

KVK	
KVK-nummer	34114782
Datum ontvangst	31 DEC 2024
Datum vaststelling	voorlopig Jk



LUKOIL Overseas Karachaganak B.V.

Annual report

for the year ended 31 December 2023

Voorlopige deponering, nog niet vastgesteld door
algemene vergadering van aandeelhouders
Preliminary Filing: not yet adopted by General Meeting
of Shareholders

LUKOIL Overseas Karachaganak B.V.

Contents

Directors' report.....	3
Balance Sheet as at 31 December 2023	12
Profit and Loss account for the year ended 31 December 2023	13
Cash Flow statement for the year ended 31 December 2023	14
Notes to the financial statements for the year ended 31 December 2023	15
Other information	45

LUKOIL Overseas Karachaganak B.V.

Directors' report

We are pleased to submit to you the annual report on LUKOIL Overseas Karachaganak B.V.'s activities for the financial year 2023.

General information

LUKOIL Overseas Karachaganak B.V. ("the Company") was incorporated in the Netherlands in Amsterdam on 27 April 1999 and has its registered address at Zuidplein 198, H Tower, Level 24, 1077 XV Amsterdam, the Netherlands. The Company is a private limited liability company under Dutch law and is listed under number 34.114.782 in the Dutch Trade Register. The Company is 100% owned by LUKOIL International Upstream Holding B.V. registered in Amsterdam, the Netherlands. The Company's ultimate parent is PJSC LUKOIL registered in Moscow, Russia, operating in the oil and gas industry. Hereafter PJSC LUKOIL and the entities ultimately controlled by PJSC LUKOIL are together referred to as "the LUKOIL Group" or "the Group".

The Company performs development and production (crude oil and natural gas) activities. The activities are deployed at the on-shore field of Karachaganak. On 1 July 2001, the Company acquired a 15% interest in the Final Production Sharing Agreement relating to the Contract Area of the Karachaganak Oil and Gas Condensate Field ("FPSA") operated by Karachaganak Petroleum Operating B.V. ("KPO" or "Operator") for a net amount of USD 313 million. The purpose of this FPSA is to explore and develop the Karachaganak field in the Republic of Kazakhstan ("RoK").

In 2011, the consortium of investors in the "Karachaganak" project, including the Company, and the RoK entered into a Settlement Agreement, which sets forth the transfer of a 10% interest in KPO to the state-owned company KazMunayGas. Consequently, from 28 June 2012, the Company's interest decreased from 15% to 13.5%. There were no changes in participation interest afterwards.

Financial information

Oil and gas turnover in 2023 amounted to USD 532,582 thousand (2022: USD 609,964 thousand) and comprise crude oil and gas sold by KPO to third parties on behalf of the Company in the amount of USD 122,713 thousand (2022: USD 178,252 thousand) and oil sold to a Group company, in the amount of USD 395,145 thousand (2022: USD 429,234 thousand).

During 2023, the Brent crude oil price fluctuated between USD 74,84 and USD 93,72 per barrel, reached its maximum of USD 93,72 in September and minimum of USD 74,84 in June, and averaged (USD 82,49) 22% less than in 2022 (USD 101).

The net result for the year 2023 amounted to USD 204,218 thousand (2022: USD 257,565 thousand). The net result was negatively affected by the decrease of gross margin on turnover in 2023 in comparison with 2022 mainly due to the oil price decreased. For details, we refer to Notes 11, 12, 15, 16 and 19 included in the financial statements.

The Company's share of total expenditures, related to the exploration and development of the Karachaganak field in Kazakhstan for 2023 amounted to USD 192,853 thousand against USD 217,221 thousand in 2022.

The expenditures include development and various production expenses. The expenses of USD 116,036 thousand (2022: USD 131,506 thousand) regarding development are capitalized under tangible fixed assets. The exploration and development expenses amounting to USD 76,817 thousand in total (2022: USD 85,715 thousand) are accounted as cost of sales in these financial statements. Please see Note 12 for additional details.

LUKOIL Overseas Karachaganak B.V.

In 2023, the Company contributed USD 8,830 thousand (equivalent to EUR 8,000 thousand) to the 'Oil-and-gas research innovation and motivation trust fund' (2022: USD 8,374 thousand). The contribution related to an incentive policy of encouragement of the key management staff of the LUKOIL Group.

In 2023, the Company did not declare a dividend (2022: USD 50,000).

The Company is in a positive solvency and liquidity position as of year-end.

Cash flow and need for external financing

The Company's cash position decreased by USD 884 thousand from USD 941 thousand as at 31 December 2022 to USD 57 thousand as at 31 December 2023.

On 18 February 2023 the sole Shareholder of the Company, LUKOIL International Upstream Holding B.V., resolved to reduce in cash the share premium reserve of the Company by an amount of USD 500,000 thousand (2022: 200,000 thousand). The actual payment was transferred to LUKOIL International Upstream Holding B.V. on 21 February 2023 and was sourced by the partial collection of the loan receivable from a Group company. The payment is reflected in cash flow from financing activities while repayment on the loan receivable is included in cash flow from investing activities.

For details on the 2023 and 2022 cash flows we refer to the cash flow statement included in these financial statements.

Non-financial performance indicators

Non-financial KPI's of the Company are limited to those applying to compliance with the Code of Business Conduct and Ethics, such KPI's are discussed in the paragraph 'Information concerning application of code of conduct'. In addition, the non-financial performance indicators of the Operator is summarized in the following paragraphs.

In 2023 the safety performance of KPO had shown incidents number decrease compared to 2022, in terms of accident indices (LTIF, TRI).

KPO 2023 Lost Time Injuries Frequency (LTIF) was 0.05 per million worked hours (2022: 0.22 per million worked hours).

KPO 2023 Total Recordable Injuries (TRI) were 14 (2022: 13), with a frequency of 0.37 per million worked hours (2022: 0.40 per million worked hours).

In 2022, KPO launched the Safety Leadership & Culture Program (SLC) to build strong proactive safety culture and to sustain good HSE performance, to prevent harm to people and environment.

The Program is aimed to enhance proactive safety culture and promote safe behaviours.

The Company reported annual GHG emissions intensity equal to 12.5 ton CO₂ eq/Kboe (2022: GHG emissions intensity 12.8 ton CO₂ eq./Kboe).

Production/operating activities

In 2023, KPO produced 142,7 million barrels of oil equivalent in the form of stable and unstable liquids, sour gas for export, and sweet gas for use as fuel. In addition, 12.6 billion cubic meters of sour dry gas were re-injected, a volume equivalent to approximately 57% of the total gas produced. The delivery for the year 2023 was 9.56 million tons of stabilized hydrocarbons to Caspian Pipeline Consortium (CPC) pipeline (2022: 9.84 million tons), 1.05 million tons of stabilized hydrocarbons to the Atyrau-Samara pipeline (2022: 0.23 million

LUKOIL Overseas Karachaganak B.V.

tons), 0.13 million tons Oil to KazTransOil via Pumping Station Kassymova (2022: 0.04 million tons), 0.10 million tons of unstabilized condensate sold to Small Refinery (2022: 0.03 million tons), 8.80 billion standard cubic meters (scm) of raw gas sold to Orenburg (2022: 7.45 billion scm) and 0.92 billion scm of fuel gas (2022: 0.84 billion scm), corresponding to 142,7 million barrels of oil equivalent. In addition, 12.6 billion scm of gas (2022: 11.1 billion scm) were re-injected into the reservoir to improve long-term liquid recovery.

The following production records have been achieved during the year 2023:

- Maximum daily crude oil delivery to CPC and KTO: 43.766 kt;
- Maximum annual gas injection: 12,650.072 Million standard cubic meters (“Mscm”);
- Maximum daily raw gas production: 72.302 Mscm.

Drilling

- Drilling activities:
 - Rig 249: drilling completion of new well 9874 – put on production in July 2023; Drilling completion of new well 9879 – fishing operations completed, gas injection test is ongoing, decision to be done later.
 - Rig 258: Drilling completion of new well 9876 - put on production in August 2023. Drilling completion of new well 9877 - put on production in January 2024.
- Rigless activities: Long-Production Assistance with HGVF Package on wells 9868 is completed in March 2024 and 6394 is planned to be completed in October 2024.
- Workover: Safety workover on wells 121 completed and put into operation in March 2024 and RP6 with small Rig ZJ-20 is awaiting stimulation works.

Development

The stable capital investment program is a result of further development projects progressed in 2023:

- 6th Trunkline Project

Project has been delivered and first injection was achieved in September 2023. Well 9879 (first injector) was completed.

- Karachaganak Expansion Project KEPIA

GDBN (Gathering Debottlenecking) which is non-EPC scope: Procurement 98.6% completed, Construction 82.96% completed, Overall, 93.8% completed.
EPC scope (Engineering, Procurement and Construction contractor scope): Engineering completed, Procurement 97.7% completed, Construction 90.6% completed, Overall EPC 95.1% completed.
Pre-Commissioning and Commissioning without Hydrocarbon activities commenced.

- Karachaganak Expansion Project KEPIB

EPC contract award (Engineering, Procurement and Construction contractor scope), Engineering.
60%, Procurement 31% completed, Construction 13% completed, Overall EPC progress 27%. GDBN (Gathering Debottlenecking) engineering complete.
F22 (Alloy piping material) contract award, production 87% complete.
DRIZO (Licensed unit from Axens for Gas dehydration) ongoing. Overall progress is 83%.
Compressor Contract ongoing. Overall progress is 71%.
Contactor (Dehydration Column) Contract ongoing. Overall progress is 40%.

Environmental and personnel-related information

LUKOIL Overseas Karachaganak B.V.

The Company operates in Kazakhstan where environmental regulations are currently under consideration. The Company routinely evaluates its obligations relating to new and changing legislation. As soon as liabilities in respect of the Company's environmental obligations are able to be determined, they are recognized immediately as an asset retirement obligation. The likelihood and amount of liabilities relating to environmental obligations under proposed or any future legislation cannot be reasonably estimated at present and could become material. Under existing legislation, however, management believes that there are no significant unrecorded liabilities or contingencies, which could have a materially adverse effect on the operating results or financial position of the Company.

During 2023, there was no personnel changes within the Company:

Starting from February 2022 and now on one employee has been seconded to KPO.

Therefore, the number of employees as of 31 December 2023 was 5 (2022: 5), all of which were employed outside the Netherlands.

Reference is made to Notes 14 and 20 of these financial statements for details on personnel related information, such as staffing level.

Risk management and risk profile

Management has overall responsibility and sets rules for the Company's risk management and control systems. They are reviewed regularly to reflect changes in market conditions and the Company's activities.

The day-to-day management regularly assess material risks to which the Company is exposed and take the necessary actions to manage and mitigate such risks satisfactorily. It is, and has been throughout the financial year, the Company's policy that no trading in financial instruments shall be undertaken.

The risks can be divided into the various categories below.

Strategic risks

The Company's involvement in the crude oil and natural gas business leads to a number of unavoidable strategic risks that occur naturally. These include industrial risks, market risks and risks in connection with social responsibility and environmental behaviour. Inherent to this strategy is that the Company will take risks and be exposed to a variety of factors that directly or indirectly affect the Company's results.

Operational risks

The Company is exposed to operational risks caused by supplier risks, IT risks and risks related to business and work processes. Through the cooperation with only trustworthy and well-known parties, we are of the opinion that the aforementioned risks are mitigated to an acceptable level.

Financial risks

The policy of the Company regarding the use of financial instruments is to avoid risks. The Company does not hold any derivative financial instruments. The financial instruments recognized in the financial statements consist solely of primary financial instruments such as trade and other receivables, loan receivable, cash and cash equivalents, trade and other payables. Financial risks include foreign currency risk, interest rate risk, credit risk and liquidity risk. The Company is exposed to developments in the currency markets and to interest rate developments. We refer to the information provided under the heading 'Information regarding financial instruments' for details about financial instruments and related risk management.

Regulatory risks

LUKOIL Overseas Karachaganak B.V.

The business area in which the Company operates is naturally exposed to a number of legal risks, tax risks and risks in connection with the reporting to public authorities or other external reporting. It is our policy to invest in the knowledge and experience of our personnel and to share knowledge with other LUKOIL Group entities. This enables us to address regulatory risks. Furthermore, we engage professional experts (e.g. tax advisors, legal advisors) to assist us in identifying and mitigating regulatory risks.

The Company among other Contracting Companies of the FPSA was involved in the dispute with the RoK related to Cost Recovery. Please see notes 10 and 19 for additional details. In 2023, no additional provision (2022: no provision) was created for the expected legal outcome with the RoK on the Cost Recovery dispute due to change in estimates (Note 19).

Sectorial sanctions against the Russian companies

Due to the escalation of the conflict between Russia and Ukraine started in February 2022, multiple jurisdictions, including the U.S., the EU, the UK and others have imposed economic sanctions on Russia, various companies, and certain individuals.

At the date of these financial statements neither the Company's ultimate parent company, PJSC LUKOIL, nor any of its subsidiaries or personnel have been designated as a Specially Designated National or Blocked Person ("SDN") (or treated as an SDN due to reasons of ownership or control), and PJSC LUKOIL and any of its subsidiaries have not been included on the EU's list of designated persons or the UK Sanctions List. As of the date of these financial statements the Company's management has not identified any public communication or administrative proceeding threatening to impose new sanctions specifically on PJSC LUKOIL and any of its subsidiaries by U.S., EU or UK regulators pursuant to U.S., EU or UK sanctions laws.

Consequences of the conflict between Russia and Ukraine are very dynamic, responses of the international community are evolving and the future business environment may differ from current management's assessment. Management will continue monitoring the situation closely to ensure prompt reaction to the rapidly changing environment.

Information regarding financial instruments

General

During the normal course of business, the Company uses various financial instruments that expose the Company to credit and/or market risks. These relate to financial instruments that are included on the balance sheet. The Company does not trade in these financial instruments and follows procedures and lines of conduct to limit the size of the risk with each counterparty and market. If a counterparty fails to meet its payment obligations to the Company, the resulting losses are limited to the fair value of the instruments in question. The contract value or principal amounts of the financial instruments serve only as an indication of the extent to which such financial instruments are used, and not of the value of the credit or market risks.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises from the loan receivable from a Group company amounting to USD 271,490 thousand (31 December 2022: USD 579,087 thousand), trade and other receivables amounting to USD 58,684 thousand (31 December 2022: USD 74,429 thousand), financial fixed assets of USD 243 thousand (31 December 2022: USD 243 thousand), and cash and cash equivalents amounting to USD 57 thousand (31 December 2022: USD 941 thousand). The carrying amount of financial assets represents the maximum credit exposure. During 2023 the Company did not experience any non-performance by any counterparty, and as of 31 December 2023, all receivables were considered to be fully recoverable.

LUKOIL Overseas Karachaganak B.V.

The credit risk arising from the loan receivable is concentrated at a LUKOIL Group company which is – like the Company – linked to the ultimate parent company PJSC LUKOIL. The credit risk on the loan is considered to be limited, given the strong financial performance of the counterparty and LUKOIL Group. For further details about the terms on the Company's loans to the Group companies, please refer to Note 9.

The credit risk arising from trade and other receivables is mainly concentrated at KPO, the Operator under the FPSA, for a total amount of USD 58,684 thousand (2022: USD 74,429 thousand). A long standing relationship exists with this counterparty, which has historically settled its obligations with the Company within its credit terms. Management has assessed the Operator's financial position at 31 December 2023 and its operations for the year then ended and concluded that the credit risk related to the outstanding balance is low.

Financial fixed assets comprise value added tax to be received in future periods from the tax authorities of the RoK. Management believes that the amount outstanding at the year-end is fully recoverable based on the Company's prior experience and common tax practice in the RoK.

The credit risk arising from the balance of cash and cash equivalents is considered negligible as cash and bank deposits are placed in the banks with high credit quality (minimal of BBB+).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the reputation of the Company.

The Company is not exposed to significant liquidity risk. The contractual cash flows of the financial liabilities do not differ significantly from their carrying amounts. Furthermore, management considers the liquidity risk as low in view of the Company's financial position at year end and, if needed, its access to intragroup financing.

Interest rate risk

On 6 July 2021 the Company entered into a new revolving loan receivable agreement with LUKOIL Finance B.V. and the loan mentioned above was fully settled on 22 October 2021. The new loan's maximum facility amounts to USD 650,000 thousand and its interest rate is set to 1% per annum. The total outstanding balance of loans receivable as at 31 December 2023 is USD 271,490 thousand (2022: USD 579,087 thousand). The repayment date of the new revolving loan facility is 30 June 2024 with the right of automatic extension with a period of one year unless called by lender or borrower. Please refer to Note 9 for more information.

The Company's exposure to interest rate risk is reduced due to the determination of interest rates through market analysis with reference to comparable floating interest rates. Starting from July 2021 the Company considers its interest risk as low due to the fact that interest rate is fixed based on the terms of the new revolving loan receivable facility.

Foreign currency risk

The Company's revenues are denominated either in US dollars or they are positively correlated to the US dollar oil price. Most of the Company's costs are denominated in US dollars as well. So that the overall effect of Kazakhstani tenge depreciation has limited impact on the Company's exposure to foreign currency risk.

The risk on the Company's cash position is managed by economic hedge. The majority of sales, expenses and accounts receivable and payable are denominated in the functional currency, being US dollar. The Company's policy is not to use derivative financial instruments to control any remaining foreign currency fluctuations.

LUKOIL Overseas Karachaganak B.V.

Fair value

The carrying value of the financial instruments stated on the balance sheet is approximately equal to their fair value.

Research and development information

The Company has not carried out any research and development activities during the year.

Information concerning application of code of conduct

The Company issued and applies a Code of Corporate Conduct of LUKOIL Group, which regulates the most important rules of conduct for LUKOIL's company business and its employees, ethical norms for intra-corporate relations and social responsibility.

Future outlook

The Company will continue to focus on the exploitation of its 13.5% interest in the FPSA operated by KPO. For 2023, the Company remained profitable and the Company expects to remain profitable in the year 2024 with no significant changes in the number of employees.

The Kazakhstan government has exercised and continues to exercise significant influence over many aspects of the private sector. The government has been attempting to implement economic reform policies and encourage substantial private economic activity. These reforms are ongoing and may result in significant structural changes to the Kazakhstan economy.

The financial return on the activities in which the Company participates is also subject to unique economic, political, and social risks inherent in doing business in Kazakhstan. These risks include matters arising out of the policies of the government, economic conditions, imposition of or changes to tax and other legislation, foreign exchange fluctuations, unenforceability of contract rights, and the transfer of property without fair compensation.

The accompanying financial statements reflect management's assessment of the possible impact of the current environment on the financial position of the Company. The future business environment may differ from management's assessment. The impact of such differences on the operations and financial statements of the Company may be significant.

Going concern

Due to escalation of the conflict between Russia and Ukraine started in February 2022, multiple jurisdictions, including the U.S., the EU, the UK and others have imposed economic sanctions on Russia, various companies, and certain individuals.

At the moment the management believes that impact of sanctions on the Company is limited and based on current knowledge and available information, management does not expect any consequences for the Company's ability to continue as a going concern in the future. Consequently, the financial statements of the Company have been prepared on the basis of the going concern assumption.

Subsequent events

On 24 January 2024 the company signed amendment to loan agreement with LUKOIL Finance B.V. has been changed from 1% (fixed) to ICE Term SOFR % per annum (variable).

LUKOIL Overseas Karachaganak B.V.

The revolving loan receivable agreement with LUKOIL Finance B.V. has been automatically extended for one more year. The repayment date is 30 June 2024 with the right of automatic extension with a period of one year unless called by lender or borrower.

There are no other subsequent events that have been identified.

Directors

The Board of Directors consists of the following members during the financial year:

John Peter Boogaerdt (appointed 11 December 2019)

Jagdeep Singh Dhesi Dhesi (appointed 1 September 2020)

The directors who held office during the financial year and signing the Annual Report had no disclosable interest in the shares of the Company.

Diversity in the Board

All of the leadership positions are held by men. The objective within the company is set at a minimum of 30% of the positions to be occupied by women or men.

The company strives to achieve this by, among other initiatives, placing extra focus on female high potentials within the organization, offering management roles that can also be part-time, and encouraging male managers with young children to take on (temporary) care responsibilities and to work part-time, with the aim of spreading this approach throughout the entire organization.

The financial statements were prepared and approved by management of the Company in Amsterdam on _____ 2024.

The Board of Directors:

J.P. Boogaerdt
Director

J.S.D. Dhesi
Director

LUKOIL Overseas Karachaganak B.V.

Balance Sheet as at 31 December 2023

(before result appropriation)

	Notes	2023	2022
		USD'000	USD'000
Fixed assets			
Intangible fixed assets	3	4,872	5,323
Tangible fixed assets	3	1,228,951	1,205,424
Financial fixed assets		243	243
		1,234,066	1,210,990
Current assets			
Inventories	4	58,131	60,899
Loans receivable	9	271,490	579,087
Trade and other receivables	6	58,684	74,429
Prepaid Income Tax	18	10,245	6,291
Cash and cash equivalents	6	57	941
		398,607	721,647
Total assets		1,632,673	1,932,637
Shareholder's equity	7		
Issued capital		20	19
Share premium		295,866	795,866
Other reserves		818,013	568,823
Unappropriated result		195,388	249,191
		1,318,117	1,613,899
Provision			
Legal claim provision	19	11,600	11,600
Deferred tax liabilities	18	141,891	147,988
Asset retirement obligation	3	72,571	60,926
		226,062	220,514
Non-current liabilities			
Long-term Lease liability	5	2,833	14,557
		2,833	14,557
Current liabilities			
Deposits and advances		6,495	-
Lease liability	5	13,237	15,492
Tax payable		8	1,599
Trade and other payables	8	74,751	66,576
		94,491	83,667
Total liabilities and shareholder's equity		1,632,673	1,932,637

The notes on pages 14 to 44 are an integral part of these financial statements.

LUKOIL Overseas Karachaganak B.V.

Profit and Loss account for the year ended 31 December 2023

	Notes	2023 USD'000	2022 USD'000
Net turnover	11	532,582	609,964
Cost of sales	12	(176,178)	(180,189)
Gross margin on turnover		<u>356,404</u>	<u>429,775</u>
Selling and distribution expenses	13	(47,222)	(50,291)
General and administrative expenses	14	(10,152)	(8,995)
Total operating expenses		<u>(57,374)</u>	<u>(59,286)</u>
Net result on turnover		<u>299,030</u>	<u>370,489</u>
Other operating income / expenses	15	383	(941)
		<u>383</u>	<u>(941)</u>
Operating result		<u>299,413</u>	<u>369,548</u>
Interest income and similar income	16	3,733	3,697
Interest expenses and similar charges	17	(6,567)	(5,929)
Foreign exchange loss		(357)	(248)
		<u>(3,191)</u>	<u>(2,480)</u>
Result before tax		<u>296,222</u>	<u>367,068</u>
Tax on result	18	(100,834)	(117,877)
Result after tax		<u><u>195,388</u></u>	<u><u>249,191</u></u>

The notes on pages 14 to 44 are an integral part of these financial statements.

LUKOIL Overseas Karachaganak B.V.

Cash Flow statement for the year ended 31 December 2023

	Notes	2023		2022	
		USD '000	USD '000	USD '000	USD '000
Cash flow from operating activities					
Operating result			276,679		375,446
Adjustment for:					
Depreciation/amortisation	12	90,174		89,937	
Non-cash currency translation gain		1,520		2,495	
Changes in working capital:					
Receivables and other current and non-current assets		21,879		(14,476)	
Inventories		2,768		11,907	
Trade and other payables		(5,416)		(16,417)	
Other taxes payable		18,860		(12)	
Cashflow from business operations:			406,464		448,880
Income tax paid		(110,926)		(117,830)	
Interest received from loan	9	2,747		1,717	
Interest received in deposit account		(316)		1,248	
Cash flow from operating activities:			297,969		331,519
Purchase of tangible fixed assets		(85,850)		(71,176)	
Loans granted	9	(524,571)		(1,452,107)	
Loans repaid	9	831,869		963,905	
Cash flow from investing activities:			221,448		(559,378)
Payment for leased assets	2	(20,301)		(26,248)	
Reduction in share premium	22	(500,000)		-	
Dividends paid	7	-		(50,000)	
Cash flow from financing activities:			(520,301)		(76,248)
Net cash flow / Changes in cash and cash equivalents			(884)		(304,107)
Cash and cash equivalents as at 1 January			941		305,048
Cash and cash equivalents as at 31 December			57		941

The notes on pages 15 to 44 are an integral part of these financial statements.

LUKOIL Overseas Karachaganak B.V.

Notes to the financial statements for the year ended 31 December 2023

1. General

(a) Organisation and operations

LUKOIL Overseas Karachaganak B.V. ("the Company") was incorporated in the Netherlands in Amsterdam on 27 April 1999 and has its registered address at Zuidplein 198, H Tower Level 24, 1077 XV, Amsterdam, the Netherlands. The Company is a private limited liability company under Dutch law and is listed under number 34.114.782 in the Dutch Trade Register.

The Company is 100% owned by LUKOIL International Upstream Holding B.V. registered in Amsterdam, the Netherlands. The Company's ultimate parent is PJSC LUKOIL registered in Moscow, Russia, operating in the oil and gas industry. Hereinafter PJSC LUKOIL and the entities ultimately controlled by PJSC LUKOIL are together referred to as "the LUKOIL Group" or "the Group".

The Company performs development and production (crude oil and natural gas) activities. The activities are deployed at the on-shore field of Karachaganak. On 1 July 2001, the Company acquired a 15% interest in the final production sharing agreement ("FPSA") operated by Karachaganak Petroleum Operating B.V. ("KPO" or "Operator") for a net amount of USD 313 million. The purpose of this FPSA is to explore and develop the Karachaganak field in the RoK.

In 2011 the consortium of investors in the "Karachaganak" project, including the Company, and the RoK entered into a Settlement Agreement, which sets forth the transfer of a 10% interest in KPO to state-owned company KazMunayGas. Consequently, from 28 June 2012, the Company's interest decreased from 15% to 13.5%. There were no changes in participation interest afterwards.

(b) Business environment

The Company's operations are subject to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, the imposition of, or changes to, taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment.

The accompanying financial statements reflect management's assessment of the impact of the Kazakh business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment. The impact of such differences on the operations and the financial position of the Company may be significant.

(c) Sectorial sanctions against the Russian companies

In July – September 2014, the United States ("US"), the European Union ("EU") and several other countries imposed a set of sanctions on Russia, including sectoral sanctions, which affect several Russian oil and gas companies. The US Department of the Treasury has placed the Company onto the Sectoral Sanctions Identifications List subject to Directive 4 of the Office of foreign assets control (OFAC). Directive 4 prohibits US companies and individuals from providing, exporting, or re-exporting directly or indirectly, goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area spreading from the Russian territory and claimed by the Russian Federation.

LUKOIL Overseas Karachaganak B.V.

From January 2018 (based on acts adopted in August – October 2017), the US expanded abovementioned sanctions to include certain categories of international oil projects initiated on or after 29 January 2018 in any part of the world, in which companies placed on the Sectoral Sanctions Identifications List subject to Directive 4 (including the Company) have an ownership interest of 33% or more, or ownership of a majority of the voting interests.

Due to the escalation of the conflict between Russia and Ukraine started in February 2022, multiple jurisdictions, including the U.S., the EU, the UK and others have imposed economic sanctions on Russia, various companies, and certain individuals.

At the date of these financial statements neither the Company's ultimate parent company, PJSC LUKOIL, nor any of its subsidiaries or personnel have been designated as a Specially Designated National or Blocked Person ("SDN") (or treated as an SDN due to reasons of ownership or control), and PJSC LUKOIL and any of its subsidiaries have not been included on the EU's list of designated persons or the UK Sanctions List. As of the date of these financial statements the Company's management has not identified any public communication or administrative proceeding threatening to impose new sanctions specifically on PJSC LUKOIL and any of its subsidiaries by U.S., EU or UK regulators pursuant to U.S., EU or UK sanctions laws.

Consequences of the conflict between Russia and Ukraine are very dynamic, responses of the international community are evolving and the future business environment may differ from current management's assessment. Management will continue monitoring the situation closely to ensure prompt reaction to the rapidly changing environment.

(d) Basis of preparation

The financial statements are prepared using the historical cost convention and are drawn up in accordance with accounting principles generally accepted in the Netherlands and are in compliance with the statutory provisions of Title 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Dutch Accounting Standards for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

The information on the proportional consolidation share with its operator Karachaganak Petroleum Operating B.V. (KPO) is described below.

Jointly controlled ventures

The Company participates under the FPSA in jointly controlled oil and gas activities as a non-operating partner. Interests in jointly controlled activities are recognized by including the Company's share of assets, liabilities, income and expenses on a line by line basis. The Company's share of assets, liabilities and expenses under the FPSA operated by KPO is 13.5%. The respective share in revenues and amounts due from customers as at 31 December 2023 is 8.40% (2022: 8.44%) which is lower than 13,5% due to the Republic of Kazakhstan government take.

(e) Going concern

Due to escalation of the conflict between Russia and Ukraine started in February 2022, multiple jurisdictions, including the U.S., the EU, the UK and others have imposed economic sanctions on Russia, various companies, and certain individuals.

At the moment the management believes that impact of sanctions on the Company is limited and based on current knowledge and available information, management does not expect any consequences for the Company's ability to continue as a going concern in the future. Consequently, the financial statements of the Company have been prepared on the basis of the going concern assumption.

(f) Financial reporting period

These financial statements cover the year 2023, which ended at the balance sheet date of 31 December 2023.

LUKOIL Overseas Karachaganak B.V.

(g) Use of judgements and estimates in the application of accounting principles

The preparation of the financial statements and the application of accounting principles require management to apply judgement and to make estimates based on assumptions about the future that influence the reported values of assets and liabilities and of income and expense. Due to estimation uncertainty, actual outcomes in the future may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The following accounting policies are in the opinion of management the most critical in preparing these financial statements and required judgements, estimates and assumptions:

- Asset retirement obligation Note 3
- Legal claim provision Note 19
- Depreciation, depletion and amortization Note 3, 12
- Tangible and intangible fixed assets Note 3
- Inventories Note 4

2. Accounting policies

(a) General

Unless stated otherwise, assets and liabilities are measured at historical cost.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability. Provisions are included in the liabilities of the Company.

An asset or liability that is recognised in the balance sheet, remains recognised on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in substance with respect to the asset or liability. Such transactions will not result in the recognition of results. Assessing whether there is a significant change in substance is based on the economic benefits and risks which will probably arise in practice, and not on benefits and risks which cannot reasonably be expected to arise.

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability are transferred to a third party. In such cases, the results of the transaction are directly recognised in the profit and loss account, taking into account any provision to be formed in connection with the transaction.

If assets are recognised of which the Company does not have the legal ownership, this fact is being disclosed.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

Revenues and expenses are allocated to the period to which they relate. Revenues are recognized when the company has transferred the significant risks and rewards of ownership to the buyer.

The Company has consistently applied the accounting policies set out in note 2 to all periods presented in these financial statements.

LUKOIL Overseas Karachaganak B.V.

Functional and presentation currency

The financial statements are presented in USD, the Company's functional currency and that of its Kazakh branches. The presentation and functional currency for the purpose of these financial statements is USD due to the fact that the Company conducts the majority of its transactions in USD.

All financial information in USD has been rounded to the nearest thousand.

(b) Principles for the translation of foreign currencies

Transactions denominated in foreign currency are translated into the functional currency of the Company at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into the functional currency at the exchange rate applying on that date. Non-monetary assets and liabilities in foreign currency that are stated at historical cost are translated into USD at the applicable exchange rates applying on the transaction date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognised in profit and loss in the period in which the exchange differences arise. Foreign currency gains and losses are taken to the profit and loss account as income or expenses.

At year end the following rates have been used:

2023: EUR 1 = USD 1.1036

2022: EUR 1 = USD 1.0699

2023: USD 1 = KZT 454.56

2022: USD 1 = KZT 462.65

Financial instruments

Financial instruments include investments in shares and bonds, trade and other receivables, cash items, loans and other financing commitments, and trade and other payables. These financial statements include the following financial instruments: loans receivables, trade and other receivables, cash and cash equivalents, and trade and other payables.

Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the profit and loss account at the initial recognition.

Financial assets and liabilities are recognised in the balance sheet when the contractual rights or liabilities with respect to that financial instrument arise.

Financial instruments are derecognised when a transaction means that all or virtually all rights to economic benefits and all or virtually all risks relating to the position have been transferred to a third party.

After initial recognition, financial instruments are valued in the manner described below.

Loans receivable and trade and other receivables

Loans receivable and trade and other receivables are carried at amortised cost on the basis of the effective interest method, less impairment losses. The effective interest is directly recorded in the profit and loss account.

Impairment of financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

LUKOIL Overseas Karachaganak B.V.

Objective evidence that financial assets are impaired includes significant financial difficulty of the issuer or obligor, breach of contract such as default or delinquency in interest or principal payments, granting to the borrower a concession that the Company would not otherwise consider, indications that a debtor or issuer will enter bankruptcy or other financial restructuring, the disappearance of an active market for that financial asset because of financial difficulties or observable data indicating that there is a measurable decrease in the estimated future cash flow, including adverse changes in the payment status of borrowers or issuers, indications that a debtor or issuer is approaching bankruptcy, and the disappearance of an active market for a security. Indicators for subjective evidence are also considered together with objective evidence of impairments, such as the disappearance of an active market because an entity's financial instruments are no longer publicly traded, a downgrade of an entity's credit rating or a decline in the fair value of a financial asset below its cost or amortised cost.

The entity considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and financial assets that are held to maturity) both individually and on a portfolio basis. All individually significant assets are assessed individually for impairment. The individually significant assets that are not found to be individually impaired and assets that are not individually significant are then collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of collections and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses below (amortised) cost of financial instruments that are measured at fair value through profit or loss, are recognised directly in the profit and loss account.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss (up to the amount of the original cost).

Trade and other payables

Trade and other payables are measured after their initial recognition at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the profit and loss account.

(c) Intangible and tangible oil and gas related fixed assets

(i) Method of accounting for oil and gas assets

The Company follows the successful efforts method of accounting for its oil and gas assets, whereby property acquisitions, successful exploratory wells, all development costs and support equipment and facilities are capitalized. Unsuccessful exploratory wells are expensed at the time the wells or other exploration activities are determined to be non-productive. Production costs, overheads and all exploration costs other than exploratory drilling are expensed as incurred.

Intangible and tangible fixed assets are only recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably.

Intangible and tangible fixed assets are measured at cost less accumulated depreciation and impairment losses.

LUKOIL Overseas Karachaganak B.V.

(ii) Subsequent expenditures

Expenditures incurred to replace a component of an item of tangible fixed assets that is accounted for separately, are capitalized within the carrying amount of the component being depreciated. Other subsequent expenditures, including major maintenance are capitalized only when they increase the future economic benefits embodied in the item of tangible fixed assets. All other expenditures are recognized in the profit and loss account as an expense as incurred.

(iii) Depreciation, depletion and amortization

Depreciation, depletion and amortization of capitalized costs of oil and gas assets is calculated using the unit-of-production method based upon proved reserves for the cost of property acquisitions and proved developed reserves for exploration and development costs. Depreciation is recognized in the profit and loss account.

(iv) Social assets

The Company also maintains and constructs social assets for the use of local communities. Such assets are capitalized only to the extent that they are expected to result in future economic benefits for the Company. If capitalized, they are depreciated using the unit-of-production method.

(v) Asset retirement obligation

Asset retirement obligation are recognised in full, on a discounted cash flow basis, when the Company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This asset is subsequently depreciated as part of the capital costs of the production and transportation facilities on a unit-of-production basis.

Changes in the measurement of existing asset retirement obligation that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, are accounted for so that:

- changes in the Asset retirement obligation (provision) are added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognised immediately as an expense; and
- if the adjustment results in an addition to the cost of an asset, the Company considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Company tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss.

(vi) Oil and gas license fees

The cost of oil and gas license fees is amortized using the unit-of-production method based upon proved reserves.

(vii) Impairment

Fixed assets such as oil and gas properties, other tangible fixed assets and purchased intangibles subject to amortization, are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of a cash generating unit (CGU) to its recoverable amount. Recoverable amount is the higher of value in use (the estimated present value of future cash flows to be generated by that CGU) and net selling price. If the carrying amount of a CGU exceeds the recoverable amount as described above, impairment is charged for the difference between the carrying amount and the recoverable amount.

LUKOIL Overseas Karachaganak B.V.

Fixed assets which have previously been impaired are annually assessed whether the current recoverable amount is higher than the current carrying value. In this case, the impairment is (partially) reversed and the carrying amount of the asset is increased.

(viii) Disposal of fixed assets

Assets available for sale are separately presented in the balance sheet and stated at the lower of their carrying amount and net realisable value, and no longer depreciated.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes the expenditure for acquisition or manufacture, plus other costs to bring the inventories to their present location and condition. Net realisable value is based on the most reliable estimate of the amount the inventories are expected to realise, less costs still to make.

Crude oil inventories are carried at the lower of cost price and fair value in accordance with the weighted average price method and market value. The crude oil inventories include production costs associated with lifting and transporting crude oil from the oil field to the pipeline. Crude oil placed into the pipeline is held as inventory.

Materials and supplies are carried at the lower of cost price and fair value in accordance with the weighted average price method and market value.

(e) Loans receivable and trade and other receivables

The accounting policies applied for the valuation of Loans receivable and trade and other receivables is described under the heading 'Financial instruments'.

(f) Cash and cash equivalents

In these financial statements cash and cash equivalents include cash at bank. Cash and cash equivalents are measured at nominal value. If cash at bank is not readily available, this fact is taken into account in the measurement.

Cash at bank denominated in foreign currencies are translated at the balance sheet date in the functional currency at the exchange rate prevailing at that date. Reference is made to the accounting policies for principles for the translation of foreign currencies.

(g) Shareholder's equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholder's equity. Payments to holders of these instruments are deducted from the shareholder's equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognized in the profit and loss as financial income or expense. Dividends are recognised as a liability when they are declared. Amounts received from the shareholder in excess of the nominal value of shares issued are recognised as share premium, net of transaction costs. Capital transactions with the shareholder such as capital contributions from the shareholder are recognised directly in equity in the same way as the distributions made to the shareholder. Transaction of share capital recognised at the balance sheet date with translation difference recognised in Other reserve.

LUKOIL Overseas Karachaganak B.V.

(h) Provision

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation which will result in a future outflow of economic benefits to settle the obligation, and the amount and/or timing of its settlement are uncertain. A provision is recognised if the following applies:

- the Company has a legal or constructive obligation, arising from a past event; and
- the amount can be estimated reliably;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at the present value of the best estimate of the expenditures expected to be required to settle the obligations and losses.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The current market rate is determined based on the yield on high quality corporate bonds in a liquid market; in the absence of a liquid market, the current market rate is based on the yield on government bonds.

The provisions are measured at nominal value if the time value of money is not material or if the period over which the cash outflows are discounted is no longer than one year.

(i) Asset retirement obligations

Asset retirement obligations are recognized when the Company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of the amount of the obligation can be made. The amount of the obligation is measured at the present value of the estimated future expenditure determined in accordance with local conditions and requirements, discounted at the pre-tax discount rate as described above. A corresponding increase in tangible fixed asset is recorded. Subsequently, the asset retirement obligation is accreted by the unwinding of the discount and the corresponding asset is depreciated as part of the production and transportation facilities on a unit-of-production basis.

(i) Non-current liabilities

The valuation of non-current liabilities is explained under the heading 'Leases' (u).

(j) Trade and other payables

The valuation of current liabilities is explained under the heading 'Financial instruments'.

(k) Revenue recognition

Revenue from the sale of crude oil and natural gas is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of consideration is probable, and there is no continuing management involvement with the crude oil and natural gas.

The transfer of risks and rewards varies according to the conditions of the relevant sales contract. For the sale of crude oil and natural gas, transfer usually occurs when the product is received at the customer's warehouse; for some international shipments, however, transfer occurs when the goods have been loaded by the carrier.

LUKOIL Overseas Karachaganak B.V.

(l) Corporate income tax

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences following from the manner in which the Company expects, at the balance sheet date, to realise or settle its assets, provisions, debts and accrued liabilities. Where the carrying values of assets and liabilities for financial reporting purposes differ from their values for tax purposes (tax base), deferred tax assets and liabilities are included for temporary differences.

A provision for deferred tax liabilities is recognised for taxable temporary differences.

For deductible temporary differences, unused loss carry forwards and unused tax credits, a deferred tax asset is recognised, but only in so far as it is probable that taxable profits will be available in the future for offset or compensation. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

For taxable temporary differences related to the Company's foreign branch, a deferred tax liability is recognised unless the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. For deductible temporary differences regarding the Company's foreign branch, a deferred tax asset is only recognised in so far as it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available to offset the temporary difference.

Deferred tax assets and deferred tax liabilities are offset in the balance sheet if the company has a legally enforceable right to offset current tax assets against current tax liabilities, insofar as they relate to the same financial year and deferred tax assets relate to income taxes levied by the same tax authority on the same taxable Company, or the same fiscal unity.

The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences following from the manner in which the Company expects, at the balance sheet date, to realise or settle its assets, provisions, debts and accrued liabilities. Deferred tax assets and liabilities are measured at nominal value.

(m) Cash flow statement

The cash flow statement is prepared using the indirect method. Cash flows in foreign currency are translated into USD using the weighted average exchange rates at the dates of the transactions.

Interest received and corporate income tax paid are included in cash flow from operating activities. Interest paid and dividends paid are included in cash flow from financing activities.

Only investments which cash payments were made for in 2022 are included under "purchase of tangible fixed assets".

Transactions that do not include an exchange of cash and cash equivalents, such as finance leases, are not included in the cash flow statement. The payment of finance lease terms is allocated for the part related to the repayment of the lease obligation as well as part related to the interest component to the cash flows from financing activities.

LUKOIL Overseas Karachaganak B.V.

(n) Determination of fair value

The fair value of a financial instrument is the amount for which an asset can be sold or a liability settled, involving market participants who are well informed regarding the matter, willing to enter into a transaction and are independent from each other.

The fair value of non-listed financial instruments is determined by discounting the expected cash flows to their present value, applying a discount rate that is equal to the current risk-free market interest rate for the remaining term, plus credit and liquidity surcharges.

(o) Commitments and contingencies

Certain conditions may exist as of the date of the financial statements that may result in a loss to the Company but will only be resolved when one or more future events occur or fail to occur.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability is accrued and charged to the profit and loss account. If the assessment indicates that a potentially material loss is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed in the Notes to the financial statements. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed.

Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and or remediation can be reasonably estimated.

(p) Interest expense

All interest and similar expenses incurred in connection with borrowings are expensed as incurred as part of interest expense, except that interest expense incurred on construction projects is capitalized.

(q) Interest income

Interest income is recognised in the period to which it belongs, taking into account the effective interest of the related asset.

(r) Salaries and wages

Employee benefits are charged to the profit and loss account in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognised as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the Company.

(s) Subsequent events

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements. Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of such events are disclosed in the financial statements.

LUKOIL Overseas Karachaganak B.V.

(t) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. Although IFRS 16 (Leases) is not applicable under Dutch GAAP, the Dutch Accounting Standards Board (DASB Expressions 2018-3 and 2019-3) allows companies to adopt IFRS 16 under Dutch GAAP.

At commencement or on modification of a contract that contains a lease component, the Company as a lessee allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of tangible fixed assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'Tangible fixed assets' and lease liabilities in 'Lease liabilities' in the balance sheet.

3. Intangible and tangible fixed assets

Movements in intangible and tangible fixed assets were as follows:

	Oil and gas license fees USD'000	Oil and gas assets USD'000	Lease assets USD'000	Total USD'000
Opening balance as of January 1, 2023	53,315	2,283,387	62,005	2,398,707
Additions	-	104,399	2,886	107,285
Movements in Asset Retirement Obligation	-	5,614		5,614
Depreciation charged to capitalized assets	-	8,406		8,406
Interest capitalized related to lease assets	-	345		345
Disposals	-		(15,603)	(15,603)
Closing balance as of December 31, 2023	53,315	2,402,151	49,288	2,504,754
	Oil and gas license fees USD'000	Oil and gas assets USD'000	Lease assets USD'000	Total USD'000
Opening balance as of January 1, 2023	(47,992)	(1,108,560)	(31,408)	(1,187,960)
Charge for the year	(450)	(80,798)	(17,332)	(98,580)
Disposals	-	-	15,603	15,610
Closing balance as of December 31, 2023	(48,443)	(1,189,358)	(33,137)	(1,270,931)
Net book value as of December 31, 2023	4,872	1,212,793	16,151	1,233,823
Net book value as of December 31, 2022	5,776	1,163,505	15,590	1,184,871

LUKOIL Overseas Karachaganak B.V.

	Oil and gas license fees USD'000	Oil and gas assets USD'000	Total USD'000
Opening balance as of January 1, 2022	53,315	2,194,593	2,280,370
Additions	-	83,977	120,946
Movements in Asset Retirement Obligation	-	(5,743)	(5,743)
Depreciation charged to capitalized assets	-	9,950	9,950
Interest capitalized related to lease assets	-	610	610
Disposals	-	-	(7,426)
Closing balance as of December 31, 2022	53,315	2,283,387	2,398,707
Accumulated depreciation, depletion and amortization			
Opening balance as of January 1, 2022	(47,539)	(1,031,088)	(1,095,499)
Charge for the year	(453)	(77,472)	(99,887)
Disposals	-	-	7,426
Closing balance as of December 31, 2022	(47,992)	(1,108,560)	(1,187,960)
Net book value as of December 31, 2022	5,323	1,174,827	1,210,747
Net book value as of December 31, 2021	5,776	1,163,505	1,184,871

Right-of-use assets related to lease properties presented as part of tangible assets is disclosed in Note 5.

LUKOIL Overseas Karachaganak B.V.

Oil and gas assets represent the Company's share of the FPSA development costs and support equipment and facilities. During 2022, depreciation of USD 9,950 thousand (2021: USD 3,222 thousand) and interest of USD 610 thousand (2021: USD 265 thousand) related to lease assets were capitalized to tangible fixed assets. For more information, see Note 5.

Asset Retirement Obligation

The Company's oil and gas assets listed above include asset retirement costs associated with its asset retirement obligations. As at 31 December 2023, the asset retirement obligation amounted to USD 72,571 thousand (2022: USD 60,926 thousand). During 2023 and 2022, the assets retirement obligations changed as follows:

	2023 USD'000	2022 USD'000
Asset retirement obligation as at 1 January	60,926	61,239
Accretion charge	6,032	5,431
New obligations	12,042	107
Change in estimates	8,454	3,510
Change from change in discount rate (+/-)	(14,882)	(9,361)
Asset retirement obligation as at 31 December	72,571	60,926

Estimates of the long-term inflation rate and discount rate changed in 2023 causing corrections to the lines "change in estimate" and "change from change in discount rate (+/-)".

At 31 December 2023 neither intangible nor tangible fixed assets were pledged.

At each reporting date, the Company performs a regular annual impairment test of its intangible and tangible fixed assets to determine whether there is any indication of impairment. During the reporting period no impairment losses were recognized (2021: nil) for tangible and intangible fixed assets.

4. Inventories

	2023 USD'000	2022 USD'000
Materials for extraction and drilling	56,353	59,614
Crude oil	1,778	1,285
	58,131	60,899

The carrying amounts of inventories stated above are valued at cost. The valuation of inventories based on the fair value does not materially differ from the valuation above. In 2023, the Company did not recognize additional inventory provision (2022: nil).

5. Right-of-use assets

The Company leases a number of properties and equipment; the following table shows a detail of the lease contracts at 31 December 2023.

LUKOIL Overseas Karachaganak B.V.

Category	Period	2023 USD'000	2022 USD'000
Warehouse and factory leases	5 -10 years	1,256	759
Land and buildings leases	5 - 15 years	952	706
Production equipment leases	2- 5 years	13,530	25,911
IT equipment leases	1- 5 years	418	3,221
	Total	16,156	30,597

These leases typically run for a period of 1 to 15 years, with an option to renew the lease after that date. Lease payments are periodically reviewed to reflect market rents. Some leases provide for additional rent payments that are based on changes in local price indices. The drillings rig, office and storage premises leases were entered into several years ago. IT equipment leases mainly represented by software providing operation and maintenance of data networks and communication lines.

Right-of-use assets related to lease properties are presented as tangible fixed assets.

	Land and buildings	Production equipment	Warehouse and facilities	IT Equipment	Total
2022					
Balance at 1 January	(1,451)	(15,871)	(1,567)	(3,043)	(21,962)
Depreciation charge for the year	233	32,520	1,002	345	34,100
Additions to right-of-use assets	1,319	1,415	135	-	2,869
Disposal of right-of-use assets	(278)	(3,794)	(2,715)	(639)	(7,426)
Accumulated depreciation of disposed right-of-use assets	278	3,794	2,715	639	7,426
Balance at 31 December	706	25,911	759	3,221	30,597
2023					
Depreciation charge for the year	(1,544)	(11,114)	(1,837)	(2,837)	(17,332)
Additions to right-of-use assets	25		286	9	320
Modification of the current contracts	1,368	155	1,043	-	2,566
Disposal of right-of-use assets	(126)	(12,485)		(2,992)	(15,603)
Accumulated depreciation of disposed right-of-use assets	126	12,485	-	2,992	15,603
Other movement merger	1	1	1		3
Reclassification bet ween ROULA accounts	1	(1)	(1)	3	2
Balance at 31 December	555	14,952	251	393	16,156

LUKOIL Overseas Karachaganak B.V.

Lease obligations

The future minimum lease payments under leases payable are:

	2023 USD'000	2022 USD'000
Within one year	1,241	433
Two to five years	14,825	15,059
More than five years	4	14,557
	<u>16,070</u>	<u>30,049</u>

Amounts recognized in profit and loss account

	2023 USD'000	2022 USD'000
Interest on lease liabilities	881	1,109
	<u>881</u>	<u>1,109</u>

Amounts recognized in statement of cash flows

	2023 USD'000	2022 USD'000
Cash outflow for leases	20,301	26,248
	<u>20,301</u>	<u>26,248</u>

Disclosed as:

	2023 USD'000	2022 USD'000
Non-current liabilities	2,833	14,557
Current liabilities	13,237	15,492
	<u>16,070</u>	<u>30,049</u>

In addition, an amount of USD 2,833 thousand represented by long term portion of lease (2022: USD 14,557 thousand) and short-term portion of USD 13,237 thousand (2022: USD 15,492 thousand) are included for finance lease obligations.

6. Risk management

Financial risk factors

During the normal course of business, the use of financial instruments by the Company is limited mainly to bank deposits, trade accounts payable and loans receivable.

The Company does not have a formal risk management policy. Instead the susceptibility of the Company to financial risks, such as credit risk and market risk, is monitored as part of its daily management of the business.

LUKOIL Overseas Karachaganak B.V.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from loans to Group companies.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2023	2022
	USD '000	USD '000
Trade and other receivables	58,684	74,429
Cash and cash equivalents	57	941
Loans receivable (note 9)	271,490	579,087
	<u>330,231</u>	<u>654,457</u>

Loans receivable

The Company exposure to credit risk on loans receivable is limited since all loans are held with LUKOIL Group companies and managed by LUKOIL Group treasury. The Company considers that the risk of default related to loans receivable is equal to that of the credit risk of the entire LUKOIL Group.

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A-2 to BBB+, based on S&P ratings. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Trade and other receivables

Trade and other receivables are classified as per below.

	2023	2022
	USD'000	USD'000
Trade receivables from related party (Note 22)	4,328	6,556
Receivables from KPO (Note 22)	54,356	67,856
VAT receivable	-	-
	<u>58,684</u>	<u>74,429</u>

The trade and other receivables are short-term in nature. No interest is recognised on the outstanding balances.

The fair values of trade and other receivables, which are due within one year, approximate their carrying amounts. No allowance for bad debts was recognised in 2023 (2022: nil).

(ii) Market risk

Market risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate due to changes in market variables such as interest rates or foreign exchange rates.

(iii) Foreign exchange risk

LUKOIL Overseas Karachaganak B.V.

The Company's revenues are denominated either in US dollars or they are positively correlated to US dollar oil price. Most of the Company's costs are denominated US dollars as well. So that the overall effect of Kazakhstani tenge depreciation has limited impact on the Company's exposure to foreign currency risk.

The risk on the Company's cash position is managed by economic hedge. The majority of sales, expenses and account receivable and payable are denominated in the functional currency, being US dollar. The Company's policy is not to use derivative financial instruments to control any remaining foreign currency fluctuations.

The Company has a foreign bank account denominated in EUR. Since only a small amount of transactions pass through this bank account, the foreign exchange risk is insubstantial.

(iv) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

	Nominal amount 2023 USD '000	Nominal amount 2022 USD '000
Fixed rate Loans receivable (Note 9)	271,490	578,179
	271,490	578,179

Cash flow sensitivity analysis for variable and semi-variable rate instruments

Given historically low inter-bank rates the variable part of the interest rate is not considered significant and therefore the risk exposure is low. Starting from July 2021 the Company considers its interest risk as low due to the fact that interest rate is fixed based on the terms of the new revolving loan receivable facility.

Interest rate risk arising from changes in lease liabilities is limited and, therefore, considered to be insignificant.

(v) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are to be settled by delivering cash. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company reputation. In addition the LUKOIL Group Treasury department manages the overall liquidity position and ensures financing is available to meet the Company's liquidity requirements. The Company is mainly financed through equity. Exposure to liquidity risk is limited by the current liabilities in amount of USD 85,661 thousand (2022: USD 83,667 thousand).

(vi) Capital risk

There are no formal capital risk management policies for the Company on the stand-alone level. The Company applies those policies as set for LUKOIL Group as a whole.

(vii) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and from external factors other than credit, market and liquidity risks. Such

LUKOIL Overseas Karachaganak B.V.

risks may include those arising from legal and regulatory requirements and generally accepted standards or corporate behaviour. Operational risks could arise from all of the Company's operations.

Due to the nature of the Company's operations, management is of the opinion that the operational risk is low. However, at the level of KPO, the development and production (crude oil and natural gas) activities operations are primarily located in Kazakhstan. Consequently, the operation is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. In addition, significant devaluation of KZT has increased the risk of uncertainty in business environment.

7. Shareholder's equity

	Issued capital	Share premium	Other reserves	Unappropriated result	Total Shareholder's equity
	USD'000	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2022	20	795,866	479,170	139,652	1,414,708
Translation difference	(1)	-	1	-	-
Capital repayments to shareholder	-	-	139,652	(139,652)	-
Appropriation of result	-	-	(50,000)	-	(50,000)
Result for the year	-	-	-	249,191	249,191
Balance at 31 December 2022	19	795,866	568,823	249,291	1,613,899
Translation difference	1	-	(1)	-	-
Appropriation of result	-	(500,000)	249,191	(249,291)	(500,000)
Dividend distributions	-	-	-	-	-
Result for the year	-	-	-	195,388	195,388
Balance at 31 December 2023	20	295,866	818,013	195,388	1,309,287

Issued capital

At 31 December 2023, share capital comprised 400 ordinary shares (2022: 400). All shares have a par value of EUR 45. All issued shares are fully paid, the equivalent in USD of the issued and paid share capital amounts to USD 20 thousand (31 December 2022: USD 19 thousand).

Translation difference

The translation of the issued and paid up share capital made in EUR is against the prevailing USD rate as at balance sheet date and included in the other reserves.

Share premium

The share premium concerns the proceeds from the issuing of shares insofar as this exceeds the nominal value of the shares (above par contribution) and other capital contributions.

On 18 February 2023 the sole Shareholder of the Company, LUKOIL International Upstream Holding B.V., resolved to reduce in cash the share premium reserve of the Company by an amount of USD 500,000 thousand. The actual payment was transferred to LUKOIL International Upstream Holding B.V. on 21 February 2023 and was sourced by the partial collection of loan receivable from a Group company.

LUKOIL Overseas Karachaganak B.V.

Proposal for profit appropriation

At the General Meeting of Shareholder, a final dividend distribution for 2023 will be considered with any remaining result after the dividend being appropriated to the Other reserves.

On 3 January 2024 at the General Meeting of Shareholder it was decided to make no dividend distribution over the 2022 result to the sole Shareholder of the Company, LUKOIL International Upstream Holding B.V. (2022: distribution of USD 50,000 thousand).

The Dutch Civil Code stipulates that the Company can only make payments to the shareholder and other parties entitled to the distributable profit insofar as (1) the Company can continue to pay its outstanding debts after the distribution (the so-called distribution test), and (2) the shareholder's equity exceeds the legal reserves and statutory reserves under the articles of association to be maintained (the so-called balance sheet test). If not, management of the Company shall not approve any distribution.

Dividend distributions

In 2023, the Company declared no dividend distributions to its parent company LUKOIL International Upstream Holding B.V. (2022: USD 50,000 thousand).

Statement of recognized income and expenses

All movements in shareholder's equity during the financial years 2023 and 2022 are disclosed in the table above. As no items were recognised directly in shareholder's equity of the Company in 2023 and 2022, the Company did not separately present a statement of recognized income and expenses in addition to the balance sheet, profit and loss account and the cash flow statement.

8. Trade and other payables

	2023 USD'000	2022 USD'000
Liabilities for Capital Construction of KPO	55,666	46,108
Payables to related parties (Note 22)	654	462
Accrued expenses	17,659	8,374
Advances received	-	-
Trade and other payables	772	11,632
	<u>74,751</u>	<u>66,576</u>

Liabilities for Capital Construction of KPO comprise the Company's share in the liabilities of KPO for supplies and contractors for the construction of fixed assets and other long-term assets. Accrued expenses are related to the 'Oil-and-gas research innovation and motivation trust fund'. Trade payables are related to the Operator's activities as part of the normal course of business.

9. Loans receivable

	2023 USD'000	2022 USD'000
Opening balance as at 1 January	579,087	90,153
Loans granted	524,571	1,452,107
Loans repaid	(831,870)	(963,905)
Interest accrued	2,449	2,449
Interest received	(2,747)	(1,717)
Closing balance as at 31 December	<u>271,490</u>	<u>579,087</u>

LUKOIL Overseas Karachaganak B.V.

On 14 April 2015, the Company entered into a revolving loan receivable agreement with LUKINTER Finance B.V. with a maximum facility amount of USD 300,000 thousand. This loan agreement was amended in 2015 in order to change the definition of the repayment date and interest period and in 2017 in order to increase its maximum facility amount up to USD 600,000 thousand. On 30 April 2020 the Company concluded another amendment to this loan receivable agreement. Based on this amendment, the maximum commitment under this loan facility has increased to USD 650,000 thousand. The outstanding loan balance bears interest at 3 (three) month LIBOR + 1% per annum. This revolving loan receivable agreement was settled and terminated on 28 October 2021.

On 6 July 2021 the Company entered into a new revolving loan receivable agreement with LUKOIL Finance B.V. The new loan's maximum facility amounts to USD 650,000 thousand and its interest rate is set to 1% per annum.

The total outstanding balance at 31 December 2023 is USD 271,490 thousand (2022: USD 579,087 thousand). The repayment date of the new revolving loan facility is 30 June 2024 with the right of automatic extension with a period of one year unless called by lender or borrower. Please refer to Note 22.

10. Commitments and contingencies

The remaining life of the Karachaganak project is estimated to be 14 years. Each year the Operator is required to construct USD 10 million in social assets. The Company's share of these future expenditures (13.5%) amounts to USD 37.8 million as at 31 December 2023 (31 December 2022: USD 40.5 million).

Environmental remediation liabilities

Environmental regulations are currently under consideration in Kazakhstan. The Company routinely evaluates its obligations relating to new and changing legislation.

As liabilities in respect of the Company's environmental obligations are able to be determined, they are recognized immediately. The likelihood and amount of liabilities relating to environmental obligations under proposed or any future legislation cannot be reasonably estimated at present and could become material. Under existing legislation, however, management believes that there are no significant unrecorded liabilities or contingencies, which could have a materially adverse effect on the operating results or financial position of the Company.

Insurance

The insurance industry in Kazakhstan where the Company operates is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. Management believes that the Company has adequate property damage coverage for its main production assets. The Company has insurance coverage in respect of third-party liability for property and environmental damage arising from accidents on Company property or relating to Company's operations. Management believes that the Company has adequate insurance coverage of the risks, which could have a material effect on the Company's operations and financial position.

Taxation

The taxation system in Kazakhstan is relatively new and is characterised by numerous taxes and frequently changing legislation and is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Kazakhstan substantially more significant than in other regions. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

LUKOIL Overseas Karachaganak B.V.

Litigation

The Company is involved in various claims and legal proceedings arising in the normal course of business. While these claims may seek substantial damages against the Company and are subject to uncertainty inherent in any litigation, management does not believe that the ultimate resolution of such matters will have a material adverse impact on the Company's operating results or financial condition and have been adequately provided for when deemed necessary.

Cost Recovery dispute

LUKOIL Overseas Karachaganak B.V., among other Contracting Companies of the FPSA, was involved in a dispute with the Republic of Kazakhstan with respect to cost recovery dispute for 2010–2017 (the "CR") in accordance with the FPSA.

Currently, the parties have appointed their arbitrators and are in the process of selecting the presiding arbitrator. KPO management believes that nearly all amounts under the cost recovery audit are indeed recoverable expenses in accordance with the PSA. Therefore, no significant adjustments were reflected in the financial statements as of December 31, 2023

Please see Note 19 for additional details.

Credit facility with Group Company

On 14 April 2015, the Company entered into a revolving loan payable agreement with LUKINTER Finance B.V. with a maximum facility amount of USD 300,000 thousand bearing interest at 3 (three) month LIBOR + 1%. This loan agreement was amended in 2015 in order to change the definition of the repayment date and interest period and in 2017 in order to change the maximum commitment. On 6 July 2021 the revolving loan payable facility was settled due to the fact that LUKINTER Finance B.V. was sold out of LUKOIL Group. A new revolving loan payable facility with LUKOIL Finance B.V. was not signed.

11. Net turnover

Net turnover in 2023 amounted to USD 532,582 thousand (2022: USD 609,964 thousand) representing a decrease compared to the previous year, and comprises crude oil and natural gas sold by KPO to third parties on behalf of the Company in the amount of USD 122,713 thousand (2022: USD 178,252 thousand) and oil sold to a LUKOIL Group company, in the amount of USD 356,404 thousand (2022: USD 429,234 thousand). Compared to the results of 2022, volumes of sales increased while the revenue decreased due to the crude oil price fluctuations in 2023.

	2023	2022
	USD'000	USD'000
Crude Oil		
Switzerland	395,145	431,021
Russia	122,713	166,721
	517,858	597,742
Natural Gas		
Russia	14,576	12,058
Republic of Kazakhstan	148	164
	14,724	12,222

LUKOIL Overseas Karachaganak B.V.

12. Cost of sales

	2023 USD'000	2022 USD'000
Depreciation, depletion and amortization	90,174	89,937
Production services and utility costs	62,636	71,340
Taxes, other than income tax	3,795	3,787
Social projects expenditures	5,885	762
Field facility maintenance expenses	13,688	14,363
	176,178	180,189

Taxes, other than income tax include the following items:

	2023 USD'000	2022 USD'000
Emission fees	1,002	779
Road tax	1,703	1,150
Export duties	1,066	1,839
Other taxes	24	19
	3,795	3,787

Exploration and development expenses

	2023 USD'000	2022 USD'000
Raw material	8,410	16,688
Change in inventory value	769	821
Energy	273	214
PPE repairs	6,805	8,636
Field facility maintenance expenses	13,688	14,363
Other expenditure in exploration	16,516	16,623
Wages and salaries	28,751	27,681
Property insurance	744	689
Other expenditure	861	
	76,817	85,715
Development expenses capitalized under tangible fixed assets	116,036	131,506
Total	192,853	217,221

The exploration and development of the Karachaganak field in Kazakhstan for 2023 amounted to USD 192,853 thousand against USD 217,221 thousand in 2022. The expenditures include development, operating and general and administration expenses. The expenses of USD 116,036 thousand (2022: USD 131,506 thousand) regarding development are capitalized under tangible fixed assets. The operating expenses amount to USD 76,817 thousand in total (2022: USD 85,715 thousand).

LUKOIL Overseas Karachaganak B.V.

13. Selling and distribution expenses

	2023 USD'000	2022 USD'000
Commercial and other distribution expenses	1,675	849
Transportation of oil and gas	30,753	31,631
Quality bank adjustment	14,794	17,811
	<u>47,222</u>	<u>50,291</u>

The quality bank adjustment relates to compensation to a producer for the higher quality oil entered into shared pipeline.

14. General and administrative expenses

	2023 USD'000	2022 USD'000
Consulting services	3,826	2,762
Wages and salaries	878	558
Social securities	18	18
Pension costs	29	18
Auditor's fees (Note 23)	87	257
Travel expenses	69	41
Bank charges	-	67
Technical support outlays	8	7
Security expenses	8	7
Contribution to the trust fund	8,830	8,374
Other general and administrative expenses	590	622
	<u>14,343</u>	<u>12,732</u>
Overheads reimbursement*	(4,191)	(3,737)
Total administrative expenses	<u>1,322</u>	<u>8,995</u>

* According to the FPSA the Operator covers part of actual overheads incurred by the Company.

In 2023, the Company contributed USD 8,830 thousand (equivalent to EUR 8,000 thousand) to the 'Oil-and-gas research innovation and motivation trust fund' (2022: USD 8,374 thousand). The contribution is related to an incentive policy of encouragement of the key management staff of the LUKOIL Group as approved and authorized by the LUKOIL INTERNATIONAL GmbH Supervisory Board.

LUKOIL Overseas Karachaganak B.V.

15. Other operating expenses (income)

	2023 USD'000	2022 USD'000
Legal claim provision (Note 19)	-	-
Other income	(404)	(167)
Other expenses	21	1,108
Total	<u>(383)</u>	<u>941</u>

16. Interest income and similar income

	2023 USD'000	2022 USD'000
Interest income from loan (Note 9)	2,449	2,449
Other interest income	1,284	1,248
	<u>3,733</u>	<u>3,697</u>

Other interest income contains interest received from KPO on the additional cash flow retained in a cash deposit account for all the parties involved in the project and interest received from cash deposit account held with a bank.

17. Interest expenses and similar charges

	2023 USD'000	2022 USD'000
Accretion charge on asset retirement obligation (Note 3)	6,032	5,431
Interest expense from lease obligation (Note 5, 3)	881	1,109
Interest expenses for lease asset capitalized (Note 3)	(346)	(611)
	<u>6,567</u>	<u>5,929</u>

18. Taxation

The Company is subject to corporate income tax in the Netherlands at the statutory rate of 15% on the taxable amount up to and including EUR 395 thousand and 25.8% on the excess (2021: EUR 245 thousand, 15% and 25% respectively). The Corporate income tax for 2023 is nil (2022: USD 27 thousand). The tax expenses is estimated based on the current year results. Taxable income is in USD but converted to EUR at the annual average exchange rate determined by the European Central Bank. The extended statutory filing deadline is 1 May 2025 (for 2023 results). Additionally, investment income and capital gains are subject to withholding tax in certain foreign jurisdictions at the applicable withholding tax rate of such jurisdictions.

The Company is subject to income tax under the jurisdictions of the Netherlands and Kazakhstan. The Company's income which relate to its Kazakhstan branch is exempt from income tax in the Netherlands on the basis of the foreign permanent establishment (object) exemption. Under the FPSA operated by KPO, the income tax rate is 33.5%. The Corporate income tax for 2023 was USD 108,288 thousand (2022: USD 125,506 thousand). Corporate income tax filing was made in RoK on the 26th of April 2024.

LUKOIL Overseas Karachaganak B.V.

Corporate Income Tax

	2023 USD'000	2022 USD'000
Current income tax expense KZ	108,288	125,506
Current income tax expense NL	-	27
Profit tax adjustment for previous period(s) KZ	(1,358)	(2,529)
Profit tax adjustment for previous period(s) NL	-	15
Deferred income tax benefit KZ	(6,096)	(5,142)
Total income tax expense	100,834	117,877

The following tables is a reconciliation of the notional income tax at the Kazakhstan tax rate applied to profit before income taxes to total income taxes:

	2023 USD'000	2022 USD'000
Result before tax	305,052	367,068
Less: interest from loan receivable with Group company	(2,449)	(2,449)
Income tax at applicable tax rate in Kazakhstan 33.5%	101,372	122,147
Current income tax expense NL	-	27
Under/(Over) provided in previous year KZ	(1,358)	(2,529)
Under/(Over) provided in previous year NL	-	15
Changes in estimates over deferred tax liabilities	10,683	(9,758)
Non-deductible items, net	(9,863)	7,975
Total income tax expense	100,834	117,877

Non-deductible items represented by the following:

	2023 USD'000	2022 USD'000
Legal provision	-	-
Other (income) /expenses	(9,863)	7,975
Total Non-deductible items, net	(9,863)	7,975

Please see Note 19 for additional details on the legal provision.

Deferred tax liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax positions as at 31 December 2023 and 2022.

The items which give rise to these deferred tax positions at their tax affected values are as follows:

LUKOIL Overseas Karachaganak B.V.

	Assets 2023 USD'000	Liabilities 2023 USD'000	Net 2023 USD'000
Oil and gas properties	-	(188,829)	(188,829)
Payables	20,675	-	20,675
Asset retirement obligation (provision)	26,263	-	26,263
Trade and other receivables	-	-	-
Net deferred tax asset (liability)	46,939	(188,829)	(141,891)

	Assets 2022 USD'000	Liabilities 2022 USD'000	Net 2022 USD'000
Oil and gas properties	-	(190,563)	(190,563)
Payables	22,165	-	22,165
Asset retirement obligation (provision)	20,410	-	20,410
Trade and other receivables	-	-	-
Net deferred tax asset (liability)	44,575	(190,563)	(147,988)

Reconciliation of deferred tax balance:

	2023 USD'000	2022 USD'000
Deferred tax - opening balance	(147,988)	(153,129)
Deferred tax benefit/ (expense)	6,096	(5,142)
Other	1	(1)
Deferred tax asset (liability) - closing balance	(141,891)	(147,988)

Prepaid income tax

Prepaid income tax decreased by USD 3,954 thousand to USD 10,245 thousand in 2022 compared to the prior year numbers which was USD 6,291 thousand as advanced payments are lower than preliminary CIT assessment.

19. Legal claim provision

	2023 USD'000	2022 USD'000
Opening balance at 1 January	11,600	11,600
Change in estimates	-	-
Closing balance at 31 December	11,600	11,600

LUKOIL Overseas Karachaganak B.V., among other Contracting Companies, is involved in the dispute with the Republic of Kazakhstan with respect to cost recovery in 2010–2017 (the “CR”) in accordance with the Final Production Sharing Agreement relating to the Contract Area of the Karachaganak Oil and Gas Condensate Field.

In relation to the CR dispute – arbitration has not been activated (only updated notices of arbitration received), and the parties are making efforts to resolve the dispute through negotiations. On 31 March 2021 the Company

LUKOIL Overseas Karachaganak B.V.

received a notice that includes claims for reimbursement in 2017 (new/additional amounts or periods). After that, there was another update, the amended notice of Arbitration dated 11 June 2021, that contained additional non-monetary claims. CR dispute is still open, legal claim provision as of 31 December 2023 amounted to USD 11,600 thousand.

20. Staffing level

During 2023, there was minor personnel changes within the Company:

Starting from February 2022 and now on one employee has been seconded to KPO.

Therefore, the number of employees as of 31 December 2023 was 5 (2022: 5), all of which were employed outside the Netherlands.

This staffing level (average number of staff) can be divided into the following staff categories:

	2023	2022
Management	5	5
	5	5

21. Remuneration of directors

In 2023, directors' remuneration was nil (2022: nil), including pension costs as referred to in Section 2:383(1) of the Dutch Civil Code, in the financial year to the Company for directors and former directors. As at 31 December 2023, the Company has 2 directors (2022: 2). The Company has no board of supervisory directors.

The amount of loans, advances and guarantees granted by the Company to the directors is nil (2022: nil).

The directors do not receive remuneration of the Company and are being paid in other Lukoil Group entities which is considered not a commercial basis.

22. Transactions with related parties

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, shareholders, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged.

The following transactions balances were carried out with related parties:

Year-end balances

	2023 USD'000	2022 USD'000
Assets		
Trade receivables from related party (Note 6)	4,328	6,556
Receivables from KPO (Note 6)	54,356	67,856
VAT receivable	-	17
Total	58,684	74,429
Liabilities		
Payables to related parties (Note 8)	654	452

As part of the ordinary activities, the Company sells its crude oil products to a LUKOIL Group company. The related trade receivable balance was USD 4,328 thousand at 31 December 2023 (2022: USD 6,556 thousand).

LUKOIL Overseas Karachaganak B.V.

The net turnover generated from these sales in 2023 amounts to USD 397,623 thousand (2022: USD 429,234 thousand).

Payables to LUKOIL Group companies amounting to USD 654 thousand (2022: USD 452 thousand) mainly relate to services received.

Profit and loss account

	2023 USD'000	2022 USD'000
Crude oil sales	397,623	429,234
General and administrative expenses	462	222

The general and administrative expenses relate to services provided by LUKOIL Group companies.

In 2023, the Company contributed USD 8,830 thousand (equivalent to EUR 8,000 thousand) to the 'Oil-and-gas research innovation and motivation trust fund' (2022: USD 8,374 thousand). The contribution related to an incentive policy of encouragement of the key management staff of the LUKOIL Group as approved and authorized by the LUKOIL INTERNATIONAL GmbH supervisory board. This cost is included as General and administrative expenses in the table above and not considered to be paid on a commercial basis.

Remuneration of Directors

The remuneration of the directors is disclosed in Note 21.

Loans receivable

For the movements in the loans receivable please refer to Note 9.

Interest received in the Cash Flow Statement comprises interest received for loan receivable of USD 2,747 thousand (2022: USD 1,717 thousand) plus interest received by Aksay branch for cash deposit of USD 1,127 thousand (2022: USD 273 thousand) and interest received by Head office from cash deposit of USD 158 thousand (2022: 975). Increase in the interest received is mainly explained by decline in LIBOR rates throughout 2023 as well as increase in the principal amount of the loan.

23. Auditor's fees

The following fees were charged for the audit of the financial statements by JPA Van Noort Gassler & Co B.V. to the Company, as referred to in Section 2:382a(1) and (2) of the Dutch Civil Code.

	2023 USD'000	2022 USD'000
Statutory audit of annual accounts	87	82
	87	82

In 2023, audit fees amounted to USD 87 thousand for the audit of financial statements 2022 (2022: USD 82 thousand).

The fees mentioned in the table for the audit of the financial statements 2023 (2022) relate to the total fees for the audit of the financial statements 2023 (2022), irrespective of whether the activities have been performed during the financial year 2023 (2022).

LUKOIL Overseas Karachaganak B.V.

24. Subsequent events

On 24 January 2024 the company signed amendment to loan agreement with LUKOIL Finance B.V. has been changed from 1% (fixed) to ICE Term SOFR % per annum (variable).

The revolving loan receivable agreement with LUKOIL Finance B.V. has been automatically extended for one more year. The repayment date is 30 June 2024 with the right of automatic extension with a period of one year unless called by lender or borrower.

There are no other subsequent events that have been identified.

The Board of Directors:

J.P. Boogaerdt
Director

J.S.D. Dhesi
Director

LUKOIL Overseas Karachaganak B.V.

Other information

Provisions in the Articles of Association governing the appropriation of profit

Under article 20 of the Company's Article of Association, profits and reserves.

Art 20.1 – The general meeting is authorised to appropriate the profits, which are determined by adoption of the Annual Accounts and to determine distributions, in as far as the shareholders' equity of the Company exceeds the reserves which must be maintained pursuant to the law.

Branch offices

The Company has two branch offices in Kazakhstan. There are two branches of LUKOIL Overseas Karachaganak B.V. in Astana and in Aksay.

Independent Auditor's report

The independent auditor's report with respect to the financial statements is set out on the following pages.

Independent auditor's report is not yet included, as the audit for 2023 is not yet completed.