PJSC «Rosseti Centre»

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2023

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Independent auditor's report

To Shareholders and Board of Directors of
PJSC "Rosseti Centre"

Opinion

We have audited the consolidated financial statements of PJSC "Rosseti Centre" and its subsidiaries (the Group),which comprise the consolidated statement of profit or loss and other comprehensive income for 2023, the consolidated statement of financial position as at 31 December 2023, consolidated statement of cash flows and consolidated statement of changes in equity for 2023, and notes to the consolidated financial statements, comprising 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 2023 in accordance with International Financial Reporting Standards (IFRSs).

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 *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements of the Code of professional ethics for auditors and the Independence rules of auditors and audit organizations that are relevant to our audit of the consolidated financial statements in the Russian Federation together with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recognition and measurement of revenue from electricity transmission services	
Recognition and measurement of revenue from electricity transmission services was one of the most significant matters for our audit due to certain specifics of the electricity market mechanisms that gave rise to disagreements among electricity supply, utilities, and other companies in relation to the volume and cost of the transmitted electricity. The amount of revenue challenged by counterparties is material to the Group's financial statements. Management's assessment of the probability of settling disputes in the Group's favor is highly subjective. Revenue is recognized when disagreements are resolved in favor of the Group with regard to assumptions. Information on revenue from electricity transmission services is disclosed in Note 7 to the consolidated financial statements.	We considered the applied accounting policy with regard to the recognition of revenue from electricity transmission services; assessed internal controls over the recognition of this revenue; checked the calculation of the corresponding revenue amounts based on the existing electricity transmission contracts; received, on a selective basis, confirmations of balances of receivables from counterparties; analyzed the results of litigations concerning disputable amounts of services provided, if any; and assessed existing procedures to confirm the volume of electricity transmitted.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on trade receivables	
The allowance for expected credit losses on trade receivables was one of the most significant matters for our audit due to the material balances of trade receivables as of 31 December 2023, as well as due to the fact that management's assessment of the possible recoverability of these receivables is based on assumptions, in particular, on the predicted solvency of the Group's customers. Information on the allowance for expected credit losses on trade receivables is disclosed in Note 19 and 31 (a) to the consolidated financial statements.	We analyzed the Group's accounting policy on trade receivables with respect to the allowance for expected credit losses on trade receivables, and considered the assessment procedures performed by the Group's management, including the analysis of repayment of trade receivables, the analysis of maturity and delayed performance of obligations, and the analysis of customers' solvency. We performed audit procedures in respect of the information used by the Group to determine the allowance for expected credit losses on trade receivables, as well as the structure of receivables by age and maturity, tested the calculation of the charged allowance amounts based on management's estimates.
Recognition, measurement and disclosure of provisions and contingent liabilities	
Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims from counterparties (including territorial electric grid and utilities companies) were among the most significant matters for our audit as they require significant judgments of management with respect to material amounts of balances of settlements with counterparties that are challenged in litigations or under the pretrial settlement. Information on provisions and contingent liabilities is disclosed in Notes 30 and 33 to the consolidated financial statements.	Audit procedures also involved analyzing decisions made by courts of different instances; considering management's judgments with regard to its assessment of the possibility of the economic resources outflow due to dispute settlement; examining the compliance of prepared documentation with provisions of existing contracts and legislation; and analyzing disclosures on provisions and contingent liabilities in notes to the consolidated financial statements.
Impairment of non-current assets	
Due to the existence of impairment indicators in respect of non-current assets as of 31 December 2023, the Group performed impairment testing. The value-in-use of fixed assets and right-of-use assets forming a significant share of the Group's non-current assets, as of 31 December 2023, was determined by the projected cash flow method. The impairment testing of fixed assets was one of the most significant matters for our audit because the fixed assets balance forms a significant part of the Group's assets at the reporting date, and because management's assessment of the value-in-use is complex and largely subjective and is based on assumptions, in particular, on projected electricity transmission volumes, transmission fees, as well as operating and capital expenditures that depend on the expected future market or economic conditions in the Russian Federation. Information on the results of the impairment analysis of non-current assets is disclosed by the Group in Note 13 to the consolidated financial statements.	As part of our audit procedures, we also assessed the assumptions and methodologies applied by the Group, in particular, those relating to projected total revenue from electricity transmission, fee solutions, operating and capital expenditures, long-term rates of fee growth and discount rates. We tested the incoming data imported in the model and the arithmetic accuracy of the model used to determine the recoverable amount in the impairment test of fixed assets and right-of-use assets. We engaged valuation specialists to analyze the model used to determine the recoverable amount in the impairment test of fixed assets. We also analyzed the sensitivity of the model to changes in the main indicators of assessment and the Group's disclosures of assumptions on which the results of impairment testing largely depend.

Other information included in Annual Report

Other information consists of the information included in the Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's 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 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 IFRSs, 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.

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

Auditor's 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 auditor's 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.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 auditor's 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 auditor's 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.

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

We communicate with 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 Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 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 auditor's 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 partner in charge of the audit resulting in this independent auditor's report is Tatyana Leonidovna Okolotina.

Okolotina Tatyana Leonidovna,
acting on behalf of TSATR – Audit Services Limited Liability Company
on the basis of power of attorney dated 18 January 2024,
partner in charge of the audit resulting in this independent auditor's report
(main registration number 21906110171)

15 March 2024

Details of the auditor

Name: TSATR – Audit Services Limited Liability Company
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
TSATR – Audit Services Limited Liability Company is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". TSATR – Audit Services Limited Liability Company is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Details of the audited entity

Name: PJSC "Rosseti Centre"
Record made in the State Register of Legal Entities on 17 December 2004, State Registration Number 1046900099498.
Address: Russia 119017, Moscow, Malaya Ordynka street, 15.

(in thousands of Russian rubles, unless otherwise stated)

	Notes	Year ended 31 December 2023	2022
Revenue	7	128,454,108	114,588,934
Operating expenses	9	(115,418,276)	(104,545,781)
(Accrual)/recovery of allowance for expected credit losses	31	(1,012,812)	151,266
Net accrual of impairment losses on property, plant and equipment, intangible assets and right-of-use assets	13,14,15	(1,677,259)	(145,131)
Other income	8	3,539,197	1,931,151
Other expenses	8	(130,127)	(80,317)
Operating profit		**13,754,831**	**11,900,122**
Finance income	11	1,577,958	927,773
Finance costs	11	(4,874,692)	(5,219,719)
Total financial costs		**(3,296,734)**	**(4,291,946)**
Share in profit of associates	5	567,897	-
Profit before income tax		**11,025,994**	**7,608,176**
Income tax expense	12	(3,033,568)	(2,702,521)
Expenses for excess profit tax	12	(76,188)	-
Total income tax expense	12	**(3,109,756)**	**(2,702,521)**
Profit for the period		**7,916,238**	**4,905,655**
Other comprehensive income/(expense)			
Items that will never be reclassified subsequently to profit or loss			
Changes in the fair value of equity investments accounted for at fair value through other comprehensive income	16	47,516	(93,548)
Revaluation of defined benefit pension program liabilities	26	344,396	185,267
Income tax on other comprehensive income/(expense)	12,17	(35,508)	(7,277)
Total items that will not be reclassified subsequently to profit or loss		**356,404**	**84,442**
Other comprehensive income for the period, net of income tax		**356,404**	**84,442**
Total comprehensive income for the period		**8,272,642**	**4,990,097**
Profit attributable to:			
Equity holders of the Company		7,881,733	4,845,111
Non-controlling interests		34,505	60,544
Total comprehensive income attributable to:			
Equity holders of the Company		8,238,137	4,929,553
Non-controlling interests		34,505	60,544
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	23	0.187	0.115

These consolidated financial statements were approved by management on 15 March 2024 and were signed on its behalf by:

General Director — I.V. Makovskiy

Chief Accountant — L.A. Sklyarova

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

(in thousands of Russian rubles, unless otherwise stated)

	Notes	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	13	108,901,174	102,626,844
Intangible assets	14	3,253,483	2,451,676
Right-of-use assets	15	7,365,103	6,237,431
Investments in associates and joint ventures	5	660,636	-
Trade and other receivables	19	1,323,338	1,614,302
Assets related to employee benefits plans	26	554,236	513,132
Other non-current financial assets	16	146,247	98,731
Advances given and other non-current assets	20	4,784	3,202
Total non-current assets		**122,209,001**	**113,545,318**
Current assets			
Inventories	18	4,380,625	4,254,620
Prepayment of current income tax		492,163	42,454
Security payment for excess profit tax	12	76,188	-
Trade and other receivables	19	11,222,210	12,911,015
Cash and cash equivalents	21	7,809,829	6,505,927
Advances given and other current assets	20	2,564,272	2,544,473
Total current assets		**26,545,287**	**26,258,489**
Total assets		**148,754,288**	**139,803,807**
EQUITY AND LIABILITIES			
Equity			
Share capital	22	4,221,794	4,221,794
Reserves		(358,904)	(715,308)
Retained earnings		56,308,288	48,899,818
Total equity attributable to equity holders of the Company		**60,171,178**	**52,406,304**
Non-controlling interests		473,302	440,265
Total equity		**60,644,480**	**52,846,569**
Non-current liabilities			
Long-term borrowed funds	24	33,660,449	27,270,749
Long-term trade and other payables	27	60,855	326,157
Long-term advances from customers	29	4,040,915	1,991,424
Employee benefits	26	2,857,422	2,945,828
Deferred tax liabilities	17	4,681,431	4,179,036
Total non-current liabilities		**45,301,072**	**36,713,194**
Current liabilities			
Short-term borrowed funds and current part of long-term borrowed funds	24	11,783,286	18,779,921
Trade and other payables	27	18,184,806	17,147,176
Tax debts other than income tax	28	3,610,460	4,792,277
Advances from customers	29	6,090,460	6,176,393
Provisions	30	3,020,430	2,936,336
Current income tax liabilities		43,106	411,941
Excess profit tax arrears	12	76,188	-
Total current liabilities		**42,808,736**	**50,244,044**
Total liabilities		**88,109,808**	**86,957,238**
Total equity and liabilities		**148,754,288**	**139,803,807**

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

(in thousands of Russian rubles, unless otherwise stated)

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**11,025,994**	**7,608,176**
Adjustments for:			
Depreciation and amortization of property, plant and equipment, intangible assets and right-of-use assets	13,14,15	12,345,512	12,574,553
Impairment of property, plant and equipment, intangible assets and right-of-use assets	13,14,15	1,677,259	145,131
Finance costs	11	4,874,692	5,219,719
Finance income	11	(1,577,958)	(927,773)
Loss on disposal of property, plant and equipment		676,018	62,484
Accrual/(recovery) of allowance for expected credit losses		1,012,812	(151,266)
Bad debt write-off		22,103	13,646
Accrual of provisions	30	1,716,887	1,752,445
Result from the acquisition of subsidiaries	5	(5,449)	-
Share in profit of associates and joint ventures	5	(567,897)	-
Other non-cash transactions		(759,714)	(512,436)
Total impact of adjustments		**19,414,265**	**18,176,503**
Change in assets related to employee benefits plans		(41,104)	11,244
Change in employee benefit liabilities		(29,772)	(81,363)
Change in long-term trade and other receivables		1,222,754	(3,201)
Change in long-term advances given and other non-current assets		(1,582)	875
Change in long-term trade and other payables		(265,302)	(21,785)
Change in long-term advances received		2,049,491	(71,367)
Cash flows from operating activities before changes in working capital and provisions		**33,374,744**	**25,619,082**
Changes in working capital:			
Change in trade and other receivables		667,595	(962,884)
Change in advances given and other assets		(28,427)	(1,066,634)
Change in inventories		(118,295)	(707,285)
Change in trade and other payables		43,526	5,314,289
Change in advances received		(95,401)	3,433,399
Change in provisions		(1,635,442)	(1,144,323)
Cash flows from operating activities before income taxes and interest paid		**32,208,300**	**30,485,644**
Income tax paid		(3,380,051)	(2,139,310)
Security payment for excess profit tax		(76,188)	-
Interest paid under lease agreement		(648,586)	(585,465)
Interest paid		(3,970,394)	(3,819,500)
Net cash flows from operating activities		**24,133,081**	**23,941,369**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(20,127,416)	(14,485,172)
Proceeds from the sale of property, plant and equipment and intangible assets		260,158	50,646
Acquisition of subsidiaries, net of cash received	5	(153,297)	(364,260)
Acquisition of investments in associates	5	(92,739)	-
Disposal of financial assets		-	1,768
Interest received		580,846	434,081
Dividends received		128	111
Net cash flows used in investing activities		**(19,532,320)**	**(14,362,826)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowed funds	25	20,730,454	7,687,996
Repayment of borrowed funds	25	(21,571,425)	(10,165,123)
Acquisition of non-controlling interests in subsidiaries		-	(500,000)
Dividends paid to equity holders of the Company	25	(1,860,742)	(1,381,480)
Dividends paid to shareholders of non-controlling interests	25	(1,468)	(16,154)
Payment of lease liabilities	25	(593,678)	(579,401)
Net cash flows used from financing activities		**(3,296,859)**	**(4,954,162)**
Net change in cash and cash equivalents		**1,303,902**	**4,624,381**
Cash and cash equivalents at the beginning of period		6,505,927	1,881,546
Cash and cash equivalents at the end of period	21	**7,809,829**	**6,505,927**

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

(in thousands of Russian rubles, unless otherwise stated)

	Notes	Attributable to equity holders of the Company				Non-controlling interest	Total equity
		Share capital	Reserves	Retained earnings	Total		
Balance at 1 January 2023		**4,221,794**	**(715,308)**	**48,899,818**	**52,406,304**	**440,265**	**52,846,569**
Profit for the period		-	-	7,881,733	**7,881,733**	34,505	**7,916,238**
Other comprehensive income	16,26	-	391,912	-	**391,912**	-	**391,912**
Related income tax	12,17	-	(35,508)	-	**(35,508)**	-	**(35,508)**
Total comprehensive income for the period		**-**	**356,404**	**7,881,733**	**8,238,137**	**34,505**	**8,272,642**
Transactions with owners							
Dividends	22	-	-	(473,263)	**(473,263)**	(1,468)	**(474,731)**
Total contributions and payments		**-**	**-**	**(473,263)**	**(473,263)**	**(1,468)**	**(474,731)**
Balance at 31 December 2023		**4,221,794**	**(358,904)**	**56,308,288**	**60,171,178**	**473,302**	**60,644,480**

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

(in thousands of Russian rubles, unless otherwise stated)

		Attributable to equity holders of the Company					
	Notes	**Share capital**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2022		**4,221,794**	**(799,006)**	**46,743,299**	**50,166,087**	**1,055,410**	**51,221,497**
Profit for the period		-	-	4,845,111	**4,845,111**	60,544	**4,905,655**
Transfer of the revaluation reserve on disposal of an equity investment		-	(476)	476	**-**	-	**-**
Other comprehensive income	16,26	-	91,451	268	**91,719**	-	**91,719**
Related income tax	12,17	-	(7,277)	-	**(7,277)**	-	**(7,277)**
Total comprehensive income for the period		**-**	**83,698**	**4,845,855**	**4,929,553**	**60,544**	**4,990,097**
Transactions with owners							
Dividends	22	-	-	(2,862,858)	**(2,862,858)**	(16,154)	**(2,879,012)**
Security payment for tax on Write-off of unclaimed debt on previously declared dividends		-	-	14,523	**14,523**	-	**14,523**
Change in non-controlling interests in subsidiaries		-	-	159,535	**159,535**	(659,535)	**(500,000)**
Other	22	-	-	(536)	**(536)**	-	**(536)**
Total contributions and payments		**-**	**-**	**(2,689,336)**	**(2,689,336)**	**(675,689)**	**(3,365,025)**
Balance at 31 December 2022		**4,221,794**	**(715,308)**	**48,899,818**	**52,406,304**	**440,265**	**52,846,569**

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

1 Background

(a) The Group and its operation

The primary activities of Public Joint-Stock Company "Rosseti Centre" (hereinafter referred to as the PJSC "Rosseti Centre" or the "Company") and its subsidiaries (hereinafter together referred to as the "Group") are provision of services for transmission and distribution of electricity for power grids, as well as the provision of services for technological connection of consumers to the network, as well as the sale of electricity to the end consumer in a number of regions of the Russian Federation.

The parent company is PJSC "Rosseti".

The Company was set up on 17 December 2004 based on Resolution no. 154p of 9 December 2004 and pursuant to the Board of Directors' decision (board of directors' meeting minutes no. 178 of 1 October 2004) and Management Board decision (Management Board meeting minute no. 1102 of 15 November 2004) of Open Joint-Stock Company RAO "United Energy Systems of Russia" (hereinafter - "RAO UES"). From 07 July 2015, OJSC "IDGC of Centre" is renamed as PJSC "IDGC of Centre" based on the Decision of the Annual General Meeting of Shareholders of OJSC "IDGC of Centre" dated 25 June 2015 (minutes No. 01/15 of 26 June 2015), in order to bring it in line with the legal requirements. From 03 August 2021 PJSC "IDGC of Centre" has been renamed PJSC "Rosseti Centre" based on the decision of the Annual General Meeting of Shareholders of PJSC "IDGC of Centre" held on 31 May 2021 (minutes No. 01/21 of 31 May 2021). The corresponding changes were made to the Company's Charter.

The Company's registered office is Malaya Ordynka St., 15, Moscow, 119017, Russia.

The Company's de facto address is Malaya Ordynka St., 15, Moscow, 119017, Russia.

(b) Relations with state. The head parent company

The Russian Government, through the Federal Agency for the Management of State Property, is the ultimate controlling party of the Company. The policies of the Government of the Russian Federation in the economic, social and other areas may have a significant impact on the Group.

The State influences the Group's activities through representation on the Board of Directors of the parent company, regulation of tariffs in the electric power industry, approval and control over the implementation of the investment program. The Group's counterparties (consumers of services, suppliers and contractors) include a significant number of companies associated with the main shareholder of the parent company.

As at 31 December 2023, the share of the Russian Federation in the authorized capital of the parent company of PJSC "Rosseti" was 88.04%, including 88.89% of the voting ordinary shares and 7.01% of the preference shares.

The Extraordinary General Meeting of Shareholders of PJSC "Rosseti", held on 16 September 2022, decided to reorganize PJSC "Rosseti" in the form of joining the Public Joint Stock Company "Federal Grid Company-Rosseti" in the manner and on the terms provided for in the accession agreement.

Public Joint Stock Company "Federal Grid Company of the Unified Energy System" has changed its name to Public Joint Stock Company "Federal Grid Company-Rosseti" (abbreviated as PJSC "Rosseti"). The corresponding changes were made to the Unified State Register of Legal Entities on 12 October 2022.

On 9 January 2023 information was entered into the Unified State Register of Legal Entities on the termination of the activities of PJSC "Rosseti" through reorganization in the form of joining the Public Joint Stock Company "Federal Grid Company-Rosseti", which is the universal legal successor of PJSC "Rosseti". As a result of the reorganization, the share of the participation of the Russian Federation in the authorized capital of the parent parent company of the Public Joint Stock Company "Federal Grid Company-Rosseti", amounted to 75.000048%.

(c) Russian business environment

The Group operates in the Russian Federation and is therefore exposed to risks related to the state of the economy and financial markets of the Russian Federation.

1 Background (continued)

The economy of the Russian Federation exhibits some of the characteristics of emerging markets. The country's economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory system continues to evolve and is subject to frequent changes, as well as the possibility of different interpretations. The ongoing geopolitical tensions, as well as sanctions imposed by a number of countries on certain sectors of the Russian economy, Russian organizations and citizens, continue to have a negative impact on the Russian economy.

In 2023, the effect of external sanctions against Russian companies and individuals continues. These circumstances led to fluctuations in the exchange rate of the Russian ruble, increased volatility of financial and commodity markets, and significantly increased the level of uncertainty in the conditions of economic activity in the Russian Federation. The scale and duration of these events remain uncertain and may affect the Group's financial position and results of operations. The future economic situation in the Russian Federation depends on external factors and measures taken by the Government of the Russian Federation. The Group takes all necessary measures to ensure the sustainability of its activities.

The presented consolidated financial statements reflect management's view of the impact of the business environment in the Russian Federation on the Group's operations and financial position. The future consequences of the current economic situation and the above measures are difficult to predict, and management's current expectations and estimates may differ from actual results.

2 Basis of preparation of consolidated financial statements

(a) Statement of compliance

These consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

Each subsidiary of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Russian Accounting Standards (“RAS”). The Group’s consolidated financial statements are based on the statutory records with adjustments and reclassifications recorded in the consolidated financial statements for the fair presentations in accordance with IFRS.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, expect for:

– financial assets at fair value through profit or loss;
– financial assets at fair value through other comprehensive income.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian rouble (RUB), which is the Group’s functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand, unless otherwise stated.

(d) Application of new and revised standards and interpretations

The Group has applied all new amendments to the standards that came into force on 1 January 2023.

A number of new standards and interpretations have been published that are mandatory for annual periods beginning on or after 1 January 2024. The Group intends to adopt standards and amendments for use after entry into force, no significant impact on the consolidated financial statements of the Group is expected:

– Classification of Liabilities into Short–term and Long-term - Amendments to IFRS (IAS) 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022, the effective date was subsequently postponed to 1 January 2024 by Amendments to IFRS (IAS) 1).
– Amendments to IFRS 10 and IAS 28 – “Sale or Contribution of Assets in Transactions between an Investor and its Associate or Joint Venture"”(issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB dates).
– Lease Obligations on Sale and Leaseback – Amendments to IFRS 16 (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).

2 Basis of preparation of consolidated financial statements (continued)

– Long-term Obligations with Covenants – Amendments to IAS 1 (issued on 31 October 2022 and effective for annual periods beginning on or after 1 January 2024).

– Accounts Payable Factoring Operations – Amendments to IFRS (IAS) 7 and IFRS (IFRS) 7 (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024).

– Lack of Currency Convertibility – Amendments to IAS 21 “Effect of Changes in Foreign Exchange Rates” (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025).

(e) Use of estimates and professional judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make a number of professional judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Assumptions and estimates made on their basis are continually evaluated to determine the necessity to change them. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected by these changes.

Professional judgements that have the most significant effect on the amounts recognized in these consolidated financial statements and estimates and assumptions that may require significant adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Impairment of fixed assets and right-of-use assets

At each reporting date, management of the Group determines whether there is any indication of impairment of fixed assets and assets in the form of a right of use. Such indicators include changes in business plans, tariffs and other factors that may lead to unfavorable conditions for the Group’s activities. In making value-in-use calculations, the Group evaluates the expected cash flows from cash-generating units and calculates a discount rate to calculate the present value of these cash flows. A cash-generating unit (hereinafter referred to as a “CGU”) is the smallest identifiable group of assets that provides cash flows that are largely independent of cash flows from other assets or groups of assets. The main criterion for determining the CGU is the indivisibility of the tariff and the impossibility of further detailing accounting and planning.

Determination of the lease term under contracts with an option to extend or an option to terminate the lease – The Group as a lessee

The Group defines a lease term as a non-prematurely terminated lease period, together with periods for which an option to extend the lease is available if there is sufficient confidence that it will be exercised, or periods for which an option to terminate the lease is available if there is sufficient confidence that it will not be exercised.

In making a judgment to assess whether the Group has sufficient confidence in the exercise of an option to extend or terminate the lease in determining the lease term, the Group considers the following factors:

- whether the leased object is a specialized;
- the location of the object;
- the Group and the lessor have a practical opportunity to choose an alternative counterparty (choose an alternative asset);
- costs associated with the termination of the lease and the conclusion of a new (replacement) contract;
- availability of significant improvements to leased properties.

Impairment of accounts receivable

Allowance for impairment of accounts receivable is based on management assumptions of debt recovery made for each debtor individually. For the goal of allowance for expected credit losses the Group consistently takes into account all reasonable and verified information about past events, current and forecasted events, which is available without undue effort and is relevant to the assessment of receivables. The experience gained in the past based on the date currently available to reflect current conditions that did not have an impact on previous periods and in order to exclude the impact of past conditions that no longer exist.

2 Basis of preparation of consolidated financial statements (continued)

Liabilities for the non-state pension provision

The costs of the defined benefit pension plan and the related costs of the pension program are determined using actuarial calculations. Actuarial estimates provide for the use of assumptions regarding demographic and financial data. Since this program is long-term, there is considerable uncertainty about such estimates.

Deferred tax assets recognition

At each reporting date management assesses the amount of deferred tax assets and determines the amount to be reflected to the extent in which it is likely to be used as tax allowances. When determining future taxable profit and related tax allowances management uses estimates and assumptions based on prior periods' taxable profit and expectations related to the future profit that are reasonable under the circumstances.

3 Essential information about accounting policies

The accounting policies described below have been applied consistently in all reporting periods presented in these consolidated financial statements.

Amendments to the current standards, which entered into force for annual reporting periods beginning on 1 January 2023, did not have a significant impact on these consolidated financial statements of the Group.

(a) Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to risks connected to variable returns from its involvement with the entity or has the right to those returns and has the ability to affect those returns through its power over the entity 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 accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses attributable to the non-controlling interests in a subsidiary are allocated to non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

ii. Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss for the period.

3 Essential information about accounting policies (continued)

The acquisition of a group of assets and liabilities that do not meet the definition of "business acquisition" in accordance with IFRS 3 "Business Combinations" is reflected on the basis of the corresponding fair values of all identifiable assets and liabilities at the date of purchase. The difference between the transferred compensation and the value of the identifiable assets and liabilities is reflected directly in equity.

iii. Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners, and there for no goodwill is recognized as a result. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

iv. Consolidation of businesses with the participation of enterprises under common control

Business combinations resulting from the transfer of interests in enterprises controlled by the same shareholder who controls the Group are accounted for using the predecessor method. Acquired assets and liabilities are recognized at their previous carrying amounts reflected in the financial statements of the acquired entities. The difference between the transferred compensation and the value of the identifiable assets and liabilities is reflected directly in equity.

v. Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment also includes transaction cost. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

vi. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Monetary assets and liabilities of the Group's entities denominated at the reporting date in foreign currencies have been translated into rubles at the exchange rate at the reporting date. Foreign currency transactions are accounted for at the exchange rate at the transaction date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(c) Financial instruments

i. Financial assets

The Group classifies financial assets into the following measurement categories: subsequently measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss. The classification depends on the financial asset management business model and the cash flow characteristics of the contracts.

Financial assets are classified as measured at amortized cost if the following conditions are met: the asset is held in the framework of a business model, the purpose of which is to hold assets to receive cash flows stipulated by the contract, and the terms of the contract determine receipt of cash flows on specified dates,

3 Essential information about accounting policies (continued)

which are exclusively payments to the account principal amount of the debt and interest on the outstanding part of the principal amount of debt.

The Group includes the following financial assets in the category of financial assets measured at amortized cost:

- trade and other receivables that meet the definition of financial assets if the Group has no intention to sell immediately or in the near future;
- bank deposits not meeting the definition of cash equivalents;
- bills and bonds not held for trading;
- loans;
- cash and cash equivalents.

For financial assets classified as measured at amortised cost provision for expected credit losses.

Upon derecognition of financial assets measured at amortized cost and fair value with any change therein recognised in profit or loss, the Group presents in the consolidated statement of profit or loss and other comprehensive income (through profit or loss) financial result from disposal equal to the difference between the fair value of consideration received and the carrying amount of the asset.

In the category of financial assets at fair value through other comprehensive income, the Group includes equity instruments other companies:

- not classified as measured at fair value with any change therein recognised in profit or loss; and
- do not provide Group control, joint control or significant influence over the company-object of investment.

At derecognition of equity instruments of other companies classified in the discretion of the Group as at fair value through other comprehensive income previously recognized components of other comprehensive income are transferred from the reserve for changes in fair value to retained earnings.

ii. Impairment of financial assets

Impairment provisions are assessed either on the basis of 12-month expected credit loss, which are the result of possible defaults within 12 months after the reporting date, or expected credit loss for the entire life period, which are the result of all possible cases of non-fulfillment of obligations during the expected term of the financial instrument.

For trade receivables or contractual assets arising from transactions that are within the scope of IFRS 15 Revenue from Contracts with Customers (including those that contain a significant financing component) and lease receivables, the Group uses a simplified approach to measuring provisions for expected credit losses - an estimate in an amount equal to the expected credit losses for the entire term.

Impairment allowances for other financial assets classified as measured at amortized cost are measured on the basis of 12-month asset allocation if there has not been a significant increase in credit risk since recognition. The estimated provision for expected credit losses for a financial instrument is assessed at each reporting date in an amount equal to expected credit losses for the entire period if the credit risk for this financial instrument has increased significantly since initial recognition, taking into account all reasonable and confirmed information, including predictive.

As indicators of significant deterioration in credit risk the Group considers the actual or anticipated difficulties of the Issuer or of a debtor's asset, the actual or expected breach of contract, the expected renegotiation of the contract due to financial difficulties of the debtor at a disadvantage for the Group the terms on which she would disagree in other circumstances.

On the basis of the usual practice of credit risk management the Group defines default as the failure of the counterparty (Issuer) to perform its obligations (including repayment of funds under the contract) due to significant deterioration in the financial position.

The credit impairment loss for financial assets is reflected by recognition of a valuation allowance for its impairment. In respect of a financial asset carried at amortised cost, the amount of the impairment loss is

3 Essential information about accounting policies (continued)

calculated as the difference between the asset's carrying amount and the present value of expected future cash flows, discounted at the original effective interest rate.

If in subsequent periods, the credit risk on financial assets decreases due to an event occurring after the recognition of this loss, the previously recognized impairment loss reversed by reduction of the corresponding valuation allowance. As a result of the recovery, the carrying amount of the asset should not exceed the amount at which it would have been recorded in the consolidated statement of financial position if the impairment loss had not been recognized.

iii. Financial liabilities.

The Group classifies financial liabilities into the following measurement categories: financial liabilities at fair value, changes in which are recognized in profit or loss; financial liabilities measured at amortized cost.

In the category of financial liabilities measured at amortized cost, the Group includes the following financial liabilities:

- Borrowed funds (borrowed funds)
- Trade and other payables

Borrowed funds (borrowed funds) are initially recognized at fair value, taking into account transaction costs directly related to raising these funds. Fair value is determined taking into account prevailing market interest rates for similar instruments if they differ materially from transaction prices. In subsequent periods, borrowings are carried at amortized cost using the effective interest method. The entire difference between the fair value of funds received (net of transaction costs) and the amount to be paid off is recognized in profit or loss as interest expense over the entire life of the obligation to repay the borrowed funds.

Borrowing costs are expensed in the reporting period in which they were incurred if they were not related to the acquisition or construction of qualifying assets. Borrowing costs related to the acquisition or construction of assets, the preparation of which takes considerable time (qualifying assets), are capitalized as part of the value of the asset. Capitalization is carried out when the Group:

- incur the costs of qualifying assets,
- incur the costs of loans and
- conducts activities related to the preparation of assets for use or sale.

The capitalization of borrowing costs continues until the date the assets are ready for use or sale. The Group capitalizes borrowing costs that could have been avoided if it had not borne the costs of qualifying assets. Borrowing costs are capitalized based on the average cost of financing the Group (weighted average interest expenses related to the costs incurred for qualifying assets), excluding loans that were received directly for the purpose of acquiring a qualifying asset. Actual borrowing costs, reduced by the amount of investment income from temporary investment loans, are capitalized.

Accounts payable are accrued from the moment the counterparty fulfills its obligations under the contract. Accounts payable are recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

(d) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The deemed cost of property, plant and equipment as at 1 January 2007, the date of transition to IFRS, was determined by using its fair value (deemed cost) at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed (built) assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalized interest on loans and borrowings. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

3 Essential information about accounting policies (continued)

If significant 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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized net in the item “Other income”, ”Other expenses”, within the profit or loss for the period.

ii. Subsequent costs

The cost of replacing part (major component) of an item of property, plant and equipment is recognized 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 derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the consolidated statement of profit or loss and other comprehensive income as incurred.

iii. Depreciation

Each component of an item of property, plant and equipment is amortised from the time it is ready for use on a straight-line basis over its expected useful life, since this method most accurately reflects the nature of the expected consumption of the future economic benefits embodied in the asset. Leased assets are amortized over the shorter of the lease term and the useful life of the assets. Land plots are not amortized.

The useful lives, expressed in years by type of property, plant and equipment, are presented below:

- buildings 7-50 years;
- transmission networks 5-40 years;
- equipment for electricity transmission 5-40 years;
- other assets 1-50 years.

iv. Impairment

At each reporting date, management determines whether there is any indication that property, plant and equipment is impaired.

An impairment loss is recognized when the carrying amount of an asset or its associated cash-generating unit exceeds its estimated (recoverable) amount. The recoverable amount of an asset or cash-generating unit is the higher of the asset's value in use and its fair value less costs to sell.

For the purposes of an impairment test, assets that cannot be individually tested are grouped into the smallest group that generates cash inflows from continuing use of the related assets, and these inflows are largely independent of cash inflows generated by other assets or groups of assets (the “cash-generating unit”).

The Group's general (corporate) assets do not generate independent cash flows and are used by more than one cash-generating unit. The value of a corporate asset is allocated to the units on a reasonable and consistent basis, and its impairment test is performed as part of the testing of the unit to which the corporate asset was allocated.

Impairment losses are recognized in profit or loss. Impairment losses on cash - generating units are first attributed to a decrease in the carrying amount of goodwill allocated to these units, and then pro rata to a decrease in the carrying amount of other assets in the relevant unit (group of units).

Amounts written off for an impairment loss on goodwill are not reversed. For other assets, an impairment loss recognized in a prior period is reviewed at each reporting date to determine whether the amount of the loss should be reduced or whether it should no longer be recognized.

Amounts written off for impairment losses are reversed if the measurement factors used in calculating the corresponding recoverable amount change. An impairment loss is reversed only to the extent that it is possible to restore the value of the assets to the carrying amount at which they would have been carried (net of accumulated depreciation) if no impairment loss had been recognized.

3 Essential information about accounting policies (continued)

(e) Intangible assets

Intangible assets include primarily capitalized computer software and licenses. The purchased software and licenses are capitalized on the basis of the costs incurred to acquire them and bring them to a state of fitness for use.

Research costs are expensed as incurred. Development costs are recognized as intangible assets only when the Group can demonstrate the following: the technical feasibility of creating an intangible asset so that it is available for use or sale; its intention to create an intangible asset and use or sell it; how the intangible asset will generate future economic benefits; the availability of resources to complete development, and the ability to reliably estimate the costs incurred during development. Other development costs are expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. The carrying amount of development costs is subject to an annual impairment test.

After initial recognition, intangible assets are carried at cost less accumulated depreciation and accumulated impairment losses. Amortization of intangible assets is calculated on a straight-line basis over their useful lives. At each reporting date, management assesses whether there is any indication that intangible assets are impaired. In the event of an impairment, the carrying amount of intangible assets is written down to the higher of the value in use and the fair value of the asset less costs to sell.

Goodwill (“negative goodwill”) arises from the acquisition of subsidiaries, associates and joint ventures. For the valuation of goodwill at initial recognition, see Note 3 (a) (iii) Goodwill is carried at cost less impairment losses. With respect to associates, the cost of goodwill related to them is reflected in the carrying amount of the corresponding investment in an associate, and when recognizing an impairment of such investments, it is not allocated to any assets forming the carrying amount of investments in associates, including goodwill.

(f) Lease

At the time of the conclusion of the contract, the Group assesses whether the contract as a whole or its individual components is a lease agreement. A contract as a whole, or its individual components, is a lease if the contract transfers the right to control the use of an identified asset for a specified period in exchange for a refund.

Right-of-use assets are initially measured at cost and amortised to the earlier of the following dates: the end of the useful life of the right-of-use asset or the end of the lease term. The initial cost of a right-of-use asset includes the initial measurement of the lease liability, lease payments made before or at the lease commencement date, and initial direct costs. After recognition, right-of-use assets are carried at cost less accumulated depreciation and accumulated impairment losses. Right-of-use assets are presented as a separate item in the consolidated statement of financial position.

The lease liability is initially measured at the present value of lease payments that have not yet been made at the lease commencement date and is subsequently measured at amortised cost, with interest expense recognized as finance expense in the consolidated income statement. Lease liabilities are presented in the consolidated statement of financial position as long-term and short-term borrowings.

The Group recognises lease payments on short-term leases as an expense on a straight-line basis over the lease term.

For an individual lease agreement, the Group may decide to qualify the agreement as a lease in which the underlying asset has a low value and recognize the lease payments under such agreement as an expense on a straight-line basis over the lease term.

For lease agreements for land plots under power grid facilities with an indefinite term, or with a contract term of no more than 1 year with the possibility of annual renewal, the Group determines the term of the contract, using as a basic criterion the useful life of the fixed assets located on the leased land plots.

For leases of transmission facilities with indefinite or with a term contract of not more than 1 year with possibility of annual renewal, the Group determines the duration of the contract, using as basic criterion the useful life of the objects of fixed assets with similar technical characteristics.

3 Essential information about accounting policies (continued)

(g) Advances issued

Advances given are classified as non-current if they are connected with the acquisition of an asset which will be classified as non-current upon initial recognition. Advances given for the acquisition of an asset are included in its carrying amount upon the acquisition of control over the asset, and when it is probable that the Group will obtain economic benefit from its usage.

(h) Inventories

Inventories are measured at the lower of the cost or net realizable value. The cost of inventories is determined on the weighted average cost method, 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 of the Group, less the estimated costs of completion and selling expenses.

Inventories intended for the provision of work on the prevention and elimination of accidents (emergencies) at power grid facilities (emergency reserve) are reflected in the article “Inventories”.

(i) Value-added tax

Output value-added tax (VAT) related to sales is payable to the tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. Amounts of VAT related to advances received and given as well as VAT prepayment are recognized in the consolidated statement of financial position on a net basis and disclosed as an asset within accounts receivable (VAT recoverable). Amounts of VAT to be paid to the tax authorities are presented separately within short-term accounts payable. Where a provision has been made for the impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

(j) Employee benefits

i. Defined contributions plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate (independent) entity and will have no further (neither legal nor due to established practice) obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia’s State Pension Fund, are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

ii. Defined benefit plans

The defined benefit program is a program for the payment of employee benefits at the end of an employment relationship with them, different from the defined benefit program. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension schemes is the discounted liability at the reporting date.

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. These calculations are performed by a qualified actuary using the method of the predicted conditional unit of accumulation of future payments.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in other comprehensive income/expense.

3 Essential information about accounting policies (continued)

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

iii. Other non-current employee benefits

The Group's net obligation with respect to long-term employee benefits other than pension plans is 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. 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 using the projected unit credit method. Remeasurements are recognized in profit or loss in the period in which they arise.

iv. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably and it is highly probable that there will be an outflow of economic benefits.

(k) Income tax expense

Income tax expense is comprised of current and deferred tax. It is recognized in profit or loss for the period, except to the extent that it relates to a business combination, or items recognized in other comprehensive income or directly in equity.

Current income 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 with respect to previous years.

Deferred tax is recognized with respect to temporary differences between the carrying amounts of assets and liabilities for consolidated financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

– temporary differences on 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;
– temporary differences relating to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
– taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rate that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group accrues tax liabilities for open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions, and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

3 Essential information about accounting policies (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income tax 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 s net basis or their tax assets and liabilities will be realized simultaneously.

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

Excess profit tax

The excess profit tax falls within the scope of IFRS (IAS) 12 “Income Taxes”, is a current income tax, and the relevant accounting policies for current income tax apply to it, as described above.

The excess profit tax is a one-time tax. The excess profit tax liability and expense are to be reflected in the consolidated financial statements starting from the moment when the relevant Federal Law was substantially adopted. Unpaid amounts of current excess profit tax are recorded as a liability. The liability and expense for current excess profit tax are estimated at the amount that the Group expects to pay to the budget, calculated using tax rates and tax legislation in force or substantially adopted at the end of the reporting period.

When calculating the expected excess profit tax rate, the Group took into account the intention and possibility of making a security payment.

In the consolidated statement of financial position, the security payment was reflected in full with the excess profit tax liability until the organization has a legally enforceable right to offset, which will arise starting from 1 January 2024. The debt on the security payment made as at 31 December 2023 was presented in a separate line in the consolidated statement of financial position as part of current assets. In the consolidated statement of cash flows, the amount of the excess profit tax security payment is reflected in a separate line “Excess profit tax security payment”, following the line “Income tax paid”. In the consolidated statement of profit or loss, the amount of accrued excess profit tax expense is reflected in a separate line “Excess profit tax”, following the line “Income tax”.

(l) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or practice-based obligation that can be estimated reliably, and it its 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 pre-tax 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 recognized as finance cost.

(m) Capital

Share capital

Ordinary shares and non-redeemable preference shares are both classified as equity.

Own repurchased shares

In the event that a Group company purchases shares of the Company (its own repurchased shares), the amount paid, including any additional costs directly related to the acquisition (net of income tax), is deducted from equity attributable to the Company's shareholders until the shares are cancelled, reissued or sold. Where such shares are subsequently reissued or sold, the amounts received, net of directly related transaction costs and related tax charges, are included in equity attributable to the Company's shareholders. Repurchased equity shares are carried at their weighted average cost. Gains and losses arising from the subsequent sale of shares are recognized in the consolidated statement of changes in equity, net of related expenses, including taxes.

3 Essential information about accounting policies (continued)

Capital reserves include:

- revaluation reserve for financial assets,
- revaluation reserve for net defined benefit liability,
- the reserve associated with the transfer to the reporting currency.

Provision for revaluation of financial assets.

The procedure for measuring financial assets measured at fair value through other comprehensive income, as well as the procedure for derecognition of these financial assets, is described in section (c) of this Note.

Revaluation reserve for the net defined benefit liability.

Actuarial gains and losses recorded as part of the revaluation reserve for the net defined benefit liability are calculated by a qualified independent actuary in accordance with the requirements of IFRS (IAS) 19 “Employee Benefits” (see also section (j) of this Note).

Retained earnings. Dividends

Retained earnings (uncovered loss) reflect net profit (loss) on an accrual basis since the beginning of the Group's activities, not distributed among its shareholders and not otherwise used.

Dividends are recognized as a liability and excluded from equity at the reporting date only if they are declared (approved by shareholders) at or before the reporting date. Dividends are subject to disclosure if they are declared after the reporting date but before the consolidated financial statements are signed.

(n) Revenue from Contracts with Customers

The Group recognizes revenue when (or as) the performance obligation is fulfilled by transferring the promised good or service (i.e. an asset) to customer. An asset is transferred then (or as it is) a performance obligation is fulfilled.

When (or as) a performance obligation is fulfilled, the Group recognizes revenue in the amount that the Group expects to receive in exchange for transferring the promised assets to the buyer, excluding VAT.

Electricity transmission

Revenue from electricity transmission is recognized during the period (billing month) and is estimated using the results method (cost of transferred volumes of electricity).

Tariffs for electricity transmission services are approved by the executive bodies of the subjects of the Russian Federation in the field of state regulation of tariffs.

Sales of electricity and capacity

Revenue from the sale of electricity is recognized during the period (billing month) and is estimated using the results method (cost of transferred volumes of electricity).

The sale of electricity in the retail electricity and capacity markets to consumers is carried out at regulated prices (tariffs) established by the executive bodies of the subjects of the Russian Federation in the field of state regulation of tariffs.

Technological connection services

Revenue from the provision of technological connection services is a non-refundable fee for connecting consumers to electric networks. The Group transfers control over the service at a certain point in time (after the consumer is connected to the power grid or, for certain categories of consumers, when the Group provides the opportunity for the consumer to connect to the power grid) and, therefore, fulfills the obligation to perform at a certain point in time.

3 Essential information about accounting policies (continued)

Payment for technological connection for an individual project, the standardized tariff rates, the rates for an unit of maximum capacity and the form of payment for technological connection are approved by the regional energy commission (the department of prices and tariffs of the corresponding region) and do not depend on the proceeds from the provision of electricity transmission services. Payment for technological connection to the unified national electric network is approved by the Federal Antimonopoly Service.

The Group applied judgment that technological connection is a separate performance obligation that is recognized when the related services are provided. The technological connection agreement does not contain any further obligations after the provision of the connection service. According to the established practice and laws governing the electricity market, technological connection and transmission of electricity are subject to separate negotiations with different consumers as different services with different commercial purposes without connection in pricing, intentions, recognition or types of services.

Other revenue

Revenue from installation, repair and maintenance services, consulting and organizational and technical services, communication and information technology services, other services and other sales is recognized when the customer receives control of the asset.

Trade receivables

Accounts receivable represent the Group's right to compensation, which is unconditional (that is, the moment when such compensation becomes payable is due only to the passage of time).

The accounting policy for the recognition of trade and other receivables is set out in the section “Financial assets”.

Contractual obligations

An obligation under a contract is an obligation to transfer to the buyer the goods or services for which the Group has received compensation (or compensation for which is payable) from the buyer. If the buyer pays the consideration before the Group transfers the goods or services to the buyer, a contractual obligation is recognized at the time the payment is made or at the time when the payment becomes payable (whichever occurs earlier). Contractual obligations are recognized as revenue when the Group performs its obligations under the contract. The Group reflects obligations under contracts with customers under the item “Advances received” including value added tax (VAT).

Advances received mainly consists of deferred revenue under contracts of technological connection.

Advances received from buyers and customers are analyzed by the Group for the presence of a financial component. If there is a time interval of more than 1 year between the receipt of advances from buyers and customers and the transfer of promised goods and services for reasons other than the provision of financing to the counterparty (under technological connection agreements to electric networks), the interest expense is not recognized on the advances received. Such advances are carried at the fair value of the assets received by the Group from buyers and customers in advance.

(o) Finance income and costs

Financial income includes interest income on invested funds, dividend income, profit on disposal of financial assets measured at fair value and measured at amortized cost, and the effect of discounting financial instruments. Interest income is recognized in profit or loss when incurred, and its amount is calculated using the effective interest rate method. Dividend income is recognized in profit or loss when the Group is entitled to receive the corresponding payment.

Financial expenses include interest expenses on borrowed funds, lease obligations, losses from the disposal of financial assets measured at fair value and measured at amortized cost, and the effect of discounting financial instruments. Borrowing costs that are not directly related to the acquisition, construction or production of a qualifying asset are recognized in profit or loss for the period using the effective interest method.

3 Essential information about accounting policies (continued)

(p) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant related to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

Government grants that compensate the Group for low electricity tariffs (lost income) are recognized in the consolidated statement of profit or loss and other comprehensive income in the same periods in which the respective revenue is earned.

(q) Social expenditure

When the Group's contributions to social programs are for the benefit of society as a whole and are not limited to payments to employees of the Group, they are recognized in profit or loss as they are made. The Group's expenses related to the financing of social programs, without committing to such financing in the future, are reflected in the consolidated Statement of profit or loss and other comprehensive income as they arise.

(r) Earnings per share

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

(s) Concession Arrangement

The Group applies IFRS (IFRS) 15 to public-private concession arrangement for the provision of services, if: 1. The concession provider controls or regulates what services the operator must provide in relation to the infrastructure, to whom it must provide them and at what price; and 2. the supplier of the concession controls - on the basis of ownership, use rights for the purpose of extracting benefits or other grounds - any significant residual share in the infrastructure at the end of the agreement period.

The Group doesn’t recognize the infrastructure of the objects of the concession agreement as property, plant and equipment, because the contractual services agreement doesn’t transfer to the Group the right to control the use of the infrastructure.

The Group keeps records of reimbursement for construction services and revenue from electricity transmission services, in accordance with IFRS (IFRS) 15.

The Group recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from the concession provider or at its direction for performing construction services; the concession provider has a small choice to avoid payment, or does not have such a choice at all, usually because the agreement is enforceable.

The Group recognizes an intangible asset to the extent that it obtains the right to charge users of services.

The Group accounts for an intangible asset in accordance with IFRS (IAS) 38. The Group determines the amortization period for an intangible asset as the period of validity of the concession agreement.

The Group capitalizes borrowing costs in accordance with IFRS (IAS) 23 relating to the construction phase of the concession agreement into the intangible asset. Other borrowing costs related to the concession agreement are recognized by the Group as an expense in the period in which they are incurred.

(t) Energy service contracts

Within the framework of the energy service contract, services are provided aimed at energy saving and improving the energy efficiency of the use of energy resources (including reducing the technological consumption (loss) of electricity during its transmission in electric networks) by identifying and reducing losses in electric networks. The services of an energy service company are paid for by saving the cost of compensating for electricity losses.

3 Essential information about accounting policies (continued)

The Group recognizes the costs of energy service contracts as part of the operating expenses of the period under other works and industrial services.

4 Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses observable market data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group discloses transfers between levels of the fair value hierarchy in the reporting period during which the change takes place.

The point in time at which transfers to and from certain levels are recognized is the date on which the event or change in circumstances that caused the transfer occurs.

5 Acquisition and disposal of subsidiaries, ownership interests

Acquisition of subsidiaries

In the framework of the implementation of the development Strategy of the electric grid complex of the Russian Federation approved by the decree of the Government of the Russian Federation of 03 April 2013 No. 511-R, with the aim of reducing the number of existing territorial grid organizations, 28 December 2023 the Group acquired 100% of the ordinary registered non-documentary shares of an electric grid company (hereinafter referred to as the acquired company) for cash as a result of concluding the contract of sale.

On 13 December 2023 the Group concluded an agreement for the purchase and sale of 100% of ordinary registered non-documentary shares of the acquired company. The purchase price is defined as RUB 156,400 thousand and paid in cash.

The Group recorded the acquisition of control over the acquired company using the purchase method in accordance with the requirements of IFRS 3 “Business Combination”.

The results of operations, assets and liabilities of the acquired company are consolidated by the Group from 28 December 2023.

The main activities of the acquired company are the transmission of electricity and technological connection to the power grid in one of the regions of the Russian Federation.

(in thousands of Russian rubles, unless otherwise stated)

5 Acquisition and disposal of subsidiaries, ownership interests (continued)

The table below shows the fair value of the identifiable net assets of the acquired company received at the acquisition date:

	Fair value, thousand rubles
Non-current assets	
Property, plant and equipment	159,591
Deferred tax assets	675
Total non-current assets	**160,266**
Current assets	
Inventories	7,742
Accounts receivable	19,134
Cash and cash equivalents	3,103
Other current assets	1,803
Total current assets	**31,782**
Total assets	**192,048**
Non-current liabilities	
Deferred tax liabilities	206
Accounts payable	81
Total non-current liabilities	**287**
Current liabilities	
Accounts payable	26,985
Provisions	2,927
Total current liabilities	**29,912**
Total liabilities	**30,199**
Total identifiable net assets at deemed value	**161,849**
Consideration transferred	**156,400**
Income from a bargain purchase	**5,449**

Since the value of the consideration transferred exceeds the fair value of the identifiable net assets of the acquired company, the Group recorded income (negative goodwill) in other income in the amount of RUB 5,449 thousand in the consolidated statement of financial position.

If the merger had taken place at the beginning of the year, the Group's revenue have amounted to RUB 128,575,942 thousand, and the Group's profit before tax would have amounted to RUB 11,029,789 thousand.

The cash inflow when acquiring a company is shown in the following table:

Net cash received on the acquisition of a subsidiary	3,103
Consideration transferred	(156,400)
Net cash flow	**(153,297)**

Investments in associated companies

In the framework of the implementation of the development Strategy of the electric grid complex of the Russian Federation approved by the decree of the Government of the Russian Federation of 03 April 2013 No. 511-R, with the aim of reducing the number of existing territorial grid organizations, 20 September 2023 the Group acquired 49.99997% of the ordinary registered non-documentary shares of an electric grid company (hereinafter referred to as the associated company) for cash as a result of concluding the contracts of sale. The associated company has two subsidiaries with ownership interests of 100% and 66%.

On 20 September 2023 the Group concluded an agreement for the purchase and sale of 49.99997% of ordinary registered non-documentary shares of the acquired company. The purchase price is defined as RUB 92,739 thousand and paid in cash.

The Group has determined that there is significant influence on the company in accordance with the requirements of IFRS (IAS) 28 “Investments in Associates and Joint Ventures”.

(in thousands of Russian rubles, unless otherwise stated)

5 Acquisition and disposal of subsidiaries, ownership interests (continued)

The results of operations in the amount of the Group's share in the associated company are included in the financial results of the Group from 20 September 2023 in accordance with the equity method.

The main activities of the associated company are the transmission of electricity and technological connection to power grids in one of the regions of the Russian Federation.

The table below shows the fair value of the identifiable net assets of the acquired company received at the acquisition date:

	Fair value, thousand rubles
Non-current assets	
Property, plant and equipment	494,497
Intangible assets	1,242
Deferred tax assets	394,162
Financial investments and other non-current assets	3,323
Total non-current assets	**893,224**
Current assets	
Inventories	62,757
Value added tax	391
Accounts receivable	911,567
Cash and cash equivalents	3,298
Financial investments and other current assets	221
Total current assets	**978,234**
Total assets	**1,871,458**
Non-current liabilities	
Borrowed funds	18,700
Deferred tax liabilities	25,384
Accounts payable	30,978
Total non-current liabilities	**75,062**
Current liabilities	
Accounts payable	504,277
Provisions	16,281
Total current liabilities	**520,558**
Total liabilities	**595,620**
Total identifiable net assets at deemed value	**1,275,838**
The fair value of the investor's share is 49.99997%	**637,919**
The cost of the investment	**92,739**
Income in determining the investor's share	**545,180**

Since the fair value of the share of the identifiable net assets of the associated company exceeds the value of the investment, the Group recorded income under the line “Share in profit of associates” in the amount of RUB 545,180 thousand in the consolidated statement of profit or loss and other comprehensive income.

(in thousands of Russian rubles, unless otherwise stated)

5 Acquisition and disposal of subsidiaries, ownership interests (continued)

The Group reflected the change in investment from the date of acquisition of the associated company using the equity method:

	thousand rubles
Profit of the associated company for the period from the date of acquisition 49.99997%	35,005
Dividends accrued in favor of the Group	(12,288)
Share in the profit of the associate from the date of acquisition	**22,717**
Income in determining the investor's share	545,180
Total share in the profit of the associate	**567,897**
Investment in an associated company at 20 September 2023	**637,919**
Total share in the profit of the associate	22,717
Investment in an associated company at 31 December 2022	**660,636**

Consolidated financial information on the associated company for the period from 20 September 2023 to 31 December 2023 and as at 31 December 2023:

	thousand rubles
Non-current assets	968,163
Current assets	822,499
including cash and cash equivalents	263,601
Long-term obligations	108,836
Short-term liabilities	360,554
Total identifiable net assets	**1,321,272**
The Group's share of identifiable net assets is 49.99997%	**660,636**
Revenue	454,258
Depreciation for the period	17,811
Financial expenses	5,943
Income tax expense	21,254
Income tax expense	70,010
Total comprehensive income for the period	70,010
Total comprehensive income for the period in favor of the Group is 49.99997%	35,005

6 Information about segments

The Management Board of PJSC “Rosseti Centre” is the supreme body that makes decisions on operating activities.

The primary activities of the Group are provision of services for transmission and distribution of electricity for power grids, as well as the provision of services for technological connection of consumers to the network, as well as the sale of electricity to the end consumer in a number of regions of the Russian Federation. From 2016 and at the date of signing of the consolidated financial statements, the division of the Company Tverenergo performs the electricity guarantee supplier function in the territory of Tver Region.

The internal management system is based on segments (branches formed on a territorial basis) related to transmission and distribution of electricity, technological connection to electric grids and electricity sales to the end user in a number of regions of the Russian Federation.

The Management Board of PJSC “Rosseti Centre” evaluates the results of operations, assets and liabilities of operating segments on the basis of internal management reports prepared on the basis of data generated according to Russian accounting standards.

EBITDA is used to reflect the results of each reporting segment: profit or loss before interest expense, taxation, depreciation, and net accrual/(recovery) of an impairment loss on property, plant and equipment and right-of-use assets. This procedure for determining EBITDA may differ from the procedure used by other companies. This procedure for determining EBITDA may differ from the procedure used by other companies. Management believes that the EBITDA calculated in this way is the most indicative indicator for evaluating the performance of the Group's operating segments.

6 Information about segments (continued)

The following reportable segments were identified:

- branch Belgorodenergo, branch Bryanskenergo, branch Voronezhenergo, branch Kostromaenergo, branch Kurskenergo, branch Lipetskenergo, branch Orelenergo, branch Smolenskenergo, branch Tambovenrgo, branch Tverenergo, branch Yarenergo
- Other TSS (specialized electric grid subsidiaries)
- Others

The “Others” category includes operations of the executive office and non-core subsidiaries. These operations do not meet the quantitative criteria for allocating them to reportable segments.

Segment indicators are based on management information, which is prepared on the basis of the Russian accounting standards financial statements and may differ those presented in the financial statements prepared in accordance with IFRS. The reconciliation of the indicators in the evaluation to the Management Board and similar indicators in these consolidated financial statements includes those reclassifications and adjustments that are necessary for reporting in accordance with IFRS.

(in thousands of Russian rubles, unless otherwise stated)

6 Information about segments (continued)

(a) Information about reportable segments

As at 31 December 2023 and for the year ended 31 December 2023:

	Belgorod energo	Bryansk energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	Other TSS	Others	Total
Revenue from external customers	15,927,570	5,206,285	20,479,079	6,552,177	10,452,128	12,357,417	5,836,853	9,476,273	7,568,100	13,325,540	13,073,017	7,507,558	692,111	**128,454,108**
Inter-segment revenue	-	2,279,633	115,486	-	-	-	-	-	-	-	8,700	2,768,348	8,519	**5,180,686**
Segment revenue	**15,927,570**	**7,485,918**	**20,594,565**	**6,552,177**	**10,452,128**	**12,357,417**	**5,836,853**	**9,476,273**	**7,568,100**	**13,325,540**	**13,081,717**	**10,275,906**	**700,630**	**133,634,794**
Including.														
Electricity transmission	*14,355,480*	*6,578,483*	*18,813,666*	*6,021,439*	*9,494,911*	*11,173,247*	*5,592,932*	*9,068,169*	*7,169,506*	*12,391,411*	*11,918,781*	*9,415,696*	-	***121,993,721***
Technological connection services	*776,502*	*167,241*	*736,185*	*262,303*	*768,840*	*809,453*	*73,834*	*131,455*	*196,757*	*289,454*	*336,246*	*440,170*	-	***4,988,440***
Sale of electricity and capacity	-	-	-	-	-	-	-	-	-	*416,789*	-	-	-	***416,789***
Other revenue	*795,588*	*740,194*	*1,044,714*	*268,435*	*188,377*	*374,717*	*170,087*	*276,649*	*201,837*	*227,886*	*826,690*	*420,040*	*700,630*	***6,235,844***
The cost of technological connection to the networks	(64,325)	(15,795)	(31,688)	(25,526)	(21,133)	(53,746)	(23,580)	(35,492)	(13,559)	(95,476)	(82,398)	(50,176)	-	**(512,894)**
Finance income	47,407	175,648	128,667	47,392	62,148	47,395	47,399	47,391	47,390	47,391	47,471	57,263	6,985	**809,947**
Finance costs	(300,178)	(233,406)	(384,449)	(99,611)	(111,707)	(477,837)	(177,175)	(479,453)	(364,195)	(825,945)	(701,253)	(282,471)	(120,032)	**(4,557,712)**
Depreciation and amortization	2,835,709	695,307	1,613,889	705,606	857,229	1,164,371	444,117	881,626	494,815	756,536	1,309,814	1,162,626	4,284	**12,925,929**
EBITDA	**1,016,504**	**1,845,844**	**4,977,254**	**567,745**	**2,634,640**	**7,935,928**	**833,217**	**1,823,593**	**784,733**	**489,622**	**1,997,736**	**2,993,140**	**340,198**	**28,240,154**
Segment assets	**24,177,797**	**6,932,233**	**22,115,576**	**9,074,410**	**10,350,395**	**19,326,554**	**5,034,258**	**9,430,234**	**6,515,627**	**9,068,512**	**16,134,069**	**16,968,488**	**13,954,125**	**169,082,278**
Including property, plant and equipment and construction in progress	20,221,876	5,423,279	19,114,490	7,431,229	8,331,681	16,904,453	4,098,632	7,778,609	3,783,591	6,017,715	11,574,003	11,053,918	1,403,642	**123,137,118**
Capital expenditure	3,379,139	1,224,573	3,336,049	1,098,969	1,615,294	2,600,586	553,941	1,352,624	810,324	645,056	2,074,106	1,557,850	53,505	**20,302,016**
Segment liabilities	**9,063,629**	**3,688,123**	**10,283,100**	**3,931,933**	**4,339,994**	**9,572,465**	**2,576,898**	**6,566,909**	**5,900,652**	**15,972,557**	**10,561,512**	**6,021,417**	**8,114,601**	**96,593,790**

(in thousands of Russian rubles, unless otherwise stated)

6 Information about segments (continued)

As at 31 December 2022 and for the year ended 31 December 2022:

	Belgorod energo	Bryansk energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	Other TSS	Others	Total
Revenue from external customers	15,163,043	4,955,070	17,840,648	5,850,303	8,994,246	10,473,275	5,422,724	8,411,507	6,803,229	11,868,614	11,415,167	6,797,401	593,628	**114,588,855**
Inter-segment revenue	-	1,856,883	115,524	-	-	-	-	626	-	-	8,674	2,437,913	6,091	**4,425,711**
Segment revenue	**15,163,043**	**6,811,953**	**17,956,172**	**5,850,303**	**8,994,246**	**10,473,275**	**5,422,724**	**8,412,133**	**6,803,229**	**11,868,614**	**11,423,841**	**9,235,314**	**599,719**	**119,014,566**
Including														
Electricity transmission	*13,436,103*	*5,944,998*	*16,863,611*	*5,616,908*	*8,243,720*	*10,121,975*	*5,156,959*	*8,212,891*	*6,383,449*	*10,972,470*	*10,709,684*	*8,498,384*	-	***110,161,152***
Technological connection services	*877,757*	*86,857*	*389,686*	*85,961*	*352,436*	*124,241*	*45,101*	*33,654*	*156,546*	*136,955*	*222,065*	*284,128*	-	***2,795,387***
Sale of electricity and capacity	-	-	-	-	-	-	-	-	-	*595,619*	-	-	-	***595,619***
Other revenue	*849,183*	*780,098*	*702,875*	*147,434*	*398,090*	*227,059*	*220,664*	*165,588*	*263,234*	*163,570*	*492,092*	*452,802*	*599,719*	***5,462,408***
The cost of technological connection to the networks	(65,518)	(14,847)	(27,866)	(20,664)	(15,825)	(40,866)	(17,083)	(30,103)	(10,769)	(76,233)	(72,914)	(46,175)	-	**(438,863)**
Finance income	35,546	215,011	170,012	35,554	43,038	35,540	35,541	35,538	35,556	35,539	35,587	38,866	5,909	**757,237**
Finance costs	(364,280)	(314,874)	(395,401)	(91,564)	(139,201)	(436,708)	(171,680)	(440,385)	(352,640)	(814,757)	(624,679)	(311,945)	(186,197)	**(4,644,311)**
Depreciation and amortization	3,018,545	699,819	1,545,049	729,653	843,586	1,069,140	435,596	918,720	495,558	789,271	1,260,657	1,287,175	54,256	**13,147,025**
EBITDA	**4,795,790**	**1,570,505**	**4,399,681**	**1,523,559**	**1,940,684**	**2,249,129**	**859,891**	**1,538,387**	**1,149,570**	**1,040,905**	**1,548,059**	**2,670,922**	**691,208**	**25,978,290**
Segment assets	**26,512,419**	**6,527,177**	**20,112,454**	**8,600,024**	**9,516,957**	**15,072,220**	**5,010,002**	**8,614,713**	**6,569,292**	**9,670,926**	**15,580,965**	**15,376,498**	**12,520,616**	**159,684,263**
Including property, plant and equipment and construction in progress	23,755,568	4,893,510	17,209,819	6,996,904	7,520,950	10,499,329	3,952,315	7,023,708	3,767,082	6,476,374	10,099,348	11,694,392	1,405,226	**115,294,525**
Capital expenditure	2,778,602	804,018	2,482,949	597,142	905,642	1,868,817	424,076	691,494	399,014	397,602	1,060,896	1,313,693	69,471	**13,793,416**
Segment liabilities	**8,575,492**	**3,776,582**	**9,133,658**	**3,255,823**	**3,921,924**	**9,303,609**	**2,635,890**	**6,062,912**	**5,292,410**	**15,128,748**	**9,478,758**	**5,398,197**	**12,092,901**	**94,056,904**

(in thousands of Russian rubles, unless otherwise stated)

6 Information about segments (continued)

(b) The reconciliation of key segment items measured as reported to the Management Board of the Company with similar items in these consolidated financial statements:

The reconciliation of segment revenue:

	Year ended 31 December 2023	Year ended 31 December 2022
Segment revenues	**133,634,794**	**119,014,566**
Intersegment revenue elimination	(5,180,686)	(4,425,711)
Reclassification from other income	-	79
Revenues per consolidated statement of profit or loss and other comprehensive income	**128,454,108**	**114,588,934**

The reconciliation of reportable segment EBITDA:

	Year ended 31 December 2023	Year ended 31 December 2022
EBITDA of reportable segments	**28,240,154**	**25,978,290**
Discounting receivables	932,647	(389,495)
Discounting of financial liabilities	-	(459,810)
Adjustment for lease	(43,385)	180,860
Impairment of property, plant and equipment, intangible assets, and right-of-use assets according to Russian standards	776,425	-
Recognition of pension and other long-term liabilities to employees	(255,990)	(149,877)
Adjustment on assets related to employee benefit liability	41,104	(11,244)
Re-measurement of financial assets at fair value through other comprehensive income (transfer of revaluation to equity)	(47,516)	93,816
Adjustment of the value of property, plant and equipment	538,154	(178,095)
Adjustment of income from donated property, plant and equipment	(540,212)	-
Acquisition of subsidiaries	5,449	-
Acquisition of associated companies	567,897	-
Adjustment for write-off of other material expenses	(347,878)	(312,686)
Other adjustments	(473,068)	(96,166)
EBITDA	**29,393,781**	**24,655,593**
Depreciation and amortization	(12,345,512)	(12,574,553)
Net accrual of impairment losses on property, plant and equipment and assets in the form of rights of use	(1,677,259)	(145,131)
Interest expenses on financial liabilities	(3,696,430)	(3,742,268)
Interest expenses of lease liabilities	(648,586)	(585,465)
Income tax expense and expenses on excess profit tax	(3,109,756)	(2,702,521)
Profit for the year per consolidated statement of profit or loss and other comprehensive income	**7,916,238**	**4,905,655**

(in thousands of Russian rubles, unless otherwise stated)

6 Information about segments (continued)

The reconciliation of reportable segment total assets is presented below:

	31 December 2023	31 December 2022
Total segment assets	**169,082,278**	**159,684,263**
Intersegment balances	(4,310,715)	(3,285,409)
Intragroup financial assets	(4,871,788)	(4,715,388)
Acquisition of subsidiaries	150,480	150,480
Acquisition of associated companies	567,897	-
Adjustment for value of property, plant and equipment	(5,440,456)	(6,696,450)
Impairment of property, plant and equipment, intangible assets and right-of-use assets	(1,677,259)	(145,131)
Recognition of right-of-use assets	(110,278)	(24,631)
Assets related to employee benefits	554,236	513,132
Adjustment for deferred tax assets	(5,176,537)	(4,778,843)
Discounting of accounts receivables	(1,914)	(934,561)
Other adjustments	(11,656)	36,345
Total assets per consolidated statement of financial position	**148,754,288**	**139,803,807**

The reconciliation of reportable segment total liabilities is presented below:

	31 December 2023	31 December 2022
Total segment liabilities	**96,593,790**	**94,056,904**
Intersegment balances	(4,310,715)	(3,285,409)
Adjustment for deferred tax liabilities	(5,985,135)	(5,571,269)
Recognition of pension and other long-term liabilities to employees	2,857,422	2,945,828
Recognition of lease obligations	(120,008)	(28,333)
Discounting of financial liabilities	(998,008)	(1,221,439)
Other adjustments	72,462	60,956
Total liabilities per consolidated statement of financial position	**88,109,808**	**86,957,238**

(c) Major customer

The Group operates in the Russian Federation. The Group does not receive revenues from foreign customer and does not have non-current assets abroad.

For the year ended 31 December 2023 and 31 December 2022, the Group had a few counterparties, each of which accounted for more than 10% of the Group's total revenue. Revenue received from these counterparties is reflected in the reporting of the operating segments of Voronezhenergo, Kurskenergo, Lipetskenergo, Orelenergo, Smolenskenergo, Tambovenergo, Tverenergo and Yarenergo.

The total revenue received from "TNS energo" Group was RUB 21,153,372 thousand or 17.2% of the Group's total revenue for 2023 (2022: RUB 19,524,279 thousand or 17.8%). The total revenue received from PJSC "Atomenergosbyt" was RUB 25,527,988 thousand or 20.7% of the Group's total revenue for 2023 (2022: RUB 22,231,229 thousand or 20.3%).

(in thousands of Russian rubles, unless otherwise stated)

7 Revenue

	Year ended 31 December 2023	Year ended 31 December 2022
Electricity transmission	117,129,049	106,008,995
Technological connection services	4,988,213	2,794,191
Sales of electricity and capacity	416,789	595,619
Other revenue	5,722,874	4,995,558
Total revenue from contracts with customers	**128,256,925**	**114,394,363**
Lease revenue	197,183	194,571
	128,454,108	**114,588,934**

Other revenue includes mainly technical and maintenance services, installation of outdoor lighting networks, diagnostics and testing, construction services, consulting and organizational and technical services.

8 Other income and other expenses

	Year ended 31 December 2023	Year ended 31 December 2022
Income from identified non-contracted electricity consumption	137,690	180,472
Income in the form of fines and penalties on commercial contracts	832,723	513,110
Income from compensation of losses in connection with the disposal/liquidation of electric grid property	334,672	19,716
Accounts payable write-off	91,872	51,578
Acquisition of subsidiaries	5,449	-
Insurance indemnity	1,139,954	192,376
Income from disposal of fixed assets on sale (sale) operations	369,060	10,502
Income from reimbursement of costs and losses	15,346	215,519
Other income	612,431	747,878
	3,539,197	**1,931,151**

Other expenses include loss on disposal of property, plant and equipment for the year ended 31 December 2023 in the amount of RUB 130,127 thousand (for the year ended 31 December 2022: RUB 80,317 thousand).

(in thousands of Russian rubles, unless otherwise stated)

9 Operating expenses

	Year ended 31 December 2023	Year ended 31 December 2022
Personnel costs	28,527,114	24,353,821
Depreciation of property, plant and equipment	11,309,063	11,629,296
Amortization of intangible assets	480,566	421,417
Depreciation of right-of-use assets	555,883	523,840
Material expenses, including:		
Electricity for compensation of losses	21,166,901	19,345,206
Electricity for sale	348,883	512,739
Purchased electricity and heat power for own needs	524,611	509,169
Other material costs	4,980,240	4,423,196
Production work and services, including:		
Electricity transmission services	33,464,644	29,316,320
Repair and maintenance services	1,032,839	830,696
Other works and industrial services	3,791,251	3,069,657
Taxes and levies other income tax	2,055,501	2,026,050
Short-term rent	92,156	72,736
Insurance	126,287	134,073
Other third-party services, including:		
Communication services	419,717	401,983
Security services	461,688	411,191
Consulting, legal and audit services	77,025	71,997
Software costs and services	235,443	297,021
Transportation services	52,987	36,051
Other services	756,298	939,537
Provisions	1,716,887	1,752,664
Expenses recognized in connection with debt settlement for electricity transmission, electricity for resale, purchased electricity to compensate for losses and non-contracted consumption	1,185,817	1,069,098
Other expenses	2,056,475	2,398,023
	115,418,276	**104,545,781**

10 Personnel costs

	Year ended 31 December 2023	Year ended 31 December 2022
Wages and salaries	17,722,705	15,463,863
Social security contributions	6,404,775	5,432,948
Provisions related to employee benefits	2,706,129	1,833,131
Expenses related to defined benefit plan	141,672	147,002
Other	1,551,833	1,476,877
	28,527,114	**24,353,821**

(in thousands of Russian rubles, unless otherwise stated)

10 Personnel costs (continued)

Other expenses for employee benefits include lump-sum payments when leaving for another vacation, financial assistance, compensation, benefits, social benefits.

The amount of contributions to the defined contribution plan was RUB 19,123 thousand for the year ended 31 December 2023 (for the year ended 31 December 2022: RUB 18,083 thousand).

Remuneration to key management personnel is disclosed in the Note 34.

11 Finance income and costs

	Year ended 31 December 2023	Year ended 31 December 2022
Finance income		
Interest income on bank deposits and balances on bank accounts	600,589	443,306
Interest income on assets related to employee defined benefits plans	34,023	14,603
Dividends receivable	10,699	231
Effect of initial recognition of discount on financial liabilities	-	459,810
Other finance income	932,647	9,823
	1,577,958	**927,773**
Finance costs		
Interest expenses on financial liabilities measured at amortized cost	(3,696,430)	(3,742,268)
Interest expenses on lease liabilities	(648,586)	(585,465)
Interest expense on long-term employee benefit liability	(285,762)	(231,240)
Effect of initial discounting of financial assets	-	(399,318)
Amortization of discount on financial liabilities	(223,431)	(236,008)
Other finance costs	(20,483)	(25,420)
	(4,874,692)	**(5,219,719)**

12 Income tax

	Year ended 31 December 2023	Year ended 31 December 2022
Current income tax		
Accrual of current tax	(2,899,499)	(2,385,191)
Adjustment of the tax for the previous periods	333,287	160,231
Total	**(2,566,212)**	**(2,224,960)**
Deferred income tax (Note 17)	(467,356)	(477,561)
Income tax expense	**(3,033,568)**	**(2,702,521)**

The income tax rate established by Russian legislation is 20%.

Income tax expenses are reflected on the basis of the management's best estimate at the reporting date of the weighted average expected income tax rate for the full fiscal year.

(in thousands of Russian rubles, unless otherwise stated)

12 Income tax (continued)

In 2023 and 2022, the Group recalculated tax for previous periods and filed revised statements the income tax including the settlement of disputes with contractors in the judicial and pre-trial order for previous periods. As a result, the profit tax to decrease for previous periods was RUB 333,287 thousand in accordance with the updated tax returns submitted to the tax authorities (2022: RUB 160,231 thousand tax to decrease).

Expenses for excess profit tax

On 4 August 2023 the President of the Russian Federation signed Federal Law N 414-FZ "On the Tax on Excess Profits" (published on 4 August 2023, hereinafter referred to as the "Law").

In accordance with the provisions of the Law, PJSC "Rosseti Centre" is a payer of excess profit tax. The amount of the liability and expenses for excess profit tax calculated at the rate of 5% is RUB 76,188 thousand. The Group has made a security payment for excess profit tax in the amount of RUB 76,188 thousand, which is presented in the consolidated statement of cash flows as a separate line "Security payment for excess profit tax". As a result of the security payment, the Group was entitled to a tax deduction in the amount of the above-mentioned security payment. Accordingly, the applicable excess profit tax rate was 5%.

Income tax recognized in other comprehensive income:

	Year ended 31 December 2023			Year ended 31 December 2022		
	Before tax	**Tax**	**Net of tax**	**Before tax**	**Tax**	**Net of tax**
Financial assets at fair value through other comprehensive income	47,516	(9,503)	38,013	(93,548)	18,858	(74,690)
Remeasurements of the defined benefit liability	344,396	(26,005)	318,391	185,267	(26,135)	159,132
	391,912	**(35,508)**	**356,404**	**91,719**	**(7,277)**	**84,442**

In 2023 and 2022 the Group applied the standard rate of corporate profit tax of 20%. This rate has been used in the calculation of deferred tax assets and liabilities.

The profit before taxation is correlated to income tax expenses as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Profit before income tax	**11,025,994**	**7,608,176**
Income tax calculated at the applicable tax rate	**(2,205,199)**	**(1,521,635)**
Tax effect of items not deductible/not taxable for taxation purposes	(1,161,656)	(1,341,117)
Adjustments for previous periods	333,287	160,231
	(3,033,568)	**(2,702,521)**

(in thousands of Russian rubles, unless otherwise stated)

13 Property, plant and equipment

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction progress	Total
Cost/deemed cost						
At 1 January 2022	**50,656,129**	**82,460,141**	**47,546,801**	**37,564,865**	**5,150,754**	**223,378,690**
Additions	68,912	68,223	24,820	20,285	13,855,946	**14,038,186**
Acquisition of subsidiaries	73,155	40,346	42,844	44,319	2,004	**202,668**
Transfer	2,661,591	3,672,615	2,419,118	5,070,184	(13,823,508)	**-**
Disposals	(52,416)	(24,550)	(19,604)	(336,690)	(49,086)	**(482,346)**
At 31 December 2022	**53,407,371**	**86,216,775**	**50,013,979**	**42,362,963**	**5,136,110**	**237,137,198**
Accumulated depreciation						
At 1 January 2022	**(19,791,247)**	**(48,681,504)**	**(23,946,537)**	**(21,603,166)**	**-**	**(114,022,454)**
Depreciation charge	(2,575,967)	(4,648,443)	(2,634,323)	(2,767,475)	-	**(12,626,208)**
Disposals	15,478	15,896	9,485	328,886	-	**369,745**
At 31 December 2022	**(22,351,736)**	**(53,314,051)**	**(26,571,375)**	**(24,041,755)**	**-**	**(126,278,917)**
Accumulated impairment						
At 1 January 2022	**(2,027,809)**	**(4,122,181)**	**(2,240,749)**	**(564,851)**	**(131,078)**	**(9,086,668)**
Transfer to property, plant and equipment (transfer of impairment losses)	(11,364)	(11,379)	(1,000)	(10,600)	34,343	**-**
Depreciation charge	165,123	503,090	237,145	77,733	-	**983,091**
Recognition of impairment losses/restoration of previously recognized impairment losses	(31,891)	(54,175)	(31,576)	(23,118)	(4,371)	**(145,131)**
Disposals	83	336	531	9,383	6,938	**17,271**
At 31 December 2022	**(1,905,858)**	**(3,684,309)**	**(2,035,649)**	**(511,453)**	**(94,168)**	**(8,231,437)**
Depreciation (including depreciation of impairment)	(2,410,844)	(4,145,353)	(2,397,178)	(2,689,742)	-	**(11,643,117)**
Net book value						
At 1 January 2022	**28,837,073**	**29,656,456**	**21,359,515**	**15,396,848**	**5,019,676**	**100,269,568**
At 31 December 2022	**29,149,777**	**29,218,415**	**21,406,955**	**17,809,755**	**5,041,942**	**102,626,844**

(in thousands of Russian rubles, unless otherwise stated)

13 Property, plant and equipment (continued)

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction progress	Total
Cost/deemed cost						
At 1 January 2023	**53,407,371**	**86,216,775**	**50,013,979**	**42,362,963**	**5,136,110**	**237,137,198**
Additions	22	-	40,325	394	20,227,386	**20,268,127**
Acquisition of subsidiaries	56,187	34,430	39,514	25,166	4,170	**159,467**
Transfer	4,529,835	5,557,366	4,192,788	5,433,721	(19,713,710)	**-**
Disposals	(750,428)	(192,545)	(196,492)	(357,786)	(350,960)	**(1,848,211)**
At 31 December 2023	**57,242,987**	**91,616,026**	**54,090,114**	**47,464,458**	**5,302,996**	**255,716,581**
Accumulated depreciation						
At 1 January 2023	**(22,351,736)**	**(53,314,051)**	**(26,571,375)**	**(24,041,755)**	**-**	**(126,278,917)**
Depreciation charge	(2,431,651)	(4,467,422)	(2,624,636)	(2,713,557)	-	**(12,237,266)**
Disposals	154,556	95,352	98,899	329,776	-	**678,583**
At 31 December 2023	**(24,628,831)**	**(57,686,121)**	**(29,097,112)**	**(26,425,536)**	**-**	**(137,837,600)**
Accumulated impairment						
At 1 January 2023	**(1,905,858)**	**(3,684,309)**	**(2,035,649)**	**(511,453)**	**(94,168)**	**(8,231,437)**
Transfer to property, plant and equipment (transfer of impairment losses)	(1,364)	(7,618)	(1,438)	(967)	11,387	**-**
Depreciation charge	159,805	473,883	223,965	59,760	-	**917,413**
Recognition of impairment losses/restoration of previously recognized impairment losses	(1,135,208)	242,253	(303,960)	(400,626)	(79,718)	**(1,677,259)**
Disposals	683	188	1,108	70	11,427	**13,476**
At 31 December 2023	**(2,881,942)**	**(2,975,603)**	**(2,115,974)**	**(853,216)**	**(151,072)**	**(8,977,807)**
Depreciation (including depreciation of impairment)	(2,271,846)	(3,993,539)	(2,400,671)	(2,653,797)	-	**(11,319,853)**
Net book value						
At 1 January 2023	**29,149,777**	**29,218,415**	**21,406,955**	**17,809,755**	**5,041,942**	**102,626,844**
At 31 December 2023	**29,732,214**	**30,954,302**	**22,877,028**	**20,185,706**	**5,151,924**	**108,901,174**

13 Property, plant and equipment (continued)

As at 31 December 2023 advance payments for property, plant and equipment include in construction in progress in the amount of RUB 144,660 thousand (as at 31 December 2022: RUB 154,282 thousand), also materials for the construction of property, plant and equipment in the amount RUB of 1,791,085 thousand (as at 31 December 2022: RUB 1,513,527 thousand).

For the year ended 31 December 2023 capitalized interest amount is RUB 270,222 thousand (for the year ended 31 December 2022: RUB 210,939 thousand), the capitalization rate used to determine the amount of borrowing costs to be capitalized was 7.68-17.16% during the year (for the year ended 31 December 2022 – 8.16-16.20%).

For the year ended 31 December 2023 depreciation charges in the amount of RUB 12,242 thousand were capitalized in the cost of capital construction facilities (including depreciation charges of property, plant and equipment – RUB 10,790 thousand, of right-of-use assets – RUB 1,452 thousand).

For the year ended 31 December 2022 depreciation charges in the amount of RUB 15,486 thousand were capitalized in the cost of capital construction facilities (including depreciation charges of property, plant and equipment – RUB 13,821 thousand, of right-of-use assets – RUB 1,665 thousand).

As at 31 December 2023 the initial cost of fully amortized property plant and equipment was RUB 38,850,455 thousand (as at 31 December 2022: RUB 39,618,273 thousand).

Disclosure of information on impairment testing

The Group considered the current economic conditions in the regions where the Group operates as an indicator (sign) of a possible impairment of fixed assets.

Most of the Group's fixed assets are specialized objects that rarely become objects of purchase and sale on the open market, except when they are sold as part of existing enterprises. The market for such fixed assets is not active in the Russian Federation and does not provide enough examples of purchase and sale in order for a market approach to determine the fair value of these fixed assets to be used. Accordingly, the recoverable value of specialized facilities was determined as the value from their use using the method of projected cash flows. This method takes into account the future net cash flows that these fixed assets will generate in the course of operating activities, as well as upon disposal, in order to determine the recoverable value of these assets.

Cash-generating units are determined by the Group based on the geographical location of branches and subsidiaries and represent the smallest identifiable groups of assets that generate cash inflows regardless of other assets of the Group.

The Group tested property, plant and equipment for impairment as at 31 December 2023 in respect of all significant cash-generating units.

(in thousands of Russian rubles, unless otherwise stated)

13 Property, plant and equipment (continued)

The following key assumptions were used in estimating the recoverable value of assets of generating units:

Key assumption	As at 31 December 2023
The forecast period	Projected cash flows were determined for the period 2024-2028 for all generating units based on management's best estimate of electricity transmission volumes, operating and capital costs, as well as tariffs approved by regulatory authorities for 2024.
The interest rate of net cash flow growth in the post-forecast period	4.00%
Forecast of electricity transmission tariffs	Based on the tariff calculation methodology adopted by the regulatory authorities.
Forecast of sales volume	In accordance with the approved business plan. Outside of business planning - a fixed amount (at the level of the last year of the business planning period).
Discount rate (The nominal discount rate determined for the purposes of the test based on the weighted average cost of capital before income tax)	11.97%

According to the results of impairment testing, the recoverable value of non-current assets of the tested EGDS was as at 31 December 2023: Belgorodenergo RUB 20,221,876 thousand, Bryanskenergo RUB 13,418,334 thousand, Voronezhenergo RUB 34,278,547 thousand, Kostromaenergo RUB 9,686,427 thousand, Kurskenergo RUB 17,037,830 thousand, Lipetsk RUB 22,543,619 thousand, Orelenergo RUB 8,435,377 thousand, Smolenskenergo RUB 15,724,681 thousand, Tambovenergo RUB 3,723,463 thousand, Tverenergo RUB 6,017,715 thousand, Yarenergo RUB 11,574,002 thousand.

According to the results of testing, as at 31 December 2023, an impairment loss in the amount of RUB 5,459,482 thousand was recognized, including RUB 3,932,306 thousand for the Belgorodenergo branch, for the branch of Tambovenergo RUB 355,299 thousand, for the branch of Tverenergo RUB 439,064 thousand rubles, for the branch of Yarenergo RUB 732,813 thousand.

Deferred tax income recognized in profit or loss in respect of impairment losses on fixed assets, intangible assets and assets in the form of right of use at the applicable rate amounted to RUB 1,091,896 thousand.

As at 31 December 2023, the impairment loss recognized in previous reporting periods was restored in the total amount of RUB 3,782,223 thousand for the Lipetsk branch.

Deferred tax expense recognized in profit or loss in respect of recovery of impairment losses on fixed assets, intangible assets and assets in the form of right of use at the applicable rate amounted to RUB 756,445 thousand.

The main factor in the recovery of impairment at the Lipetsk branch is the expected increase in revenue from electricity transmission services relative to the forecast as at 31 December 2022 due to an increase in the volume of services, taking into account the dynamics of electricity consumption in 2023 and an increase in the weighted average tariff for 2024.

The main factor in the impairment of assets at the branches of Belgorodenergo, Tambovenergo, Tverenergo, Yarenergo is an increase in the discount rate of projected cash flows to their present value at the nominal weighted average cost of capital from 10.20% as at 31 December 2022 to 11.97% as at 31 December 2023.

For the year ended 31 December 2023, deferred tax expense recognized in profit or loss in terms of depreciation (movement) of accumulated impairment of fixed assets, intangible assets and assets in the form of right of use amounted to RUB 186,178 thousand (for the year ended 31 December 2022: RUB 200,072 thousand).

(in thousands of Russian rubles, unless otherwise stated)

14 Intangible assets

	Software	R&D	Other intangible assets	Total
Initial cost				
At 1 January 2022	**3,099,656**	**28,794**	**1,383,864**	**4,512,314**
Reclassification between groups	-	(9,653)	9,653	**-**
Additions	331,056	60,593	5,621	**397,270**
Acquisition of subsidiaries	391	-	150,480	**150,871**
Disposals	-	(20,285)	(11)	**(20,296)**
At 31 December 2022	**3,431,103**	**59,449**	**1,549,607**	**5,040,159**
Accumulated amortization				
At 1 January 2022	**(1,711,866)**	**-**	**(455,200)**	**(2,167,066)**
Amortization charge	(342,591)	-	(78,826)	**(421,417)**
At 31 December 2022	**(2,054,457)**	**-**	**(534,026)**	**(2,588,483)**
Net book value				
At 1 January 2022	**1,387,790**	**28,794**	**928,664**	**2,345,248**
At 31 December 2022	**1,376,646**	**59,449**	**1,015,581**	**2,451,676**
Initial cost				
At 1 January 2023	**3,431,103**	**59,449**	**1,549,607**	**5,040,159**
Reclassification between groups	-	(8,770)	8,770	**-**
Additions	897,452	65,122	360,156	**1,322,730**
Disposals	-	(40,325)	(52)	**(40,377)**
At 31 December 2023	**4,328,555**	**75,476**	**1,918,481**	**6,322,512**
Accumulated amortization				
At 1 January 2023	**(2,054,457)**	**-**	**(534,026)**	**(2,588,483)**
Amortization charge	(402,650)	-	(77,916)	**(480,566)**
Disposals	-	-	20	**20**
At 31 December 2023	**(2,457,107)**	**-**	**(611,922)**	**(3,069,029)**
Net book value				
At 1 January 2023	**1,376,646**	**59,449**	**1,015,581**	**2,451,676**
At 31 December 2023	**1,871,448**	**75,476**	**1,306,559**	**3,253,483**

Amortization of intangible assets included in operating expenses in consolidated statement of profit or loss and other comprehensive income is RUB 480,566 thousand (for the year ended 31 December 2022: RUB 421,417 thousand).

Intangible assets are amortized on a straight-line basis.

Interest for the year ended 31 December 2023 and for the year ended 31 December 2022 was not capitalized as intangible assets.

Other intangible assets include objects of intellectual property R&D results and objects of Service Concession Arrangement.

(in thousands of Russian rubles, unless otherwise stated)

14 Intangible assets (continued)

Intangible assets in the subgroup “Other intangible assets” the Group included the right to charge users of electricity transmission services under the “Concession agreement regarding the financing creation and operation of electric energy transmission and distribution facilities in the Tambov Region”. This agreement provides for the construction by the Group of facilities for the transmission and distribution of electricity in the Tambov region and the provision of services for the transmission distribution of electricity and technological connection using the facilities of the concession agreement. The ownership of the constructed facilities belongs to the Tambov region and the Group receives the right possession and use of objects for use in the specified activity. The concession agreement was concluded in 2015 for 20 years. A concession agreement may be amended or terminated by agreement of the parties in the manner and in the cases provided for by law upon the expiration of the validity period as well as on the basis of a court decision. The objects of the concession agreement shall be included in the planning document for the privatization of property for a period corresponding to the expiration of the concession agreement. Moreover the Group has a preemptive right to repurchase these objects.

During the period of the Concession Agreement the administration of the Tambov Region may provide the Group with subsidies both in terms of paying remuneration for construction and in compensating for lost revenue from electricity transmission.

The residual value of the intangible assets of the concession agreement as at 31 December 2023 in the amount of RUB 658,889 thousand is reflected in the line “Intangible assets” of the consolidated statement of financial position (in the amount of RUB 713,752 thousand as at 31 December 2022). For the year ended 31 December 2023 depreciation was accrued on the objects of the concession agreement in the amount of RUB 54,863 thousand (for the year ended 31 December 2022: RUB 54,863 thousand).

15 Right-of-use assets

	Land and buildings	**Electricity transmission networks**	**Equipment for electricity transmission**	**Other**	**Total**
Initial cost					
At 1 January 2022	**4,031,009**	**733,808**	**755,253**	**1,238,558**	**6,758,628**
Additions	69,808	74,517	41,384	110,706	**296,415**
Change in lease terms	14,536	(96,646)	28,417	58,739	**5,046**
Disposal or termination of lease agreements	(17,577)	(2,740)	(6,474)	(167,395)	**(194,186)**
At 31 December 2022	**4,097,776**	**708,939**	**818,580**	**1,240,608**	**6,865,903**
Accumulated depreciation					
At 1 January 2022	**(321,151)**	**(63,512)**	**(55,656)**	**(111,178)**	**(551,497)**
Depreciation charge	(297,451)	(83,012)	(90,208)	(54,834)	**(525,505)**
Change in lease terms	238,654	56,983	48,818	89,521	**433,976**
Disposal or termination of lease agreements	6,080	2,468	1,462	4,544	**14,554**
At 31 December 2022	**(373,868)**	**(87,073)**	**(95,584)**	**(71,947)**	**(628,472)**
Net book value					
At 1 January 2022	**3,709,858**	**670,296**	**699,597**	**1,127,380**	**6,207,131**
At 31 December 2022	**3,723,908**	**621,866**	**722,996**	**1,168,661**	**6,237,431**

(in thousands of Russian rubles, unless otherwise stated)

15 Right-of-use assets (continued)

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
Initial cost					
At 1 January 2023	**4,097,776**	**708,939**	**818,580**	**1,240,608**	**6,865,903**
Additions	200,203	24,967	17,354	1,437,681	**1,680,205**
Acquisition of subsidiaries	124	-	-	-	**124**
Change in lease terms	15,172	18,936	55,534	210	**89,852**
Disposal or termination of lease agreements	(43,982)	(55,194)	(26,462)	(376)	**(126,014)**
At 31 December 2023	**4,269,293**	**697,648**	**865,006**	**2,678,123**	**8,510,070**
Accumulated depreciation					
At 1 January 2023	**(373,868)**	**(87,073)**	**(95,584)**	**(71,947)**	**(628,472)**
Depreciation charge	(294,759)	(79,881)	(91,955)	(90,740)	**(557,335)**
Change in lease terms	100	804	28	-	**932**
Disposal or termination of lease agreements	7,538	15,922	16,344	104	**39,908**
At 31 December 2023	**(660,989)**	**(150,228)**	**(171,167)**	**(162,583)**	**(1,144,967)**
Net book value					
At 1 January 2023	**3,723,908**	**621,866**	**722,996**	**1,168,661**	**6,237,431**
At 31 December 2023	**3,608,304**	**547,420**	**693,839**	**2,515,540**	**7,365,103**

For the purposes of the impairment test specialized right-of-use assets (including leased land under own and leased specialized properties) are classified as CGU assets in the same way as own non-current assets-based on the geographical location of branches and subsidiaries.

The use value of the right-of-use assets is determined using the discounted cash flow method. Information on the impairment test conducted as at 31 December 2023 is disclosed in Note 13.

16 Other financial assets

	31 December 2023	31 December 2022
Non-current		
Financial assets at fair value through other comprehensive income	146,247	98,731
	146,247	**98,731**

Non-current financial assets include shares of Russian companies with a fair value calculated on the basis of published market quotations equal to RUB 146,247 thousand as at 31 December 2023 (as at 31 December 2022: RUB 98,731 thousand).

17 Deferred tax assets and liabilities

Differences between IFRS and Russian tax legislation lead to temporary differences between the carrying value of certain assets and liabilities for financial reporting targets on the one hand and for tax targets on income tax on the other.

(in thousands of Russian rubles, unless otherwise stated)

17 Deferred tax assets and liabilities (continued)

(a) *Recognized deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following items:

	Assets		**Liabilities**		**Net**	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Property plant and equipment	-	-	(6,169,875)	(5,566,482)	(6,169,875)	(5,566,482)
Intangible assets	-	-	(22,657)	(23,290)	(22,657)	(23,290)
Right-off-use assets	-	-	(1,473,021)	(1,247,486)	(1,473,021)	(1,247,486)
Assets related to employee defined benefits plans	-	-	(110,847)	(102,626)	(110,847)	(102,626)
Trade and other receivables	1,052,016	1,226,992	-	-	1,052,016	1,226,992
Lease obligations	1,432,196	1,217,872	-	-	1,432,196	1,217,872
Borrowed funds	-	-	(199,602)	(244,639)	(199,602)	(244,639)
Provisions	619,324	587,267	-	-	619,324	587,267
Employee benefits	351,729	351,077	-	-	351,729	351,077
Trade and other payables	439,030	233,138	(593,918)	(561,900)	(154,888)	(328,762)
Other	868	430	(6,674)	(49,389)	(5,806)	(48,959)
Net tax assets/(liabilities)	**3,895,163**	**3,616,776**	**(8,576,594)**	**(7,795,812)**	**(4,681,431)**	**(4,179,036)**

(in thousands of Russian rubles, unless otherwise stated)

17 Deferred tax assets and liabilities (continued)

(b) *Movement in temporary differences during the year*

	1 January 2023	Acquisition of subsidiaries	Recognized in profit and loss	Recognized in other comprehensive income	31 December 2023
Property plant and equipment	(5,566,482)	469	(603,862)	-	(6,169,875)
Intangible assets	(23,290)	-	633	-	(22,657)
Right-off-use assets	(1,247,486)	-	(225,535)	-	(1,473,021)
Assets related to employee defined benefits plans	(102,626)	-	(8,221)	-	(110,847)
Financial assets at fair value through other comprehensive income	-	-	9,503	(9,503)	-
Trade and other receivables	1,226,992	-	(174,976)	-	1,052,016
Lease liabilities	1,217,872	-	214,324	-	1,432,196
Borrowed funds	(244,639)	-	45,037	-	(199,602)
Provisions	587,267	-	32,057	-	619,324
Employee benefits	351,077	-	26,657	(26,005)	351,729
Trade and other payables	(328,762)	-	173,874	-	(154,888)
Other	(48,959)	-	43,153	-	(5,806)
	(4,179,036)	**469**	**(467,356)**	**(35,508)**	**(4,681,431)**

	1 January 2022	Acquisition of subsidiaries	Recognized in profit and loss	Recognized in other comprehensive income	31 December 2022
Property plant and equipment	(4,899,325)	(8,694)	(658,463)	-	(5,566,482)
Intangible assets	(23,924)	-	634	-	(23,290)
Right-off-use assets	(1,241,426)	-	(6,060)	-	(1,247,486)
Assets related to employee defined benefits plans	(104,875)	-	2,249	-	(102,626)
Financial assets at fair value through other comprehensive income	-	-	(18,858)	18,858	-
Trade and other receivables	1,350,594	-	(123,602)	-	1,226,992
Lease liabilities	1,273,274	-	(55,402)	-	1,217,872
Borrowed funds	(201,137)	-	(43,502)	-	(244,639)
Provisions	463,292	-	123,975	-	587,267
Employee benefits	360,605	-	16,607	(26,135)	351,077
Trade and other payables	(661,339)	-	332,577	-	(328,762)
Other	(1,243)	-	(47,716)	-	(48,959)
	(3,685,504)	**(8,694)**	**(477,561)**	**(7,277)**	**(4,179,036)**

(in thousands of Russian rubles, unless otherwise stated)

18 Inventories

	31 December 2023	31 December 2022
Raw materials and supplies	1,667,580	1,758,138
Allowance for impairment of raw materials and supplies	(1,105)	(1,068)
Other inventories	2,714,150	2,497,550
	4,380,625	**4,254,620**

As at 31 December 2023 the reserves intended to ensure the prevention and elimination of accidents (emergencies) at power grid facilities (emergency reserve) is RUB 1,005,745 thousand (as at 31 December 2022: RUB 886,490 thousand).

The Group had no inventories that would have been pledged under credit or other contracts as at 31 December 2023 and 31 December 2022. The Group has included spare parts, others.

During the year ended 31 December 2023 inventories in the amount of RUB 27,020,635 thousand were recognized as expenses (during the year ended 31 December 2022: RUB 24,790,310 thousand) as part of operating expenses under the item Material expenses.

19 Trade and other receivables

	31 December 2023	31 December 2022
Non-current trade and other account receivable		
Trade receivables	1,089,939	1,578,383
Allowance for expected credit losses on trade receivables	(57,798)	(75,231)
Other receivables	291,557	111,150
Allowance for expected credit losses on other receivables	(360)	-
	1,323,338	**1,614,302**
Current trade and other account receivable		
Trade receivables	14,915,869	15,781,402
Allowance for expected credit losses on trade receivables	(4,552,110)	(4,407,452)
Other receivables	2,558,785	3,017,192
Allowance for expected credit losses on other receivables	(1,700,334)	(1,480,127)
	11,222,210	**12,911,015**

Current other receivables include restructured receivables under the assignment agreement in the total non-discounted amount of RUB 31,356 thousand as at 31 December 2023 (as at 31 December 2022: RUB 62,712 thousand). The terms of the agreement provide for the repayment of the remaining part of receivables in 2024 and the application of the interest rate of 12.44% per annum.

The Group's exposure to credit risk and allowance for expected credit losses on trade and other receivables is disclosed in Note 31.

Balance with related parties is disclosed in Note 34.

(in thousands of Russian rubles, unless otherwise stated)

20 Advances given and other assets

	31 December 2023	31 December 2022
Non-current		
Advances given	4,784	3,202
	4,784	**3,202**
Current		
Advances given	684,021	1,060,671
Advances given impairment allowance	(25,155)	(34,711)
VAT recoverable	22,218	29,385
VAT on advances to customers and clients and advances given for the purchase of property plant and equipment	1,703,963	1,376,236
Prepaid taxes other than income tax	179,225	112,892
	2,564,272	**2,544,473**

Balance with related parties is disclosed in Note 34.

21 Cash and cash equivalents

	31 December 2023	31 December 2022
Cash in bank accounts and cash on hand	6,148,566	845,184
Cash equivalents	1,661,263	5,660,743
	7,809,829	**6,505,927**

All balance of cash and cash equivalents are denominated in rubles as at 31 December 2023 and 31 December 2022.

Cash equivalents as at 31 December 2023 and 31 December 2022 include short-term investments in bank deposits. They are placed at interest rates 16.03 % - 16.25% per annum.

22 Equity

(a) Equity

	Ordinary shares	
	31 December 2023	31 December 2022
Par value (in RUB)	0.10	0.10
On issue at 1 January units	42,217,941,468	42,217,941,468
On issue at the end of the period fully paid units	42,217,941,468	42,217,941,468

(b) Ordinary and preference shares

The holders of ordinary shares are entitled to vote on all issues on the agenda of the General meeting of shareholders to receive dividends in the manner determined by the legislation of the Russian Federation and the Charter as well as other rights stipulated by the Charter and the legislation of the Russian Federation.

22 Equity (continued)

(c) Dividends

The source of payment of dividends is the net profit of the Company determined in accordance with the requirements established by the current legislation of the Russian Federation.

In accordance with the Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

On 17 June 2022 the annual general meeting of shareholders of the Company decided to distribute the Company's profit based on the results of the 2021 financial year for dividends in the amount of RUB 1,427,448 thousand and on the payment of dividends by the end of 2021 in the amount of 0.0338114 rubles per ordinary share of the Company in cash.

On 23 December 2022 the extraordinary general meeting of shareholders of the Company decided to distribute the Company's profits based on the results of 9 months of the 2022 financial year for dividends in the amount of RUB 1,435,410 thousand and on the payment of dividends for the first 9 months of 2022 in the amount of RUB 0.0340 per ordinary share of the Company in cash.

On 09 June 2023 the annual general meeting of shareholders of the Company decided to distribute the Company's profit based on the results of the 2022 financial year for dividends in the amount of RUB 473,263 thousand and on the payment of dividends by the end of 2022 in the amount of 0.01121 rubles per ordinary share of the Company in cash.

At the same time in 2023 the Company did not restore unclaimed dividends for 2019 (for 2022: RUB 14,523 thousand – restoration of unclaimed dividends for 2018).

For the year ended 31 December 2023 the dividends paid to the owners of the company amounted to RUB 1,860,742 thousand (for the year ended 31 December 2022 – RUB 1,381,480 thousand).

23 Earnings per share

The calculation of earnings per share for the year ended 31 December 2023 and 31 December 2022 is based on earnings attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

The Company has no dilutive financial instruments.

In millions of shares	2023	2022
Ordinary shares at 1 January	**42,218**	**42,218**
Weighted average number of shares for the year ended 31 December	**42,218**	**42,218**

	Year ended 31 December 2023	Year ended 31 December 2022
Weighted average number of ordinary shares outstanding for the year ended 31 December (millions of shares)	42,218	42,218
Earnings for the year attributable to holders of ordinary shares	7,881,733	4,845,111
Earnings per ordinary share (in RUB) – basic and diluted	**0.187**	**0.115**

(in thousands of Russian rubles, unless otherwise stated)

24 Borrowed funds

	31 December 2023	31 December 2022
Non-current liabilities		
Unsecured loans and borrowings	35,320,412	33,939,715
Unsecured bonds	2,962,343	5,020,492
Lease liabilities	7,160,980	6,089,360
Less: current portion of long-term loans and borrowings	(10,845,305)	(12,090,834)
Less: current portion of long-term bonds	(30,544)	(5,020,492)
Less: current portion of long-term lease liabilities	(907,437)	(667,492)
	33,660,449	**27,270,749**
Current liabilities		
Unsecured loans and borrowings	-	1,001,103
Current portion of long-term loans and borrowings	10,845,305	12,090,834
Current portion of long-term bonds	30,544	5,020,492
Current portion of long-term lease liabilities	907,437	667,492
	11,783,286	**18,779,921**
Including:		
Debts on interest payable on loans and borrowings	34,962	141,529
Debts on interest payable on bonds	30,544	22,250
	65,506	**163,779**

All balance of loans and borrowings are denominated in rubles as at 31 December 2023 and 31 December 2022.

(in thousands of Russian rubles, unless otherwise stated)

24 Borrowed funds (continued)

		Effective interest rate		Carrying value	
	Year of maturity	**31.12.2023**	**31.12.2022**	**31 December 2023**	**31 December 2022**
Unsecured borrowed funds					
Unsecured bank loans	2024-2026	KR,CB,RF+1.48%-KR,CB,RF+3.13%	KR,CB,RF+1.20%-KR,CB,RF+2.69%	11,997,927	12,627,617
Unsecured bank loans	2024-2026	KR,CB,RF+1.26%-KR,CB,RF+2.80%	KR,CB,RF+1.35%-KR,CB,RF+2.80%	10,955,640	12,257,322
Unsecured bank loans	2024-2026	KR,CB,RF+1.20%	KR,CB,RF+1.20%	7,369,429	4,000,000
Unsecured bank loans	-	-	9.50%	-	100,000
Unsecured bank loans	2024	KR,CB,RF+2.60%	KR,CB,RF+2.60%	150,000	129,004
Unsecured bank loans	2025	KR,CB,RF+0.80%	KR,CB,RF+0.55%	1,002,301	1,001,103
Unsecured loans	2030	5.80%-6.40%	5.80%-6.40%	3,845,115	3,621,684
Unsecured loans	-	-	9.00%-9.40%	-	1,204,088
				35,320,412	**34,940,818**
Unsecured bonds					
Unsecured bonds	2027	15.90%	5.60%	2,962,343	5,020,492
Lease liabilities					
Lease liabilities	2024-2072	8.30%-16.44%	8.30%-16.19%	7,160,980	6,089,360
Total liabilities				**45,443,735**	**46,050,670**

The Group does not use hedging instruments to manage interest rate risk.
Information on the Group's exposure to interest rate risk is disclosed in Note 31.

(in thousands of Russian rubles, unless otherwise stated)

25 Changes in liabilities arising from financial activities

	Borrowed funds		Interest on financial liabilities other than leases	Lease liabilities	Dividends payable
	Long-term part	**Short-term part**			
As at 1 January 2023	**21,848,881**	**17,948,650**	**163,779**	**6,089,360**	**1,525,951**
Changes in cash flows from financial activities					
Proceeds from borrowed funds	20,709,458	20,996	-	-	-
Repayment of borrowed funds	(374,027)	(21,197,398)	-	-	-
Lease payment	-	-	-	(593,678)	-
Interest paid (operating activities reference)	-	-	(3,970,394)	(648,586)	-
Dividends paid	-	-	-	-	(1,862,210)
Total	**20,335,431**	**(21,176,402)**	**(3,970,394)**	**(1,242,264)**	**(1,862,210)**
Non-cash transactions					
Reclassification	(14,332,181)	14,332,181	-	-	-
Capitalize interest	-	-	270,222	-	-
Interest expense	-	-	3,696,430	648,586	-
Additions from lease agreements	-	-	-	1,680,205	-
Dividends accrued	-	-	-	-	474,731
Discounting	262,575	(37,386)	-	-	-
Acquisition of subsidiaries	-	-	-	132	-
Other changes net	(707,800)	(256,700)	(94,531)	(15,039)	-
Total	**(14,777,406)**	**14,038,095**	**3,872,121**	**2,313,884**	**474,731**
As at 31 December 2023	**27,406,906**	**10,810,343**	**65,506**	**7,160,980**	**138,472**

(in thousands of Russian rubles, unless otherwise stated)

25 Changes in liabilities arising from financial activities (continued)

	Borrowed funds		Interest on financial liabilities other than leases	Lease liabilities	Dividends payable
	Long-term part	Short-term part			
As at 1 January 2022	**33,929,428**	**8,562,742**	**148,733**	**6,366,371**	**59,096**
Changes in cash flows from financial activities					
Proceeds from borrowed funds	5,812,526	1,875,470	-	-	-
Repayment of borrowed funds	(95,488)	(10,069,635)	-	-	-
Lease payment	-	-	-	(579,401)	-
Interest paid (operating activities reference)	-	-	(3,819,500)	(585,465)	-
Dividends paid	-	-	-	-	(1,397,634)
Total	**5,717,038**	**(8,194,165)**	**(3,819,500)**	**(1,164,866)**	**(1,397,634)**
Non-cash transactions					
Reclassification	(17,534,743)	17,534,743	-	-	-
Capitalize interest	-	-	210,939	-	-
Interest expense	-	-	3,742,268	585,465	-
Additions from lease agreements	-	-	-	296,415	-
Dividends accrued	-	-	-	-	2,879,012
Discounting	(262,842)	45,330	-	-	-
Write-off of unclaimed debt on previously accrued dividends	-	-	-	-	(14,523)
Other changes net	-	-	(118,661)	5,975	-
Total	**(17,797,585)**	**17,580,073**	**3,834,546**	**887,855**	**2,864,489**
As at 31 December 2022	**21,848,881**	**17,948,650**	**163,779**	**6,089,360**	**1,525,951**

(in thousands of Russian rubles, unless otherwise stated)

26 Employee benefits

The Group has a defined benefit pension and other long-term defined benefit plans that cover most full-time and retired employees. Defined post-employment benefits consist of several unfunded plans providing for lump-sum payments upon retirement financial support for current pensioners death benefits and anniversary benefits.

Amounts of defined benefit obligations recognized in the consolidated statement of financial position are presented below:

	31 December 2023	31 December 2022
Present value of post-employment benefits obligation	2,857,422	2,945,828
Total present value of employee benefit obligation	**2,857,422**	**2,945,828**

Change in the value of assets related to employee benefit obligations:

	Year ended 31 December 2023	Year ended 31 December 2022
Value of assets at 1 January	**513,132**	**524,376**
Gain on program assets	34,023	14,603
Employer contributions	145,215	143,531
Other movements in the accounts	(9,502)	(12,057)
Payments of remuneration	(128,632)	(157,321)
Value of assets at 31 December	**554,236**	**513,132**

Assets,related,to,pension,plans,and,defined,benefit,plans,are,administrated,by,non-state pension funds JSC “NPF “Otkrytie”.

These assets are not the defined benefit plans assets because according to the conditions of the fund the Group has right to use the contributions paid under defined benefit plans to fund its defined contribution pension plans or transfer to another fund on the Group’s own initiative.

Movements in the present value of defined benefit liabilities:

	Year ended 31 December 2023	Year ended 31 December 2022
	Post-employment benefits obligation	Post-employment benefits obligation
Defined benefit plan obligations as at 1 January	**2,945,828**	**2,981,218**
Current service cost	141,672	147,002
Interest expense	285,762	231,240
Remeasurement effect from:		
- gain from change in financial actuarial assumptions	(383,769)	(215,176)
- loss arising from experience adjustment	39,373	29,909
Contributions to the plan	(171,444)	(228,365)
Defined benefit plan obligations as at 31 December	**2,857,422**	**2,945,828**

(in thousands of Russian rubles, unless otherwise stated)

26 Employee benefits (continued)

Expenses recognized in profit or loss for the period:

	Year ended 31 December 2023	Year ended 31 December 2022
Employees service cost	141,672	147,002
Interest expenses	285,762	231,240
Total expenses recognized in profit or loss	**427,434**	**378,242**

(Profit)/loss recognized in other comprehensive income for the period:

	Year ended 31 December 2023	Year ended 31 December 2022
Gain from change in financial actuarial assumptions	(383,769)	(215,176)
Loss arising from experience adjustment	39,373	29,909
Total gain recognized in other comprehensive income	**(344,396)**	**(185,267)**

Movements in allowance for remeasurement of employee benefit obligations in other comprehensive income during the year:

	Year ended 31 December 2023	Year ended 31 December 2022
Remeasurements at 1 January	**946,293**	**1,131,560**
Movement of remeasurements	(344,396)	(185,267)
Remeasurements at 31 December	**601,897**	**946,293**

The key actuarial assumptions are as follows:

	31 December 2023	31 December 2022
Financial assumptions		
Discount rate	11.80%	10.30%
Future salary increase	6.10%	6.10%
Inflation rate	5.60%	5.60%
Demographic assumptions		
Expected age of retirement		
• Men	65	65
• Women	60	60
Average level of staff movement	5.90%	5.90%

(in thousands of Russian rubles, unless otherwise stated)

26 Employee benefits (continued)

A sensitivity of total employee benefits obligations to changes in the key actuarial assumptions is as follows:

	Change in the assumption	Impact on obligation
Discount rate	Increase by 0.50%	Increase/decrease by -3.8%
Future salary growth	Increase by 0.50%	Increase/decrease by 3.6%
Future growth of benefits (inflations)	Increase by 0.50%	Increase/decrease by 0.7%
Level of staff movement	Increase by 10%	Increase/decrease by -1.2%
Mortality level	Increase by 10%	Increase/decrease by -1.1%

Expected payments under the defined long-term employee benefit plans to employees in 2023 year including non-state pension schemes are RUB 447,205 thousand under the defined benefit plans.

27 Trade and other payables

	31 December 2023	31 December 2022
Non-current accounts payable		
Trade payables	60,855	282,965
Other payables	-	43,192
	60,855	**326,157**
Current accounts payable		
Trade payables	13,024,547	11,915,655
Other payables and accrued expenses	1,587,881	1,590,546
Payables to employees	3,433,906	2,115,024
Dividends payable	138,472	1,525,951
	18,184,806	**17,147,176**

The Group's exposure to liquidity risk related to payables is disclosed in Note 31.

28 Tax liabilities other than income tax

	31 December 2023	31 December 2022
Value-added tax	1,963,318	2,234,404
Property tax	356,195	376,882
Social security contributions	1,104,287	1,975,615
Other taxes payable	186,660	205,376
	3,610,460	**4,792,277**

(in thousands of Russian rubles, unless otherwise stated)

29 Advances from customers

Advances from customers (contractual obligations) as at 31 December 2023 and 31 December 2022 are reflected including VAT.

	31 December 2023	31 December 2022
Advances for services of technological connection to electric grids	3,981,315	1,892,739
Advances from customers	59,600	98,685
Total non-current advances from customers	**4,040,915**	**1,991,424**
Advances for services of technological connection to electric grids	4,892,790	3,829,447
Advances from customers	1,197,670	2,346,946
Total current advances from customers	**6,090,460**	**6,176,393**

30 Provisions

	Year ended 31 December 2023	Year ended 31 December 2022
Balance on 1 January	**2,936,336**	**2,327,790**
Accrual (increase) for the period	2,734,891	3,163,455
Recovery (decrease) for the period	(1,015,355)	(1,410,586)
Use of provisions	(1,635,442)	(1,144,323)
Balance on 31 December	**3,020,430**	**2,936,336**

Provisions relate mainly to legal proceedings and claims against the Group on ordinary activities.

31 Financial risk and capital management

In the normal course of its business the Group is exposed to a variety of financial risks including but not limited to: market risk (currency risk interest rate risk and price risk) credit risk and liquidity risk.

This note provides information on the Group’s exposure to each of these risks examines the goals policies and procedures for assessing and managing risks and the Group’s capital management system. More detailed quantitative information is disclosed in the relevant sections of these consolidated financial statements.

In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders return capital to shareholders or issue new shares.

(a) *Credit risk*

Credit risk is the risk that the Group will incur a financial loss caused by the buyer or counterparty to a financial instrument not fulfilling its contractual obligations in full and within a specified period. Credit risk is mainly related to the group's accounts receivable bank deposits cash and cash equivalents.

Deposits with an initial maturity of more than three months cash and cash equivalents are placed in financial institutions that have a minimal risk of default and are considered reliable counterparties with a stable financial position in the financial market of the Russian Federation.

(in thousands of Russian rubles, unless otherwise stated)

31 Financial risk and capital management (continued)

Taking into account the structure of the group's debtors the group's exposure to credit risk mainly depends on the individual characteristics of each counterparty. The group creates a provision for expected credit losses on trade and other receivables the estimated amount of which is determined based on the model of expected credit losses weighted by the probability of default and can be adjusted both upwards and downwards. To do this the Group analyzes the creditworthiness of counterparties the dynamics of debt repayment takes into account changes in payment terms the availability of third-party guarantees bank guarantees and current general economic conditions.

The carrying amount of accounts receivable less allowance for expected credit losses represents the maximum amount exposed to credit risk. Although the repayment of accounts receivable is subject to economic and other factors the Group believes that there is no significant risk of losses exceeding the created allowance.

If possible the group uses the prepayment system in its relations with counterparties. As a rule prepayment for technological connection of consumers to networks is provided by the contract. The group does not require collateral for receivables.

In order to effectively manage accounts receivable the Group monitors changes in the volume of accounts receivable and its structure identifying current and overdue debts. In order to minimize credit risk the Group implements measures aimed at timely fulfillment of contractual obligations by contractors reducing and preventing the formation of overdue debts. Such events include in particular: negotiating with customers improving the efficiency of the formation process of services volume on electricity transmission ensure the execution concerted with guaranteeing suppliers schedules a test of reading and technical checks of the accounting system of electricity restriction of the consumption mode of electric power (exercisable in accordance with the legislation of the Russian Federation) claim work the presentation of requirements on provision of financial security in the form of independent (bank) guarantees guarantees and other forms of security for the obligations performance.

Level of credit risk

The carrying amount of financial assets reflects the Group’s maximum exposure to credit risk. At the balance sheet date the maximum level of credit risk was:

	Carrying amount	
	31 December 2023	**31 December 2022**
Financial assets at fair value through other comprehensive income	146,247	98,731
Trade and other receivables (net of allowance for expected credit losses)	12,545,548	14,525,317
Cash and cash equivalents	7,809,829	6,505,927
	20,501,624	**21,129,975**

(in thousands of Russian rubles, unless otherwise stated)

31 Financial risk and capital management (continued)

At the balance sheet date the maximum level of credit risk in respect of trade receivables (excluding other receivables) by customer groups was as follows:

	Gross	Impairment loss	Gross	Impairment loss
	31 December 2023	31 December 2023	31 December 2022	31 December 2022
Buyers of electricity sales services	594,472	(588,946)	769,137	(618,966)
Buyers of electricity transmission services	13,987,330	(3,625,213)	15,274,526	(3,409,277)
Buyers of technological connection to networks	146,239	(42,136)	205,506	(60,108)
Other buyers	1,277,767	(353,613)	1,110,616	(394,332)
	16,005,808	**(4,609,908)**	**17,359,785**	**(4,482,683)**

The carrying amount of trade receivables attributable to the ten largest debtors of the Group was RUB 8,369,381 thousand as at 31 December 2023 (as at 31 December 2022: RUB 10,329,493 thousand).

The aging of trade and other receivables is provided below:

	Gross	Impairment loss	Gross	Impairment loss
	31 December 2023	31 December 2023	31 December 2022	31 December 2022
Not past due	12,015,141	(822,278)	10,159,481	(387,662)
Past due less than 3 months	506,492	(178,850)	1,789,263	(75,708)
Past due more than 3 months and less than 6 months	398,720	(186,280)	504,488	(23,643)
Past due more than 6 months and less than 1 year	594,818	(218,923)	1,151,104	(562,262)
Past due more than 1 year	5,340,979	(4,904,271)	6,883,061	(4,913,535)
	18,856,150	**(6,310,602)**	**20,487,397**	**(5,962,810)**

(in thousands of Russian rubles, unless otherwise stated)

31 Financial risk and capital management (continued)

The movement in the allowance for expected credit losses was as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Balance at 1 January	**5,962,810**	**10,923,962**
Increase for the period	1,961,777	1,060,463
Amounts of trade and other receivables written off using the allowance for impairment accrued earlier	(665,020)	(4,809,960)
Reversal of allowance for impairment for the period	(948,965)	(1,211,729)
Acquisition of subsidiaries	-	74
Balance at 31 December	**6,310,602**	**5,962,810**

(b) *Liquidity risk*

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

Management of liquidity risk involves maintaining sufficient cash and the availability of financial resources by securing credit lines. The Group adheres to a balanced model of financing working capital by using both short-term and long-term sources. Basically temporarily free funds invested in the short-term financial instruments such as bank deposits.

The Group’s approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Group’s reputation. This approach is used to analyze payment dates associated with financial assets and also to forecast cash flows from operating activities.

The amount of free limit on open but unused credit lines of the Group was RUB 135,219,665 thousand at 31 December 2023 (31 December 2022: RUB 100,152,396 thousand). The Group has opportunity to attract additional financing within the corresponding limits including for the purpose of execution of the short-term obligations.

Information about the contractual maturities of financial liabilities including estimated interest payments and without influence of netting is provided below. With respect to the cash flows included in the maturity analysis it is not expected that they can arise much earlier in time or in significantly different amounts:

(in thousands of Russian rubles, unless otherwise stated)

31 Financial risk and capital management (continued)

31 December 2023	Carrying amount	Contractual cash flows	12 months or less	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
Non-derivative financial liabilities								
Borrowed funds	35,320,412	45,682,677	15,138,377	9,036,962	18,739,839	691,875	691,875	1,383,749
Bonds	2,962,343	4,538,333	497,977	466,156	466,156	3,108,044	-	-
Lease liabilities	7,160,980	11,651,033	1,431,383	1,410,772	1,204,209	1,037,278	975,219	5,592,172
Trade and other payables	18,245,661	18,257,963	18,197,108	-	57,049	-	-	3,806
	63,689,396	**80,130,006**	**35,264,845**	**10,913,890**	**20,467,253**	**4,837,197**	**1,667,094**	**6,979,727**

31 December 2022	Carrying amount	Contractual cash flows	12 months or less	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
Non-derivative financial liabilities								
Borrowed funds	34,940,818	36,162,257	13,091,937	14,341,027	4,671,240	972,187	1,008,751	2,077,115
Bonds	5,020,492	5,022,250	5,022,250	-	-	-	-	-
Lease liabilities	6,089,360	11,027,719	1,171,715	1,040,677	1,026,531	841,939	701,276	6,245,581
Trade and other payables	17,473,333	17,498,209	17,148,265	217,083	43,116	85,573	-	4,172
	63,524,003	**69,710,435**	**36,434,167**	**15,598,787**	**5,740,887**	**1,899,699**	**1,710,027**	**8,326,868**

31 Financial risk and capital management (continued)

(c) *Market risk*

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

Currency risk

During the reporting period no significant payments were made in foreign currency.

Interest rate risk

The purpose of interest rate risk management is to prevent losses due to adverse changes in the level of market interest rates. Changes in interest rates primarily have an impact on loans and borrowings, as they change either their fair value (for loans and borrowings with a fixed rate) or future cash flows (for loans and borrowings with a floating rate). The Group does not adhere to any established rules when determining the ratio between loans and borrowings at fixed and floating rates. At the time of attraction of new loans and borrowings, a decision is made on the basis of judgment as to which rate – fixed or floating – will be most beneficial for the Group for the entire settlement period until the maturity of the debt. The Group analyzes the exposure to interest rate risks over time.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss for the period. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity of cash flows for financial instruments with a floating interest rate

As at 31 December 2023 the Group's financial liabilities with floating interest rates amounted to RUB 31,475,298 thousand (31 December 2022: RUB 30,015,046 thousand).

A possible change in interest rates by 100 basis points would increase (decrease) the amount of profit /(loss) for 2023 by RUB 324,020 thousand (31 December 2022: RUB 279,922 thousand). This analysis was based on the assumption that all other variables remain unchanged and interest expenses are not capitalized.

Other market price risk

The risk of changes in the price of equity instruments arises in respect of equity securities measured at fair value through other comprehensive income. The Management of the Group monitors its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Group Management.

As at 31 December 2023 financial assets measured at fair value through other comprehensive income exposed to equity price risk amounted to RUB 146,247 thousand (31 December 2022: RUB 98,731 thousand). If the stock prices were 10% larger (lower) at constant values of all other variables the other comprehensive income excluding income tax increased (decreased) by RUB 14,625 thousand.

(in thousands of Russian rubles, unless otherwise stated)

31 Financial risk and capital management (continued)

(d) *Fair value and carrying amount*

The Group's management believes that the fair value of other financial assets and financial liabilities approximates their carrying value.

Below is a comparison of the values of the fair and carrying amounts of the Group's financial instruments:

		31 December 2023		**Level of fair value hierarchy**		
	Note	**Carrying amount**	**Fair value**	**1**	**2**	**3**
Financial assets at fair value through other comprehensive income:	16					
Investments in equity instruments		146,247	146,247	146,210	-	37
Total		**146,247**	**146,247**	**146,210**	**-**	**37**

		31 December 2022		**Level of fair value hierarchy**		
	Note	**Carrying amount**	**Fair value**	**1**	**2**	**3**
Financial assets at fair value through other comprehensive income:	16					
Investments in equity instruments		98,731	98,731	98,694	-	37
Total		**98,731**	**98,731**	**98,694**	**-**	**37**

During the year ended 31 December 2023, there was no transfer between the levels of the fair value hierarchy.

Reconciliation of the carrying amount of financial assets at fair value through other comprehensive income at the beginning and end of the reporting period is presented in the table below:

	Financial assets at fair valu hrough other comprehensiv income 2023
On 1 January	**98,731**
Change in fair value recognized in other comprehensive income	47,516
On 31 December	**146,247**

(e) *Capital management*

The main goal of capital management for the Group is to maintain a consistently high level of capital that allows investors creditors and market participants to remain in trust and ensure sustainable business development in the future.

The Group monitors the structure and return on equity using coefficients calculated on the basis of the consolidated financial statements in accordance with IFRS management statements and statements prepared in accordance with RAS. The Group analyzes the dynamics of the indicators of total debt and net debt the structure of debt as well as the ratio of equity and debt capital.

31 Financial risk and capital management (continued)

The Group manages its debt position by implementing a credit policy aimed at improving financial stability, optimizing its debt portfolio and building long-term relationships with debt capital market participants. To manage the debt position, the Group applies limits, including the categories of financial leverage debt coverage and debt service coverage. The initial data for calculating the limits are the RAS reporting indicators.

32 Capital commitments

As at 31 December 2023, the Group has outstanding commitments under contract for the purchase and construction of property plant and equipment items for RUB 8,477,331 thousand inclusive of VAT (as at 31 December 2022: RUB 12,070,469 thousand inclusive of VAT).

Future lease payments under lease agreements for which the Group has contractual obligations and the lease term has not yet begun at the reporting date amount to RUB 25,181 thousand inclusive of VAT as at 31 December 2023 (as at 31 December 2022: RUB 40,334 thousand).

33 Contingencies

(a) *Insurance*

The Group has unified requirements in respect of the volume of insurance coverage, reliability of insurance companies and about procedures of insurance protection organization. The Group maintains insurance of assets, civil liability and other insurable risks. The main business assets of the Group have insurance coverage in case of damage or loss assets. However, there are risks of negative impact on the operations and the financial position of the Group in the case of damage caused to third parties and also as a result of damage or loss of assets insurance protection of which is non-existent or not fully implemented.

(b) *Taxation contingencies*

The tax legislation of the Russian Federation, in force or effective at the end of the reporting period, allows for the possibility of different interpretations of certain facts of the Group's business life. In this regard, the position of the Group's management regarding taxes and the documents justifying this position may be challenged by the tax authorities.

Tax control in the Russian Federation is being tightened, which increases the risk of tax authorities checking the impact on the tax base of transactions that do not have a clear financial and economic purpose or transactions with counterparties that do not comply with the requirements of tax legislation. Tax audits may cover three calendar years preceding the year in which the decision to conduct the audit was made. Under certain circumstances, earlier periods may also be checked.

The Group's management currently believes that its position on taxes and the interpretations of legislation applied by the Group can be confirmed, however, there is a risk that the Group will incur additional costs if the management's position on taxes and the interpretations of legislation applied by the Group are challenged by the tax authorities. The impact of such a development cannot be reliably estimated, but it may be significant from the point of view of the Group's financial position and results of operations.

As the practice of applying property tax rules develops further, the criteria for classifying property as movable or immovable things applied by the Group may be challenged by tax authorities and courts. The Group's management does not exclude the risk of an outflow of resources, while the risk of such a development is not assessed as probable.

In the opinion of management, the relevant provisions of the legislation have been interpreted correctly, and the Group's position in terms of compliance with tax legislation can be justified and protected.

(c) *Litigations*

The Group is a party to a number of litigations (both as a plaintiff and as respondent) arising in the ordinary course of business.

(in thousands of Russian rubles, unless otherwise stated)

33 Contingencies (continued)

According to management, the probability of an unfavorable outcome for the Group and a corresponding outflow of financial resources is not high in relation to lawsuits/unresolved claims regarding disagreements over purchased electricity in order to compensate for losses in the amount of RUB 187,869 thousand (as at 31 December 2022 – RUB 1,432,250 thousand).

In the opinion of management, there are currently no other outstanding claims or other claims that could have a material impact on the Group's results of operations or financial position and would not be recognized or disclosed in the consolidated financial statements.

(d) *Environmental matters*

The Group has operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation continues to evolve responsibilities of authorized Government bodies to oversee are being reconsidered. Potential environmental liabilities arise from changes in interpretations of existing legislation lawsuits or changes in legislation can be assessed. In the opinion of management under the existing control system and under current legislation there are no probable liabilities that could have a material adverse effect on the financial position results of operations or cash flows of the Group.

34 Related party transactions

(a) Control relationships

Parties are usually considered related if they are under common control or one of the parties has the ability to control the other party or can have a significant influence on its decisions on financial and economic activities or exercise joint control over it. When considering the relationship with each of the possible related parties, the economic content of such relationships is taken into account and not only their legal form.

The related parties of the Group for the year ended 31 December 2023 and 31 December 2022, as well as at 31 December 2023 and 31 December 2022, were the parent company its subsidiaries key management personnel as well as companies related to the main shareholder of the parent company.

(b) Transactions with the parent company its subsidiaries and associates

	Amount of the transaction for the year ended 31 December		Carrying amount	
Revenue net other income finance income	**2023**	**2022**	**2023**	**2022**
Parent company				
Other income	10,593	780	453	-
Entities under common control of the parent company				
Electricity transmission revenue	1,583,458	1,527,165	180,658	177,056
Other revenue	1,370,199	1,079,452	544,976*	548,244*
Dividends receivable	8	231	-	120
Other	360,390	276,822	-	-

(in thousands of Russian rubles, unless otherwise stated)

34 Related party transactions (continued)

	Amount of the transaction		Carrying amount	
Operating expenses finance costs	**2023**	**2022**	**2023**	**2022**
Parent company				
Expenses for services related to the organization of the functioning and development of the EEC	-	207,458	-	131,099
Technical supervision services	52,351	42,249	-	-
Electricity transmission services	20,758,730	-	1,050,869	-
Other expenses	43,222	13,671	543	-
Dividends	239,879	1,438,041	-	721,020
Entities under common control of the parent company				
Electricity transmission services	-	17,666,583	-	1,899,147
Other expenses	1,300,315	776,316	1,859,206	451,316
Interest expenses on financial liabilities recorded at amortized cost	89,688	117,087	-	-
Others	-	-	878,000	878,000

* Accounts receivable for other revenue includes an allowance for expected credit losses created for the debt of companies under the general control of the parent company as at 31 December 2023 in the amount of RUB 217,662 thousand (as at 31 December 2022: in the amount of RUB 284,511 thousand).

For 2023 entities under the common control of the parent company performed work on the creation of assets that were registered as non-current assets in the amount of RUB 1,084,106 thousand (2022: in the amount of RUB 189,050 thousand). The accounts payable for such transactions are shown in the table above.

	Carrying amount	
	2023	**2022**
Parent company		
Advances given	13,763	-
Advances received	29,817	-
Borrowed funds	3,845,115	3,621,684
Entities under common control of the parent company		
Advances given	3,131	24,817
Advances received	38,806	919,773
Borrowed funds	-	1,204,088

The debt to the parent company for the payment of dividends as at 31 December 2023 is absent (as at 31 December 2022: RUB 721,020 thousand).

(c) Transactions with key management personnel

In order to prepare these consolidated financial statements, the key management personnel are members of the Board of Directors, the management Board, General Directors of subsidiaries and other key management personnel.

(in thousands of Russian rubles, unless otherwise stated)

34 Related party transactions (continued)

Remuneration of key management personnel consists of the salary stipulated in the employment agreement, non-monetary benefits, as well as bonuses determined by the results for the period and other payments. Remuneration or compensation is not paid to members of the Board of Directors who are public servants.

The amounts of remuneration to key management personnel disclosed in the table represent the current period expenses for key management personnel reflected in employee benefits.

	Year ended 31 December 2023	Year ended 31 December 2022
Short-term employee benefits	454,223	698,827
Severance payment	2,602	-
	456,825	**698,827**

As at 31 December 2023 the current value of the defined benefit obligation is shown in the consolidated statement of financial position and includes liabilities for key management personnel in the amount RUB 2,071 thousand (as at 31 December 2022: RUB 15,124 thousand).

(d) Transactions with companies related to the main shareholder of the parent company

As part of its current activities, the Group carries out transactions with other companies related to the main shareholder of the parent company. These operations are carried out at regulated tariffs, or at market prices. Attraction and placement of funds in financial organizations associated with the main shareholder of the parent company is carried out at market interest rates. Taxes are calculated and paid in accordance with Russian tax legislation.

Revenue from companies related to the main shareholder of the parent company for the year ended 31 December 2023 constitute 33% (for the year ended 31 December 2022: 34%) of total Group revenues, including 30% (for the year ended 31 December 2022: 33%) of electricity transmission revenues.

Electricity transmission costs and expenses for the purchase of electricity to compensate for technological losses, for companies associated with the main shareholder of the parent company, amounted to 78% of the total costs of electricity transmission and compensation for technological losses for the year ended 31 December 2023 (for the year ended 31 December 2022: 81%).

Interest accrued on loans and borrowings from banks related to the main shareholder of the parent company amounted to 98% of the total amount of accrued interest for the year ended 31 December 2023 (for the year ended 31 December 2022: 86%).

As at 31 December 2023 loans from banks related to the main shareholder of the parent company amounted to RUB 30,322,996 thousand (as at 31 December 2022: RUB 28,884,940 thousand).

As at 31 December 2023 the balance of cash and cash equivalents placed with banks associated with the main shareholder of the parent company amounted to RUB 7,478,809 thousand (as at 31 December 2022: RUB 6,331,979 thousand).

As at 31 December 2023 lease obligations for companies related to the main shareholder of the parent company amounted to RUB 6,880,246 thousand (as at 31 December 2022: RUB 5,840,910 thousand).