

# APPENDIX 5

## CONSOLIDATED IFRS FINANCIAL STATEMENTS FOR 2023 WITH THE AUDITOR'S REPORT

ООО «ЦАТР — аудиторские услуги»  
Прошито и пронумеровано 75 листа(ов)

Independent Auditor's  
Report  
on Consolidated Financial Statements  
**of Public Joint-Stock Company  
Rosseti Kuban  
and its subsidiaries**  
for 2023  
March 2024

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Report  
on Consolidated Financial Statements  
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## Independent Auditor's Report

To Shareholders and the Board of Directors  
of "Rosseti Kuban" Public Joint-Stock Company

### Opinion

We have conducted an audit of the Consolidated Financial Statements of Rosseti Kuban Public Joint Stock Company and its affiliates (the "Company", "Group"), consisting of the Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2023, the Consolidated Statement of Financial Position as of December 31, 2023, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for 2023, and Notes to the Consolidated Financial Statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying Consolidated Financial Statements fairly represents in all material respects the Consolidated Financial Position of the Group as of December 31, 2023, as well as its Consolidated Financial Results and Consolidated Cash Flows for 2023, in accordance with International Financial Reporting Standards (IFRS).

### Basis for our audit opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under these standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our opinion. We are independent of the Group in accordance with the ethical requirements of the Code of Professional Ethics for Auditors and the Rules on Independence of Auditors and Audit Organisations applicable to our audit of the consolidated financial statements in the Russian Federation and the International Code of Ethics for Professional Accountants (including International Standards on Independence) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is adequate and appropriate to provide a basis for our audit opinion.

### Key audit issues

Key audit issues are issues that, according to our professional judgment, were the most significant to our audit of the consolidated financial statements for the current period. These issues were considered in the context of our audit of the Consolidated Financial Statements as a whole and in the formation of our opinion on these Statements, and we do not express a separate opinion on these issues. With respect to each of the issues below, our description of how the relevant matter was addressed in our audit is given in this context.



We have fulfilled the responsibilities described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our opinion, including in relation to these issues. Accordingly, our audit included the implementation of procedures developed in response to our assessment of the risks of material misstatement of the Consolidated Financial Statements. The results of our audit procedures, including those conducted during the consideration of the following issues, serve as a basis for our audit opinion on the accompanying Consolidated Financial Statements.

Key audit issue	How the relevant key issue was addressed in our audit
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#### **Recognition and measurement of revenue from electricity transmission services**

Recognition and measurement of revenue from transmission services was one of the most significant issues of our audit due to the specific nature of the mechanisms of operation of the electricity market, which leads to disagreements between electrical network, energy retail and other companies regarding the volume and cost of electricity transferred. The amount of revenue disputed by counterparties is material to the financial statements of the Group. The management's assessment of the probability of resolving disagreements in its favor is to a great degree subjective. Revenue is recognised when, subject to assumptions, disagreements are resolved in favour of the Group.

Information on revenues from transmission services is disclosed in clause 6 of the Notes to the Consolidated Financial Statements.

We reviewed the accounting policy applied with respect to the recognition of revenue from electricity transmission services, studied the system of internal control over the recording of this revenue, checked the determination of the corresponding amounts of revenue based on the concluded contracts for the electricity transmission, on a sample basis received confirmations of accounts receivable balances from counterparties, conducted an analysis of the results of litigation settlements in relation to the disputed amounts of services rendered, if any, and assessment of the current procedures for confirming the volumes of electricity transmitted.

#### **Provision for expected credit losses on trade receivables**

The issue of creating a provision for expected credit losses on trade receivables was one of greatest importance for our audit due to the material balances of trade receivables as of December 31, 2023, as well as the fact that the management's assessment of the possibility of recovering these receivables is based on assumptions, in particular, on the forecast of the solvency of the Group's customers.

The provision for expected credit losses on trade receivables is disclosed in clause 20 of the Notes to the Consolidated Financial Statements.

We studied the Group's accounting policy in relation to trade receivables for provision for expected credit losses on trade receivables and reviewed the assessment procedures made by the Group's management, including analysis of the payment of trade receivables, analysis of dates of maturity and delinquency, and analysis of customer solvency.

We conducted audit procedures with respect to the information used by the Group to determine the provision for expected credit losses on trade receivables, as well as the structure of receivables by terms of maturity, and tested the calculation of accrued provisions.

Key audit issue	How the relevant key issue was addressed in our audit
<p><b>Recognition, measurement and disclosure of provisions and contingent liabilities</b></p> <p>Recognition, measurement and disclosure of provisions and contingent liabilities in relation to litigation and claims of counterparties (including territorial electrical network and energy retail companies) were among the most significant issues of our audit due to the fact that they require significant judgments of the management in relation to material amounts of balances of payments with counterparties disputed in the framework of litigation or in the process of pre-trial settlement.</p> <p>Information on provisions and contingent liabilities is disclosed in clauses 31 and 34 of the Notes to the Consolidated Financial Statements.</p> <p><b>Impairment of capital assets</b></p> <p>Due to indicators of impairment of capital assets as of December 31, 2023, the Group conducted an impairment test. The value in use of property, plant and equipment representing a significant share of the Group's capital assets as of December 31, 2023 was determined using the method of forecasting cash flow.</p> <p>The issue of testing property, plant and equipment for impairment was one of the most material to our audit, as the balance of property, plant and equipment constitutes a significant part of all assets of the Group at the reporting date, and also because the process of management evaluating the value in use is complex, largely subjective and based on assumptions, in particular, on the forecast of the volumes of electricity transmission, electricity transmission tariffs, as well as operating and capital expenditures, which depend on the expected future market and economic conditions in the Russian Federation.</p> <p>Information on the analysis of capital assets for impairment was disclosed by the Group in clause 13 of the Notes to the Consolidated Financial Statements.</p>	<p>Audit procedures, among others, included reviewing decisions made by courts at different levels and reviewing the management's judgements regarding the assessment of the probability of economic outflows as a consequence of the resolution of disputes, examining the compliance of the prepared documentation with the provisions of existing contracts and legislation, and reviewing the disclosures of provisions and contingent liabilities in the Notes to the Consolidated Financial Statements.</p> <p>As part of our audit procedures, we, among other things, analyzed the Group's assumptions and techniques, in particular those relating to projected electricity transmission revenues, tariff solutions, operating and capital costs, terminal growth rate of tariffs and discount rates. We tested on a sample basis the input data included in the model and tested the arithmetic accuracy of the model used to determine the recoverable amount in the impairment test of property, plant and equipment. We engaged internal evaluation officers to analyze the model used to determine recoverable amount in the impairment test of property, plant and equipment. We also reviewed the sensitivity of the model to changes in key measurement indicators and the disclosures of the Group about the assumptions on which impairment testing results are most dependent.</p>

### **Other information included in the Annual Report for 2023**

Other information includes information contained in the Annual Report for 2023, but does not include the consolidated financial statements and our audit report thereon. The management is responsible for other information. The Annual Report 2023 is expected to be provided to us after the date of this Audit Report.

Our opinion on the Consolidated Financial Statements does not apply to other information and we will not provide a conclusion with confidence in any form with respect to this information.

In connection with our audit of the Consolidated Financial Statements, it is our responsibility to familiarize ourselves with the above-mentioned other information when it is provided to us and in this case to consider whether there are material inconsistencies between the other information and the Consolidated Financial Statements or our knowledge obtained during the audit and whether the other information contains any other material misstatement.

### **The responsibility of the management and Audit Committee of the Board of Directors for the Consolidated Financial Statements.**

The management is responsible for the preparation and fair presentation of these Consolidated Financial statements in accordance with IFRS and for the internal control system that management considers necessary for the preparation of the Consolidated Financial Statements that are free from material misstatements, whether due to fraud or error.

In the preparation of the Consolidated Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, for disclosing information related to going concern, as appropriate, and for reporting on a going concern basis, unless the Management intends to liquidate the Group, cease its activities, or management has no realistic alternative to such activities.

The Audit Committee of the Board of Directors is responsible for supervision over the preparation of the Group's Consolidated Financial Statements.

### **Auditor's Responsibility for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance that the Consolidated Financial Statements are generally free from material misstatement due to fraud or error and to issue an audit opinion containing our opinion. Reasonable assurance represents a high degree of certainty, but is not a guarantee that an audit conducted in accordance with International Auditing Standards will always reveal a material misstatement if any. Misstatements may be the result of fraud or error and are considered material if it can reasonably be assumed that individually or collectively they could have an impact on users' economic decisions made on the basis of these Consolidated Financial Statements.



As part of an audit in accordance with International Auditing Standards, we exercise professional judgment and we remain professional skeptics throughout the audit process. Besides, we perform the following:

- ▶ identify and assess the risks of material misstatement of the Consolidated Financial Statements due to fraud or errors; design and perform audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk that a fraud-induced material misstatement will not be detected is greater than the risk that an error-based material misstatement will not be detected, as fraud may include collusion, forgery, omission, misrepresentation of information or actions bypassing the system of internal control;
- ▶ delve into the internal control system that is relevant to the audit for the purpose of developing audit procedures that are appropriate in the circumstances, rather than for the purpose of expressing an opinion on the effectiveness of the Group's internal control system;
- ▶ assess the appropriate nature of the accounting policies used and the reasonableness of the estimates calculated by management and the related disclosures;
- ▶ conclude about the lawfulness of the management in applying the going concern assumption and, based on the audit evidence obtained, whether there is any material uncertainty 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, in our auditor's report, attention to the related disclosures in the Consolidated Financial Statements; or, if such disclosure is inappropriate, we shall modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Audit Report. Future events or conditions may, however, cause the Group to be unable to continue as a going concern;
- ▶ evaluate the presentation of the Consolidated Financial Statements in general, and its structure and content in particular, including information disclosure, and we also evaluate whether the Consolidated Financial statements present underlying transactions and events in such a way that their fair presentation is ensured;

We maintain communication with the Audit Committee of the Board of Directors, bringing to its attention, among other things, information about the planned volume and timing of the audit, as well as substantive audit remark, including significant deficiencies in the internal control system, if we identify them during the audit process.

We also provide the Audit Committee of the Board of Directors with a statement that we have observed all relevant ethical requirements related to independence and have informed these individuals of all relationships and other matters that may reasonably be considered to influence the independence of the auditor and, where appropriate, of actions taken to address threats or precautions.



Of the issues that we have brought to the attention of the Audit Committee of the Board of Directors, we identify issues that were most relevant to the audit of the Consolidated Financial Statements for the current period and which are therefore key audit issues. We describe these issues in our Audit Report, except cases when public disclosure of these issues is prohibited by law or regulation, or when in extremely rare cases we conclude that, that information on any issue should not be reported in our opinion, since it can reasonably be assumed that the negative consequences of reporting such information will exceed the socially significant benefits of reporting it.

The head of the audit, based on the results of which this independent auditor's report was issued,  
- Tatyana Leonidovna Okolotina.

Tatyana Leonidovna Okolotina,  
acting on the behalf of "Center for Audit Technologies and Solutions - Audit Services"  
Limited Liability Company  
on the basis of power of attorney w/o no. dated January 18, 2024,  
head of audit, based on the results of which an audit report was drawn up (ORNZ 21906110171)

March 15, 2024

#### **Information about the auditor**

Name: "Center for Audit Technologies and Solutions - Audit Services" Limited Liability Company  
The entry was made in the Unified State Register of Legal Entities on December 5, 2002 and the state registration number assigned is 1027739707203.  
Location: 77 Bldg. 1, Sadovnicheskaya nab., Moscow, 115035, Russia  
The "Center for Audit Technologies and Solutions - Audit Services" Limited Liability Company is a member of the "Commonwealth" Self-Regulatory Organization of Auditors Association (SRO AAS). The "Center for Audit Technologies and Solutions - Audit Services" Limited Liability Company is included in the control copy of the register of auditors and audit organizations under the main registration number 12006020327.

#### **Information about the auditee**

Name: "Rosseti Kuban" Public Joint Stock Company  
The entry was made in the Unified State Register of Legal Entities on September 17, 2022, and the state registration number assigned is: 1022301427268.  
Location: 2a Stavropolskaya street, Krasnodar, Krasnodar Territory, Russia, 350033.

**Rosseti Kuban PJSC**  
*Consolidated Statement of Profit or Loss and Other Comprehensive Income*  
*(in thousands of Russian rubles, unless otherwise specified)*

	Note	For the year ended December 31	
		2023	2022
Revenue	6	75,079,292	64,243,200
Operating expenses	9	(65,137,893)	(55,394,850)
Accrual of provision for expected credit losses		(321,817)	(625,294)
Net (impairment)/reversal of loss on property, plant and equipment, intangible assets and right-of-use assets	13, 14, 15	—	—
Other income	7	1,278,964	1,792,581
Other expenses	8	(91,951)	(115,294)
<b>Operating profit</b>		<b>10,806,595</b>	<b>9 900 343</b>
Financial income	11	691,823	123,324
Financial expenses	11	(2,166,920)	(2,473,317)
<b>Total finance (expenses)</b>		<b>(1,475,097)</b>	<b>(2,349,993)</b>
<b>Profit before tax</b>		<b>9,331,498</b>	<b>7,550,350</b>
Profit tax expense	12	(2,313,191)	(1,851,980)
Excess profit tax expense	12	(200,065)	—
<b>Total profit tax expense</b>	12	<b>(2,513,256)</b>	<b>(1,851,980)</b>
<b>Profit for period</b>		<b>6,818,242</b>	<b>5,698,370</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of equity investments at fair value through other comprehensive income		(1)	—
Revaluation of defined benefit pension plan liabilities	27	(93,769)	(54,109)
Profit tax on other comprehensive income	12	18,754	10,822
<b>Total items that will not be reclassified to profit or loss</b>		<b>(93,770)</b>	<b>(54,109)</b>
<b>Other comprehensive expenses for the period, net of profit tax</b>		<b>(75,016)</b>	<b>(43,287)</b>
<b>Total comprehensive income for the period</b>		<b>6,743,226</b>	<b>5,655,083</b>
<b>Profit attributable to:</b>			
Owners of the Company		6,818,242	5,698,370
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		6,743,226	5,655,083
<b>Earnings per share</b>			
Basic and diluted earnings per share (rub.)	24	17.89	16.28

These Consolidated Financial Statements were approved by management on March 15, 2024 and signed on behalf of management by the following persons:

Deputy General Director  
for Economics and Finance  
*(according to the power of attorney dated November 20, 2023  
in the register No. 23/256-н/23-2023-32-573)*

K.A. Iordanidi

Chief Accountant - Head of the Department of  
Accounting and Tax Management and Reporting

L.V. Loskutova

The accompanying notes form an integral part of these Consolidated Financial Statements.

**Rosseti Kuban PJSC**  
*Consolidated Statement of Financial Position*  
*(in thousands of Russian rubles, unless otherwise specified)*

	Note	December 31	December 31
		2023	2022
<b>Assets</b>			
<b>Fixed assets</b>			
Property, plant and equipment	13	80,129,480	69,358,559
Intangible assets	14	433,208	202,638
Right-of-use assets	15	2,167,437	3,397,399
Trade and other receivables	20	59,027	32,935
Assets related to employee benefits	27	290,712	302,550
Other financial fixed assets	16	—	1
Deferred tax assets	17	75,478	76,001
Advances paid and other fixed assets	21	12,674	8,129
<b>Total fixed assets</b>		<b>83,168,016</b>	<b>73,378,212</b>
<b>Current assets</b>			
Inventories	19	3,813,295	2,033,586
Other financial current assets	16	—	—
Prepayment of current profit tax		848,704	706,228
Security payment of excess profit tax	12	203,106	—
Trade and other receivables	20	5,181,974	6,853,100
Cash and cash equivalents	22	13,116,681	4,160,721
Advances issued and other current assets	21	170,236	131,821
<b>Total current assets</b>		<b>23,333,996</b>	<b>13,885,456</b>
Assets classified as held for sale	18	28,255	20,403
<b>Total current assets</b>		<b>23,362,251</b>	<b>13,905,859</b>
<b>Total assets</b>		<b>106,530,267</b>	<b>87,284,071</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Authorized capital	23	33,465,784	33,465,784
Share premium		6,481,916	6,481,916
Share issue provision	23	6,430,824	2,864,262
Other provisions		(504,822)	(429,806)
Retained earnings / (cumulative loss)		4,000,005	(2,051,982)
<b>Total equity attributable to the owners of the Company</b>		<b>49,873,707</b>	<b>40,330,174</b>
Non-controlling interests		—	—
<b>Total equity</b>		<b>49,873,707</b>	<b>40,330,174</b>
<b>Long-term liabilities</b>			
Long-term borrowings	25	16,740,873	19,305,894
Long-term trade and other payables	28	1,365,507	93,604
Long-term advances received	30	9,919,938	1,973,121
Employee benefit liabilities	27	762,865	621,344
Deferred tax liabilities	17	1,215,987	393,341
<b>Total long-term liabilities</b>		<b>30,005,170</b>	<b>22,387,304</b>
<b>Short-term liabilities</b>			
Short-term borrowings and current portion of long-term borrowings	25	6,033,261	5,582,398
Trade and other payables	28	10,373,874	11,079,936
Taxes payable other than profit tax	29	1,566,363	1,231,772
Advances received	30	7,314,868	5,208,893
Estimated liabilities	31	1,160,021	1,460,893
Current profit tax debt		2,938	2,701
Excess profit tax debt	12	200,065	—
<b>Total short-term liabilities</b>		<b>26,651,390</b>	<b>24,566,593</b>
<b>Total liabilities</b>		<b>56,656,560</b>	<b>46,953,897</b>
<b>Total equity and liabilities</b>		<b>106,530,267</b>	<b>87,284,071</b>

The accompanying notes form an integral part of these Consolidated Financial Statements.

**Rosseti Kuban PJSC**  
*Consolidated Statement of Cash Flows*  
*(in thousands of Russian rubles, unless otherwise specified)*

	Note	For the year ended December 31	
		2023	2022
<b>Cash flows from operating activities</b>			
Profit (loss) for period		6,818,242	5,698,370
<i>Adjustments:</i>			
Impairment of property, plant and equipment, intangible assets and right-of-use assets	9	6,548,876	6 198 911
Net (impairment)/reversal of loss on property, plant and equipment, intangible assets and right-of-use assets	13, 14, 15	–	–
Accrual of provision for expected credit losses		321,817	625,294
Financial expenses	11	2,166,920	2,473,317
Financial income	11	(691,823)	(123,324)
Loss on disposal of property, plant and equipment	8	91,951	72,087
Loss on disposal of an intangible asset		(16,517)	–
Recovery of provision for impairment of inventories		(1,452)	50,057
Write-off of bad debts		101,925	499,599
Write-off of payables		(11,546)	(57,629)
Change in government subsidies		–	(370)
Change of estimated liabilities		(3,522)	(101,251)
Other non-cash transactions		(787,913)	(374,997)
Profit tax expense	12	2 513 256	1,851,980
<b>Total effects of adjustments</b>		<b>10,231,972</b>	<b>11,113,674</b>
Change in assets related to employee benefit liabilities		11,838	6,108
Change in employee benefit liabilities		(12,153)	(20,146)
Change in long-term trade and other receivables		40,454	(88,549)
Change in long-term advances paid and other fixed assets		(4,545)	(1,788)
Change in long-term trade and other payables		718,271	(7,648)
Change in long-term advances received		7,946,817	839,179
<b>Cash flows from operating activities before changes in working capital and estimated liabilities</b>		<b>25,750,896</b>	<b>17,539,200</b>
<i>Changes in operating assets and liabilities</i>			
Change in trade and other receivables		1,483,498	(1,335,773)
Change in advances paid and other assets		(38,782)	134,466
Inventory change		(1,778,257)	97,556
Change in trade and other payables		632,615	409,002
Change in advances received		2,112,142	3,272,213
Use of estimated liabilities		(383,552)	(557,745)
<b>Cash flows from operating activities before profit tax and interest</b>		<b>27,778,560</b>	<b>19,558,919</b>
Profit tax paid		(1,917,229)	(1,851,429)
Security payment of excess profit tax	12	(203,106)	–
Interest paid on leasing contracts		(259,924)	(341,457)
Interest paid		(2,090,271)	(2,408,038)
<b>Net cash from operating activities</b>		<b>23,308,030</b>	<b>14,957,995</b>

The accompanying notes form an integral part of these Consolidated Financial Statements.

**Rosseti Kuban PJSC**  
*Consolidated Statement of Cash Flows*  
*(in thousands of Russian rubles, unless otherwise specified)*

	Note	For the year ended December 31	
		2023	2022
<b>Cash flows from investment activities</b>			
Acquisition of property, plant and equipment and intangible assets		(15,198,527)	(10,955,854)
Proceeds from the sale of property, plant and equipment and intangible assets		692	–
Interest received		434,855	106,369
<b>Net cash used in investment activities</b>		<b>(14,762,980)</b>	<b>(10,849,485)</b>
<b>Cash flows from financial activities</b>			
Borrowing funds		8,618,064	15,683,201
Repayment of borrowed funds		(9,461,511)	(15,616,215)
Proceeds from issue of shares	23	3,566,562	2,104,202
Dividends paid to the owners of the Company		(866,475)	(2,774,363)
Payments under lease obligations		(1,445,730)	(1,328,971)
<b>Net cash received / (used) from/(in) financial activities</b>		<b>410,910</b>	<b>(1,932,146)</b>
<b>Net increase in cash and cash equivalents</b>		<b>8,955,960</b>	<b>2,176,364</b>
Cash and cash equivalents at the beginning of the reporting period	22	4,160,721	1,984,357
<b>Cash and cash equivalents at the end of the reporting period</b>	22	<b>13,116,681</b>	<b>4,160,721</b>

The accompanying notes form an integral part of these Consolidated Financial Statements.

**Rosseti Kuban PJSC**  
*Consolidated Statement of Changes in Equity*  
*(in thousands of Russian rubles, unless otherwise indicated)*

	Equity attributable to the owners of the Company					
	Authorized capital	Share premium	Share issue provision	Other provisions	Retained profit / (uncovered loss)	Total equity
<b>Balance as of January 1, 2023</b>	33,465,784	6,481,916	2,864,262	(429,806)	(2,051,982)	40,330,174
Profit for period	—	—	—	—	6,818,242	6,818,242
Transfer of revaluation reserve on disposal of equity investment	—	—	—	(1)	—	(1)
Other comprehensive income	—	—	—	(93,769)	—	(93,769)
Profit tax on other comprehensive income (Note 12)	—	—	—	18,754	—	18,754
<b>Total comprehensive income for the period</b>	—	—	—	(75,016)	6,818,242	6,743,226
Share issue (Note 23g)	—	—	3,566,562	—	—	3,566,562
Declared dividends (Note 23v)	—	—	—	—	(766,500)	(766,500)
Write-off of unclaimed debt on previously declared dividends (Note 23v)	—	—	—	—	245	245
<b>Balance as of December 31, 2023</b>	33,465,784	6,481,916	6,430,824	(504,822)	4,000,005	49,873,707

The accompanying notes form an integral part of these Consolidated Financial Statements.

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**Rosseti Kuban PJSC**  
*Consolidated Interim Condensed Statement of Changes in Equity*  
*(in thousands of Russian rubles, unless otherwise indicated)*

	Equity attributable to the owners of the Company					
	Authorized capital	Share premium	Share issue provision	Other provisions	Uncovered loss	Total equity
<b>Balance as of January 1, 2022</b>	33,465,784	6,481,916	760,060	(386,519)	(4,874,655)	35,446,586
Profit for period	—	—	—	—	5,698,370	5,698,370
Other comprehensive income	—	—	—	—	—	—
Revaluation of net liabilities (assets) of pension liabilities	—	—	—	(54,109)	—	(54,109)
Profit tax on other comprehensive income (Note 12)	—	—	—	10,822	—	10,822
<b>Total comprehensive income/(expense) for the period</b>	—	—	—	(43,287)	5,698,370	5,655,083
Share issue (Note 23g)	—	—	2,104,202	—	—	2,104,202
Declared dividends (Note 23v)	—	—	—	—	(2,875,768)	(2,875,768)
Write-off of unclaimed debt on previously declared dividends (Note 23v)	—	—	—	—	71	71
<b>Balance as of December 31, 2022</b>	33,465,784	6,481,916	2,864,262	(429,806)	(2,051,982)	40,330,174

The accompanying notes form an integral part of these Consolidated Financial Statements.

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**Rosseti Kuban PJSC**

*Notes to the Consolidated Financial Statements  
for the year ended December 31, 2023  
(in thousands of Russian rubles, unless otherwise specified)*

**1 General****(a) The Group and its activities**

The principal activity of "Rosseti Kuban" Public Joint Stock Company ("Rosseti Kuban" PJSC hereinafter referred to as the "Company") and its subsidiaries (hereinafter referred to as "the Group" or "the Rosseti Kuban Group of Companies") is the provision of services related to the electricity transmission and distribution through electrical networks and the provision of services related to the technological connection of consumers to the networks.

Revenue and operating expenses from these activities are disclosed in Notes 6 "Revenue" and 9 "Operating Expense".

The Rosseti Kuban Group of Companies consists of "Rosseti Kuban" PJSC and its subsidiaries with 100% participation in their authorized capital, namely, P/O Energetik JSC and Energoservice Kuban JSC.

Information on the Group's relationship with other related parties is provided in Note 35 "Transactions with Related Parties".

Location of "Rosseti Kuban" PJSC: 2A Stavropolskaya street, Krasnodar, Krasnodar Territory, Russia, 350033

**(b) Relations with the state. Parent company.**

The Government of the Russian Federation represented by the Federal Agency for the Administration of State Property is the ultimate controlling party of the Company (hereinafter referred to as the "Main Shareholder of the Company"). The policy of the Government of the Russian Federation in the economic, social and other spheres may have a significant impact on the Group's operations.

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

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

The Extraordinary General Meeting of Shareholders of "Rosseti" PJSC, which was held on September 16, 2022, decided to reorganize "Rosseti" PJSC in the form of a merger with "Federal Grid Company - Rosseti", in the manner and on the terms stipulated by the merger agreement.

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

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

**Rosseti Kuban PJSC**

*Notes to the Consolidated Financial Statements  
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**(b) Business environment in which the Group operates**

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 manifests some characteristics typical of emerging markets. The country's economy is especially sensitive to oil and gas prices. Legal, tax and regulatory systems continue to develop and are subject to frequent changes, as well as admit the possibility of different interpretations. The ongoing geopolitical tension and sanctions imposed by a number of countries on certain sectors of the Russian economy, Russian organisations and individuals continue to have a negative impact on the Russian economy.

External sanctions against Russian companies and individuals continue in 2023. These circumstances have resulted in volatility in the Russian ruble exchange rate, increased volatility in the financial and commodity markets, and have significantly increased the level of uncertainty in the environment in which businesses operate in the Russian Federation. The extent and duration of these events remain uncertain and may affect the Group's financial position and results of operations. The future economic situation in the Russian Federation is dependent on external factors and measures undertaken by the Government of the Russian Federation. The Group takes all necessary measures to assure the stability of its own activities.

These Consolidated Financial Statements reflect management's view of the impact that the business environment in the Russian Federation has on the Group's operations and financial position. The future effects of the current economic situation and the above measures are difficult to predict, and management's current expectations and estimates may differ from actual results.

**2 Principles of the consolidated financial statements****(a) Declaration of compliance with IFRS**

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Each entity of the Group maintains individual records and prepares official financial statements in accordance with Russian Accounting Standards (RAS). These Consolidated Financial Statements have been prepared on the basis of RAS accounting data, adjusted and reclassified for the purposes of faithful representation in accordance with IFRS.

**(b) Cost determining basis**

These Consolidated Financial Statements have been prepared on the initial (historical) cost basis except for:

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

**(b) Functional and presentation currency**

The national currency of the Russian Federation is the Russian Ruble ("ruble" or "rub."), which is used by the companies of the Group as the functional currency and presentation currency of these Consolidated Financial Statements. All numerical indices in Russian rubles were rounded to the nearest thousand, unless otherwise specified.

**Rosseti Kuban PJSC**

Notes to the Consolidated Financial Statements  
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**(r) New standards, clarifications and amendments to effective standards**

The Group has applied all of the new standards and amendments thereto, which are effective from January 1, 2023.

A number of new standards and interpretations have been published and are mandatory for annual periods beginning on or after January 1, 2024. The Group intends to adopt the standards and amendments for use as soon as they become effective; no significant impact on the Group's consolidated financial statements is expected:

- "Classification of Liabilities in Short-Term and Long-Term"; Amendments to IAS 1 (issued on January 23, 2020, and effective for annual periods beginning on or after January 1, 2022; the effective date was subsequently shifted to January 1, 2024 by the Amendments to IAS 1).
- Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets in Transactions between an Investor and its Associate or Joint Venture" (issued on September 11, 2014, and effective for annual periods that begin on or after a date to be determined by the IFRS/IAS Board).
- "Lease Commitments on Sale and Leaseback", Amendments to IFRS 16 (issued on September 22, 2022, and effective for annual periods that begin 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 that begin on or after January 1, 2024).
- "Supply Financing (Reverse Factoring) Transactions", Amendments to IAS 7 and IFRS 7 (issued on May 25, 2023 and effective for annual periods that begin on or after January 1, 2024).
- "Lack of Currency Convertibility", Amendments to IAS 21, "Effects of Changes in Foreign Exchange Rates" (issued on August 15, 2023 and effective for annual periods that begin on or after January 1, 2025).

**(d) Changes in presentation. Reclassification of comparative data**

Certain amounts in the comparatives for the previous period were reclassified in order to ensure their comparability with the procedure for reporting data in the current reporting period. All reclassifications carried out are immaterial.

**(e) Use of accounting estimates and professional judgments**

The preparation of the consolidated financial statements in accordance with IFRS requires management to use professional judgments, assumptions and estimates that affect how accounting policies are applied and in what amounts assets, liabilities, income and expenses are reflected. Actual results may differ from these estimates.

Management continually reviews estimates and assumptions based on experience and other factors that have formed the basis for measuring the book value of assets and liabilities. Changes in estimates and assumptions are recognized in the period in which they were adopted, if the change affects only that period, or are recognized in the period to which the change relates and in subsequent periods if the change affects both that period and future periods.

**Rosseti Kuban PJSC**

Notes to the Consolidated Financial Statements  
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Judgments that have the most significant impact on the performance reported in the consolidated financial statements, estimates and assumptions that may result in the need for a material adjustment to the carrying amount of assets and liabilities over the next year include:

**Depreciation of property, plant and equipment, intangible assets and right-of-use assets**

At each reporting date, the Group's Management determines whether there is indication of impairment of property, plant and equipment and right-of-use assets. Impairment indicators include changes in business plans, tariffs, and other factors leading to adverse effects on the Group's operations. In calculating value in use, the Group estimates the expected cash flows from cash-generating units and calculates a discount rate to calculate the present value of those cash flows. A cash-generating unit (hereinafter - a "CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The main criterion for determining a CGU is the indivisibility of the tariff and the impossibility of further detailed accounting and planning.

**Determination of the lease term under agreements with an extension option or a lease termination option - the Group as a lessee**

The Group defines the term of the lease as not subject to early termination of the lease term together with periods in respect of which there is an option to extend the lease if there is adequate assurance that it will be exercised or periods in respect of which there is an option to terminate the lease if there is adequate assurance that it will not be exercised.

When making a judgment to assess whether the Group has adequate confidence in the exercise of an extension option or a termination option when determining the lease term, the Group considers the following factors:

- whether the leased object is a specialized object;
- location of the object;
- whether the Group and the lessor have the practical option to select an alternative counterparty (selection of an alternative asset);
- costs associated with the termination of the lease and the conclusion of a new (replacement) contract;
- presence of major improvements of leased objects.

**Impairment of receivables**

A provision for expected credit losses on receivables is created based on management's assessment of the probability of recovery of specific debts of specific debtors. For the purpose of assessing credit losses, the Group consistently takes into account all reasonable and verifiable information about past events, current and forecasted events, which is available without excessive forces and is appropriate for assessing receivables. Past experience is adjusted based on current data to reflect current conditions that have no impact on prior periods and to exclude the impact of past conditions that no longer exist.

**Liabilities under non-state pension plans**

The costs associated with the defined benefit pension plan and the corresponding pension plan expenses are determined using actuarial calculations. Actuarial valuations envisage use of assumptions regarding demographic and financial data. Since this plan is a long-range one, there are material uncertainties about such valuations.

**Recognition of deferred tax assets**

Management estimates deferred tax assets at each reporting date and determines the amount to be reflected to the extent that tax deductions are likely to be used. In determining future taxable profits and sum of tax deductions, management uses estimates and judgments based on previous years taxable profits and expectations for future profits that are reasonable under present circumstances.

**3 Material information on accounting policies**

**Rosseti Kuban PJSC**

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The accounting policies described below have been applied consistently in all reporting periods presented in these Consolidated Financial Statements.

Amendments to standards in force effective for annual periods beginning on January 1, 2023 did not have a material impact on the Group's Consolidated Financial Statements.

**(a) Consolidation principles****i. Subsidiaries**

Subsidiaries are companies controlled by the Group. The Group controls a subsidiary when the Group is exposed to risk relating to variable income from investment project or entitled to receive such income and has the ability to exercise its authority over that subsidiary to influence that income. The financial statements of subsidiaries are recorded in the consolidated financial statements from the date of receipt of control to the date of termination.

The accounting policies of the subsidiaries underwent changes where they need to be aligned with the accounting policies adopted by the Group.

**ii. Transactions excluded during consolidation**

Intercompany balances and transactions, as well as unrealized income and expenses from intercompany operations, are eliminated in the preparation of the consolidated financial statements. Unrealized income on operations with equity-accounted investees are eliminated by reducing the value of the investment within the Group's interest in the investee. Unrealized losses are eliminated in the same order as unrealized income, but only to the extent that they are not evidence of impairment.

**(6) Financial instruments****i. Financial assets**

The Group classifies financial assets into the following measurement categories: subsequently measured at amortised cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss. The classification depends on the business model for managing financial assets and contract-stipulated cash flow characteristics.

Financial assets are classified as measured at amortised cost if the following conditions are fulfilled: the asset is kept within a business model, the purpose of which is to retain assets to receive contractual cash flows, and the terms of the contract determine the receipt on the specified dates of cash flows that are only payments to the principal and interest on the outstanding portion of the principal.

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*Notes to the Consolidated Financial Statements  
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The Group includes the following financial assets in the category of financial assets measured at amortised cost:

- trade and other receivables that satisfy the definition of financial assets in the event that the Group has no intention to sell it immediately or in the near future;
- cash and cash equivalents.

For financial assets classified as measured at amortised cost, a provision is created for expected credit losses (hereinafter referred to as "ECL").

When the Group derecognises financial assets at amortised cost and fair value through profit or loss, the Group reflects in the consolidated statement of profit or loss and other comprehensive income (through profit or loss) the financial result of their disposal equal to the difference between the fair value of the consideration received and the book value of an asset.

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

- not classified as at fair value through profit or loss; and
- do not provide the Group with control, joint control or material influence over the investee company.

When equity instruments of other companies classified at the Group's discretion as measured at fair value through other comprehensive income are derecognized, previously recognised components of other comprehensive income are transferred from the fair value provision to retained profit.

**ii. Impairment of financial assets**

Impairment provisions are assessed either on the basis of 12-month ECL that are the result of possible default within 12 months of the reporting date or lifetime ECL that are the result of all possible default events within the expected life of the financial instrument.

For trade receivables or contract assets arising from transactions relating to the scope of IFRS 15 "Revenue from Contracts with Buyers" (including those containing a significant financing component) and lease receivables, the Group applies a simplified approach to estimating the provision for expected credit losses - an estimate of the amount equal to the expected credit losses over the period.

Provisions for impairment of other financial assets classified as measured at amortised cost are measured based on 12-month ECL unless there has been a significant increase in credit risk since recognition. The credit loss provision for expected credit losses on a financial instrument is measured at each reporting date at an amount equal to the expected credit losses for the entire period if the credit risk on that financial instrument has increased significantly since initial recognition, taking in consideration all reasonable and verifiable information, including forecasting information.

As indicators of a significant increase in credit risk, the Group considers the actual or expected difficulties of the issuer or debtor on the asset, the actual or expected violation of the terms of the contract, the expected revision of the terms of the contract because of financial difficulties of the debtor on conditions unfavorable for the Group and would not have agreed to under other circumstances.

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Based on common credit risk management practices, the Group defines default as the failure of the counterparty (issuer) to fulfil its obligations (including repayment of money under the contract) due to a material deterioration in its financial position.

An impairment credit loss on a financial asset is carried out by recognition of the valuation provisions for its impairment. For a financial asset carried at amortised cost, the amount of the impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the expected future cash flows discounted at the original effective interest rate.

If, in subsequent periods, the credit risk of a financial asset is reduced as a result of an event that occurred after the loss was recognized, the previously recognised impairment loss is reversed by reducing the corresponding valuation provision. As a result of the reversal, the book value of the asset should not exceed its value at which it would have been reflected in the Consolidated Statement of Financial Position had the impairment loss not been recognised.

**iii. Financial obligations**

The Group classifies financial obligations into the following measurement categories: financial obligations at fair value through profit or loss; financial obligations measured at amortised cost.

The Group includes the following financial obligations in the category of financial liabilities measured at amortised cost:

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

Loans and borrowings (borrowed funds) are initially recognised at fair value including transaction costs directly attributable to the attraction of these funds. Fair value is determined taking into account the prevailing market interest rates on similar instruments in case of its material difference from the transaction price. In subsequent periods, borrowings are carried at amortised cost using the effective interest method; any difference between the fair value of the funds received (net of transaction costs) and the amount payable is recognised in profit or loss as interest cost for the duration of the borrowing repayment obligations.

Borrowing costs relate to expenses in the reporting period in which they were incurred if they were not related to the acquisition or construction of qualified assets. Borrowing costs relating to the acquisition or construction of assets that take considerable time to get prepared for use (qualifying assets) are capitalized as part of the asset value. Capitalization is carried out when the Group:

- bears costs on qualifying assets;
- bears costs on borrowings; and
- conducts activities related to the preparation of assets for use or sale.

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

Accounts payable are accrued from the moment the counterparty fulfills its obligations under the contract. Accounts payable are recognised at fair value and are then carried at amortised cost through the effective interest method.

**(B) Property, plant and equipment****i. Recognition and measurement**

Items of property, plant and equipment are stated at initial cost of acquisition or construction less accumulated depreciation and impairment losses. The cost of property, plant and equipment as of January 1, 2007 (date of transition to IFRS) was determined based on its fair value (deemed cost) at that date.

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The initial cost includes all expenses directly attributable to the acquisition of the related asset. The initial cost of self-constructed (built) assets includes material costs, direct labor costs, all other costs directly related to bringing the assets into operating conditions for their intended use, the costs of dismantling and moving the assets and restoring the site occupied by them, and capitalized interest on loans. The cost of purchasing software that is inextricably bound up with the functionality of the equipment concerned is capitalized in the cost of the equipment.

If an item of property, plant and equipment is made up of material separate components that have different useful lives, each of them is recognized as a separate item (material component) of property, plant and equipment.

Any profit or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds of its disposal with its book value and is recognised net as part of profit or loss for the period under "Other income", "Other costs".

**ii. Subsequent costs**

Costs associated with the replacement of a part (a significant component) of an item of property, plant and equipment increase the book value of that item if the probability that the Group will receive future economic benefits associated with that part is high and its value can be reliably determined. The carrying amount of the replaced part is written off. The costs associated with maintenance and repair of property, plant and equipment are recognized in the consolidated statement of profit or loss and other comprehensive income at the time of their occurrence.

**iii. Depreciation**

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

Useful lives, expressed in years by type of property, plant and equipment, are detailed below:

- buildings 7-50 years;
- transmission networks 5-40 years;
- equipment for power transmission 5-40 years;
- other assets 2-50 years.

**iv. Impairment**

At each reporting date, management determines the presence of indications of impairment of property, plant and equipment.

An impairment loss is recognised if the book value of an asset or its cash-generating unit exceeds its estimated (recoverable) value. The recoverable amount of an asset or cash-generating unit is the greater of the value in use of that asset (that unit) and its fair value minus costs to sell.

For the purposes of impairment testing, assets that cannot be tested individually are grouped into the smallest group in which cash inflows are generated as a result of the continuing use of the related assets, and these inflows are largely independent of cash inflows generated by other assets or groups of assets (hereinafter - "cash-generating unit").

The Group's total (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 apportioned among the units on a reasonable and consistent basis and tested for impairment as part of a test of the unit to which the corporate asset was allocated.

Impairment losses are recognised as part of profit and loss. Impairment losses on cash-generating units are first attributable to a decrease in the book value of goodwill apportioned among those units and then proportionally to a decrease in the book value of other assets within the relevant unit (group of units).

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Amounts written off as goodwill impairment loss are not reversed. For other assets at each reporting date, an analysis is made of the impairment loss recognised in one of the prior periods to determine whether there is any indication that the loss should be reduced or no longer recognized.

Amounts written off as impairment losses are reversed if the valuation factors used to calculate the corresponding recoverable amount change. An impairment loss is recovered only to the extent that it is possible to recover the value of assets to their book value, in which they would have been recognized (less accumulated depreciation) if no impairment loss had been recognized.

**(r) Intangible assets**

Intangible assets include for the most part capitalized computer software and licenses. Acquired software and licenses are capitalized on the basis of expenses incurred to acquire and bring them into operative condition.

Research costs are recognized as expenses as they arise. Development costs are recognised in 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; availability of resources to complete development, as well as the ability to reliably estimate costs incurred in course of development. Other development costs recognized as expenses. Development costs previously charged to expenses are not recognised in subsequent assets. The carrying amount of development costs is subject to annual impairment testing.

After initial recognition, intangible assets are recognised at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation of intangible assets is allocated on a straight-line basis over the useful life. At each reporting date, management assesses whether there are indications of impairment of intangible assets. In the event of impairment, the carrying amount of intangible assets is written down to the largest of asset's value in use and the asset's fair value less costs to sell.

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**(д) Lease**

At the time of concluding the contract, the Group assesses whether the contract as a whole or its individual components is a lease. A contract as a whole or its individual components is a lease contract if the right to control the use of an identified asset for a certain period in exchange for a payment is transferred under this contract.

Right-of-use assets are initially measured at cost and depreciated to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The initial cost of the right-of-use asset includes the amount of the initial measurement of the leasing obligation, lease payments made before or at the start of the lease, and initial direct costs. Upon recognition, right-of-use assets are recorded at historical cost less accumulated depreciation and accumulated impairment losses. Right-of-use assets are presented as a separate item in the consolidated statement of financial position.

The leasing obligation is initially measured at the present value of lease payments that have not yet been made at the start date of the lease and are subsequently measured at depreciable amount with the recognition of expenses as interest in the financial expenses of the consolidated profit and loss statement. Leasing obligations are presented in the consolidated statement of financial position as long-term and short-term borrowings.

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

In respect of a particular lease contract, the Group may decide to qualify the contract as a lease in which the basic asset has a low value and recognize the lease payments under that contract as a straight-line expense over the lease term.

For lease agreements for land plots under electrical network facilities with an indefinite term, or with a term under the agreement not exceeding 1 year with an annual renewal option, the Group determines the term of the agreement using the useful life of property, plant and equipment located on the leased land plots as the base criterion.

For lease agreements of electrical network facilities with an indefinite term, or with a contractual term of not more than 1 year with an annual renewal option, the Group determines the term of the agreement using the useful life of its own property, plant and equipment with similar technical characteristics as the base criterion.

**(е) Advances paid**

Advances paid are classified as capital assets if the advance is related to the acquisition of an asset that will be classified as capital at its initial recognition. Advances to the acquisition of an asset are included in its carrying amount when the Group gains control over the asset and there is a high probability that the Group will benefit from its use.

**(ж) Inventories**

Inventories are presented at the lower of the cost of sales or net realisable value. The prime cost is determined using the weighted average cost method and includes the cost of acquisition of inventory, production or processing costs and other costs of delivering inventory to its present location and bringing it to an appropriate condition.

The net realisable value is the estimated selling price of an item of inventory in the ordinary course of the Group's business less the estimated costs of completing the work on the item and selling it.

Inventories intended to support emergency response actions (emergency situations) at electrical network facilities (emergency provision) are reflected in the item "Inventories".

**(з) Value added tax**

Value added tax arising upon realization of products is subject to transfer to the state budget at the earlier of the following two dates: (a) the moment of receipt of payment from buyers or (b) the moment of delivery of goods or services to the buyer. Incoming VAT is refundable by set-off against the amount of output VAT on receipt of the invoice. Advances paid and other assets include (on a net basis) VAT amounts accrued on advances received and advances paid, as well as VAT to be refunded and VAT prepaid. The amounts of VAT

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payable to the budget are disclosed separately as part of short-term liabilities. When creating a provision for expected credit losses on receivables, the entire amount of doubtful debt, including VAT, is reserved.

**(н) Employee benefits****i. Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which the Company makes fixed contributions to a separate (independent) fund and has no further obligation (either legal or constructive) to pay additional amounts. Liabilities to make contributions to defined contribution pension plans, including the State Pension Fund of the Russian Federation, are recognised as an employee benefit expense in profit or loss in the periods in which the employees render the related services as part of their employment contracts. Contributions paid in advance are recognised as an asset when the entity has a right to a refund of the contributions it has paid or a reduction in future contribution payments.

**ii. Defined benefit plans**

A defined benefit plan is a post-employment benefit plan that is different from a defined contribution plan. The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans represents the discounted amount of liabilities at the reporting date.

The discount rate represents the end-of-year rate of return on government bonds that have a period to maturity of approximately the same as that of the Group's relevant obligations and are denominated in the same currency as the benefits expected to be paid. These calculations are made by a qualified actuary using the projected unit credit method of accumulation of future payments.

Revaluations of net obligations of a defined benefit plan, including actuarial gains and losses, and the effect of applying the asset limit (excluding interest if any) are recognised immediately in other comprehensive income. The Group determines the net interest cost of the net plan obligation for the period by applying the discount rate used to estimate the obligations of a defined benefit plan at the beginning of the annual period to the net plan obligation at that date, taking into account any changes in the net plan obligation for the period as a result of contributions and payments. Net interest and other expenses related to defined benefit plans are recognised in profit or loss. Actuarial gains or losses resulting from changes in actuarial assumptions are recognised in other comprehensive income/expense.

In the event of a change in payments within the plan or its sequestration, the resulting change in payments relating to past services or the profit or loss from the sequestration is recognised immediately in profit or loss. The Group recognises profit or loss on settlement of plan obligations when this settlement occurs.

**iii. Other long-term employee benefits**

The Group's net liability in respect of long-term employee benefits other than defined benefit pension plan payments represents the amount of future benefits that employees have earned in the current and past periods. These future benefits are discounted to determine their present value. The discount rate is the market yield at the reporting date on government bonds that have a period to maturity of approximately equal to the period to maturity of the Group's respective obligations and are denominated in the same currency in which these benefits are expected to be paid. Liabilities are estimated using the projected unit credit method. Revaluations are recognised in profit or loss for the period in which they arise.

**iv. Short-term benefits**

In determining the amount of liability in respect of short-term employee benefits, discounting does not apply and the corresponding expenses are recognized as employees perform their duties.

In respect of amounts expected to be paid under the short-term bonus or profit sharing plan, an obligation is recognised if the Group has an existing legal or practice-based obligation to pay the corresponding amount arising from the employee's past employment and the amount of this obligation can be reliably estimated and

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there is a high probability of outflow of economic benefits.

**(к) Profit tax**

Profit tax expense includes income tax of the current period and deferred tax. Current and deferred income tax is recognised as part of profit or loss for the period, with the exclusion of the portion of it that relates to business combinations, transactions recognised in other comprehensive income or directly in equity.

Current profit tax is the amount of tax payable in respect of taxable profit for the year calculated on the basis of effective tax rates or substantially enacted at the reporting date, as well as all adjustments to the amount of income tax liability for previous years.

Deferred tax is recognised in respect of temporary differences arising between the carrying value of assets and liabilities determined for the purposes of their reflection in the Consolidated Financial Statements and their tax base. Deferred tax is not recognised in respect of:

- temporary differences arising from the initial recognition of assets and liabilities as a result of a transaction that is not a business combination transaction and does not affect either accounting or taxable profit or tax loss;
- temporary differences relating to investments in subsidiaries and associates to the degree that the Group is able to control the timing of the reversal of those temporary differences and it is probable that those temporary differences will not be reversed in the foreseeable future; and
- taxable temporary differences arising from the initial recognition of goodwill.

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

Deferred tax is determined on the basis of tax rates that will apply in the future, at the time of reversal of temporary differences, based on the current or substantively enacted legislation at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertainty regarding the tax position, as well as whether additional taxes, penalties and fines may be accrued. The Group assesses tax based on many factors, including tax legislation interpretations and previous experience. Such an assessment is based on restrictions and assumptions and may include a number of judgments about future events. If new information becomes available, the Group may revise its judgement regarding the amount of tax liabilities for prior periods; such changes in tax liabilities will impact the profit tax expense in the period in which the judgement is made.

Deferred tax assets and liabilities are offset if there is a legal right to offset against each other the amounts of assets and liabilities under current income tax, and they relate to the income tax levied by the same tax authority on the same taxable entity, or from different taxable entities, but these entities intend to settle current tax liabilities and assets on a net basis, or the realization of their tax assets will be carried out simultaneously with the settlement of their tax liabilities.

Deferred tax assets are recognised in respect of unused tax losses, tax credits and deductible temporary differences only to the extent that there is a high probability of taxable profit against which the associated deductible temporary differences can be realized. Deferred tax assets are analysed at each reporting date and reduced to the extent that the realisation of the related tax benefits is no longer probable.

**Excess Profit Tax**

Excess profit tax falls within the scope of IAS 12 "Profit Taxes", is a current profit tax and is subject to the relevant accounting policies for current profit tax as described above.

Excess profit tax is a tax of a one-off nature. The excess profit tax liability and expense are to be recognised in the consolidated financial statements from the date on which the relevant Federal Law is substantively enacted. Unpaid amounts of current excess profit tax are recognised as a liability. The liability and expense for current excess profit tax are measured at the amount that the Group expects to pay to the tax authorities, calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the

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reporting period.

In calculating the expected excess profit tax rate, the Group took into account the intention and ability to make the security payment.

In the Consolidated Statement of Financial Position, the security payment was recorded gross of the excess profit tax liability until the entity has a legally enforceable right of set-off, which will arise from January 1, 2024. The outstanding balance of the security payment as at December 31, 2023 was presented as a separate line item within current assets in the Consolidated Statement of Financial Position. In the Consolidated Statement of Cash Flows, the amount of the excess profit tax security payment is shown in a separate line "Security payment for excess profit tax" following the line "Profit tax paid". In the Consolidated Statement of Profit or Loss, the amount of accrued excess profit tax expense is recognised in a separate line "Excess profit tax" following the line "Profit tax".

**(л) Estimated liabilities**

An estimated liability is recognised if a past event results in a legal or constructive obligation that can be reliably estimated and there is a high probability that an outflow of economic benefits will be required to settle the obligation. The value of the estimated liability is determined by discounting the expected cash flows at the pre-tax rate, which reflects current market estimates of the impact of changes in the value of money over time and the risks inherent in the liability. Amounts reflecting "discount depreciation" are recognized as finance expenses.

**(м) Equity****Authorised (share) capital**

Common stocks and irredeemable stocks are classified as equity.

**Share premium**

Share premium is defined as the cumulative amount received since the beginning of the Group's operations from the placement of shares, net of the nominal value of the shares placed.

**Reserves within equity comprise:**

- revaluation reserve for financial assets
- revaluation reserve for the net defined benefit plan liability.

**Revaluation reserve for financial assets**

The valuation procedure for financial assets at fair value through other comprehensive income and the derecognition of these financial assets are described in section (c) of this Note.

**Revaluation reserve for the net defined benefit plan liability**

Actuarial gains and losses recognised in the revaluation reserve for the net defined benefit plan liability are calculated by a qualified independent actuary in accordance with the requirements of IAS 19 "Employee Benefits" (see also section (l) of this Note).

**Retained profit. Dividends**

Retained profit (uncovered loss) reflects net profit (loss) on an accrual basis since the beginning of the Group's operations that has not been distributed to shareholders or otherwise utilised.

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

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**(н) Revenue from contracts with customers**

The Group recognises revenue when (or as) a performance obligation is fulfilled by transferring the promised goods or services (i.e. assets) to the customer. The asset is transferred when (or as) the customer gains control of such asset.

When (or as) the obligation is fulfilled, the Group recognises the proceeds in the amount that the Group expects to receive in exchange for the transfer of the promised assets to the customer, excluding VAT.

**Electricity transmission**

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

Tariffs for electricity transmission services are approved by the federal executive authority in the field of state regulation of tariffs (Federal Antimonopoly Service) and the executive bodies of the constituent entities of the Russian Federation in the field of state regulation of tariffs.

**Services for utility connection to electrical networks**

Revenue from the provision of services for technological connection to electrical networks is a fee for connecting consumers to electrical networks. The Group transfers control of the service at a point in time (on the fact that the consumer is connected to electrical networks or, for certain categories of consumers – while ensuring that the Group is able to connect to the power network through the activities of the consumer) and, therefore, fulfills the performance obligation at a point in time.

Payment for technological connection according to an individual project, standardized tariff rates, preferential rates for 1 kW of the requested maximum capacity and formulas for payment for technological connection are approved by the executive bodies of the constituent entities of the Russian Federation in the field of state regulation of tariffs and do not depend on revenue from the provision of electricity transmission services. The fee for technological connection to the unified national (all-Russian) electric network is approved by the Federal Antimonopoly Service, including in the form of a formula.

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

**Other revenue**

Revenue from the provision of other services (technical and maintenance services, consulting, organizational and technical services, communication and information technology services, other services), as well as revenue from other sales are recognized at the time the consumer gains control over the asset.

**Trade receivables**

Receivables represent the Group's right to compensation, which is unconditional (i.e., the moment when such compensation becomes payable is due only to the passage of time). The accounting policy for trade and other receivables is provided in the section "Financial Assets".

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**Contract liabilities**

A contract liability is an obligation to transfer to a consumer goods or services for which the Group has received a compensation (or a compensation payable) from the consumer. If the consumer pays a compensation before the Group transfers the goods or services to the consumer, the contract liability is recognised, at the time the payment is made or at the time when the payment becomes payable (whichever happens earlier). Contract liabilities are recognised as revenue when the Group fulfills its contractual obligations. The Group carries out liabilities under agreements with consumers in the item "Advances received" including value added tax (VAT).

Advances received mainly represent deferred income under utility connection agreements.

Advances received are reviewed by the Group for the financial component. If there is a period of more than 1 year between the receipt of advances and the transfer of goods and services promised for reasons other than the provision of financing to the counterparty (under agreements for technological connection to electrical networks), interest expense is not recognized for advances received. Such advances are recognized at fair value of assets received by the Group from consumers and customers as prepayments.

**(o) Financial income and expenses**

Financial income includes interest income on invested funds, dividend income, profit from disposal of financial assets measured at fair value and measured at depreciable value, and the effect of discounting financial instruments. Interest income is recognized in profit and loss at the time of occurrence and its amount is calculated using the effective interest method. Dividend income is recognized in profit or loss when the Group has the right to receive the relevant payment.

Financial expenses include interest expense on borrowings, leasing obligations, loss on disposal of financial assets measured at fair value and measured at depreciable value, 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.

**(n) Social payments**

When the Group's contributions to social plans are for the benefit of the Company as a whole and are not limited to payments to the Group's employees, they are recognized in profit or loss as they are incurred. The Group's expenses associated with the financing of social programs, without incurring obligations regarding such financing in the future, are recorded in the consolidated statement of profit or loss and other comprehensive income as incurred.

**(p) Earnings per share**

The Group presents basic and diluted earnings per share for ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to the owners of the Company's ordinary shares by the weighted average number of ordinary shares outstanding during the reporting period.

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**4 Fair value measurement**

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

In measuring the fair value of an asset or liability, the Group applies, as far as possible, the observable market. Fair value measurements relate to different levels of the fair value hierarchy, depending on the inputs used in the relevant valuation methods:

- Level 1: quoted (unadjusted) prices for identical assets and liabilities in active markets.
- Level 2: inputs other than quoted prices used for Level 1 measurements that are observable either directly (i.e., such as prices) or indirectly (i.e., price-based).
- Level 3: inputs for assets and liabilities that are not based on observable market (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability can be assigned to different levels of the fair value hierarchy, the fair value measurement as a whole refers to the level of the hierarchy to which the lowest-level inputs are relevant to the overall measurement.

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

The point of time at which transfers to and from certain levels are recognized, the Group considers the date of occurrence of the event or change in the circumstances that caused the transfer.

**5 Segment Information**

The Management Board of "Rosseti Kuban" PJSC is the supreme body making decisions on business operations.

The main activity of the Group is the provision of services for the electricity transmission and distribution, technological connection to electrical networks in a number of regions of the Russian Federation.

The internal management reporting system is based on segments (branches formed according to the territorial principle) related to the electricity transmission and distribution, technological connection to electrical networks in the regions of the Russian Federation: Krasnodar Territory and the Republic of Adygea.

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

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

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In accordance with the requirements of IFRS 8 "Operating Segments", based on data on segment revenue, EBITDA and total assets submitted to the Management Board, the Group has identified the following reportable segments:

- one reportable segment, which represents the strategic business unit of the Group. The strategic business unit provides electricity transmission services, including technological connection services in the geographical regions of the Russian Federation (Krasnodar Territory and the Republic of Adygea); these services are managed as a whole.
- The second segment "Other" includes several operating segments, which are mainly focused on the provision of repair services, rental and recreation services.

Unallocated indicators include the overall performance of the Company's executive office, which is not an operating segment as required by IFRS 8 "Operating Segments".

**(a) Information on the reportable segments**

As of and for the year ended December 31, 2023:

	<b>Rosseti Kuban</b>	<b>Other</b>	<b>Total</b>
Revenue from external consumers	74,536,361	662,020	75,198,381
Sales proceeds between segments	21,121	1,179,184	1,200,305
<b>Segment revenue</b>	<b>74,557,482</b>	<b>1,841,204</b>	<b>76,398,686</b>
<i>Including</i>			
<i>Electricity transmission</i>	71,207,120	–	71,207,120
<i>Technological connection to networks</i>	2,437,913	–	2,437,913
<i>Other revenue</i>	712,964	1,824,682	2,537,646
<i>Revenue from lease agreements</i>	199,485	16,522	216,007
Prime cost of the technological connection to networks	(720,031)	–	(720,031)
Financial income	438,913	4,724	443,637
Financial expenses	(2,346,000)	(4,336)	(2,350,336)
Depreciation	(6,716,949)	(29,622)	(6,746,571)
<b>Segment's profit before taxation</b>	<b>8,547,417</b>	<b>27,989</b>	<b>8,575,406</b>
<b>EBITDA</b>	<b>17,610,366</b>	<b>61,947</b>	<b>17,672,313</b>
<b>Assets of segments</b>	<b>116,380,456</b>	<b>1,031,918</b>	<b>117,412,374</b>
<i>Including property, plant and equipment and construction in progress</i>	87,123,570	109,405	87,232,975
Capital investments	15,528,856	67,618	15,596,474
<b>Segment liabilities</b>	<b>62,160,030</b>	<b>898,865</b>	<b>63,058,895</b>

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As of and for the year ended December 31, 2022:

	<b>Rosseti Kuban</b>	<b>Other</b>	<b>Total</b>
Revenue from external consumers	63 732 569	487,978	<b>64,220,547</b>
Sales proceeds between segments	6,288	1,639,309	<b>1,645,597</b>
<b>Segment revenue</b>	<b>63,738,857</b>	<b>2,127,287</b>	<b>65,866,144</b>
<i>Including</i>			
<i>Electricity transmission</i>	61,452,874	–	<b>61,452,874</b>
<i>Technological connection to networks</i>	1,282,050	–	<b>1,282,050</b>
<i>Other revenue</i>	855,024	2,112,992	<b>2,968,016</b>
<i>Revenue from lease agreements</i>	148,909	14,295	<b>163,204</b>
Prime cost of the technological connection to networks	721,400	–	<b>721,400</b>
Financial income	109,410	2,665	<b>112,075</b>
Financial expenses	(2,662,572)	(13,199)	<b>(2,675,771)</b>
Depreciation	(6,309,573)	(32,145)	<b>(6,341,718)</b>
<b>Segment's profit before taxation</b>	<b>7,180,429</b>	<b>14,863</b>	<b>7,195,292</b>
<b>EBITDA</b>	<b>16,152,574</b>	<b>60,207</b>	<b>16 212 781</b>
<b>Assets of segments</b>	<b>95,867,294</b>	<b>1,174,198</b>	<b>97,041,492</b>
<i>Including property, plant and equipment and construction in progress</i>	78,118,655	78,210	<b>78,196,865</b>
Capital investments	12,772,201	6,436	<b>12,778,637</b>
<b>Segment liabilities</b>	<b>50,613,695</b>	<b>1,058,630</b>	<b>51,672,325</b>

**(6) Reconciliation of key reportable segment indices presented to the Management Board with similar indicators in these consolidated financial statements**

Reportable segment revenue reconciliation:

	<b>For the year ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Reportable segment revenue</b>	<b>76,398,686</b>	<b>65,866,144</b>
Exclusion of sales revenue between segments	(1,200,305)	(1,645,597)
Revenue adjustment for other reasons	(119,089)	22,653
<b>Revenue in the Consolidated Statement of Profit or Loss and other comprehensive income</b>	<b>75,079,292</b>	<b>64,243,200</b>

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Reconciliation of EBITDA of reportable segments:

	For the year ended December 31	
	2023	2022
<b>EBITDA of reportable segments</b>	<b>17,672,313</b>	<b>16 212 781</b>
Adjustment for provision for expected credit losses	152,445	508,567
Recognition of pension and other long-term liabilities to employees	314	14,038
Adjustment of the cost of property, plant and equipment	(50,413)	(31,610)
Adjustment for estimated liabilities	200,065	—
Adjustment of the value of intangible assets	80,550	77,900
Discounting of payables	225,644	—
Adjustment for payables	180,310	257,836
Discounting of receivables	1,897	2,179
Adjustment for disputed receivables	(76,474)	(472,706)
Adjustment for lease	121,619	91,893
Adjustment for accrued provisions for unused vacations and bonuses	(26,628)	(20,969)
Adjustment for taxes	(201,803)	(171,610)
Adjustment for intragroup transactions	(81,628)	(11,182)
Other adjustments	(150,917)	(234,539)
<b>EBITDA</b>	<b>18,047,294</b>	<b>16,222,578</b>
Depreciation of property, plant and equipment, right-of-use assets and intangible assets	(6,548,876)	(6,198,911)
Interest expense on financial liabilities carried at depreciable cost	(1,870,183)	(2,122,299)
Interest expenses on lease liabilities	(296,737)	(351,018)
Profit tax expense and excess profit tax expense	(2,513,256)	(1,851,980)
<b>Consolidated profit/( loss) for the period in the Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>	<b>6,818,242</b>	<b>5,698,370</b>

Reconciliation of the total assets of the reportable segments:

	For the year ended December 31	
	2023	2022
<b>Total segment assets</b>	<b>117,412,374</b>	<b>97,041,492</b>
Settlements between segments	(538,776)	(803,438)
Intragroup financial assets	(45,687)	(45,687)
Adjustment of the cost of property, plant and equipment	(5,173,470)	(5,661,697)
Adjustment of right-of-use assets	527,469	429,555
Recognition of assets related to employee benefit liabilities	290,712	302,550
Adjustment of provision for expected credit losses	85,297	9,326
Adjustment of deferred tax assets	(1,952,636)	(2,199,610)
Discounting of receivables	(2,361)	(3,053)
Reduction of receivables on VAT advances from advances paid	(3,233,363)	(1,369,300)
Reclassification of the lease agreement to lease liabilities	(13,832)	(13,048)
Write-off of receivables	(115,377)	(25,619)
Adjustment of the value of intangible assets	(74,805)	(80,442)
Reduction of the amount of VAT recoverable by the amount of VAT on advances received	(304,548)	(85,912)
Exclusion of current RP from capital expenditures	(225,838)	(169,780)
Write-off of current assets	(11,471)	(13,976)
Other adjustments	(93,421)	(27,290)
<b>Total assets in the Consolidated Statement of Financial Position</b>	<b>106,530,267</b>	<b>87,284,071</b>

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Reconciliation of total liabilities of reportable segments:

	For the year ended December 31	
	2023	2022
<b>Total segment liabilities</b>	<b>63,058,895</b>	<b>51,672,325</b>
Settlements between segments	(554,553)	(826,082)
Setoff of payables and receivables	—	—
Adjustment of deferred liabilities	(3 001 357)	(3 357 412)
Recognition of pension and other long-term liabilities to employees	762,865	621,344
Recognition of lease liabilities	811,541	779,824
Estimated liabilities and other accruals	(200,065)	—
Discounting of payables	(225 644)	(2)
Reclassification of payables for lease IFRS 16	(141 027)	(130 389)
Adjustment for accrued provisions for unused vacations and bonuses	225,763	199,135
Reduction of other payables in the amount of VAT on advances received	(3,233,363)	(1,369,300)
Write-off of prepaid income	(729 944)	(549 634)
Reduction of spayable on advances received by the amount of VAT on advances received	(304,548)	(85,912)
Other adjustments	187,997	—
<b>Total liabilities in the Consolidated Statement of Financial Position</b>	<b>56,656,560</b>	<b>46 953 897</b>

**(b) Significant buyer**

For the years ended December 31, 2023 and December 31, 2022, the Group had 2 (two) largest counterparties, each of which accounted for over 10% of the Group's total revenue. The revenue received from these counterparties is reflected in the statements of the operating segment of "Rosseti Kuban".

The total amount of revenue received from the Counterparty 1 for 2023 amounted to 33,223,931 thousand rubles, or 44.25% of the Group's total revenue (in 2022: 28,84,928 thousand rubles, or 44.89%).

The total amount of revenue received from the Counterparty 2 for 2023 amounted to 22,014,240 thousand rubles, or 29.32% of the Group's total revenue (in 2022: 19,531,366 thousand rubles or 30.40%).

**6 Revenue**

	For the year ended December 31	
	2023	2022
Electricity transmission	71,114,954	61,451,381
Technological connection to electrical networks	2,437,913	1,282,050
Other revenue	1,327,802	1,362,736
<b>Revenue from contracts with customers</b>	<b>74,880,669</b>	<b>64,096,167</b>
Revenue from lease agreements	198,623	147,033
	<b>75,079,292</b>	<b>64,243,200</b>

Other revenue includes revenue from the sale of additional (non-tariff) services provided by the Group and not related to its principal activities: technical and maintenance services, diagnostics and testing, consulting and organizational and technical services.

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**7 Other income**

	For the year ended December 31	
	2023	2022
Income from detected non-contractual electricity consumption	92,572	38,905
Income in the form of fines and penalties under business contracts	366,902	490,474
Income from compensation for losses in connection with disposal/liquidation of electrical network property	354,824	295,225
Insurance indemnity	188,762	566,626
Write-off of payables	11,546	57,629
Income from the termination of lease agreement	40,798	11,004
Other income	222,868	289,511
Income from the disposal of property, plant and equipment from sale operations	692	43,207
	<b>1,278,964</b>	<b>1 792 581</b>

**8 Other expenses**

	For the year ended December 31	
	2023	2022
Loss on disposal of property, plant and equipment	91,951	115,294
	<b>91,951</b>	<b>115,294</b>

**9 Operating expenses**

	For the year ended December 31	
	2023	2022
Employee benefits expenses	9,979,213	9 114 859
Depreciation of property, plant and equipment	5,049,415	4,696,801
Depreciation of intangible assets	93,787	126,499
Depreciation of right-of-use assets	1,405,674	1,375,611
<i>Tangible expenses, incl.</i>		
Electricity to compensate for technological losses	10,768,903	9 280 483
Purchased electricity and heat for own needs	120,097	122,314
Other tangible expenses	2,915,358	2 543 547
<i>Works and services of production nature, incl.</i>		
Electricity transmission services	28,571,199	23 567 601
Repair and maintenance services	1,888,724	804,735
Other works and services of production nature	474,571	266,178
Taxes and charges other than profit tax	588,513	685,496
Short-term lease	17,088	5,862
Insurance	141,139	139,917
<i>Other services of third parties, incl.:</i>		
Communication services	110,523	90,288
Security services	293,696	236,336
Consulting, legal and audit services	164,605	101,790
Software and maintenance costs	201,855	122,814
Transport services	30,533	16,553
Other services of third parties	1 375 682	1 165 453
<i>Other expenses, incl.:</i>		
Business trip expenses	156,959	195,086
Estimated liabilities	(3,522)	(101 251)
Expenses associated with property upkeep	97,986	158,215
Costs for services related to the organization, operation and development of the UES	8,678	110,819
Expenses recognized in the form of fines, penalties, forfeits for breach of contract	135,082	41,776
Other operating expenses	552,135	527,068
	<b>65,137,893</b>	<b>55,394,850</b>

**10 Employee benefits expenses****Rosseti Kuban PJSC**

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	For the year ended December 31	
	2023	2022
Salary	7,098,042	6,629,834
Social security contributions	2,242,681	2 014 537
Expenses related to defined benefit plans	27,600	24,302
Other	610,890	446,186
	<b>9,979,213</b>	<b>9 114 859</b>

During the year ended December 31, 2022, the amount of contributions under defined contribution plans amounted to 39,752 thousand rubles (for the year ended December 31, 2022: 44,448 thousand rubles).

The amounts of benefit to key management personnel are disclosed in Note 35 "Related Party Operations".

**11 Financial income and expenses**

	For the year ended December 31	
	2023	2022
<b>Financial income</b>		
Interest income on loans issued, bank deposits, promissory notes and bank account balances	439,448	106,190
Depreciation of discount on financial assets	1,897	2,179
Effect of discounting financial liabilities at initial recognition	225,644	–
Interest income on assets related to employee benefit liabilities	20,645	9,070
Other financial income	4,189	5,885
	<b>691,823</b>	<b>123,324</b>

	For the year ended December 31	
	2023	2022
<b>Financial expenses</b>		
Interest expense on financial liabilities carried at depreciable cost	1,804,517	2 079 232
Interest expenses on lease liabilities	296,737	351,018
Effect of discounting financial assets at initial recognition	1,205	972
Interest expense on long-term employee benefit liabilities	59,904	42,072
Depreciation of discount on financial liabilities	2	23
Other financial expenses	4,555	–
	<b>2,166,920</b>	<b>2 473 317</b>

**12 Profit tax**

	For the year ended December 31	
	2023	2022
<b>Current profit tax</b>		
Current tax accrual	(1 721 429)	(1 636 355)
Tax adjustment for prior periods	50,096	233,682
<b>Total</b>	<b>(1 671 333)</b>	<b>(1 402 673)</b>
<b>Deferred profit tax</b>	<b>(841 923)</b>	<b>(449 307)</b>
Accrual and recovery of temporary differences	–	–
<b>Total profit tax expense</b>	<b>(2,513,256)</b>	<b>(1,851,980)</b>

For the year ended December 31, 2023, the Group recalculated profit tax for previous periods in connection with the identification of income and expenses of previous years, representing, for the most part, disputes settled in pre-trial and judicial proceedings regarding electricity transmission services, as well as the volume of electricity purchased to compensate for losses. As a result, the profit tax overcharged in previous periods amounted, according to the updated tax returns submitted to the tax authorities, to 50,096 thousand rubles.

**Excess profit tax expense**

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On August 4, 2023, the President of the Russian Federation signed Federal Law No. 414-FZ "On Excess Profit Tax" (published on August 4, 2023, hereinafter referred to as the "Law").

In accordance with the provisions of the Law, "Rosseti Kuban" PJSC is a payer of excess profit tax. The amount of the liability and expense for the excess profit tax calculated at the rate of 10% is 400,130 thousand rubles. The Group made a security payment to the budget for excess profit tax in the amount of 203,106 thousand rubles, which is presented in the Consolidated Statement of Cash Flows as a separate line "Security payment for excess profit tax". As a result of making a security payment, the Group was entitled to a tax deduction in the amount of a security payment of 200,065 thousand rubles. Accordingly, the applicable excess profit tax rate was 5%.

**Profit tax recognized in other comprehensive income:**

	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Before taxation	Profit tax	After tax	Before taxation	Profit tax	After tax
Financial assets measured at fair value through other comprehensive income	(1)	–	(1)	–	–	–
Revaluation of defined benefit plan liabilities	(93,769)	18,754	(75,015)	(54,109)	10,822	(43,287)
	<b>(93,770)</b>	<b>18,754</b>	<b>(75,016)</b>	<b>(54,109)</b>	<b>10,822</b>	<b>(43,287)</b>

As of December 31, 2023 and December 31, 2022, deferred profit tax assets and liabilities are calculated at a rate of 20 percent, which is expected to be applicable when the respective assets and liabilities are realized.

Before-tax profit relates to profit tax expense as follows:

	For the year ended December 31	
	2023	2022
<b>Profit before tax</b>	<b>9,331,498</b>	<b>7 550 350</b>
<b>Theoretical amount of profit tax expense at the rate of 20%</b>	<b>(1,866,300)</b>	<b>(1,510,070)</b>
Effect of applying a lower tax rate	–	–
Tax effect of items not taxable or deductible for tax purposes	(697,052)	(575,592)
Adjustments for prior periods	50,096	233,682
	<b>(2,513,256)</b>	<b>(1,851,980)</b>

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**13 Property, plant and equipment**

	Land plots and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
<i>Initial / deemed cost</i>						
<b>As of January 1, 2023</b>	<b>12,192,321</b>	<b>53,491,561</b>	<b>27,641,086</b>	<b>9,525,108</b>	<b>10,444,944</b>	<b>113,295,020</b>
Reclassification between groups	(756,322)	1,037,335	(274,629)	(6,384)	–	–
Proceeds	5,526	148,909	151,805	168,675	15,658,792	16,133,707
Commissioning	800,494	5,285,593	4,072,168	1,930,548	(12,088,803)	–
Disposals	(23,855)	(41,164)	(89,383)	(15,299)	(247,619)	(417,320)
Reclassification to assets held for sale	(10,755)	–	–	–	(1,522)	(12,277)
<b>As of December 31, 2023</b>	<b>12,207,409</b>	<b>59,922,234</b>	<b>31,501,047</b>	<b>11,602,648</b>	<b>13,765,792</b>	<b>128,999,130</b>
<i>Depreciation accumulated</i>						
<b>As of January 1, 2023</b>	<b>(4,425,881)</b>	<b>(17,662,759)</b>	<b>(12,482,565)</b>	<b>(5,492,730)</b>	–	<b>(40,063,935)</b>
Reclassification between groups	408,081	(519,958)	214,468	(102,591)	–	–
Depreciation accrued	(488,863)	(2,487,016)	(1,484,351)	(888,719)	–	(5,348,949)
Disposals	3,878	14,113	74,532	15,020	–	107,543
Reclassification to assets held for sale	4,425	–	–	–	–	4,425
<b>As of December 31, 2023</b>	<b>(4,498,360)</b>	<b>(20,655,620)</b>	<b>(13,677,916)</b>	<b>(6,469,020)</b>	–	<b>(45,300,916)</b>
<i>Impairment accumulated</i>						
<b>As of January 1, 2023</b>	<b>(639,516)</b>	<b>(2,592,356)</b>	<b>(593,544)</b>	<b>(14,893)</b>	<b>(32,217)</b>	<b>(3,872,526)</b>
Reclassification between groups	38,351	(51,371)	6,067	6,953	–	–
Introduction into property, plant and equipment (carry forward of impairment losses)	–	(143)	(2,891)	(3)	3,037	–
Depreciation of impairment	36,859	155,325	104,145	3,205	–	299,534
Recognition of impairment losses/ recovery of previously recognized impairment losses	–	–	–	–	–	–
Disposals	144	1,145	2,914	8	47	4,258
Reclassification to assets held for sale	–	–	–	–	–	–
<b>As of December 31, 2023</b>	<b>(564,162)</b>	<b>(2,487,400)</b>	<b>(483,309)</b>	<b>(4,730)</b>	<b>(29,133)</b>	<b>(3,568,734)</b>
<i>Depreciation (with depreciation of impairment)</i>						
<b>As of January 1, 2023</b>	<b>7,126,924</b>	<b>33,236,446</b>	<b>14,564,977</b>	<b>4,017,485</b>	<b>10,412,727</b>	<b>69,358,559</b>
<b>As of December 31, 2023</b>	<b>7,144,887</b>	<b>36,779,214</b>	<b>17,339,822</b>	<b>5,128,898</b>	<b>13,736,659</b>	<b>80,129,480</b>
<i>Initial / deemed cost</i>						
<b>As of January 1, 2022</b>	<b>10,422,357</b>	<b>50,198,747</b>	<b>24,013,105</b>	<b>11,061,007</b>	<b>5,862,802</b>	<b>101,558,018</b>
Reclassification between groups	1,224,936	(242,453)	439,581	(1,422,064)	–	–
Proceeds	19,876	261,851	236,478	52,631	13,126,839	13,697,675
Commissioning	535,222	3,310,946	3,047,514	1,600,983	(8,494,665)	–
Disposals	(10,070)	(37,530)	(95,592)	(1,767,449)	(50,032)	(1,960,673)
<b>As of December 31, 2022</b>	<b>12,192,321</b>	<b>53,491,561</b>	<b>27,641,086</b>	<b>9,525,108</b>	<b>10,444,944</b>	<b>113,295,020</b>
<i>Depreciation accumulated</i>						
<b>As of January 1, 2022</b>	<b>(3,241,592)</b>	<b>(15,512,424)</b>	<b>(10,654,113)</b>	<b>(7,183,554)</b>	–	<b>(36,591,683)</b>
Reclassification between groups	(745,231)	149,891	(397,566)	992,906	–	–
Depreciation accrued	(446,552)	(2,321,652)	(1,509,482)	(730,240)	–	(5,007,926)
Disposals	7,494	21,426	78,596	1,428,158	–	1,535,674
Reclassification to assets held for sale	–	–	–	–	–	–
<b>As of December 31, 2022</b>	<b>(4,425,881)</b>	<b>(17,662,759)</b>	<b>(12,482,565)</b>	<b>(5,492,730)</b>	–	<b>(40,063,935)</b>
<i>Impairment accumulated</i>						
<b>As of January 1, 2022</b>	<b>(676,843)</b>	<b>(2,745,890)</b>	<b>(693,535)</b>	<b>(33,102)</b>	<b>(39,194)</b>	<b>(4,188,564)</b>
Reclassification between groups	1,026	(1,734)	(7,876)	8,584	–	–
Proceeds	–	–	–	–	–	–
Introduction into property, plant and equipment (carry forward of impairment losses)	(1,987)	(35)	(4,636)	–	6,658	–
Depreciation of impairment	38,070	154,798	111,245	7,012	–	311,125
Recognition of impairment losses/ recovery of previously recognized impairment losses	–	–	–	–	–	–
Disposals	218	505	1,258	2,613	319	4,913
Reclassification to assets held for sale	–	–	–	–	–	–
<b>As of December 31, 2022</b>	<b>(639,516)</b>	<b>(2,592,356)</b>	<b>(593,544)</b>	<b>(14,893)</b>	<b>(32,217)</b>	<b>(3,872,526)</b>
<i>Depreciation (with depreciation of impairment)</i>						
<b>As of January 1, 2022</b>	<b>6,503,922</b>	<b>31,940,433</b>	<b>12,665,457</b>	<b>3,844,351</b>	<b>5,823,608</b>	<b>60,777,771</b>
<b>As of December 31, 2022</b>	<b>7,126,924</b>	<b>33,236,446</b>	<b>14,564,977</b>	<b>4,017,485</b>	<b>10,412,727</b>	<b>69,358,559</b>

As of December 31, 2023, construction in progress includes advances for the acquisition of property, plant and equipment in the amount of 1,388,903 thousand rubles (as of December 31, 2022: 436,340 thousand rubles),

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as well as materials for the construction of property, plant and equipment in the amount of 3,939,555 thousand rubles (as of December 31, 2022: 2,711,827 thousand rubles).

For the year ended December 31, 2023, capitalized interest amounted to 297,349 thousand rubles (for the year ended December 31, 2022: 316,051 thousand rubles rub.), the capitalization rate was 10.96% (for the year ended December 31, 2022: 11.51%).

For the year ended December 31, 2023, depreciation charges in the amount of 2,107 thousand rubles were capitalized in the cost of capital construction facilities (including depreciation charges of property, plant and equipment of 0 thousand rubles, intangible assets of 2,024 thousand rubles, right-of-use assets of 83 thousand rubles).

For the year ended December 31, 2022, depreciation charges in the amount of 1,874 thousand rubles were capitalized in the cost of capital construction facilities (including depreciation charges of property, plant and equipment of 0 thousand rubles, intangible assets of 1,746 thousand rubles, right-of-use assets of 128 thousand rubles).

As of December 31, 2023, the cost of fully depreciated property, plant and equipment amounted to 9,426,064 thousand rubles (as of December 31, 2022: 9,269,926 thousand rubles)

As of December 31, 2023 and December 31, 2022, there were no property, plant and equipment acting as collateral for loans and borrowings.

**Disclosure of information on impairment testing**

The Group considered the current economic conditions in the regions where the Group operates: the Krasnodar Territory and the Republic of Adygea, as an indicator (sign) of a possible impairment of property, plant and equipment.

The majority of the Group's property, plant and equipment are specialised assets that are rarely purchased and sold on the open market, unless they are sold to existing entities. The market for such property, plant and equipment is not active in the Russian Federation and does not provide sufficient purchase and sale examples to enable a market approach to determine the fair value of these property, plant and equipment. As a consequence, the recoverable amount of specialised property is determined as the value in use using the projected cash flow method. His method takes into account future net cash flows that will generate these property, plant and equipment in the course of business operations as well as disposal in order to determine the recoverable amount of these assets.

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

The Group tested property, plant and equipment for impairment as of December 31, 2023 in relation to a generating unit of "Rosseti Kuban".

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The following basic assumptions were used in assessing the recoverable amount of assets of generating units:

Basic assumption	As of December 31, 2023
Forecast period	Forecast cash flows were determined for the 2024-2028 period for all generating units based on the Management's best estimate of electricity transmission volumes, operating and capital expenditures, and tariffs approved by regulatory authorities for 2024.
Interest rate of net cash flow growth in the post-forecast period	4.0%
Forecast of electricity transmission tariffs	Based on the tariff calculation methodology adopted by the regulatory authorities
Forecast of sales volume	In accordance with the approved business plan. Outside of business planning - a fixed amount (at the level of the last year of the business planning period).
Discount rate (The nominal discount rate determined for the purposes of the test based on the weighted average cost of capital before profit tax)	11.97%

According to the results of impairment testing, the recoverable value of fixed assets of the tested CGUs amounted to 131,444,126 thousand rubles as of December 31, 2023.

According to the results of testing, as of December 31, 2023, no impairment of property, plant and equipment was revealed.

**14 Intangible assets**

	Software	Certificates, licenses and patents	R&D	Other	Total
<b>Initial cost</b>					
As of January 1, 2023	919,623	12,775	20,530	78,195	1,031,123
Reclassification between groups	13,030	—	(13,030)	—	—
Proceeds	197,362	127,285	11,918	—	336,565
Disposals	—	—	(10,184)	(61,659)	(71,843)
<b>As of December 31, 2023</b>	<b>1,130,015</b>	<b>140,060</b>	<b>9,234</b>	<b>16,536</b>	<b>1,295,845</b>
<b>Depreciation accumulated</b>					
As of January 1, 2023	(742,015)	(12,160)	—	(74,310)	(828,485)
Reclassification between groups	—	—	—	—	—
Depreciation accrued	(90,847)	(2,327)	—	(2,637)	(95,811)
Disposals	—	—	—	61,659	61,659
<b>As of December 31, 2023</b>	<b>(832,862)</b>	<b>(14,487)</b>	<b>—</b>	<b>(15,288)</b>	<b>(862,637)</b>
<b>Impairment accumulated</b>					
As of January 1, 2023	—	—	—	—	—
Reclassification between groups	—	—	—	—	—
Depreciation of impairment	—	—	—	—	—
Recognition of impairment losses/ recovery of previously recognized impairment losses	—	—	—	—	—
Disposals	—	—	—	—	—
<b>As of December 31, 2023</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<i>Depreciation (with depreciation of impairment)</i>	<i>(90,847)</i>	<i>(2,327)</i>	<i>—</i>	<i>(2,637)</i>	<i>(95,811)</i>
<b>Residual value</b>					
As of January 1, 2023	177,608	615	20,530	3,885	202,638
<b>As of December 31, 2023</b>	<b>297,153</b>	<b>125,573</b>	<b>9,234</b>	<b>1,248</b>	<b>433,208</b>

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<b>As of January 1, 2022</b>	<b>850,194</b>	<b>10,746</b>	<b>21,275</b>	<b>78,195</b>	<b>960,410</b>
Reclassification between groups	–	–	–	–	–
Proceeds	69,429	2,029	3,325	–	74,783
Disposals	–	–	(4,070)	–	(4,070)
<b>As of December 31, 2022</b>	<b>919,623</b>	<b>12,775</b>	<b>20,530</b>	<b>78,195</b>	<b>1,031,123</b>
<b>Depreciation accumulated</b>					
<b>As of January 1, 2022</b>	<b>(630,025)</b>	<b>(10,195)</b>	–	<b>(60,020)</b>	<b>(700,240)</b>
Reclassification between groups	–	–	–	–	–
Depreciation accrued	(111,990)	(1,965)	–	(14,290)	(128,245)
Disposals	–	–	–	–	–
<b>As of December 31, 2022</b>	<b>(742,015)</b>	<b>(12,160)</b>	–	<b>(74,310)</b>	<b>(828,485)</b>
<b>Impairment accumulated</b>					
<b>As of January 1, 2022</b>	–	–	–	–	–
Reclassification between groups	–	–	–	–	–
Depreciation of impairment	–	–	–	–	–
Recognition of impairment losses/ recovery of previously recognized impairment losses	–	–	–	–	–
Disposals	–	–	–	–	–
<b>As of December 31, 2022</b>	–	–	–	–	–
<i>Depreciation (with depreciation of impairment)</i>	<i>(111,990)</i>	<i>(1,965)</i>	–	<i>(14,290)</i>	<i>(128,245)</i>
<b>Residual value</b>					
<b>As of January 1, 2022</b>	<b>220,169</b>	<b>551</b>	<b>21,275</b>	<b>18,175</b>	<b>260,170</b>
<b>As of December 31, 2022</b>	<b>177,608</b>	<b>615</b>	<b>20,530</b>	<b>3,885</b>	<b>202,638</b>

Depreciation amount of intangible assets included in operating expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive income amounted to 93,787 thousand rubles (for the year ended December 31, 2022: 126,499 thousand rubles).

Intangible assets are depreciated on a straight-line basis.

For the year ended December 31, 2023, capitalized depreciation amounted to 2,024 thousand rubles (for the year ended December 31, 2022: 1,746 thousand rubles).

Other intangible assets include research and development costs recognized as part of operating expenses as at December 31, 2023 in the amount of 3,885 thousand rubles (as at December 31, 2022: 2,930 thousand rubles).

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**15 Right-of-use assets**

	<b>Land and buildings</b>	<b>Electricity transmission networks</b>	<b>Equipment for electricity transmission</b>	<b>Other</b>	<b>Total</b>
<b>Initial cost</b>					
<b>As of January 1, 2023</b>	<b>2,675,613</b>	<b>2,958,344</b>	<b>1,181,395</b>	<b>415,648</b>	<b>7,231,000</b>
Reclassification between groups	–	–	–	–	–
Proceeds	95,449	46,353	112,171	890	254,863
Changes in the terms of lease agreements	86,214	2,200	(764)	869	88,519
Disposal or termination of lease agreements	(137,754)	(23,169)	(77,228)	(32,127)	(270,278)
<b>As of December 31, 2023</b>	<b>2,719,522</b>	<b>2,983,728</b>	<b>1,215,574</b>	<b>385,280</b>	<b>7,304,104</b>
<b>Depreciation accumulated</b>					
<b>As of January 1, 2023</b>	<b>(1,228,116)</b>	<b>(1,712,996)</b>	<b>(649,812)</b>	<b>(242,677)</b>	<b>(3,833,601)</b>
Reclassification between groups	–	–	–	–	–
Depreciation accrued	(467,088)	(611,946)	(251,341)	(75,382)	(1,405,757)
Changes in the terms of lease agreements	9,376	1	4,329	–	13,706
Disposal or termination of lease agreements	37,681	5,212	27,479	18,613	88,985
<b>As of December 31, 2023</b>	<b>(1,648,147)</b>	<b>(2,319,729)</b>	<b>(869,345)</b>	<b>(299,446)</b>	<b>(5,136,667)</b>
<b>Impairment accumulated</b>					
<b>As of January 1, 2023</b>	–	–	–	–	–
Reclassification between groups	–	–	–	–	–
Depreciation of impairment	–	–	–	–	–
Recognition of impairment losses/recovery of previously recognized impairment losses	–	–	–	–	–
Disposal or termination of lease agreements	–	–	–	–	–
<b>As of December 31, 2023</b>	–	–	–	–	–
<i>Depreciation (with depreciation of impairment)</i>	<i>(467,088)</i>	<i>(611,946)</i>	<i>(251,341)</i>	<i>(75,382)</i>	<i>(1,405,757)</i>
<b>Residual value</b>					
<b>As of January 1, 2023</b>	<b>1,447,497</b>	<b>1,245,348</b>	<b>531,583</b>	<b>172,971</b>	<b>3,397,399</b>
<b>As of December 31, 2023</b>	<b>1,071,375</b>	<b>663,999</b>	<b>346,229</b>	<b>85,834</b>	<b>2,167,437</b>

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	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
<b>Initial cost</b>					
<b>As of January 1, 2022</b>	2,606,702	2,931,821	1,081,193	385,857	7,005,573
Reclassification between groups	(9,340)	–	11,926	(2,586)	–
Proceeds	136,341	39,865	85,317	1,161	262,684
Changes in the terms of lease agreements	(30,449)	1,157	9,251	32,149	12,108
Disposal or termination of lease agreements	(27,641)	(14,499)	(6,292)	(933)	(49,365)
<b>As of December 31, 2022</b>	<b>2,675,613</b>	<b>2,958,344</b>	<b>1,181,395</b>	<b>415,648</b>	<b>7,231,000</b>
<b>Depreciation accumulated</b>					
<b>As of January 1, 2022</b>	(790,459)	(1,122,615)	(429,434)	(150,535)	(2,493,043)
Reclassification between groups	2,550	–	(3,972)	1,422	–
Depreciation accrued	(463,781)	(603,632)	(221,969)	(86,357)	(1,375,739)
Changes in the terms of lease agreements	10,717	358	66	(7,862)	3,279
Disposal or termination of lease agreements	12,857	12,893	5,497	655	31,902
<b>As of December 31, 2022</b>	<b>(1,228,116)</b>	<b>(1,712,996)</b>	<b>(649,812)</b>	<b>(242,677)</b>	<b>(3,833,601)</b>
<b>Impairment accumulated</b>					
<b>As of January 1, 2022</b>	–	–	–	–	–
Reclassification between groups	–	–	–	–	–
Depreciation of impairment	–	–	–	–	–
Recognition of impairment losses/recovery of previously recognized impairment losses	–	–	–	–	–
Disposal or termination of lease agreements	–	–	–	–	–
<b>As of December 31, 2022</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<i>Depreciation (with depreciation of impairment)</i>	(463,781)	(603,632)	(221,969)	(86,357)	(1,375,739)
<b>Residual value</b>					
<b>As of January 1, 2022</b>	1,816,243	1,809,206	651,759	235,322	4,512,530
<b>As of December 31, 2022</b>	<b>1,447,497</b>	<b>1,245,348</b>	<b>531,583</b>	<b>172,971</b>	<b>3,397,399</b>

For the purpose of the impairment testing, right-of-use specialized assets (including leased land plots under own and leased specialized facilities) are classified as CGU assets similarly to own fixed assets - based on the geographical location of the Group.

The value of use of right-of-use assets is determined using the discounted cash flow method. Information on the impairment testing conducted as of December 31, 2023 is disclosed in Note 13 "Property, Plant and Equipment".

## 16 Other financial assets

	December 31, 2023	December 31, 2022
<b>Fixed</b>		
<i>Financial assets measured at fair value through other comprehensive income</i>		
Investments in unquoted equity instruments	–	1
	–	1

## 17 Deferred tax assets and liabilities

Differences between IFRS and Russian tax legislation result in temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes, on the one hand, and for profit tax

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purposes, on the other.

### (a) Deferred tax assets and liabilities recognized

Deferred tax assets and liabilities relate to the following items:

	Assets		Liabilities		Net	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Property, plant and equipment	73,641	66,372	(2,393,373)	(1,561,172)	(2,319,732)	(1,494,800)
Intangible assets	9,224	9,295	–	–	9,224	9,295
Right-of-use assets	–	–	(435,521)	(679,480)	(435,521)	(679,480)
Financial assets measured at fair value through other comprehensive income	–	–	(9,137)	(9,138)	(9,137)	(9,138)
Financial assets measured at fair value through other profit or loss	–	–	–	–	–	–
Inventories	45,157	52,591	–	–	45,157	52,591
Trade and other receivables	576,436	518,527	(17,206)	(4,531)	559,230	513,996
Advances paid and other assets	4	2,129	(1,238)	–	(1,234)	2,129
Lease liabilities	162,308	155,965	–	–	162,308	155,965
Loans and borrowings	–	–	–	–	–	–
Estimated liabilities	232,004	292,179	(5,670)	(961)	226,334	291,218
Employee benefit liabilities	60,681	26,320	–	–	60,681	26,320
Trade and other payables	568,176	491,560	–	–	568,176	491,560
Advances received	–	–	–	–	–	–
Tax losses to be carried forward	152	1,231	–	–	152	1,231
Assets held for sale	–	–	(5,651)	(4,081)	(5,651)	(4,081)
Other	9,858	331,822	(10,354)	(5,968)	(496)	325,854
<b>Tax assets/( liabilities)</b>	<b>1,737,641</b>	<b>1,947,991</b>	<b>(2,878,150)</b>	<b>(2,265,331)</b>	<b>(1,140,509)</b>	<b>(317,340)</b>
Credit for tax	(1,662,163)	(1,871,990)	1,662,163	1,871,990	–	–
Deferred tax assets not recognized	–	–	–	–	–	–
<b>Net tax assets/( liabilities)</b>	<b>75,478</b>	<b>76,001</b>	<b>(1,215,987)</b>	<b>(393,341)</b>	<b>(1,140,509)</b>	<b>(317,340)</b>

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**(6) Movement of deferred tax assets and liabilities during the year**

	January 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2023
Property, plant and equipment	(1,494,800)	(824,932)	–	(2,319,732)
Intangible assets	9,295	(71)	–	9,224
Right-of-use assets	(679,480)	243,959	–	(435,521)
Financial assets measured at depreciated value	–	–	–	–
Financial assets measured at fair value through other comprehensive income	(9,138)	1	–	(9,137)
Financial assets measured at fair value through other profit or loss	–	–	–	–
Inventories	52,591	(7,434)	–	45,157
Trade and other receivables	513,996	45,234	–	559,230
Advances paid and other assets	2,129	(3,363)	–	(1,234)
Lease liabilities	155,965	6,343	–	162,308
Loans and borrowings	–	–	–	–
Estimated liabilities	291,218	(64,884)	–	226,334
Employee benefit liabilities	26,320	15,607	18,754	60,681
Trade and other payables	491,560	76,616	–	568,176
Advances received	–	–	–	–
Tax losses to be carried forward	1,231	(1,079)	–	152
Assets held for sale	(4,081)	(1,570)	–	(5,651)
Other	325,854	(326,350)	–	(496)
Deferred tax assets not recognized	–	–	–	–
	<b>(317,340)</b>	<b>(841,923)</b>	<b>18,754</b>	<b>(1,140,509)</b>

	January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022
Property, plant and equipment	(1,080,102)	(414,698)	–	(1,494,800)
Intangible assets	2,775	6,520	–	9,295
Right-of-use assets	(902,506)	223,026	–	(679,480)
Financial assets measured at depreciated value	–	–	–	–
Financial assets measured at fair value through other comprehensive income	(9,138)	–	–	(9,138)
Financial assets measured at fair value through other profit or loss	–	–	–	–
Inventories	21,824	30,767	–	52,591
Trade and other receivables	509,601	4,395	–	513,996
Advances paid and other assets	2,077	52	–	2,129
Lease liabilities	988,642	(832,677)	–	155,965
Loans and borrowings	–	–	–	–
Estimated liabilities	417,458	(126,240)	–	291,218
Employee benefit liabilities	9,330	6,168	10,822	26,320
Trade and other payables	158,890	332,670	–	491,560
Advances received	–	–	–	–
Tax losses to be carried forward	1,630	(399)	–	1,231
Assets held for sale	(4,102)	21	–	(4,081)
Other	4,766	321,088	–	325,854
Deferred tax assets not recognized	–	–	–	–
	<b>121,145</b>	<b>(449,307)</b>	<b>10,822</b>	<b>(317,340)</b>

**18 Assets qualified as held for sale**

	December 31, 2023	December 31, 2022
<b>As part of current assets</b>		
Assets classified as held for sale - short-term	28,255	20,403
	<b>28,255</b>	<b>20,403</b>

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It is expected that the sale of a non-core asset classified as held for sale will take no more than one year.

Immediately before classifying the objects as assets for sale, an estimate of the recoverable amount was made. As of December 31, 2023, there was no write-down as the carrying amount of assets held for sale has not decreased below its fair value less costs to sell.

**19 Inventories**

	December 31, 2023	December 31, 2022
Raw and other materials	1,459,748	975,506
Provision for impairment of raw and other materials	(49,327)	(51,238)
Other inventories	2,403,686	1,109,671
Provision for impairment of other inventories	(812)	(353)
	<b>3,813,295</b>	<b>2,033,586</b>

As of December 31, 2023, inventories intended to ensure the prevention and elimination of accidents (emergencies) at electrical network facilities (emergency provision) amount to 631,162 thousand rubles (as of December 31, 2022: 582,625 thousand rubles).

As of December 31, 2023 and December 31, 2022, the Group did not have reserves that would be pledged under loan or other agreements.

For the year ended December 31, 2023, inventories in the amount of 2,915,358 thousand rubles were recognized as expenses (for the year ended December 31, 2022: 2,543,547 thousand rubles) as part of operating expenses under the item "Other material expenses".

**20 Trade and other receivables**

	December 31, 2023	December 31, 2022
<b>Long-term trade and other receivables</b>		
Trade receivables	395	32,748
Provision for expected credit losses on trade receivables	–	(31,958)
Other receivables	58,632	66,035
Provision for expected credit losses on other receivables	–	(33,890)
	<b>59,027</b>	<b>32,935</b>
<b>Short-term trade and other receivables</b>		
Trade receivables	6,611,360	7,935,420
Provision for expected credit losses on trade receivables	(1,549,243)	(1,703,166)
Other receivables	1,263,035	1,410,852
Provision for expected credit losses on other receivables	(1,143,178)	(790,006)
	<b>5,181,974</b>	<b>6,853,100</b>
	<b>5,241,001</b>	<b>6,886,035</b>

**21 Advances paid and other assets**

	December 31, 2023	December 31, 2022
<b>Fixed</b>		
Advances paid	12,267	7,722
Provision for impairment of advances paid	–	–
VAT on advances received	407	407
	<b>12,674</b>	<b>8,129</b>
<b>Current</b>		
Advances paid	101,795	92,408
Provision for impairment of advances paid	(4,613)	(4,246)
VAT recoverable	5,753	(12,192)
VAT on advances received and VAT on advances paid for the purchase	57,667	41,707

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Prepayment for taxes other than profit tax

9,634	14,144
<b>170,236</b>	<b>131,821</b>
<b>182,910</b>	<b>139,950</b>

**22 Cash and cash equivalents**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash in bank accounts and cash on hand	5 578 347	3 510 721
Cash equivalents	7 538 334	650,000
	<b>13 116 681</b>	<b>4,160,721</b>

As of December 31, 2023 and December 31, 2022, all balances and cash equivalents are nominated in rubles.

Cash equivalents as at December 31, 2023 and December 31, 2022 include short-term investments in bank deposits. Deposits were placed in 2023 at interest rates from 16.15% to 16.40% per annum (in 2022: from 7.12 to 8.03% per annum).

**23 Equity****(a) Authorized capital**

	<b>Ordinary shares</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Nominal value per one share	100 rubles	100 rubles
In circulation as of January 1, pieces	363,300,457	342 258 436
In circulation at the end of the year and fully paid, pieces	398,966,076	363 300 457

**(b) Ordinary shares**

In accordance with the Charter, as of December 31, 2022, and December 31, 2023, the authorized capital of the Company is 33,465,783,700 rubles, which is divided into 334,657,837 ordinary registered non-documentary shares with a nominal value of 100 rubles 00 kopecks each.

The total number of outstanding shares of the Company as of December 31, 2023 amounted to 398,966,076 shares.

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**(b) Dividends**

The source of dividend payment is the net profit of "Rosseti Kuban" PJSC, determined in accordance with the requirements established by the current legislation of the Russian Federation.

At the Annual General Meeting of Shareholders held on June 16, 2023, it was decided to pay dividends on ordinary shares of the Company based on the results of financial and economic activities of "Rosseti Kuban" PJSC for 2022 in the amount of 766,500 thousand rubles (minutes of the Annual General Meeting of Shareholders dated June 21, 2023 No. 50). The amount of dividends amounted to 2.0022935 rubles per ordinary share of the Company.

For the year ended December 31, 2023, dividends accrued to the Company's owners amounted to 766,500 thousand rubles by the end of 2022, including 764,260 thousand rubles to the parent company, "Rosseti" PJSC (for the year ended December 31, 2022: 2,774,363 thousand rubles, including 2,695,919 thousand rubles for the parent company, "Rosseti" PJSC).

As of December 31, 2023, the debt for the payment of dividends to other shareholders amounted to 1,458 thousand rubles, the debt to the parent company "Rosseti" PJSC, for the payment of dividends was repaid (as of December 31, 2022: the debt for the payment of dividends to other shareholders amounted to 101,678 thousand rubles, and the debt to the parent company, "Rosseti" PJSC, the debt regarding dividends has been repaid).

As of December 31, 2023, the amount of unclaimed dividends, which were restored to the retained profit of previous years due to the expiration of the limitation period for the payment of dividends, amounted to 245 thousand rubles (as of December 31, 2022: 71 thousand rubles).

**(r) Additional issue of securities**

In February 2021, the Extraordinary General Meeting of Shareholders of "Rosseti Kuban" PJSC decided to increase the Company's authorized capital by placing additional ordinary shares in the amount of 69,583,132 shares with a par value of 100 rubles each, for a total amount of 6,958,313,200 rubles at par value (Minutes dated February 26, 2021, No.44).

On March 17, 2021, the Board of Directors of "Rosseti Kuban" PJSC approved a securities prospectus that contained the terms and conditions for the placement of additional shares.

On April 1, 2021, the Bank of Russia registered this additional issue and the registration of the securities prospectus of "Rosseti Kuban" PJSC. The additional issue of securities was assigned state registration number 1 02 00063-A. The initial term for the placement of additional shares is one year from the date of state registration of the additional issue. On April 25, 2022, the Bank of Russia registered the Company's securities prospectus, which provides for the extension of the period for the placement of additional shares until April 1, 2023 by extending the deadline for collecting offers until March 2, 2023. On May 25, 2023, the Bank of Russia registered a prospectus for the issue of securities of the Company, providing for the extension of the period for the placement of additional shares until April 1, 2024 by extending the deadline for collecting offers until March 1, 2024.

Within the period from April 10, 2021 to February 3, 2022, the shareholders exercised their pre-emptive right to acquire additional shares. The Company offered to purchase 60,579,604 pieces remaining for placement after the exercise of the pre-emptive right by shareholders on February 10, 2022, to an unlimited number of persons by open subscription. On March 1, 2024, the deadline for collecting offers for the purchase of shares of an additional issue registered by the Bank of Russia on April 1, 2021 with registration number 1-02-00063-A, ended.

Payment for additional shares is made in cash. As of December 31, 2023, the Company collectively received payment for additional issue shares in the amount of 6,430,824 thousand rubles for 64,308,239 additional issue shares (including for the 12 months of 2023: in the amount of 3,566,562 thousand rubles for 35,665,619 shares). Registration of the relevant amendments to the Company's Charter has not been made as of December 31, 2023.

The Group's Management classified the cash received for additional outstanding unregistered shares in the



	Borrowed funds		Short-term	Interest payable on borrowed funds (excluding % under lease agreements)	Lease liabilities	Dividends payable
	Long-term					
<b>As of January 1, 2022</b>	<b>16,136,314</b>	<b>4,800,000</b>	<b>4,800,000</b>	<b>34,192</b>	<b>4,943,208</b>	<b>344</b>
<b>Changes due to cash flows from financial activities</b>						
Borrowing funds	14,682,503	1,000,698		—	—	—
Repayment of borrowed funds	(9,815,517)	(5,800,698)		—	—	—
Lease payments	—	—		(2,408,038)	(1,328,971)	—
Interest paid (operating activities, for reference)	—	—		(2,408,038)	(341,457)	—
Dividends paid	—	—		(2,408,038)	—	(2,774,363)
<b>Total</b>	<b>4,866,986</b>	<b>(4,800,000)</b>	<b>(4,800,000)</b>	<b>(2,408,038)</b>	<b>(1,670,428)</b>	<b>(2,774,363)</b>
<b>Non-cash changes</b>						
Reclassification	(4,071,757)	4,071,757		—	—	—
Capitalized interests	—	—		313,137	2,914	—
Interest expenses	—	—		2,079,232	351,017	—
Proceeds from lease agreements	—	—		—	262,684	—
Dividends accrued	—	—		—	—	2,875,768
Discounting	—	—		—	(22,926)	(71)
Other changes, net	—	—		—	—	—
<b>Total</b>	<b>(4,071,757)</b>	<b>4,071,757</b>	<b>4,071,757</b>	<b>2,392,369</b>	<b>593,689</b>	<b>2,875,697</b>
<b>As of December 31, 2022</b>	<b>16,931,543</b>	<b>4,071,757</b>	<b>4,071,757</b>	<b>18,523</b>	<b>3,866,469</b>	<b>101,678</b>

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**27 Employee benefits**

The Group has pension liabilities and other long-term defined benefit plan liabilities that apply to most employees and retirees. Defined benefit plan liabilities consist of several unsecured plans providing lump sum payments upon retirement, financial support to retirees, employee death benefits, and anniversary payments.

The amounts of defined benefit liabilities recognized in the Consolidated Statement of Financial Position are as follows:

	December 31, 2023	December 31, 2022
Net cost of liabilities regarding post-employment benefit plans	762,865	621,344
Net cost of liabilities regarding other long-term employee benefit plans	—	—
<b>Total net value of liabilities</b>	<b>762,865</b>	<b>621,344</b>
Change of value of assets related to employee benefit liabilities:		
	2023	2022
<b>Value of assets as of January 1</b>	<b>302,550</b>	<b>308,658</b>
Income on plan assets	20,645	9,070
Employer's contributions	—	21,543
Other account movements	1,056	(198)
Payment of benefits	(33,539)	(36,523)
<b>Value of assets as of December 31</b>	<b>290,712</b>	<b>302,550</b>

Assets associated with defined benefit pension plans are administered by the NPF Otkrytie JSC Non-Governmental Pension Fund. These assets are not assets of defined benefit pension plans, since under the terms of existing agreements with the fund, the Group has the opportunity to use contributions transferred under defined benefit pension plans to finance its defined contribution pension plans or transfer to another fund on its own initiative.

Changes in present value of defined benefit plan liabilities:

	2023		2022	
	Post-employment benefits	Other long-term benefits	Post-employment benefits	Other long-term benefits
<b>Defined benefit plan liabilities as of January 1</b>	<b>621,344</b>	—	<b>545,309</b>	—
Cost of current services	27,600	—	24,302	—
Cost of past services and sequestration	—	—	—	—
Interest expense on liabilities	59,904	—	42,072	—
Effect of revaluation:				
- loss from changes in demographic actuarial assumptions	102,021	—	—	—
- profit from change in financial actuarial assumptions	(88,633)	—	(33,424)	—
- loss from experience adjustment	80,381	—	87,533	—
Plan contributions	(39,752)	—	(44,448)	—
<b>Defined benefit plan liabilities as of December 31</b>	<b>762,865</b>	—	<b>621,344</b>	—

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Expenses recognized in profit or loss for the period:

	For the year ended December 31	
	2023	2022
Cost of employee services	27,600	24,302
Revaluation of liabilities for other long-term employee benefits	—	—
Interest expenses	59,904	42,072
<b>Total expenses recognized in profit or loss</b>	<b>87,504</b>	<b>66,374</b>

Loss recognized in other comprehensive income for the period:

	For the year ended December 31	
	2023	2022
Loss from changes in demographic actuarial assumptions	102,021	—
Profit from change in financial actuarial assumptions	(88,633)	(33,424)
Loss from experience adjustment	80,381	87,533
<b>Total expenses recognized in other comprehensive income</b>	<b>93,769</b>	<b>54,109</b>

Change in the reserve for revaluation of liabilities in other comprehensive income during the reporting period:

	2023	2022
<b>Revaluation as of January 1</b>	<b>537,255</b>	<b>483,146</b>
Revaluation change	93,769	54,109
<b>Revaluation as of December 31</b>	<b>631,024</b>	<b>537,255</b>

Main actuarial assumptions:

	December 31, 2023	December 31, 2022
<b>Financial assumptions</b>		
Discount rate	11.8%	10.3%
Future salary increase	6.1%	6.1%
Inflation rate	5.6%	5.6%
<b>Demographic assumptions</b>		
Expected retirement age		
• Men	65	65
• Women	60	60
Average employee turnover rate	7.2%	9.5%

The sensitivity of the total value of pension liabilities to changes in basic actuarial assumptions is as follows:

	Changes in assumptions	Impact on liabilities
Discount rate	Growth/decrease by 0.5%	Change by (3.3%)
Future salary growth	Growth/decrease by 0.5%	Change by 3.1%
Future benefit growth (inflation)	Growth/decrease by 0.5%	Change by 0.6%
Employee turnover rate	Growth/decrease by 10%	Change by (1.2%)
Mortality rate	Growth/decrease by 10%	Change by (0.8%)

The amount of expected payments under long-term employee benefit plans for 2024 is 225,611 thousand rubles, including: for defined benefit plans, including non-state pension provision for employees, 255,611 thousand rubles.

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The risks associated with pension and other long-term employee benefit plans reflect the fact that the actual development of the situation may differ from the long-term assumptions used in calculating liabilities. The Group's plans are exposed to risks of mortality and survival, risks of falling investment returns, while there is no significant concentration of risks.

The weighted average duration of a defined benefit liability is 8 years as of December 31, 2023 (7 years as of December 31, 2022).

**28 Trade and other payables**

	December 31, 2023	December 31, 2022
<b>Long-term debt</b>		
Trade payables	1,365,506	93,604
Other payables	1	—
	<b>1,365,507</b>	<b>93,604</b>
<b>Short term debt</b>		
Trade payables	8,619,522	9,337,701
Other payables and expenses accrued	187,960	171,424
Payables to employees	1,564,934	1,469,133
Dividends payable	1,458	101,678
	<b>10,373,874</b>	<b>11,079,936</b>
	<b>11,739,381</b>	<b>11,173,540</b>

The Group's exposure to liquidity risk in respect of accounts payable is disclosed in Note 32 "Financial Risk and Capital Management".

**29 Taxes payable other than profit tax**

	December 31, 2023	December 31, 2022
VAT	998,920	514,660
Property tax	159,026	155,499
Social security contributions	358,226	473,181
Other taxes payable	50,191	88,432
	<b>1,566,363</b>	<b>1,231,772</b>

**30 Advances received**

	December 31, 2023	December 31, 2022
<b>Long-term</b>		
Advances for technological connection to electrical networks	9,916,835	1,971,783
Other advances received	3,103	1,338
	<b>9,919,938</b>	<b>1,973,121</b>
<b>Short-term</b>		
Advances for technological connection to electrical networks	5,880,623	3,598,783
Other advances received	1,434,245	1,610,110
	<b>7,314,868</b>	<b>5,208,893</b>
	<b>17,234,806</b>	<b>7,182,014</b>

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**31 Estimated liabilities**

	2023	2022
<b>Balance as of January 1</b>	<b>1,460,893</b>	<b>2,084,450</b>
Accrual (increase) for the period	449,521	774,809
Recovery (decrease) for the period	(453,043)	(876,060)
Use of estimated liabilities	(383,552)	(557,745)
Capitalized	86,202	35,439
<b>Balance as of December 31</b>	<b>1,160,021</b>	<b>1,460,893</b>

The estimated liabilities mainly relate to lawsuits and claims filed against the Group for ordinary activities, as well as estimated liabilities related to unresolved tax disputes of the Group at the reporting date as at December 31, 2023 and December 31, 2022 in the amounts of 142,134 thousand rubles and 173,376 thousand rubles, respectively.

**32 Financial Risk and Capital Management**

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

This note contains information on the Group's exposure to each of these risks, discusses the objectives, policies and procedures of risk assessment and management, and information on capital management. More detailed quantitative data are disclosed in the relevant sections of these consolidated financial statements.

The Company may change the amount of dividends paid to shareholders, return capital to shareholders or issue new shares in order to maintain or change the capital structure.

**(a) Credit risk**

Credit risk is the risk that the Group will incur a financial loss caused by the buyer or counterparty to a financial instrument not fulfilling its contractual obligations in full and on time. Credit risk relates mainly to the Group's receivables, bank deposits, cash and cash equivalents.

Deposits with an initial maturity period of more than three months, cash and cash equivalents are placed in financial institutions that have a minimum risk of default, are considered reliable counterparties with a stable financial position in the financial market of the Russian Federation. Concentration risk is managed by placing funds in banks with minimal risk of default. Information on the balances of deposits with an initial placement period of more than three months, balances of cash and cash equivalents placed with banks associated with the principal shareholder of the Company is provided in Note 35 "Related Party Operations".

In terms of the structure of the Group's debtors, the Group's exposure to credit risk mainly depends on the individual characteristics of each counterparty. The Group creates a provision for expected credit losses on trade and other receivables, the estimated amount of which is determined on the basis of a model of expected credit losses weighted by the probability of default occurrence, and can be adjusted both upward and downward. For that, the Group analyzes the borrowing capacity of the counterparties, debt repayment dynamics, takes into account changes in payment terms, the availability of third-party guarantees, bank guarantees, and current economic conditions.

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The carrying amount of receivables, net of expected credit loss provisions, represents the maximum amount exposed to credit risk. While the collection of receivables may be affected by economic and other factors, the Group believes that there is no material risk of losses exceeding the provision created.

If possible, the Group uses a prepayment system in its relationships with counterparties. As a rule, the prepayment for utility connection of consumers to the networks is provided for by the contract. The Group does not require collateral security for receivables.

For effective management of receivables, the Group monitors changes in the volume of receivables and its structure by allocating current and overdue accounts. In order to minimize credit risk, the Group implements measures aimed at timely fulfillment of contractual obligations by counterparties, reducing and preventing the creation of overdue accounts. Such measures, in particular, include: conducting negotiations with service consumers, increasing the efficiency of the process of forming the volume of electricity transmission services, ensuring the implementation of schedules for monitoring readings and technical verification of electricity metering tools agreed with guaranteed supply companies, limiting the electricity consumption regime (implemented in accordance with the norms of the legislation of the Russian Federation), claims work, presentation of claims for the provision of financial security in the form of independent (bank) guarantees, collateral and other forms of security for the fulfillment of obligations.

**i. Credit risk level**

The carrying amount of financial assets reflects the maximum credit risk of the Group. As of the balance sheet date, the maximum level of credit risk was:

	Carrying value	
	December 31, 2023	December 31, 2022
Trade and other receivables (net of expected credit loss provisions)	5,241,001	6,886,035
Cash and cash equivalents	13,116,681	4,160,721
	<b>18,357,682</b>	<b>11,046,756</b>

As of the balance sheet date, the maximum level of credit risk in terms of trade receivables by groups of buyers was:

	December 31, 2023			December 31, 2022		
	Total nominal value	Expected credit loss provision	Carrying value	Total nominal value	Expected credit loss provision	Carrying value
Buyers of electricity transmission services	6,236,163	(1,419,407)	4,816,756	7,667,559	(1,597,134)	6,070,425
Buyers of services of technological connection to networks	38,922	(24,783)	14,139	38,043	(27,797)	10,246
Other buyers	336,670	(105,053)	231,617	262,566	(110,193)	152,373
	<b>6,611,755</b>	<b>(1,549,243)</b>	<b>5,062,512</b>	<b>7,968,168</b>	<b>(1,735,124)</b>	<b>6,233,044</b>

The carrying amount of trade receivables attributable to the Group's ten largest debtors as of December 31, 2023 was 4,280,884 thousand rubles (December 31, 2022: 5,570,634 thousand rubles).

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The distribution of trade and other receivables by limitation term is presented below:

	December 31, 2023			December 31, 2022		
	Total nominal value	Expected credit loss provision	Carrying value	Total nominal value	Expected credit loss provision	Carrying value
Undue debt	4,776,040	(91,285)	4,684,755	6,616,159	(274,759)	6,341,400
Overdue by less than 3 months	275,746	(26,624)	249,122	377,971	(77,116)	300,855
Overdue for more than 3 months and less than 6 months	273,391	(60,486)	212,905	287,666	(203,910)	83,756
Overdue for more than 6 months and less than a year	481,860	(417,933)	63,927	320,674	(216,882)	103,792
Overdue for more than a year	2,126,385	(2 096 093)	30,292	1 842 585	(1 786 353)	56,232
	<b>7 933 422</b>	<b>(2 692 421)</b>	<b>5,241,001</b>	<b>9 445 055</b>	<b>(2 559 020)</b>	<b>6,886,035</b>

The flow of the expected credit loss provisions on trade and other receivables is presented below:

	2023	2022
<b>Balance as of January 1</b>	2 559 020	2 515 156
Increase in provision for the period	705,949	723,282
Recovery of provision amounts for the period	(384 132)	(97 988)
Amounts of trade and other receivables written off from provision previously accrued	(188 416)	(581 430)
Reclassification over the period	—	—
<b>Balance as of December 31</b>	<b>2,692,421</b>	<b>2 559 020</b>

As of December 31, 2023 and December 31, 2022, the Group has no contractual basis for offsetting financial assets and financial liabilities, and the management of the Group does not anticipate future offsetting based on supplementary agreements.

## (6) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations at maturity.

Liquidity risk management involves the maintenance of sufficient funds and the availability of financial resources by attracting credit facilities. The Group follows a balanced model of working capital financing through the use of both short-term and long-term sources. Temporarily available funds are placed in the form of short-term financial instruments, mainly bank deposits.

The Group's approach to liquidity management is to ensure that the Group has sufficient liquidity to meet its obligations on time without incurring illegible losses or exposing to risk the Group's reputation. This approach is used to analyze payment due dates related to financial assets and forecast cash flows from operating activities.

As of December 31, 2023, the amount of the free limit on open but unused credit lines of the Group amounted to 77,202,647 thousand rubles (as of December 31, 2022: 58,342,200 thousand rubles) The Group has a chance to raise additional funding within the relevant limits, including to ensure the fulfillment of its short-term obligations.

Below is information on the contractual maturity of financial liabilities, taking into account expected interest payments and excluding the effect of offsets. With respect to cash flows included in the analysis of the payment due dates, it is not assumed that they may occur much earlier in time or in significantly different amounts:

December 31, 2023	Carrying value	Cash flows under the agreement	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
<b>Non-derivative financial liabilities</b>								
Loans and borrowings	20,188,840	26 386 225	7 480 965	15 970 510	2 934 750	—	—	—
Financial lease liabilities	2,585,294	4 345 618	1 726 354	327,956	154,275	135,827	89,942	1 911 264
Trade and other payables	11 739 381	12 694 969	11 329 462	1 365 507	—	—	—	—
	<b>34 513 515</b>	<b>43 426 812</b>	<b>20 536 781</b>	<b>17 663 973</b>	<b>3,089,025</b>	<b>135,827</b>	<b>89,942</b>	<b>1 911 264</b>
December 31, 2022	Carrying value	Cash flows under the agreement	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
<b>Non-derivative financial liabilities</b>								
Loans and borrowings	21,021,823	25,070,389	5,794,646	5,736,563	13,539,180	—	—	—
Financial lease liabilities	3 866 469	5 486 316	1 708 122	1 689 798	168,786	122,272	92,238	1 705 100
Trade and other payables	11,173,540	11 723 176	11 629 572	8,551	3,755	3,905	4,061	73,332
	<b>36 061 832</b>	<b>42 279 881</b>	<b>19 132 340</b>	<b>7 434 912</b>	<b>13 711 721</b>	<b>126,177</b>	<b>96,299</b>	<b>1,778,432</b>

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**(B) Market risk**

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates, commodity prices and cost of capital, which will affect the Group's financial performance or the value of the financial instruments held. The purpose of market risk management is to control market risk exposure and keep it within acceptable limits, while optimizing the return on investment.

**i. Risk of exchange losses**

Income and expenses and monetary assets and liabilities of the Group are nominated in Russian rubles. Changes in exchange rates do not directly affect the Group's income and expenses.

**ii. Interest rate risk**

The purpose of interest rate risk management is to prevent losses due to adverse changes in the level of market interest rates. Changes in interest rates primarily affect loans and borrowings because they change either their fair value (for fixed-rate loans and borrowings) or future cash flows (for floating-rate loans and borrowings). The Group does not adhere to any established rules in determining the ratio between loans and borrowings at fixed and floating rates. At the same time, at the time of raising new loans and borrowings, on the basis of judgment, it is decided which rate - fixed or floating - will be most beneficial for the Group for the entire settlement period until maturity. The Group analyzes the exposure to interest rate risks in dynamics.

*Sensitivity analysis of fair value of fixed-rate financial instruments*

The Group does not recognize any financial assets and liabilities at fixed rates as instruments at fair value through profit or loss. Accordingly, the change in interest rates at the reporting date would not have affected profit or loss.

*Cash flow sensitivity analysis for floating rate financial instruments*

As of December 31, 2023, the Group's financial liabilities with floating interest rates amounted to 16,380,000 thousand rubles (as of December 31, 2022: 13,083,980 thousand rubles).

A possible increase in interest rates by 100 basis points would reduce the amount of profit before income tax for 2023 by 192,416 thousand rubles. (December 31, 2022: 199,150 thousand rubles).

A possible decrease in interest rates by 100 basis points would increase the amount of profit before income tax for 2023 by 192,416 thousand rubles. (December 31, 2022: 199,150 thousand rubles).

This analysis was conducted on the assumption that all other variables remain unchanged and interest expenses are not capitalized.

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**(r) Fair and carrying value**

A comparison of the fair values and carrying values of the Group's financial instruments is set out below:

Financial instruments	Note	December 31, 2023		Level of the fair value hierarchy		
		Carrying value	Fair value	1	2	3
<b>Financial assets measured at depreciated value</b>						
Long-term receivables	20	59,027	59,027	–	–	59,027
<b>Financial assets measured at fair value through other comprehensive income</b>						
Investments in equity instruments (unquoted)	16	–	–	–	–	–
<b>Financial liabilities measured at depreciated value</b>						
Loans and borrowings	25	20,159,853	20,159,853	–	20,159,853	–
Long-term payables	28	1,365,507	1,365,507	–	–	1,365,507
		<b>21 584 387</b>	<b>21 584 387</b>	<b>–</b>	<b>20,159,853</b>	<b>1 424 534</b>
		December 31, 2022		Level of the fair value hierarchy		
Financial instruments	Note	Carrying value	Fair value	1	2	3
<b>Financial assets measured at depreciated value</b>						
Long-term receivables	20	32,935	32,935	–	–	32,935
<b>Financial assets measured at fair value through other comprehensive income</b>						
Investments in equity instruments (unquoted)	16	1	1	–	–	1
<b>Financial liabilities measured at depreciated value</b>						
Loans and borrowings	25	21,003,300	21,003,300	–	21,003,300	–
Long-term payables	28	93,604	93,604	–	–	93,604
		<b>21 129 840</b>	<b>21 129 840</b>	<b>–</b>	<b>21 003 300</b>	<b>126,540</b>

The fair value of short-term receivables and payables and other current financial assets approximates their carrying values.

The interest rate used to discount expected future cash flows on long-term receivables for the purposes of determining the disclosed fair value as of December 31, 2023, was 8.23%...12.48% (December 31, 2022: 8.85%...13.15%).

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The interest rate used to discount expected future cash flows on long-term payables for the purposes of determining the disclosed fair value as of December 31, 2023, was 8.23%...12.48% (December 31, 2022: 8.85%...13.15%).

The interest rate used to discount expected future cash flows on long- and short-term borrowings for the purposes of determining the disclosed fair value as of December 31, 2023, was LR +1.20% - LR +2.10% (December 31, 2022: LR +1.35% - LR +2.75%).

For the year ended December 31, 2023, no transfers were made between levels of the fair value hierarchy.

**(д) Capital Management**

The capital under management of the Group is the amount of capital owed to the owners of the Company as presented in the Consolidated Statement of Financial Position.

The main objective of capital management for the Group is to maintain a stable high level of capital to maintain the confidence of investors, creditors and market participants and to ensure sustainable business development in the future.

The Group monitors the structure and return on equity using coefficients calculated on the basis of consolidated financial statements in accordance with IFRS, management statements and RAS statements. 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 borrowed capital.

The Group manages its debt position by implementing credit policies aimed at improving financial stability, optimizing its debt portfolio and building long lasting relationships with participants in the debt capital market. To manage the debt position, the Group applies limits, including the categories of capital leverage, debt coverage, and debt servicing coverage. The initial data for the calculation of limits are RAS reporting indicators.

**33 Capital commitments**

Group's capital covenants under contracts for the acquisition and construction of property, plant and equipment amounted to 3,484,156 thousand rubles, including VAT, as of December 31, 2023 (December 31, 2022: 1,147,198 thousand rubles, VAT included).

**34 Contingent liabilities****(a) Insurance**

The Group applies uniform requirements regarding the amount of insurance coverage, the reliability of insurance companies and the procedure for organizing insurance protection. The Group maintains insurance of assets, liability and other insured risks. The Group's principal operating assets have insurance coverage, including coverage for damage to or loss of property, plant and equipment. There are risks, however, that adversely affect the operations and financial position of the Group in the event of damage to third parties and loss or damage to assets that are not or not fully insured.

**(б) Contingent tax liabilities**

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

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

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The Group's Management currently believes that its position on taxes and the interpretations of legislation applied by the Group can be confirmed, however, there is a risk that the Group will incur additional costs if the Management's position on taxes and the interpretations of legislation applied by the Group are contested by the tax authorities. The impact of such a development of events cannot be assessed with a sufficient degree of reliability, however, it may be significant from the point of view of the financial position and results of the Group's activities.

With the further development of the practice of applying property tax rules, tax authorities and courts may challenge the criteria for classifying property as movable or immovable items used by the Group. The Group's Management does not exclude the risk of an outflow of resources, while the risk of such a development is not assessed as probable.

**(б) Legal Proceedings**

The Group is a participant in a number of legal proceedings (both as plaintiff and defendant) arising in the ordinary course of business.

According to the Management, the probability of an unfavorable outcome for the Group and the corresponding outflow of financial resources is not high with respect to lawsuits in the amount of 725,971 thousand rubles as of December 31, 2023

In the opinion of the Management, there are currently no other unresolved claims or lawsuits that could have a significant impact on the results of operations or the financial position of the Group and would not be recognized or disclosed in the Consolidated Financial Statements.

**(г) Environmental Commitments**

The Group has been operating in the electric power industry in the Russian Federation for many years. The legislation on environmental protection in the Russian Federation continues to develop, the duties of competent government bodies for monitoring its compliance are being revised. Contingent commitments related to environmental protection arising from changes in interpretations of existing legislation, lawsuits or changes in legislation cannot be assessed. Management believes that there are no contingent commitments under the existing control system and current legislation that could have a material adverse impact on the Group's financial position, results of operations or cash flows.

**35 Related Party Operations****(a) Control Relationships**

Parties are generally considered to be related if they are under common control or one of the parties has the ability to control the other party or may exert significant influence over its decisions on financial and business matters or exercise joint control over it. When considering relationships with each of the possible related parties, the economic content of such relationships is taken into account, and not just their legal form.

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

**(6) Operations with the parent company, its subsidiaries**

	Transaction amount for the year ended December 31		Carrying value	
	2023	2022	December 31,	December 31,
			2023	2022
<b>Revenue, other income, financial income</b>				
<b>Parent company</b>				
Other revenue	101,823	1,185	5,289	–
<b>Enterprises under common control of the parent company</b>				
Other revenue	344,738	103,971	60,012	84,960
Other income	11,842	1,326	18,005	5,469
Interest income	4,189	5,885	11,205	7,016
Income from the sale of FA	2,834	35,236	3,401	–
	<b>465,426</b>	<b>147,603</b>	<b>97,912</b>	<b>97,445</b>
Provision for expected credit losses on trade receivables and other receivables	19,308	35,969	(49,116)	(68,424)
Receivables less provision for expected credit losses	–	–	48,796	29,021

	Transaction amount for the year ended December 31		Carrying value	
	2023	2022	December 31,	December 31,
			2023	2022
<b>Operating expenses, financial expenses</b>				
<b>Parent company</b>				
Electricity transmission services	10,144,719	–	1,012,700	–
Services for technological connection to electrical networks	3,382	–	12,800	–
Other works and services of production nature	26,820	–	–	–
Expenses for services for the organization and development of the UES	8,678	110,819	–	19,926
Software and maintenance costs	11,026	–	10,163	–
Other services, expenses	1,077	–	1,958	–
Interest expense on financial liabilities carried at depreciable cost	98,980	570,300	18,440	18,169
Interest expense on lease	173,132	–	–	–
Capitalized expenses for works and services	1,187	–	12,185	–
<b>Enterprises under common control of the parent company</b>				
Electricity transmission services	–	8,324,432	–	879,062
Services for technological connection to electrical networks	8	39	–	9162
Software and maintenance costs	79,710	41,632	9,444	3401
Repair and maintenance services	1,979	1,903	–	–
Interest expense on lease	11,058	18,624	–	–
Estimated liabilities	–	–	–	–
Other expenses	54,274	51,118	29,423	9,838
Interest expense on financial liabilities carried at depreciable cost	41,684	23,654	–	–
Capitalized expenses for works and services	162,881	105,988	106,165	366,666
	<b>10,820,595</b>	<b>9,248,509</b>	<b>1,213,278</b>	<b>1,306,224</b>

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	Carrying value	
	December 31, 2023	December 31, 2022
<b>Parent company</b>		
Advances paid	22,756	–
Borrowed funds	1,400,000	1 400 000
Advances received	31	–
Lease liabilities	169,861	–
<b>Enterprises under common control of the parent company</b>		
Advances paid	12,536	7,722
Borrowed funds	450,000	–
Advances received	37,293	571,445
Lease liabilities	1 508 559	235,543

As of December 31, 2023, there is no debt to the parent company for the payment of dividends.

**(b) Operations with key management personnel**

For the purposes of preparing these Consolidated Financial Statements, key management personnel include members of the Board of Directors, the Management Board and key management personnel.

Benefit of key management personnel is composed of salary stipulated by the labor agreement, non-monetary benefits, as well as bonuses determined by the results for the period and other payments. Benefits or compensation are not paid to those members of the Board of Directors who are government employees.

The amounts of benefits to key management personnel disclosed in the table represent the costs of the current period for key management personnel recorded in the employee benefit expenses.

	For the year ended December 31	
	2023	2022
Short-term employee benefits	134,072	231,010
	<b>134,072</b>	<b>231,010</b>

As of December 31, 2023, the present value of liabilities under defined benefit and defined contribution plans and other post-employment benefits reflected in the Consolidated Statement of Financial Position includes liabilities for key management personnel in the amount of 0 thousand rubles (as of December 31, 2022: 0 thousand rubles).

**(r) Operations with companies associated with the principal shareholder of the parent company**

As part of its operating performance, the Group enters into operations with other companies associated with the principal shareholder of the parent company. These operations are carried out at regulated rates or at market prices. Raising and investing funds in financial institutions associated with the principal shareholder of the parent company is carried out at market interest rates. Taxes are assessed and paid in accordance with Russian tax law.

Revenue from companies associated with the principal shareholder of the parent company was:

- 1.88% of the Group's total revenue for the year ended December 31, 2023 (for the year ended December 31, 2022: 1.29%);
- 1.27% of the Group's electricity transmission revenue for the year ended December 31, 2023 (December 31, 2022: 0.86%).

Electricity transmission expenses and expenses for the purchase of electricity to compensate for technological losses, for companies associated with the principal shareholder of the parent company, amounted to 4.66% of the total expenses of electricity transmission and compensation for technological losses for the year ended December 31, 2023 (for the year ended December 31, 2022: 4.72%).

Interest accrued on loans and borrowings from banks associated with the principal shareholder of the parent company for the year ended December 31, 2023 amounted to 1,757,249 thousand rubles. (for the year ended

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December 31, 2022: 1,532,550 thousand rubles).

As of December 31, 2023, loans and borrowings from banks associated with the principal shareholder of the parent company amounted to 12,979,853 thousand rubles (as of December 31, 2022: 18,019,319 thousand rubles)

As of December 31, 2023, the balance of deposits with an initial placement period of more than three months placed with banks associated with the principal shareholder of the parent company amounted to 0 thousand rubles (as of December 31, 2022: 0 thousand rubles)

As of December 31, 2023, the balance of cash and cash equivalents placed with banks associated with the principal shareholder of the parent company amounted to 13,043,725 thousand rubles (as of December 31, 2022: 3,509,687 thousand rubles)

As of December 31, 2023, lease liabilities for companies associated with the principal shareholder of the parent company amounted to 514,065 thousand rubles (as of December 31, 2022: 3,229,417 thousand rubles).

**36 Events after the reporting period**

In the opinion of Management, there are no other significant events that have had or may have an impact on the financial condition, cash flows or results of operations of the Group that occurred between the reporting date and the date of signing of the Consolidated Financial Statements of the Group for the year ended December 31, 2023, prepared in accordance with IFRS.