortfall. Also, the repayment of UAH 9,054 million of accrued dividends to NCI is subject to releasing the NBU restrictions on dividend payments abroad.

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 condensed consolidated interim financial statements. Amongst our cornerstone priorities are the safety and wellbeing of employees and the continuous support of our Group 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 did not have a significant negative impact on the profitability of the Group which could trigger going concern issues. This was mainly due to the fact that:

- During the 6 months 2023 the Group extracted the planned volume budgeted in the 2023 business plan for the respective period.
- Sales volumes have decreased by 25% below budget during the 6 months ended 30 June 2023 but still allowed the Group to earn significant gross profit. Before the war, the Group sold mainly to the Ukrainian market. But after significant industry demand reduction in 2022 (about 46%) and export restrictions, part of gas was pumped into the gas storages.
- Part of the extracted gas is pumped into underground gas storage facilities of a Ukrainian state owned entity and remains in the Group ownership as inventory for resale later on. In case of a further drop in sales the Group is able to pump additional volumes of gas into underground storage for later sale in Ukraine or abroad. Since Ukraine is an import-dependent country for gas, there is a limited risk that gas kept in storage facilities will not be sold with reasonable margin in the foreseeable future. Management expects that the Government of Ukraine will provide the possibility to export extracted gas or to replace the gas imports by the state in order to support private gas producers and to avoid a significant surplus of storage volumes. In April 2023 the state-owned NJSC "Naftogaz Ukraine" started to purchase gas from private producers. According to the Governmental program, it is planned to buy out around two to three billions of gas cubic meters till the end of 2023;
- The Group did not experience significant delays in settlement of its receivables in July-September 2023.

Management analyzed the possible scenarios of economic and military developments and the expected cash flows for the second half of 2023 and the first 9 months of 2024 and concluded that in all the more likely scenarios 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 December 2023 and June 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 condensed consolidated interim financial statements;
- average monthly production volumes for the projected period reduced by 30% as compared to the actuals of six months 2023;
- 100% of the extracted gas volumes during the projected period and total volume of gas which Group has in storage facilities as of 30 June 2023 are expected to be sold at prices of about USD 479 per 1 thousand cubic meters. No additional volumes is planned to be pumped into the underground storage for the sale later;

3 Basis of preparation (Continued)

- the Group currently assesses that management will be able to realize a mechanism to execute the due payments on Eurobonds in December 2023 and June 2024.

Some uncertainties, existing at the date of these condensed consolidated interim financial statements, in particular the ability to transfer cash for debt and capital repayments to abroad as explained above, fall beyond management control. The Group considers different options to arrange the future settlements of Eurobonds liabilities, however these future settlements may be impacted by uncertainty and may require the negotiations with the bondholders in the future.

Management acknowledges that the facts and circumstances described above, in particular the current situation and the future development of military actions and resulting limited ability to transfer cash abroad to make scheduled payments, 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 taking actions to minimise the impact on the Group, and thus believes that application of the going concern assumption for the preparation of these condensed consolidated interim financial statements is appropriate.

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2022 except for the below.

Income tax expense in the interim period is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year for continuing operations, as adjusted for temporary differences, and the tax effect of non-taxable forex losses/(gains) on foreign subsidiaries incurred in the six months ended 30 June 2023.

Exchange rate fluctuations. As of 30 June 2023, the exchange rates used for translating foreign currency balances were USD 1 = UAH 36.57 (31 December 2022: USD 1 = UAH 36.57), EUR 1 = UAH 40.00 (31 December 2022: EUR 1 = UAH 38.95).

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 of goods. 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.

Revenue from drilling and wells' construction services. The Group provides drilling and wells' construction services under fixed-price contracts. If the Group transfers control of a service over time and therefore satisfies a performance obligation over time, revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because (a) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced or (b) the Group's performance does not create an asset with an alternative use for the Group, and the Group has an enforceable right for payment for performance completed to date. This is determined based on the actual costs spent relative to the total expected costs. If a performance obligation is not satisfied over time, revenue is recognised at a point in time at which the Group satisfies a performance obligation.

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 6 months ended 30 June 2022 to match the DTEK Group B.V.'s policy. As a result, an amount of UAH 418 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 condensed consolidated interim balance sheet included UAH 9,054 million of unsettled balance of dividends accrued to NCI resulted from a single transaction in 2022 (Note 12). In the current period management reassessed presentation of subsidiary's dividends payable to NCI and disclosed it as a separate line in the condensed consolidated interim 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.

4 Critical Accounting Estimates and Judgements

Critical accounting estimates and judgements applied are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for those described below.

ECL measurement. Management estimates ECL based on an analysis of individual accounts. Factors taken into consideration include an ageing analysis of trade and other accounts receivable in comparison with the credit terms

4 Critical Accounting Estimates and Judgements (Continued)

allowed to customers, the financial position and collection history of the customer. Should actual collections be less than management's estimates, the Group would be required to post an additional impairment expense. Expected credit loss rate for receivable from related parties was determined based on default rates corresponding to Fitch credit rating set for country of counterparty's operations, or a counterparty where relevant, and adjusted for the weighted average loss default rate determined based on Fitch recovery rates or the European Banking Authority if Fitch recovery rate is unavailable, considering expected repayment period.

ECL measurement of trade accounts receivable from sale of gas to a related party. Upon the Group reorganization in 2020, the Group recognised trade accounts receivable from Oil&Gas Sphere LLC and Investecogaz LLC (DTEK Oil&Gas Development B.V. subsidiaries) for sale of gas and gas condensate, which were previously eliminated in consolidated financial statement, of which together with subsequent gas sales performed UAH 11,322 million remained outstanding as of 30 June 2023 and 31 December 2022. As of recognition date the receivables were contractually overdue and the balance of receivables was recognised as an originated credit-impaired asset (POCI). Amount of this POCI instrument unsettled as of 30 June 2023 is UAH 1,906 million (as of 31 December 2022: UAH 2,194 million). At initial recognition, the nominal balance of the receivables was discounted at 18.03% annual rate. As of 30 June 2023 it was discounted at credit-impaired discount rate in 6.69%-28.9% depending on the expected repayment period (31 December 2022: 10.15%-25.53%), which includes time value of money and a lifetime credit risk of the debtor calculated based on the expected cash flows.

Revenue from further sales of gas to DTEK Oil&Gas Development B.V. and respective accounts receivable were recognised at nominal amount based on a written contract with immediate impairment recognised in the 'Net impairment losses on financial assets' line in the consolidated income statement. Nominal amount of this balance as of 30 June 2023 and 31 December 2022 is UAH 8,368 million.

During the six months ended 30 June 2023 management reassessed their expectations regarding this balance. Balance in amount of UAH 2,691 million has contractual maturity 31 March 2025 and the remaining amount is on demand and is overdue as of 30 June 2023. As of 30 June 2023, management expects that these balance will be settled during second half 2024-end of 2026 and classified as non-current. As of 30 June 2023 ECL rate in range 27-34% was applied to nominal amounts depending on the expected repayment period (31 December 2022: 10%-25%). As of 30 June 2023 ECL rates increased due to increase in credit risks of the DTEK Oil& Gas Developments B.V. Group debtors.

Based on this change in estimate and revision of ECL rate, management recognised UAH 1,715 million of net impairment losses during the 6 months ended 30 June 2023 for the whole amount of trade accounts receivable from sale of gas to a related party. Would the period of settlement of such receivables be 1 year longer than currently expected, the impairment provision as of 30 June 2023 would be UAH 740 million higher (31 December 2022: UAH 931 million higher).

ECL measurement of consideration receivable from the sale of subsidiaries (loan receivable from DTEK Oil & Gas Development B.V.). Upon sale of shares of subsidiaries to DTEK Oil & Gas Development B.V. and the subsequent change of its contractual terms in the Eurobonds offering transaction in 2021, the Group recognised an interest bearing loan in nominal amount of USD 81 million (Note 9). This balance is measured as an originated credit-impaired asset (POCI) and discounted at a 10.43% annual rate at initial recognition. As of 30 June 2023 it was discounted at 28.9% credit-impaired discount rate (31 December 2022: 27.89%), 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 60 million of net impairment reversal during the 6 months ended 30 June 2023 (6 months ended 30 June 2022: UAH 933 million of impairment charge), which represent cumulative changes in ECL during the period and increased the carrying amount of the financial instrument.

Would the period of settlement of such receivables be 1 year longer than currently expected, the impairment provision as of 30 June 2023 would be UAH 307 million higher (31 December 2022: UAH 270 million higher).

5 Adoption of New or Revised Standards and Interpretations

The following new standards, which are relevant to the Group's condensed consolidated interim financial statements, have been issued, but have not been endorsed by European Union:

- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments:** Disclosures: Supplier Finance Arrangements (issued on 25 May 2023, effective for annual periods beginning on or after 1 January 2024);
- **Amendments to IAS 12 Income taxes:** International Tax Reform – Pillar Two Model Rules (issued 23 May 2023, effective for annual periods beginning on or after 1 January 2023 or immediately);
- **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), Classification of liabilities as current or non-current, deferral of effective date (issued on 15 July 2020), Non-current Liabilities with Covenants (issued on 31 October 2022) (effective for annual periods beginning on or after 1 January 2024).

These amendments to standards will likely have no material impact on the Group.

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

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

- **Amendments to IFRS 17 Insurance Contracts:** Initial Application of IFRS 17 and IFRS 9 – Comparative information (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 12 Income tax:** Deferred tax related to assets and liabilities arising from a Single Transaction (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 1 Presentation of Financial statement and IFRS Practice Statement 2:** Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors:** Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- **IFRS 17 Insurance Contracts** (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023) including Amendments to IFRS 17 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).

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

6 Segment Information

The Management Board is the Group's chief operating decision-maker. The Management Board has determined that the Group operates within one business segment based on reports reviewed by the Management Board for the purposes of assessing performance. The Management Board considers the business as a single operating segment.

The Management Board assesses the performance based on adjusted EBITDA. This measurement basis represents profit for the year after excluding the following income statement items: depreciation and amortisation; foreign exchange losses less gains; impairment/reversal of impairment of financial assets; income tax expense; impairment/ reversal of impairment of property, plant and equipment, intangible assets and inventory; finance income and expenses except interest on bank deposits; late adjustment on reversal of impairment of inventory; result from disposals of property, plant and equipment; result from revaluation of property, plant and equipment.

All revenues are recorded from customers in Ukraine.

Customers concentration by revenue is presented below:

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2023	2022
D.Trading B.V. Group subsidiaries	11,408	18,973
DTEK Oil&Gas Development B.V. subsidiaries	1,705	176
Total	13,113	19,149

Reconciliation of the reportable benchmark to the consolidated profit before income tax is as follows:

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2023	2022
Revenue	13,113	19,149
Adjusted EBITDA	5,957	15,484
Depreciation of property, plant and equipment and amortisation of intangible assets	(1,092)	(1,291)
Net change in provision for financial instruments and trade and other receivables	(1,851)	(3,066)
Net foreign exchange loss on investing and financing activities and unrealised foreign exchange differences on operating activity	(56)	(749)
Net finance costs not included in Adjusted EBITDA	(160)	(259)
Late adjustment on reversal of impairment of inventory	(115)	-
Impairment of inventory	(6)	(29)
Losses less gains on disposals of property, plant and equipment	(9)	(11)
Profit before income tax	2,668	10,079
Capital expenditure	985	731

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 are detailed below.

DTEK Oil&Gas Production B.V.

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2023

7 Balances and Transactions with Related Parties (Continued)

				30 June 2023
<i>In millions of Ukrainian Hryvnia</i>	Parent - DTEK Oil&Gas B.V.	DTEK GROUP B.V. Group subsidiaries	Entities under common control and joint ventures of SCM	
Loans receivable from related parties (Note 9)	-	1,614	15	
Receivables for sales of gas reassigned and due from the Parent (Note 9)	2,929	4	-	
Trade and other receivables	-	16,971	-	
Current contract assets from contracts (Note 11)	-	1,445	-	
Cash and cash equivalents	-	-	182	
Payables to related parties (Note 14)	-	(683)	(3)	

				31 December 2022
<i>In millions of Ukrainian Hryvnia</i>	Parent - DTEK Oil&Gas B.V.	DTEK GROUP B.V. Group subsidiaries	Entities under common control and joint ventures of SCM	
Loans receivable from related parties (Note 9)	-	1,472	15	
Receivables for sales of gas reassigned and due from the Parent (Note 9)	2,986	1	-	
Trade and other receivables	-	13,576	-	
Current contract assets from contracts (Note 11)	-	375	179	
Cash and cash equivalents	-	-	851	
Payables to related parties (Note 14)	-	(718)	(225)	

The income and expense items with related parties for the six months ended 30 June were as follows:

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Parent - DTEK Oil&Gas B.V.	DTEK GROUP B.V. Group subsidiaries	Entities under common control and joint ventures of SCM	Parent - DTEK Oil&Gas B.V.	DTEK GROUP B.V. Group subsidiaries	Entities under common control and joint ventures of SCM
Continuing operations:						
Sales of gas	-	10,930	-	-	18,014	-
Sales of gas condensate	-	478	-	-	972	-
Revenue from drilling and wells` construction services provided to related parties (Note 16)	-	1,705	-	-	-	-
Unwinding of discount on trade receivables from related parties (Note 19)	228	-	-	119	-	-
(Net impairment)/ Net reversal of impairment on financial assets	257	(2,121)	8	(560)	(2,559)	53
Resale of goods	-	-	-	-	-	2,618
Sales of services	-	327	-	-	80	-
Purchases of goods for further resale	-	-	-	-	-	(3,269)
Other purchase of goods and services	-	(246)	(4)	-	(279)	(67)
Interest income on bank deposits	-	-	-	-	-	3
Interest income on loans provided (Note 19)	-	84	-	-	68	13
Interest expense on loans received (Note 19)	-	-	-	-	(6)	-

With respect to accounts receivables due from DTEK Oil&Gas Development B.V. subsidiaries (trade and other receivables and financial investments), the Group provided a support letter whereby they confirmed not to claim these for immediate repayment in case this would cause financial difficulty.

During the first half of the 2022 year the Group has entered into a commission-based agreement followed by sale-purchase agreements with related parties. Therefore, during the six months of 2022 the Group purchased goods for the amount of UAH 3,269 million and partially sold these for the total amount of UAH 2,525 million. As of 31 December 2022 this transaction resulted in current contract assets of UAH 179 million (Note 11) and in trade payables of UAH 225 million (as of 30 June 2023 these balances were fully repaid). 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 interim income statement. The balances for such transactions have been accounted for on gross basis in the condensed consolidated interim balance sheet. During the first half of the 2023 year the Group had no similar commission-based transactions and as of 30 June 2023 year no contract assets from commission-based agreements are recognised.

DTEK Oil&Gas Production B.V.

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2023

8 Property, Plant and Equipment

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

<i>In millions of Ukrainian Hryvnia</i>	Oil and gas assets	Oil and gas properties	Plant and machinery	Furniture, fittings and equipment	Constructi on in progress	Total
At 1 January 2023						
Cost or valuation	6,856	9,321	5,874	51	1,044	23,146
Accumulated depreciation and impairment	(3,201)	(2,264)	(866)	(13)	-	(6,344)
NBV at 1 January 2023	3,655	7,057	5,008	38	1,044	16,802
Additions	-	-	-	-	916	916
Disposals	-	-	(6)	-	(3)	(9)
Depreciation charge	(73)	(669)	(325)	(5)	-	(1,072)
Transfer	-	339	241	2	(582)	-
NBV at 30 June 2023	3,582	6,727	4,918	35	1,375	16,637
At 30 June 2023						
Cost or valuation	6,856	9,660	6,107	53	1,375	24,051
Accumulated depreciation and impairment	(3,274)	(2,933)	(1,189)	(18)	-	(7,414)
NBV at 30 June 2023	3,582	6,727	4,918	35	1,375	16,637

<i>In millions of Ukrainian Hryvnia</i>	Oil and gas assets	Oil and gas properties	Plant and machinery	Furniture, fittings and equipment	Constructi on in progress	Total
At 1 January 2022						
Cost or valuation	6,856	8,231	4,870	44	1,383	21,384
Accumulated depreciation and impairment	(2,999)	(599)	(183)	(4)	-	(3,785)
NBV at 1 January 2022	3,857	7,632	4,687	40	1,383	17,599
Additions	-	-	-	-	727	727
Disposals	-	-	(10)	-	(1)	(11)
Depreciation charge	(103)	(815)	(352)	(5)	-	(1,275)
Transfer	-	371	400	5	(776)	-
NBV at 30 June 2022	3,754	7,188	4,725	40	1,333	17,040
At 30 June 2022						
Cost or valuation	6,856	8,602	5,258	49	1,333	22,098
Accumulated depreciation and impairment	(3,102)	(1,414)	(533)	(9)	-	(5,058)
NBV at 30 June 2022	3,754	7,188	4,725	40	1,333	17,040

During the six months ended 30 June 2023, depreciation expense of UAH 1,048 million (during the six months ended 30 June 2022: UAH 1,250 million) was included in cost of sales, UAH 3 million (during the six months ended 30 June 2022: UAH 4 million) in general and administrative expenses and UAH 21 million (during the six months ended 30 June 2022: UAH 21 million) in other operating expenses. As of 30 June 2023, construction in progress included UAH 110 million (31 December 2022: UAH 99 million) of prepayments for property, plant and equipment.

Estimation of gas reserves

In 2023 the Group engaged independent appraisers to assess its gas reserves as of 30 June 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 the first half 2023 approximates the depreciation charge if new report data was adopted as at 1st January 2023.

Impairments of property, plant and equipment

The gas prices in Ukraine started to decrease during the first half of 2023 following the worldwide trend. Resulting actual gas price for the 6 months ended 30 June 2023 was lower than forecasted for 2023 by around 50%. Management performed testing for impairment, using updated price forecast in discounted cash flows model, not materially changing all other assumptions from 31 December 2022, including volumes, which were in line with the forecasted one for the 6 months 2023. It resulted in recoverable amount is still above net book value with no reasonable change in assumptions triggering a need for impairment.

Therefore, management concluded that no impairment should be recognized and that the carrying value of property, plant and equipment does not significantly differ from its fair values as at 30 June 2023.

DTEK Oil&Gas Production B.V.**Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2023****9 Financial Investments**

Non-current financial investments comprised:

<i>In millions of Ukrainian Hryvnia</i>	30 June 2023	31 December 2022
Loans receivable from related parties (Note 7)	1,612	1,472
Total	1,612	1,472

Loans receivable from related parties

Upon sale of shares of Oil&Gas Sphere LLC (former DTEK Oil&Gas LLC) to DTEK Oil & Gas Development B.V. as a part of the Group reorganisation in 2020, the Group recognised consideration receivable, which was recognised as an originated credit-impaired asset (POCI) as of origination date. As a part of the Eurobonds offering transaction (17 May 2021), this receivable and receivable for sale of shares of Kosul LLC in April 2021 in total amount of USD 81 million was contractually changed to an interest bearing loan, all proceeds received from which should be used directly to repay the Eurobonds. The loan bears nominal interest of 5.78% and is due on 31 December 2026. The change of these contractual terms do not lead to a significant modification of the originally recognised asset and the balance is measured as a POCI asset. Gross amount of outstanding balance as of 30 June 2023 is USD 91 million, including USD 81 million of nominal amount of main debt and USD 10 million of accrued interest (UAH 3,325 million) (as of 31 December 2022: UAH 3,240 million).

As disclosed in Note 4, as of 30 June 2023 the balance was discounted at 28.9% (31 December 2022: 27.89%) credit-impaired discount rate, 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 60 million of net impairment reversal during the 6 months ended 30 June 2023 (6 months ended 30 June 2022: UAH 933 million of impairment charge), which represent cumulative changes in ECL during the period and increased the carrying amount of the financial instrument.

The Group pledged all rights in relation to this asset in the connection with the Eurobonds issued with prohibition on changing the terms of these receivables without the consent of the noteholders.

Current financial investments were as follows:

<i>In millions of Ukrainian Hryvnia</i>	30 June 2023	31 December 2022
Receivables for sales of gas reassigned and due from the Parent (Note 7)	2,933	2,987
Loans receivable from related parties (Note 7)	17	15
Total	2,950	3,002

Receivables for sales of gas reassigned and due from the Parent

The receivables from the Parent (originated as a result of a number of reassignments of trade accounts receivable for gas and loans receivables from related party, and further partially settled via a non-cash set-off with liabilities in 2022) in the nominal amount of UAH 3,347 million was restructured in March 2022 to have a contractual maturity in 2023, which is a non-interest bearing financial instrument. The Group treated this restructuring as a transaction with owners in the capacity of owners and recognized the UAH 762 million differences between the nominal value of the original receivable and the fair value of the new instrument directly in equity during the 6 month period ended 30 June 2022. The fair value during the restructuring in March 2022 was calculated with reference to new restructured cash flows discounted at an assumed 20% market rate on similar instruments, being the average rate on market debts of third party companies with a comparable rating. As of 30 June 2023 the nominal amount of this receivable is UAH 2,802 million (as of 31 December 2022: UAH 3,347 million).

As of 30 June 2023, receivable for sales of gas reassigned and due from the Parent also includes receivable of UAH 735 million on demand (as of 31 December 2022: UAH 781 million).

During the first half of 2023 the Group received early repayment of loan from the Parent for a total amount of UAH 591 million. It was concluded that the change in settlement schedule do not lead to a significant modification of the originally recognized asset. The difference between amortized cost according to original schedule and based on early settlement was recognized directly in equity as Gain on transaction with owners in the total amount of the UAH 49 million for the period ended 30 June 2023.

Expected credit loss allowance for balances from the Parent is assessed based on the approach described in Note 4 and applied annual ECL rate at 15.27% as of 30 June 2023 (31 December 2022: 16.6%) adjusted on expected repayment period. The Group recognised UAH 258 million of net impairment reversal during the 6 months ended 30 June 2023 (6 months ended 30 June 2022: UAH 560 million of impairment charge), which represent changes in ECL rate, repayment of the balance and change in estimates on its repayment.

As of 30 June 2023, UAH 4,536 million of financial investments were denominated in US dollars (31 December 2022: UAH 4,454 million) and UAH 26 million in Euro (31 December 2022: UAH 20 million).

As of 30 June 2023, the allowance for financial investments overdue for more than 1 year (with gross carrying amount of UAH 16 million) was measured based on ECL rate 100% (31 December 2022: UAH 18 million).

Total expected credit loss allowance as of 30 June 2023 is UAH 1,518 million (31 December 2022: UAH 1,765 million).

DTEK Oil&Gas Production B.V.
Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2023

9 Financial Investments (Continued)

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

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2023	2022
Opening balance as of 1 January	4,474	2,419
Cash movements		
Repayment of loans and financial aid provided	(591)	(424)
Non-cash movements		
Reassignment of trade receivables for gas from related party to other receivables from the Parent	-	9,335
Set-off of receivable on assignment agreements from related parties with liabilities	-	(7,139)
Loss on recognition of receivables from the Parent	-	(762)
Gain on early repayment of receivable from the Parent	49	-
Net finance income	312	201
Net reversal / (net impairment) of impairment of financial investments other than credit-impaired	269	(1,392)
Net reversal / (net impairment) of impairment of credit-impaired financial investments	48	(8)
Net foreign exchange gain	-	198
Other	1	6
Closing balance as of 30 June	4,562	2,434

10 Inventories

Inventories were as follows:

<i>In millions of Ukrainian Hryvnia</i>	30 June 2023	31 December 2022
Gas	1,801	4,238
Other inventory	59	54
Spare parts	45	80
Raw materials	31	64
Total inventories	1,936	4,436

Gas. As of 30 June 2023 and 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).

11 Trade and Other Receivables

Non-current trade and other receivables were as follows:

<i>In millions of Ukrainian Hryvnia</i>	30 June 2023	31 December 2022
Trade receivables	6,416	5,034
Total trade and other non-current receivables	6,416	5,034

Current trade and other receivables were as follows:

<i>In millions of Ukrainian Hryvnia</i>	30 June 2023	31 December 2022
Trade receivables	10,225	8,410
Current contract assets (Note 7)	1,445	554
Other receivables	294	139
Total financial assets	11,964	9,103
Prepayments to suppliers	530	657
Total non-financial assets	530	657
Total trade and other current receivables	12,494	9,760

Trade receivables

Upon the Group reorganization in 2020, the Group recognised trade accounts receivable from Oil&Gas Sphere LLC and Investecogaz LLC (DTEK Oil&Gas Development B.V. subsidiaries) for sale of gas and gas condensate, which were previously eliminated in consolidated financial statement, of which together with subsequent gas sales performed UAH 11,322 million remained outstanding as of 30 June 2023 and 31 December 2022.

11 Trade and Other Receivables (Continued)

Balance in amount of UAH 2,691 million has contractual maturity 31 March 2025 and the remaining amount is on demand and is overdue as of 30 June 2023. As of 30 June 2023, management expects that this balance will be repaid during second half 2024-end of 2026 and classified as non-current. Approach to measurement and determination of expected credit loss allowance is disclosed in Note 4. The Group recognised UAH 1,715 million of impairment charge on this balance the 6 months ended 30 June 2023 (6 months ended 30 June 2022: UAH 863 million of the impairment charge), which represented cumulative changes in ECL during the periods and decreased a gross carrying amount of the financial instrument.

Trade receivables for sales of gas in 2022 and 2023 to DTEK GROUP B.V. subsidiary in gross amount of UAH 9,887 million as of 30 June 2023 (31 December 2022: UAH 4,735 million) is on demand and expected to be settled within the next several months from the reporting date. Expected credit loss allowance is assessed based on the approach described in Note 4 and applied annual ECL rate at 12.27% as of 30 June 2023 (31 December 2022: 12.55%) adjusted on expected repayment period. Loss allowance as of 30 June 2023 is UAH 154 million (31 December 2022: UAH 50 million).

Other receivables

As of 30 June 2023 other receivables UAH 126 million of dividends receivable from a related party (31 December 2022: UAH 124 million) and UAH 168 million of receivable from services of drilling provided to related parties (31 December 2022: UAH 15 million). Approach to measurement and determination of expected credit loss allowance is disclosed in Note 4.

Current contract assets

During 2022 the Group has entered into a commission-based agreement and sale-purchase agreements with related parties (Note 7), which is resulted in UAH 179 million of contract assets as of 31 December 2022. As of 30 June 2023 this balance was fully repaid (Note 7).

As of 30 June 2023, contract assets in the amount of UAH 1,445 million are related to drilling of a gas well and construction services to DTEK GROUP B.V. subsidiary (31 December 2022: UAH 375 million). The Group has a contractual commitment to complete drilling and to sell such drilling and well construction services to DTEK GROUP B.V. subsidiaries and recognized revenue and cost of sales in the total amount of UAH 1,705 million (6 months ended 30 June 2022: nil) and UAH 1,639 million (6 months ended 30 June 2022: nil) respectively during six month ended 30 June 2023 based on stage of services completion (Note 16, Note 17). As of 30 June 2023 the total amount of contract assets increased due to increase in the number of drilling wells, which were not completed and not transferred to DTEK GROUP B.V. subsidiaries as at 30 June 2023.

As of 30 June 2023, UAH 18,380 million of financial trade and other receivables were denominated in Ukrainian hryvnias (31 December 2022: UAH 14,097 million) and UAH nil million in US dollars (31 December 2022: UAH 40 million).

Total loss allowance of trade and other receivables as of 30 June 2023 is UAH 4,414 million (31 December 2022: UAH 2,528 million). Approach to measurement and determination of expected credit loss allowance, its critical estimates and judgments are disclosed in Note 4. Net impairment loss on financial trade receivables during the six months ended 30 June 2023 amounted to UAH 2,168 million (during the six months ended 30 June 2022: UAH 1,658 million).

12 Share Capital

The authorised share capital of DTEK Oil&Gas Production B.V. equals to fully paid share capital and comprises 18,000 ordinary shares with a par value of Euro 1 per share in total amount of Euro 18,000. Each shares carries one vote. The total issued share capital amounts to UAH 190 thousand (EUR 18 thousand) using a historic exchange rate of UAH 10,56 per EUR 1 as of 30 June 2023 and as of 31 December 2022.

During the 6 months ended 30 June 2022 the Group's main operating subsidiary Naftogazvydobuvannya PrJSC announced dividends in the amount of UAH 12,309 million, UAH 8,986 million of which is attributable to the Company and UAH 3,323 million to non-controlling interests. Further in 2022 Naftogazvydobuvannya PrJSC distributed dividends, which in total for 2022 amounted UAH 24,367 million of which is attributable to the Company and UAH 9,012 million to non-controlling interest. No dividends payment was made to the non-controlling shareholders before the issue of these condensed consolidated interim 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.

In March 2022 the Company announced dividends in the amount of UAH 6,900 million to its direct parent, which is UAH 0.4 million per share, and the dividends payable by the Company in the amount of UAH 6,900 million was settled via a non-cash set-off with the Group's receivables.

DTEK Oil&Gas Production B.V.**Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2023****13 Borrowings**

Non-current borrowings comprised:

<i>In millions of Ukrainian Hryvnia</i>	30 June 2023	31 December 2022
Eurobonds	13,713	15,542
Total	13,713	15,542

Current borrowings comprised:

<i>In millions of Ukrainian Hryvnia</i>	30 June 2023	31 December 2022
Eurobonds	1,833	4
Total	1,833	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 17th 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 30 June 2023 and as of 31 December 2022.

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

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2023	2022
Opening balance as of 1 January	15,546	11,595
Cash movements		
Repayment of interest expenses	(525)	(418)
Non-cash movements		
Interest expense	525	418
Exchange rate difference	-	840
Closing balance as of 30 June	15,546	12,435

14 Trade and Other Payables

Trade and other payables were as follows:

<i>In millions of Ukrainian Hryvnia</i>	30 June 2023	31 December 2022
Payables to related party (Note 7)	686	943
Trade payables	658	259
Liabilities for purchased property, plant and equipment	94	154
Other creditors	26	128
Total financial payables	1,464	1,484
Accruals for employees’ unused vacations	25	169
Wages and salaries payable	25	29
Total non-financial payables	50	198
Total	1,514	1,682

As of 30 June 2023, UAH 433 million of trade and other payables were denominated in USD (31 December 2022: UAH 435), UAH 63 million in EUR (31 December 2022: UAH 58 million), UAH 21 million in GBP (31 December 2022: UAH nil million) and UAH 947 million in UAH (31 December 2022: UAH 991 million).

DTEK Oil&Gas Production B.V.**Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2023****15 Other Taxes Payable**

Other taxes payable were as follows:

<i>In millions of Ukrainian Hryvnia</i>	30 June 2023	31 December 2022
Subsoil tax payable	3,269	3,856
Value-added tax	827	536
Total other taxes payable	4,096	4,392

16 Revenue

Analysis of revenue by category is as follows:

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2023	2022
Revenue from sales of gas	10,930	18,177
Revenue from drilling and wells` construction services provided to related parties (Note 7, 11)	1,705	-
Revenue from sales of gas condensate	478	972
Total revenue	13,113	19,149

In 2022 the Group considered an activity on drilling and wells construction services to be non-ordinary and recognised it's insignificant effect on income statement as part of other operating income on net basis.

17 Cost of Sales

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2023	2022
Subsoil tax	1,656	5,053
Cost of drilling and wells` construction services provided to related parties (Note 11)	1,639	-
Depreciation of property, plant and equipment, depletion and amortisation of intangible assets	1,068	1,265
Production overheads and other costs	348	208
Equipment maintenance and repairs	116	41
Wages and bonuses	103	72
Raw materials	90	42
Social charges	16	13
Cost of goods sold	14	27
Changes in gas balances (Note 10)	2,437	(2,283)
Total cost of sales	7,487	4,438

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.

18 Other Operating Expenses and Operating Income

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2023	2022
Insurance	338	121
Charitable donations and sponsorship	154	-
Depreciation of property, plant and equipment, depletion and amortisation of intangible assets	21	21
Impairment provision for inventory	6	29
Other	142	-
Total operating expenses	661	171
Income from sales of inventories and fuel	127	2
Reversal of impairment of inventory	115	-
Income from services provided to related parties	58	23
Other	24	27
Total operating income	324	52

DTEK Oil&Gas Production B.V.**Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2023****19 Finance Income and Finance Costs**

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2023	2022
Unwinding of receivables for sales of gas reassigned and due from the Parent (Note 9)	228	119
Interest income on loans provided to related parties (Note 7)	84	81
Fair value gain on deferred consideration for acquisition	53	-
Interest income on bank deposits	10	13
Total finance income	375	213
Interest accrued on Eurobonds (Note 13)	525	418
Fair value loss on deferred consideration for acquisition	-	27
Interest expense on deferred consideration	-	8
Interest expense on loans received from related parties (Note 7)	-	6
Total finance costs	525	459

20 Income Taxes

Income tax expense comprises the following:

<i>In millions of Ukrainian Hryvnia</i>	Six months ended 30 June	
	2023	2022
Current tax	900	2,932
Deferred tax	(615)	76
Income tax expense	285	3,008

The effective tax rate changed significantly during the first six months of 2023 compared to the first six months of 2022. These changes are mainly related to change in non-deductible expenses and non-taxable gains on Dutch subsidiaries, and changes in temporary differences on withholding tax on post-acquisition profits 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 30 June 2023 the Group recognised UAH 1,008 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.

21 Contingencies, Commitments and Operating Risks

Contingent liability in respect of tax commitments. The Dutch tax legislation is complex and consists of laws, court practice and rulings of the Dutch Tax Authority (DTA). There is a possible risk that in an absence of established court practice the 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 6,495 million (31 December 2022: UAH 6,491 million).

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 issue of these condensed consolidated interim 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 470 million as of the date of issue of these condensed consolidated interim financial statements.

22 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.

Risk management is carried out by treasury departments working closely with the operating units, under policies approved by the supervisory board. The treasury departments identify, evaluate and propose risk management techniques to minimise these exposures.

Credit risk. The Group is exposed 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.

22 Financial Risk Management (Continued)

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. In relation to banks only SCM related banks or other first classes 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	30 June 2023	31 December 2022
Entities under common control of SCM			
D.Trading LLC	Trade and other receivables	9,733	4,686
Investecogaz LLC	Trade and other receivables	6,485	8,200
Kosul LLC	Trade and other receivables	492	625
DTEK OIL&GAS B.V.	Financial investments	2,928	2,986
DTEK Oil&Gas Development B.V.	Financial investments	1,612	1,467
Kosul LLC	Contract assets from contracts	991	375
Oil&Gas Geoexploring LLC	Contract assets from contracts	325	-
PJSC Zaporizhstal	Contract assets from contracts	-	179
First Ukrainian International Bank (FUIB)	Cash and cash equivalents	182	851

The maximum exposure to credit risk at the reporting date is UAH 23,143 million (31 December 2022: UAH 19,478 million) being the 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 a sensitivity analysis of profit or loss and equity before tax to reasonably possible changes in exchange rates applied at the balance sheet date relative to the functional currency of the respective Group entities, with all other variables held constant.

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

<i>In millions of Ukrainian Hryvnia</i>	At 30 June 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%)	(3,415)	(3,415)	(3,269)	(3,269)
USD weakening by 25% (2022: 25%)	3,415	3,415	3,269	3,269
Euro strengthening by 25% (2022: 25%)	(8)	(8)	(9)	(9)
Euro weakening by 25% (2022: 25%)	8	8	9	9

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 not discounted cash flows.

DTEK Oil&Gas Production B.V.**Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2023****22 Financial Risk Management (Continued)**

The maturity analysis of financial liabilities of 30 June 2023 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	Up to 6 months	6 -12 months	1 - 2 years	2 - 5 years	Total
Liabilities					
Other financial liabilities - external	8,740	-	-	-	8,740
Borrowings	2,353	463	2,692	12,965	18,473
Trade and other payables	1,464	-	-	-	1,464
Dividends payable to NCI	9,054	-	-	-	9,054
Total future payments, including future principal and interest payments	21,611	463	2,692	12,965	37,731

* Other financial liabilities line in the table above includes UAH 6,495 million of the Remaining Indebtedness. As a result of issuing Eurobonds (Note 13) 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 of 31 December 2022 is as follows:

<i>In millions of Ukrainian Hryvnia</i>	Up to 6 months	6 -12 months	1 - 2 years	2 - 5 years	Total
Liabilities					
Other financial liabilities - external	8,755	-	-	-	8,755
Borrowings	525	2,353	2,754	13,366	18,998
Trade and other payables	1,484	-	-	-	1,484
Dividends payable to NCI	9,054	-	-	-	9,054
Total future payments, including future principal and interest payments	19,818	2,353	2,754	13,366	38,291

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

23 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.

Financial instruments carried at fair value

Part of deferred consideration for acquisition of PrJSC Naftogazvydobuvannya are carried in the condensed consolidated interim 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:

<i>In millions of Ukrainian Hryvnia</i>	30 June 2023 Level 3	31 December 2022 Level 3
FINANCIAL LIABILITIES		
Financial liabilities		
- Deferred consideration for acquisition	249	302
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	249	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 condensed consolidated interim 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.

DTEK Oil&Gas Production B.V.

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2023

23 Fair Value of Assets and Liabilities (Continued)

Significant differences were identified for the following instruments:

<i>In millions of Ukrainian Hryvnia</i>	30 June 2023		31 December 2022	
	Fair value (Level 2)	Carrying value	Fair value (Level 2)	Carrying value
FINANCIAL Liabilities				
Eurobonds (Note 13)	11,368	15,546	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.

24 Subsequent events

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