

PJSC «Rosseti Centre»

**Interim Condensed Consolidated Financial Statements
as at and for the three months ended 31 March 2023
(unaudited)**

Contents		Page
Interim Condensed Consolidated Financial Statements (unaudited)		
	Interim condensed consolidated Statement of profit or loss and other comprehensive income	3
	Interim condensed consolidated Statement of financial position	4
	Interim condensed consolidated Statement of cash flows	5
	Interim condensed consolidated Statement of changes in equity	6
	Notes to the Interim condensed consolidated Financial Statements (unaudited)	7
1	Background.....	7
2	Basis of preparation of consolidated financial statements.....	8
3	Significant accounting policies.....	9
4	Measurement of fair value.....	9
5	Information about segments.....	9
6	Revenue.....	13
7	Other income and other expenses.....	14
8	Operating expenses.....	15
9	Finance income and costs.....	16
10	Income tax.....	16
11	Property, plant and equipment.....	18
12	Intangible assets.....	21
13	Right-of-use assets.....	22
14	Other financial assets.....	24
15	Trade and other receivables.....	24
16	Advances given and other assets.....	24
17	Cash and cash equivalents.....	25
18	Equity.....	25
19	Earnings per share.....	25
20	Borrowed funds.....	26
21	Trade and other payables.....	27
22	Tax liabilities other than income tax.....	27
23	Advances from customers.....	27
24	Provisions.....	28
25	Financial risk and capital management.....	28
26	Capital commitments.....	29
27	Contingencies.....	30
28	Related party transactions.....	31

PJSC «Rosseti Centre»
Interim Condensed Consolidated Statement of profit or loss and other comprehensive income
for the three months ended 31 March 2023
(in thousands of Russian rubles, unless otherwise stated)

	Notes	For three months ended 31 March (unaudited)	
		2023	2022
Revenue	6	33,653,674	29,316,623
Operating expenses	8	(28,251,986)	(25,039,688)
(Accrual)/Reversal of allowance for expected credit losses	25	(33,473)	25,442
Other income	7	477,444	368,824
Other expenses	7	(3,758)	(1,125)
Result from operating activities		5,841,901	4,670,076
Finance income	9	182,847	324,714
Finance costs	9	(986,410)	(1,314,698)
Total financial costs		(803,563)	(989,984)
Profit before income tax		5,038,338	3,680,092
Income tax expense	10	(1,226,759)	(1,011,703)
Profit for the period		3,811,579	2,668,389
Other comprehensive income/(expense)			
<i>Items that will never be reclassified subsequently to profit or loss</i>			
Changes in the fair value of equity investments accounted for at fair value through other comprehensive income	14	40,966	(73,920)
Remeasurements of the defined benefit liability		127,334	476,719
Income tax	10	(22,629)	(53,120)
Total items that will not be reclassified subsequently to profit or loss		145,671	349,679
Other comprehensive income for the period, net of income tax		145,671	349,679
Total comprehensive income for the period		3,957,250	3,018,068
Profit attributable to:			
Equity holders of the Company		3,801,519	2,645,582
Non-controlling interests		10,060	22,807
Total comprehensive income attributable to:			
Equity holders of the Company		3,947,190	2,995,261
Non-controlling interests		10,060	22,807
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	19	0.090	0.063

These Interim Condensed Consolidated Financial Statements (unaudited) were approved by management on 25 May 2023 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 Interim Condensed Consolidated Financial Statements

PJSC «Rosseti Centre»
Interim Condensed Consolidated Statement of Financial Position
as at 31 March 2023
(in thousand of Russian rubles, unless otherwise stated)

Notes	31 March 2023 (unaudited)	31 December 2022 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	11 102,895,588	102,626,844
Intangible assets	12 2,420,908	2,451,676
Right-of-use assets	13 6,292,981	6,237,431
Trade and other receivables	15 1,627,924	1,614,302
Assets related to employee benefits plans	545,256	513,132
Other non-current financial assets	14 139,697	98,731
Advances given and other non-current assets	16 3,205	3,202
Total non-current assets	113,925,559	113,545,318
Current assets		
Inventories	4,770,825	4,254,620
Income tax prepayments	37,635	42,454
Trade and other receivables	15 13,407,367	12,911,015
Cash and cash equivalents	17 6,599,391	6,505,927
Advances given and other current assets	16 2,100,941	2,544,473
Total current assets	26,916,159	26,258,489
Total assets	140,841,718	139,803,807
EQUITY AND LIABILITIES		
Equity		
Share capital	18 4,221,794	4,221,794
Reserves	(569,637)	(715,308)
Retained earnings	52,701,337	48,899,818
Total equity attributable to equity holders of the Company	56,353,494	52,406,304
Non-controlling interest	450,325	440,265
Total equity	56,803,819	52,846,569
Non-current liabilities		
Long-term borrowed funds	20 21,540,961	27,270,749
Long-term trade and other payables	21 329,271	326,157
Long-term advances from customers	23 1,814,541	1,991,424
Employee benefits	2,875,382	2,945,828
Deferred tax liabilities	4,283,210	4,179,036
Total non-current liabilities	30,843,365	36,713,194
Current liabilities		
Short-term borrowed funds and current part of long-term borrowed funds	20 24,702,574	18,779,921
Trade and other payables	21 12,831,363	17,147,176
Tax debts other than income tax	22 5,308,674	4,792,277
Advances from customers	23 6,456,172	6,176,393
Provisions	24 3,304,571	2,936,336
Current income tax liabilities	591,180	411,941
Total current liabilities	53,194,534	50,244,044
Total liabilities	84,037,899	86,957,238
Total equity and liabilities	140,841,718	139,803,807

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

PJSC «Rosseti Centre»
Interim Condensed Consolidated Statement of Cash Flows
for the three months ended 31 March 2023
(in thousands of Russian rubles, unless otherwise stated)

**For three months ended 31
March (unaudited)**

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		5,038,338	3,680,092
<i>Adjustments for:</i>			
Depreciation and amortization of property, plant and equipment and intangible assets and right-of-use assets	11,12,13	3,129,902	3,201,756
Finance costs	9	986,410	1,314,698
Finance income	9	(182,847)	(324,714)
Profit on disposal of property, plant and equipment		(10,325)	(7,943)
Accrual/(reversal) of allowance for expected credit losses	25	33,473	(25,442)
Bad debt write-off		3,673	2,445
Accrual/(reversal) of provisions	24	369,002	(1,617)
Other non-cash transactions		9,147	(120,802)
Total impact of adjustments		4,338,435	4,038,381
Change in assets related to employee benefits plans		(32,124)	(18,515)
Change in employee benefit liabilities		(17,602)	(10,591)
Change in long-term trade and other receivables		32,118	950,688
Change in long-term advances given and other non-current assets		(3)	608
Change in long-term trade and other payables		26,453	(5,660)
Change in long-term advances received		(176,883)	74,624
Cash flows from operating activities before changes in working capital and provisions		9,208,732	8,709,627
<i>Changes in working capital:</i>			
Change in trade and other receivables		(555,233)	(1,280,802)
Change in advances given and other assets		439,504	14,498
Change in inventories		(516,160)	(247,126)
Change in trade and other payables		(1,470,650)	224,620
Change in advances received		279,779	138,316
Change in provisions		(767)	(320,623)
Cash flows from operating activities before income taxes and interest paid		7,385,205	7,238,510
Income tax paid		(955,737)	(672,779)
Interest paid under lease agreement		(140,532)	(148,456)
Interest paid		(660,973)	(886,330)
Net cash flows received from operating activities		5,627,963	5,530,945
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(4,095,942)	(3,922,541)
Proceeds from the sale of property, plant and equipment and intangible assets		11,620	34,324
Acquisition of subsidiaries, net of cash received		-	(246,591)
Interest received		99,437	98,741
Dividends received		120	-
Net cash flows used in investing activities		(3,984,765)	(4,036,067)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowed funds		600,000	103,088
Repayment of borrowed funds		(600,000)	(29,884)
Dividends paid to equity holders of the Company		(1,413,627)	(1,511)
Payment of lease liabilities		(136,107)	(193,997)
Net cash flows used in financing activities		(1,549,734)	(122,304)
Net change in cash and cash equivalents		93,464	1,372,574
Cash and cash equivalents at the beginning of period		6,505,927	1,881,546
Cash and cash equivalents at the end of period	17	6,599,391	3,254,120

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

PJSC «Rosseti Centre»
Interim Condensed Consolidated Statement of Changes in Equity
for the three months ended 31 March 2023
(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 (audited)	4,221,794	(715,308)	48,899,818	52,406,304	440,265	52,846,569
Profit for the period	-	-	3,801,519	3,801,519	10,060	3,811,579
Other comprehensive income	-	168,300	-	168,300	-	168,300
Related income tax	-	(22,629)	-	(22,629)	-	(22,629)
Total comprehensive income for the period	-	145,671	3,801,519	3,947,190	10,060	3,957,250
Balance at 31 March 2023 (unaudited)	4,221,794	(569,637)	52,701,337	56,353,494	450,325	56,803,819
Notes	Attributable to equity holders of the Company				Non-controlling interest	Total equity
Share capital	Reserves	Retained earnings	Total			
Balance at 1 January 2022 (audited)	4,221,794	(799,006)	46,743,299	50,166,087	1,055,410	51,221,497
Profit for the period	-	-	2,645,582	2,645,582	22,807	2,668,389
Other comprehensive income	-	402,799	-	402,799	-	402,799
Related income tax	-	(53,120)	-	(53,120)	-	(53,120)
Total comprehensive income for the period	-	349,679	2,645,582	2,995,261	22,807	3,018,068
Balance at 31 March 2022 (unaudited)	4,221,794	(449,327)	49,388,881	53,161,348	1,078,217	54,239,565

The accompanying notes are an integral part of these Interim Condensed 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 Public Joint Stock Company «Federal Grid Company-Rosseti» (abbreviated as 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 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 2022, 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.

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%.

1 Background (continued)

(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.

The economy of the Russian Federation exhibits some characteristic features inherent in 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.

In 2023, the effect of external sanctions on legal entities and individuals in the Russian Federation continues, in connection with which the influence of economic and other factors, as well as the uncertainty factor on the conditions of doing business in the Russian Federation increases. In 2023, the high uncertainty of the impact of external and internal factors on the economy of the Russian Federation, the volatility of financial indicators continues to persist. Sanctions have been imposed on a number of Russian banks by the United States, the United Kingdom and the EU. All of the above has a negative impact on the economy of the Russian Federation. At the same time, during the reporting year, there was a structural restructuring of the economy, a number of legislative measures made it possible to maintain the stability of the economy of the Russian Federation and adapt to the changes taking place.

The Group takes all necessary measures to ensure the sustainability of its activities. The presented interim condensed 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 actual impact of future business conditions may differ from current estimates.

2 Basis of preparation of consolidated financial statements

(a) Statement of compliance

These interim condensed consolidated financial statements for the three months ended 31 March 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. Selected notes are included to explain events and transactions that are material to the understanding of changes in the Group's financial position and operations since the date of the last annual consolidated financial statements.

These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Use of estimates and professional judgments

The key judgments made by management in the preparation of these interim condensed consolidated financial statements regarding the Group's accounting policies and significant sources of estimation uncertainty are consistent with those made in the preparation of the consolidated financial statements for the year ended 31 December 2022 and as at that date.

(c) 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. The impact of the adoption of the new amendments was not significant in relation to these interim condensed consolidated financial statements.

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 the 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).

2 Basis of preparation of consolidated financial statements (continued)

- 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).
- 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).

3 Significant accounting policies

The key accounting policies and accounting methods used by the Group are consistent with those described in the audited consolidated financial statements for the year ended 31 December 2022.

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 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 interim condensed 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.

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 (taking into account current accounting and reporting standards in the Russian Federation). Management believes that the EBITDA calculated in this way is the most indicative indicator for evaluating the performance of the Group's operating segments.

5 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 Tambovenergo, 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 interim condensed consolidated financial statements includes those reclassifications and adjustments that are necessary for reporting in accordance with IFRS.

5 Information about segments (continued)

(a) Information about reportable segments

As at 31 March 2023 and for the three months ended 31 March 2023:

	Belgorod	Bryansk	Voronezh	Kostroma	Kursk	Lipetsk	Orel	Smolensk	Tambov	Tver	Yar	Other	Others	Total
	energo	energo	energo	energo	energo	energo	energo	energo	energo	energo	energo	TSS		
Revenue from external customers	4,090,277	1,303,240	5,286,574	1,750,797	2,635,733	3,404,543	1,550,621	2,538,775	1,979,255	3,640,908	3,409,710	1,909,553	153,688	33,653,674
Inter-segment revenue	-	620,669	28,871	-	-	-	-	-	-	-	2,192	712,743	1,680	1,366,155
Segment revenue	4,090,277	1,923,909	5,315,445	1,750,797	2,635,733	3,404,543	1,550,621	2,538,775	1,979,255	3,640,908	3,411,902	2,622,296	155,368	35,019,829
Including:														
Electricity transmission	3,839,922	1,798,392	5,057,070	1,650,399	2,507,370	3,084,986	1,518,290	2,501,677	1,928,215	3,389,273	3,300,307	2,509,546	-	33,085,447
Technological connection services	96,605	48,623	71,231	69,928	114,886	289,722	11,154	18,301	37,257	30,500	43,645	33,129	-	864,981
Sale of electricity and capacity	-	-	-	-	-	-	-	-	-	193,525	-	-	-	193,525
Other revenue	153,750	76,894	187,144	30,470	13,477	29,835	21,177	18,797	13,783	27,610	67,950	79,621	155,368	875,876
The cost of technological connection to the networks	(15,501)	(3,554)	(6,901)	(6,333)	(5,993)	(12,853)	(5,511)	(8,374)	(3,278)	(18,530)	(20,397)	(11,431)	-	(118,656)
EBITDA	1,342,871	555,356	1,449,044	567,775	730,596	892,673	310,964	628,468	481,434	588,704	891,643	701,279	21,170	9,161,977
Segment assets	26,525,821	5,880,660	20,698,540	8,754,027	9,680,960	15,024,473	4,928,091	8,935,178	6,815,560	9,594,547	15,339,993	15,709,801	13,122,744	161,010,395
Including property, plant and equipment and construction in progress	23,760,414	4,844,985	17,405,312	7,054,801	7,563,547	10,475,466	3,924,411	7,266,847	3,779,752	6,420,674	10,020,659	11,601,314	1,391,894	115,510,076

5 Information about segments (continued)

As at 31 March 2022 and for the three months ended 31 March 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	3,675,193	1,122,635	4,597,075	1,585,987	2,241,681	2,724,945	1,363,188	2,271,382	1,771,070	3,185,711	2,951,855	1,695,875	130,026	29,316,623
Inter-segment revenue	-	504,669	28,813	-	-	-	-	-	-	-	2,139	616,441	1,615	1,153,677
Segment revenue	3,675,193	1,627,304	4,625,888	1,585,987	2,241,681	2,724,945	1,363,188	2,271,382	1,771,070	3,185,711	2,953,994	2,312,316	131,641	30,470,300
Including														
Electricity transmission	3,523,952	1,569,417	4,475,091	1,545,795	2,115,798	2,688,032	1,337,717	2,246,900	1,642,130	2,947,225	2,860,322	2,201,429	-	29,153,808
Technological connection services	40,234	3,016	94,167	14,947	111,851	14,691	17,767	5,874	111,916	38,385	35,626	33,517	-	521,991
Sale of electricity and capacity	-	54,871	56,630	25,245	14,032	22,222	7,704	18,608	17,024	177,962	58,046	-	-	177,962
Other revenue	111,007	(3,087)	(6,874)	(4,400)	(3,641)	(8,321)	(3,753)	(7,670)	(2,661)	(10,013)	(17,823)	(10,971)	-	(95,522)
The cost of technological connection to the networks	(16,308)	439,724	1,354,823	582,540	565,438	743,410	310,245	580,660	378,342	443,648	745,059	666,133	22,309	8,035,967
EBITDA	1,203,636	5,569,919	19,145,685	8,518,814	8,931,926	13,460,360	4,627,276	8,593,460	5,587,024	9,912,330	15,668,384	15,259,596	10,842,161	151,642,341
Segment assets														
Including property, plant and equipment and construction in progress	23,557,803	4,647,714	16,160,227	7,064,694	7,287,105	9,447,393	3,889,460	7,229,121	3,676,715	6,594,030	9,990,285	11,336,715	1,404,705	112,285,967

5 Information about segments (continued)

(b) The reconciliation of reportable segment EBITDA:

The reconciliation of reportable segment EBITDA:

	For three months ended 31 March	
	2023	2022
EBITDA of reportable segments	9,161,977	8,035,967
Discounting receivables	45,777	211,570
Discounting of financial liabilities	(53,856)	(57,187)
Adjustment for lease	(3,054)	192,564
Recognition of pension and other long-term liabilities to employees	(56,888)	(51,020)
Adjustment on assets related to employee benefit liability	32,124	18,515
Re-measurement of financial assets at fair value through other comprehensive income (transfer of revaluation to equity)	(40,966)	73,920
Adjustment of the value of property, plant and equipment	(50,599)	(18,563)
Other adjustments	(13,881)	(334,408)
EBITDA	9,020,634	8,071,358
Depreciation and amortization	(3,129,902)	(3,201,756)
Interest expenses on financial liabilities	(711,861)	(1,041,054)
Interest expenses of lease liabilities	(140,533)	(148,456)
Income tax expense	(1,226,759)	(1,011,703)
Profit for the year per consolidated statement of profit or loss and other comprehensive income	3,811,579	2,668,389

6 Revenue

	For three months ended 31 March	
	2023	2022
Electricity transmission	31,792,334	28,065,621
Technological connection services	864,963	521,930
Sales of electricity and capacity	193,525	177,962
Other revenue	753,026	501,962
Total revenue from contracts with customers	33,603,848	29,267,475
Lease revenue	49,826	49,148
	33,653,674	29,316,623

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

7 Other income and other expenses

	For three months ended 31 March	
	2023	2022
Income from identified non-contracted electricity consumption	56,897	48,436
Income in the form of fines and penalties on commercial contracts	140,376	249,007
Accounts payable write-off	24,563	14,386
Income from disposal of fixed assets on sale (sale) operations	10,940	3,701
Other income	244,668	53,294
	477,444	368,824

Other expenses include loss on disposal of property, plant and equipment for three months ended 31 March 2023 in the amount of RUB 3,758 thousand (for three months ended 31 March 2022: RUB 1,125 thousand).

8 Operating expenses

	For three months ended 31 March	
	2023	2022
Personnel costs	6,461,917	5,645,183
Depreciation of property, plant and equipment	2,919,795	2,950,971
Amortization of intangible assets	84,170	118,391
Depreciation of right-of-use assets	125,937	132,394
<i>Material expenses, including:</i>		
Electricity for compensation of losses	6,758,152	5,956,598
Electricity for sale	158,459	153,721
Purchased electricity and heat power for own needs	238,581	215,467
Other material costs	609,220	540,360
<i>Production work and services, including:</i>		
Electricity transmission services	8,369,043	7,434,793
Repair and maintenance services	115,746	76,523
Other works and industrial services	608,806	380,124
Taxes and levies other income tax	498,899	568,748
Rent	8,659	3,365
Insurance	31,178	33,715
<i>Other third-party services, including:</i>		
Communication services	78,501	86,047
Security services	113,458	85,990
Consulting, legal and audit services	10,045	18,813
Software costs and services	84,045	55,334
Transportation services	3,924	2,582
Other services	155,919	134,789
Provisions	369,002	(1,617)
Expenses recognized in connection with debt settlement for electricity transmission, electricity for resale, purchased electricity to compensate for losses and non-contracted consumption	-	42,927
Other expenses	448,530	404,470
	28,251,986	25,039,688

9 Finance income and costs

	For three months ended 31 March	
	2023	2022
Finance income		
Interest income on bank deposits and balances on bank accounts	103,047	98,541
Interest income on assets related to employee defined benefits plans	34,023	14,603
Other finance income	45,777	211,570
	182,847	324,714
Finance costs		
Interest expenses on financial liabilities measured at amortized cost	(711,861)	(1,041,054)
Interest expenses on lease liabilities	(140,533)	(148,456)
Interest expense on long-term employee benefit liability	(74,490)	(61,611)
Amortization of discount on financial liabilities	(53,856)	(57,187)
Other finance costs	(5,670)	(6,390)
	(986,410)	(1,314,698)

10 Income tax

	For three months ended 31 March	
	2023	2022
Current income tax		
Accrual of current tax	(1,166,160)	(686,891)
Adjustment of the tax for the previous periods	26,367	1,699
Total	(1,139,793)	(685,192)
Deferred income tax	(86,966)	(326,511)
Income tax expense	(1,226,759)	(1,011,703)

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 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, income tax recoverable for previous periods, according to revised tax returns submitted to the tax authorities in 2023, amounted to RUB 26,367 thousand (2022: RUB 1,699 thousand).

10 Income tax (continued)

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

	For three months ended 31 March 2023	For three months ended 31 March 2022
Profit before income tax	5,038,338	3,680,092
Income tax calculated at the applicable tax rate	(1,007,668)	(736,018)
Tax effect of items not deductible/not taxable for taxation purposes	(245,458)	(277,384)
Adjustments for prior years	26,367	1,699
	(1,226,759)	(1,011,703)

Income tax recognized in other comprehensive income:

	For three months ended 31 March 2023			For three months ended 31 March 2022		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Financial assets at fair value through other comprehensive income	40,966	(8,193)	32,773	(73,920)	14,784	(59,136)
Remeasurements of the defined benefit liability	127,334	(14,436)	112,898	476,719	(67,904)	408,815
	168,300	(22,629)	145,671	402,799	(53,120)	349,679

As at 31 March 2023 and 31 March 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.

11 Property, plant and equipment

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction progress	Total
<i>Cost/deemed cost</i>						
At 1 January 2022	50,656,129	82,460,141	47,546,801	37,564,865	5,150,754	223,378,690
Additions	266	-	1,242	-	1,905,119	1,906,627
Acquisition of subsidiaries	44,978	29,545	41,573	13,334	1,060	130,490
Transfer	158,635	403,342	275,486	523,117	(1,360,580)	-
Disposals	(48,732)	(1,595)	(10,378)	(16,745)	(1,721)	(79,171)
At 31 March 2022	50,811,276	82,891,433	47,854,724	38,084,571	5,694,632	225,336,636
<i>Accumulated depreciation</i>						
At 1 January 2022	(19,791,247)	(48,681,504)	(23,946,537)	(21,603,166)	-	(114,022,454)
Depreciation charge	(655,332)	(1,188,317)	(668,364)	(694,292)	-	(3,206,305)
Disposals	8,445	453	3,028	16,000	-	27,926
At 31 March 2022	(20,438,134)	(49,869,368)	(24,611,873)	(22,281,458)	-	(117,200,833)
<i>Accumulated impairment</i>						
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)	(2,359)	(3,327)	(134)	(383)	6,203	-
Depreciation charge	42,070	128,422	59,691	21,284	-	251,467
Disposals	51	-	11	9,176	-	9,238
At 31 March 2022	(1,988,047)	(3,997,086)	(2,181,181)	(534,774)	(124,875)	(8,825,963)
Depreciation (including depreciation of impairment)	(613,262)	(1,059,895)	(608,673)	(673,008)	-	(2,954,838)
<i>Net book value</i>						
At 1 January 2022	28,837,073	29,656,456	21,359,515	15,396,848	5,019,676	100,269,568
At 31 March 2022	28,385,095	29,024,979	21,061,670	15,268,339	5,569,757	99,309,840

11 Property, plant and equipment (continued)

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction progress	Total
<i>Cost/deemed cost</i>						
At 1 January 2023	53,407,371	86,216,775	50,013,979	42,362,963	5,136,110	237,137,198
Additions	19,103	16,395	12,163	-	3,148,604	3,196,265
Transfer	434,106	831,265	512,000	693,437	(2,470,808)	-
Disposals	(3,360)	(5,341)	(5,223)	(37,098)	-	(51,022)
At 31 March 2023	53,857,220	87,059,094	50,532,919	43,019,302	5,813,906	240,282,441
<i>Accumulated depreciation</i>						
At 1 January 2023	(22,351,736)	(53,314,051)	(26,571,375)	(24,041,755)	-	(126,278,917)
Depreciation charge	(611,690)	(1,156,856)	(664,801)	(725,959)	-	(3,159,306)
Disposals	2,330	4,220	3,462	36,298	-	46,310
At 31 March 2023	(22,961,096)	(54,466,687)	(27,232,714)	(24,731,416)	-	(129,391,913)
<i>Accumulated impairment</i>						
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)	(297)	(523)	(888)	(229)	1,937	-
Depreciation charge	40,242	121,886	57,098	16,834	-	236,060
Disposals	17	29	66	8	317	437
At 31 March 2023	(1,865,896)	(3,562,917)	(1,979,373)	(494,840)	(91,914)	(7,994,940)
Depreciation (including depreciation of impairment)	(571,448)	(1,034,970)	(607,703)	(709,125)	-	(2,923,246)
<i>Net book value</i>						
At 1 January 2023	29,149,777	29,218,415	21,406,955	17,809,755	5,041,942	102,626,844
At 31 March 2023	29,030,228	29,029,490	21,320,832	17,793,046	5,721,992	102,895,588

11 Property, plant and equipment (continued)

As at 31 March 2023 advance payments for property, plant and equipment include in construction in progress in the amount of RUB 103,908 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 1,877,478 thousand (as at 31 December 2022: RUB 1,513,527 thousand).

For the three months ended 31 March 2023 capitalized interest amount is RUB 41,977 thousand (for the three months ended 31 March 2022: RUB 49,992 thousand), the capitalization rate used to determine the amount of borrowing costs to be capitalized was 7.68-8.52% during the year (for the three months ended 31 March 2022 – 8.76-16.20%).

For the three months ended 31 March 2023 depreciation charges in the amount of RUB 4,887 thousand were capitalized in the cost of capital construction facilities (including depreciation charges of property, plant and equipment – RUB 3,451 thousand, of right-of-use assets – RUB 1,436 thousand).

For the three months ended 31 March 2022 depreciation charges in the amount of RUB 3,867 thousand were capitalized in the cost of capital construction facilities (including depreciation charges of property, plant and equipment – RUB 3,867 thousand).

As at 31 March 2023 the initial cost of fully amortized property plant and equipment was RUB 41,405,644 thousand (as at 31 December 2022: RUB 39,618,273 thousand).

12 Intangible assets

	Software	R&D	Other intangible assets	Total
<i>Initial cost</i>				
At 1 January 2022	3,099,656	28,794	1,383,864	4,512,314
Additions	43,346	505	-	43,851
Acquisition of subsidiaries	-	-	112,978	112,978
At 31 March 2022	3,143,002	29,299	1,496,842	4,669,143
<i>Accumulated amortization</i>				
At 1 January 2022	(1,711,866)	-	(455,200)	(2,167,066)
Amortization charge	(98,726)	-	(19,665)	(118,391)
At 31 March 2022	(1,810,592)	-	(474,865)	(2,285,457)
<i>Net book value</i>				
At 1 January 2022	1,387,790	28,794	928,664	2,345,248
At 31 March 2022	1,332,410	29,299	1,021,977	2,383,686
<i>Initial cost</i>				
At 1 January 2023	3,431,103	59,449	1,549,607	5,040,159
Additions	51,572	1,830	-	53,402
At 31 March 2023	3,482,675	61,279	1,549,607	5,093,561
<i>Accumulated amortization</i>				
At 1 January 2023	(2,054,457)	-	(534,026)	(2,588,483)
Amortization charge	(64,207)	-	(19,963)	(84,170)
At 31 March 2023	(2,118,664)	-	(553,989)	(2,672,653)
<i>Net book value</i>				
At 1 January 2023	1,376,646	59,449	1,015,581	2,451,676
At 31 March 2023	1,364,011	61,279	995,618	2,420,908

Interest for the three months ended 31 March 2023 and for the three months ended 31 March 2022 was not capitalized as intangible assets.

Other intangible assets include objects of intellectual property R&D results and objects of Service Concession Arrangement, goodwill for the acquisition of a subsidiary in 2022.

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.

12 Intangible assets (continued)

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 March 2023 in the amount of RUB 700,036 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 three months ended 31 March 2023 depreciation was accrued on the objects of the concession agreement in the amount of RUB 13,716 thousand (for the three months ended 31 March 2022: RUB 13,716 thousand).

13 Right-of-use assets

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
<i>Initial cost</i>					
At 1 January 2022	4,031,009	733,808	755,253	1,238,558	6,758,628
Additions	41,656	40,934	46,377	268,110	397,077
Change in lease terms	(75,254)	(91,964)	(5,747)	(128,098)	(301,063)
Disposal or termination of lease agreements	-	-	-	(11,324)	(11,324)
At 31 March 2022	3,997,411	682,778	795,883	1,367,246	6,843,318
<i>Accumulated depreciation</i>					
At 1 January 2022	(321,151)	(63,512)	(55,656)	(111,178)	(551,497)
Depreciation charge	(75,537)	(20,613)	(20,636)	(15,608)	(132,394)
Change in lease terms	238,655	56,983	48,817	89,057	433,512
Disposal or termination of lease agreements	-	-	-	145	145
At 31 March 2022	(158,033)	(27,142)	(27,475)	(37,584)	(250,234)
<i>Net book value</i>					
At 1 January 2022	3,709,858	670,296	699,597	1,127,380	6,207,131
At 31 March 2022	3,839,378	655,636	768,408	1,329,662	6,593,084

13 Right-of-use assets (continued)

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
<i>Initial cost</i>					
At 1 January 2023	4,097,776	708,939	818,580	1,240,608	6,865,903
Additions	139,972	8,064	3,673	17,476	169,185
Change in lease terms	8,268	72	8,312	-	16,652
Disposal or termination of lease agreements	(807)	(87)	(7,375)	-	(8,269)
At 31 March 2023	4,245,209	716,988	823,190	1,258,084	7,043,471
<i>Accumulated depreciation</i>					
At 1 January 2023	(373,868)	(87,073)	(95,584)	(71,947)	(628,472)
Depreciation charge	(72,633)	(20,668)	(21,227)	(12,845)	(127,373)
Disposal or termination of lease agreements	643	88	4,624	-	5,355
At 31 March 2023	(445,858)	(107,653)	(112,187)	(84,792)	(750,490)
<i>Net book value</i>					
At 1 January 2023	3,723,908	621,866	722,996	1,168,661	6,237,431
At 31 March 2023	3,799,351	609,335	711,003	1,173,292	6,292,981

14 Other financial assets

	31 March 2023	31 December 2022
Non-current		
Financial assets at fair value through other comprehensive income	139,697	98,731
	139,697	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 139,697 thousand as at 31 March 2023 (as at 31 December 2022: RUB 98,731 thousand).

15 Trade and other receivables

	31 March 2023	31 December 2022
Non-current trade and other account receivable		
Trade receivables	1,623,540	1,578,383
Allowance for expected credit losses on trade receivables	(82,135)	(75,231)
Other receivables	86,519	111,150
	1,627,924	1,614,302
Current trade and other account receivable		
Trade receivables	15,895,033	15,781,402
Allowance for expected credit losses on trade receivables	(4,331,600)	(4,407,452)
Other receivables	3,293,762	3,017,192
Allowance for expected credit losses on other receivables	(1,449,828)	(1,480,127)
	13,407,367	12,911,015

Balance with related parties is disclosed in Note 28.

16 Advances given and other assets

	31 March 2023	31 December 2022
Non-current		
Advances given	3,205	3,202
	3,205	3,202
Current		
Advances given	659,894	1,060,671
Advances given impairment allowance	(38,622)	(34,711)
VAT recoverable	12,707	29,385
VAT on advances received and VAT on advances given for the purchase of property plant and equipment	1,381,049	1,376,236
Prepaid taxes other than income tax	85,913	112,892
	2,100,941	2,544,473

Balance with related parties is disclosed in Note 28.

17 Cash and cash equivalents

	<u>31 March 2023</u>	<u>31 December 2022</u>
Cash in bank accounts and cash on hand	637,224	845,184
Cash equivalents	5,962,167	5,660,743
	<u>6,599,391</u>	<u>6,505,927</u>

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

Cash equivalents as at 31 March 2023 and 31 December 2022 include short-term investments in bank deposits and promissory notes. They are placed at interest rates of 7.30 % - 7.89% per annum as of 31 March 2023 (7.00 % - 8.25% per annum as of 31 December 2022).

18 Equity

(a) Equity

	<u>Ordinary shares</u>	
	<u>31 March 2023</u>	<u>31 December 2022</u>
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

19 Earnings per share

The calculation of earnings per share for the three months ended 31 March 2023 and for the three months ended 31 March 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.

<i>In millions of shares</i>	<u>For three months ended 31 March 2023</u>	<u>For three months ended 31 March 2022</u>
Ordinary shares at 1 January	42,218	42,218
Weighted average number of shares for the reporting period	42,218	42,218
	<u>For three months ended 31 March</u>	
	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares outstanding for the reporting period (millions of shares)	42,218	42,218
Earnings for the year attributable to holders of ordinary shares	3,801,519	2,645,582
Earnings per ordinary share (in RUB) – basic and diluted	0.090	0.063

20 Borrowed funds

	31 March 2023	31 December 2022
Non-current liabilities		
Unsecured loans and borrowings	34,017,386	33,939,715
Unsecured bonds	5,090,556	5,020,492
Lease liabilities	6,134,490	6,089,360
Less: current portion of long-term loans and borrowings	(17,917,525)	(12,090,834)
Less: current portion of long-term bonds	(5,090,556)	(5,020,492)
Less: current portion of long-term lease liabilities	(693,390)	(667,492)
	21,540,961	27,270,749
Current liabilities		
Unsecured loans and borrowings	1,001,103	1,001,103
Current portion of long-term loans and borrowings	17,917,525	12,090,834
Current portion of long-term bonds	5,090,556	5,020,492
Current portion of long-term lease liabilities	693,390	667,492
	24,702,574	18,779,921
Including:		
Debts on interest payable on loans and borrowings	165,344	141,529
Debts on interest payable on bonds	91,300	22,250
	256,644	163,779

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

For the three months ended 31 March 2023, the Group has attracted the following significant bank loans:

	Year of maturity	Nominal interest rate	Nominal value
Unsecured bank loans	2026	KR+1.58%	600,000
			600,000

During the three months ended 31 March 2023, the Group repaid the following significant Bank loans:

	Nominal value
Bank loans	600,000
	600,000

21 Trade and other payables

	<u>31 March 2023</u>	<u>31 December 2022</u>
Non-current accounts payable		
Trade payables	285,793	282,965
Other payables	43,478	43,192
	<u>329,271</u>	<u>326,157</u>
Current accounts payable		
Trade payables	8,743,561	11,915,655
Other payables and accrued expenses	1,570,855	1,590,546
Payables to employees	2,404,623	2,115,024
Dividends payable	112,324	1,525,951
	<u>12,831,363</u>	<u>17,147,176</u>

22 Tax liabilities other than income tax

	<u>31 March 2023</u>	<u>31 December 2022</u>
Value-added tax	2,774,100	2,234,404
Property tax	445,107	376,882
Social security contributions	1,889,743	1,975,615
Other taxes payable	199,724	205,376
	<u>5,308,674</u>	<u>4,792,277</u>

23 Advances from customers

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

	<u>31 March 2023</u>	<u>31 December 2022</u>
Non-current		
Advances for services of technological connection to electric grids	1,723,765	1,892,739
Advances from customers	90,776	98,685
	<u>1,814,541</u>	<u>1,991,424</u>
Current		
Advances for services of technological connection to electric grids	4,097,270	3,829,447
Advances from customers	2,358,902	2,346,946
	<u>6,456,172</u>	<u>6,176,393</u>

Balance with related parties is disclosed in Note 28.

24 Provisions

	For three months ended 31 March	
	2023	2022
Balance on 1 January	2,936,336	2,327,790
Accrual (increase) for the period	381,431	63,049
Recovery (decrease) for the period	(12,429)	(64,666)
Use of provisions	(767)	(320,623)
Balance on 31 March	3,304,571	2,005,550

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

In the course of its operations, the Group is a party to legal proceedings. For pending litigation, where the Group is the defendant, with a low probability of resolution in favor of the Group, a litigation allowance has been created. Estimated maturity of estimated liabilities for pending litigation is less than 12 months, estimated liabilities for litigation are included in short-term liabilities.

The amount of disagreements on purchased electricity in order to compensate for losses amounted to RUB 3,566,835 thousand as at 31 March 2023 (as at 31 December 2022: RUB 3,415,753 thousand). The Group did not recognize provisions for estimated liabilities at the reporting date for disagreements on purchased electricity in order to compensate for losses, the probability of resolution of which is estimated, taking into account the presence of positive judicial practice and the expected results of an independent examination, in favor of the Group, as high. The amount of such disagreements amounted to RUB 1,563,626 thousand as of 31 March 2023 (as at 31 December 2022: RUB 1,432,250 thousand).

The amount of disagreements on the volumes of electricity transmitted and on payment amounted to RUB 4,683,260 thousand as at 31 March 2023 (as at 31 December 2022: RUB 4,013,859 thousand). The Group did not recognize expected credit losses at the reporting date on disagreements on the volumes of electricity transferred and on payment, the probability of resolution of which is estimated, given the presence of positive judicial practice and the expected results of an independent examination, in favor of the Group, as high. The amount of such disagreements amounted to RUB 796,475 thousand as of 31 March 2023 (as of 31 December 2022: RUB 639,789 thousand). The Group believes that the carrying amount of accounts receivable in disagreements is not subject to significant adjustments due to the credit risk of counterparties in excess of the amount of the created reserve (Note 15).

25 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.

The Group's financial risk and capital management objectives and policies, as well as the fair value determination process, are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2022.

The Group's management takes operational measures to ensure that the cash (liquidity) received from operating activities is sufficient to finance the investment program and to service the short-term and long-term borrowings available at the reporting date. The Group's management implements measures aimed at optimizing the structure of borrowed capital, ensuring the availability of available credit limits, a reserve of liquidity in the form of bank account balances and short-term financial investments, and monitoring the quality of accepted financial security (bank guarantees).

The carrying amount of accounts receivable, less the allowance for expected credit losses, represents the maximum amount exposed to credit risk. Although the collectability of receivables may be affected by economic and other factors, the Group believes that there is no significant risk of losses exceeding the provision created.

25 Financial risk and capital management (continued)

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

	For three months ended 31 March	
	2023	2022
Balance at 1 January	5,962,810	10,923,962
Increase for the period	55,154	109,873
Amounts of trade and other receivables written off using the allowance for impairment accrued earlier	(132,720)	(223,001)
Reversal of allowance for impairment for the period	(21,681)	(135,315)
Acquisition of subsidiaries	-	74
Balance at 31 March	5,863,563	10,675,593

The amount of free limit on open but unused credit lines of the Group was RUB 97,152,396 thousand at 31 March 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.

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

For the three months ended 31 March 2023 there were no transfers between 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 value through other comprehensive income
On 1 January 2023	98,731
Change in fair value recognized in other comprehensive income	40,966
On 31 March 2023	139,697

26 Capital commitments

As at 31 March 2023, the Group has outstanding commitments under contract for the purchase and construction of property plant and equipment items for RUB 12,160,574 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 36,109 thousand inclusive of VAT as at 31 March 2023 (as at 31 December 2022: RUB 40,334 thousand).

27 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

Russian tax and customs legislation is subject to varying interpretations regarding the operations and activities of the Group. Accordingly, management's interpretation of tax legislation and its formal documentation can be successfully challenged by the relevant regional or federal authorities. Tax administration in Russia is gradually increasing. In particular, the risk of checking the tax aspect of transactions without obvious economic sense or with counterparties that violate tax laws is increasing. Tax audits may cover the three calendar years preceding the year of the decision on the tax audit. Under certain conditions, earlier periods may also be subject to verification.

The Russian tax authorities have the right to add additional tax liabilities and penalties based on the rules established by the legislation on transfer pricing (hereinafter – TP), if the price/profitability in controlled transactions differs from the market level. The list of controlled transactions mainly includes transactions concluded between related parties.

Starting from 1 January 2019 control over transfer pricing for a significant part of domestic transactions has been lifted. However, the exemption from price controls may not apply to all transactions made in the domestic market. At the same time, in the case of additional charges, the mechanism of counter-adjustment of tax liabilities can be used if certain legal requirements are met. Intra-group transactions that have been out of the control of the TP since 2019 can nevertheless be checked by the territorial tax authorities for obtaining unjustified tax benefits and the TP methods can be used to determine the amount of additional charges. The federal executive body authorized to control and supervise taxes and fees may check prices/profitability in controlled transactions and, in case of disagreement with the prices applied by the Group in these transactions additional tax liabilities if the Group is unable to justify the market nature of pricing in these transactions by providing transfer pricing documentation that meets the legal requirements.

With the further development of the practice of applying the rules of taxation the property tax authorities and courts may challenge the criteria for classifying property as movable or immovable things applied by the Group. The Group's management does not exclude the risk of resource outflows and the impact of such developments cannot be reliably assessed.

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 the opinion of Management, there are currently no 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 interim condensed 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

27 Contingencies (continued)

probable liabilities that could have a material adverse effect on the financial position results of operations or cash flows of the Group.

28 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 three months ended 31 March 2023 and 31 March 2022, as well as at 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 three months ended 31 March		Carrying amount	
	2023	2022	31 March 2023	31 December 2022
Revenue, other income, finance income				
Parent company				
Other revenue	1,342	-	44,426	-
Other income	-	195	-	-
Entities under common control of the parent company				
Electricity transmission	414,772	381,182	157,227	177,056
Other revenue	198,750	190,702	514,518*	548,244*
Dividends receivable	-	-	-	120
Other	38,089	-	-	-

28 Related party transactions (continued)

	Amount of the transaction for three months ended 31 March		Carrying amount	
	2023	2022	31 March 2023	31 December 2022
Operating expenses, other expenses, finance costs				
Parent company				
Expenses for services related to the organization of the functioning and development of the EEC	-	-	-	131,099
Technical supervision services	13,088	10,562	15,471	-
Electricity transmission services	5,024,395	-	1,038,693	-
Other expenses	3,906	3,418	-	-
Dividends	-	-	-	721,020
Entities under common control of the parent company				
Electricity transmission services	-	4,394,836	-	1,899,147
Other expenses	183,321	112,446	344,577	451,316
Interest expenses on financial liabilities recorded at amortized cost	24,243	24,833	-	-
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 March 2023 in the amount of RUB 284,511 thousand (as at 31 December 2022: in the amount of RUB 284,511 thousand).

	Carrying amount	
	31 March 2023	31 December 2022
Parent company		
Advances given	17,452	-
Advances received	29,774	-
Borrowed funds	3,675,540	3,621,684
Entities under common control of the parent company		
Advances given	1,385	24,817
Advances received	886,733	919,773
Borrowed funds	1,228,331	1,204,088

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

(c) 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 three months ended 31 March 2023 constitute 32% (for the three months ended 31 March 2022: 33%) of total Group revenues, including 31% (for the three months ended 31 March 2022: 33%) of electricity transmission revenues.

28 Related party transactions (continued)

Electricity transmission costs and expenses for the purchase of electricity to compensate for technological losses for companies related to the main shareholder of the parent company, including Public Joint Stock Company «Federal Grid Company-Rosseti», for the three months ended 31 March 2023 constitute 77% (for the three months ended 31 March 2022: 71%) of total electricity transmission costs.

Interest accrued on loans and borrowings from banks related to the main shareholder of the parent company amounted to 89% of the total amount of accrued interest for the three months ended 31 March 2023 (for the three months ended 31 March 2022: 87%).

As at 31 March 2023 loans from banks related to the main shareholder of the parent company amounted to RUB 28,884,511 thousand (as at 31 December 2022: RUB 28,884,940 thousand).

As at 31 March 2023 the balance of cash and cash equivalents placed with banks associated with the main shareholder of the parent company amounted to RUB 1,641,293 thousand (as at 31 December 2022: RUB 6,331,979 thousand).

As at 31 March 2023 lease arrears for companies related to the main shareholder of the parent company amounted to RUB 5,847,830 thousand, including debt under leasing agreements (as at 31 December 2022 RUB 5,840,910 thousand, including debt under leasing agreements).

(d) Transactions with key management personnel

In order to prepare these interim condensed 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.

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.

	For three months ended 31 March	
	2023	2022
Short-term employee benefits	76,870	80,098
	76,870	80,098

As at 31 March 2023, the current value of the defined benefit obligation is shown in the interim condensed consolidated statement of financial position includes liabilities for key management personnel in the amount RUB 15,047 thousand (as at 31 December 2022: RUB 15,124 thousand).