Rosseti Centre and Volga region, PJSC
Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2022
and auditor's report

March 2023

Contents Page

NEW CHALLENGES
NEW SOLUTIONS

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Independent auditor's report

To Shareholders and Board of Directors of
Rosseti Centre and Volga region, PJSC

Opinion

We have audited the consolidated financial statements of Rosseti Centre and Volga region, PJSC and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for 2022 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 International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and 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.

NEW CHALLENGES
NEW SOLUTIONS

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 8 and 21 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.
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 2022, 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 21 and 33 (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.

NEW CHALLENGES
NEW SOLUTIONS

Key audit matter	How our audit addressed the key audit matter
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 Note 21, 32 and 35 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 2022, 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 2022, 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 15 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.

NEW CHALLENGES
NEW SOLUTIONS

Other information included in the annual report

Other information consists of the information included in annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

NEW CHALLENGES
NEW SOLUTIONS

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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 T.L. Okolotina.

T.L. Okolotina,
acting on behalf of TSATR – Audit Services Limited Liability Company
on the basis of power of attorney dated 18 April 2022,
partner in charge of the audit resulting in this independent auditor's report
(main registration number 21906110171)

21 March 2023

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: Rosseti Centre and Volga region, PJSC
Record made in the State Register of Legal Entities on 28 June 2007, State Registration Number 1075260020043.
Address: Russia 603950, Nizhniy Novgorod, Rozhdestvenskaya street, 33.

(in thousands of Russian rubles, unless otherwise stated)

	Notes	Year ended 31 December 2022	2021
Revenue	8	114,010,994	106,686,770
Operating expenses	11	(98,404,885)	(91,896,467)
Accrual of a provision for expected credit losses	33	(90,277)	(115,002)
Other income	9	1,155,288	1,893,823
Other expenses	10	(119,862)	(69,788)
Operating profit		**16,551,258**	**16,499,336**
Finance income	13	767,949	228,430
Finance costs	13	(2,941,071)	(3,803,876)
Total finance costs		**(2,173,122)**	**(3,575,446)**
Profit before income tax		**14 378 136**	**12,923,890**
Income tax expense	14	(3,333,128)	(2,971,596)
Profit for the period		**11,045,008**	**9,952,294**
Other comprehensive income (expense)			
Items that will never be reclassified subsequently to profit or loss			
Changes in fair value of financial assets at fair value through other comprehensive income	18	(8,232)	(5,544)
Remeasurements of the defined benefit liability	28	100,857	201,457
Income tax	14	(18,525)	(39,182)
Total items that will not be reclassified subsequently to profit or loss		**74,100**	**156,731**
Other comprehensive income for the period, net of income tax		**74,100**	**156,731**
Total comprehensive income for the period		**11,119,108**	**10,109,025**
Profit attributable to:			
Owners of the Company		11,045,008	9,952,294
Non-controlling interest		–	–
Total comprehensive income attributable to:			
Owners of the Company		**11,119,108**	10,109,025
Non-controlling interest		–	–
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	25	0.0980	0.0883

These consolidated financial statements were approved by management on 21 March 2023 and were signed on its behalf by:

General Director of Rosseti Centre, PJSC -
the managing organization of
Rosseti Centre and Volga region, PJSC

I.V. Makovskiy

Director of Department
of accounting and tax accounting
and reporting

T.L. Horoshaeva

(in thousands of Russian rubles, unless otherwise stated)

	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	15	99,190,754	91,814,560
Intangible assets	16	752,232	924,779
Right-of-use assets	17	5,712,523	5,565,786
Trade and other receivables	21	14,635,838	12,196,966
Assets related to employee benefits plans	28	632,379	627,876
Other non-current financial assets	18	19,152	29,983
Advances given and other non-current assets	21	30	31
Total non-current assets		**120,942,908**	**111,159,981**
Current assets			
Inventories	20	3,121,729	2,708,520
Income tax prepayments		235,627	352,319
Trade and other receivables	21	17,121,737	14,413,085
Cash and cash equivalents	23	8,283,798	391,137
Net investment in rent		58,586	-
Advances given and other current assets	22	2,060,503	1,457,412
Total current assets		**30,823,394**	**19,322,473**
Total assets		**151,766,302**	**130,482,454**
EQUITY AND LIABILITIES			
Equity			
Share capital	24	11,269,782	11,269,782
Other reserves		(1,100,246)	(1,172,646)
Retained earnings		63,143,848	58,511,792
Total equity		**73,313,384**	**68,608,928**
Non-current liabilities			
Long-term borrowed funds	26	12,932,047	23,048,052
Long-term advances from customers	31	1,663,846	1,894,890
Long-term trade and other payables	29	4,334,831	16,977
Employee benefits	28	2,026,582	2,003,187
Deferred tax liabilities	19	2,008,426	2,301,642
Total non-current liabilities		**22,965,732**	**29,264,748**
Current liabilities			
Short-term borrowed funds and current part of long-term borrowed funds	26	19,430,231	9,401,148
Trade and other payables	29	18,764,207	11,658,866
Taxes other than income tax	30	3,857,718	2,154,657
Advances from customers	31	3,947,346	3,286,622
Provisions	32	9,129,566	6,107,485
Current income tax liabilities		358,118	-
Total current liabilities		**55,487,186**	**32,608,778**
Total liabilities		**78,452,918**	**61,873,526**
Total equity and liabilities		**151,766,302**	**130,482,454**

(in thousands of Russian rubles, unless otherwise stated)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**11,045,008**	**9,952,294**
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use-assets and amortization of intangible assets	15,16,17	10,668,765	9,554,617
Finance costs	13	2,941,071	3,803,876
Finance income	13	(767,949)	(228,430)
Loss on disposal of property, plant and equipment and construction in progress	9,10	117,520	21,984
Accrual of allowance for expected credit losses		90,277	115,002
Write-off of accounts payable	9	(19,567)	(53,708)
Accrued provisions		4,077,656	1,584,162
Other non-cash transactions		(457,077)	(79,535)
Income tax expense	14	3,333,128	2,971,596
Total impact of adjustments		**19,983,824**	**17,689,564**
Change in assets related to employee benefit plans		10,629	80,900
Change in employee benefit liabilities		(33,135)	(88,113)
Change in long-term trade and other receivables		(1,469,189)	(1,606,485)
Change in long-term advances given and other non-current assets		130	1,082
Change in long-term trade and other payables		4,317,854	7,157
Change in long-term advances from customers		(231,044)	469,275
Cash flows from operating activities before changes in working capital and provisions		**33 624 077**	**26,505,674**
Changes in working capital:			
Change in trade and other receivables		(3,106,948)	1,040,273
Changes in advances given and other assets		(599,109)	(336,835)
Change in inventories		(325,733)	(795,914)
Change in trade and other payables		5,818,332	(835,673)
Change in advances from customer		660,724	315,144
Change in provisions		(1,056,309)	(479,451)
Cash flows from operating activities before income tax and interest paid		**35 015 034**	**25,413,218**
Income tax paid		(3,179,690)	(3,686,523)
Interest paid under lease agreements		(502,011)	(364,107)
Interest paid		(2,439,860)	(1,703,800)
Net cash flows from operating activities		**28,893,473**	**19,658,788**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(17,915,265)	(17,451,586)
Proceeds from sale of property, plant and equipment		17,179	94,357
Loans		(500,000)	(1,030,000)
Repayment of loans and disposal of financial investments		446,160	-
Acquisition of a subsidiary	6	(311,000)	-
Cash received from the acquisition of a subsidiary		1,295,995	-
Interest received		622,839	112,296
Dividends received		1,135	2,089
Net cash flows used in investing activities		**(16,342,957)**	**(18,272,844)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowed funds	26	9,296,858	10,915,942
Repayment of borrowed funds	26	(10,221,688)	(10,229,347)
Dividends paid	24	(2,869,457)	(2,898,273)
Repayment of lease liabilities		(863,568)	(546,612)
Net cash flows used in financing activities		**(4,657,855)**	**(2,758,290)**
Net decrease in cash and cash equivalents		**(7,892,661)**	**(1,372,346)**
Cash and cash equivalents at the beginning of the period		**391,137**	**1,763,483**
Cash and cash equivalents at the end of the period	23	**8,283,798**	**391,137**

(in thousands of Russian rubles, unless otherwise stated)

	Share capital	**Reserves**	**Retained earnings**	**Total**
Balance at 1 January 2022	**11,269,782**	**(1,172,646)**	**58,511,792**	**68,608,928**
Profit for the period	–	–	11,045,008	**11,045,008**
Transfer of the revaluation reserve on disposal of an equity investment		(1,700)	1 700	**–**
Other comprehensive income	–	92,625	–	**92,625**
Related income tax	–	(18,525)	–	**(18,525)**
Total comprehensive income for the period	**–**	**72,400**	**11,046,708**	**11,119,108**
Dividends (Note 24)	**–**	**–**	(6,533,464)	**(6,533,464)**
Other			118,812	**118,812**
Balance at 31 December 2022	**11,269,782**	**(1,100,246)**	**63,143,848**	**73,313,384**
Balance at 1 January 2021	**11,269,782**	**(1,329,377)**	**51,447,477**	**61,387,882**
Profit for the period	–	–	9,952,294	**9,952,294**
Other comprehensive loss	–	195,913	–	**195,913**
Related income tax	–	(39,182)	–	**(39,182)**
Total comprehensive income for the period	**–**	**156,731**	**9,952,294**	**10,109,025**
Dividends (Note 24)	**–**	**–**	(2,921,826)	**(2,921,826)**
Other			33,847	**33,847**
Balance at 31 December 2021	**11,269,782**	**(1,172,646)**	**58,511,792**	**68,608,928**

Note 1. Background

(a) The Group and its operations

The principal activity of Rosseti Centre and Volga region, PJSC (hereinafter - “the Company”) and its subsidiaries (hereinafter - “the Group”) is electricity transmission and distribution services and services for technological connection of customers to the electricity grid.

The Company’s registered and actual office is 33 Rozhdestvenskaya Street, Nizhniy Novgorod, 603950, Russian Federation.

The parent company is PJSC “Rosseti” which owns 50.40% of the ordinary shares of the Company.

The Annual General Meeting of Shareholders of IDGC of Center and Volga Region, PJSC made a decision (Minutes # 17 dated 2 June 2021) to amend the Company’s Articles of Association related to the change of the name of Public Joint Stock Company Interregional Distribution Grid Company of Center and Volga Region to Public Joint stock company “Rosseti Centre and Volga region”. Changes to the Company’s Articles of Association were registered by the Interdistrict Inspectorate of the Federal Tax Service # 15 for the Nizhny Novgorod Region on 3 August 2021.

(b) Relations with the state

The Russian Government through the Federal Agency for the Management of State Property is the ultimate controlling party of the Company (hereinafter – “the main shareholder of the parent company”). The Government’s economic, social and other policies could have a significant impact on the Group's operations.

The State influences the Group's activities through representation on the Board of Directors of the parent 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, etc.) include a significant number of companies associated with the state.

As at 31 December 2022 and 2021, the share of the Russian Federation in the authorized capital of the parent company 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 September 16, 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.

On January 9, 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 Russian Federation in the authorized capital of the parent parent company of the Group, Public Joint Stock Company "Federal Grid Company-Rosseti", amounted to 75.000048%.

(c) The Group’s 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 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.

Note 1. Background (continued)

In 2022, 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 2022, 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 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.

Note 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 entity of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Russian Accounting Standards (hereinafter - RAS). The Group’s consolidated financial statements are based on the statutory records in accordance with RAS with adjustments and reclassifications for the fair presentation in accordance with IFRS.

(b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for:

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

(c) Functional and presentation currency

The Russian ruble (hereinafter referred to as ruble or RUB) is the national currency of the Russian Federation and is used by the Group as its 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.

(d) New standards and amendments

The amendments to the standards listed below became mandatory from January 1, 2022, and did not have a significant impact on the Group's consolidated financial statements:Amendments to IFRS 3 Reference to the Conceptual Framework.

- "Revenue received before the start of the intended use of the asset, Onerous contracts – the cost of fulfilling the contract"

- "Reference to the Conceptual framework" – amendments with limited scope to IFRS (IAS) 16, IFRS (IAS) 37 and IFRS (IFRS) 3

- Annual improvements to IFRS for 2018-2020 related to IFRS (IFRS) 1, IFRS (IFRS) 9, IFRS (IFRS) 16 and IFRS (IAS) 41 (issued on May 14, 2020 and effective for annual periods beginning on or after January 1, 2022).

Note 2. Basis of preparation of consolidated financial statements (continued)

A number of new standards and interpretations have been published that are mandatory for annual periods beginning on or after January 1, 2023. 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.

- IFRS 17 "Insurance Contracts" (issued on May 18, 2017 and effective for annual periods beginning on or after January 1, 2021, the effective date was subsequently postponed to January 1, 2023 by Amendments to IFRS 17 issued on June 25, 2020).

- Classification of Liabilities into Short–term and Long-term - Amendments to IFRS (IAS) 1 (issued on January 23, 2020 and effective for annual periods beginning on or after January 1, 2022, the effective date was subsequently postponed to January 1, 2024 by Amendments to IFRS (IAS) 1).

- Amendments to IAS 1 and Practical Guidance 2 on IFRS: Disclosure of Accounting Policies (issued on February 12, 2021 and effective for annual periods beginning on or after January 1, 2023).

- Deferred tax on assets and liabilities arising from the same transaction – Amendments to IAS 12 (issued on May 7, 2021 and effective for annual periods beginning on or after January 1, 2023).

- 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 September 11, 2014 and effective for annual periods beginning on or after a date to be determined by the IASB dates).

- Amendments to IFRS 17 and amendments to IFRS 4 (issued on June 25, 2020 and effective for annual periods beginning on or after January 1, 2023).

- Amendments to IAS 8: Definition of Accounting Estimates (issued on February 12, 2021 and effective for annual periods beginning on or after January 1, 2023).

- Lease Obligations on Sale and Leaseback – Amendments to IFRS 16 (issued on September 22, 2022 and effective for annual periods beginning on or after January 1, 2024).

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

(e) Changes in the view. Reclassification of comparative data

Some amounts in the comparative information for the previous period have been reclassified to ensure their comparability with the presentation of data in the current reporting period. All the reclassifications made are insignificant.

(f) 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. The management constantly reviews assumptions and estimates based on previous experience and other factors that affect the application of accounting policies and the reported amounts of assets and liabilities.

Changes in estimates and assumptions are recognized in the period in which they are made if the change affects only that period, or recognized in the period to which the change relates and in subsequent periods if the change affects both that period and for future periods.

Note 2. Basis of preparation of consolidated financial statements (continued)

The professional judgements and assumptions that have the most significant effect on the amounts recognized in these consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment of fixed and right-of-use assets

At each reporting date management assesses whether there is any indication of impairment in respect of property, plant and equipment and right-of-use assets. Such indication includes a change in business plans, tariffs and other factors leading to unfavorable impact on the Group's business.
When measuring value in use, management assesses estimated cash flows from assets or groups of assets (cash generating units) and calculates an acceptable discount rate for the present value of these cash flows. For more detailed information see note "Property, plant and equipment" and "Right-of-use assets".

Determining the lease term under contracts with an option to extend the lease 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 one;
- 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.

Liabilities for the payment of pensions

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.

Note 3. Significant 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 2021, 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 noncontrolling 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:

1) The fair value of the consideration transferred; plus
2) The recognized amount of any non-controlling interests in the acquiree; plus
3) The fair value of the pre-existing equity interest in the acquiree if the business combination is achieved in stages; less
4) 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.

(iii) Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests without the Group losing control are accounted for as transactions with owners in their capacity as owners, and therefore 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) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for by the method of the predecessor. The acquired assets and liabilities are recognized at the carrying amounts recognized previously in the consolidated financial statements of the acquired entities. Any cash or other contribution paid for the acquisition is recognized directly in equity.

Note 3. Significant accounting policies (continued)

(iv) Investments in associates (equity accounted investees)

Associates are such 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 costs. 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.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. 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 classified financial assets as follows: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit or loss. The classification depends on the business model for managing financial assets and the contractual characteristics of cash flows.

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, 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 amortized cost, a provision is made for expected credit losses.

Note 3. Significant accounting policies (continued)

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 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 of other companies:

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

When equity instruments of other companies classified at the Group's discretion as measured at fair value through other comprehensive income are derecognized, the previously recognized components of other comprehensive income are transferred from the fair value change reserve 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 amortized cost, the amount of the impairment loss is 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 statement of financial position if the impairment loss had not been recognized.

Note 3. Significant accounting policies (continued)

(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:

- loans and borrowings (borrowed funds);
- trade and other payables.

Loans and borrowings ((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 qualified 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:

- incurs the costs of qualifying assets;
- incurs 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 2006, 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 selfconstructed (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 borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Note 3. Significant accounting policies (continued)

(d) Property, plant and equipment (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 statement of profit or loss and other comprehensive income as incurred.

(iii) Depreciation

Each component of an item of property, plant and equipment is amortized 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;
- electricity transmission grids 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.

Note 3. Significant 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 measurement of goodwill at initial recognition, see Note 3 (a) (ii). Goodwill is carried at cost less any impairment losses. In the case of associates, the cost of related goodwill is recognized as part of the carrying amount of the related investment in the associate, and when such investments are recognized as impaired, it is not allocated to any assets that form the carrying amount of the investment 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 amortized 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 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 amortized cost, with interest expense recognized as finance expense in the consolidated income statement. Lease liabilities are presented in the Statement of Financial Position as long-term and short-term borrowings.

The Group recognizes 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. Leases in which the Group is the lessor are classified into operating leases and finance leases. Finance lease is a

Note 3. Significant accounting policies (continued)

lease under which virtually all risks and benefits associated with ownership of the underlying asset are transferred.

If the lease is recognized as a finance lease, at the commencement date of the lease, the Group recognizes in its statement of financial position assets held under finance lease and presents them as receivables in an amount equal to the net investment in the lease.

Net investment in rent is the gross investment in rent discounted using the interest rate stipulated in the lease agreement.

For leases of electric grid 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.

(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 (industry 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 contribution programs

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 (legal or constructive) 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.

Note 3. Significant accounting policies (continued)

(ii) Defined benefit programs

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. The calculation is performed annually by a qualified actuary using the projected unit credit method.

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. 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 financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

Note 3. Significant accounting policies (continued)

- 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.

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.

(l) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive 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) Share capital

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

(n) 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

Note 3. Significant accounting policies (continued)

shares are recognized in the consolidated statement of changes in equity, net of related expenses, including taxes.

(o) Dividends

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.

(p) 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 measured using the results method (cost of electricity transmitted).

Revenue from electricity transmission is recognized during the period (billing month) and is measured using the results method (cost of electricity transmitted). Tariffs for electricity transmission services are approved by the executive authorities of the constituent entities of the Russian Federation in the field of state tariff regulation.

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 electricity transferred). The sale of electricity in the retail markets of electricity and capacity to consumers is carried out at regulated prices (tariffs) established by the executive authorities 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.

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.

Note 3. Significant accounting policies (continued)

(p) Revenue from Contracts with Customers (continued)

Construction services

Revenue from construction services contracts is recognized over a period of time as the Group creates assets that are controlled by the customer during their creation, have no alternative use for the Group and the Group has a legally enforceable right to receive payment for the portion of the contract works completed to date.

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.

(q) 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.

(r) 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

Note 3. Significant accounting policies (continued)

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.

(s) 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.

(t) 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.

Note 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.

(in thousands of Russian rubles, unless otherwise stated)

Note 5. Subsidiaries

		31 December 2022	31 December 2021	
	Country of incorporation	Ownership / voting shares, %	Ownership / voting shares, %	Type of activity
JSC "Motor Vehicle Plant"	Russian Federation	100	100	Provision of transport services, warehousing services, vehicle maintenance, intermediary services, repair and maintenance of vehicles, re - equipment and transport assessment services.
JSC "Svet"	Russian Federation	100	100	Electricity transmission
JSC "Energetik Sanatorium-Preventorium"	Russian Federation	100	100	Provision of medical, health resort, sports and recreation services to the population, accommodation (temporary accommodation), food and services.
JSC "Interregional Energoservice Company "Energoefficiency technologies"	Russian Federation	100	100	Energy services, energy audit, project work
Infrastructure investments-3 LLC	Russian Federation	100	-	Financial lease

Note 6. Acquisition and disposal of subsidiaries, ownership interests

On November 25, 2022, the Group signed a purchase and sale agreement for a company whose main activity is financial leasing. The Group gained control of the company as a result of the acquisition of a 100% stake in the authorized capital from the parent parent company for 311,000 thousand rubles. For the purposes of preparing consolidated financial statements, the merger of companies controlled by the same shareholder who controls the Group is reflected in accordance with the requirements of IFRS 3 "Business Combination". In accordance with this method, the merger of companies is accounted for on the date of establishing general control over the acquired company, respectively, the results of operations, assets and liabilities of the acquired company are consolidated by the Group from December 02, 2022. The assets and liabilities of the acquired company are included in the statement of financial position at the carrying amount at which they were recorded as at the acquisition date in the separate financial statements of the acquired company in the amount of 396,165 thousand. rub. The Group gained control of the company as a result of the acquisition of a 100% stake in the authorized capital for RUB 311,000 thousand. The amount of remuneration paid in a business combination transaction between companies under common control is accounted for directly as part of the parent company's equity.

The cash flow from the acquisition of the company is shown in the following table:

Cash received upon acquisition of a subsidiary	1,295,995
Remuneration paid	(311,000)
Net cash	**984, 995**

Note 7. Information about segments

The Management Board of the Company is the Group's Chief Operating Decision-Maker.

The Group's primary activity is the provision of services for electricity transmission and distribution, technological connection to electricity grids in some regions of the Russian Federation. 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.

Note 7. Information about segments (continued)

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. For the purpose of presenting a reconciliation of EBITDA to consolidated profit for the previous period, in comparative information, the net accrual of an impairment loss on property, plant and equipment and right-of-use assets has been transferred from the adjustments section to the second section.

In accordance with IFRS 8, the following reporting segments were identified based on segment revenue, profit before tax and total assets reported to the Management Board:

- Electricity Distribution Segments – Ivenergo Kalugaenergo Kirovenergo Marienergo Nizhnovenergo Ryazanenergo Tulenergo Udmurtenergo Vladimirenergo – branches of Rosseti Centre and Volga region, PJSC on a territorial basis;
- Other Segments – other Group’s companies.

Unallocated items comprise corporate balances of the Company’s headquarters which do not constitute an operating segment under IFRS 8 requirements. Segment items are based on financial information reported in statutory accounts and can differ significantly from those used in the consolidated financial statements prepared under IFRSs. The reconciliation of items measured as reported to Management Board with similar items in these consolidated Financial Statements includes those reclassifications and adjustments that are necessary for the financial statements to be presented in accordance with IFRS.

(in thousands of Russian rubles, unless otherwise stated)

Note 7. Information about segments (continued)

(a) Information about reportable segments

As at and for the year ended 31 December 2022:

	Electricity transmission										
	Nizhnov-energo	**Vladimir-energo**	**Tul-energo**	**Kaluga-energo**	**Kirov-energo**	**Udmurt-energo**	**Mari-energo**	**Iv-energo**	**Ryazan-energo**	**Other**	**Total**
Revenue from external customers	29,737,173	13,375,859	14,565,181	13,088,208	10,234,805	10,940,513	4,196,525	6,425,461	10,664,179	783,090	114,010,994
Inter-segment,revenue	18,300	-	-	-	3,837	1,654	4,516	-	-	1,390,838	1,419,145
Segment revenue	**29,755,473**	**13,375,859**	**14,565,181**	**13,088,208**	**10,238,642**	**10,942,167**	**4,201,041**	**6,425,461**	**10,664,179**	**2,173,928**	**115,430,139**
Including											
Electricity transmission	*28,751,641*	*12,631,403*	*14,001,266*	*12,354,100*	*9,982,082*	*10,049,022*	*3,850,429*	*6,239,757*	*10,162,244*	*44,520*	***108,066,464***
Technological connection services	*651,491*	*280,916*	*204,946*	*320,617*	*59,216*	*571,057*	*232,391*	*50,643*	*235,104*	*128*	***2,606,509***
Other revenue	*318,839*	*447,882*	*327,504*	*407,862*	*172,856*	*297,259*	*107,270*	*126,313*	*254,643*	*2,048,063*	***4,508,491***
Revenue under lease agreements	*33,502*	*15,658*	*31,465*	*5,629*	*24,488*	*24,829*	*10,951*	*8,748*	*12,188*	*81,217*	***248,675***
Finance income	3	-	18,507	-	-	-	-	98,580	-	6,836	**123,926**
Finance costs	(1,102,023)	(229,480)	(431,065)	(267,590)	(28,925)	(342,501)	(46,741)	(270,084)	(85,694)	(17,920)	**(2,822,023)**
Depreciation and amortisation	2,832,095	1,182,183	1,806,150	2,098,307	889,495	998,663	214,851	268,154	1,120,140	66,917	**11,476,955**
EBITDA	7,120,578	3,192,494	4,171,480	4,426,953	2,011,442	2,480,615	516,744	1,128,344	3,017,792	(39,288)	**28,027,154**
Segment assets	57,143,395	13,880,593	23,086,147	20,677,015	8,965,445	11,386,477	2,842,407	4,715,121	12,103,290	3,289,084	**158,088,974**
Including property, plant and equipment and construction in progress	34,221,458	12,166,694	16,471,458	18,844,411	7,160,817	9,630,855	2,199,667	2,527,374	11,108,089	1,111,476	**115,442,299**
Capital expenditure	4,924,865	2,044,714	2,791,740	2,374,555	1,149,386	1,160,436	231,729	293,901	1,311,531	386,173	**16,669,030**
Segment liabilities	28,491,786	5,866,715	8,061,122	6,249,628	2,480,445	5,518,947	1,273,521	4,252,972	3,122,984	2,629,941	**67,948,061**

(in thousands of Russian rubles, unless otherwise stated)

Note 7. Information about segments (continued)

(a) Information about reportable segments (continued)

As at and for the year ended 31 December 2021:

	Nizhnov-energo	Vladimir-energo	Tul-energo	Kaluga-energo	Kirov-energo	Udmurt-energo	Mari-energo	Iv-energo	Ryazan-energo	Other	Total
Revenue from external customers	29,094,257	12,101,603	13,324,284	12,457,223	9,724,095	9,838,710	3,870,194	6,072,074	9,882,469	321,861	106,686,770
Inter-segment,revenue	19,776	-	-	-	3,744	2	4,560	-	-	1,454,806	1,482,888
Segment revenue	**29,114,033**	**12,101,603**	**13,324,284**	**12,457,223**	**9,727,839**	**9,838,712**	**3,874,754**	**6,072,074**	**9,882,469**	**1,776,667**	**108,169,658**
Including											
Electricity transmission	*27,666,155*	*11,830,010*	*12,977,649*	*11,934,964*	*9,551,927*	*9,219,420*	*3,763,138*	*5,939,942*	*9,605,098*	*48,597*	***102,536,900***
Technological connection services	*670,837*	*115,706*	*151,856*	*165,799*	*43,063*	*320,252*	*15,733*	*13,267*	*125,643*	*38*	***1,622,194***
Other revenue	*773,388*	*155,884*	*188,400*	*355,751*	*127,558*	*288,169*	*89,005*	*111,950*	*147,633*	*1,654,384*	***3,892,122***
Revenue under lease agreements	*3,653*	*3*	*6,379*	*709*	*5,291*	*10,871*	*6,878*	*6,915*	*4,095*	*73,648*	***118,442***
Finance income	-	-	-	-	-	-	-	57,775	-	2,101	**59,876**
Finance costs	(760,405)	(91,249)	(232,218)	(136,951)	(26,532)	(193,437)	(35,079)	(115,926)	(33,029)	(1,580)	**(1,626,406)**
Depreciation and amortisation	2,181,763	1,046,012	1,602,294	1,600,990	723,677	893,367	187,317	294,050	947,681	59,585	**9,536,736**
EBITDA	**8,171,699**	**2,343,601**	**3,617,884**	**3,856,506**	**1,755,183**	**2,027,383**	**352,434**	**643,960**	**2,470,689**	**85,300**	**25,324,639**
Segment assets	47,567,551	11,343,895	20,391,874	18,694,886	8,077,663	10,063,959	2,589,078	4,834,921	11,456,913	745,462	**135,766,202**
Including property, plant and equipment and construction in progress	28,377,638	9,914,792	14,363,815	17,222,199	6,442,904	8,536,984	1,983,426	2,660,368	10,630,189	337,834	**100,470,149**
Capital expenditure	4,884,603	1,754,520	2,456,561	3,496,239	1,087,893	1,432,107	328,612	283,332	2,846,464	89,863	**18,660,194**
Segment liabilities	**20,394,226**	**4,502,773**	**5,694,705**	**5,261,122**	**1,454,923**	**4,678,114**	**1,229,160**	**3,630,789**	**3,450,087**	**296,288**	**50,592,187**

(in thousands of Russian rubles, unless otherwise stated)

Note 7. 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 2022	Year ended 31 December 2021
Segment revenues	**115,430,139**	**108,169,658**
Intersegment revenue elimination	(1,419,145)	(1,482,888)
Unallocated revenues	–	–
Revenues per consolidated statement of profit or loss and other comprehensive income	**114,010,994**	**106,686,770**

The reconciliation of reportable segment EBITDA:

	Year ended 31 December 2022	Year ended 31 December 2021
EBITDA of reportable segments	**28,027,154**	**25,324,639**
Adjustment for disposal of property, plant and equipment	(54,762)	2,474
Adjustments for lease	(214,443)	898,230
Recognition of pension and other long-term liabilities to employees	(115,246)	(145,529)
Adjustment on assets related to employee benefits	(4,503)	56,493
Adjustment for intangible assets	3,828	3,888
Discounting of receivables	76,351	(1,650,350)
Other adjustments	(188,963)	141,665
Unallocated items	341,792	(162,490)
EBITDA	**27,871,208**	**24,469,020**
Depreciation of property, plant and equipment and right-of-use-assets and amortization of intangible assets	(10,668,765)	(9,554,617)
Interest expenses on financial liabilities at amortised cost	(2,316,915)	(1,626,406)
Interest expenses on lease liabilities	(507,392)	(364,107)
Income tax expense	(3,333,128)	(2,971,596)
Profit for the year per consolidated statement of profit or loss and other comprehensive income	**11,045,008**	**9,952,294**

(in thousands of Russian rubles, unless otherwise stated)

Note 7. Information about segments (continued)

(b) Reconciliations of reportable segment revenues, EBITDA and assets and liabilities (continued)

The reconciliation of reportable segment total assets is presented below:

	Year ended 31 December 2022	Year ended 31 December 2021
Total segment assets	**158,088,974**	**135,766,202**
Intersegment balances	(1,213,334)	(144,921)
Intragroup financial assets	(535,852)	(224,852)
Adjustment for value of property, plant and equipment	(10,431,214)	(8,754,765)
Discounting of accounts receivables	(3,296,262)	(3,372,613)
Recognition of right-of-use assets	(501,453)	5,565,786
Recognition of assets related to employee benefits	632,379	627,876
Deferred tax assets adjustment	(2,823,494)	(2,175,238)
Prepaid expenses write-off	(31,803)	(59,561)
Other adjustments	43,985	9,659
Unallocated items	11,834,376	3,244,881
Total assets per consolidated statement of financial position	**151,766,302**	**130,482,454**

The reconciliation of reportable segment total liabilities is presented below:

	Year ended 31 December 2022	Year ended 31 December 2021
Total segment liabilities	**67,948,061**	**50,592,187**
Intersegment balances	(1,213,334)	(144,921)
Adjustment for deferred tax liabilities	(6,033,558)	(4,799,332)
Recognition of pension and other long-term liabilities to employees	2,026,582	2,003,187
Recognition of lease liabilities	(120,975)	5,499,525
Discounting	(2,025)	(12,217)
Other adjustments	15,255	(26,880)
Unallocated items	15,832,912	8,761,977
Total liabilities per consolidated statement of financial position	**78,452,918**	**61,873,526**

(c) Major customer

The Group operates in the Russian Federation and does not have revenues from foreign customers or non-current assets located in foreign countries.

For the year ended 31 December 2022 and 31 December 2021, the Group had three customers with individual turnover over 10% of the total Group's revenue. Revenue from these customers is recognized in the financial statements of the operating Segments Ivenergo, Nizhnovenergo, Kirovenergo, Kalugaenergo, Udmurtenergo.

The total revenue received from Customer 1 of the operating Segment Nizhnovenergo for 2022 was RUB 20,049,085 thousand or 17,6% of the Group's total revenue (2021: RUB 19,374,981 thousand or 18.2%). The total revenue received from Customer 2 of the operating Segments Vladimirenergo, Ivenergo, Kirovenergo and Udmurtenergo for 2022 was RUB 16,713,878 thousand or 14.7% of the Group's total revenue (2021: RUB 15,657,192 thousand or 14.7%).

(in thousands of Russian rubles, unless otherwise stated)

Note 7. Information about segments (continued)

(c) Major customer (continued)

The total revenue received from Customer 3 of the operating Segment Kalugaenergo for 2022 was RUB 10,672,964 thousand or 9.4% of the Group's total revenues (for 2021: RUB 10,569,592 thousand or 9.9%).

Note 8. Revenue

	Year ended 31 December 2022	Year ended 31 December 2021
Electricity transmission	108,021,944	102,488,303
Technological connection services	2,606,509	1,622,194
Other revenue	3,213,624	2,536,676
Revenue under agreements with customers	**113,842,077**	**106,647,173**
Revenue under lease agreements	168,917	39,597
	114,010,994	**106,686,770**

Other revenue includes mainly revenue from repair and maintenance services, reconstruction of power grid facilities in the interests of customers, and maintenance of technological connection, revenue from energy services.

Note 9. Other income

	Year ended 31 December 2022	Year ended 31 December 2021
Income in the form of fines and penalties on commercial contracts	771,566	1,479,557
Gain from property, plant and equipment and inventories received free of charge	228,252	102,525
Insurance indemnity	71,182	49,022
Income from disposal (sale) of property, plant and equipment	2,342	47,804
Income from identified non-contracted electricity consumption	35,185	33,892
Accounts payable written-off	19,567	53,708
Other income	27,194	127,315
	1,155,288	**1,893,823**

(in thousands of Russian rubles, unless otherwise stated)

Note 10. Other expenses

	Year ended 31 December 2022	Year ended 31 December 2021
Loss on disposal (sale) of property, plant and equipment	119,862	69,788
	119,862	**69,788**

Note 11. Operating expenses

	Year ended 31 December 2022	Year ended 31 December 2021
Personnel costs (Note 12)	20,110,017	19,059,709
Depreciation of property, plant and equipment and amortization of right-of-use-assets and intangible assets (Note 15, 16, 17)	10,668,765	9,554,617
Material expenses, including:		
Electricity for compensation of losses	12,464,853	11,991,622
Purchased electricity and heat power for own needs	522,930	500,458
Other material costs	4,053,221	3,354,362
Production work and services, including:		
Electricity transmission services	35,624,742	36,172,540
Repair and maintenance services	1,589,928	1,579,682
Other works and industrial services	3,082,981	2,580,880
Taxes and levies other than income tax	1,941,810	1,804,221
Rent	43,124	61,936
Insurance	131,509	136,665
Other third-party services, including:		
Communication services	294,397	285,421
Security services	209,128	202,870
Consulting, legal and audit services	91,592	21,393
Software costs and servicing	163,661	186,996
Property maintenance services	256,428	247,261
Transportation services	92,669	82,529
Other services	401,752	528,910
Provisions (Note 32)	4,077,656	1,584,162
Other expenses	2,583,722	1,960,233
	98,404,885	**91,896,467**

The Group recognizes expenses on energy service contracts as a part of operating expenses of the period as a part of the item of other production work and services.

Within the framework of the energy service agreement, 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.

For the year ended 31 December 2022, expenses under energy service contracts in the amount of RUB 2,032,616 thousand were recorded as part of other production works and services (for the year ended 31 December 2021 in the amount of RUB 1,717,350 thousand).

(in thousands of Russian rubles, unless otherwise stated)

Note 12. Personnel costs

	Year ended 31 December 2022	Year ended 31 December 2021
Wages and salaries	15,320,138	14,535,407
Social security contributions	4,570,899	4,312,939
Expenses related to defined benefit plan	88,167	103,437
Expenses related to other long-term employee benefits	8,231	17,761
Other	122,582	90,165
	20,110,017	**19,059,709**

During the year ended 31 December 2022, the amount of contributions to the defined contribution program was RUB 34,398 thousand (31 December 2021: RUB 36,325 thousand). The amounts of remuneration paid to key management personnel are disclosed in Note 36 “Related party transactions”.

Note 13. Finance income and costs

Recognized in profit or loss	Year ended 31 December 2022	Year ended 31 December 2021
Finance income		
Interest income on loans issued, bank deposits and bank account balances	720,892	170,071
Interest income on assets related to employee benefits plans	15,131	24,407
Depreciation of discount of financial assets	24,988	31,863
Other finance income	6,938	2,089
	767,949	**228,430**
Finance costs		
Interest expenses on financial liabilities measured at amortized cost	(2,316,915)	(1,626,406)
Effect of discounting long-term receivables	51,363	(1,682,213)
Interest expenses on long-term defined benefit liabilities	(157,387)	(120,656)
Interest expenses on lease liabilities	(507,392)	(364,107)
Other finance costs	(10,740)	(10,494)
	(2,941,071)	**(3,803,876)**

Note 14. Income tax

	Year ended 31 December 2022	Year ended 31 December 2021
Current income tax		
Accrual of current tax	(3,741,466)	(3,367,156)
Adjustment for previous periods tax	86,967	220,431
Total	**(3,654,499)**	**(3,146,725)**
Deferred income tax (Note 19)	321,371	175,129
Income tax expense	**(3,333,128)**	**(2,971,596)**

(in thousands of Russian rubles, unless otherwise stated)

Note 14. Income tax (continued)

In 2022, the Group recalculated income tax to recover RUB 86,967 thousand, mainly in connection with settlement of disputes on revenue from electricity transmission and expenses on purchased electricity to compensate for losses (in 2021 the Group recalculated income tax to recover RUB 220,431 thousand in connection with settlement of disputes on revenue from electricity transmission and expenses for purchased electricity to compensate for losses under court decisions).

Income tax recognized in other comprehensive income.

	Year ended 31 December 2022			Year ended 31 December 2021		
	Before tax	**Income tax**	**Net of tax**	**Before tax**	**Income tax**	**Net of tax**
Financial assets measured at fair value through other comprehensive income	(8,232)	1,646	(6,586)	(5,544)	1,109	(4,435)
Remeasurements of the defined benefit liability	100,857	(20,171)	80,686	201,457	(40,291)	161,166
	92,625	**(18,525)**	**74,100**	**195,913**	**(39,182)**	**156,731**

As at 31 December 2022 and 31 December 2021, deferred income tax assets and liabilities are calculated at a rate of 20 percent, which is expected to be applicable on disposal of the related assets and liabilities.

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

	Year ended 31 December 2022	**%**	**Year ended 31 December 2021**	**%**
Profit before income tax	**14,379,836**	**–**	**12,923,890**	**–**
Income tax calculated at the applicable tax rate	**(2,875,967)**	**(20)**	**(2,584,778)**	**(20)**
Tax effect of items not deductible/not taxable for taxation purposes	(544,128)	(4)	(607,249)	(5)
Adjustments for prior years	86,967	1	220,431	1
	(3,333,128)	**(23)**	**(2,971,596)**	**(24)**

(in thousands of Russian rubles, unless otherwise stated)

Note 15. Property, plant and equipment

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other PPE	Construction in progress	Total
Cost/deemed cost						
At 1 January 2021	**10,830,396**	**75,367,955**	**43,951,141**	**24,522,336**	**4,603,302**	**159,275,130**
Reclassification between groups	(81,560)	(4,990)	203,576	(117,026)	–	**–**
Additions	34,591	113,785	80,964	873,394	17,621,108	**18,723,842**
Transfer	1,058,633	6,532,823	4,376,134	4,556,015	(16,523,605)	**–**
Disposals	(57,842)	(31,324)	(24,569)	(190,298)	(95,433)	**(399,466)**
At 31 December 2021	**11,784,218**	**81,978,249**	**48,587,246**	**29,644,421**	**5,605,372**	**177,599,506**
Accumulated depreciation and impairment						
At 1 January 2021	**(4,109,234)**	**(37,457,648)**	**(21,440,674)**	**(14,000,378)**	**(5,210)**	**(77,013,144)**
Reclassification between groups	85,907	4,523	(117,656)	27,226	–	**–**
Transfer to property, plant and equipment (transfer of impairment losses)	**–**	(136)	(490)	**–**	626	**–**
Depreciation charge	(376,748)	(4,171,230)	(2,302,813)	(2,154,903)	–	**(9,005,694)**
Disposals	16,288	13,361	17,976	186,267	–	**233,892**
At 31 December 2021	**(4,383,787)**	**(41,611,130)**	**(23,843,657)**	**(15,941,788)**	**(4,584)**	**(85,784,946)**
Net book value						
At 1 January 2021	**6,721,162**	**37,910,307**	**22,510,467**	**10,521,958**	**4,598,092**	**82,261,986**
At 31 December 2021	**7,400,431**	**40,367,119**	**24,743,589**	**13,702,633**	**5,600,788**	**91,814,560**

(in thousands of Russian rubles, unless otherwise stated)

Note 15. Property, plant and equipment (continued)

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other PPE	Construction in progress	Total
Cost/deemed cost						
At 1 January 2022	**11,784,218**	**81,978,249**	**48,587,246**	**29,644,421**	**5,605,372**	**177,599,506**
Reclassification between groups	(100,205)	98,732	196,883	(195,410)	-	**-**
Additions	19,773	209,887	123,990	1,832,537	14,983,979	**17,170,166**
Acquisition of subsidiaries				460,110	-	**460,110**
Transfer	1,324,573	7,546,085	3,549,194	2,696,643	(15,116,495)	**-**
Disposals	(3,992)	(19,485)	(41,132)	(242,921)	(175,079)	**(482,609)**
At 31 December 2022	**13,024,367**	**89,813,468**	**52,416,181**	**34,195,380**	**5,297,777**	**194,747,173**
Accumulated depreciation and impairment						
At 1 January 2022	**(4,383,787)**	**(41,611,130)**	**(23,843,657)**	**(15,941,788)**	**(4,584)**	**(85,784,946)**
Reclassification between groups	39,434	(34,644)	(153,886)	149,096	-	**-**
Transfer to property, plant and equipment (transfer of impairment losses)		(32)	-	-	32	**-**
Depreciation charge	(402,564)	(4,359,638)	(2,491,675)	(2,801,549)		**(10,055,426)**
Disposals	2,919	13,817	27,219	239,999	-	**283,953**
At 31 December 2022	**(4,743,999)**	**(45,991,627)**	**(26,461,999)**	**(18,354,242)**	**(4,552)**	**(95,556,419)**
Net book value						
At 1 January 2022	**7,400,431**	**40,367,119**	**24,743,589**	**13,702,633**	**5,600,788**	**91,814,560**
At 31 December 2022	**8,280,368**	**43,821,841**	**25,954,182**	**15,841,138**	**5,293,225**	**99,190,754**

Note 15. Property, plant and equipment (continued)

As at 31 December 2022, construction in progress includes advance payments for purchase of property, plant and equipment of RUB 62,783 thousand (as at 31 December 2021: RUB 244,115 thousand), and materials for the fixed assets construction of RUB 1,412,591 thousand (as at 31 December 2021: RUB 1,053,074 thousand).

For the year ended 31 December 2022, capitalized interest amount is RUB 119,443 thousand (for the year ended 31 December 2021: RUB 79,203 thousand), the capitalization rate used to determine the amount of borrowing costs to be capitalized was 9.12% during the year (for the year ended 31 December 2021: 6.6%).

Depreciation charges were capitalized in the value of capital construction in the amount of RUB 2 thousand for the year ended 31 December 2022 (for the year ended 31 December 2021, in the amount of RUB 46 thousand).

As at 31 December 2022, the initial cost of fully amortized property, plant and equipment was RUB 27,040,971 thousand (as at 31 December 2021: RUB 23,023,364 thousand).

As at 31 December 2022 and 31 December 2021, there is no property, plant and equipment pledged as collateral for loans and borrowings.

(a) Impairment of property, plant and equipment

As the indicators of impairment were revealed, the Group performed an impairment test of the non-current assets as at 31 December 2022.

The majority of the Group's property, plant and equipment is specialized in nature and is rarely sold on the open market other than as part of a continuing business. The market for similar property, plant and equipment is not active in the Russian Federation and does not provide a sufficient number of sales transactions for use of a market-based approach for determination of the fair value. Therefore, the values in use for property, plant and equipment as at 31 December 2022 were determined using projected cash flows method. This method considers the future net cash flows expected to be generated through the usage of property, plant and equipment in the process of operating activities up to its ultimate disposal to determine the recoverable amount of the assets of the Group. Each cash-generating unit (CGU) is determined by the Group based on the geographical location of the Company's branches, which is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets of the Group.

The following key assumptions were used in assessing the recoverable amount of the cash-generating units:

Forecast cash flows were determined for the period of 2023-2027 (for the cash-generating units Vladimirenergo branch, Ivenergo branch, Kalugaenergo branch, Kirovenergo branch, Marienergo branch, Nizhnovenergo branch, Ryazanenergo branch, Tulenergo branch, Udmurtenergo branch) based on the best estimate of the management of electricity transmission volumes, operating and capital costs, as well as tariffs, established by regulatory authorities for 2023.

The source for the forecast of electricity transmission tariffs for the forecast period of 2023-2027 is the indicators of business plans, which are based on tariff models formed taking into account the average annual growth of the tariff for electricity transmission services in accordance with the medium-term forecast of the socio-economic development of the Russian Federation until 2025 (base case) dated 28 September 2022.

(in thousands of Russian rubles, unless otherwise stated)

Note 15. Property, plant and equipment (continued)

(a) Impairment of property, plant and equipment (continued)

The projected volumes of electricity transmission were for all cash-generating units were determined on the basis of annual business plans for 2023-2027. Projected cash flows were discounted to their present value using a nominal weighted average cost of capital at the rate of 10.20%.

Table 1. Dynamics of the nominal weighted average cost of capital

Name	Impairment test as at 31 December 2021	Impairment test as at 31 December 2022
The discount rate WACC nominal ruble, %	10.55%	10.20%

The growth rate of net cash flows in the post-forecast period was 4.00% in accordance with the average inflation rate for 2028-2030.

Table 2. Long-term growth dynamics

Name	Impairment test as at 31 December 2021	Impairment test as at 31 December 2022
Long-term growth rate, %	4.0%	4.0%

Based on the results of testing, no impairment of property, plant and equipment was identified as at 31 December 2022.

Quantitative information about significant unobservable input data used in assessing the value in use as of 31 December 2022 (Vladimirenergo branch, Ivenergo branch, Kalugaenergo branch, Kirovenergo branch, Marienergo branch, Nizhnovenergo branch, Ryazanenergo branch, Tulenergo branch, Udmurtenergo branch) is disclosed below:

Table 3. Quantitative information on significant unobservable baseline data as at 31 December 2022

	2023	2024	2025	2026	2027
Growth rate of revenue from electricity transmission to the previous year	8.91%	2.88%	5.62%	4.01%	2.83%
Boiler productive supply, million kWh	49,265	49,364	49,463	49,562	49,661
Inflation forecast of the Ministry of Economic Development, %	5.51%	4.03%	4.03%	3.98%	3.97%
Capital expenditures	22,120,839	19,872,331	19,330,702	20,065,917	20,880,936

(in thousands of Russian rubles, unless otherwise stated)

Note 15. Property, plant and equipment (continued)

(a) Impairment of property, plant and equipment (continued)

Table 4. The sensitivity of the value of the use of fixed assets of the generating unit branch «Vladimirenergo»

Name	Increase, %	Decrease, %
Change the discount rate by 1%	- 14.43	20.00
Change of required gross revenue to the base value in each period by 3%	15.21	- 15.21
Change in net cash flow growth rate in the post-forecast period by 1%	15.47	- 11.17
Change in the level of operating expenses by 5%	- 20.19	20.19
Change in the level of investment (capital investment) by 10%	- 2.67	2.67
Change in net supply in each period by 0.5%	2.54	- 2.54

Table 5. The sensitivity of the value of the use of fixed assets of the generating unit branch «Ivenergo»

Name	Increase, %	Decrease, %
Change the discount rate by 1%	- 12.20	16.72
Change of required gross revenue to the base value in each period by 3%	75.81	- 75.81
Change in net cash flow growth rate in the post-forecast period by 1%	12.49	- 9.02
Change in the level of operating expenses by 5%	- 123.07	118.43
Change in the level of investment (capital investment) by 10%	- 7.87	7.87
Change in net supply in each period by 0.5%	12.63	- 12.63

Table 6. The sensitivity of the value of the use of fixed assets of the generating unit branch «Kalugaenergo»

Name	Increase, %	Decrease, %
Change the discount rate by 1%	- 14.19	19.64
Change of required gross revenue to the base value in each period by 3%	11.79	- 11.79
Change in net cash flow growth rate in the post-forecast period by 1%	15.12	- 10.92
Change in the level of operating expenses by 5%	- 14.73	14.73
Change in the level of investment (capital investment) by 10%	- 1.97	1.97
Change in net supply in each period by 0.5%	1.96	- 1.96

Table 7. The sensitivity of the value of the use of fixed assets of the generating unit branch «Kirovenergo»

Name	Increase, %	Decrease, %
Change the discount rate by 1%	- 14.10	19.54
Change of required gross revenue to the base value in each period by 3%	21.35	- 21.35
Change in net cash flow growth rate in the post-forecast period by 1%	15.12	- 10.92
Change in the level of operating expenses by 5%	- 29.96	29.96
Change in the level of investment (capital investment) by 10%	- 2.99	2.99
Change in net supply in each period by 0.5%	3.56	- 3.56

(in thousands of Russian rubles, unless otherwise stated)

Note 15. Property, plant and equipment (continued)

(a) Impairment of property, plant and equipment (continued)

Table 8. The sensitivity of the value of the use of fixed assets of the generating unit branch «Marienergo»

Name	Increase, %	Decrease, %
Change the discount rate by 1%	- 12.91	17.83
Change of required gross revenue to the base value in each period by 3%	18.60	- 18.60
Change in net cash flow growth rate in the post-forecast period by 1%	13.65	- 9.85
Change in the level of operating expenses by 5%	- 26.51	26.51
Change in the level of investment (capital investment) by 10%	- 0.83	0.83
Change in net supply in each period by 0.5%	3.10	- 3.10

Table 9. The sensitivity of the value of the use of fixed assets of the generating unit branch «Nizhnovenergo»

Name	Increase, %	Decrease, %
Change the discount rate by 1%	- 15.71	21.72
Change of required gross revenue to the base value in each period by 3%	15.03	- 15.03
Change in net cash flow growth rate in the post-forecast period by 1%	16.68	- 12.05
Change in the level of operating expenses by 5%	- 19.07	19.07
Change in the level of investment (capital investment) by 10%	- 1.81	1.81
Change in net supply in each period by 0.5%	2.50	- 2.50

Table 10. The sensitivity of the value of the use of fixed assets of the generating unit branch «Ryazanenergo»

Name	Increase, %	Decrease, %
Change the discount rate by 1%	- 13.22	18.25
Change of required gross revenue to the base value in each period by 3%	19.54	- 19.54
Change in net cash flow growth rate in the post-forecast period by 1%	13.94	- 10.06
Change in the level of operating expenses by 5%	- 27.70	27.70
Change in the level of investment (capital investment) by 10%	- 3.25	3.25
Change in net supply in each period by 0.5%	3.26	- 3.26

Table 11. The sensitivity of the value of the use of fixed assets of the generating unit branch «Tulenergo»

Name	Increase, %	Decrease, %
Change the discount rate by 1%	- 15.05	20.85
Change of required gross revenue to the base value in each period by 3%	13.35	- 13.35
Change in net cash flow growth rate in the post-forecast period by 1%	16.10	- 11.63
Change in the level of operating expenses by 5%	- 17.12	17.12
Change in the level of investment (capital investment) by 10%	- 2.24	2.24
Change in net supply in each period by 0.5%	2.23	- 2.23

(in thousands of Russian rubles, unless otherwise stated)

Note 15. Property, plant and equipment (continued)

(a) Impairment of property, plant and equipment (continued)

Table 12. The sensitivity of the value of the use of fixed assets of the generating unit branch «Udmurtenergo»

Name	Increase, %	Decrease, %
Change the discount rate by 1%	- 14.22	19.73
Change of required gross revenue to the base value in each period by 3%	22.53	- 22.53
Change in net cash flow growth rate in the post-forecast period by 1%	16.23	- 11.72
Change in the level of operating expenses by 5%	- 31.80	31.80
Change in the level of investment (capital investment) by 10%	- 3.28	3.28
Change in net supply in each period by 0.5%	3.76	- 3.76

Table 13. The sensitivity of the value of the use of fixed assets of Rosseti Centre and Volga region, PJSC (average for all branches)

Name	Increase, %	Decrease, %
Change the discount rate by 1%	- 14.00	19.37
Change of required gross revenue to the base value in each period by 3%	23.69	- 23.69
Change in net cash flow growth rate in the post-forecast period by 1%	14.98	- 10.82
Change in the level of operating expenses by 5%	- 34.46	33.95
Change in the level of investment (capital investment) by 10%	- 2.99	2.99
Change in net supply in each period by 0.5%	3.95	- 3.95

Sensitivity analysis of significant assumptions used in the impairment model for CGUs of Rosseti Centre and Volga region, PJSC as at 31 December 2022 is presented below:

- increase in the discount rate to 11.20%:

does not lead to an impairment loss on «Vladimirenergo» (the value of use in this case will be RUB 21,737,645 thousand);

results in an impairment loss on «Ivenergo» in the amount of RUB 184,496 thousand;

does not lead to an impairment loss on «Kalugaenergo» (the value of use in this case will be RUB 27,097,033 thousand);

does not lead to an impairment loss on «Kirovenergo» (the value of use in this case will be RUB 13,060,681 thousand);

does not lead to an impairment loss on «Marienergo» (the value of use in this case will be RUB 5,796,655 thousand);

does not lead to an impairment loss on «Nizhnovenergo» (the value of use in this case will be RUB 57,115,341 thousand);

does not lead to an impairment loss on «Ryazanenergo» (the value of use in this case will be RUB 14,422,382 thousand);

does not lead to an impairment loss on «Tulenergo» (the value of use in this case will be RUB 28,808,226 thousand);

does not lead to an impairment loss on «Udmurtenergo» (the value of use in this case will be RUB 13,379,142 thousand);

- decrease in required gross revenue to the base value in each period by 3%:

does not lead to an impairment loss on «Vladimirenergo» (the value of use in this case will be RUB 21,538,779 thousand);

results in an impairment loss on «Ivenergo» in the amount of RUB 1,781,462 thousand;

does not lead to an impairment loss on «Kalugaenergo» (the value of use in this case will be RUB 38,134,108 thousand);

Note 15. Property, plant and equipment (continued)

(a) Impairment of property, plant and equipment (continued)

does not lead to an impairment loss on «Kirovenergo» (the value of use in this case will be RUB 11,957,055 thousand);

does not lead to an impairment loss on «Marienergo» (the value of use in this case will be RUB 5,417,876 thousand);

does not lead to an impairment loss on «Nizhnovenergo» (the value of use in this case will be RUB 57,577,221 thousand);

does not lead to an impairment loss on «Ryazanenergo» (the value of use in this case will be RUB 13,372,667 thousand);

does not lead to an impairment loss on «Tulenergo» (the value of use in this case will be RUB 29,382,008 thousand);

does not lead to an impairment loss on «Udmurtenergo» (the value of use in this case will be RUB 12,082,532 thousand);

- increase in the level of operating expenses to the base value in each period by 5%:

does not lead to an impairment loss on «Vladimirenergo» (the value of use in this case will be RUB 20,275,030 thousand);

results in an impairment loss on «Ivenergo» in the amount of RUB 2,066,112 thousand;

does not lead to an impairment loss on «Kalugaenergo» (the value of use in this case will be RUB 36,863,132 thousand);

does not lead to an impairment loss on «Kirovenergo» (the value of use in this case will be RUB 10,649,187 thousand);

does not lead to an impairment loss on «Marienergo» (the value of use in this case will be RUB 4,891,345 thousand);

does not lead to an impairment loss on «Nizhnovenergo» (the value of use in this case will be RUB 54,836,464 thousand);

does not lead to an impairment loss on «Ryazanenergo» (the value of use in this case will be RUB 12,015,754 thousand);

does not lead to an impairment loss on «Tulenergo» (the value of use in this case will be RUB 28,103,164 thousand);

does not lead to an impairment loss on «Udmurtenergo» (the value of use in this case will be RUB 10,637,272 thousand);

- increase in the level of capital investments in the forecast and post-forecast period by 10%:

does not lead to an impairment loss on «Vladimirenergo» (the value of use in this case will be RUB 24,725,805 thousand);

results in an impairment loss on «Ivenergo» in the amount of RUB 75 998 thousand;

does not lead to an impairment loss on «Kalugaenergo» (the value of use in this case will be RUB 42,375,775 thousand);

does not lead to an impairment loss on «Kirovenergo» (the value of use in this case will be RUB 14,748,491 thousand);

does not lead to an impairment loss on «Marienergo» (the value of use in this case will be RUB 6,600,812 thousand);

does not lead to an impairment loss on «Nizhnovenergo» (the value of use in this case will be RUB 66,535,696 thousand);

does not lead to an impairment loss on «Ryazanenergo» (the value of use in this case will be RUB 16,078,855 thousand);

does not lead to an impairment loss on «Tulenergo» (the value of use in this case will be RUB 33,150,263 thousand);

does not lead to an impairment loss on «Udmurtenergo» (the value of use in this case will be RUB 15,084,773 thousand);

Note 15. Property, plant and equipment (continued)

(a) Impairment of property, plant and equipment (continued)

- decrease in the growth rate of net cash flow:

does not lead to an impairment loss on «Vladimirenergo» (the value of use in this case will be RUB 22,564,934 thousand);

results in an impairment loss on «Ivenergo» in the amount of RUB 104,727 thousand;

does not lead to an impairment loss on «Kalugaenergo» (the value of use in this case will be RUB 38,507,543 thousand);

does not lead to an impairment loss on «Kirovenergo» (the value of use in this case will be RUB 13,543,407 thousand);

does not lead to an impairment loss on «Marienergo» (the value of use in this case will be RUB 6,000,060 thousand);

does not lead to an impairment loss on «Nizhnovenergo» (the value of use in this case will be RUB 59,595,877 thousand);

does not lead to an impairment loss on «Ryazanenergo» (the value of use in this case will be RUB 14,946,953 thousand);

does not lead to an impairment loss on «Tulenergo» (the value of use in this case will be RUB 29,966,909 thousand);

does not lead to an impairment loss on «Udmurtenergo» (the value of use in this case will be RUB 13,769,006 thousand);

- decrease in the net supply in each period by 0.5%:

does not lead to an impairment loss on «Vladimirenergo» (the value of use in this case will be RUB 24,758,924 thousand);

results in an impairment loss on «Ivenergo» in the amount of RUB 195,524 thousand;

does not lead to an impairment loss on «Kalugaenergo» (the value of use in this case will be RUB 42,380,204 thousand);

does not lead to an impairment loss on «Kirovenergo» (the value of use in this case will be RUB 14,662,621 thousand);

does not lead to an impairment loss on «Marienergo» (the value of use in this case will be RUB 6,449,626 thousand);

does not lead to an impairment loss on «Nizhnovenergo» (the value of use in this case will be RUB 66,061,977 thousand);

does not lead to an impairment loss on «Ryazanenergo» (the value of use in this case will be RUB 16,078,496 thousand);

does not lead to an impairment loss on «Tulenergo» (the value of use in this case will be RUB 33,155,346 thousand);

does not lead to an impairment loss on «Udmurtenergo» (the value of use in this case will be RUB 15,011,123 thousand).

(in thousands of Russian rubles, unless otherwise stated)

Note 16. Intangible assets

	Software	Licenses and certificates	R&D	Other intangible assets	Total
Initial cost					
At 1 January 2021	**1,107,112**	**532,553**	**128,210**	**72,409**	**1,840,284**
Reclassification	3,818	–	(74,479)	70,661	–
Additions	107,762	4,798	61,334	86	**173,980**
Disposals	–	–	(12,644)	–	**(12,644)**
At 31 December 2021	**1,218,692**	**537,351**	**102,421**	**143,156**	**2,001,620**
Accumulated depreciation and impairment					
At 1 January 2021	**(695,770)**	**(178,627)**	**(7,644)**	**(42,792)**	**(924,833)**
Reclassification	(83,529)	(62,813)	–	(7,330)	**(153,672)**
Amortization charge	1,664	–	–	–	**1,664**
At 31 December 2021	**(777,635)**	**(241,440)**	**(7,644)**	**(50,122)**	**(1,076,841)**
Net book value					
At 1 January 2021	**411,342**	**353,926**	**120,566**	**29,617**	**915,451**
At 31 December 2021	**441,057**	**295,911**	**94,777**	**93,034**	**924,779**
Initial cost					
At 1 January 2022	**1,218,692**	**537,351**	**102,421**	**143,156**	**2,001,620**
Reclassification	–	–	(72,710)	72,710	–
Additions	69,043	34,429	69,810	1,330	**174,612**
Disposals	(24,751)	(333,390)	(10,464)	–	**(368,605)**
At 31 December 2022	**1,262,984**	**238,390**	**89,057**	**217,196**	**1,807,627**
Accumulated depreciation and impairment					
At 1 January 2022	**(777,635)**	**(241,440)**	**(7,644)**	**(50,122)**	**(1,076,841)**
Amortization charge	(82,974)	(50,144)	–	(9,565)	**(142,683)**
Disposals	10,189	153,940	–	–	**164,129**
At 31 December 2022	**(850,420)**	**(137,644)**	**(7,644)**	**(59,687)**	**(1,055,395)**
Net book value					
At 1 January 2022	**441,057**	**295,911**	**94,777**	**93,034**	**924,779**
At 31 December 2022	**412,564**	**100,746**	**81,413**	**157,509**	**752,232**

Amortization of intangible assets included in operating expenses in consolidated statement of profit or loss and other comprehensive income is RUB 142,683 thousand for the year ended 31 December 2022 (for the year ended 31 December 2021: RUB 153,672 thousand).

Capitalized borrowing costs for the year ended 31 December 2022 amounted to RUB 680 thousand (for the year ended 31 December 2021: RUB 341 thousand).

In 2022, the capitalization rate used to determine the amount of borrowing costs to be capitalized was 9.12% during the year (6.6% in 2021). Intangible assets are amortized on a straight-line basis. Research costs recognized as part of operating expenses for 2022 were RUB 63 thousand (there were no research costs for 2021).

(in thousands of Russian rubles, unless otherwise stated)

Note 17. Right-of-use assets

	Land plots and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
Initial cost					
At 1 January 2021	**1,027,245**	**780,470**	**1,046,922**	**5,048**	**2,859,685**
Additions	162,000	849,958	2,341,803	3,092	**3,356,853**
Change in lease terms	(38,596)	(2,740)	4,928	–	**(36,408)**
Disposal or termination of lease agreements	(26,438)	(8,918)	(527)	(1,142)	**(37,025)**
At 31 December 2021	**1,124,211**	**1,618,770**	**3,393,126**	**6,998**	**6,143,105**
Accumulated depreciation and impairment					
At 1 January 2021	**(62,196)**	**(155,441)**	**(16,798)**	**(1,774)**	**(236,209)**
Depreciation charge	(48,966)	(117,063)	(227,185)	(2,037)	(395,251)
Change in lease terms	36,314	2,565	261	–	39,140
Disposal or termination of lease agreements	5,406	8,353	100	1,142	15,001
At 31 December 2021	**(69,442)**	**(261,586)**	**(243,622)**	**(2,669)**	**(577,319)**
Net book value					
At 1 January 2021	**965,049**	**625,029**	**1,030,124**	**3,274**	**2,623,476**
At 31 December 2021	**1,054,769**	**1,357,184**	**3,149,504**	**4,329**	**5,565,786**
Initial cost					
At 1 January 2022	**1,124,211**	**1,618,770**	**3,393,126**	**6,998**	**6,143,105**
Additions	90,851	14,039	537,606	1,390	**643,886**
Change in lease terms	11,891	(105,393)	30,466	(582)	**(63,618)**
Disposal or termination of lease agreements	(27,788)	(8,645)	(2,127)	(676)	**(39,236)**
At 31 December 2022	**1,199,165**	**1,518,771**	**3,959,071**	**7,130**	**6,684,137**
Accumulated depreciation and impairment					
At 1 January 2022	**(69,442)**	**(261,586)**	**(243,622)**	**(2,669)**	**(577,319)**
Depreciation charge	(57,852)	(224,430)	(192,218)	(2,014)	**(476,514)**
Change in lease terms	37,349	15,181	19,385	687	**72,602**
Disposal or termination of lease agreements	2,327	4,864	2,136	290	**9,617**
At 31 December 2022	**(87,618)**	**(465,971)**	**(414,319)**	**(3,706)**	**(971,614)**
Net book value					
At 1 January 2022	**1,054,769**	**1,357,184**	**3,149,504**	**4,329**	**5,565,786**
At 31 December 2022	**1,111,547**	**1,052,800**	**3,544,752**	**3,424**	**5,712,523**

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. 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 2022 is disclosed in Note 14 “Property, plant and equipment”.

(in thousands of Russian rubles, unless otherwise stated)

Note 18. Other financial assets

	31 December 2022	31 December 2021
Non-current		
Financial assets measured at fair value through other comprehensive income		
investments in quoted equity instruments	*17,619*	*28,208*
investments in unquoted equity instruments	*1,533*	*1,775*
	19,152	**29,983**

Investments in quoted equity instruments include shares of Russian companies with a fair value based on published market quotations of RUB 17,619 thousand as at 31 December 2022 (as at 31 December 2021: RUB 28,208 thousand).

Note 19. Deferred tax assets and liabilities

(i) Recognized 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. Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Net	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Property, plant and equipment	3,647	987	(5,788,086)	(5,277,757)	(5,784,439)	(5,276,770)
Intangible assets	2,269	3,872	–	–	2,269	3,872
Right-of-use assets	–	–	(1,142,503)	(1,113,156)	(1,142,503)	(1,113,156)
Financial assets measured at fair value through other comprehensive income	–	–	(2,656)	(4,303)	(2,656)	(4,303)
Inventories	110	–	–	(1)	110	(1)
Trade and other receivables	1,188,885	1,298,771	–	–	1,188,885	1,298,771
Loans and borrowings			(405)	(2,443)	(405)	(2,443)
Lease liabilities	1,054,918	1,099,055	–	–	1,054,918	1,099,055
Provisions	1,718,145	1,076,168	(1,230)	–	1,716,915	1,076,168
Employee benefit liabilities	211,783	212,246	–	–	211,783	212,246

(in thousands of Russian rubles, unless otherwise stated)

Note 19. Deferred tax assets and liabilities (continued)

	Assets		Liabilities		Net	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Trade and other payables	515,958	454,817	–	–	515 958	454,817
Tax losses to be carried forward	199,503	16,417	–	–	199 503	16,417
Other	31,236	11,018	–	(77,333)	31 236	(66,315)
Tax assets/(liabilities)	**4,926,454**	**4,173,351**	**(6,934,880)**	**(6,474,993)**	**(2,008,426)**	**(2,301,642)**
Tax credit	**(4,926,454)**	**(4,173,351)**	**4,926,454**	**4,173,351**	–	–
Net tax assets/(liabilities)	–	–	**(2,008,426)**	**(2,301,642)**	**(2,008,426)**	**(2,301,642)**

(ii) Movement in temporary differences during the year

	1 January 2022	**Acquisition of subsidiaries**	**Recognized in profit and loss**	**Recognized in other comprehensive income**	**31 December 2022**
Property, plant and equipment	(5,276,770)	(25,363)	(482,306)		(5,784,439)
Intangible assets	3,872		(1,603)		2,269
Right-of-use assets	(1,113,156)		(29,347)		(1,142,503)
Financial assets measured at fair value through other comprehensive income	(4,302)			1,646	(2,656)
Inventories	(1)		111		110
Trade and other receivables	1,298,771		(109,886)		1,188,885
Loans and borrowings	(2,443)		2,038		(405)
Lease liabilities	1,099,055		(44,137)		1,054,918
Provisions	1,076,168		640,747		1,716,915
Employee benefits liabilities	212,246		19,708	(20,171)	211,783
Trade and other payables	454,817		61,141		515,958
Tax losses to be carried forward	16,417	14,099	168,987		199,503
Other	(66,316)	1,634	95,918		31,236
	(2,301,642)	**(9,630)**	**321,371**	**(18,525)**	**2,008,426**

(in thousands of Russian rubles, unless otherwise stated)

Note 19. Deferred tax assets and liabilities (continued)

(ii) Movement in temporary differences during the year (continued)

	1 January 2021	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2021
Property, plant and equipment	(4,920,457)	(356,313)	–	(5,276,770)
Intangible assets	6,050	(2,178)	–	3,872
Right-of-use assets	(464,838)	(648,318)	–	(1,113,156)
Financial assets measured at fair value through other comprehensive income	(5,411)	–	1,109	(4,302)
Inventories	(50)	49	–	(1)
Trade and other receivables	1,076,419	222,352	–	1,298,771
Loans and borrowings	(4,432)	1,989	–	(2,443)
Lease liabilities	540,325	558,730	–	1,099,055
Provisions	909,128	167,040	–	1,076,168
Employee benefits liabilities	223,082	29,455	(40,291)	212,246
Trade and other payables	264,202	190,615	–	454,817
Tax losses to be carried forward	–	16,417	–	16,417
Other	(61,607)	(4,709)	–	(66,316)
	(2,437,589)	**175,129**	**(39,182)**	**(2,301,642)**

Note 20. Inventories

	31 December 2022	31 December 2021
Raw materials and supplies	1,521,861	1,346,083
Other inventories	1,599,868	1,362,437
	3,121,729	**2,708,520**

As at 31 December 2022, the industry emergency reserve is RUB 242,141 thousand (as at 31 December 2021: RUB 208,326 thousand). As at 31 December 2022 and 31 December 2021, the Group did not pledge inventories as collateral under loan or other agreements. During the year ended 31 December 2022 RUB 4,053,221 thousand were recognized as expenses (during the year ended 31 December 2021 RUB 3,354,362 thousand) as operating expenses under “Other material expenses”.

Note 21. Trade and other receivables

	31 December 2022	31 December 2021
Non-current trade and other account receivables		
Trade receivables	10,305,041	11,226,168
Allowance for expected credit losses on trade receivables	-	(8,280)
Other receivables	3,378,639	23,185
Allowance for expected credit losses on other receivables	(24,143)	(8,607)
Loans issued	976,301	964,500
	14,635,838	**12,196,966**

(in thousands of Russian rubles, unless otherwise stated)

Note 21. Trade and other receivables

Current trade and other account receivables	**31 December 2022**	**31 December 2021**
Trade receivables	18,512,323	17,448,871
Allowance for expected credit losses on trade receivables	(4,618,071)	(4,726,994)
Other receivables	3,958,864	2,619,708
Allowance for expected credit losses on other receivables	(959,166)	(1,051,775)
Loans issued	227,787	123,275
	17,121,737	**14,413,085**

Non-current trade receivables include receivables for electricity transmission services in the total amount of RUB 12,831,980 thousand as at 31 December 2022 (as at 31 December 2021: RUB 14,436,451 thousand). The Group expects repayment of this debt, which relates mainly to two of the Group's largest debtors based on its own estimates and forecasts, up to 2028. When recognizing the long-term debt, the Group applied a discount rate in the range of 12.6% per annum.

The Group has carried out and will continue to carry out in the future interaction with the Debtors on the issue of timely execution of the developed plan for debt collection in favor of the Group.

In the event that the counterparty deviates from the schedule for the execution of the planned repayment in the future and changes the repayment parameters, including after going through corporate procedures for approving the Debtors' business plans, the Group will assess the impact of such events on the amount of the allowance for expected credit loss. The maximum amount of credit risk for the Group as at 31 December 2022 is assumed to be equal to the balance of unreserved overdue debt in the amount of RUB 10,367,819 thousand (the maximum amount of credit risk for the Group as at 31 December 2021 is assumed to be equal to the balance of unreserved overdue debt in the amount of RUB 13,550,875 thousand).

The amounts of receivables for electricity transmission services disputed by consumers, subject to negative court practice in the relevant disputes, are included in provisions for doubtful debts, and the amounts of unrecognized debts for purchased electricity for compensation of losses in such cases are included in the estimated liabilities.

At the same time, disputes over the obligations to pay for electricity to compensate for losses are often not considered in court and are settled by the parties after the dispute over revenue is resolved. As at 31 December 2022, the Group has disagreements with the counterparties for electricity transmission services in the amount of RUB 4,674,263 thousand (as at 31 December 2021 in the amount of RUB 5 882 339 thousand) of which, as of December 31, 2022, reserves in the amount of 1,091,596 thousand rubles were created for disagreements on useful leave (as of December 31, 2021 – 1,082,434 thousand rubles).

As at 31 December 2022, the Group recognizes assets under finance lease in the statement of financial position and presents them as receivables in an amount equal to a net investment in lease of RUB 716,288 thousand.

Information about balances with related parties is disclosed in Note 36. Information about the Group's exposure to credit and currency risk, as well as impairment losses on trade and other receivables is disclosed in Note 33.

(in thousands of Russian rubles, unless otherwise stated)

Note 22. Advances given and other assets

	31 December 2022	31 December 2021
Non-current assets		
Advances given	30	31
	30	**31**
Current assets		
Advances given	867,155	316,422
Advances given impairment allowance	(8,418)	(267)
VAT recoverable	90,721	133,786
VAT on advances received and VAT on advances given for purchase of property, plant and equipment	934,037	882,610
Prepaid taxes other than income tax and VAT	177,008	124,861
	2,060,503	**1,457,412**

Note 23. Cash and cash equivalents

	31 December 2022	31 December 2021
Cash at bank and in hand	1,649,228	381,135
Cash equivalents	6,634,000	10,000
Cash in transit	570	2
	8,283,798	**391,137**

Cash equivalents include short-term investments in bank deposits. Deposits are placed at the interest rate of 7.3% - 18.5% per annum. As at 31 December 2022 and 2021, all balances of cash and cash equivalents are denominated in RUB.

Note 24. Equity

(a) Equity

	Ordinary shares	
	31 December 2022	31 December 2021
Par value (in RUB)	0.10	0.10
On issue at 1 January units	112,697,817,043	112,697,817,043
On issue at the end of the period fully paid units	112,697,817,043	112,697,817,043

(b) Ordinary 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.

(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 thousands of Russian rubles, unless otherwise stated)

Note 24. Equity (continued)

At the extraordinary general meeting of shareholders held on 23 December 2022 dividends on ordinary shares of the Company for 9 months of 2022 were declared in the amount of RUB 3,397,839 thousand. Dividends per share: RUB 0.03015.
At the annual general meeting of shareholders held on 16 June 2022 dividends on ordinary shares of the Company for 2021 were declared in the amount of RUB 3,135,625 thousand. Dividends per share: RUB 0.0278233.
At the annual general meeting of shareholders held on 2 June 2021 dividends on ordinary shares of the Company for 2020 were declared in the amount of RUB 2,921,826 thousand. Dividends per share: RUB 0.0259262.

In 2022, the Company restored the amount of unclaimed dividends in the amount of RUB 33,647 thousand (in 2021 – RUB 33,847 thousand).

Note 25. Earnings per share

The calculation of earnings per share for the year ended 31 December 2022 and 31 December 2021 is based on the earnings attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding. The Company has no dilutive financial instruments.

	Year ended 31 December 2022	**Year ended 31 December 2021**
Weighted average number of ordinary shares outstanding, for the year ended 31 December (shares)	112,697,817,043	112,697,817,043
Earnings for the year attributable to holders of ordinary shares	11,045,008	9,952,294
Earnings per ordinary share (in RUB) – basic and diluted	**0.0980**	**0.0883**

Note 26. Loans and borrowings

	31 December 2022	**31 December 2021**
Non-current liabilities		
Unsecured loans and borrowings	19,053,796	13,898,152
Unsecured bond loans	8,033,895	13,051,523
Lease liabilities	5,274,587	5,499,525
Less: current portion of long-term lease liabilities	(1,043,076)	(825,043)
Less: current portion of long-term loans and borrowings	(10,353,260)	(3,512,365)
Less: current portion of long-term bond loans	(8,033,895)	(5,063,740)
	12,932,047	**23,048,052**
Current liabilities		
Current portion of long-term loans and borrowings	10,353,260	3,512,365
Current portion of long-term lease liabilities	1,043,076	825,043
Current portion of long-term bond loans	8,033,895	5,063,740
	19,430,231	**9,401,148**
	32,362,278	**32,449,200**
Including:		
Interests payable on bond loans	35,920	63,740
Interests payable on loans and borrowings	474	-

As at 31 December 2022 and 2021, all outstanding loans and borrowings are denominated in RUB.

(in thousands of Russian rubles, unless otherwise stated)

Note 26. Loans and borrowings (continued)

		Effective interest rate		Carrying amount	
	Year of maturity	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Unsecured loans and borrowings					
Unsecured loans and borrowings	2023 – 2025	8.30% - Key rate of CB RF* + 2.0%	8.20% - Key rate of CB RF*+ 1.4%	19,053,796	13,898,152
				19,053,796	**13,898,152**
Unsecured bond loans					
Unsecured bond loans	2023	5.65%	5.65% - 6.85%	8,033,895	13,051,523
				8,033,895	**13,051,523**
Lease liabilities	2023 – 2103	5.22% - 14.27%	5.22% - 10.08%	5,274,587	5,499,525
Total liabilities				**32,362,278**	**32,449,200**

* Key rate of the Central Bank of the Russian Federation.

The Group does not use hedging instruments to manage interest rate risk.

Information about the Group's exposure to interest rate risk is disclosed in Note 33.

Note 26. Loans and borrowings (continued)

In 2019-2020 the Group issued bond loans in the amount of 5,000,000 bonds and 8,000,000 bonds with a par value of RUB 5,000,000 thousand and RUB 8,000,000 thousand. The maturity of the bonds is ten years and three years. The bonds have a coupon yield of 6.85% per six coupon periods and 5.65% per annum per six coupon periods, respectively. For the bonded loan in the amount of RUB 5,000,000 thousand, an offer is provided for the purchase of bonds at the request of their owners on 2 December 2022. At initial recognition, the bonds were recognized at fair value less transaction costs directly related to the receipt, issue and placement of debt securities.

A bond loan in the amount of 5,000,000 bonds with a nominal value of RUB 5,000,000 thousand it was repaid ahead of schedule on the end date of the sixth coupon period – 29.11.2022.

(in thousands of Russian rubles, unless otherwise stated)

Note 27. Changes in liabilities arising from financing activities

	Loans and borrowings		Interest on financial liabilities		
	Long-term part	Short-term part	other than leases	Lease liabilities	Dividends payable
At 1 January 2022	**18,373,570**	**8,512,365**	**63,740**	**5,499,525**	**72,796**
Changes in cash flows from financial activities					
Proceeds from loans and borrowings	9,296,858	302,564	–	–	–
Repayment of loans and borrowings	(629,322)	(9,894,930)	–	–	–
Repayment of lease liabilities	–	–	–	(863,568)	–
Interests paid (operating cash flows, for reference)	–	–	(2,439,860)	(507,392)	–
Dividends paid	–	–	–	–	(2,869,457)
Total	**8,667,536**	**(9,592,366)**	**(2,439,860)**	**(1,370,960)**	**(2,869,457)**
Non-cash transactions					
Reclassification	(18,352,787)	18,352,787	–	–	–
Capitalized borrowing costs	–	–	120,123	–	–
Interest expenses	–	–	2,316,915	507,392	–
Additions from lease agreements	–	–	–	643,886	–
Dividends accrued	–	–	–	–	6,533,464
Discounting	12,217	(2,025)	–	–	–
Other changes, net	–	1,080,000	24,524	(5,256)	(33,646)
Total	**(18,340,570)**	**19,430,762**	**2,412,514**	**1,146,022**	**6,499,818**
At 31 December 2022	**8,700,536**	**18,350,761**	**36,394**	**5,274,587**	**3,703,157**

(in thousands of Russian rubles, unless otherwise stated)

Note 27. Changes in liabilities arising from financing activities (continued)

	Loans and borrowings		Interest on financial liabilities other than leases	Lease liabilities	Dividends payable
	Long-term part	Short-term part			
At 1 January 2021	**18,513,812**	**7,675,587**	**61,590**	**2,704,003**	**83,090**
Changes in cash flows from financial activities					
Proceeds from loans and borrowings	10,604,132	311,810	–	–	–
Repayment of loans and borrowings	(2,241,950)	(7,987,397)	–	–	–
Repayment of lease liabilities	–	–	–	(546,612)	–
Interests paid (operating cash flows, for reference)	–	–	(1,703,800)	(364,107)	–
Dividends paid	–	–	–	–	(2,898,273)
Total	**8,362,182**	**(7,675,587)**	**(1,703,800)**	**(910,719)**	**(2,898,273)**
Non-cash transactions					
Reclassification	(8,512,365)	8,512,365	–	–	–
Capitalized borrowing costs	–	–	79,544	–	–
Interest expenses	–	–	1,626,406	364,107	–
Additions from lease agreements	–	–	–	3,356,853	–
Dividends accrued	–	–	–	–	2,921,826
Discounting	9,941	–	–	–	–
Other changes, net	–	–	–	(14,719)	(33,847)
Total	**(8,502,424)**	**8,512,365**	**1,705,950**	**3,706,241**	**2,887,979**
At 31 December 2021	**18,373,570**	**8,512,365**	**63,740**	**5,499,525**	**72,796**

(in thousands of Russian rubles, unless otherwise stated)

Note 28. 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 2022	31 December 2021
Present net value of post-employment benefits obligation	1,816,074	1,794,698
Present net value of other long-term employee benefit obligation	210,508	208,489
Total present net value of obligation	**2,026,582**	**2,003,187**

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

	Year ended 31 December 2022	Year ended 31 December 2021
Value of assets at 1 January	**627,876**	**684,369**
Return on plan assets	15,131	24,407
Employer contributions	82,712	80,784
Other movements in the accounts	4,725	289
Payment of benefits	(98,065)	(161,973)
Value of assets at 31 December	**632,379**	**627,876**

Assets related to defined benefit pension programs are administered by non-state pension funds of JSC “NPF «OTKRITIE», NPF «Professional» (JSC), JSC «NPF Gazfond Pension savings». These assets are not assets of the pension plans of the defined benefit, because the available funds agreements the Group has the ability to use the contributions listed on pension programs from defined benefit to Fund their pension schemes defined contribution or transfer to another Fund on their own initiative.

(in thousands of Russian rubles, unless otherwise stated)

Note 28. Employee benefits (continued)

Movements in the present value of defined benefit liabilities:

	Year ended 31 December 2022		Year ended 31 December 2021	
	Post-employment benefits	Other long-term employee benefits	Post-employment benefits	Other long-term employee benefits
Defined benefit plan obligations as at 1 January	**1,794,698**	**208,489**	**1,958,384**	**213,717**
Current service cost	88,167	16,512	103,437	17,761
Interest expense on obligations	141,712	15,675	108,818	11,838
Remeasurement arising from:				
- (gain)/loss from change in financial actuarial assumptions	(125,453)	(6,825)	(343,403)	(22,610)
- (gain)/loss from experience adjustment	24,596	(1,455)	141,946	7,437
Contributions to the plan	(107,646)	(21,888)	(174,484)	(19,654)
Defined benefit plan obligations as at 31 December	**1,816,074**	**210,508**	**1,794,698**	**208,489**

Expenses recognized in profit or loss for the period:

	Year ended 31 December 2022	Year ended 31 December 2021
Employees service cost	104,679	121,198
Remeasurement of other long-term employee benefit obligation	(8,280)	(15,173)
Interest expenses	157,387	120,656
Total expenses recognized in profit or loss	**253,786**	**226,681**

Income/costs recognized in other comprehensive income for the period:

	Year ended 31 December 2022	Year ended 31 December 2021
Loss from change in financial actuarial assumptions	(125,453)	(343,403)
Gain from experience adjustment	24,596	141,946
Total loss recognized in other comprehensive income	**(100,857)**	**(201,457)**

(in thousands of Russian rubles, unless otherwise stated)

Note 28. Employee benefits (continued)

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

	Year ended 31 December 2022	Year ended 31 December 2021
Remeasurements at 1 January	**1,487,325**	**1,688,782**
Movement of remeasurements	(100,857)	(201,457)
Remeasurements at 31 December	**1,386,468**	**1,487,325**

The key actuarial assumptions are as follows:

	31 December 2022	31 December 2021
Financial assumptions	10.3%	8.4%
Discount rate	6.1%	5.0%
Future salary increase	5.6%	4.5%
Demographic assumptions		
Expected age of retirement:		65
• Men	65	65
• Women	60	60
Average level of staff movement	4.3%	4.3%

The 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 0.5%	Change by -4.0%
Future salary growth	Increase by 0.5%	Change by 4.1%
Future growth of benefits (inflation)	Increase by 0.5%	Change by 0.4%
Level of staff movement	Increase by 10%	Change by -1.3%
Mortality level	Increase by 10%	Change by -0.6%

Expected payments under the long-term employee benefit plans in 2022 are RUB 393,217 thousand, including:

- RUB 372,910 thousand under the defined benefit plans, including non-state pension schemes;
- RUB 20,307 thousand under the other long-term employee benefit schemes.

(in thousands of Russian rubles, unless otherwise stated)

Note 29. Trade and other payables

	31 December 2022	31 December 2021
Non-current accounts payable		
Other payables	4,334,831	16,977
	4,334,831	**16,977**
Current accounts payable		
Trade payables	10,345,087	9,827,735
Other payables and accrued expenses	3,927,978	1,074,690
Payables to employees	787,985	683,645
Dividends payable	3,703,157	72,796
	18,764,207	**11,658,866**

The Group's exposure to liquidity risk in respect of accounts payable is disclosed in Note 33.

Note 30. Taxes other than income tax

	31 December 2022	31 December 2021
Value-added tax	1,373,626	942,086
Property tax	458,362	441,254
Social security contributions	1,846,939	612,068
Other taxes payable	178,791	159,249
	3,857,718	**2,154,657**

Note 31. Advances from customers

	31 December 2022	31 December 2021
Non-current		
Advances for services of technological connection to electric grids	1,663,846	1,894,890
	1,663,846	**1,894,890**
Current		
Advances for services of technological connection to electric grids	3,347,110	2,387,043
Other advances from customers	600,236	899,579
	3,947,346	**3,286,622**

Note 32. Provisions

	Year ended 31 December 2022	Year ended 31 December 2021
Balance at 1 January	**6,107,485**	**4,997,189**
Accrual for the period	4,474,480	1,722,112
Recovery (decrease) for the period	(396,824)	(132,365)
Use of provisions	(1,055,575)	(479,451)
Balance at 31 December	**9,129,566**	**6,107,485**

Note 32. Provisions (continued)

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

Management believes that court decisions in relation to claims in the total amount of RUB 8,796,669 thousand as at 31 December 2022 (RUB 5,673,757 thousand as at 31 December 2021) will not be in favor of the Group, as a result, the provision is made for the full amount of claims. Liabilities are measured in the amount of legal claims proceeded against the Group. The expected timing of court decisions on these claims is estimated as a period not exceeding one year.

The Company includes in the estimated liabilities those positions disputed by the counterparty in relation to the costs of compensating for electricity losses in the grids and unilateral offsetting, which are highly likely to be settled in favor of the counterparty, in the amount of RUB 4,052,820 thousand as at 31 December 2022 (31 December 2021 - RUB 3,515,710 thousand).

The provision for other liabilities as at 31 December 2022 is RUB 332,897 thousand (31 December 2021: RUB 433,728 thousand) and represents the amount of remuneration under the CEO agreement.

Note 33. 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 if the buyer or counterparty to a financial instrument fails to meet its contractual obligations in full and on time. 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, are considered reliable counterparties with a stable financial position in the financial market of the Russian Federation.

Given 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 an allowance for expected credit losses on trade and other receivables, the estimated value of which is determined on the basis of the model of expected credit losses, weighted by the degree of probability of default, and can be adjusted both up and down. To this end, the Group analyzes the creditworthiness of counterparties, the dynamics of debt repayment, takes into account changes in the terms of payment, the availability of third-party guarantees, bank guarantees, current general economic conditions.

(in thousands of Russian rubles, unless otherwise stated)

Note 33. Financial risk and capital management (continued)

The carrying amount of receivables, net of allowance for expected credit losses, represents the maximum amount exposed to credit risk. Although the repayment of receivables is subject to economic and other factors, the Group believes that there is no significant risk of losses in excess of the created allowance.

Whenever possible, the Group uses a prepayment system in relations with counterparties. As a rule, an advance payment for technological connection of consumers to networks is provided for by the contract. The Group does not require collateral for receivables.

In order to effectively organize work with receivables, the Group monitors changes in the volume of receivables and its structure, highlighting current and overdue debts. In order to minimize credit risk, the Group implements measures aimed at timely fulfillment by counterparties of contractual obligations, reduction and prevention of formation of overdue debts.

Such measures, in particular, include: negotiating with consumers of services, increasing the efficiency of the process of generating the volume of electricity transmission services, ensuring the implementation of schedules of control readings and technical verification of electricity metering devices agreed with guaranteeing suppliers, limiting the mode of electricity consumption (implemented in accordance with norms of the legislation of the Russian Federation), claim work, presentation of requirements for granting a final collateral in the form of independent (bank) guarantees, sureties and other forms of securing the fulfillment of obligations.

(i) 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 2022	**31 December 2021**
Financial assets at fair value through other comprehensive income	19,152	29,983
Loans issued (net of allowance for expected credit losses)	1,204,088	1,087,775
Trade and other receivables (net of allowance for expected credit losses)	30,553,487	25,522,276
Cash and cash equivalents	8,283,798	391,137
	40,060,525	**27,031,171**

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 2022	**31 December 2022**	**31 December 2021**	**31 December 2021**
Buyers of electricity sales services	386,184	(386,178)	441,078	(441,072)
Buyers of electricity transmission services	25,792,537	(3,841,926)	26,318,151	(3,919,709)
Buyers of technological connection to networks	433,355	(69,652)	259,935	(71,268)
Other buyers	2,205,288	(320,315)	1,655,875	(303,225)
	28,817,364	**(4,618,071)**	**28,675,039**	**(4,735,274)**

(ii) Trade and other receivables

The carrying amount of trade receivables attributable to the group's ten largest debtors was RUB 23,469,345 thousand as at 31 December 2022 (as at 31 December 2021: RUB 23,965,549 thousand).

The aging of trade and other receivables is provided below:

(in thousands of Russian rubles, unless otherwise stated)

Note 33. Financial risk and capital management (continued)

	Gross	Impairment loss	Gross	Impairment loss
	31 December 2022	**31 December 2022**	**31 December 2021**	**31 December 2021**
Not past due	20,639,537	(99,078)	10,737,209	(56,742)
Past due less than 3 months	5,784,229	(239,326)	4,517,803	(102,508)
Past due more than 3 months and less than 6 months	278,008	(20,717)	3,485,143	(58,561)
Past due more than 6 months and less than 1 year	422,395	(100,047)	2 771802	(205,026)
Past due more than 1 year	9,030,698	(5,142,212)	9,805,975	(5,372,819)
	36,154,867	**(5,601,380)**	**31,317,932**	**(5,795,656)**

Taking into account the measures carried out in 2022 to the present, including with the participation of the parent company, to reduce the amounts of overdue debts of counterparties and recover the payment due to it for the transfer services rendered, the Group estimates that overdue non-impaired receivables are highly likely to be recoverable as of the reporting date.
The movement in the allowance for expected credit losses was as follows:

	2022	**2021**
Balance at 1 January	**5,795,656**	**6,212,617**
Increase for the period	818,428	889,621
Amounts of trade and other receivables written off using the allowance for impairment accrued earlier	(284,553)	(531,963)
Reversal of allowance for impairment for the period	(728,151)	(774,619)
Balance at 31 December	**5,601,380**	**5,795,656**

As at 31 December 2022 and 31 December 2021, the Group has no contractual basis for offsetting financial assets and financial liabilities, and the Group's management does not anticipate offsetting financial assets in the future based on additional agreements.

(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 are 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.

In order to minimize the risk factor, the Group monitors the capital structure and determines the optimal borrowing parameters, as well as takes measures to optimize the structure of working capital. As at 31 December 2022, the Group has sufficient credit lines available to meet all of its current obligations.

As at 31 December 2022, the amount of free limit on open but unused credit lines of the Group was RUB 66,571,678 thousand (RUB 37,251,848 thousand as at 31 December 2021). The Group has opportunity to attract additional financing within the corresponding limits including for the purpose of execution of the short-term obligations.

(in thousands of Russian rubles, unless otherwise stated)

Note 33. Financial risk and capital management (continued)

(b) Liquidity risk (continued)

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.

Information about the contractual maturities of financial liabilities including estimated interest payments:

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	19,053,796	21,831,918	11,567,648	880,460	9,383,811	–	–	–
Bonds	8,033,895	8,225,360	8,225,360	–	–	–	–	–
Lease liabilities	5,274,587	8,273,645	1,432,535	1,385,485	1,281,441	751,297	410,020	3,012,867
Trade and other payables	23,099,038	23,099,038	18,764,207	1,334,123	2,439,153	561,553	2	–
	55,461,316	**61,429,961**	**39,989,750**	**3,600,068**	**13,104,405**	**1,312,850**	**410,022**	**3,012,867**

31 December 2021	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	13,898,152	16,230,228	4,818,466	11,375,792	35,970	–	–	–
Bonds	13,051,523	14,302,712	5,823,203	8,479,509	–	–	–	–
Lease liabilities	5,499,525	8,883,206	1,276,158	1,248,679	1,223,750	1,164,741	642,690	3,327,188
Trade and other payables	11,675,843	11,675,843	11,661,002	7,527	7,314	–	–	–
	44,125,043	**51,091,989**	**23,578,829**	**21,111,507**	**1,267,034**	**1,164,741**	**642,690**	**3,327,188**

Note 33. 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.

(i) Currency risk

The Group's income, expenses and monetary assets and liabilities are denominated in Russian rubles. Changes in exchange rates do not have a direct impact on the Group's income and expenses.

(ii) Interest rate risk

Changes in interest rates primarily affect borrowed funds because they change either their fair value (for fixed-rate borrowed funds) or their future cash flows (for floating-rate borrowed funds). The Group's management does not follow any established rules when determining the ratio between borrowed funds at fixed and floating rates. However, at the time of attracting new borrowed funds, management makes a decision based on its judgment on which rate – fixed or floating – will be most beneficial for the Group for the entire settlement period until the debt is repaid.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any financial assets and liabilities with fixed interest rate 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 2022, the Group's financial liabilities with floating interest rates amounted to RUB 18,983,191 thousand (31 December 2021: RUB 13,794,547 thousand).

A possible change in interest rates by 100 basis points increased (decreased) would increase the amount of profit before income tax for 2022 by RUB 138,710 thousand (2021: RUB 127,351 thousand). This analysis is based on the assumption that all other variables remain constant and interest expense is not capitalized.

(iii) Other market price risk

The risk of changes in the price of equity instruments arises in respect of equity securities at fair value through other comprehensive income. The group's management monitors changes in the value of the investment portfolio based on market indices. The significant investments in this portfolio are managed separately and all purchase and sale decisions are approved by the management of the Group.

As at 31 December 2022, financial assets at fair value through other comprehensive income exposed to the risk of changes in the share price amounted to RUB 19,152 thousand (31 December 2021: RUB 29,983 thousand). If share prices were 10% higher (lower) with all other variables held constant, other comprehensive income would increase (decrease) by RUB 1,915 thousand.

(in thousands of Russian rubles, unless otherwise stated)

Note 33. Financial risk and capital management (continued)

(d) Fair value and carrying amount

Management believes that the fair value of financial assets and liabilities carried at amortized cost is approximately equal to their carrying amounts. The carrying amount of customers' payables and receivables, less provision for expected credit losses, is assumed to be approximately equal to their fair value.
Financial assets and liabilities carried at amortized cost are classified in Level 2 of the fair value hierarchy, and their fair values at the reporting date are determined using the discounted cash flow method based on market-observable interest rates.
During the year ended 31 December 2022, there was no transfer between the levels of the fair value hierarchy.

A reconciliation of the carrying amounts of financial assets measured at fair value through other comprehensive income (level 1 of the fair value hierarchy, excluding investments in 1.38% interests - level 3 of the hierarchy) at the beginning and end of the reporting period is presented in the table below:

At 1 January 2022	**29,983**
Sale	(2,599)
Change in fair value recognized in other comprehensive income	(8,232)
At 31 December 2022	**19,152**

(e) Capital management

The main goal of capital management for the Group is to maintain a consistently high level of capital that allows maintaining the trust of investors, creditors and market participants and ensuring 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.

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 in the Group, limits are applied, including by categories of financial leverage, debt coverage, and debt service coverage. The initial data for calculating the limits are the RAS reporting indicators.

Note 34. Capital commitments

As at 31 December 2022, the Group has outstanding commitments under contract for the purchase and construction of property plant and equipment items for RUB 9,241,380 thousand inclusive of VAT (as at 31 December 2021: RUB 6,964,281 thousand inclusive of VAT).

Future lease payments under lease agreements for which the Group has contractual obligations and the lease term has not yet expired at the reporting date amount to RUB 374,410 thousand, including VAT, as at 31 December 2021 (183,045 as at 31 December 2021).

Note 35. 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) Contingent tax liabilities

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.

(in thousands of Russian rubles, unless otherwise stated)

Note 35. Contingencies (continued)

(c) Litigations

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

In respect of lawsuits to collect the debt and unjust enrichment as at 31 December 2022 in the amount of RUB 4,640,867 thousand, the Group's management estimates the likely outflow of funds for them as below average (as at 31 December 2021 in the amount of RUB 3,686,048 thousand). Management believes that there are currently no outstanding lawsuits or other claims that could have a material effect on the results of operations or financial position of the Group and have not been 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.

Note 36. Related party transactions

(a) Control relationships

Parties are generally considered to be related if they are under common control or one of the parties can control the other party or can significantly influence or exercise joint control over the other party's financial and business decisions. When considering the relationship with each of the possible related parties, the economic content of such relationships is taken into account, and not just their legal form.

The Group's principal related parties for the year ended 31 December 2022 and 31 December 2021 and as at 31 December 2022 and 31 December 2021 were the parent company, its subsidiaries, key management personnel, and related companies with the main shareholder of the parent company.

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

	Amount of the transaction for the year ended 31 December	
	2022	**2021**
Revenue, other income, finance income		
Parent company	**2,246**	**2,297**
Other revenue	2,246	2,246
Dividends receivable	-	51
Entities under common control of the parent company	**1,224,327**	**577,087**
Technological connection to grids	208	1,614
Revenue from renting out property	12,015	6,739
Other revenue	1,025,523	496,043
Reversal of provisions	42,387	7,725
Dividends receivable	0	339
Other income	27,107	6,852
Interest income on loans issued	117,087	57,775
	1,226,573	**579,384**

(in thousands of Russian rubles, unless otherwise stated)

Note 36. Related party transactions (continued)

	Amount of the transaction for the year ended 31 December	
	2022	**2021**
Operating expenses, finance cost		
Parent company	**3,559,688**	**1,738,963**
Dividends	3,292,845	1,472,591
Management services	214,239	214,239
Other work and services of an industrial nature	39,320	39,320
Other expenses	13,284	12,813
Entities under common control of the parent company	**15,603,564**	**15,597,066**
Electricity transmission services	14,334,488	14,438,914
Technological connection to grids	1,063	2,009
Repair and maintenance services	311	3,186
Short-term rentals	23,275	60,760
Other work and services of an industrial nature	162,426	146,496
Provisions	407,570	327,926
Other services	628,000	601,244
Provision for expected credit losses	(4,966)	8,394
Other expenses	51,166	8,034
Dividends	231	103
	19,163,252	**17,336,029**

	Carrying amount	
	31 December 2022	**31 December 2021**
Entities under common control of the parent company	**3,593,794**	**2,620,841**
Advances given	12,693	213,936
Loans issued	1,087,001	1,030,000
Trade and other receivables	2,724,909	1,684,589
Provision for expected credit losses	(230,809)	(307,684)
Parent company	**1,753,942**	**39,867**
Trade and other payables	41,442	39,867
Dividends	1,712,500	-
Entities under common control of the parent company	**2,395,263**	**1,848,743**
Advances received	14,137	75,897
Trade and other payables	1,830,790	1,023,952
Provisions	550,216	748,894
Dividends	120	-
	4,149,205	**1,888,610**

As at 31 December 2022 and 2021, there was no debt to the parent company for the payment of dividends.

In accordance with the agreement on the transfer of powers of the sole Executive body, the Group paid the remuneration for the year ended 31 December 2022 in the amount of RUB 624,000 thousand (for the year ended 31 December 2021 – RUB 600,000 thousand).

In 2021, enterprises under the control of the parent company performed work on the creation of assets that were registered as non-current assets in the amount of RUB 874,739 thousand (for 2021 in the amount of RUB 153,205 thousand). Accounts payable for such transactions are reflected in the table above.

(in thousands of Russian rubles, unless otherwise stated)

Note 36. Related party transactions (continued)

(c) Transactions with key management personnel

In order to prepare these consolidated financial statements, the key management personnel are members of the Management Board and the Board of Directors of Rosseti Centre and Volga region, PJSC, 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.

	Year ended 31 December 2022	**Year ended 31 December 2021**
Short-term employee benefits	142,468	140,247
Changes in end-of-service obligations and other long-term benefits (including pension plans)	811	650
	143,279	**140,897**

As at 31 December 2022, the present value of defined benefit program liabilities reflected in the consolidated statement of financial position includes liabilities for key management personnel in the amount of RUB 7,110 thousand (as at 31 December 2021: in the amount of RUB 6,466 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 was 13.9% of the Group's total revenue for the year ended 31 December 2022 (for the year ended 31 December 2021: 14,7%), including 13.3% of revenue from electricity transmission (for the year ended 31 December 2021: 15,3%).

Electricity transmission costs for companies related to the main shareholder of the parent company account for 23% of total electricity transmission costs for the year ended 31 December 2022 (for the year ended 31 December 2021: 22%).

Interest accrued on loans and borrowings from banks related to the main shareholder of the parent company amounted to 68 % of the total amount of accrued interest for the year ended 31 December 2022 (for the year ended 31 December 2021: 53%).

As at 31 December 2022, loans from banks related to the main shareholder of the parent company amounted to RUB 8,905,799 thousand (as of 31 December 2021: RUB 10,625,192 thousand).

Note 36. Related party transactions (continued)

As at 31 December 2022, the balance of cash and cash equivalents placed with banks associated with the main shareholder of the parent company amounted to RUB 8,282,774 thousand (as at 31 December 2021: RUB 87,721 thousand).

As at 31 December 2022 and 2021, there are no deposits with an initial placement period of more than three months. As at 31 December 2022, lease obligations for companies related to the main shareholder of the parent company amounted to RUB 4,196,767 thousand (as at 31 December 2021: RUB 2,811,689 thousand).

Note 37. Events after the reporting date

In February 2023, an agreement was concluded on the issuance of a guarantee to ensure the fulfillment of the obligations of Infrastructure Investments-3 LLC under the Agreement on the opening of a revolving credit line No. 4-K-23 with a debt limit of RUB 1,600,000 thousand.