PJSC EL5-Energo and its subsidiaries
Consolidated financial statements
for the year ended 31 December 2023
and Independent Auditors' Report

April 2024

Contents

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Independent Auditors’ Report

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

Opinion

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 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including material accounting policy information 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 2023, 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

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

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.

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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**
Due to changes in market and economic conditions, there is a risk of impairment of the Group's property, plant and equipment or reversal of previously recognised impairment. The Group has significant property, plant and equipment balance which is material to the consolidated financial statements as at 31 December 2023. In previous periods, the Group recognised impairment in a material amount. Due to the inherent uncertainty involved in the processes of forecasting and discounting future cash flows that are the basis for assessing impairment, this is one of the key areas of professional judgment and is one of the most significant for our audit.	Our audit procedures in this area included an analysis of the internal control system developed and implemented by the Group to ensure proper impairment testing of property, plant and equipment and testing the composition principles and methodology applied in discounted cash flow models. We engaged our own valuation specialists to assist in evaluating the assumptions and methodology used by the Group. We assessed the reasonableness of the expected cash flows by comparing them with the latest approved business plans, external sources of information and our own assumptions regarding key inputs, such as projected volumes and prices for electricity and capacity, inflation, discount rates and terminal growth rates. In some cases, we recalculated the forecast data used by the Group in accordance with generally accepted sources of industry and macroeconomic forecasts and assessed the effect on the impairment test results. We also assessed the sensitivity of the impairment test to changes in key assumptions and analysed the adequacy of the impairment disclosures in the Group's consolidated financial statements.

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 the Audit Committee of the Board of Directors for the Consolidated Financial Statements

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.

The Audit Committee of the Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Board of Directors 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 the Audit Committee of the Board of Directors 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 the Audit Committee of the Board of Directors, 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 Tatiana Evgenievna

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

1 April 2024

Thousands of Russian roubles, unless otherwise stated

	Notes	31 December 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	5	52,686,990	46,612,687
Intangible assets	6	431,195	550,411
Financial investments into equity shares		4,880	4,880
Deferred income tax asset	12	3,818,563	4,262,885
Other non-current assets	7	533,256	489,018
Total non-current assets		**57,474,884**	**51,919,881**
Current assets			
Inventories	9	2,466,616	2,438,464
Trade and other receivables	8	6,080,933	6,362,324
Current income tax prepayments		46,464	52,123
Cash and cash equivalents	10	908,654	4,582,088
Total current assets		**9,502,667**	**13,434,999**
Total assets		**66,977,551**	**65,354,880**
Equity and liabilities			
Equity	11		
Share capital		35,371,898	35,371,898
Share premium		6,818,747	6,818,747
Hedge reserve		–	(20,124)
Accumulated deficit		(12,580,600)	(17,207,184)
Total equity attributable to equity holders of PJSC EL5-Energo		**29,610,045**	**24,963,337**
Non-controlling interests		(141,538)	(132,088)
Total equity		**29,468,507**	**24,831,249**
Non-current liabilities			
Loans and borrowings	13	22,655,456	24,550,469
Deferred income tax liability	12	414,009	377,667
Employee benefits	14	952,323	780,635
Provisions	18	236,821	196,582
Other non-current liabilities	17	56,761	139,518
Total non-current liabilities		**24,315,370**	**26,044,871**
Current liabilities			
Loans and borrowings	13	7,299,000	9,809,000
Trade and other payables	15	4,809,810	3,750,774
Other taxes payable	16	196,667	94,766
Provisions	18	888,197	824,220
Total current liabilities		**13,193,674**	**14,478,760**
Total liabilities		**37,509,044**	**40,523,631**
Total equity and liabilities		**66,977,551**	**65,354,880**

General Director A.A. Tnalin

Chief Accountant V.V. Grishachev

1 April 2024

ПАО «ЭЛ5-Энерго»
г. Екатеринбург

The notes on pages 12 to 42 are an integral part of these consolidated financial statements.

Thousands of Russian roubles, unless otherwise stated

	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
Revenue	19	60,815,177	50,481,443
Operating expenses	20	(52,568,199)	(74,624,092)
Allowance for expected credit losses of trade and other receivables	8	(204,618)	(53,900)
Other operating income		553,995	618,029
Operating profit/(loss)		**8,596,355**	**(23,578,520)**
Finance income	21	594,292	825,333
Finance costs	21	(3,326,594)	(2,370,798)
Profit/(loss) before income tax		**5,864,053**	**(25,123,985)**
Income tax (expense)/benefit	12	(1,239,660)	4,905,658
Profit/(loss) for the year		**4,624,393**	**(20,218,327)**
Other comprehensive income/(loss)			
Net movement on cash flow hedges	22	25,155	182,608
Income tax effect	12, 22	(5,031)	(36,522)
Net other comprehensive income to be reclassified to profit and loss in subsequent periods		**20,124**	**146,086**
Actuarial (loss)/gain on defined benefits plans	14	(24,647)	104,284
Income tax effect	12, 14	4,929	(20,857)
Net other comprehensive (loss)/income not being reclassified to profit and loss in subsequent periods		**(19,718)**	**83,427**
Total comprehensive income/(loss) for the year		**4,624,799**	**(19,988,814)**
Profit/(loss) attributable to:			
Owners of PJSC EL5-Energo		4,633,843	(20,205,409)
Non-controlling interests		(9,450)	(12,918)
Total comprehensive income/(loss) attributable to:			
Owners of PJSC EL5-Energo		4,634,249	(19,975,896)
Non-controlling interests		(9,450)	(12,918)
Earnings/(loss) per ordinary share for profit attributable to the equity holders of PJSC EL5-Energo – basic and diluted (in Russian roubles per share)	11	**0.1310**	**(0.5712)**

General Director A.A. Tnalin

Chief Accountant V.V. Grishachev

1 April 2024

ПАО «ЭЛ5-Энерго»
Публичное акционерное общество «ЭЛ5-Энерго»
г. Екатеринбург
ИНН 6671156423

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Thousands of Russian roubles, unless otherwise stated

	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
Cash flows from operating activities			
Profit/(loss) before income tax		**5,864,053**	**(25,123,985)**
Adjustments for:			
Depreciation and amortization	5, 6, 20	3,210,009	3,446,317
(Loss)/gain on disposal of other non-current assets	7	212,104	(160,203)
Impairment of property, plant and equipment and intangible assets	5,6	130,154	29,460,093
Finance income	21	(594,292)	(825,333)
Finance costs	21	3,326,594	2,370,798
Accrual of allowance for expected credit losses of trade and other receivables	8	204,618	53,900
Change in other provisions	20	445,886	278,194
Changes in defined benefit obligations	14	36,329	(170,104)
Adjustments for other non-cash transactions		182	(33,406)
		12,835,637	**9,296,271**
Decrease/(increase) in trade and other receivables		124,798	(533,049)
Increase in inventories		(49,878)	(48,413)
Increase/(decrease) in trade and other payables		414,742	(2,366,540)
Increase in taxes payable, other than income tax		101,901	182,134
Net cash flows from operating activities before dividends and income tax paid		**13,427,200**	**6,530,403**
Unclaimed dividends related to previous years		12,459	19,549
Income tax paid		(783,934)	(312,596)
Net cash flows generated from operating activities		**12,655,725**	**6,237,356**
Cash flows from investing activities			
Acquisition of property, plant and equipment and other non-current assets		(9,443,523)	(7,852,378)
Interest received		281,742	542,353
Proceeds on derivatives		-	103,887
Proceeds from disposal of property, plant and equipment and other non-current assets	5, 7	-	1,080,792
Net cash flows used in investing activities		**(9,161,781)**	**(6,125,346)**
Cash flows from financing activities			
Proceeds from loans and borrowings	13	5,400,000	5,554,250
Repayment of loans and borrowings	13	(9,809,000)	(7,068,400)
Interest paid		(3,008,142)	(3,107,079)
Payment of lease liabilities	17	(119,410)	(98,064)
Net cash flows used in financing activities		**(7,536,552)**	**(4,719,293)**
Net decrease in cash and cash equivalents		**(4,042,608)**	**(4,607,283)**
Cash and cash equivalents at 1 January		4,582,088	10,218,278
Effect of exchange rate fluctuations on cash and cash equivalents		369,174	(1,028,907)
Cash and cash equivalents at 31 December	10	**908,654**	**4,582,088**

General Director A.A. Tnalin

Chief Accountant V.V. Grishachev

1 April 2024

ПАО «ЭЛ5-Энерго»
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Thousands of Russian roubles, unless otherwise stated

	Notes	Share capital	Share premium	Hedge reserve	(Accumulated deficit)/ retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2022		**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)**
Other comprehensive income								
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**
Total other comprehensive income		–	–	**146,086**	**83,427**	**229,513**	–	**229,513**
Total comprehensive income/(loss) for the year		–	–	**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**
Balance at 31 December 2022		**35,371,898**	**6,818,747**	**(20,124)**	**(17,207,184)**	**24,963,337**	**(132,088)**	**24,831,249**

The notes on pages 12 to 42 are an integral part of these consolidated financial statements.

PJSC EL5-Energo and its subsidiaries
Consolidated statement of changes in equity
For the year ended 31 December 2023
Thousands of Russian roubles, unless otherwise stated

	Notes	Share capital	Share premium	Hedge reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
Balance at 1 January 2023		**35,371,898**	**6,818,747**	**(20,124)**	**(17,207,184)**	**24,963,337**	**(132,088)**	**24,831,249**
Profit/(loss) for the year		–	–	–	4,633,843	**4,633,843**	(9,450)	**4,624,393**
Other comprehensive income								
Net movement on cash flow hedges, net of tax	22	–	–	20,124	–	**20,124**	–	**20,124**
Actuarial loss on defined benefits plans, net of tax		–	–	–	(19,718)	**(19,718)**	–	**(19,718)**
Total other comprehensive income		–	–	**20,124**	**(19,718)**	**406**		**406**
Total comprehensive income/(loss) for the year		–	–	**20,124**	**4,614,125**	**4,634,249**	**(9,450)**	**4,624,799**
Unclaimed dividends related to previous years	11	–	–	–	12,459	**12,459**	–	**12,459**
Balance at 31 December 2023		**35,371,898**	**6,818,747**	–	**(12,580,600)**	**29,610,045**	**(141,538)**	**29,468,507**

General Director A.A. Tnalin

Chief Accountant V.V. Grishachev

1 April 2023

ПАО «ЭЛ5-Энерго»
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The notes on pages 12 to 42 are an integral part of these consolidated financial statements.

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1. BACKGROUND

g. 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.

In 2022 major shareholder of PJSC "EL5-Energo" changed and as at 31 December 2022 PJSC "LUKOIL" owned 56.43% of the Company's shares, during 2023 the share of PJSC "LUKOIL" increased to 63.84%.

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:

		Ownership / voting shares	
Company name	Country of incorporation	31 December 2023	31 December 2022
OJSC "Teploprogress"	The Russian Federation	60%	60%
LLC "EL5 Finance"	The Russian Federation	100%	100%
LLC "Stavropol WPS"	The Russian Federation	100%	100%
LLC "Kola WPS"	The Russian Federation	100%	100%
LLC "Azov WPS"	The Russian Federation	100%	100%

LLC "Enel Rus Wind Kola" was renamed to LLC "Kola WPS" in 2023.

h. 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 (d).

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.

3. MATERIAL 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. Financial instruments

Financial liabilities

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

c. 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.

d. 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. MATERIAL ACCOUNTING POLICIES (continued)

e. 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. MATERIAL ACCOUNTING POLICIES (continued)

e. 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.

f. 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 statement of profit or loss as an operating expense.

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

g. 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.

h. 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.

i. 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. MATERIAL ACCOUNTING POLICIES (continued)

j. 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.

k. 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).

l. Environmental obligations

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

m. 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. MATERIAL ACCOUNTING POLICIES (continued)

m. 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 consolidated statement of profit or loss and other comprehensive income.

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. MATERIAL ACCOUNTING POLICIES (continued)

n. 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.

o. 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.

p. 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. MATERIAL ACCOUNTING POLICIES (continued)

q. 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.

r. 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.

s. New and amended standards and interpretations

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements

The Group also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of "material", rather than "significant", accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in Note 3.

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.

Thousands of Russian roubles, unless otherwise stated

5. PROPERTY, PLANT AND EQUIPMENT

	Heat and electricity generation	Electricity transmission	Heating networks	Other	Construction in progress	Total
Cost						
At 1 January 2023	**89,036,410**	**12,609,584**	**564,013**	**17,370,839**	**12,969,484**	**132,550,330**
Additions	-	-	-	39,144	9,182,298	**9,221,442**
Transfers from construction in progress	6,901,155	217,244	5,327	1,694,855	(8,818,581)	**-**
Disposals	(1,829,260)	(323,110)	(3,266)	(2,835,038)	(42,025)	**(5,032,699)**
Reclassification	-	-	-	-	9,205	**9,205**
At 31 December 2023	**94,108,305**	**12,503,718**	**566,074**	**16,269,800**	**13,300,381**	**136,748,278**
Accumulated depreciation and impairment						
At 1 January 2023	**58,011,933**	**9,167,480**	**462,738**	**13,605,649**	**4,689,843**	**85,937,643**
Depreciation charge	2,090,005	298,918	4,826	559,789	-	**2,953,538**
Impairment	-	-	-	-	130,154	**130,154**
Disposals	(1,827,257)	(322,984)	(3,265)	(2,776,177)	(30,364)	**(4,960,047)**
Impairment for assets put into operation	2,913,441	40,182	1,051	301,575	(3,256,249)	**-**
At 31 December 2023	**61,188,122**	**9,183,596**	**465,350**	**11,690,836**	**1,533,384**	**84,061,288**
Net book value at 1 January 2023	**31,024,477**	**3,442,104**	**101,275**	**3,765,190**	**8,279,641**	**46,612,687**
Net book value at 31 December 2023	**32,920,183**	**3,320,122**	**100,724**	**4,578,964**	**11,766,997**	**52,686,990**

	Heat and electricity generation	Electricity transmission	Heating networks	Other	Construction in progress	Total
Cost						
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**
Accumulated depreciation and impairment						
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**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2023 construction in progress includes prepayments for property, plant and equipment of RUB 3,483,343 thousand, including prepayments for technical services for wind generation projects in the amount of RUB 35,729 thousand (31 December 2022: RUB 2,222,077 thousand, including prepayments for technical services for wind generation projects in the amount of RUB 1,212,345 thousand).

During the year ended 31 December 2023 borrowing costs in the amount of RUB 47,115 thousand were capitalized into construction costs related to wind projects (31 December 2022: RUB 1,621,192 thousand were capitalized into construction costs related to wind projects).

As at 31 December 2023 and 31 December 2022, 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 2024-2028 and were based on the strategic plan of the Group for 2024-2026 approved by Board of Directors in December 2023 and based on the Group's most recent financial budgets/forecasts for the period till 2028:
    - 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 2024-2026 (annual indexation since July, 1st: +11.2%, +8.2%, +4%) and internal forecast based on historical experience and reflecting below inflation gas price growth for 2027-2028 (+4% since July, 1st annually);
    - Growth of fixed costs within the CPI (average 4% per year).
- The cash flow forecasts were discounted to their present value. Due to risk difference for different future periods and macro scenario used for cash flows forecast, different discount rates were defined for different periods. To determine the recoverable amount of assets as at December 31st, 2023 cash flow forecast was discounted at the nominal after tax discount rate of 14.06% for 2024-2025 and 13.69% starting from 2026 for thermal generation assets and for renewables assets (2022: 12.66%);
- Growth rate of the net cash flows amounted to 3.42% 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 (8 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% was applied.

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

As a result of impairment test no additional impairment (or reversal of impairment recognised in previous periods) was recognised in 2023.

Thousands of Russian roubles, unless otherwise stated

6. INTANGIBLE ASSETS

	Patents and licenses	Software	Total
Cost			
At 1 January 2023	**227,179**	**1,137,625**	**1,364,804**
Additions	18,553	102,793	**121,346**
Reclassification	672	15,278	**15,950**
Disposals	-	(23,986)	**(23,986)**
At 31 December 2023	**246,404**	**1,231,710**	**1,478,114**
Accumulated amortization			
At 1 January 2023	**186,141**	**628,252**	**814,393**
Amortization charge	31,871	224,641	**256,512**
Disposal	-	(23,986)	**(23,986)**
At 31 December 2023	**218,012**	**828,907**	**1,046,919**
Net book value at 1 January 2023	**41,038**	**509,373**	**550,411**
Net book value at 31 December 2023	**28,392**	**402,803**	**431,195**

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

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

Thousands of Russian roubles, unless otherwise stated

7. OTHER NON-CURRENT ASSETS

	31 December 2023	31 December 2022
Long-term receivables	36,354	53,457
Other	496,902	435,561
Total	**533,256**	**489,018**

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

As at 31 December 2023 other non-current assets include strategic spare parts in the amount of RUB 458,622 thousand (31 December 2022: RUB 397 280 thousand).

8. TRADE AND OTHER RECEIVABLES

	31 December 2023	31 December 2022
Trade receivables	4,759,451	4,214,284
Prepayments to suppliers	574,338	256,484
Other taxes receivables	587,079	1,429,549
Other receivables	160,065	462,007
Total (net of expected credit losses allowance of RUB 4,976,346 thousand at 31 December 2023, RUB 4,824,453 thousand at 31 December 2022)	**6,080,933**	**6,362,324**

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

	For the year ended 31 December 2023	For the year ended 31 December 2022
At 1 January	4,824,453	5,141,336
Charge for the year	204,618	53,900
Utilized	(52,725)	(370,783)
At 31 December	**4,976,346**	**4,824,453**

9. INVENTORIES

	31 December 2023	31 December 2022
Fuel supplies	1,142,301	1,183,403
Materials and supplies	1,324,681	1,387,409
Spare parts and other inventories	50,490	53,760
Total inventories	**2,517,472**	**2,624,572**
Less: allowance for obsolescence of inventories	(50,856)	(186,108)
Total	**2,466,616**	**2,438,464**

As at 31 December 2023 and 31 December 2022 none of the inventories were pledged as collateral under loan agreements.

10. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash in bank	908,654	4,337,385
Call deposits	–	244,703
Total	**908,654**	**4,582,088**

As at 31 December 2023 and 2022, 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 2023 and 2022 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. In 2023, the hedge reserve was fully transferred to a hedged asset.

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 2023	For the year ended 31 December 2022
Weighted average number of shares issued, in thousands	35,371,898	35,371,898
Weighted average number of shares outstanding, in thousands	**35,371,898**	**35,371,898**
Profit/(loss) attributable to shareholders of PJSC EL5-Energo	4,633,843	(20,205,409)
Earnings/(loss) per share – basic and diluted (RUB per share)	**0.1310**	**(0.5712)**

12. INCOME TAXES

	For the year ended 31 December 2023	For the year ended 31 December 2022
Current income tax expense	(759,098)	(206,322)
Income tax relating to income through equity	–	145,687
Deferred income tax (expense)/benefit	(480,562)	4,966,293
Total income tax (expense)/benefit	**(1,239,660)**	**4,905,658**

During the year ended 31 December 2023, 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.

Thousands of Russian roubles, unless otherwise stated

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 2023		For the year ended 31 December 2022	
Profit/(loss) before income tax	**5,864,053**	**100%**	**(25,123,985)**	**100%**
Income tax at applicable tax rate	(1,172,811)	(20%)	5,024,797	(20%)
Non-deductible expenses, net	(66,849)	(1.14%)	(119,139)	0.47%
	(1,239,660)	**(21.14%)**	**4,905,658**	**(19.53%)**

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

	1 January 2023	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2023
Tax effect of deductible temporary differences				
Property, plant and equipment	2,613,496	(471,351)	–	2,142,145
Trade and other receivables	229,732	7,089	–	236,821
Provisions	530,872	80,645	–	611,517
Loss in Tax accounting	1,667,256	(72,337)	–	1,594,919
Employee benefits	156,127	8,614	4,929	169,670
Leasing	46,759	(16,764)	–	29,995
Derivatives	–	5,031	(5,031)	–
Other	39,304	108,286	–	147,590
Deferred tax assets	**5,283,546**	**(350,787)**	**(102)**	**4 932,657**
Tax netting	(1,020,661)			(1,114,094)
Net deferred tax assets	**4,262,885**			**3,818,563**
Tax effect of taxable temporary differences				
Property, plant and equipment	(1,349,333)	(140,716)	–	(1,490,049)
Other	(48,995)	10,941	–	(38,054)
Deferred tax liabilities	**(1,398,328)**	**(129,775)**	**–**	**(1,528,103)**
Tax netting	1,020,661			1,114,094
Net deferred tax liabilities	**(377,667)**			**(414,009)**
Net deferred tax assets/(liabilities)	**3,885,218**	**(480,562)**	**(102)**	**3,404,554**

Thousands of Russian roubles, unless otherwise stated

12. INCOME TAXES (continued)

	1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	Recognised directly in equity	31 December 2022
Tax effect of deductible temporary differences					
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
Deferred tax assets	**2,665,986**	**2,968,260**	**(20,857)**	**(329,843)**	**5,283,546**
Tax netting	(2,665,986)				(1,020,661)
Net deferred tax assets	–				**4,262,885**
Tax effect of taxable temporary differences					
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)
Deferred tax liabilities	**(3,359,839)**	**1,998,033**	**(36,522)**	–	**(1,398,328)**
Tax netting	2,665,986	–	–	–	1,020,661
Net deferred tax liabilities	**(693,853)**	–	–	–	**(377,667)**
Net deferred tax assets/(liabilities)	**(693,853)**	**4,966,293**	**(57,379)**	**(329,843)**	**3,885,218**

13. LOANS AND BORROWINGS

	Maturity	31 December 2023	31 December 2022
Non-current loans and borrowings			
Project financing in RUB	2033-2034	22,655,456	24,550,469
Total non-current loans and borrowings		**22,655,456**	**24,550,469**

	31 December 2023	31 December 2022
Current loans and borrowings and current portion of non-current loans and borrowings		
Loans denominated in RUB	5,400,000	8,000,000
Project financing in RUB	1,899,000	1,809,000
Total current loans and borrowings	**7,299,000**	**9,809,000**

As at 31 December 2023 the Group has access to the credit and loan facilities with the available credit limits in the amount of RUB 40.04 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.

	Loans and borrowings
Net debt at 1 January 2022	**36,174,932**
Cash flow, net	(1,514,150)
Other changes not related to cash flow, net	(301,313)
Net debt at 31 December 2022	**34,359,469**
Cash flow, net	(4,409,000)
Other changes not related to cash flow, net	3,987
Net debt at 31 December 2023	**29,954,456**

Thousands of Russian roubles, unless otherwise stated

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 2023 and for the year ended 31 December 2022. Amounts recognised in the Group's consolidated statement of financial position are as follows:

	31 December 2023	31 December 2022
Present value of defined benefit obligation	848,349	766,734
Net pension liabilities in the consolidated statement of financial position	**848,349**	**766,734**

Amounts recognised in profit or loss are as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Current service cost	36,329	53,090
Interest cost	81,842	80,407
Past service cost due to plan amendment	–	(215,432)
Other	–	(6,718)
Net expense/(income) recognised in profit or loss	**118,171**	**(88,653)**

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

	For the year ended 31 December 2023	For the year ended 31 December 2022
Present value of defined benefit obligations at the beginning of the year	**766,734**	**1,081,613**
Current service cost	36,329	53,090
Interest cost	81,842	80,407
Past service cost due to plan amendment	–	(215,432)
Other	–	(6,718)
Remeasurements recognised in other comprehensive income, including:	24,647	(104,284)
Gain due to demographic assumption change	–	*(27,505)*
Gain due to financial assumption changes	*(93,747)*	*(116,950)*
Loss due to experience adjustment	*118,394*	*40,171*
Benefits paid	(61,203)	(121,942)
Present value of defined benefit obligation at the end of the period	**848,349**	**766,734**

Principal actuarial assumptions are as follows:

	31 December 2023	31 December 2022
Nominal discount rate	12.00%	10.30%
Future salary increase	4.42%	4.54%

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 2023	31 December 2022
Present value of defined benefit obligation	848,349	766,734
Deficit in plan	848,349	766,734

Thousands of Russian roubles, unless otherwise stated

14. EMPLOYEE BENEFITS (continued)

Expected benefit payments under the schemes during the year ended 31 December 2024 are RUB 214,825 thousand.

The average duration of the defined benefit plan obligation at the end of the reporting period is 7 years (2022: 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 103,974 thousand as at 31 December 2023 (2022: RUB 13,901 thousand).

A quantitative sensitivity analysis for significant assumptions as at 31 December 2023 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	(40,681)	45,610	186	(116)	50,588	(45,435)

Assumptions	**Turnover**		**Life expectancy**	
Sensitivity level	1% increase	1% decrease	1% increase	1% decrease
Impact on the net defined benefit obligation	(9,215)	8,276	(5,216)	5,283

15. TRADE AND OTHER PAYABLES

	31 December 2023	**31 December 2022**
Trade payables	3,806,064	2,772,074
Accrued liabilities and other payables	565,411	767,985
Interest payable	438,335	210,715
Total	**4,809,810**	**3,750,774**

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 2023	**31 December 2022**
Value added tax	182,735	82,380
Other taxes	13,932	12,386
Total	**196,667**	**94,766**

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**
As at 1 January 2023	**79,882**	**134,377**	**214,259**	**233,794**
Additions	8,516	32,812	41,328	41,328
Disposals	(17,299)	(1,437)	(18,736)	(20,647)
Depreciation expense	(10,552)	(89,569)	(100,121)	-
Interest expense	-	-	-	14,909
Payments	-	-	-	(119,410)
As at 31 December 2023	**60,547**	**76,183**	**136,730**	**149,974**

Long-term Lease liability in the amount of RUB 56,761 thousand (2022: RUB 139,518 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 93,213 thousand (2022: RUB 94,276 thousand) is included in the Trade and other payables (Note 15).

Thousands of Russian roubles, unless otherwise stated

18. PROVISIONS

	Restructuring	Provision for legal claims	Decommissioning provision	Personal related provision	Other	Total
Balance at 1 January 2023	**193,020**	**254,623**	**56,572**	**408,071**	**108,516**	**1,020,802**
Provisions made during the year	–	43,917	–	652,664	406,476	**1,103,057**
Unwinding of discount	8,980	–	–	–	6,815	**15,795**
Provisions reversed during the year	(65,223)	(4,413)	–	(11,426)	–	**(81,062)**
Provisions used during the year	(3,977)	(16,817)	(46,802)	(836,273)	(29,705)	**(933,574)**
Balance at 31 December 2023	**132,800**	**277,310**	**9,770**	**213,036**	**492,102**	**1,125,018**
Non-current	–	–	–	–	236,821	**236,821**
Current	132,800	277,310	9,770	213,036	255,281	**888,197**
Total	**132,800**	**277,310**	**9,770**	**213,036**	**492,102**	**1,125,018**

	Restructuring	Provision for legal claims	Decommissioning provision	Personal related provision	Other	Total
Balance at 1 January 2022	**197,870**	**26,010**	**111,301**	**410,220**	**736,225**	**1,481,626**
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)**
Balance at 31 December 2022	**193,020**	**254,623**	**56,572**	**408,071**	**108,516**	**1,020,802**
Non-current	123,820	–	–	–	72,762	196,582
Current	69,200	254,623	56,572	408,071	35,754	824,220
Total	**193,020**	**254,623**	**56,572**	**408,071**	**108,516**	**1,020,802**

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 and other provisions made in accordance with the legislation of the Russian Federation.

Thousands of Russian roubles, unless otherwise stated

19. REVENUE

	For the year ended 31 December 2023	For the year ended 31 December 2022
Power	38,590,328	33,453,391
Capacity	17,791,572	12,919,367
Heating	3,868,204	3,566,873
Water circulation	382,702	365,436
Water for heating network	9,086	8,939
Rent	7,958	6,604
Other	165,328	160,833
Total revenue from contracts with customers	**60,815,177**	**50,481,443**

20. OPERATING EXPENSES

	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
Fuel cost		32,593,091	29,834,723
Purchased electricity		4,134,187	1,986,462
Employee benefits		3,746,320	2,913,508
Depreciation and amortisation of property, plant and equipment and intangible assets	5, 6	3,210,009	3,446,317
Purchased electricity for own use		1,800,800	1,709,690
Repairs and technical maintenance		1,583,541	1,006,174
Water usage		1,279,654	1,166,907
Fees to Trade System Administrator, Centre of financial settlements and System Operator		1,008,387	848,624
Raw materials and supplies		498,475	391,971
Insurance		355,300	237,056
Security		267,267	221,114
Taxes other than income tax and payroll taxes		194,968	278,586
Advisory, legal and information services		194,463	141,950
Public utilities		149,916	142,268
Impairment loss in respect of construction in progress	5,6	130,154	29,460,093
Media and communication cost		110,755	78,079
Transport cost		96,895	60,171
Travel cost		68,212	33,528
Provision		445,886	278,194
Lease costs		17,304	5,199
Pollution cost		5,440	5,268
Other		677,175	378,210
Total		**52,568,199**	**74,624,092**

Employee benefits expenses comprise the following:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Wages and other benefits to employees and related taxes	2,915,696	2,707,249
Contributions to compulsory pension, social and health insurance	794,595	375,319
Long-term employee benefits expenses/(income) (Note 14)	36,329	(169,060)
Total	**3,746,320**	**2,913,508**

From 2023, a single payment is made for pension, social, and health insurance due to changes in the payment procedure. For 2022, payments to the State Pension Fund are shown.

Thousands of Russian roubles, unless otherwise stated

21. FINANCE INCOME AND FINANCE COSTS

	For the year ended 31 December 2023	For the year ended 31 December 2022
Foreign exchange differences, net	312,126	–
Interest income	282,166	542,762
Adjustment for amortised cost of long term loans	–	266,862
Gain from derivatives, net	–	15,709
Finance income	**594,292**	**825,333**

	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest expense	(3,203,769)	(1,423,444)
Foreign exchange differences, net	–	(818,893)
Unwinding of discount	(97,638)	(91,096)
Other	(25,187)	(37,365)
Finance costs	**(3,326,594)**	**(2,370,798)**

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

22. COMPONENTS OF OTHER COMPREHENSIVE (LOSS)/INCOME

	For the year ended 31 December 2023	For the year ended 31 December 2022
Cash flow hedge		
Reclassification during the year to income statement (net of income tax)	–	(1,134,006)
Basis adjustment	20,124	145,000
Net gains during the year (net of income tax)	–	1,135,092
Net movement on cash flow hedges (net of income tax)	**20,124**	**146,086**
Actuarial (loss)/gain on defined benefits plans (net of income tax)	**(19,718)**	**83,427**

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.

Thousands of Russian roubles, unless otherwise stated

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 2023	31 December 2022
Financial investments into equity shares	4,880	4,880
Trade accounts receivable	4,759,451	4,214,284
Other receivables	160,064	462,007
Cash and cash equivalents	908,654	4,582,088
Long-term other receivables	36,354	53,457
Total	**5,869,403**	**9,316,716**

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

	31 December 2023		31 December 2022	
	Gross	Expected credit losses allowance	Gross	Expected credit losses allowance
Not past due	4,426,379	5,402	3,991,770	5,336
Past due for less than 3 months	641,416	344,215	430,090	208,023
Past due for 3 to 12 months	395,365	354,092	220,647	214,864
Past due for more than one year	3,728,454	3,728,454	3,921,239	3,921,239
Total	**9,191,614**	**4,432,163**	**8,563,746**	**4,349,462**

Thousands of Russian roubles, unless otherwise stated

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 2023 is disclosed in Note 13.

At the reporting date, the Group's current liabilities exceed its current assets by RUB 3,691,007 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
At 31 December 2023					
Bank and other loans	29,954,456	30,083,400	7,299,000	8,219,700	14,564,700
Non-current lease liabilities	56,761	117,434	–	48,654	68,780
Trade and other payables	4,809,810	4,809,810	4,809,810	–	-
Total	**34,821,027**	**35,010,644**	**12,108,810**	**8,268,354**	**14,633,480**

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
At 31 December 2022					
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	–	–
Total	**38,249,761**	**38,458,148**	**13,559,774**	**8,142,179**	**16,756,195**

ii. Derivatives

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.

These hedges were assessed to be effective and net change of RUB 20,124 thousand, with a deferred tax of RUB (5,031) thousand are included within other comprehensive income for year ended 31 December 2023 with no forward element (for the year ended 31 December 2022: change at the amount of RUB 146,086 thousand, including the forward element of RUB (1,190) thousand and RUB (36,522) thousand of deferred tax, respectively). No significant element of ineffectiveness required recognition in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2023 there are no derivative financial instruments on the Group's balance sheet.

During 2023 the amounts accumulated in the Hedge reserve were included in the carrying amount of the related non-current assets in the amount of RUB 25,155 thousand.

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

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 Group's companies.

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

	31 December 2023		31 December 2022	
	USD	**EUR**	**USD**	**EUR**
Cash	2,012	48,327	1,578	1,109,198
Trade and other payables	–	(104,035)	–	(112,032)
Gross exposure	**2,012**	**(55,708)**	**1,578**	**997,166**

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	
RUB	**For the year ended 2023**	**For the year ended 2022**	**31 December 2023**	**31 December 2022**
USD	85.8116	68.3522	89.6883	70.3375
EUR	92.8741	72.1509	99.1919	75.6553

Sensitivity analysis

A weakening of RUB against USD and EUR at 31 December 2023 would have increased 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 2022, 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
At 31 December 2023	
EUR (10 percent RUB weakening)	(5,571)
USD (10 percent RUB weakening)	201
At 31 December 2022	
EUR (10 percent RUB weakening)	99,717
USD (10 percent RUB weakening)	158

Interest rate risk
Interest rate risk is the risk that the fair value of a financial instrument or future cash flows will fluctuate because of changes in market interest rates. The Group's financial strategy stipulates mitigating interest risk by raising financing in conjunction with financial indicators that affect the Groups's revenue. Thus, the Group strives to use natural hedging of interest rates to reduce interest risk.

Thousands of Russian roubles, unless otherwise stated

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

d. Market risk (continued)

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

	Carrying amount	
	31 December 2023	**31 December 2022**
Fixed rate instruments		
Financial assets	–	244,703
Financial liabilities	–	(8,000,000)
	–	**(7,755,297)**
Variable rate instruments		
Financial liabilities	(29,954,456)	(26,359,469)
	(29,954,456)	**(26,359,469)**

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 2023 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 2023	**31 December 2022**
Loans and borrowings	9.96% - 14.45%	10.48% - 10.74%

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**
Assets measured at fair value at 31 December 2023				
Financial investments into equity shares	–	–	4,880	**4,880**
	–	–	**4,880**	**4,880**
Forward exchange contracts	–	–	–	–
	–	–	–	–
Liability measured at fair value at 31 December 2023				
Forward exchange contracts	–	–	–	–
	–	–	–	–

Thousands of Russian roubles, unless otherwise stated

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

e. Fair value of financial instruments (continued)

	Level 1	Level 2	Level 3	Total
Assets measured at fair value at 31 December 2022				
Financial investments into equity shares	–	–	4,880	**4,880**
	–	–	**4,880**	**4,880**
Forward exchange contracts	–	–	–	–
	–	–	–	–
Liability measured at fair value at 31 December 2022				
Forward exchange contracts	–	–	–	–
	–	–	–	–

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
Assets not measured at fair value at 31 December 2023				
Trade and other receivables	–	–	5,506,594	**5,506,594**
Loans given	–	–	31,336	**31,336**
	–	–	**5,537,930**	**5,537,930**
Liability not measured at fair value at 31 December 2023				
Trade and other payables	–	–	4,569,929	**4,569,929**
Bank and other loans	–	30,194,337	–	**30,194,337**
	–	**30,194,337**	**4,569,929**	**34,764,266**

	Level 1	Level 2	Level 3	Total
Assets not measured at fair value at 31 December 2022				
Trade and other receivables	–	–	6,105,840	**6,105,840**
Loans given	–	–	37,809	**37,809**
	–	–	**6,143,649**	**6,143,649**
Liability not measured at fair value at 31 December 2022				
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**

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 2023, 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.

Thousands of Russian roubles, unless otherwise stated

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.

	31 December 2023	31 December 2022
Total borrowings (Note 13)	29,954,456	34,359,469
Less: Cash and cash equivalents (Note 10)	(908,654)	(4,582,088)
Net debt	**29,045,802**	**29,777,381**
Equity	29,468,507	24,831,249
Debt to equity ratio	**98.57%**	**119.92%**

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 5,068,511 thousand at 31 December 2023 (at 31 December 2022: RUB 5,825,907 thousand), including RUB 47,829 thousand (2022: RUB 992,215 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 start of a special military operation in Ukraine by the Russian Federation and the incorporation of the territories of republics of Donetsk and Lugansk, as well as Zaporozhye and Kherson regions into the Russian Federation after referendums in the second half of 2022, 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 particular, restrictions were imposed on the export and import of goods, including capping the price of certain types of raw materials, restrictions were introduced on the provision of certain types of services to Russian enterprises, the assets of a number of Russian individuals and legal entities were blocked, a ban on maintaining correspondent accounts was established, certain large banks were disconnected from the SWIFT international financial messaging system, and other restrictive measures were implemented. 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 2023 sanctions against Russia expanded and the number of secondary sanctions increased.

In response to the increasing pressure on the Russian economy, the Government of the Russian Federation and Central Bank of the Russian Federation have 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, financial sector and citizens.

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.

25. CONTINGENCIES (continued)

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 consolidated 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.

On 12 February 2021, in Letter # ШЮ-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 Group'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 Group cannot confirm that related parties transactions are economically justified and do not related to "shareholder's activities". However, the Group believes, that this risk is not highly probable.

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

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 Company 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.

In general, management of the Group believes that the Group has paid or accrued all taxes established by law. For taxes where uncertainty exists, the Group 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.

Thousands of Russian roubles, unless otherwise stated

25. CONTINGENCIES (continued)

e. Environmental matters (continued)

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" as well as key management personnel.

Transactions with enterprises controlled by parent company

For the year ended 31 December 2023 the Group had the following transactions with enterprises controlled by parent company:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Sale of power	857,808	27,024
Purchases	(85,947)	(4,049)

As at 31 December 2023 the Group had the following balances with enterprises controlled by parent company:

	31 December 2023	31 December 2022
Trade and other receivables	57,667	15,241
Trade and other payables	(4,296)	(3,102)

Transactions with other related parties

In 2023 transactions with other related parties represent transactions with the non-state pension fund.

	For the year ended 31 December 2023	For the year ended 31 December 2022
Benefits paid	60,004	119,146

As at 31 December 2023 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 incudes 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 2023 and 2022 was as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Remuneration	238,678	185,729
Social security expenses	41,953	23,538

During the year ended 31 December 2023 the loan on market conditions were provided to key management personnel amounting to RUB 10.52 million (during the year ended 31 December 2022 RUB 9.58 million).

Thousands of Russian roubles, unless otherwise stated

26. RELATED PARTIES DISCLOSURES (continued)

The employee benefit obligations in the consolidated statement of financial position includes payables attributable to key management personnel at the amount of RUB 103,974 thousand for the year ended 31 December 2023 (2022: RUB 13,901 thousand).

At 31 December 2023 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 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after 1 January 2024.

As at 31 December 2023 the Group does not participate in a supply chain financing arrangement for which the new disclosures will apply.

Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024.

The Group is in the process of assessing the potential impact of the amendments on the classification of these liabilities and the related disclosures.

Other standards

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

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Lack of Exchangeability (Amendments to IAS 21).

28. SUBSEQUENT EVENTS

There are no significant events after the reporting date of 31 December 2023 that require disclosure or recognition in the consolidated financial statements.

General Director	A.A. Tnalin
Chief Accountant	V.V. Grishachev

1 April 2024

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