

**Public Joint-Stock Company "Rosseti Kuban"
and its subsidiaries**

**Interim condensed consolidated financial
statements (unaudited)
prepared in accordance with International Financial Reporting Standards for the three
months ended March 31, 2023**

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Interim condensed consolidated statement of profit or loss and other comprehensive income (in thousands of Russian rubles)

		For the three months ending March 31 (unaudited data)	
	Note	2023	2022
Revenue	6	18 685 460	15 573 265
Operating expenses	9	(15 644 297)	(13 835 095)
Recovery/(accrual) of allowance for expected credit losses		166 598	(14 454)
Other income	7	161 567	329 426
Other expenses	8	(18 293)	(1 342)
Operating profit		3 351 035	2 051 800
Finance income	10	62 037	32 879
Finance expenses	10	(483 800)	(682 995)
Total finance expenses		(421 763)	(650 116)
Profit before tax		2 929 272	1 401 684
Income tax expense	11	(781 061)	(332 076)
Profit for period		2 148 211	1 069 608
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of defined benefit pension program liabilities		19 833	60 362
Income tax	11	(3 967)	(12 072)
Total items that will not be reclassified to profit or loss		15 866	48 290
Other comprehensive income for the period, net of income tax		15 866	48 290
Total comprehensive income for the period		2 164 077	1 117 898
Profit attributable to:			
Owners of the Company		2 148 211	1 069 608
Total cumulative income attributable to:			
Owners of the Company		2 164 077	1 117 898
Earning per share			
Basic and diluted earnings per share (rub.)	19	5.87	3.09

These interim condensed consolidated financial statements (unaudited) were approved by management on May , 2023 and signed on behalf of management by the following persons:

Deputy General Director
for Economics and Finance
(according to the power of attorney dated December 20, 2022
in register No. 23/256-n/23-2022-50-487)

K.A. Iordanidi

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

L.V. Loskutova

Interim condensed consolidated statement of financial position
(in thousands of Russian rubles)

	Note	March 31, 2023 (unaudited data)	December 31, 2022 (audited data)
ASSETS			
Fixed assets			
Fixed assets	12	71 251 131	69 358 559
Intangible assets	13	175 076	202 638
Right-of-use assets	14	3 212 887	3 397 399
Trade and other receivables	15	51 563	32 935
Assets related to employee benefits		310 683	302 550
Other financial fixed assets		1	1
Deferred tax assets		82 037	76 001
Advances paid and other capital assets	16	8 970	8 129
Total capital assets		75 092 348	73 378 212
Current assets			
Inventories		2 205 857	2 033 586
Prepaid income tax		1 046 574	706 228
Trade and other receivables	15	6 939 430	6 853 100
Cash and cash equivalents	17	4 939 117	4 160 721
Advances paid and other current assets	16	214 691	131 821
Total current assets		15 345 669	13 885 456
Assets classified as held for sale		20 403	20 403
Total current assets		15 366 072	13 905 859
Total assets		90 458 420	87 284 071
EQUITY AND LIABILITIES			
Equity			
Authorized capital	18	33 465 784	33 465 784
Share premium		6 481 916	6 481 916
Share issue provision		3 759 954	2 864 262
Other provisions		(413 940)	(429 806)
Retained earnings/(cumulative loss)		96 229	(2 051 982)
Total equity attributable to the owners of the Company		43 389 943	40 330 174
Long-term liabilities			
Long-term borrowings	20	15 896 767	19 305 894
Long-term trade and other accounts payable	21	88 693	93 604
Long-term advances received	23	3 728 931	1 973 121
Employee benefit liabilities		609 429	621 344
Deferred tax liabilities		739 056	393 341
Total long-term liabilities		21 062 876	22 387 304
Short-term liabilities			
Short-term borrowings and current portion of long-term borrowings	20	6 985 388	5 582 398
Trade and other accounts payable	21	9 640 042	11 079 936
Advances received	23	5 785 530	5 208 893
Taxes payable other than income tax	22	2 066 455	1 231 772
Estimated liabilities	24	1 528 186	1 460 893
Current income tax debt		–	2 701
Total short-term liabilities		26 005 601	24 566 593
Total liabilities		47 068 477	46 953 897
Total equity and liabilities		90 458 420	87 284 071

The accompanying notes form an integral part of these interim condensed consolidated financial statements

Interim condensed consolidated statement of cash flow
(in thousands of Russian rubles)

	Note	For the three months ending March 30	
		2023 (unaudited data)	2022 (unaudited data)
CASH FLOWS FROM OPERATIONAL ACTIVITIES			
Profit (loss) for period		2 148 211	1 069 608
<i>Adjustments:</i>			
Amortization of property, plant and equipment, right-of-use assets and intangible assets	9	1 598 448	1 465 862
Finance expenses	10	483 800	682 995
Finance income	10	(62 037)	(32 879)
Loss on disposal of property, plant and equipment	8	18 293	1 342
Loss on disposal of R&D		7 500	–
Recovery/(accrual) of allowance for expected credit losses		(166 598)	14 454
Accrual of allowance for impairment of inventories		(49)	(22)
Write-off of accounts payable	7	(904)	(6 049)
Write-off of bad debts		(357)	3 229
Accrual of estimated liabilities	9	87 628	144 071
Change in government subsidies		–	(370)
Income from compensation for losses in connection with disposal/liquidation of electric grid property		(10 946)	–
Other non-cash transactions		(132 801)	(108 999)
Income tax expense	11	781 061	332 076
Total effects of adjustments		2 603 038	2 495 710
Change in assets related to employee benefit liabilities		(8 133)	1 359
Change in employee benefit liabilities		(7 706)	(7 008)
Change in long-term trade and other receivables		(19 356)	470
Change in long-term advances issued and other capital assets		(841)	(10)
Change in long-term trade and other accounts payable		(1 549)	(7 177)
Change in long-term advances received		1 755 810	198 057
Cash flows from operating activities before changes in working capital and provisions		6 469 474	3 751 009
<i>Changes in operating assets and liabilities:</i>			
Change in trade and other receivables		115 629	(680 837)
Change in advances issued and other assets		(82 717)	51 779
Inventory change		(154 989)	(196 668)
Change in trade and other accounts payable		527 289	460 890
Change in advances received		577 290	153 770
Use of estimated liabilities		(84 171)	(127 339)
Cash flows from operating activities before income tax and interest		7 367 805	3 412 604
Income tax paid		(788 395)	(579 343)
Interest paid on leasing contracts		(66 187)	(83 545)
Interest paid		(454 396)	(626 112)
Net cash from operating activities		6 058 827	2 123 604
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(3 969 143)	(2 359 257)
Proceeds from the sale of property, plant and equipment and intangible assets		692	–
Interest received		39 920	23 041
Net cash used in investment activities		(3 928 531)	(2 336 216)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowing funds	20	2 450 000	1 000 000
Repayment of borrowed funds	20	(4 292 554)	(1 000 001)
Dividends paid to the owners of the Company		(100 224)	(2)
Change in lease liabilities		37 151	149
Proceeds from issue of shares		895 692	386 282
Payments under lease obligations		(341 965)	(309 587)
Net cash received/(used) from/(in) financing activities		(1 351 900)	76 841
Net decrease in cash and cash equivalents		778 396	(135 771)
Cash and cash equivalents at the beginning of the reporting period	17	4 160 721	1 984 357
Cash and cash equivalents at the end of the reporting period	17	4 939 117	1 848 586

The accompanying notes form an integral part of these interim condensed consolidated financial statements

Interim condensed 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	Provisions	Retained profit	Total equity
Balance as of January 1, 2023	33 465 784	6 481 916	2 864 262	(429 806)	(2 051 982)	40 330 174
Profit for the reporting period	–	–	–	–	2 148 211	2 148 211
<i>Other comprehensive income/(loss):</i>						
Revaluation of net liabilities (assets) of pension liabilities	–	–	–	19 833	–	19 833
Income tax on other comprehensive income (Note 11)	–	–	–	(3 967)	–	(3 967)
Total comprehensive income for the period	–	–	–	15 866	2 148 211	2 164 077
<i>Transactions with owners, which are recognized directly in equity:</i>						
<i>Issue of shares (Note “d” 18)</i>	–	–	895 692	–	–	895 692
Balance as of March 31, 2023 (unaudited data)	33 465 784	6 481 916	3 759 954	(413 940)	96 229	43 389 943
Balance as of January 1, 2022	33 465 784	6 481 916	760 060	(386 519)	(4 874 655)	35 446 586
Profit for the reporting period	–	–	–	–	1 069 608	1 069 608
Other changes in uncovered loss					(1)	(1)
<i>Other comprehensive income/(loss):</i>						
Revaluation of net liabilities (assets) of pension liabilities	–	–	–	60 362	–	60 362
Income tax on other comprehensive income (Note 11)	–	–	–	(12 072)	–	(12 072)
Total comprehensive income for the period	–	–	–	48 290	1 069 607	1 117 897
<i>Transactions with owners, which are recognized directly in equity:</i>						
<i>Issue of shares</i>	–	–	386 282	–	–	386 282
Balance as of March 31, 2022 (unaudited data)	33 465 784	6 481 916	1 146 342	(338 229)	(3 805 048)	36 950 765

The accompanying notes form an integral part of these interim condensed consolidated financial statements

1 General

(a) The Group and its activities

The main activity of PJSC Rosseti Kuban (hereinafter referred to as the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group" or "Rosseti Kuban Group of Companies") is the provision of services for the transmission and distribution of electric energy in networks and for technological connection of consumers to distribution networks.

PJSC Rosseti Kuban is located at: 350033, Russia, Krasnodar Territory, Krasnodar, Stavropolskaya street, 2A.

The company was founded in 1993 and incorporated on the territory of the Russian Federation. This is a public joint stock company in accordance with the laws of the Russian Federation.

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

The Group is controlled by Public Joint Stock Company Russian Grids (hereinafter referred to as "PJSC Rosseti"), which directly owned 99.69% of the total number of outstanding ordinary shares as of March 31, 2023 (93.96% of the total number of outstanding ordinary shares as of December 31, 2022).

(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 March 31, 2023, and December 31, 2022, the share of the Russian Federation in the authorized capital of the parent company PJSC Rosseti was 88.04%; 88.89% in ordinary voting shares; 7.01% in preferred shares.

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

Public Joint Stock Company "Federal Grid Company of the Unified Energy System" was renamed as "Public Joint Stock Company "Federal Grid Company - Rosseti"" (abbreviated as "PJSC Rosseti"). The corresponding changes were made to the Unified State Register of Legal Entities on 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 PJSC Rosseti through reorganization in the form of a merger with the Public Joint Stock Company Federal Grid Company-Rosseti, which is the universal successor of PJSC Rosseti. As a result of the reorganization, the share of participation of the Russian Federation in the authorized capital of the parent company of the Public Joint Stock Company "Federal Grid Company-Rosseti" amounted to 75.000048 %. As of March 31, 2023, the share has not changed.

(c) 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.

In 2023, the effect of external sanctions on legal entities and individuals in the Russian Federation continues, in connection with which the influence of economic and other factors, as well as the uncertainty factor on the conditions for conducting activities in the Russian Federation, increases. In 2023, there continues to be high uncertainty of influence from external and internal factors for the economy of the Russian Federation, volatility of financial indicators. Sanctions have been imposed on a number of Russian banks in the United States, Great Britain and the EU. All of the above has

a negative impact on the economy of the Russian Federation. At the same time, during the reporting year there was a structural restructuring of the economy, a number of legislative measures made it possible to maintain the stability of the economy of the Russian Federation and adapt to the changes that were taking place.

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 actual impact of future business conditions may differ from current estimates.

2 Principles of the consolidated financial statements

(a) Declaration of compliance with IFRS

These interim condensed consolidated financial statements for the three and six months ended June 30, 2023, have been prepared in accordance with IAS 34 Interim Financial Reporting. Certain selected notes are included in these statements in order to explain the events and transactions that are material to understanding the changes in the Group's financial position and operations since the date of the last annual consolidated financial statements. These interim condensed consolidated financial statements are to be read together with the consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Use of accounting estimates and professional judgments

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

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Ruble ("ruble" or "rub."), which is used by the Group as the functional currency and presentation currency of these consolidated financial statements. All numerical indicators in Russian rubles were rounded to the nearest thousand.

(d) 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. Adoption of the new standards and interpretations has not influenced significantly on these interim condensed consolidated financial statements.

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 current and non-current liabilities; 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).

(e) 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 period. All reclassifications carried out are immaterial

3 Significant accounting policies

Key elements of the accounting policies and methods of calculation used by the Group are consistent with those described in the audited consolidated financial statements for the year ended December 31, 2022.

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 transmission and distribution of electricity and technological connection to power grids in the regions of the Russian Federation, namely, the Krasnodar Territory and the Republic of Adygea.

The internal management reporting system is based on segments that are formed according to the territorial principle and are related to the transmission and distribution of electricity, technological connection to power grids.

EBITDA is used to reflect the performance of each reportable segment, namely: profit or loss before interest; taxation; depreciation; and the net accrual/(recovery) of impairment loss on property, plant and equipment and right-of-use assets (subject to the accounting and reporting standards in force in Russian Federation). Management believes that the EBITDA calculated in this way is the most indicative measure for assessing the performance of the Group's operating segments.

In accordance with the requirements of IFRS 8, "Operating Segments", based on segment revenue, EBITDA and total assets reported to the Management Board, the Group has singled out one reportable segment, which is the strategic business unit of the Group. The strategic business unit provides electricity transmission services, including power grid 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 "Other" segment includes several operational segments, which are mainly focused on the provision of repair services, rental and recreation services.

Segment indicators are based on management information prepared in accordance with RAS reporting and may differ from those presented in IFRS financial statements. Reconciliation of measures in the valuation presented to the Management Board and similar measures in these interim consolidated condensed financial statements includes those reclassifications and adjustments that are necessary for reporting in accordance with IFRS.

Information on the reported segments is presented below.

(a) Information on the reported segments**For three months ending March 31, 2023:**

	Rosseti Kuban	Other segments	Total
Revenue from external consumers	18 614 936	47 871	18 662 807
Sales proceeds between segments	1 794	187 216	189 010
Segment revenue	18 616 730	235 087	18 851 817
Including			
<i>Electric power transmission</i>	18 128 251	–	18 128 251
<i>Power grid technological connection services</i>	340 858	–	340 858
<i>Other revenue</i>	109 634	231 999	341 633
<i>Revenue from lease agreements</i>	37 987	3 088	41 075
Cost of the power grid technological connection	(165 864)	–	(165 864)
Finance income	40 240	675	40 915
Finance expenses	(523 316)	(2 440)	(525 756)
Depreciation	(1 655 997)	(7 764)	(1 663 761)
Segment's profit/loss before taxation	2 860 793	(96 984)	2 763 809
EBITDA	5 040 106	(86 780)	4 953 326

For three months ending March 31, 2022:

	Rosseti Kuban	Other segments	Total
Revenue from external consumers	15 479 222	94 043	15 573 265
Sales proceeds between segments	1 263	414 124	415 387
Segment revenue	15 480 485	508 167	15 988 652
Including			
<i>Electric power transmission</i>	15 245 764	–	15 245 764
<i>Power grid technological connection services</i>	92 815	–	92 815
<i>Other revenue</i>	110 214	505 140	615 354
<i>Revenue from lease agreements</i>	31 692	3 027	34 719
Cost of the power grid technological connection	(156 982)	–	(156 982)
Finance income	22 747	702	23 449
Finance expenses	(689 278)	(3 447)	(692 725)
Depreciation	(1 509 186)	(8 008)	(1 517 194)
Segment's profit before taxation	1 512 372	992	1 513 364
EBITDA	3 710 836	12 447	3 723 283

As of March 31, 2023:

	Rosseti Kuban	Other segments	Total
Assets of segments	99 035 223	917 399	99 952 622
Including			
Property, plant and equipment and construction in progress	79 569 020	100 040	79 669 060
Capital investments	3 044 011	–	3 044 011
Segment liabilities	51 591 552	879 677	52 471 229

As of December 31, 2022:

	95 867 294	1 174 198	97 041 492
Assets of segments			
Including			
Property, plant and equipment and construction in progress	78 118 655	78 210	78 196 865
Capital investments	12 772 201	6 436	12 778 637
Segment liabilities	50 613 695	1 058 630	51 672 325

(b) Reconciliation of reported segments' EBITDA is presented below:

Segment revenue reconciliation

	For the three months ending March 31	
	2023	2022
Segment revenue	18 851 817	15 988 652
Exclusion of sales revenue between segments	(189 010)	(415 387)
Additional revenue recognition	22 653	–
Revenue in the consolidated statement of profit or loss and other comprehensive income	18 685 460	15 573 265

	For the three months ending March 31	
	2023	2022
EBITDA of reported segments under RAS	4 953 326	3 723 283
Adjustment of the value of intangible assets	15 040	30 991
Accounts payable adjustment	23 955	103 395
Discounting of receivables	477	360
Adjustment for disputed receivables	(12 881)	38 935
Lease adjustment	33 240	19 699
Recognition of pension and other long-term liabilities to employees	15 839	5 649
Adjustment for accrued provisions for unused vacations and bonuses	(55 872)	(11 850)
Adjustment of the cost of property, plant and equipment	4 706	5 510
Adjustment for taxes	1 024	(23)
Adjustment for intragroup transactions	21 893	(85 589)
Other adjustments	10 773	(279 819)
EBITDA of reported segments under IFRS	5 011 520	3 550 541
Amortization of property, plant and equipment, right-of-use assets and intangible assets	(1 598 448)	(1 465 862)
Interest expense on financial liabilities carried at depreciable cost	(388 095)	(588 035)
Interest expenses on lease obligations	(95 705)	(94 960)
Income tax expense	(781 061)	(332 076)
Consolidated profit/(loss) for the period in the consolidated statement of profit or loss and other comprehensive income	2 148 211	1 069 608

(c) Significant buyer

The Group carries out its activities in the Russian Federation. The Group does not receive revenue from foreign consumers and has no capital assets abroad.

For the 3 months ended March 31, 2023, and March 31, 2022, the Group had 2 counterparties, each accounting for more than 10% of the Group's total revenue. Revenue received from these counterparties is recognized in the Group's financial statements.

The total amount of revenue received from Counterparty 1 for the 3 months ended March 31, 2023, amounted to 8,747,390 thousand rubles, or 46.81% of the Group's total revenue (7,526,493 thousand rubles for the 3 months ended March 31, 2022, or 48.33%).

The total amount of revenue received from Counterparty 2 for the 3 months ended March 31, 2023, amounted to 5,628,210 thousand rubles, or 30.12% of the Group's total revenue (4,846,439 thousand rubles for the 3 months ended March 31, 2022, or 31.12%).

6 Revenue

	For the three months ending March 31	
	2023	2022
Electric power transmission	18 127 989	15 245 606
Utility connection to electricity networks	340 858	92 815
Other revenue	179 905	205 333
Revenue from contracts with customers	18 648 752	15 543 754
Revenue from lease agreements	36 708	29 511
	18 685 460	15 573 265

Other revenue includes predominantly the revenue from the sale of additional (out-of-tariff) services rendered by the company, which are not related to the core activities, namely, services for the placement of equipment at power grid facilities; services for maintenance and repair, diagnostics and testing; construction and installation works; consulting serviced, organizational and technical services, and other out-of-tariff services.

7 Other income

	For the three months ending March 31	
	2023	2022
Income from detected non-contractual electricity consumption	2 913	1 920
Income in the form of fines and penalties under business contracts	43 347	153 563
Income from compensation for losses in connection with disposal/liquidation of electric grid property	10 946	2 038
Income from fixed assets and inventories, which were received gratis	38 851	110 209
Insurance indemnity	49 023	55 106
Write-off of accounts payable	904	6 049
Income from the disposal of fixed assets from sale operations	692	–
Other income	14 891	541
	161 567	329 426

8 Other expenses

	For the three months ending March 31	
	2023	2022
Loss on disposal of property, plant and equipment	18 293	1 342
	18 293	1 342

9 Operating expenses

	For the three months ending March 31	
	2023	2022
Employee benefits expenses	2 413 006	2 041 090
Amortization of property, plant and equipment, right-of-use assets and intangible assets	1 598 448	1 465 862
Tangible expenses, incl.		
Electricity to compensate for technological losses	3 142 387	2 805 142
Purchased electricity and heat for own needs	55 589	51 465
Other tangible expenses	377 264	553 781
Works and services of production nature, incl.		
Electricity transmission services	6 941 311	5 759 215
Repair and maintenance services	192 425	68 127
Other works and services of production nature	52 730	57 467
Taxes and charges other than income tax	165 725	167 930
Short-term lease	812	1 664
Insurance	35 807	34 303
Other services of third parties, incl.		
Communication services	25 786	21 179
Security services	68 488	57 296
Consulting, legal and audit services	21 227	18 990
Software and maintenance costs	20 085	20 908
Transport services	2 906	1 055
Other services, incl.		
Costs for energy service contracts	325 219	277 405
Other services of third parties	89 631	124 051
Other expenses, incl.		
Estimated liabilities	87 628	144 071
Business trip expenses	28 496	38 774
Expenses associated with property upkeep	21 803	33 146
Costs for services related to the organization, operation and development of the UES	2 169	1 595
Expenses recognized in the form of fines, penalties, forfeits for breach of contract	21 248	9 200
Other operating income/expenses	(45 893)	81 379
	15 644 297	13 835 095

10 Financial income and expenses

	For the three months ending March 31	
	2023	2022
Finance income		
Interest income on loans issued, bank deposits, promissory notes and bank account balances	39 918	23 356
Interest income on assets related to employee benefit liabilities	20 645	9 070
Depreciation of discount on financial assets	477	360
Other financial income	997	93
	62 037	32 879
Finance expenses		
Interest expense on financial liabilities carried at depreciable cost	372 437	576 720
Interest expenses on lease obligations	95 705	94 960
Interest expense on long-term employee benefit liabilities	15 624	11 177
Effect of initial discounting of financial assets	34	115
Depreciation of discount on financial liabilities	–	23
	483 800	682 995

11 Income tax

	For the three months ending March 31	
	2023	2022
Current income tax		
Current tax accrual	(456 780)	(359 990)
Tax adjustment for prior periods	11 431	48 522
Total current income tax	(445 349)	(311 468)
Deferred income tax	(335 712)	(20 608)
Total income tax expense	(781 061)	(332 076)

The income tax rate is established as high as 20% by Russian law.

Income tax expense is recognized based on management's best estimate at the balance sheet date of the weighted average expected income tax rate for the entire financial year.

Income tax recognised in other comprehensive income:

	For three months ending March 31, 2023			For three months ending March 31, 2022		
	Before tax	Income tax	After tax	Before tax	Income tax	After tax
Revaluation of defined benefit pension program liabilities	19 833	(3 967)	15 866	60 362	(12 072)	48 290
	19 833	(3 967)	15 866	60 362	(12 072)	48 290

Before-tax profit (loss) relates to income tax expense as follows:

	For the three months ending March 31	
	2022	2021
Profit/loss before tax	2 929 272	1 401 684
The theoretical amount of income tax expense at the rate of 20%	(585 854)	(280 337)
Tax effect of items that are not taxable or non-deductible for tax purposes	(206 638)	(100 261)
Adjustments for prior years	11 431	48 522
	(781 061)	(332 076)

12 Fixed assets

	Land plots and buildings	Transmission networks	Equipment for power transmission	Other	Construction in progress	Total
Initial/deemed cost						
As of January 1, 2023	12 192 321	53 491 561	27 641 086	9 525 108	10 444 944	113 295 020
Reclassification between groups	(3 023)	2 562	465	(4)	–	–
Proceeds	239	24 958	13 072	33 171	3 116 561	3 188 001
Commissioning	106 832	1 812 219	579 315	330 019	(2 828 385)	–
Disposals	(20 898)	(8 140)	(2 678)	(4 515)	(46 961)	(83 192)
As of March 31, 2023	12 275 471	55 323 160	28 231 260	9 883 779	10 686 159	116 399 829
<i>Accumulated depreciation and impairment</i>						
As of January 1, 2023	(5 065 397)	(20 255 115)	(13 076 109)	(5 507 623)	(32 217)	(43 936 461)
Reclassification of depreciation and impairment losses	596	(195)	(404)	3	–	–
Entering into property, plant and equipment (carry forwarding of impairment losses)	–	(53)	–	–	53	–
Accrued depreciation	(114 079)	(566 196)	(339 643)	(203 646)	–	(1 223 564)
Disposals	1 869	2 805	2 136	4 517	–	11 327
As of March 31, 2023	(5 177 011)	(20 818 754)	(13 414 020)	(5 706 749)	(32 164)	(45 148 698)
<i>Residual value</i>						
As of January 1, 2023	7 126 924	33 236 446	14 564 977	4 017 485	10 412 727	69 358 559
As of March 31, 2023	7 098 460	34 504 406	14 817 240	4 177 030	10 653 995	71 251 131
<i>Initial/deemed cost</i>						
As of January 1, 2022	10 422 357	50 198 747	24 013 105	11 061 007	5 862 802	101 558 018
Reclassification between groups	(1 592)	1 592	–	–	–	–
Proceeds	8 246	103 873	8 326	15 928	2 399 673	2 536 046
Commissioning	10 842	498 018	204 327	163 249	(876 436)	–
Disposals	(391)	(3 389)	(89)	(419 205)	33 629	(389 445)
As of March 31, 2022	10 439 462	50 798 841	24 225 669	10 820 979	7 419 668	103 704 619
<i>Accumulated depreciation and impairment</i>						
As of January 1, 2022	(3 918 435)	(18 258 314)	(11 347 648)	(7 216 656)	(39 194)	(40 780 247)
Reclassification of depreciation and impairment losses	1 363	(1 363)	–	–	–	–
Entering into property, plant and equipment (carry forwarding of impairment losses)	–	–	–	–	–	–
Accrued depreciation	(94 513)	(535 823)	(303 387)	(169 465)	–	(1 103 188)
Disposals	6 446	1 341	89	338 610	–	346 486
As of March 31, 2022	(4 005 139)	(18 794 159)	(11 650 946)	(7 047 511)	(39 194)	(41 536 949)
<i>Residual value</i>						
As of January 1, 2022	6 503 922	31 940 433	12 665 457	3 844 351	5 823 608	60 777 771
As of March 31, 2022	6 434 323	32 004 682	12 574 723	3 773 468	7 380 474	62 167 670

For the three months ended March 31, 2023, capitalized interest amounted to 82,425 thousand rubles, including 1,091 thousand rubles on lease agreements (for the three months ended March 31, 2022: 66,091 thousand rubles); the capitalization rate was 8.66% (for the three months ended March 31, 2022: 12.24%).

For the three months ended March 31, 2023, depreciation charges in the amount of 536 thousand rubles were capitalized in the cost of capital construction projects (including depreciation deductions for intangible assets in the amount of 512 thousand rubles and for the right-of-use assets in the amount of 24 thousand rubles). For the three months ended March 31, 2022, depreciation charges in the amount of 366 thousand rubles were capitalized in the cost of capital construction projects (including depreciation deductions for intangible assets in the amount of 347 thousand rubles and for the right-of-use assets in the amount of 19 thousand rubles).

As of March 31, 2023, the cost of fully depreciated property, plant and equipment amounted to 9,876,297 thousand rubles (December 31, 2022: 9,269,926 thousand rubles)

13 Intangible assets

	Software	Certificates, licenses and patents	R&D	Other	Total
<i>Initial cost</i>					
As of January 1, 2023	919 623	12 775	20 530	78 195	1 031 123
Proceeds	5 203	–	–	–	5 203
Disposals	–	–	(7 500)	–	(7 500)
As of March 31, 2023	924 826	12 775	13 030	78 195	1 028 826
<i>Accumulated depreciation and impairment</i>					
As of January 1, 2023	(742 015)	(12 160)	–	(74 310)	(828 485)
Accrued depreciation	(24 109)	(460)	–	(696)	(25 265)
Disposals	–	–	–	–	–
As of March 31, 2023	(766 124)	(12 620)	–	(75 006)	(853 750)
<i>Residual value</i>					
As of January 1, 2023	177 608	615	20 530	3 885	202 638
As of March 31, 2023	158 702	155	13 030	3 189	175 076
<i>Initial cost</i>					
As of January 1, 2022	850 194	10 746	21 275	78 195	960 410
Proceeds	15 912	–	–	–	15 912
Disposals	–	–	–	–	–
As of March 31, 2022	866 106	10 746	21 275	78 195	976 322
<i>Accumulated depreciation and impairment</i>					
As of January 1, 2022	(630 025)	(10 195)	–	(60 020)	(700 240)
Accrued depreciation	(30 964)	(374)	–	(4 822)	(36 160)
Disposals	–	–	–	–	–
As of March 31, 2022	(660 989)	(10 569)	–	(64 842)	(736 400)
<i>Residual value</i>					
As of January 1, 2022	220 169	551	21 275	18 175	260 170
As of March 31, 2022	205 117	177	21 275	13 353	239 922

Depreciation of intangible assets included in operating expenses in the interim condensed consolidated statement of profit or loss and other comprehensive income amounted to 24,753 thousand rubles (for the three months ended March 31, 2022: 35,813 thousand rubles).

For the three months ended March 31, 2023, capitalized amortization of intangible assets amounted to 512 thousand rubles (for the three months ended March 31, 2022: 347 thousand rubles).

Intangible assets are amortized on a straight-line basis.

14 Right-of-use assets

	Land and buildings	Transmission networks	Equipment for power transmission	Other	Total
<i>Initial cost</i>					
As of January 1, 2023	2 675 613	2 958 344	1 181 395	415 648	7 231 000
Proceeds	36 939	30 786	42 635	–	110 360
Changes in the terms of lease agreements	74 987	226	86	690	75 989
Disposal or termination of lease	(18 697)	–	(301)	(32 084)	(51 082)
As of March 31, 2023	2 768 842	2 989 356	1 223 815	384 254	7 366 267
<i>Accumulated depreciation and impairment</i>					
As of January 1, 2023	(1 228 116)	(1 712 996)	(649 812)	(242 677)	(3 833 601)
Accrued depreciation	(117 104)	(152 857)	(61 316)	(18 879)	(350 156)
Changes in the terms of lease agreements	4 648	–	–	–	4 648
Disposal or termination of lease	6 964	–	196	18 569	25 729
As of March 31, 2023	(1 333 608)	(1 865 853)	(710 932)	(242 987)	(4 153 380)
<i>Residual value</i>					
As of January 1, 2023	1 447 497	1 245 348	531 583	172 971	3 397 399
As of March 31, 2023	1 435 234	1 123 503	512 883	141 267	3 212 887
<i>Initial cost</i>					
As of January 1, 2022	2 606 702	2 931 821	1 081 193	385 857	7 005 573
Proceeds	74 651	–	1 020	–	75 671
Changes in the terms of lease agreements	(29 042)	769	204	94	(27 975)
Disposal or termination of lease	(3)	(1 197)	(1 041)	(220)	(2 461)
As of March 31, 2022	2 652 308	2 931 393	1 081 376	385 731	7 050 808
<i>Accumulated depreciation and impairment</i>					
As of January 1, 2022	(790 459)	(1 122 615)	(429 434)	(150 535)	(2 493 043)
Accrued depreciation	(108 374)	(150 325)	(53 629)	(18 792)	(331 120)
Changes in the terms of lease agreements	1 338	358	46	–	1 742
Disposal or termination of lease	3	1 197	1 041	90	2 331
As of March 31, 2022	(897 492)	(1 271 385)	(481 976)	(169 237)	(2 820 090)
<i>Residual value</i>					
As of January 1, 2022	1 816 243	1 809 206	651 759	235 322	4 512 530
As of March 31, 2022	1 754 816	1 660 008	599 400	216 494	4 230 718

The amount of depreciation of right-of-use assets included in operating expenses in the interim condensed consolidated statement of profit or loss and other comprehensive income for the 3 months ended March 31, 2023, amounted to 350,131 thousand rubles (for 3 months ended March 31, 2022: 331,101 thousand rubles).

15 Trade and other receivables

	As of March 31, 2023	as of December 31, 2022
Long-term trade and other receivables		
Trade receivables	32 673	32 748
Provision for expected credit losses on trade receivables (long-term)	(31 958)	(31 958)
Other receivables	85 912	66 035
Provision for expected credit losses on other receivables (long-term)	(35 064)	(33 890)
	51 563	32 935
Short-term trade and other receivables		
Trade receivables	7 657 687	7 935 420
Provision for expected credit losses on trade receivables	(1 523 007)	(1 703 166)
Other receivables	1 604 374	1 410 852
Provision for expected credit losses on other receivables	(799 624)	(790 006)
	6 939 430	6 853 100
	6 990 993	6 886 035

Balances with related parties are disclosed in Note 28.

16 Advances paid and other assets

	As of March 31, 2023	as of December 31, 2022
Capital		
Advances issued	8 563	7 722
VAT on advances received	407	407
	8 970	8 129
Current		
Advances issued	170 937	92 408
Provision for impairment of advances paid	(4 093)	(4 246)
VAT recoverable	(14 805)	(12 192)
VAT on advances received and VAT on advances paid for the purchase of property, plant and equipment	48 951	41 707
Prepayment for taxes other than income tax	13 701	14 144
	214 691	131 821
	223 661	139 950

17 Cash and cash equivalents

	As of March 31, 2023	as of December 31, 2022
Cash in bank accounts and cash on hand	4 939 117	3 510 721
Cash equivalents	–	650 000
	4 939 117	4 160 721

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

18 Authorized capital

(a) Authorized capital

<i>In thousands of shares</i>	Ordinary shares	
	March 31 2023	December 31 2022
Nominal value per one share	100 rubles	100 rubles
In circulation as of January 1 of the reported period	363 300 457	342 258 436
In circulation at the end of the reported period and fully paid	372 257 379	363 300 457

(b) Ordinary shares

In accordance with the Charter, as of January 1, 2023, and March 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 the Company's shares that are outstanding and fully paid as of March 31, 2023, was 372,257,379 shares.

(c) Dividends

The base for the distribution of the Company's profits among shareholders in accordance with the legislation of the Russian Federation is net profit based on financial statements prepared in accordance with accounting and reporting standards in the Russian Federation.

For the three months ended March 31, 2023, and the three months ended March 31, 2022, no dividends were declared on the Group's performance for 2022 and 2021, respectively.

As of March 31, 2023, dividends payable to other shareholders amounted to 1,454 thousand rubles, and the dividend payout debt to the parent company was repaid (as of December 31, 2022, dividend payout debt was 2,338 thousand rubles to other shareholders and 99,340 thousand rubles the parent company).

(d) Additional issue of securities

In February 2021, the Extraordinary General Meeting of Shareholders of PJSC Rosseti Kuban 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 PJSC Rosseti Kuban 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 PJSC Rosseti Kuban. The additional issue of securities was assigned state registration number 1 02 00063-A. Initially, additional shares were placed for one year from the date when the additional issue was registered by the state. On April 25, 2022, the Bank of Russia registered the Company's securities prospectus, which provided for an extension of the term for the placement of additional shares until April 1, 2023 by extending the deadline for collecting offers until March 2, 2023.

Within the period from April 10, 2021 to March 20, 2023, the shareholders exercised their pre-emptive right to acquire additional shares. Additional shares were paid in cash in the amount of 3,759,954 thousand rubles; 28,642,620 shares of additional issue were placed in the amount of 2,864,262 thousand rubles. The registrar performed an operation for the initial placement of these shares in the register of the Company's securities holders.

As of March 31, 2023, the Management of the Group assessed that the probability of returning cash received as payment for additional shares in the amount of 895,692 thousand rubles is "low" (as of March 31, 2022: 245,989 thousand rubles). By applying the provisions of IAS 32, "Financial Instruments; Presentation of Information", and IFRIC 2, "Membership Interests in Cooperative Organizations and Similar Instruments", the Group classified the cash received as part of Equity in the "Share issue provision" line of the consolidated statement of financial position.

19 Earning per share

The calculation of earnings per share for the three months ended March 31, 2023, and March 31, 2022, is based on the earnings that are attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding. The Company does not have dilutive financial instruments.

<i>In thousands of shares</i>	For the three months ending March 31	
	2023	2022
Ordinary shares as of January 1	363 300	342 258
Effect of the share placing	8 957	3 863
The weighted average number of shares for the period that ended March 31	365 927	346 121
	For the three months ending March 31	
	2023	2022
The weighted average number of shares outstanding for the reporting period ended March 31 (in thousand shares)	365 927	346 121
The profit for the period, which is attributable to the owners of the Company	2 148 211	1 069 608
Basic and diluted earnings per share (in Russian rubles)	5.87	3.09

20 Borrowed funds

	March 31, 2023	December 31, 2022
Long-term liabilities		
Unsecured loans and borrowings	19 160 746	21 003 300
Lease liabilities	3 703 511	3 866 469
Less: current portion of long-term loan liabilities	(5 433 736)	(4 071 757)
Less: current portion of long-term lease liabilities	(1 533 754)	(1 492 118)
	15 896 767	19 305 894
Short-term liabilities		
Unsecured loans and borrowings	17 898	18 523
Current portion of long-term loan liabilities	5 433 736	4 071 757
Current portion of long-term lease liabilities	1 533 754	1 492 118
	6 985 388	5 582 398
Including:		
Interest payable on loans and borrowings	17 898	18 523
	17 898	18 523

Long-term and short-term liabilities on loans and borrowings as of March 31, 2023, and December 31, 2022, amounted to 19,178,644 thousand rubles and 21,021,823 thousand rubles, respectively (excluding long-term and short-term lease liabilities).

Long-term and short-term lease liabilities as of March 31, 2023, and December 31, 2022, amounted to 3,703,511 thousand rubles and 3,866,469 thousand rubles, respectively.

As of March 31, 2023, and December 31, 2022, all balances of loans and borrowings are denominated in rubles.

During the three months ended March 31, 2023, the Group obtained the following bank loans:

	Effective interest rates	Maturity deadlines	Par value
Unsecured bank loans	CR+1.60% - CR+1.60%	2025-2025	2 000 000
Unsecured loans	8.95%-8.95%	2025-2025	450 000
			2 450 000

For the three months ended March 31, 2023, the Group repaid the following bank loans and borrowings:

	<u>Par value</u>
Unsecured bank loans	3 661 690
Unsecured bank loans	630 864
	4 292 554

As of March 31, 2023, the amount of the free limit on open but unused credit lines of the Group amounted to 65,634,753 thousand rubles (as of March 31, 2022: 41,909,186 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.

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

The Group's exposure to interest rate risk is disclosed in Note 28.

21 Trade and other accounts payable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Long-term debt		
Trade accounts payable	88 693	93 604
	88 693	93 604
Short term debt		
Trade accounts payable	7 834 035	9 337 701
Other accounts payable and accrued expenses	157 973	171 424
Payables to employees	1 646 580	1 469 133
Dividends payable	1 454	101 678
	9 640 042	11 079 936
	9 728 735	11 173 540

22 Taxes payable other than income tax

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
VAT	1 333 447	514 660
Property tax	156 740	155 499
Social security contributions	500 619	473 181
Other taxes payable	75 649	88 432
	2 066 455	1 231 772

23 Advances received

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Long-term		
Advance payments for power grid technological connection	3 728 081	1 971 783
Other advances received	850	1 338
	3 728 931	1 973 121
Short-term		
Advance payments for power grid technological connection	3 825 526	3 598 783
Other advances received	1 960 004	1 610 110
	5 785 530	5 208 893
	9 514 461	7 182 014

24 Estimated liabilities

	<u>2023</u>	<u>2022</u>
Balance as of January 1	1 460 893	2 084 450
Accrual for the period	109 433	211 097
Recovery for the period	(21 805)	(67 026)
Use of estimated liabilities	(84 171)	(127 339)
Capitalized	63 836	5 054
Balance as of March 31	1 528 186	2 106 236

Primarily, estimated liabilities relate to lawsuits and claims brought against the Group in its ordinary activities.

25 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.

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

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

(a) Credit risk

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.

As of the balance sheet date, the maximum level of credit risk was:

	Book value	
	March 31 2023	December 31 2022
Trade and other receivables (net of expected credit loss provisions)	6 990 993	6 886 035
Cash and cash equivalents	4 939 117	4 160 721
	11 930 110	11 046 756

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

	March 31, 2023		December 31, 2022	
	Total nominal value	Expected credit loss provision	Total nominal value	Expected credit loss provision
Buyers of electricity transmission services	7 399 733	(1 404 579)	7 667 559	(1 597 134)
Buyers of services for technological connection to power grids	58 743	(44 454)	38043	(27 797)
Other buyers	231 884	(105 932)	262 566	(110 193)
	7 690 360	(1 554 965)	7 968 168	(1 735 124)

The ageing of trade and other receivables is as follows:

	March 31, 2023		December 31, 2022	
	Total nominal value	Expected credit loss provision	Total nominal value	Expected credit loss provision
Undue debt	6 517 704	(271 512)	6 616 159	(274 759)
Overdue by less than 3 months	454 633	(68 951)	377 971	(77 116)
Overdue for more than 3 months and less than 6 months	205 476	(52 716)	287 666	(203 910)
Overdue for more than 6 months and less than a year	279 225	(171 459)	320 674	(216 882)
Overdue for more than a year	1 923 608	(1 825 015)	1 842 585	(1 786 353)
	9 380 646	(2 389 653)	9 445 055	(2 559 020)

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.

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

	Book value	
	2023	2022
Balance as of January 1	2 559 020	2 515 156
Increase in provision for the period	58 151	50 132
Recovery of provision amounts for the period	(224 749)	(35 678)
Amounts of trade and other receivables written off from previously accrued provision	(2 769)	(10 180)
Balance as of March 31	2 389 653	2 519 430

As of March 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.

As of March 31, 2023, the amount of the free limit on open but unused credit lines of the Group amounted to 65,634,753 thousand rubles (as of March 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.

b) Fair and book value

The carrying amounts of the Group's financial instruments correspond to their fair values. No additional disclosure is provided for them.

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 March 31, 2023, was 9.10%...9.10% (December 31, 2022: 8.86%...13.15%).

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 March 31, 2023, was 8.23%...8.23% (December 31, 2022: 8.85%...13.15%).

The interest rate used to discount expected future cash flows on long-term accounts payable for the purposes of determining the disclosed fair value as of March 31, 2023, was 8.23%...8.23% (December 31, 2022: CR+1.35%...CR+0.78%...6.98%).

There were no transfers between levels of the fair value hierarchy for the three months ended March 31, 2023.

26 Capital covenants

Group's capital covenants under contracts for the acquisition and construction of property, plant and equipment amounted to 1,650,390 thousand rubles, including VAT, as of March 31, 2023 (December 31, 2022: 1,147,198 thousand rubles, VAT included).

27 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.

(b) Tax contingencies

Russian tax legislation is subject to different interpretations with respect to the Group's operations and activities. Accordingly, management's interpretation of tax legislation and its formal documentation can be successfully challenged by the relevant regional or federal authorities. Tax administration in Russia is gradually tightening. In particular, the risk of checking the tax aspect of transactions without obvious economic meaning or with counterparties violating tax laws increases. Tax inspections may cover three calendar years preceding the year of the tax inspection decision. Under certain conditions, earlier periods can be checked.

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

Starting from January 1, 2019, control over transfer pricing for a significant part of domestic Russian transactions was removed. However, exemption from price controls may not be applicable to all transactions made in the domestic market. With that, in case of additional charges, the mechanism of counter-adjustment of tax liabilities can be applied subject to certain requirements of the law. Intra-group transactions that have been out of TP control since 2019 may nevertheless be checked by the territorial tax authorities for unjustified tax benefits, and TP methods may be used to determine the amount of additional charges. The federal executive body in charge of control and supervision in the area of taxes and levies may check prices/profitability in controlled transactions and, in case of disagreement with the prices applied by the Group in these transactions, charge additional tax liabilities if the Group is unable to substantiate the market nature of pricing in these transactions by providing transfer pricing documentation that meets legal requirements.

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 management of the Group does not rule out the risk of resource depletion, provided that the impact of such a development cannot be reliably estimated.

According to management, the relevant provisions of the legislation have been interpreted correctly by them, and the position of the Group in terms of compliance with tax legislation can be justified and defended.

As of March 31, 2023, the on-site tax audit for 2016-2018 has been completed. The Decision of the tax authority noted that, based on the results of an on-site tax audit of financial and economic activities, violations were revealed regarding the estimation of the SPI and the depreciation group for a number of power-related infrastructure facilities.

Due to the existence of negative court practice on the additional calculation of income tax, as well as on the property tax of organizations due to overestimation of depreciation, the Company estimates the risk as "likely". The allowance for tax disputes as of March 31, 2023, and December 31, 2022 amounted to 173,376 thousand rubles.

(c) 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 management, there are currently no outstanding claims or other legal actions that could have a material impact on the results of operations or financial position of the Group and are not recognized or disclosed in the interim condensed consolidated financial statements.

(d) 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.

28 Related-party transactions

(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

For the three months ended March 31, 2023, and March 31, 2022, and as of March 31, 2023, and March 31, the Group's principal related parties were the parent company, its subsidiaries, key management personnel, and companies associated with the main shareholder of the parent company.

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

Transactions with the parent company, its subsidiaries and associates include transactions with PJSC Rosseti and its subsidiaries:

	Transaction amount		Book value	
	For the three months ended March 31		March 31, 2023	December 31, 2022
	2023	2022		
Revenue, other income, financial income				
Parent Company				
Other revenue	296	296	–	–
Lease	11	–	4	–
Enterprises under common control of the parent company				
Lease	1 234	1 197	10	6
Other revenue	656	304	89 552	84 954
Interest income	997	93	8 013	7 016
Other operating income	–	–	–	5 469
Income/expenses from the sale of FA	–	–	–	–
	3 194	1 890	97 579	97 445
Allowance for expected credit losses on trade receivables and other receivables	1 174	665	(69 598)	(68 424)
Accounts receivable less allowance for expected credit losses		1 225	29 981	29 021

Operating expenses, financial expenses				
Parent Company				
Electricity transmission services	2 494 310	–	1 031 726	–
Power grid technological connection services	706	–	7 475	–
Other works and services of production nature	6 668	3 818	32 871	–
Costs for services for the organization and development of the UES	2 169	1 595	–	19 926
Interest expense on rent	55 220	–	–	–
Interest expense on financial liabilities carried at depreciable cost	24 847	133 924	17 898	18 169
Enterprises under common control of the parent company				
Electricity transmission services	–	2 072 469	–	879 062
Power grid technological connection services	–	–	–	9 162
Repair and maintenance services	495	476	–	–
Software and maintenance costs	5 503	5 074	2 698	3 401
Other expenses	10 832	10 500	3 470	9 838
Interest expense on lease obligations	–	5 045	–	–
Interest expense on financial liabilities carried at depreciable cost	–	1 1762	–	–
	2 600 750	2 244 663	1 096 138	939 558
Capitalized construction and installation works	2 043	20 449	299 134	366 666
	2 602 793	2 265 112	1 395 272	1 306 224

	Book value	
	March 31, 2023	December 31, 2022
Parent Company		
Credits and loans	1 850 000	1 400 000
Enterprises under common control of the parent company		
Advances issued	8 563	7 722
Lease liabilities	2 689 204	235 543
Advances received	728 875	571 445
Credits and loans	–	–
	5 276 642	2 214 710

As of March 31, 2023, there is no debt to the parent company for the payment of dividends (as of December 31, 2022, there was no debt to the parent company for the payment of dividends).

For the 3 months ended March 31, 2023, the Group did not raise loans from the parent company, and repaid _____ thousand rubles (for the year ended 31 December 2022, the Group did not raise any loans from the parent company, and repaid 4,200,000 thousand rubles).

For the 3 months ended March 31, 2023, the Group did not raise any loans from companies under the common control of the parent company, and repaid 600,000 thousand rubles (For the year ended December 31, 2022, the Group did not raise loans from companies under the common control of the parent company, and repaid 600,000 thousand rubles).

(c) Operations with key management personnel

For the purposes of preparing these consolidated financial statements, key management personnel include members of the Board of Directors and the Management Board of Rosseti Kuban PJSC, the General Director and his deputies.

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

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

	For the three months ending March 31	
	2023	2022
Short-term employee benefits	41 071	30 859
	41 071	30 859

As of March 31, 2023, the present value of defined benefit liabilities in the consolidated statement of financial position includes liabilities to key management personnel in the amount of 0,000 thousand rubles (December 31, 2022: 0 thousand rubles).

(d) Transactions with state-related companies

As part of its operating performance, the Group enters into transactions with other companies associated with the parent company's principal shareholder. These transactions 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 state-related companies amounted to:

- 0.78% of the Group's total revenue for the three months ended March 31, 2023 (for the three months ended 31 March 2022, it was 33.74%);
- 0.65% of the Group's electricity transmission revenue for the three months ended March 31, 2023 (34.21% for the three months ended March 31, 2022).

Electricity transmission expenses and expenses for the purchase of electricity to compensate for technological losses for state-related companies amounted to 4.55% of total transmission and loss compensation expenses for the three months ended March 31, 2023 (53.20% for the three months ended 31 March 2022).

As of March 31, 2023, loans and borrowings from banks associated with the parent company's major shareholder amounted to 16,457,628 thousand rubles (18,019,319 thousand rubles as of December 31, 2022)

For the three months ended March 31, 2023, the Group raised loans and borrowings from banks that are associated with the parent company's major shareholder in the amount of 2,000,000 thousand rubles, and repaid 4,292,554 thousand rubles.

Interest that are accrued on loans and borrowings from state-related banks for the three months ended March 31, 2023, amounted to 397,266 thousand rubles (408,993 thousand rubles for the three months ended March 31, 2022).

As of March 31 2023, the balance of cash and cash equivalents placed with state-related banks amounted to 4,887,601 thousand rubles (3,509,687 thousand rubles as of December 31, 2022)

As of 31 March 2023, lease liabilities from state-related entities amounted to 544,690 thousand rubles (3,229,417 thousand rubles as of December 31, 2022).

29 Events after the balance sheet date

On May 11, 2023, the Board of Directors of PJSC Rosseti Kuban announced the date for holding the annual General Shareholders Meeting in the form of absentee voting: June 16, 2023 (Minutes of the meeting of the Board of Directors dated May 12, 2023, No.519/2023).

In the opinion of Management, there are no other business activities in the Group that have had or may have an impact on the financial condition, cash flows or business outcomes of the Group, and which took place in the period between the balance sheet date and the date of issuance of the interim condensed consolidated financial statements for the three months ended March 31, 2023, and as of March 31, 2023.