

***PJSC EL5-Energo and its subsidiaries***  
Consolidated financial statements  
for the year ended 31 December 2022  
and Independent Auditors' Report

*April 2023*

## **PJSC EL5-Energo and its subsidiaries**

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**JSC “Kept”**

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# Independent Auditors' Report

**To the Shareholders of and the Board of Directors of Public Joint-Stock Company  
EL5-Energo**

## Opinion

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We have audited the consolidated financial statements of Public Joint-Stock Company EL5-Energo (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## Basis for Opinion

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We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the independence requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation and with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

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Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Impairment of property, plant and equipment

Please refer to the Note 5 in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The Group has significant property, plant and equipment balance which is material to the consolidated financial statements as at 31 December 2022.</p> <p>The management identified certain events and circumstances which may indicate that some property, plant and equipment items may be subject to the impairment loss.</p> <p>As at the reporting date management assessed the recoverable amount of the Group's cash generating units and recognized the impairment of property, plant and equipment in the consolidated financial statements.</p> <p>Due to inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverable amount, this is one of the key areas that our audit is concentrated on.</p>	<p>We evaluated the reasonableness of the expected cash flow forecasts by comparing them with the latest approved budgets, externally derived data as well as our own assumptions in relation to key inputs such as forecasted volumes and tariffs of electricity, inflation, foreign currency rates, discount rates and terminal growth rates.</p> <p>We used our own valuation specialists to assist us in evaluating key assumptions and methodology used by the Group to determine the recoverable amount.</p> <p>In particular, we challenged:</p> <ul style="list-style-type: none"> <li>- Power stations costs projections by comparing them with historical results and industry peers;</li> <li>- Electricity and power prices by comparing them with historical data, economic and industry forecasts;</li> <li>- Volumes of electricity and power by comparing them with historical volumes and industry forecasts;</li> <li>- Long term revenue growth rates in the forecasts by comparing them with historical results, economic and industry forecasts;</li> <li>- The discount rates used. Specifically, we recalculated the Group's weighted average cost of capital using market comparable information.</li> </ul> <p>In some cases we recalculated forecast data used by the Group in line with generally accepted macroeconomic forecasts and assessed the effect on the results of the impairment test.</p> <p>We also assessed the sensitivity of the impairment to the changes in key assumptions.</p>

## Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report but does not include the consolidated financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:


Krasnikhina T. E.

Principal registration number of the entry in the Register of Auditors and Audit organizations No. 21906104815, acts on behalf of the audit organization based on the power of attorney No. 392/22 as of 1 July 2022

JSC "Kept"

Principal registration number of the entry in the Register of Auditors and Audit Organizations No. 12006020351

Moscow, Russia

13 April 2023

**PJSC EL5-Energo**  
**Consolidated statement of financial position**  
**As at 31 December 2022**  
*Thousands of Russian roubles, unless otherwise stated*

	Notes	31 December 2022	31 December 2021
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	46,612,687	69,778,627
Intangible assets	6	550,411	723,200
Financial investments into equity shares		4,880	4,880
Deferred income tax asset	12	4,262,885	–
Other non-current assets	7	489,018	1,990,833
<b>Total non-current assets</b>		<b>51,919,881</b>	<b>72,497,540</b>
<b>Current assets</b>			
Inventories	9	2,438,464	2,374,791
Trade and other receivables	8	6,362,324	5,892,277
Current derivative asset	23	–	77,817
Current income tax prepayments		52,123	459,614
Cash and cash equivalents	10	4,582,088	10,218,278
<b>Total current assets</b>		<b>13,434,999</b>	<b>19,022,777</b>
<b>Total assets</b>		<b>65,354,880</b>	<b>91,520,317</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	11		
Share capital		35,371,898	35,371,898
Share premium		6,818,747	6,818,747
Hedge reserve		(20,124)	(166,210)
(Accumulated deficit)/retained earnings		(17,207,184)	993,118
<b>Total equity attributable to equity holders of PJSC EL5-Energo</b>		<b>24,963,337</b>	<b>43,017,553</b>
Non-controlling interests		(132,088)	(119,170)
<b>Total equity</b>		<b>24,831,249</b>	<b>42,898,383</b>
<b>Non-current liabilities</b>			
Loans and borrowings	13	24,550,469	29,796,292
Deferred income tax liability	12	377,667	693,853
Employee benefits	14	780,635	1,103,730
Provisions	18	196,582	127,700
Other non-current liabilities	17	139,518	250,208
<b>Total non-current liabilities</b>		<b>26,044,871</b>	<b>31,971,783</b>
<b>Current liabilities</b>			
Loans and borrowings	13	9,809,000	6,378,640
Current derivative liabilities	23	–	40
Trade and other payables	15	3,750,774	8,491,150
Other taxes payable	16	94,766	426,395
Provisions	18	824,220	1,353,926
<b>Total current liabilities</b>		<b>14,478,760</b>	<b>16,650,151</b>
<b>Total liabilities</b>		<b>40,523,631</b>	<b>48,621,934</b>
<b>Total equity and liabilities</b>		<b>65,354,880</b>	<b>91,520,317</b>

General Director

A.A. Tnalin

Chief Accountant

V.V. Grishachev

13 April 2023



The notes on pages 12 to 47 are an integral part of these consolidated financial statements.



**PJSC EL5-Energo**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2022**  
*Thousands of Russian roubles, unless otherwise stated*

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
Revenue	19	50,481,443	48,248,917
Operating expenses	20	(74,624,092)	(45,628,252)
Allowance for expected credit losses of trade and other receivables	8	(53,900)	(161,459)
Other operating income		618,029	997,508
<b>Operating (loss)/profit</b>		<b>(23,578,520)</b>	<b>3,456,714</b>
Finance income	21	825,333	1,022,500
Finance costs	21	(2,370,798)	(1,234,593)
<b>(Loss)/profit before income tax</b>		<b>(25,123,985)</b>	<b>3,244,621</b>
Income tax benefit/(expense)	12	4,905,658	(664,859)
<b>(Loss)/profit for the year</b>		<b>(20,218,327)</b>	<b>2,579,762</b>
<b>Other comprehensive income/(loss)</b>			
Net movement on cash flow hedges	22	182,608	(514,300)
Income tax effect	12, 22	(36,522)	102,860
<b>Net other comprehensive income/(loss) to be reclassified to profit and loss in subsequent periods</b>		<b>146,086</b>	<b>(411,440)</b>
Actuarial gain on defined benefits plans	14	104,284	187,285
Income tax effect	12, 14	(20,857)	(37,457)
<b>Net other comprehensive income not being reclassified to profit and loss in subsequent periods</b>		<b>83,427</b>	<b>149,828</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(19,988,814)</b>	<b>2,318,150</b>
<b>(Loss)/profit attributable to:</b>			
Owners of PJSC EL5-Energo		(20,205,409)	2,598,632
Non-controlling interests		(12,918)	(18,870)
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of PJSC EL5-Energo		(19,975,896)	2,337,020
Non-controlling interests		(12,918)	(18,870)
<b>(Loss)/earnings per ordinary share for profit attributable to the equity holders of PJSC EL5-Energo – basic and diluted (in Russian roubles per share)</b>	11	<b>(0.5712)</b>	<b>0.0735</b>

General Director



A.A. Tnalin

Chief Accountant


V.V. Grishachev

13 April 2023

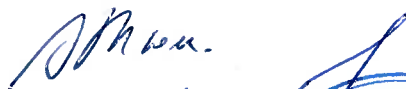
The notes on pages 12 to 47 are an integral part of these consolidated financial statements.



**PJSC EL5-Energo**  
**Consolidated statement of cash flows**  
**For the year ended 31 December 2022**  
*Thousands of Russian roubles, unless otherwise stated*

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>Cash flows from operating activities</b>			
(Loss)/profit before income tax		(25,123,985)	3,244,621
<i>Adjustments for:</i>			
Depreciation and amortization	5, 6, 20	3,446,317	2,775,014
Gain on disposal of other non-current assets	7	(160,203)	(636,556)
Impairment of property, plant and equipment and intangible assets	5,6	29,460,093	1,460,698
Finance income	21	(825,333)	(1,022,500)
Finance costs	21	2,370,798	1,234,593
Accrual of allowance for expected credit losses of trade and other receivables	8	53,900	161,459
Change in other provisions		278,194	(914,248)
Changes in defined benefit obligations		(170,104)	61,968
Adjustments for other non-cash transactions		(33,406)	9,848
		<b>9,296,271</b>	<b>6,374,897</b>
Increase in trade and other receivables		(533,049)	(323,536)
(Increase)/decrease in inventories		(48,413)	312,668
(Decrease)/increase in trade and other payables		(2,366,540)	1,306,071
Increase/(decrease) in taxes payable, other than income tax		182,134	(208,352)
<b>Net cash flows from operating activities before dividends and income tax paid</b>		<b>6,530,403</b>	<b>7,461,748</b>
Unclaimed dividends related to previous years		19,549	18,640
Income tax paid		(312,596)	(296,720)
<b>Net cash flows generated from operating activities</b>		<b>6,237,356</b>	<b>7,183,668</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and other non-current assets		(7,852,378)	(17,925,878)
Interest received		542,353	429,778
Proceeds/(payments) on derivatives		103,887	(587,273)
Proceeds from disposal of property, plant and equipment and other non-current assets	5, 7	1,080,792	1,519,996
<b>Net cash flows used in investing activities</b>		<b>(6,125,346)</b>	<b>(16,563,377)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings	13	5,554,250	15,927,401
Repayment of loans and borrowings	13	(7,068,400)	(5,949,085)
Interest paid		(3,107,079)	(1,895,980)
Payment of lease liabilities		(98,064)	(130,529)
<b>Net cash flows (used in)/from financing activities</b>		<b>(4,719,293)</b>	<b>7,951,807</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,607,283)</b>	<b>(1,427,902)</b>
Cash and cash equivalents at 1 January		10,218,278	11,646,180
Effect of exchange rate fluctuations on cash and cash equivalents		(1,028,907)	—
<b>Cash and cash equivalents at 31 December</b>	10	<b>4,582,088</b>	<b>10,218,278</b>

General Director



A.A. Tnalin

Chief Accountant



V.V. Grishachev

13 April 2023

The notes on pages 12 to 47 are an integral part of these consolidated financial statements.

**PJSC EL5-EnergO**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2022**

*Thousands of Russian roubles, unless otherwise stated*

	Notes	Share capital	Share premium	Hedge reserve	(Accumulated deficit) / retained earnings	Total	Non-controlling interests	Total equity
<b>Balance at 1 January 2021</b>		<b>35,371,898</b>	<b>6,818,747</b>	<b>245,230</b>	<b>(1,773,982)</b>	<b>40,661,893</b>	<b>(100,300)</b>	<b>40,561,593</b>
Profit for the year		–	–	–	2,598,632	2,598,632	(18,870)	2,579,762
<b>Other comprehensive income</b>								
Net movement on cash flow hedges, net of tax	22	–	–	(411,440)	–	(411,440)	–	(411,440)
Actuarial gains on defined benefits plans, net of tax		–	–	–	149,828	149,828	–	149,828
<b>Total other comprehensive income</b>		<b>–</b>	<b>–</b>	<b>(411,440)</b>	<b>149,828</b>	<b>(261,612)</b>	<b>–</b>	<b>(261,612)</b>
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>(411,440)</b>	<b>2,748,460</b>	<b>2,337,020</b>	<b>(18,870)</b>	<b>2,318,150</b>
Unclaimed dividends related to previous years	11	–	–	–	–	–	–	–
<b>Balance at 31 December 2021</b>		<b>35,371,898</b>	<b>6,818,747</b>	<b>(166,210)</b>	<b>993,118</b>	<b>43,017,553</b>	<b>(119,170)</b>	<b>42,898,383</b>

The notes on pages 12 to 47 are an integral part of these consolidated financial statements.

**PJSC EL5-Energo**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2022**

*Thousands of Russian roubles, unless otherwise stated*

	Notes	Share capital	Share premium	Hedge reserve	(Accumulated deficit)/ retained earnings	Total	Non-controlling interests	Total equity
<b>Balance at 1 January 2022</b>		35,371,898	6,818,747	(166,210)	993,118	43,017,553	(119,170)	42,898,383
Loss for the year		-	-	-	(20,205,409)	(20,205,409)	(12,918)	(20,218,327)
<b>Other comprehensive income</b>								
Net movement on cash flow hedges, net of tax	22	-	-	146,086	-	146,086	-	146,086
Actuarial gain on defined benefits plans, net of tax		-	-	-	83,427	83,427	-	83,427
<b>Total other comprehensive income</b>		-	-	146,086	83,427	229,513	-	229,513
<b>Total comprehensive income/(loss) for the year</b>		-	-	146,086	(20,121,982)	(19,975,896)	(12,918)	(19,988,814)
Unclaimed dividends related to previous years	11	-	-	-	19,549	19,549	-	19,549
Income from the write-off of accounts payable of companies under the control of the former shareholder, net of income tax		-	-	-	1,902,131	1,902,131	-	1,902,131
<b>Balance at 31 December 2022</b>		35,371,898	6,818,747	(20,124)	(17,207,184)	24,963,337	(132,088)	24,831,249

General Director

A.A. Tnalin

Chief Accountant

V.V. Grishachev

13 April 2023

The notes on pages 12 to 47 are an integral part of these consolidated financial statements.

## **1. BACKGROUND**

### **a. Organisation and operations**

Public Joint-Stock Company EL5-Energo (the “Company” or “EL5-Energo”, previously known as OJSC “The Fifth Generating Company of the Wholesale Electric Power Market”, Open Joint-Stock Company “Enel OGK-5”, Open Joint-Stock Company “Enel Russia”, Public Joint-Stock Company “Enel Russia”) was established on 27 October 2004 within the framework of Russian electricity sector restructuring in accordance with the Resolution No. 1254-p adopted by the Government of the Russian Federation on 1 September 2003.

The Company is registered by the Lenin District Inspectorate of the Russian Federation Ministry of Taxation of Yekaterinburg, Sverdlovsk region. The Company’s office is located at bld. 1, 7, Pavlovskaya, 115093, Moscow, Russia.

The Company was renamed to PJSC “EL5-Energo” in 2022.

As at 31 December 2021 56,43% of the Company’s shares belonged to Enel S.p.A.

In 2022 major shareholder of PJSC “EL5-Energo” changed and as at 31 December 2022 PJSC “LUKOIL” owns 56,43% of the Company’s shares.

The EL5-Energo Group (the “Group”) operates three State District Power Plants (“SDPP”) and two wind farms (WF) and its principal activity is electricity and heat generation. Furthermore, the Company owns the following subsidiaries:

<b>Company name</b>	<b>Country of incorporation</b>	<b>Ownership / voting shares</b>	
		<b>31 December 2022</b>	<b>31 December 2021</b>
OJSC “Teploprogress”	The Russian Federation	60%	60%
LLC “EL5 Finance”	The Russian Federation	100%	100%
LLC “Stavropol WPS”	The Russian Federation	100%	100%
LLC “Enel Rus Wind Kola”	The Russian Federation	100%	100%
LLC “Azov WPS”	The Russian Federation	100%	100%

LLC “Enel Rus Wind Stavropolye” was renamed to LLC “Stavropol WPS”, LLC “Enel Rus Wind Azov” was renamed to LLC “Azov WPS”, LLC “Enel Rus Finance” was renamed to LLC “EL5 Finance” in 2022.

### **b. Relations with the State and its influence on the Group’s activities**

The Group’s customer base includes a large number of entities controlled by or related to the state.

The Government of the Russian Federation directly affects the Group’s operations through regulation issued by Government and relative authorities (including Ministry of Energy and the Federal Antimonopoly Service (“FAS”). The operations of all generating facilities are coordinated by JSC “System Operator of Unified Energy System” (SO) in order to meet system requirements in an efficient manner. SO is controlled by the Government.

Tariffs for sales of electricity for householders, heat and other products are calculated on the basis of legislative documents, which regulate pricing of heat and electricity. Tariffs are calculated in accordance with the “Cost-Plus” method and “Indexation” method.

## **2. BASIS OF PREPARATION**

### **a. Statement of compliance**

These consolidated financial statements (“Financial statements”) have been prepared in accordance with International Financial Reporting Standard (“IFRS”). Each enterprise of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation. The accompanying Financial Statements are based on the statutory records and adjusted and reclassified for the purpose of fair presentation in accordance with IFRS.

### **b. Basis of measurement**

The consolidated financial statements are prepared on the historical cost basis except that derivative financial instruments and financial investments classified as equity instruments at fair value through other comprehensive income (OCI) are stated at fair value.

### **c. Functional and presentation currency**

The national currency of the Russian Federation is the Russian rouble (“RUB”), which is the Company’s functional currency and the currency in which these financial statements are presented.



## 2. BASIS OF PREPARATION (continued)

### c. Functional and presentation currency (continued)

All financial information presented in RUB has been rounded to the nearest thousand, except where otherwise indicated. Each entity in the Group determines the same functional currency and items included in the financial statements of each entity are measured using that functional currency.

### d. Use of judgments, estimates and assumptions and changes thereof

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements. Actual outcomes may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the consolidated financial statements is described below:

#### *Impairment of trade accounts receivable*

In compliance with IFRS 9, as from 1 January 2018, the Group adopted a new impairment model based on the determination of expected credit losses (ECL) using a forward-looking approach. The provision rates are based on the Group's historical observed default rates. The Group will calibrate the provision rates to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to increased expected losses in the manufacturing sector, the expected credit losses are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Further details are given in Note 8.

#### *Useful lives of property, plant and equipment*

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates. The Group policy is to periodically review the estimated useful lives of its property plant and equipment.

Further details about the useful lives applied are given in Note 3 (e).

#### *Impairment of non-current non-financial assets*

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to disposal and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted as arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the management approved budgets for the next five years. The recoverable amount is highly and mostly sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes in a terminal period.

In identifying CGUs, management took account of the specific nature of its assets and the business in which it is involved (geographical area, regulatory framework, etc.), verifying that the cash inflows of a given group of assets were largely interdependent with other groups of assets.

#### *Pension benefits*

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension

## 2. BASIS OF PREPARATION (continued)

### d. Use of judgments, estimates and assumptions and changes thereof (continued)

increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency of benefits payment and with maturities approximating the terms of the related benefit liabilities.

Further details about the assumptions used are given in Note 14.

#### *Fair value of financial instruments*

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Further details about the assumptions used are given in Note 4.

#### *Acquisition of assets that does not constitute a business*

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### a. Basis of consolidation

##### i. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The non-controlling interests has been presented as part of equity.

##### ii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

##### iii. Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with the owners in their capacity of owners. In case of acquisition of non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recognised in equity.

#### b. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments at fair value through OCI.

#### c. Financial instruments

##### Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### *Financial assets*

##### i. Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### ii. Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

##### *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables and loans to employees included under other non-current financial assets.

##### *Financial assets at fair value through OCI (debt instruments)*

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group has no such instruments.

##### *Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss and other comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its equity investments under this category.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c. Financial instruments (continued)

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. The Group does not have such instruments.

#### iii. Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Derivative financial instruments*

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative under IFRS 9 are recognised in the income statement in cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost. Group has no commodity derivatives in the year ended 31 December 2022 or the year ended 31 December 2021.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement in other financial expenses.

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **c. Financial instruments (continued)**

If the hedged forecast transaction results in the recognition of a non-financial asset (i.e. property, plant and equipment or inventories, etc.) or a non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the amount accumulated in the cash flow reserve shall be removed and included in the initial value (cost or other carrying amount) of the asset or the liability ("basis adjustment").

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

#### ***Financial liabilities***

##### ***i. Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

##### ***ii. Subsequent measurement***

The measurement of financial liabilities depends on their classification, as described below:

##### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss and other comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

##### ***Loans and borrowings***

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss and other comprehensive income. This category generally applies to interest-bearing loans and borrowings.

##### ***iii. Derecognition***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### d. Equity

##### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

##### *Repurchase of share capital (treasury shares)*

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

##### *Dividends*

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared (approved by shareholders) before or on the reporting date. Dividends are disclosed when they are declared after the reporting date, but before the financial statements are authorized for issue.

#### e. Property, plant and equipment

##### *i. Recognition and measurement*

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, dismantling and relocating costs and cost of restoring the site that they occupy, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income" in profit or loss.

##### *ii. Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### *iii. Depreciation*

Depreciation property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the asset when it is available for use.

The estimated useful lives of assets by type of facility are as follows:

Electricity and heat generation	9-61 years
Electricity transmission	8-33 years
Heating networks	15-41 years
Other	6-63 years

Social assets are not capitalized as they are not expected to result in future economic benefits to the Group. Costs associated with fulfilling the Group's social responsibilities are expensed as incurred.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### f. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group presents right-of-use assets that do not meet the definition of investment property in “Property, plant and equipment”, long-term lease liabilities in “Other non-current liabilities”, short-term lease liabilities in “Trade and other payables”.

The Group presents the interest expense on lease liabilities under “Other financial expense” and the depreciation charge on the right-of-use asset under “Depreciation, amortisation and impairment losses”.

##### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The useful lives of right-of-use assets by types are as follows:

Land	1-50 years
Other	1-6 years

##### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

##### *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.



### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **f. Leases (continued)**

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be of low value, as example, office equipment. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

##### *Group as a lessor*

Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17.

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease using the same classification principle under IAS 17. If a contract contains lease and non-lease components, the Group allocates the consideration in the contract applying IFRS 15. The Group accounts for rental income arising from operating leases on a straight-line basis over the lease terms and it recognizes them as "Other revenue and income".

#### **g. Intangible assets**

##### *i. Patents and licenses*

Patents and licenses that are acquired by the Group are measured on initial recognition at cost at the acquisition date.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

##### *ii. Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on brands, is recognised in the profit or loss as incurred.

The amortization charge on all intangible assets with finite useful lives is accrued on a straight-line basis over their useful life starting from the month following the month in which the asset is available for use.

The amortization charge is recognised in the income statement as an operating expense.

The useful life of intangible assets is 5-10 years.

#### **h. Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provision is made for potential losses on obsolete or slow-moving inventories, taking into account their expected use and future realizable value.

#### **i. Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

#### **j. Borrowings**

Borrowings are recognised initially at their fair value. Fair value is determined using the prevailing market rate of interest for similar instruments, if significantly different from the transaction price. In subsequent periods, borrowing are stated at amortised cost using the effective interest rate; any difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss as an interest expense over the period of the debt obligation.

The Group capitalises borrowing costs in qualifying assets in accordance with IAS 23 *Borrowing Costs*.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k. Employee benefits

##### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions related to defined benefit pension plans are recorded in other comprehensive income.

Gains or losses resulting from a plan amendment or a curtailment and related to defined benefit pension plans shall be recognised as an expense.

#### l. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

##### *i. Restructuring*

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for (see Note 18).

##### *ii. Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

#### m. Environmental obligations

Liabilities for environmental remediation are recorded where there is a present obligation, the payment is probable and reliable estimates can be made.

#### n. Impairment

##### *i. Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### n. Impairment (continued)

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

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 original effective interest rate.

An impairment loss in respect of financial asset classified as fair value through other comprehensive income (OCI) which represent a debt instrument, is calculated by reference to its fair value.

Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

#### ii. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **o. Revenue**

The Group recognizes revenues when (or as) satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, the Group recognizes as revenue the amount which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of value added taxes.

The Group is involved in energy sales to third parties and related parties. Sales of electricity, capacity and heat to all customers are made on a contract basis. Invoices are issued once a month, at the end of the month and paid within the following month. According to IFRS 15, revenue is recognized at a point of time when energy is transferred to the customer.

The Group recognises electricity purchased from the market for own use on gross bases.

#### **p. Finance income and costs**

Finance income comprises interest income on funds invested (including financial investments into equity shares), dividend income, gains on the disposal of financial investments into equity shares, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains.. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and impairment losses on financial assets other than trade receivables (see Note 21). Borrowing costs, which do not relate to construction or acquiring of the qualified asset, are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

#### **q. Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **r. Earnings per share**

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### **s. Segment reporting**

The Group has a single reportable segment – the generation of electric power and heat in the Russian Federation as the management does not review profit measures for individual SDPPs or any other components in order to make a decision about allocation of resources. The Group generates its revenues from the generation of electricity and heat in the Russian Federation. The Group holds assets in the same geographical area – the Russian Federation.

#### **t. New and amended standards and interpretations**

The Group did not apply new standards or interpretations starting 1 January 2022 which had an impact on the consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective (Note 27).

### **4. DETERMINATION OF FAIR VALUES**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### **a. Financial investments into equity shares**

The fair value of financial assets at fair value through profit or loss or other comprehensive income is determined by reference to their quoted closing bid price at the reporting date if available.

#### **b. Trade and other receivables**

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes only.

#### **c. Non-derivative financial liabilities**

Fair value, which is determined exclusively for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

#### **d. Derivatives**

The fair value of forward exchange contracts is based on their quoted market price, if available. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a market interest rate.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

## 5. PROPERTY, PLANT AND EQUIPMENT

	Heat and electricity generation	Electricity transmission	Heating networks	Other	Construction in progress	Total
<b>Cost</b>						
At 1 January 2022	63,151,901	11,768,132	564,013	17,791,795	31,104,884	124,380,725
Additions	47	-	-	69,382	9,734,740	9,804,169
Transfers from construction in progress	26,231,154	956,348	-	478,636	(27,666,138)	-
Disposals	(266,861)	(98,206)	-	(968,974)	(133,071)	(1,467,112)
Reclassification	(79,831)	(16,690)	-	-	(70,931)	(167,452)
At 31 December 2022	89,036,410	12,609,584	564,013	17,370,839	12,969,484	132,550,330
<b>Accumulated depreciation and impairment</b>						
At 1 January 2022	28,901,206	7,095,956	396,298	11,788,903	6,419,735	54,602,098
Depreciation charge	2,139,587	349,048	7,948	690,515	-	3,187,098
Impairment	17,498,792	1,820,682	58,492	2,006,287	8,013,700	29,397,953
Disposals	(265,518)	(98,206)	-	(888,810)	(71,601)	(1,324,135)
Impairment for assets put into operation	9,737,866	-	-	8,754	(9,746,620)	-
Reclassification	-	-	-	-	74,629	74,629
At 31 December 2022	58,011,933	9,167,480	462,738	13,605,649	4,689,843	85,937,643
Net book value at 1 January 2022	34,250,695	4,672,176	167,715	6,002,892	24,685,149	69,778,627
Net book value at 31 December 2022	31,024,477	3,442,104	101,275	3,765,190	8,279,641	46,612,687
<b>Cost</b>						
At 1 January 2021*	51,618,630	11,601,029	563,733	16,822,803	23,529,189	104,135,384
Additions	-	-	-	158,467	21,600,011	21,758,478
Transfers from construction in progress	11,932,097	186,694	280	957,804	(13,076,875)	-
Disposal	(398,826)	(19,591)	-	(147,279)	(902,955)	(1,468,651)
Reclassification	-	-	-	-	(44,486)	(44,486)
At 31 December 2021	63,151,901	11,768,132	564,013	17,791,795	31,104,884	124,380,725
<b>Accumulated depreciation and impairment</b>						
At 1 January 2021*	30,597,823	7,344,684	453,291	12,045,947	616,424	51,058,169
Depreciation charge	1,713,800	275,528	5,369	593,460	-	2,588,157
Impairment	(3,014,489)	(505,249)	(62,362)	(804,992)	5,847,790	1,460,698
Disposals	(395,928)	(19,007)	-	(45,512)	-	(460,447)
Reclassification	-	-	-	-	(44,479)	(44,479)
At 31 December 2021	28,901,206	7,095,956	396,298	11,788,903	6,419,735	54,602,098
Net book value at 1 January 2021*	21,020,807	4,256,345	110,442	4,776,856	22,912,765	53,077,215
Net book value at 31 December 2021	34,250,695	4,672,176	167,715	6,002,892	24,685,149	69,778,627

\* The Group retrospectively changed classification of book value and accumulated impairment. Changes do not affect the net book value of property, plant and equipment either at the beginning or at the end of the period.

## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2022 construction in progress includes prepayments for property, plant and equipment of RUB 2,222,077 thousand, including prepayments for technical services for wind generation projects in the amount of RUB 1,212,345 thousand (31 December 2021: RUB 6,715,410 thousand, including prepayments for technical services for wind generation projects in the amount of RUB 6,392,709 thousand).

During the year ended 31 December 2022 borrowing costs in the amount of RUB 1,621,192 thousand were capitalized into construction costs related to wind projects (31 December 2021: RUB 1,643,843 thousand were capitalized into construction costs related to wind projects).

During 12 months ended 31 December 2021 amount of CAPEX was decreased by 869,202 thousand due to the reduction of cost of services under one of the contracts with related party.

As at 31 December 2022 and 31 December 2021, there were no any restrictions on title, and no property, plant and equipment were pledged as security for liabilities.

### Recoverable amount

According to IAS 36 *Impairment of Assets* the Group at the end of reporting period assessed whether there is any indication that assets may be impaired (or impairment loss recognised in prior periods may no longer exist or may have decreased) considering both external and internal sources of information, including changes on capital markets.

The Group used the following key assumptions for determining the recoverable amount (value in use) of the property, plant and equipment and other noncurrent assets:

- Forecast cash flows were projected for the period 2023-2027 and were based on the strategic plan of the Group for 2023-2025 approved by Board of Directors in February 2023 and based on the Group's most recent financial budgets/forecasts for the period till 2027:
  - Capacity price – trend is affected by various reasons in line with Market Regulations, including capacity price auctions result and indexation of price curve slope applied, tenders awarded for modernization and Renewables projects, CPI and bond yields expectations;
  - Electricity price – aligns with gas price growth in course of business plan;
  - Fuel price – growth following Ministry of Economy of the Russian Federation forecast for 2023-2025 (annual indexation since July, 1<sup>st</sup>: 0%, +7%, +7%) and internal forecast based on historical experience and reflecting below inflation gas price growth for 2026-2027 (+3% since July, 1<sup>st</sup> annually);
  - Growth of fixed costs within the CPI (average 4% per year).
- The cash flow forecasts were discounted to their present value at the nominal after tax discount rate of 12.66% (2021: 9.33%) for thermal generation assets and 12.66% (2021: 9.19%) for renewables assets;
- Growth rate of the net cash flows amounted to 1.5% in the post-forecasted period (2021: 1.8%) for thermal generation assets. For renewables assets, a two-stage approach for the post-forecasted period was applied. For the remaining duration of capacity supply agreements (10 years) growth rate of the net cash flows amounted to (- 0.5%). After that, for the remaining useful life of assets (10 years) growth rate of 4.0% was applied.

As a result of impairment test impairment amounting to RUB 29,397,953 thousand (including RUB 12,010,323 thousand in respect to Kola WPS, RUB 3,249,312 thousand in respect to Azov WPS, RUB 14,138,318 in respect to thermal generation) was recognised in 2022.

The estimated discounted cash flows of the renewables assets and the thermal generation assets are sensitive to changes in discount rate. Increase in discount rate for thermal generation assets and renewables assets by 50 basis points resulting in lower amount of the future discounted cash flow and higher impairment.

## 6. INTANGIBLE ASSETS

	Patents and licenses	Software	Total
<b>Cost</b>			
<b>At 1 January 2022</b>	<b>149,659</b>	<b>1,115,219</b>	<b>1,264,878</b>
Additions	77,520	96,546	174,066
Reclassification	-	-	-
Disposals	-	(74,140)	(74,140)
<b>At 31 December 2022</b>	<b>227,179</b>	<b>1,137,625</b>	<b>1,364,804</b>
<b>Accumulated amortization</b>			
<b>At 1 January 2022</b>	<b>122,469</b>	<b>419,209</b>	<b>541,678</b>
Amortization charge	63,672	209,043	272,715
Impairment	-	62,140	62,140
Disposal	-	(62,140)	(62,140)
<b>At 31 December 2022</b>	<b>186,141</b>	<b>628,252</b>	<b>814,393</b>
<b>Net book value at 1 January 2022</b>	<b>27,190</b>	<b>696,010</b>	<b>723,200</b>
<b>Net book value at 31 December 2022</b>	<b>41,038</b>	<b>509,373</b>	<b>550,411</b>

	Patents and licenses	Software	Total
<b>Cost</b>			
<b>At 1 January 2021</b>	<b>106,200</b>	<b>871,509</b>	<b>977,709</b>
Additions	43,446	269,648	313,094
Reclassification	13	(13)	-
Disposals	-	(25,925)	(25,925)
<b>At 31 December 2021</b>	<b>149,659</b>	<b>1,115,219</b>	<b>1,264,878</b>
<b>Accumulated amortization</b>			
<b>At 1 January 2021</b>	<b>63,020</b>	<b>286,350</b>	<b>349,370</b>
Amortization charge	59,449	132,859	192,308
<b>At 31 December 2021</b>	<b>122,469</b>	<b>419,209</b>	<b>541,678</b>
<b>Net book value at 1 January 2021</b>	<b>43,180</b>	<b>585,159</b>	<b>628,339</b>
<b>Net book value at 31 December 2021</b>	<b>27,190</b>	<b>696,010</b>	<b>723,200</b>

Intangible assets include the costs associated with SAP/R3 implementation and new software for optimization of the workflows in procurement and finance.



**7. OTHER NON-CURRENT ASSETS**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Long-term receivables	53,457	63,366
Other	435,561	1,927,467
<b>Total</b>	<b>489,018</b>	<b>1,990,833</b>

Long-term receivables include mostly long-term RUB loans given to the Group's employees for 10-15 years.

As at 31 December 2022 Other non-current assets include strategic spare parts in the amount of RUB 397,280 thousand.

**8. TRADE AND OTHER RECEIVABLES**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Trade receivables	4,214,284	3,768,599
Prepayments to suppliers	256,484	260,451
Other taxes receivables	1,429,549	1,797,281
Other receivables	462,007	65,946
<b>Total (net of expected credit losses allowance of RUB 4,824,453 thousand at 31 December 2022, RUB 5,141,336 thousand at 31 December 2021)</b>	<b>6,362,324</b>	<b>5,892,277</b>

The table below provides information about the changes in allowance for expected credit losses on receivables:

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
<b>At 1 January</b>	5,141,336	5,410,254
Charge for the year	53,900	161,459
Utilized	(370,783)	(430,377)
<b>At 31 December</b>	<b>4,824,453</b>	<b>5,141,336</b>

**9. INVENTORIES**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Fuel supplies	1,183,403	1,079,313
Materials and supplies	1,387,409	1,710,601
Spare parts and other inventories	53,760	37,161
<b>Total inventories</b>	<b>2,624,572</b>	<b>2,827,075</b>
Less: allowance for obsolescence of inventories	(186,108)	(452,284)
<b>Total</b>	<b>2,438,464</b>	<b>2,374,791</b>

As at 31 December 2022 and 31 December 2021 none of the inventories were pledged as collateral under loan agreements.

## 10. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash in bank	4,337,385	1,230,126
Call deposits	244,703	8,988,152
<b>Total</b>	<b>4,582,088</b>	<b>10,218,278</b>

As at 31 December 2022 and 2021, cash and cash equivalents were mainly denominated in RUB.

The Group's exposure to credit, interest rate and currency risk is disclosed in Note 23.

## 11. EQUITY

### a. Share capital

The Group's share capital as at 31 December 2022 and 2021 was RUB 35,371,898 thousand comprising 35,371,898,370 ordinary shares with a par value of RUB 1.00. All shares authorised are issued and fully paid.

The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at the Shareholders' meetings of the Company.

### b. Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge instruments related to hedged transactions that have not yet occurred.

### c. Dividends declared

The Shareholders' meeting approved not to distribute dividends on ordinary shares of PJSC "EL5-Energo" for the year 2022.

### d. Earnings per share

The calculation of earnings per share is based upon the profit for the year and the weighted average number of ordinary shares outstanding during the year, calculated as shown below.

	For the year ended 31 December 2022	For the year ended 31 December 2021
Weighted average number of shares issued, in thousands	35,371,898	35,371,898
<b>Weighted average number of shares outstanding, in thousands</b>	<b>35,371,898</b>	<b>35,371,898</b>
(Loss)/profit attributable to shareholders of PJSC EL5-Energo	(20,205,409)	2,598,632
<b>(Loss)/ Earnings per share – basic and diluted (RUB per share)</b>	<b>(0.5712)</b>	<b>0.0735</b>

## 12. INCOME TAXES

	For the year ended 31 December 2022	For the year ended 31 December 2021
Current income tax expense	(206,322)	–
Income tax relating to income through equity	145,687	–
Deferred income tax income/(expense)	4,966,293	(664,859)
<b>Total income tax income/(expense)</b>	<b>4,905,658</b>	<b>(664,859)</b>

During the year ended 31 December 2022, the Group entities were subject to 20% income tax rate on taxable profits. This rate was used for the calculation of the deferred tax assets and liabilities.

## 12. INCOME TAXES (continued)

A reconciliation of the theoretical income tax, calculated at the tax rate effective in the Russian Federation, to the amount of actual income tax expense recorded in the consolidated statement of profit or loss and other comprehensive income, is as follows:

	For the year ended 31 December 2022		For the year ended 31 December 2021	
(Loss)/profit before income tax	(25,123,985)	100%	3,244,621	100%
Income tax at applicable tax rate	5,024,797	(20%)	(648,924)	(20%)
(Non-deductible expenses), net	(119,139)	0.47%	(15,935)	(0.49%)
	<b>4,905,658</b>	<b>(19.53%)</b>	<b>(664,859)</b>	<b>(20.49%)</b>

The tax effects of temporary differences that give rise to deferred taxation are presented below:

	1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	Recognised directly in equity	31 December 2022
<b>Tax effect of deductible temporary differences</b>					
Property, plant and equipment	—	2,613,496	—	—	2,613,496
Trade and other receivables	137,730	92,002	—	—	229,732
Provisions	622,607	(91,735)	—	—	530,872
Loss in Tax accounting	1,060,725	606,531	—	—	1,667,256
Employee benefits	212,747	(35,763)	(20,857)	—	156,127
Leasing	77,715	(30,956)	—	—	46,759
Other	554,462	(185,315)	—	(329,843)	39,304
<b>Deferred tax assets</b>	<b>2,665,986</b>	<b>2,968,260</b>	<b>(20,857)</b>	<b>(329,843)</b>	<b>5,283,546</b>
Tax netting	(2,665,986)	—	—	—	(1,020,661)
<b>Net deferred tax assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,262,885</b>
<b>Tax effect of taxable temporary differences</b>					
Property, plant and equipment	(3,237,872)	1,888,539	—	—	(1,349,333)
Derivatives	(15,570)	52,092	(36,522)	—	—
Other	(106,397)	57,402	—	—	(48,995)
<b>Deferred tax liabilities</b>	<b>(3,359,839)</b>	<b>1,998,033</b>	<b>(36,522)</b>	<b>—</b>	<b>(1,398,328)</b>
Tax netting	2,665,986	—	—	—	1,020,661
<b>Net deferred tax liabilities</b>	<b>(693,853)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(377,667)</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>(693,853)</b>	<b>4,966,293</b>	<b>(57,379)</b>	<b>(329,843)</b>	<b>3,885,218</b>

	1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2021
<b>Tax effect of deductible temporary differences</b>				
Trade and other receivables	284,179	(146,449)	—	137,730
Provisions	690,994	(68,387)	—	622,607
Loss in Tax accounting	382,771	677,954	—	1,060,725
Employee benefits	248,090	2,114	(37,457)	212,747
Leasing	81,666	(3,951)	—	77,715
Other	344,121	210,341	—	554,462
<b>Deferred tax assets</b>	<b>2,031,821</b>	<b>671,622</b>	<b>(37,457)</b>	<b>2,665,986</b>
<b>Tax effect of taxable temporary differences</b>				
Property, plant and equipment	(1,924,780)	(1,313,092)	—	(3,237,872)
Derivatives	(13,060)	(105,370)	102,860	(15,570)
Other	(188,378)	81,981	—	(106,397)
<b>Deferred tax liabilities</b>	<b>(2,126,218)</b>	<b>(1,336,481)</b>	<b>102,860</b>	<b>(3,359,839)</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>(94,397)</b>	<b>(664,859)</b>	<b>65,403</b>	<b>(693,853)</b>

### 13. LOANS AND BORROWINGS

	<b>Maturity</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Non-current loans and borrowings</b>			
Loans denominated in RUB	2023	-	4,000,000
Project financing in RUB	2033-2034	24,550,469	25,796,292
<b>Total non-current loans and borrowings</b>		<b>24,550,469</b>	<b>29,796,292</b>
		<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Current loans and borrowings and current portion of non-current loans and borrowings</b>			
Loans denominated in RUB		8,000,000	-
Project financing in RUB		1,809,000	4,378,640
Commercial papers in RUB		-	2,000,000
<b>Total current loans and borrowings</b>		<b>9,809,000</b>	<b>6,378,640</b>

As at 31 December 2022 the Group has access to the credit and loan facilities with the available credit limits in the amount of RUB 25.89 billion. Additionally the Group has RUB 40 billion of commercial papers program. Therefore, the Group will be able to redeem all its financial liabilities as they become due.

The table below shows the changes in loans and borrowings, including changes due to cash flows and changes not related to cash flows.

	<b>Loans and borrowings</b>
<b>Net debt at 1 January 2021</b>	<b>25,342,960</b>
Cash flow, net	9,978,316
Other changes not related to cash flow, net	853,656
<b>Net debt at 31 December 2021</b>	<b>36,174,932</b>
Cash flow, net	(1,514,150)
Other changes not related to cash flow, net	(301,313)
<b>Net debt at 31 December 2022</b>	<b>34,359,469</b>

### 14. EMPLOYEE BENEFITS

The Group operates a defined benefit pension plan under Collective labour agreement, which requires contributions to be made to a separately administered fund.

This program is aimed to provide financial support to employees entitled to a pension at termination of their employment agreement with the Company. The corporate plan provides a pension program, which buys an annuity for retiring employees at the termination date. After the annuity purchase is made, all the accrued liability of the Company against the employee is ceased. Therefore, from the Company's perspective this plan pays out as a lump-sum benefit.

The tables below provide information about the employee benefit obligations and actuarial estimations used for the year ended 31 December 2022 and for the year ended 31 December 2021. Amounts recognised in the Group's consolidated statement of financial position are as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Present value of defined benefit obligation	766,734	1,081,613
<b>Net pension liabilities in the consolidated statement of financial position</b>	<b>766,734</b>	<b>1,081,613</b>



#### 14. EMPLOYEE BENEFITS (continued)

Amounts recognised in profit or loss are as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Current service cost	53,090	61,968
Interest cost	80,407	68,740
Past service cost due to plan amendment	(215,432)	-
Other	(6,718)	-
<b>Net (income)/expense recognised in profit or loss</b>	<b>(88,653)</b>	<b>130,708</b>

Changes in the present value of the Group's employee benefit obligations are as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>Present value of defined benefit obligations at the beginning of the year</b>	<b>1,081,613</b>	<b>1,221,416</b>
Current service cost	53,090	61,968
Interest cost	80,407	68,740
Past service cost due to plan amendment	(215,432)	-
Other	(6,718)	-
Remeasurements recognised in other comprehensive income, including:	(104,284)	(187,285)
Gain due to demographic assumption change	(27,505)	(2,167)
Gain due to financial assumption changes	(116,950)	(202,752)
Loss due to experience adjustment	40,171	17,634
Benefits paid	(121,942)	(83,226)
<b>Present value of defined benefit obligation at the end of the period</b>	<b>766,734</b>	<b>1,081,613</b>

Principal actuarial assumptions are as follows:

	31 December 2022	31 December 2021
Nominal discount rate	10.30%	8.40%
Future salary increase	4.54%	4.01%

The mortality data was applied as per statistical table of the urban population of the Russian Federation in 2019.

The retirement schedule was based on the Group's statistics on retirements.

Funded status of the plan is as follows:

	31 December 2022	31 December 2021
Present value of defined benefit obligation	766,734	1,081,613
Deficit in plan	766,734	1,081,613

Expected benefit payments under the schemes during the year ended 31 December 2023 are RUB 80,165 thousand.

The average duration of the defined benefit plan obligation at the end of the reporting period is 9 years (2021: 9 years).

Included in the employee benefits in the consolidated statement of financial position are the amounts payable under the long term employee's incentive plan of RUB 13,901 thousand as at 31 December 2022 (2021: RUB 22,117 thousand).

#### 14. EMPLOYEE BENEFITS (continued)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022 is as shown below:

Assumptions	Discount rate		Inflation rate		Salary increase	
Sensitivity level	1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease
Impact on the net defined benefit obligation	(54,274)	61,735	2,673	(2,364)	61,618	(54,807)
Assumptions	Turnover		Life expectancy			
Sensitivity level	1% increase	1% decrease	1% increase	1% decrease		
Impact on the net defined benefit obligation	(12,619)	12,643	6,643	(6,643)		

#### 15. TRADE AND OTHER PAYABLES

	31 December 2022	31 December 2021
Trade payables	2,772,074	7,737,991
Accrued liabilities and other payables	767,985	492,203
Interest payable	210,715	260,956
<b>Total</b>	<b>3,750,774</b>	<b>8,491,150</b>

Management believes that the majority of suppliers, balances of which are included into trade payables, comprise a single class, as they bear the same characteristics. Those suppliers are mainly providers of fuel, repair and maintenance services.

#### 16. OTHER TAXES PAYABLE

	31 December 2022	31 December 2021
Value added tax	82,380	399,687
Other taxes	12,386	26,708
<b>Total</b>	<b>94,766</b>	<b>426,395</b>

#### 17. LEASES

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

	Land	Other	Total	Lease liabilities
<b>As at 1 January 2022</b>	<b>44,193</b>	<b>278,535</b>	<b>322,728</b>	<b>388,591</b>
Additions	4,853	64,522	69,375	69,375
Disposals	(1,449)	(77,382)	(78,831)	(117,494)
Reclassification	43,106	(43,106)	-	-
Depreciation expense	(10,821)	(88,192)	(99,013)	-
Interest expense	-	-	-	23,424
Payments	-	-	-	(130,102)
<b>As at 31 December 2022</b>	<b>79,882</b>	<b>134,377</b>	<b>214,259</b>	<b>233,794</b>

Long-term Lease liability in the amount of RUB 139,518 thousand (2021: RUB 250,208 thousand) is included in the non-current liabilities of the consolidated statement of financial position, current lease liabilities and Interest accrued in the amount in total of RUB 94,276 thousand (2021: RUB 138,383 thousand) is included in the Trade and other payables (Note 15).

## 18. PROVISIONS

	Restructuring	Provision for legal claims	Decommissioning provision	Personal related provision	Other	Total
<b>Balance at 1 January 2022</b>	<b>197,870</b>	<b>26,010</b>	<b>111,301</b>	<b>410,220</b>	<b>736,225</b>	<b>1,481,626</b>
Provisions made during the year	–	254,698	–	588,370	107,256	950,324
Unwinding of discount	1,708	–	–	–	–	1,708
Provisions reversed during the year	(1,480)	(26,085)	–	(23,915)	(294,375)	(345,855)
Provisions used during the year	(5,078)	–	(54,729)	(566,604)	(440,590)	(1,067,001)
<b>Balance at 31 December 2022</b>	<b>193,020</b>	<b>254,623</b>	<b>56,572</b>	<b>408,071</b>	<b>108,516</b>	<b>1,020,802</b>
Non-current	123,820	–	–	–	72,762	196,582
Current	69,200	254,623	56,572	408,071	35,754	824,220
<b>Total</b>	<b>193,020</b>	<b>254,623</b>	<b>56,572</b>	<b>408,071</b>	<b>108,516</b>	<b>1,020,802</b>

	Restructuring	Provision for legal claims	Decommissioning provision	Personal related provision	Other	Total
<b>Balance at 1 January 2021</b>	<b>235,572</b>	<b>6,458</b>	<b>165,924</b>	<b>366,012</b>	<b>1,480,173</b>	<b>2,254,139</b>
Provisions made during the year	–	26,008	–	571,597	364,964	962,569
Unwinding of discount	(14,000)	–	–	–	1,119	(12,881)
Provisions reversed during the year	–	(6,456)	–	(21,270)	(933,802)	(961,528)
Provisions used during the year	(23,702)	–	(54,623)	(506,119)	(176,229)	(760,673)
<b>Balance at 31 December 2021</b>	<b>197,870</b>	<b>26,010</b>	<b>111,301</b>	<b>410,220</b>	<b>736,225</b>	<b>1,481,626</b>
Non-current	127,700	–	–	–	–	127,700
Current	70,170	26,010	111,301	410,220	736,225	1,353,926
<b>Total</b>	<b>197,870</b>	<b>26,010</b>	<b>111,301</b>	<b>410,220</b>	<b>736,225</b>	<b>1,481,626</b>

### a. Restructuring

Restructuring provision relates to the ongoing plan of optimization of organizational structure and redundancy of employees.

### b. Provision for legal claims

Legal provision relates to individually insignificant litigations.

### c. Decommissioning provision

Decommissioning provision relates to the dismantling expenses of certain individual items of property, plant and equipment.

### d. Other

Other provisions include provision for environmental charges, provisions for uncertain tax position.

## 19. REVENUE

	For the year ended 31 December 2022	For the year ended 31 December 2021
Power	33,453,391	34,166,270
Capacity	12,919,367	10,187,206
Heating	3,566,873	3,332,820
Water circulation	365,436	333,984
Water for heating network	8,939	9,941
Rent	6,604	6,969
Other	160,833	211,727
<b>Total revenue from contracts with customers</b>	<b>50,481,443</b>	<b>48,248,917</b>

## 20. OPERATING EXPENSES

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
Fuel cost		29,834,723	30,019,155
Impairment loss in respect of construction in progress	5,6	29,460,093	1,460,698
Depreciation and amortisation of property, plant and equipment and intangible assets	5, 6	3,446,317	2,775,014
Employee benefits		2,913,508	2,839,971
Purchased electricity		1,986,462	1,987,347
Purchased electricity for own use		1,709,690	1,728,689
Water usage		1,166,907	1,262,060
Repairs and technical maintenance		1,006,174	943,620
Fees to Trade System Administrator, Centre of financial settlements and System Operator		848,624	788,760
Raw materials and supplies		391,971	778,256
Taxes other than income tax and payroll taxes		278,586	390,930
Provision		278,194	(914,248)
Insurance		237,056	209,670
Security		221,114	194,790
Public utilities		142,268	129,130
Media and communication cost		78,079	78,290
Transport cost		60,171	53,740
Travel cost		33,528	17,340
Pollution cost		5,268	4,280
Lease costs		5,199	5,530
Advisory, legal and information services		141,950	234,881
Other		378,210	640,349
<b>Total</b>		<b>74,624,092</b>	<b>45,628,252</b>

Employee benefits expenses comprise the following:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Wages and other benefits to employees and related taxes	2,707,249	2,426,557
Contributions to State Pension Fund	375,319	351,446
Long-term employee benefits (income)/expenses (Note 14)	(169,060)	61,968
<b>Total</b>	<b>2,913,508</b>	<b>2,839,971</b>



## 21. FINANCE INCOME AND FINANCE COSTS

	For the year ended 31 December 2022	For the year ended 31 December 2021
Interest income	542,762	429,990
Adjustment for amortised cost of long term loans	266,862	—
Gain from derivatives, net	15,709	154,136
Foreign exchange differences, net	—	428,674
Other	—	9,700
<b>Finance income</b>	<b>825,333</b>	<b>1,022,500</b>

	For the year ended 31 December 2022	For the year ended 31 December 2021
Interest expense	(1,423,444)	(908,540)
Foreign exchange differences, net	(818,893)	—
Unwinding of discount	(91,096)	(70,870)
Adjustment for amortised cost of long term loans	—	(255,183)
Other	(37,365)	—
<b>Finance costs</b>	<b>(2,370,798)</b>	<b>(1,234,593)</b>

Interest income arose from change in interest accrued on call deposits maintained with commercial banks.

## 22. COMPONENTS OF OTHER COMPREHENSIVE INCOME/LOSS

	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>Cash flow hedge</b>		
Reclassification during the year to income statement (net of income tax)	(1,134,006)	(113,479)
Basis adjustment	145,000	196,600
Net gains during the year (net of income tax)	1,135,092	(494,561)
<b>Net movement on cash flow hedges (net of income tax)</b>	<b>146,086</b>	<b>(411,440)</b>
<b>Actuarial gain on defined benefits plans (net of income tax)</b>	<b>83,427</b>	<b>149,828</b>

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

### a. Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group's activities expose it to a variety of financial risks, including the effects of changes in interest rates, forex risk and the collectability of receivables.

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

### b. Credit risk

The credit risk is identified by the possibility that an unexpected change in a counterparty's creditworthiness generates an unexpected change in the market value of the counterparty's credit position or a loss when an obligation toward the Group is in place.

It mainly arises from the Group's trade receivables from customers and financial obligations toward the Group.

#### i. Trade receivables

The Group's exposure to credit risk is mainly determined by the financial characteristics of third parties, individually evaluated or clustered by similar characteristics (such as financials, external official ratings, geographic location, credit ageing, etc.).

The Group has defined methodological criteria, even formalized in internal documentation, to calculate the creditworthiness (probability of defaults or default rates) for the third parties with potential significant credit exposure.

On the wholesale electricity and capacity market (WECM) the assignment of contractors for electricity and/or capacity sales contracts is done on the basis of a model created by the Commercial Operator of the WECM.

Generation companies operating on the WECM are obliged by the regulatory to conclude such contracts, even with insolvent contractors. In such cases, to mitigate the risk the Group has activated a structured process to directly recover the potential losses and moreover has established accounting criteria to determine adequate allowance if the contractor is excluded from the list of WECM players and (possibly) becomes bankrupt in the future.

In particular, the Group established an allowance for expected credit losses, based on the estimation of probability of default or default rates, the recovery in case of bankruptcy and the credit exposure at the reference date.

Last, integrating the quantitative analysis to determine the expected credit losses amounts with a qualitative analysis of the commercial portfolio, the majority of customers have been transacting with the Group for over several years, and losses have been usually mitigated by structured processes and recovery actions. The Group establishes an allowance for expected credit losses based on the Group's historical experience and informed credit assessment and including forward-looking information.

Although collection of receivables could be influenced by economic factors, management believes that as at 31 December there is no significant risk of loss to the Group beyond the impairment of receivables already recorded.

#### ii. Cash balances and deposits

The cash balances and short-term deposits are held with reliable banks or financial institutions. The Group places funds in top financial institutions characterized by a quite stable financial status.

#### iii. Exposure to credit risk

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

	31 December 2022	31 December 2021
Financial investments into equity shares	4,880	4,880
Trade accounts receivable	4,214,284	3,768,599
Other receivables	462,007	65,946
Cash and cash equivalents	4,582,088	10,218,278
Long-term other receivables	53,457	63,366
<b>Total</b>	<b>9,316,716</b>	<b>14,121,069</b>

The aging of Trade receivables at the reporting date was as follows:

	31 December 2022		31 December 2021	
	Gross	Expected credit losses allowance	Gross	Expected credit losses allowance
Not past due	3,991,770	5,336	2,149,976	26,885
Past due for less than 3 months	430,090	208,023	1,686,086	65,352
Past due for 3 to 12 months	220,647	214,864	401,077	376,303
Past due for more than one year	3,921,239	3,921,239	4,356,956	4,356,956
<b>Total</b>	<b>8,563,746</b>	<b>4,349,462</b>	<b>8,594,095</b>	<b>4,825,496</b>

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

### c. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group'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 Group's reputation.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities, ability of the Group to fulfil the current obligations. In order to implement the main investment projects the Group have already attracted long-term financing for up to 15 years. The short and medium term financing up to 5 years is attracted for operating activity.

The distribution of financial liabilities by such terms of payment enables to ensure that at the required moment the Group will be able to redeem all its financial liabilities in full. Access to the credit facilities of the Group as at 31 December 2022 is disclosed in Note 13.

At the reporting date, the Group's current liabilities exceed its current assets by RUB 1,043,761 thousand. The Group has sufficient sources of financing to meet its financial obligations as they fall due. Available funding limits are disclosed in Note 13.

The following are the contractual maturities of financial liabilities, excluding estimated interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### i. Non-derivative financial liabilities

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
<b>At 31 December 2022</b>					
Bank and other loans	34,359,469	34,492,400	9,809,000	8,010,000	16,673,400
Non-current lease liabilities	139,518	214,974	-	132,179	82,795
Trade and other payables	3,750,774	3,750,774	3,750,774	-	-
<b>Total</b>	<b>38,249,761</b>	<b>38,458,148</b>	<b>13,559,774</b>	<b>8,142,179</b>	<b>16,756,195</b>
	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
<b>At 31 December 2021</b>					
Bank and other loans	34,174,932	34,006,550	4,378,640	11,511,872	18,116,038
Commercial papers	2,000,000	2,000,000	2,000,000	-	-
Non-current lease liabilities	250,208	332,094	-	245,560	86,534
Trade and other payables	8,491,150	8,491,150	8,491,150	-	-
<b>Total</b>	<b>44,916,290</b>	<b>44,829,794</b>	<b>14,869,790</b>	<b>11,757,432</b>	<b>18,202,572</b>

#### ii. Derivatives

Fair values	31 December 2022	31 December 2021
Forwards	-	77,817
<b>Derivative assets</b>	<b>-</b>	<b>77,817</b>
Forwards	-	40
<b>Derivative liabilities</b>	<b>-</b>	<b>40</b>

In order to comply with the Group's foreign exchange risk management strategy, the changes in future cash flows arising from the highly probable capital and operational expenditure outflows in a foreign currency attributable to foreign exchange rate movements are hedged.

Net change of the effective hedges of RUB 146,086 thousand, including the forward element amounting to RUB (1,190) thousand, with a deferred tax of RUB (36,522) thousand are included within other comprehensive income for 2022 (2021: change at the amount of RUB (411,440) thousand, including the forward element of RUB 189,800 thousand and RUB 102,860 thousand of deferred tax, respectively). The element of ineffectiveness was recognized in the consolidated statement of profit or loss and other comprehensive income.

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

### c. Liquidity risk (continued)

As at 31 December 2022 there are no derivative financial instruments on the Group's balance sheet.

During 2022, in connection with the commissioning of property, plant and equipment and intangible assets, the amounts accumulated in the Hedge reserve were included in their carrying amount in the amount of RUB 372,064 thousand and RUB 2,229 thousand respectively.

### d. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### Currency risk

The risk management strategy of the Group is aimed to minimize currency risks to which the Group is exposed to. For this reason, the hedging strategy is implemented through derivative transactions, whereby the major risk is attributed to payments to contractors when such are denominated in currencies other than the functional currency of the Company.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	31 December 2022		31 December 2021	
	USD	EUR	USD	EUR
Cash	1,578	1,109,198	2,307	1,147,090
Trade and other payables	–	(112,032)	(24)	(2,662,618)
<b>Gross exposure</b>	<b>1,578</b>	<b>997,166</b>	<b>2,283</b>	<b>(1,515,528)</b>
Forward exchange contracts	–	–	–	131,247
<b>Net exposure</b>	<b>1,578</b>	<b>997,166</b>	<b>2,283</b>	<b>(1,384,281)</b>

The Group also hedges changes in future cash flows arising from the highly probable capital expenditure outflows in a foreign currency attributable to foreign exchange rate movements (described in Liquidity risk section).

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	For the year ended 2022	For the year ended 2021	31 December 2022	31 December 2021
<b>RUB</b>				
USD	68.3522	73.6685	70.3375	74.2926
EUR	72.1509	87.0861	75.6553	84.0695

#### Sensitivity analysis

A weakening of RUB against USD and EUR at 31 December 2022 would have decreased profit of the Group by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2021, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

Effect in thousands of Russian rubles to the statement of profit or loss and other comprehensive income:

	Profit or loss
<b>At 31 December 2022</b>	
EUR (10 percent RUB weakening)	99,717
USD (10 percent RUB weakening)	158
<b>At 31 December 2021</b>	
EUR (10 percent RUB weakening)	(138,428)
USD (10 percent RUB weakening)	228



## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

### d. Market risk (continued)

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The financing strategy of the Group envisages appropriate hedging against interest rate risk.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Carrying amount	
	31 December 2022	31 December 2021
<b>Fixed rate instruments</b>		
Financial assets	244,703	8,988,152
Financial liabilities	(8,000,000)	(6,000,000)
	<b>(7,755,297)</b>	<b>2,988,152</b>
<b>Variable rate instruments</b>		
Financial liabilities	(26,359,469)	(30,174,932)
	<b>(26,359,469)</b>	<b>(30,174,932)</b>

#### Cash flow sensitivity analysis for interest rate instruments

A change of 100 basis points in interest rates at the reporting date would not have materially increased (decreased) profit or loss.

### e. Fair value of financial instruments

Management believes that the fair value of the Group's financial assets and liabilities at 31 December 2022 approximates their carrying value.

#### Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government bonds yield curve at the reporting date plus an adequate credit spread, and were as follows:

	31 December 2022	31 December 2021
Derivatives	—	7.01% - 15.90%
Loans and borrowings	10.48% - 10.74%	8.37% - 8.73%

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value at 31 December 2022</b>				
Financial investments into equity shares	—	—	4,880	4,880
	—	—	4,880	4,880
Forward exchange contracts	—	—	—	—
	—	—	—	—
<b>Liability measured at fair value at 31 December 2022</b>				
Forward exchange contracts	—	—	—	—
	—	—	—	—

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

### e. Fair value of financial instruments (continued)

	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value at 31 December 2021</b>				
Financial investments into equity shares	–	–	4,880	4,880
	–	–	4,880	4,880
Forward exchange contracts	–	77,817	–	77,817
	–	77,817	–	77,817
<b>Liability measured at fair value at 31 December 2021</b>				
Forward exchange contracts	–	40	–	40
	–	40	–	40

The table below analyses financial assets and liabilities not measured at fair value but for which fair value is disclosed. Their fair value is equal to book value.

	Level 1	Level 2	Level 3	Total
<b>Assets not measured at fair value at 31 December 2022</b>				
Trade and other receivables	–	–	6,105,840	6,105,840
Loans given	–	–	37,809	37,809
	–	–	6,143,649	6,143,649
<b>Liability not measured at fair value at 31 December 2022</b>				
Trade and other payables	–	–	3,547,248	3,547,248
Bank and other loans	–	34,562,995	–	34,562,995
	–	34,562,995	3,547,248	38,110,243
<b>Assets not measured at fair value at 31 December 2021</b>				
Trade and other receivables	–	–	5,631,826	5,631,826
Loans given	–	–	37,160	37,160
	–	–	5,668,986	5,668,986
<b>Liability not measured at fair value at 31 December 2021</b>				
Trade and other payables	–	–	8,230,160	8,230,160
Bank and other loans	–	34,360,992	–	34,360,992
Commercial papers	–	2,074,930	–	2,074,930
	–	36,435,922	8,230,160	44,666,082

### f. Capital risk management

The following capital requirements have been established for public companies by the legislation of the Russian Federation:

- Share capital cannot be lower than RUB 100 thousand;
- If the share capital of the entity is greater than statutory net assets of the entity, such entity must decrease its share capital to the value not exceeding its net assets;
- If the minimum allowed share capital is greater than statutory net assets of the entity, such entity is subject to liquidation, if not rectified within 6 months from the reporting date after the end of the second reporting year.

As at 31 December 2022, companies of the Group has been in compliance with the above share capital requirements.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

## **23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)**

### **f. Capital risk management (continued)**

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings, as shown in the consolidated statement of financial position, less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

	<b>31 December 2022</b>	<b>31 December 2021</b>
Total borrowings (Note 13)	34,359,469	36,174,932
Less: Cash and cash equivalents (Note 10)	(4,582,088)	(10,218,278)
<b>Net debt</b>	<b>29,777,381</b>	<b>25,956,654</b>
Equity	24,831,249	42,898,383
<b>Debt to equity ratio</b>	<b>119.92%</b>	<b>60.51%</b>

## **24. COMMITMENTS**

### **a. Fuel supply contracts**

The Group has entered into several long-term gas supply contracts. The prices in these contracts are based on market terms and conditions. The long-term contract for gas supply includes “take-or-pay” clause.

### **b. Capital commitments**

Future capital expenditure for which contracts have been signed amounted to RUB 5,825,907 thousand at 31 December 2022 (at 31 December 2021: RUB 8,349,307 thousand), including RUB 992,215 thousand (2021: RUB 3,506,243 thousand) for the wind generation projects.

## **25. CONTINGENCIES**

### **a. Operating environment**

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. Since February 2022, after the recognition of the self-proclaimed Donetsk and Lugansk People's Republics and the start of a special military operation in Ukraine by the Russian Federation, the above countries have imposed additional tough sanctions against the Government of the Russian Federation, as well as large financial institutions, legal entities and individuals in Russia. In addition, restrictions were imposed on the supply of various goods and services to Russian enterprises. Also, in the context of the imposed sanctions, a number of large international companies from the United States, the European Union and other countries discontinued, significantly reduced or suspended their own activities in the Russian Federation, as well as doing business with Russian citizens and legal entities.

In September 2022, partial mobilization was announced in the Russian Federation. Referendums were held in the recognized republics of Donetsk and Lugansk, as well as in the Zaporozhye and Kherson regions of Ukraine, which resulted in incorporation of the territories into the Russian Federation. As a result of these events further sanctions were imposed and there is a risk of increasing pressure on the Russian economy. In response to the above, the Government of the Russian Federation has introduced a set of measures, which are counter-sanctions, currency control measures, a number of key interest rate decisions and other special economic measures to ensure the security and maintain the stability of the Russian economy.

The imposition and subsequent strengthening of sanctions and the partial mobilization resulted in elevated economic uncertainty, including reduced liquidity and high volatility in the capital markets, volatility of the Rouble exchange rate and the key interest rate, a decrease in foreign and domestic direct investments, difficulties in making payments for Russian Eurobond issuers, and also a significant reduction in the availability of sources of debt financing.

## **25. CONTINGENCIES (continued)**

### **a. Operating environment (continued)**

In addition, Russian companies have virtually no access to the international stock market, the debt capital market and other development opportunities, which may lead to their increased dependence on the governmental support. The Russian economy is in the process of adaptation associated with the replacement of retiring export markets, a change in supply markets and technologies, as well as changes in logistics, supply and production chains.

It is difficult to assess the consequences of the imposed and possible additional sanctions as well as partial mobilization, in the long term, however, these events can have a significant negative impact on the Russian economy.

The wave-like nature of the spread of COVID-19 coronavirus infection continues to create additional uncertainty in the business environment.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

### **b. Insurance**

The Group applies the integrated insurance approach. The Group Insurance coverage includes both obligatory and voluntary types of insurance with regard to assets, third party liability risks and other insurable risks. Management of the Group takes the appropriate measures to minimize the potential negative external influence on the Group property interest from those risks which are out of existing insurance coverage.

### **c. Legal proceedings**

The Group was not a party to any significant legal proceedings which, upon final disposition, would have a material adverse effect on the financial position of the Group, except those for which provision has been accrued and recorded in these financial statements.

### **d. Tax contingency**

The taxation system in the Russian Federation is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by the tax authorities who may impose severe fines, penalties and interest charges. Tax authorities are entitled to conduct field tax audits within three calendar years preceding the year when the tax authorities issue a decision to conduct a field tax audit.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities could differ from the position taken by the company and have effect on these consolidated financial statements.

The Russian transfer pricing legislation, which came into force on 1 January 2012, allows the tax Russian authorities to apply transfer pricing adjustments of income and expenses and impose additional corporate income tax liabilities in respect of all "controlled" transactions if the transaction price differs from the market level of prices. The list of "controlled" transactions includes, inter alia, transactions performed with related parties and certain types of cross-border transactions.

The Group determines its tax liabilities arising from "controlled" transactions using actual transaction prices.



## **25. CONTINGENCIES (continued)**

In December 2019 Interregional Tax Inspectorate of the Federal Tax Service for Major Taxpayers of Russia No. 4. (the Inspectorate) issued a decision to hold the Company liable based on the results of the field tax audit for 2014-2016. The major part of the tax assessment is explained by the incorrect classification (in the opinion of the Inspectorate) of some fixed assets as movable property which resulted in underpayment of property tax for 2014-2016 in the amount of RUB 152 million. The Group is currently disputing the Tax authority's decision in the Moscow arbitration court. Currently, the court proceedings are suspended until the results of a forensic examination are received. The Group understands that there is legal ambiguity regarding the payment of property tax on the disputed assets, however, taking into account the current legislation, official clarifications of regulatory bodies of the Russian Federation and law enforcement practice, believes that such a risk is not highly probable.

On February 12, 2021, in Letter # IIIIO-4-13/1749@, the Federal tax service issued the insights regarding the justification of economic feasibility of expenses incurred on the basis of related parties transactions, as well as recognition of income of foreign companies from such activities, in which they clarify that it is necessary to distinguish between related parties transactions and a concept of "shareholder's activities".

There is a possibility that the Company's views of economic feasibility of such transactions under contracts for the provision of services with foreign companies, former shareholder will differ from the view of tax authorities. These may lead to adjustments of tax liabilities if the Company cannot confirm that related parties transactions are economically justified and do not related to "shareholder's activities". However, the Company believes, that this risk is not highly probable.

In general, management of the Company believes that the Company has paid or accrued all taxes established by law. For taxes where uncertainty exists, the Company has accrued tax liabilities based on management's best estimate of the likely outflow of resources that will be required to settle those liabilities.

### **e. Environmental matters**

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluate its obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated. In the current enforcement and given existing legislation, management believes that there are no significant liabilities for environmental damage, except those for which provision has been accrued and recorded in these consolidated financial statements.

## **26. RELATED PARTIES DISCLOSURES**

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

In the normal course of business the Group enters into transactions with related parties.

Related parties include shareholders, directors, subsidiaries and enterprises controlled by parent company, PJSC "LUKOIL".

## **26. RELATED PARTIES DISCLOSURES (continued)**

### **Transactions with enterprises controlled by parent company**

For the year ended 31 December 2022 the Group had the following transactions with enterprises controlled by parent company:

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
Sale of power	27,024	211,420
Other revenue	–	13,683
Purchases	(4,049)	(1,163,555)

As at 31 December 2022 the Group had the following balances with enterprises controlled by parent company:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Trade and other receivables	15,241	123,784
Trade and other payables	(3,102)	(3,024,875)

### **Transactions with other related parties**

In 2022 transactions with other related parties represent transactions with the non-state pension fund.

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
Benefits paid	119,146	80,777

As at 31 December 2022 the Group balances with other related parties were settled.

### **Transactions with key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Total remuneration includes all type of remuneration such as wages, salaries, bonuses, non-monetary benefits, other. Total remuneration paid to the members of the Board of Directors and Management Board for the year ended 31 December 2022 and 2021 was as follows:

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
Remuneration	185,729	133,475
Social security expenses	23,538	12,632

During the year ended 31 December 2022 the loan on market conditions were provided to key management personnel amounting to RUB 9.58 million (during the year ended 31 December 2021 RUB 7 million).

The employee benefit obligations in the consolidated statement of financial position includes payables attributable to key management personnel at the amount of RUB 13,901 thousand for the year ended 31 December 2022 (2021: RUB 22,117 thousand).

At 31 December 2022 there were 11 members of the Board of Directors and 7 members of the Management Board.

## 27. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

### *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

### *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 1 January 2024. Due to these ongoing developments, the Group is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application. The Group is closely monitoring the developments.

### **Other standards**

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

These new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

## 28. SUBSEQUENT EVENTS

In February 2023, was put into operation the Construction Object - the 3rd collector for the construction of the wind farm "Kolskaya WPS" with a capacity of 201 MW: stage 2 and 3, Construction of an overhead line 150 kV, power distribution schemes "Kolskaya WPS".

From March 1, 2023, the installed capacity of the wind farm "Kolskaya WPS" amounted to 100%.

General Director



A.A. Tnalin

Chief Accountant



V.V. Grishachev

13 April 2023