

The audit report
of an independent auditor
regarding the
accounting (financial) statements of the **Public Joint Stock Company**

Rosseti Kuban for 2023

March 2024

**Independent Auditor's
Report
on accounting (financial) statements
of "Rosseti Kuban" Public Joint-Stock Company**

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Independent Auditor's Report

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

Opinion

We have audited the accounting (financial) statements of Public Joint Stock Company Rosseti Kuban (hereinafter referred to as the "Company"), consisting of

- ▶ the balance sheet as of December 31, 2023;
- ▶ the statement of financial results for 2023;
- ▶ appendices to the Balance Sheet and the Statement of Financial Results:
 - ▶ statement of changes in equity for 2023;
 - ▶ statement of Cash Flows for 2023;
 - ▶ Notes to the Balance Sheet and the Statement of Financial Results including a significant accounting policies.

In our opinion, the attached accounting (financial) statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, as well as its financial results and cash flows for 2023 in accordance with the rules for the preparation of accounting (financial) statements established in the Russian Federation.

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 "Auditor's responsibility for the audit of accounting (financial) statements" section of our opinion.

We are independent of the Company 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 accounting (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.



**НОВЫЕ ВЫЗОВЫ
НОВЫЕ РЕШЕНИЯ**

Key audit issues

Key audit issues are issues that, according to our professional judgment, were the most significant to our audit of the accounting (financial) statements for the current period. These issues were considered in the context of our audit of the accounting (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 Accounting (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 accounting (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 accounting (financial) statements.

Key audit issue

How the relevant key issue was addressed in our audit

Recognition and measurement of revenue from 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 power grid, energy retail and other companies regarding the volume and cost of electricity transferred. The amount of revenue disputed by counterparties is material to the accounting (financial) statements of the Company. 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 Company.

Information on revenue from electricity transmission services is disclosed in paragraph 18.1 of the Notes to the balance sheet and income statement.

We reviewed the accounting policy applied with respect to the recognition of revenue from 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 transmission of electricity, 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 transmitted electricity.

Impairment of receivables

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

Information on the impairment of receivables is disclosed in paragraph 11.2 of the Notes to the balance sheet and income statement

We studied the Company's accounting policy in relation to receivables to determine impairment allowance, and also reviewed the assessment procedures made by the Company'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 in relation to the information used by the Company to determine the impairment of receivables, as well as the structure of receivables by terms of maturity, and tested the calculation of accrued provisions.



**НОВЫЕ ВЫЗОВЫ
НОВЫЕ РЕШЕНИЯ**

Key audit issue

How the relevant key issue was addressed in our audit

Recognition, measurement and disclosure of provisions and contingent liabilities

Recognition, measurement and disclosure of provisions and contingent liabilities in relation to litigation and claims of counterparties (including territorial power grid and energy retail companies) were among the most significant issues of our audit due to the fact that they require significant judgments of 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.

Information on reserves and contingent liabilities is disclosed in paragraph 15 and 16 of the Notes to the balance sheet and income statement.

The audit procedures included an analysis of decisions made by courts of various instances and consideration of management's judgments regarding the assessment of the likelihood of an outflow of economic resources due to the resolution of disputes, an examination of the compliance of the prepared documentation with the provisions of existing contracts and legislation, an analysis of disclosures in the Notes to the balance sheet and income statement on contingent and estimated liabilities.

Impairment of property, plant and equipment

In accordance with clause 38 of FSBI 6/2020, "Fixed Assets", the Company conducted, as of December 31, 2023, an impairment test in the manner prescribed by International Financial Reporting Standard (IAS) 36, "Impairment of Assets", entered into force on the territory of the Russian Federation by order of the Ministry of Finance of the Russian Federation dated December 28, No.217n (registered by the Ministry of Justice of the Russian Federation on February 2, 2015, registration No.40940). The value in use of property, plant and equipment representing a significant share of the Company's capital assets as of December 31, 2023 was determined using the method of forecasting cash flow.

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 Company 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, transmission tariffs, as well as operating and capital expenditures, which depend on the expected future market or economic conditions in the Russian Federation, including such as long-term growth rates of tariffs and discount rate.

The Company disclosed the information on the deliverables of the analysis of fixed assets for impairment in clause 5 of the "Notes to the balance sheet and income statement".

As part of our audit procedures, we have, among other things, estimated the Company's assumptions and techniques, in particular those relating to projected electricity transmission revenues, tariff solutions, operating and capital costs, long-term growth rates of tariffs and discount rate. We have tested 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 experts 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 Company about the assumptions on which impairment testing results are most dependent.



**НОВЫЕ ВЫЗОВЫ
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Other information included in the Annual Report for 2023

Other information includes information contained in the annual report 2023, but does not include the accounting (financial) statements and our audit report thereon. 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 accounting (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 accounting (financial) statements, it is our responsibility to familiarize ourselves with the other information and in this case to consider whether there are material inconsistencies between the other information and the accounting (financial) statements or our knowledge obtained during the audit and whether the other information contains any other material misstatement. If, based on our work, we conclude that such other information contains a material misstatement, we are required to report that fact. We have no knowledge of such facts.

The responsibility of the management and Audit Committee of the Board of Directors for the accounting (financial) statements

Management is responsible for the preparation and fair presentation of these accounting (financial) statements in accordance with the accounting (financial) reporting rules established in the Russian Federation, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the accounting (financial) statements, management is responsible for assessing the Company'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 management intends to liquidate the Company, cease 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 Company's accounting (financial) statements.

Auditor's Responsibility for the Audit of the Accounting (Financial) Statements

Our objectives are to obtain reasonable assurance that the accounting (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 accounting (financial) statements.



**НОВЫЕ ВЫЗОВЫ
НОВЫЕ РЕШЕНИЯ**

As part of an audit in accordance with International Standards on Auditing, 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 accounting (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 Company'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 Company'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 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 Company to be unable to continue as a going concern;
- ▶ evaluate the presentation of the accounting (financial) statements in general, and its structure and content in particular, including information disclosure, and we also evaluate whether the accounting (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.



**НОВЫЕ ВЫЗОВЫ
НОВЫЕ РЕШЕНИЯ**

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 accounting (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.

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Tatyana Leonidovna Okolotina,
acting on behalf of the Limited Liability Company
Center for Audit Technologies and Solutions - Audit Services
on the basis of the unnumbered power of attorney dated January 18, 2024,
head of the audit, which resulted in the auditor's report
(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 assigned the state registration number 1027739707203.

Location: 115035, Russia, Moscow, Sadovnicheskaya embankment, 77, bld. 1.

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 audited entity

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.

**Balance sheet
As of December 31, 2023**

Organization	"Rosseti Kuban" PJSC	OKUD form	Codes		
Taxpayer Identification Number		Date (day, month, year) according to OKPO	31	12	2023
Type of economic activity	transmission of electricity and technological connection to distribution networks	TIN	0710001		
Organizational and legal form/form of ownership	Public Joint Stock Company	according to OKPO	00104604		
Unit of measurement: thousand rubles		TIN	2309001660		
Location (address)	2A Stavropolskaya St., Krasnodar, 350033	to OKVED 2	35.12		
		according to OKOPF/OKFS	12247		15
		according to OKEI	384		

Accounting statements are subject to mandatory audit YES NO
 Name of the audit organization/last name, first name, patronymic (if any) of the individual auditor
 "TSATR - Audit Services" Limited Liability Company

Identification number of the taxpayer of the audit organization/individual auditor	TIN	7709383532
Main state registration number of the audit organization/individual auditor	OGRN / OGRNIP	1027739707203

Notes	Name of indicator	Code	As of December 31 2023	As of December 31 2022	As of December 31 2021
	ASSET				
	I. FIXED ASSETS				
1.1	Intangible assets	1110	41,199	52,643	92,247
1.2	Research and development results	1120	55,535	52,214	21,578
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
2.1-4.1	Fixed assets	1150	87,123,570	78,118,655	71,345,800
	Profitable investments in material values	1160			
9.1-9.5	Financial investments	1170	45,687	45,688	39,840
17.2	Deferred tax assets	1180	1,953,747	2,200,526	2,429,612
6	Other fixed assets	1190	380,064	154,746	1313,158
	Total for Section I	1100	89,599,802	80,624,472	74,062,235
	II. CURRENT ASSETS				
7	Inventories	1210	3,691,806	1,923,736	1,924,864
	Value added tax on acquired valuables	1220	3,103	1,433	5,007
11.1	Accounts receivable	1230	6,443,929	7626,134	6,547,358
	Financial investments (excluding cash equivalents)	1240			
10	Cash and cash equivalents	1250	12,972,380	4,118,182	1,964,719
8	Other current assets	1260	3,669,436	1,573,337	974,558
	Total for Section II	1200	26,780,654	15,242,822	11,416,506
	BALANCE	1600	116,380,456	95,867,294	85,478,741

Notes	Name of indicator	Code	As of December 31 2023	As of December 31 2022	As of December 31 2021
	LIABILITY				
	III. EQUITY AND LIABILITIES				
12.1	Authorized capital (share capital, authorized fund, contributions of partners)	1310	39,896,608	36,330,046	34,182,568
	Own shares repurchased from shareholders	1320	(-)	(-)	(-)
	Revaluation of capital assets	1340	-	-	-
12.3	Additional capital (without revaluation)	1350	6,481,916	6,481,916	6,481,916
12.2	Reserve capital	1360	772,036	509,812	424,221
	Retained profit (uncovered loss)	1370	7,069,866	1,931,825	(351,364)
	Total for Section III	1300	54,220,426	45,253,599	40,737,341
	IV. LONG-TERM LIABILITIES				
13.1-13.3	Borrowed funds	1410	15,880,000	16,931,543	16,036,315
17.2	Deferred tax liabilities	1420	4,212,557	3,746,979	3,610,868
	Estimated liabilities	1430	-	-	
14	Other liabilities	1450	13,746,293	4,070,948	4,295,806
	Total for Section IV	1400	33,838,850	24,749,470	23,942,989
	V. SHORT-TERM LIABILITIES				
13.1-13.3	Borrowed funds	1510	4,308,840	3,990,281	4,834,192
14	Accounts payable	1520	20,674,214	18,898,158	12,739,058
	Revenue of the future periods	1530	729,944	549,634	292,170
15	Estimated liabilities	1540	2,323,469	2,358,399	2,802,883
	Other liabilities	1550	284,713	67,753	130,108
	Total for Section V	1500	28,321,180	25,864,225	20,798,411
	BALANCE	1700	116,380,456	95,867,294	85,478,741

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K.A. Iordanidi
(printed full name)

Chief Accountant

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L.V. Loskutova
(printed full name)

« 15 » March 2024

**Statement of Changes in Equity
For 2023**

Organization "Rosseti Kuban" PJSC
Taxpayer Identification Number _____

Type of economic activity transmission of electricity and technological connection to distribution networks

Organizational and legal form/form of ownership Public Joint Stock Company

Unit of measurement: thousand rubles

OKUD form
Date (day, month, year)
according to OKPO

to
OKVED 2

according to OKOPF/OKFS
according to OKEI

Codes		
0710002		
31	12	2023
00104604		
2309001660		
35.12		
12247		16
384		

1. Capital flow

Name of indicator	Code	Authorized capital	Own shares repurchased from shareholders	Extra capital	Reserve capital	Retained profit (uncovered loss)	Total
The amount of capital as of December 31, 20 21 for 2022	3100	34,182,568	(-)	6,481,916	424,221	(351 364)	40,737,341
Capital increase - total:	3210	2,147,478				5,244,548	7,392,026
including net profit	3211	X	X	X	X	5,244,477	5,244,477
property revaluation	3212	X	X		X	-	
income that is attributable directly to capital increases	3213	X	X		X	71	71
additional issue of shares	3214	2,147,478			X	X	2,147,478
increase in the par value of shares	3215	-	-		X	-	X
reorganization of a legal entity	3216	-			-	•	

Name of indicator	Code	Authorized capital	Own shares repurchased from shareholders	Extra capital	Reserve capital	Retained profit (uncovered loss)	Total
Capital decrease - total:	3220	(-)	-	(-)	(-)	(2,875,768)	(2,875,768)
including loss	3221	X	X	X	X	(-)	(-)
property revaluation	3222	X	X	(-)	X	(-)	(-)
expenses that are attributable directly to the capital decrease	3223	X	X	(-)	X	(-)	(-)
decrease in the par value of shares	3224	(-)		-	X		(-)
reduction in the number of shares	3225	(-)			X		(-)
reorganization of a legal entity	3226		-		-		(-)
dividends	3227	X	X	X	X	(2,875,768)	(2,875,768)
Change in additional capital	3230	X	X		-		X
Change in reserve capital	3240	X	X	X	85,591	(85 591)	X
The amount of capital as of December 31, 2023 For 2023	3200	36,330,046	(-)	6,481,916	509,812	1,931,825	45,253,599
Capital increase - total:	3310	3,566,562				6,166,765	9,733,327
including net profit	3311	X	X	X	X	6,166,520	6,166,520
property revaluation	3312	X	X		X		
income that is attributable directly to capital increases	3313	X	X		X	245	245

additional issue of shares	3314	3,566,562	-		X	X	3,566,562
increase in the par value of shares	3315	-	-		X	-	X
reorganization of a legal entity	3316	-	-			-	
Capital decrease - total:	3320	(-)		(-)	(-)	(766,500)	(766,500)
including loss	3321	X	X	X	X	(-)	(-)
property revaluation	3322	X	X	(-)	X	(-)	(-)
expenses that are attributable directly to the capital decrease	3323	X	X	(-)	X	(-)	(-)
decrease in the par value of shares	3324	(-)	-	-	X	-	(-)
reduction in the number of shares	3325	(-)	-	-	X	-	(-)
reorganization of a legal entity	3326	-	-	-			(-)
dividends	3327	X	X	X	X	(766,500)	(766,500)
Change in additional capital	3330	X	X	-		-	
Change in reserve capital	3340	X	X	X	262,224	(262 224)	X
The amount of capital as of December 31, 20 23	3300	39,896,608	(-)	6,481,916	772,036	7,069,866	54,220,426

2. Adjustments due to changes in accounting policies and correction of errors

Name of indicator	Code	As of December 31 2021	Change in capital for 2022		As of December 31 for 2022
			from net profit (loss)	due to other factors	
Capital - total					
before adjustments	3400	41,088,705		2,233,069	43,321,774
adjustment due to:	3410				
change in accounting policy	3420	-			
error fixes					
after adjustments	3500	41,088,705		2,233,069	43,321,774
including:					
Retained profit (uncovered					
before adjustments	3401	(351 364)	5,244,477	(2 961 288)	1,931,825
adjustment due to:	3411				
change in accounting policy	3421	-		-	
error fixes					
after adjustments	3501	(351 364)	5,244,477	(2 961 288)	1,931,825
other capital items subject to					
(before items)					
before adjustments	3402	41,088,705		2,322,069	43,321,774
adjustment due to:	3412				
change in accounting policy	3422	-		-	
error fixes					
after adjustments	3502	41,088,705	-	2,322,069	43,321,774

3. Net assets

Name of indicator	Code	At 31 December 2023	As of December 31 2022	As of December 31 2021
Net assets	3600	54 950 370	45 803 233	41 029 511

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K.A. Iordanidi
(printed full name)

Chief Accountant

<signature>
(signature)

L.V. Loskutova
(printed full name)

« 15 » March 2024

Notes

1. Indicate the year preceding the previous one.
2. Indicate the previous year
3. Indicate the reporting year.

**Statement of Cash Flows
for January-December 2023**

Organization "Rosseti Kuban" PJSC
Taxpayer Identification
Number

OKUD form
Date (day, month, year)
according to OKPO
TIN

Codes		
0710005		
31	12	2023
00104604		
2309001660		
to		
OKVED 2		
35.12		
12247		16
384		

Type of economic activity transmission of electricity and technological connection to distribution networks
Organizational and legal form/form of ownership Public Joint Stock Company
Unit of measurement: thousand
rubles

according to OKOPF/OKFS
according to OKEI

Name of indicator	Code	For January - December 2023	For January - December for 2022
Cash flows from current operations			
Income - total	4110	74,538,586	55,852,392
including:			
from the sale of products, goods, works and services	4111	72,738,054	54,658,297
lease payments, license payments, royalties, commissions and other similar payments	4112	57,500	51,522
from the resale of financial investments	4113	-	
other income	4119	1,743,032	1,142,573
Payments - total	4120	(53,750,939)	(43,765,402)
including:			
to suppliers (contractors) for raw materials, materials, works, services	4121	(36,487,890)	(28,851,519)
in connection with the remuneration of employees	4122	(7,060,757)	(6,321,114)
interest on debt obligations	4123	(2,085,946)	(2,352,859)
corporate income tax	4124	(1,913,907)	(1,850,641)
other payments	4129	(6,202,439)	(4,389,269)
Balance of cash flows from current operations	4100	20,787,647	12,086,990

Name of indicator	Code	For January - December 2023	For January - December for 2022
Cash flows from investment operations			
Income - total	4210	1,261,047	668,398
including:			
from the sale of non-current assets (except for financial investments)	4211	649	54,899
from the sale of shares of other organizations (participatory interests)	4212	-	
from the return of loans granted, from the sale of debt securities (rights to claim funds from other persons)	4213		
dividends, interest on debt financial investments and similar proceeds from participation interest in other organizations	4214	403,171	104,103
other income	4219	857,227	509,396
Payments - total	4220	(15,150,218)	(10,020,904)
including:			
in connection with the acquisition, creation, modernization, reconstruction and preparation for the use of fixed assets	4221	(15,130,569)	(9,954,239)
in connection with the acquisition of shares of other organizations (participation interests)	4222	(-)	(-)
in connection with the acquisition of debt securities (the rights to claim funds from other persons), the provision of loans to other persons	4223	11	(-)

interest on debt obligations included in the cost of an investment asset	4224	(2,980)	(41,980)
other payments	4229	(16,669)	(24,685)
Balance of cash flows from investment operations	4200	(13 889 171)	(9 352 506)
Cash flows from financial transactions Income - total	4310	12,184,626	17,787,403
including:			
obtaining credits and loans	4311	8,618,064	15,683,201
cash deposits of owners (participants)	4312	-	
from issuance of shares, increase in participation	4313	3,566,562	2,104,202
from the issuance of bonds, promissory notes and other debt securities, etc.	4314		
other income	4319	-	-

Name of indicator	Code	For January - December 2023	For January - December for 2022
Payments - total	4320	(10,228,904)	(18,368,423)
including:			
to owners (participants) in connection with the redemption of shares (participatory interests) of the organization from them or their withdrawal from the membership	4321	(-)	(-)
for the payment of dividends and other payments for the distribution of profits in favor of the owners (participants)	4322	(867,393)	(2,752,208)
in connection with the redemption (repurchase) of promissory notes and other debt securities, repayment of credits and loans	4323	(9,361,511)	(15616,215)
other payments	4329	(-)	(-)
Balance of cash flows from financial transactions	4300	1,955,722	(581,020)
Balance of cash flows for the reporting period	4400	8,854,198	2,153,464
Balance of cash and cash equivalents at the beginning of the reporting period	4450	4,118,182	1,964,718
Balance of cash and cash equivalents at the end of the reporting period	4500	12,972,380	4118182
The magnitude of the impact of changes in the foreign exchange rate against the ruble	4490	-	-

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Head	<u><signature></u> (signature)	<u>K.A. Iordanidi</u> (printed full name)
Chief Accountant	<u><signature></u> (signature)	<u>L.V. Loskutova</u> (printed full name)

« 15 » _____ March _____ 2024

**NOTES TO THE BALANCE SHEET AND STATEMENT
OF FINANCIAL RESULTS
FOR 2023**

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I. General

Company Information

The principal activity of "Rosseti Kuban" Public Joint Stock Company ("Rosseti Kuban" PJSC hereinafter referred to as the "Company") 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.

Address (location): 2A Stavropolskaya Street, Krasnodar, Russian Federation, 350033

The Company's principal shareholder as of December 31, 2023, December 31, 2022 and December 31, 2021 is "Rossiyskie Seti" Public Joint Stock Company (hereinafter referred to as "Rosseti" PJSC or the "Parent Company").

As of December 31, 2023, the participation of "Rosseti" PJSC in the Company's authorised capital was 99.72% (93.96% as of December 31, 2022 and 93.58% as of December 31, 2021).

As of December 31, 2023 The Company has 11 branches. Branches at their location perform a part of the Company's functions due to their production capacities within the limits established by the legislation of the Russian Federation and the Company's internal regulatory documents.

The number of employees of the Company as of December 31, 2023 was 8,881 (December 31, 2022 - 9,106, December 31, 2021 - 8,981).

The Board of Directors of "Rosseti Kuban" PJSC was elected by resolution of the Annual General Meeting of Shareholders of the Company (Minutes No. 50 dated June 21, 2023) with 11 members.

The Audit Commission of "Rosseti Kuban" PJSC was elected by resolution of the Annual General Meeting of Shareholders of the Company (Minutes No. 50 dated June 21, 2023) with 5 members.

The Board of Directors of "Rosseti Kuban" PJSC (Minutes No. 520/2023 dated June 8, 2023) determined the number of members of the Management Board of the Company to be 7 persons.

The sole executive body of the Company in accordance with the Charter is the General Director.

Business environment in which the Company operates

The Company 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.

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 Company'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 Company takes all necessary measures to assure the stability of its own activities. These accounting (financial) statements reflect the Management's view of the impact that the business environment in the Russian Federation has on the Company's operations and financial position. The actual impact of future business conditions may differ from current estimates by the management.

II. Information on accounting policies

1. Basis for drafting

The accounting statements have been prepared on the basis of the accounting and reporting rules in force in the Russian Federation, established by Federal Law No. 402-FZ "*On Accounting*" dated December 6, 2011, federal accounting standards and other accounting regulations approved by the Ministry of Finance of the Russian Federation. Indices of the accounting (financial) statements are presented in thousand rubles (unless otherwise indicated). Negative values are presented in parentheses.

2. Foreign currency assets and liabilities

There were no business operations denominated in foreign currency during the current reporting period.

3. Short-term and long-term assets and liabilities

In the balance sheet, financial investments, receivables, payables, liabilities regarding loans and borrowings, lease liabilities, and estimated liabilities are classified as short-term if their circulation (repayment) period does not exceed 12 months after the reporting date. The remaining assets and liabilities are presented as long-term.

4. Intangible assets

Intangible assets (IA) include:

- exclusive right to an invention, industrial design, utility model;
- exclusive right to computer programmes, databases (software);
- exclusive right to a trade mark, name of place of origin for goods;
- other items that fulfil the criteria for classification as IA.

The useful life of IA is reviewed by the Company on an annual basis to determine whether it needs to be updated. In the event of a material change in the duration of the period during which the Company intends to use the asset, its useful life is subject to clarification. If the useful life is changed, the new depreciation rate is based on the remaining useful life.

The depreciation of intangible assets is performed on a straight-line basis - based on the actual (original) cost of intangible assets on a straight-line basis over the useful life of the asset.

Adjustments arising from changes in useful lives or depreciation methods are accounted for and reported as changes in estimates.

Intangible assets are verified for impairment and changes in carrying value due to impairment are accounted for in accordance with the procedure prescribed by International Accounting Standard (IAS) 36 "*Impairment of Assets*" introduced in the Russian Federation by Order No. 217n of the Ministry of Finance of the Russian Federation dated December 28, 2015 (see paragraph 8 of the section "Information on Accounting Policies").

Intangible assets are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment.

5. Property, plant and equipment

Composition and valuation of property, plant and equipment

Property, plant and equipment include buildings, structures other than power lines, power transmission lines and their accessories, machinery and equipment, production and household inventory, including other facilities, land plots and natural resource facilities, investment property with a useful life of more than 12 months.

When recognising items of property, plant and equipment, the cost limit of 100 thousand rubles per unit is used, which is set by the Company taking into account the materiality of information about the items.

Expenses on acquisition, creation of assets below the limit are recognised as an expense in the period in which it is incurred. Special clothing (special tooling) intended for use for a long period of time, i.e. a period of more than 12 months or the normal operating cycle, if it exceeds 12 months, with a value exceeding the limit set by the Company is recognised as property, plant and equipment.

Significant expenses on restoration of property, plant and equipment (repairs, etc.) occurring at certain long time intervals (more than 12 months) during the useful life of an item of property, plant and equipment are also recognised as independent inventory items (components of property, plant and equipment). Significant expenses are expenses exceeding 30% of the initial cost of similar items in the group to which the item of property, plant and equipment being repaired belongs.

Acquired items of property, plant and equipment, the rights to which are subject to state registration, are recognised as property, plant and equipment on the date when they are ready for use, irrespective of the fact of state registration of ownership rights or the submission of documents for such registration. The recognition of costs in the carrying amount of an item of property, plant and equipment is discontinued when the item is brought to a condition that ensures that it is capable of operating in the manner intended by the Management.

When recognised in the accounting records, an item of property, plant and equipment is measured at cost. The initial cost of an item of property, plant and equipment is the total amount of capital investments related to the item, made before the item of property, plant and equipment is recognised in the accounting records.

The balance sheet shows property, plant and equipment at cost less accumulated depreciation and impairment.

Depreciation of property, plant and equipment

The cost of property, plant and equipment is covered through depreciation. Depreciation of property, plant and equipment is calculated on a straight-line basis.

The elements of depreciation (useful life, residual value and method of depreciation) of property, plant and equipment are determined upon recognition of this asset in the accounting records and are subject to review for compliance with the conditions of use of the property, plant and equipment at the end of each reporting year, as well as at the occurrence of circumstances indicating a possible change in the elements of depreciation. Based on the results of such review, if necessary, the Company makes a decision to change the relevant elements of depreciation. The resulting adjustments are recognised in the accounting records as changes in estimates.

Depreciation is not suspended (including in cases of idle time or temporary cessation of use of property, plant and equipment), except for the case when the residual value of an item of property, plant and equipment becomes equal to or exceeds its carrying value. If the residual value of such an item of property, plant and equipment subsequently falls below its carrying value, depreciation is renewed.

Land plots are not depreciated.

Impairment of property, plant and equipment

Property, plant and equipment are verified for impairment and changes in carrying value due to impairment are accounted for in accordance with the procedure prescribed by International Accounting Standard (IAS) 36 "*Impairment of Assets*" introduced in the Russian Federation by Order No. 217n of the Ministry of Finance of the Russian Federation dated December 28, 2015 (see paragraph 8 of the section "Information on Accounting Policies").

Disposal of property, plant and equipment

The financial result from disposal of property, plant and equipment (the difference between income and expense arising on disposal) is recognised in the statement of financial results within other income or other expenses.

6. Capital investments in progress

Investments in fixed assets include real estate assets not completed and not put into operation, equipment requiring installation, as well as other assets to be included in fixed and intangible assets in the future, including tangible assets intended for use in the process of acquisition, creation, improvement and (or) restoration of property, plant and equipment.

Capital investments in property, plant and equipment include the Company's expenses for their acquisition, creation, improvement and (or) restoration (completion, retrofitting, modernisation, reconstruction, replacement of parts, significant costs of repairs, technical inspections, maintenance with a periodicity of more than 12 months or more than a normal operating cycle exceeding 12 months). Costs in the form of fees for technological connection to electricity and other infrastructure networks are included in the actual costs forming the initial cost of property, plant and equipment if such costs are associated with new construction, reconstruction, modernisation of fixed assets and provided that such costs are incurred before an item of property, plant and equipment is put into operation.

Equipment not requiring installation, which is in stock and intended for projects under construction, is recognised as capital investments in progress.

When making capital investments in property, plant and equipment on terms of deferred (instalment) payment for a period exceeding 12 months, capital investments include the amount of cash that would have been paid by the Company in the absence of such deferral (instalment).

When making capital investments under contracts providing for the fulfilment of obligations (payment) in full or in part by non-monetary funds, the actual costs (in terms of payment in non-monetary funds) are recognised as the fair value of transferred property, property rights, works, services.

The amount of actual costs of capital investments includes interest on borrowed funds received for the acquisition, construction or production of property, plant and equipment classified as investment assets or received for other purposes, but actually spent on the acquisition, construction or production of such assets, accrued before the objects are used for the production of goods, performance of work or rendering of services. Once the item has been put into use, the above interest is recognised in the statement of financial performance as other expenses.

Interest on borrowed funds received for purposes not related to the acquisition, construction or production of investment assets but actually spent on the acquisition of investment assets is included in the cost of investment assets in proportion to the share of such funds in the total amount of borrowed funds received for purposes not related to the acquisition, construction or production of investment assets.

Capital investments are verified for impairment and changes in carrying value due to impairment are accounted for in accordance with the procedure prescribed by International Accounting Standard (IAS) 36 "*Impairment of Assets*" introduced in the Russian Federation by Order No. 217n of the Ministry of Finance of the Russian Federation dated December 28, 2015 (see paragraph 8 of the section "Information on Accounting Policies").

The financial result from the sale of capital investments in progress (the difference between income and expenses arising from the sale) is recognised in the statement of financial results as other income or other expenses.

In the balance sheet, investments in fixed assets in progress are recorded in lines 1110 "Intangible assets" or 1150 "Property, plant and equipment", depending on the type of assets these objects will be accounted for after completion of the respective investments in fixed assets.

7. Right-of-use assets and lease liabilities

At the time of concluding the contract, the Company 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.

The initial cost of the right-of-use asset at the date of receipt of the lease includes: the present value of future lease payments, the lease payments paid at the date of receipt of the lease; the lessee's incremental costs of obtaining the lease item and bringing it to a condition suitable for its intended use; the lessee's estimated liability for, among other things, dismantling, removing the lease item, environmental remediation, restoration and rehabilitation; and the lessee's estimated future lease payments.

Subsequent right-of-use assets use are assessed in accordance with the accounting requirements for similar items of property, plant and equipment with respect to depreciation and impairment. A right-of-use asset arising from the lease of a land plot is depreciated similarly to other right-of-use assets arising from a lease agreement.

The lease term is determined based on the terms and conditions set out in the lease agreement (including periods without lease payments). The parties' ability to change these terms and conditions and the parties' intentions with respect to the realisation of such ability shall be taken into account.

The lease liability is measured at the present value of the future lease payments over the lease term using a rate comparable to the rate at which the lessee borrows or could borrow funds.

The lease liability, once recognised, is increased by the amount of interest accrued and decreased by the amount of lease payments actually made.

Changes in the lease liability arising from changes in the terms and conditions of the lease, the intention to extend or reduce the lease term that were previously recognised in calculating the lease term, or the amount of the lease payments compared to the initial measurement of the lease liability, are charged to the right-of-use asset.

Decreases in the lease liability in excess of the carrying value of the right-of-use assets are recognised in current period income.

When a lease is terminated in whole or in part, the carrying value of the right-of-use assets and the lease liability are written off to the extent of the lease termination. The resulting difference is recognised as income or expense in profit (loss).

In the balance sheet, right-of-use assets are recorded in line 1150 "Property, plant and equipment", long-term and short-term lease liabilities are recorded in line 1450 "Other liabilities" and line 1520 "Payables".

Right-of-use assets are verified for impairment and changes in carrying value due to impairment are accounted for in accordance with the procedure prescribed by International Accounting Standard (IAS) 36 "*Impairment of Assets*" introduced in the Russian Federation by Order No. 217n of the Ministry of Finance of the Russian Federation dated December 28, 2015 (see paragraph 8 of the section "Information on Accounting Policies").

8. Verification of fixed assets in respect of impairment in accordance with IAS 36 "*Impairment of Assets*"

At each reporting date, the Company determines whether there is any indication of impairment of fixed assets (property, plant and equipment, capital investments, right-of-use assets, intangible assets) and performs an impairment verification (impairment test) if there is any indication of impairment in the manner prescribed by International Accounting Standard (IAS) 36 "*Impairment of Assets*".

If any indication of possible impairment exists, the Company estimates the recoverable amount of the assets. The majority of the Company'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.

The recoverable amount of specialised property is determined as the value in use using the projected cash flow method. This 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.

An impairment loss is recognized if the carrying value of a cash-generating unit exceeds its estimated (recoverable) value.

The main criterion for determining a CGU is the indivisibility of the tariff and the impossibility of further detailed accounting and planning.

Cash-generating units are defined by the Company based on the geographical location of the Company's branches where tariff regulation is performed and represent the smallest identifiable group of assets that generate cash inflows independent of other assets of the Company. As a CGU, the group of assets of "Rosseti Kuban" PJSC as a whole (without allocating groups of assets of branches) is determined.

For the purpose of impairment testing, specialised assets in the form of right-of-use assets are treated as CGU assets in the same way as own fixed assets - based on the geographical location of the Company (structural subdivisions of the Company) where tariff regulation is performed.

An impairment loss is allocated to reduce the carrying value of an asset unit pro rata to the carrying value of each asset in the cash-generating unit. The impairment loss is recognized as other expenses.

After the recognition of an impairment loss, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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. Recovery of impairment loss is recognised in other income.

9. Financial investments

Financial investments are accepted for accounting at their initial cost. The initial cost of financial investments acquired for a fee is the amount of the Company's actual expenses for their acquisition, excluding value added tax and other reimbursable taxes (except for cases stipulated by the legislation of the Russian Federation on taxes and fees). For debt securities, the difference between the actual acquisition costs and the nominal value of the securities is included in other income on a straight-line basis over the term of their circulation.

Financial investments for which the current market value can be determined in accordance with the established procedure are revalued annually as of December 31 at the current market value and are reflected in the financial statements in this assessment. The difference between the valuation of such investments at the current reporting date and their previous valuation is recognised in other expenses and income.

Financial investments for which the current market value is not determined are reflected in the balance sheet at the end of the reporting year at their accounting (carrying value), with the exception of investments for which, as of the specified date, there are conditions for a sustained significant decrease in value.

The Company verifies financial investments for impairment annually. For the amount of excess of the accounting (carrying value) of these investments over their estimated value, a provision has been created for the impairment of these financial investments, the total amount of which is attributed to other expenses. At the same time, the cost of such investments is reflected in the balance sheet less the amount of the created provision for impairment of financial investments.

Upon disposal of financial investments in securities for which the current market value is not determined, their value is determined at the initial cost of each unit being disposed of. At the same time, for investments in the authorized capitals of limited liability companies, deposits, loans issued, investments in joint activities, their value at disposal is determined based on an estimate determined by the method of the initial cost of each unit.

When financial investments in securities are disposed of, for which the current market value is determined in accordance with the established procedure, their value is determined based on the latest assessment. Income and expenses on financial investments are carried through other income and expenses.

10. Inventories

Inventories are assets consumed or sold in the normal operating cycle of an organization, or used for a period of not more than 12 months.

Inventories are accepted for accounting at the actual cost, calculated based on the amount of actual acquisition/manufacturing costs, with the exception of value added tax and other reimbursable taxes (except in cases provided for by the legislation of the Russian Federation).

When inventories are released into production, finished products and goods are shipped to the buyer, as well as when inventories are written off, their prime cost is calculated using the "average prime cost" method.

The cost of special-purpose clothing, the service life of which, according to the issuance standards, does not exceed 12 months, is fully debited to the debit of the relevant production cost accounting accounts at the time of its transfer (issue) to the Company's employees.

Inventories intended to ensure the prevention and liquidation of accidents (emergencies) at electric network facilities (emergency reserve) are reflected in line 1210 "Inventories" of the balance sheet.

Inventories of the Company are valued at the reporting date at the lowest of the following values:

- actual prime cost of inventories;
- net realizable value of inventories.

Inventories that have completely or partially lost their original qualities, become obsolete, or whose market value has decreased are reflected in the balance sheet at net sales value.

An excess of the actual prime cost of inventories over their net realisable value is considered an impairment. A provision has been formed for the amount of impairment of inventories, attributed to an increase in the Company's expenses.

Inventories in the accounting (financial) statements are reflected less the provision for cost reduction created in relation to these inventories on line 1210 "Inventories".

11. Future expenses

Expenses incurred by the Company in the reporting year, but related to the following reporting periods (one-time payments for software licenses, other types of expenses) are reflected as future expenses. These expenses are written off on a straight-line basis over the periods to which they relate.

Future expenses related to periods beginning after the end of the year following the reporting year are shown in the balance sheet as long-term assets on line 1190 "Other fixed assets", and related to the year following the reporting year – on line 1260 "Other current assets".

12. Receivables

The debt of buyers (customers) is recorded simultaneously with the recognition of revenue (income) from the sale of goods, performance of works, provision of services (except in cases of recognition of revenue from the performance of works, provision of services, sale of products with a long manufacturing cycle as the work, services, products are ready).

The amount of receivables is determined based on the price and conditions established by the contract, including VAT.

The accounting unit for settlements with buyers and customers is the receivables (payables) for each buyer (customer) and each contract.

The debt that is not repaid on time or is highly likely not to be repaid within the time limits set by the contracts, and is not secured by appropriate guarantees, sureties or other means of ensuring the fulfillment of obligations, is shown in the balance sheet less provisions for doubtful debts. These provisions represent a conservative assessment by the Company's Management of the part of the debt that may not be repaid. Provisions of doubtful debts are attributed to an increase in other expenses.

Bad debt was written off from the balance sheet as soon as it was recognized as such. The specified debt is recorded on the balance sheet for five years from the date of write-off to monitor the possibility of its recovery in the event of a change in the debtor's property status.

13. Cash equivalents and presentation of cash flows in the statement of cash flows

Cash equivalents include highly liquid financial investments that can be easily converted into a predetermined amount of cash and which are subject to insignificant risk of changes in value.

Cash equivalents include highly liquid bank promissory notes or bonds, short-term government securities with a maturity of 3 months or less from the date of purchase (with a maturity of less than 92 days), as well as short-term bank deposits - deposits with a fixed repayment period of three months or less (with a fixed repayment period of less than 92 days).

Bank deposits with the right of early termination are recognized as part of cash equivalents regardless of the placement period.

In the statement of cash flows, the Company's cash flows, which cannot be unambiguously classified as part of flows from current, investment or financial operations, are attributed to cash flows from current operations.

The statement of cash flows presents the VAT amounts as part of receipts from buyers and customers, payments to suppliers and contractors, and payments to the budget system and VAT refunds from it.

14. Long-term assets for sale

Long-term assets for sale comprise:

- items of property, plant and equipment or other fixed assets (with the exception of financial investments), the use of which has been discontinued, in connection with the decision to sell them and there is confirmation that the resumption of use of these objects is not expected (an appropriate management decision has been made, actions have been initiated to prepare the asset for sale, a sale agreement has been concluded, other);
- tangible assets held for sale that remain from disposal, including partial, of fixed assets or are recovered in the process of current maintenance, repair, modernization, reconstruction, except in the case when such values are classified as inventories.

Long-term assets for sale are presented as part of line 1260 "Other current assets" in the balance sheet.

A long-term asset for sale is measured at the carrying value of the relevant item of property, plant and equipment or other fixed asset at the time of its reclassification to a long-term asset for sale.

The subsequent valuation of a long-term asset for sale is carried out in the manner prescribed for the valuation of inventories.

15. Authorized capital, reserve capital, additional capital

The authorized capital is reflected in the sum of the nominal value of ordinary and preferred shares issued by the Company, including the nominal value of ordinary shares repurchased by the Company from shareholders. The amount of the authorized capital corresponds to the amount specified in the Company's Charter.

If the authorized capital is increased by placing additional shares, operations on the formation of the authorized capital are reflected in the accounting after registration of the relevant changes made to the constituent documents of the Company.

In accordance with the legislation, the Company creates a reserve fund in the amount of 5 (five) percent of the authorized capital of the Company. The amount of obligatory annual deductions to the reserve fund of the Company is at least 5 (Five) percent of the net profit of the Company until the reserve fund reaches the established amount.

The additional capital represents a part of the Company's capital that is not related to the contributions of shareholders and capital gains due to profits accumulated during the Company's activities.

16. Loans and borrowings received

The debt on loans and borrowings received is reflected in accounting and reporting in accordance with the terms of the concluded contracts.

The principal amount of debt on borrowings received is recognized at the time of receipt of borrowed funds in the amount of funds actually received. The amount of the principal debt on borrowings raised by issuing bonds is reflected in the amount of the nominal value of the bonds.

The debt on loans and borrowings received is reflected in the accounts, considering the interest due at the end of the reporting period according to the terms of the agreements, while the information is separated:

- by long-term and short-term liabilities
- by the principal amount of borrowed funds
- by accrued but unpaid interest.

The interest and/or discount on the bond due by the Issuing Company is reflected separately from the nominal value of the bond as payables.

Interest accrued in accordance with the established procedure is subject to reflection as part of other expenses, with the exception of interest on borrowed funds raised for the acquisition (creation) of investment assets (capitalized interest).

Interest for the use of borrowed funds is included in the cost of an investment asset or in other expenses on a regular basis (monthly) during the period of use of borrowed funds, regardless of the moment of actual interest payment.

According to the loans and borrowings received, the Company transfers long-term debt into short-term debt. Short-term debt is transferred to long-term debt if an agreement has been concluded to extend the short-term loan agreement in such a way that the borrowing repayment period will be more than 12 months from the reporting date. The Company transfers long-term debt on borrowings and loans received into short-term debt at a time when, under the terms of the borrowing and/or loan agreement, less than 12 months remain before repayment of the principal amount of the debt.

Additional expenses incurred by the Company in connection with the receipt of loans and borrowings, the issuance and placement of debt obligations are included in other expenses in the reporting period in which they were incurred.

17. Payables

The amount of payables is determined based on the price and conditions established by the agreement, where applicable, including VAT. The advance amount in full is credited to the account of fulfillment of obligations under the agreement, unless otherwise provided by the agreement.

Debts to suppliers and contractors are recorded simultaneously with the acceptance of assets, results of work performed, services rendered, supplied (carried out) by the supplier (contractor).

An accounting unit for settlements with suppliers and contractors is the payables (receivables) for each supplier (contractor) and each agreement.

Settlements with suppliers and contractors comprise:

- payables to suppliers, contractors;
- advances and prepayments issued to suppliers and contractors.

The classification of debt for settlements with suppliers and contractors is changed by maturity: debt previously classified as long-term is classified as short-term if the period from the reporting date to the date of repayment of the Company's liabilities established by the relevant agreement (contract) is 12 months or less.

Write-off of payables may occur:

- due to the expiration of the limitation period;
- in connection with the liquidation of the creditor;
- partially at the conclusion of a settlement agreement;
- in other cases provided for by the legislation of the Russian Federation, which cause the termination of the creditor's claims.

The amounts of payables for which the limitation period has expired are written off for each obligation on the basis of a written justification and an order (order) from the head of the Company and are included in other income.

18. Estimated liabilities, contingent liabilities and contingent assets

Estimated liabilities

The Company reflects the estimated liability while complying with the recognition conditions set out in RAR 8/2010 "*Estimated Liabilities, Contingent Liabilities and Contingent Assets*".

The Company recognizes estimated liabilities when the recognition conditions are met in respect of the following liabilities:

- pending court cases at the reporting date in which the Company acts as a plaintiff or defendant and decisions on which can be made only in subsequent reporting periods, leading to an outflow of economic benefits of the Company
- vacation payments;
- payment of benefits (bonuses) to employees based on the results of work for the year;
- reforestation;
- payment of severance payments;
- other.

The formation of an estimated liability for court cases with an unfavorable outcome, taking into account the probability of an unfavorable outcome in the settlement of disagreements during the trial, is carried out at the end of each reporting period (quarter).

The formation of an estimated liability to pay for vacations is carried out monthly for each employee as of the last day of the reporting month. The amount of an estimated liability at the end of the reporting period is determined based on the number of vacation days due but unused by the employee as of the reporting date, and the average daily earnings of the employee as of the reporting date, taking into account insurance premiums.

The formation of an estimated liability to pay benefits (bonuses) to employees based on the results of work for the year is carried out annually as of the last day of the reporting year. The amount of benefit is determined individually for each employee in accordance with the provisions on remuneration and material incentives for employees of the Company. The amount of the liability is calculated taking into account the amount of insurance premiums.

An estimated liability for reforestation is recognized by the Company in accounting as the Company implements actual forest management, as a result of which it is obliged to carry out reforestation work. In accordance with the requirements of rationality and prudence, the Company recognizes an estimated liability for reforestation as of the date of commissioning of the construction site in relation to the entire scope of reforestation.

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not reflected in the balance sheet, but are disclosed in the notes to the balance sheet and the statement of financial results.

A contingent liability (contingent asset) arises as a result of past business events when the existence of a liability (asset) for the Company at the reporting date depends on the occurrence (non-occurrence) of one or more future uncertain events beyond the control of the Company.

A contingent liability is disclosed in the notes to the balance sheet and the statement of financial results, except in cases where a decrease in the associated economic benefits is unlikely. A contingent asset is disclosed in the notes to the balance sheet and the statement of financial results when the proceeds associated with it are probable. In this case, an estimated value or a range of estimated values is indicated, if they can be determined.

19. Profit tax calculations

The amounts of accrued, repaid and written off deferred tax assets and deferred tax liabilities are included in the statement of financial results:

- in line 2412 "Deferred profit tax" – in the aggregated amount of changes in deferred tax assets and deferred tax liabilities related to the results of operations included in the accounting profit (loss) of the reporting period;
- in line 2460 "Other" – in the aggregated amount of deferred taxes on profits and losses, including in connection with a decrease in the probability that the Company will receive taxable profit in subsequent reporting periods;
- in line 2530 "Profit tax on operations the result of which is not included in the net profit (loss) of the reporting period" – in the aggregated amount of changes in deferred tax assets and deferred tax liabilities that are not related to the results of operations included in the accounting profit (loss) of the reporting period.

20. Income

Income accounting is regulated by the Russian Accounting Regulation "*Income of the Company*" (RAR 9/99), according to which the Company's income, depending on their nature, conditions of receipt and areas of activity, is divided into income from ordinary activities and other income.

Income from the sale of products and goods, receipts related to the performance of works and the provision of services are recognized as income from ordinary activities of Companies.

Revenue is accepted for accounting in an amount calculated in monetary terms equal to the amount of cash and other property receipts and (or) the amount of receivables. Revenue from the sale of products (provision of services) is recognized as products are shipped to customers (provision of services) and settlement documents are presented to them. It is reflected in the financial statements minus the value added tax.

As part of the Company's other income, the following are recognized:

- interest received for the provision of the Company's funds for use, interest for the use by the bank of funds held in the Company's account with this bank. The Company reflects this income in the Statement of Financial Results in line 2320 "Interest receivable";
- income related to participation in the authorized capitals of other organizations (dividends) is recognized by the Company as soon as it is declared and reflected in the Statement of Financial Results in line 2310 "Income from participation in other organizations";
- fines, penalties, forfeits for violation of contractual relations – in the reporting period in which the court issued a decision on their recovery or they were recognized by the debtor;
- profit of previous years revealed in the reporting period (taking into account the requirements of the Russian Accounting Regulations "*Correction of Errors in Accounting and Reporting*" (RAR 22/2010));
- amounts of payables (excluding dividends) and deposit debts for which the limitation term has expired – in the reporting period in which the limitation term has expired;
- other proceeds (income), according to the Russian Accounting Regulations "*Income of the Company*" (RAR 9/99), as it is formed (identified).

21. Expenses

Expense accounting is regulated by the Russian Accounting Regulation "*Expenses of the Company*" (RAR 10/99), according to which the Company's expenses are divided into expenses for ordinary activities and other expenses.

Expenses for ordinary activities are expenses associated with the manufacture and sale of products, the acquisition and sale of goods, expenses associated with the performance of work, the provision of services, the implementation of which is associated with the ordinary activities of the Company.

Expenses (expenditure) are subject to recognition in accounting, regardless of the intention to receive revenue, other income and the form of expenditure (monetary, in-kind and other). Expenses (costs) are recognized in the reporting period in which they occurred, regardless of the time of the actual payment of funds and other form of implementation (assumption of temporary certainty of the facts of economic activity).

Expenses (expenditure) for ordinary activities are accepted for accounting in an amount calculated in monetary terms equal to the amount of payment in cash or other form or the amount of payables.

The actual prime cost of work performed and services rendered is recognized as expenses for ordinary activities of the reporting period; the cost of completed production, as well as the cost of work in progress, forms the value of assets (inventories).

Management expenses are reflected in line 2220 "Management expenses" of the Statement of Financial Results.

Other expenses include expenses not related to the manufacture and sale of products and services. Other expenses include:

- interest paid by the Company for providing it with funds (loans, loans); The Company reflects these expenses in the Statement of Financial Results in line 2330 "Interest payable";
- expenses related to payment for services provided by credit institutions;
- provision for doubtful debts formed following the results of the reporting period;
- provision for impairment of financial investments;
- fines, penalties, forfeits for violation of the terms of agreements, compensation for losses caused by the Company;
- loss of previous years revealed in the reporting period (taking into account the requirements of the Russian Accounting Regulations "*Correction of Errors in Accounting and Reporting*" (RAR 22/2010));
- charity expenses;
- other expenses, according to RAR 10/99.

22. Changes in accounting policy

Changes in accounting policy in 2023

No significant changes were made to the accounting policy of the Company in 2023.

Adjustments to the Company's accounting statements as a result of changes in accounting policy in 2023

There are no adjustments to comparative data for previous years in the accounting statements.

Changes in accounting policy in 2024

From January 1, 2024, RAR 14/2007 "*Accounting for Intangible Assets*" becomes invalid. The Federal Accounting Standard (FAS) 14/2022 "*Intangible Assets*" becomes mandatory for use, starting with accounting (financial) statements for 2024.

The Company does not apply FAS 14/2022 "*Intangible Assets*" ahead of schedule and intends to reflect the consequences of changes in accounting policy in connection with the beginning of the application of this standard in accordance with the transitional provisions provided for in paragraph 53 – without recalculation of comparative indices for the periods preceding the reporting period.

The following main changes will be reflected in the Company's accounting statements for 2024:

- reclassification of items that meet the criteria for recognition of intangible assets from prepaid expenses to intangible assets and capital investments in intangible assets;
- one-time write-off (allocation to retained profit) of the carrying value of capital investments related to the performance of research and development work related to the research stage;
- one-time write-off (allocation to retained profit) of the carrying value of objects accepted for accounting as intangible assets before the application of FAS 14/2022 "Intangible Assets", but which are not such according to the new rules, and taking into account the limit set by the Company;
- one-time write-off (allocation to retained profit) of items from prepaid expenses that do not meet the criteria for recognition of intangible assets.

23. Adjustments to the indicators of accounting (financial) statements in connection with the correction of significant errors of previous years in the reporting period.

The Statement of Cash Flows for line 4329 "Other payments" reflected operations for the transfer of funds into cash equivalents. Due to the adjustment of this significant error, the following indices of the Statement of Cash Flows have been changed:

thousand rubles

Line	Item of the Statement of Financial Results	Impact of error adjustment for 2022	For 2022 (before recalculation)	For 2022 (after recalculation)
4329	Other payments	650,000	(650,000)	-
4300	Balance of cash flows from financial operations	650,000	(1,231,020)	(581,020)
4400	Balance of cash flows for the reporting period	650,000	1,503,464	2,153,464
4500	Balance of cash and cash equivalents at the end of the reporting period	650,000	3,468,182	4,118,182

III. Disclosure of material indices

1. Intangible assets

1.1 Availability and movement of intangible assets

thousand rubles

Index name	Period	At the beginning of the year			Changes for the period				At the end of the year		
		Initial cost	Depreciation	Carrying value	Received	Retired		Depreciation accrual	Initial value	Depreciation	Carrying value
						Initial/ current market cost	Depreciation accumulated				
1	2	3	4	5	6	7	8	9	10	11	12
Intangible assets, total	2023	221,504	(176,361)	45,143	14,930	(107,150)	107,150	(18,874)	129,284	(88,085)	41,199
	2022	218,576	(133,829)	84,747	2,928	–	–	(42,532)	221,504	(176,361)	45,143
Including:											
Exclusive right to an invention, industrial design, utility model	2023	24,479	(15,997)	8,482	–	(2,351)	2,351	(3,962)	22,128	(17,608)	4,520
	2022	24,479	(11,858)	12,621	–	–	–	(4,139)	24,479	(15,997)	8,482
Exclusive right to computer programmes, databases (software)	2023	158,438	(122,804)	35,634	14,930	(77,569)	77,569	(13,885)	95,799	(59,120)	36,679
	2022	155,510	(91,999)	63,511	2,928	–	–	(30,805)	158,438	(122,804)	35,634
Exclusive right to a trade mark, name of place of origin for goods	2023	192	(192)	–	–	–	–	–	192	(192)	–
	2022	192	(192)	–	–	–	–	–	192	(192)	–
Other items that fulfil the criteria for classification as IA	2023	38,395	(37,368)	1,027	–	(27,230)	27,230	(1,027)	11,165	(11,165)	–
	2022	38,395	(29,780)	8,615	–	–	–	(7,588)	38,395	(37,368)	1,027

In the reporting year, the useful life and the method of depreciation of intangible assets did not change compared to the previous reporting period.

1.2 Information on in-progress and unreformed R&D and in-progress operations for the acquisition of intangible assets

thousand rubles

Index name	Period	At the beginning of the year	Changes for the period			At the end of the period
			Expenses for the period	Expenses were written off as not having a positive result	Accepted for accounting as IA or R&D	
1	2	3	4	5	6	7
Pending in-progress R&D expenses	2023	52,214	20,936	–	(17,615)	55,535
	2022	21,578	37,632	–	(6,996)	52,214
In-progress operations for the acquisition of intangible assets	2023	7,500	–	(7,500)	–	–
	2022	7,500	–	–	–	7,500

The costs of in-progress and unreformed R&D and unfinished operations for the acquisition of intangible assets are reflected in line 1100 "Intangible assets" of the balance sheet.

2. Property, plant and equipment

Information on the availability and movement of property, plan and equipment is provided in table explanation 2.1. "Availability and movement of property, plan and equipment" There are no property, plan and equipment pledged.

2.1 Availability and movement of property, plan and equipment (excluding the right-of-use assets)

thousand rubles

Index name	Period	At the beginning of the period			Changes for the period						At the end of the period		
		Initial cost	Depreciation and impairment accrued	Carrying value	Received		Retired		Depreciation accrual, including depreciation of impairment	Recognition (-) Recovery (+) of impairment	Initial cost	Depreciation and impairment accrued	Carrying value
					Initial cost	Depreciation and impairment accrued	Initial cost	Depreciation and impairment accrued					
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Property, plant and equipment	2023	139,932,928	(74,969,865)	64,963,063	12,182,541	(4,218)	(533,280)	447,133	(5,290,118)	–	151,582,189	(79,817,068)	71,765,121
	2022	131,274,030	(70,277,846)	60,996,184	8,917,641	(7,803)	(258,743)	203,724	(4,887,940)	–	139,932,928	(74,969,865)	64,963,063
Including:													
Buildings	2023	12,516,217	(6,238,964)	6,277,253	343,360	–	(41,024)	14,512	(252,658)	–	12,818,553	(6,477,110)	6,341,443
	2022	12,431,267	(6,020,224)	6,411,043	126,837	–	(41,887)	32,707	(251,447)	–	12,516,217	(6,238,964)	6,277,253
Facilities, except for power lines	2023	5,819,422	(3 087 324)	2,732,098	352,144	–	(22 290)	3,035	(248 053)	–	6,149,276	(3 332 342)	2,816,934
	2022	5,436,893	(2 846 951)	2,589,942	397,303	(7,803)	(14 774)	12,853	(245 423)	–	5,819,422	(3 087 324)	2,732,098
Electricity transmission lines and relevant devices	2023	60,746,253	(24 709 021)	36,037,232	5,386,813	–	(70 297)	41,524	(2 317 083)	–	66,062,769	(26 984 580)	39,078,189
	2022	57,146,169	(22 606 782)	34,539,387	3,695,401	–	(95 317)	69,698	(2 171 937)	–	60,746,253	(24 709 021)	36,037,232
Machines and equipment	2023	60,669,294	(40 897 227)	19,772,067	6,095,507	(4 090)	(399 515)	387,908	(2 468 578)	–	66,365,286	(42 981 987)	23,383,299
	2022	56,078,539	(38 769 027)	17,309,512	4,697,517	–	(106 762)	88,464	(2,216,664)	–	60,669,294	(40 897 227)	19,772,067
Production and household equipment, including other facilities	2023	45,094	(37 329)	7,765	4,621	(128)	(154)	154	(3 746)	–	49,561	(41 049)	8,512
	2022	44,600	(34 862)	9,738	497	–	(3)	2	(2 469)	–	45,094	(37 329)	7,765
Land plots and objects of nature management	2023	136,648	–	136,648	96	–	–	–	–	–	136,744	–	136,744
	2022	136,562	–	136,562	86	–	–	–	–	–	136,648	–	136,648
Investment property	2023	–	–	–	–	–	–	–	–	–	–	–	–
	2022	–	–	–	–	–	–	–	–	–	–	–	–

2.2 Depreciation of property, plant and equipment (excluding depreciation of impairment)

thousand rubles

Index name	Period	At the beginning of the year (-)	Change for the period			At the end of the period
			Received (-)	Retired (-)	Accrued for the period (-)	
1	2	3	4	5	6	7
Depreciation	2023	(74,969,865)	(4,218)	447,133	(5,290,118)	(79,817,068)
	2022	(70,277,846)	(7,803)	203,724	(4,887,940)	(74,969,865)
Including:						
Buildings	2023	(6,238,964)	–	14,512	(252,658)	(6,477,110)
	2022	(6,020,224)	–	32,707	(251,447)	(6,238,964)
Facilities, except for power lines	2023	(3 087 324)	–	3,035	(248 053)	(3 332 342)
	2022	(2 846 951)	(7,803)	12,853	(245 423)	(3 087 324)
Electricity transmission lines and relevant devices	2023	(24 709 021)	–	41,524	(2 317 083)	(26 984 580)
	2022	(22 606 782)	–	69,698	(2 171 937)	(24 709 021)
Machines and equipment	2023	(40 897 227)	(4 090)	387,908	(2 468 578)	(42 981 987)
	2022	(38 769 027)	–	88,464	(2,216,664)	(40 897 227)
Production and household equipment, including other facilities	2023	(37 329)	(128)	154	(3 746)	(41 049)
	2022	(34 862)	–	2	(2 469)	(37 329)

2.3 Impairment of property, plant and equipment

The verification of the Company's property, plant and equipment for impairment as at December 31, 2022, and as at December 31, 2023 showed no impairment.

2.4 Information regarding change in the cost of property, plant and equipment as a result of further construction, additional equipment, reconstruction and partial liquidation

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Increase in the cost of items of property, plant and equipment as a result of completion, additional equipment, reconstruction	3 114 521	2 436 601	1 163 450
Decrease in the value of fixed assets as a result of partial liquidation	(63 719)	(67 551)	(99 320)

2.5 Information on other use of property, plant and equipment

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Leased-out property, plant and equipment on the balance sheet	143,356	115,551	101,182
Leased property, plant and equipment on the balance sheet	–	200	–
Leased property, plant and equipment off the balance sheet	3 329 069	3 316 107	3 325 277
Real estate items received into operation and actually used, which are in the process of state registration	3 054 637	3 388 838	3 339 062
Property, plant and equipment transferred for conservation	10,047	10,047	10,115
Other use of property, plant and equipment (pledge, etc.)	–	–	–

3. Capital investments

Information on capital investments is disclosed as part of table explanation 3.1. "Availability and movement of capital investments" and table explanation 3.2. "Advances issued for capital construction and acquisition of property, plant and equipment".

3.1 Availability and movement of financial investments

thousand rubles

Index name	Period	At the beginning of the year	Expenses for the period	Changes for the period				At the end of the period	
				Written off		Accepted for accounting as fixed assets or increase in the cost of capital investments			Recognition (-) Recovery (+) of impairment
				Initial cost	Impairment	Initial cost	Impairment		
1	2	3	4	5	6	7	8	9	10
Construction in progress and unfinished operations for the acquisition, modernization and technical re-equipment of property, plant and equipment	2023	7 125 396	15 088 544	(1 645 437)	–	(12 149 622)	–	–	8 418 881
	2022	4 052 784	13 402 718	(1 429 550)	–	(8 900 556)	–	–	7 125 396
Including:									
Construction in progress	2023	5 884 760	12 344 580	(91 023)	–	(11 677 559)	–	–	6 460 758
	2022	3,110,852	11,344,559	(38,767)	–	(8,531,884)	–	–	5 884 760
Acquisition of property, plant and equipment	2023	–	471,967	–	–	(471,967)	–	–	–
	2022	–	368,589	–	–	(368,589)	–	–	–
Equipment for installation	2023	1,240,636	2,271,901	(1,554,414)	–	–	–	–	1,958,123
	2022	941,932	1,689,487	(1,390,783)	–	–	–	–	1,240,636
Other	2023	–	96	–	–	(96)	–	–	–
	2022	–	83	–	–	(83)	–	–	–

3.2 Advances paid for capital construction and acquisition of property, plant and equipment

thousand rubles

Index name	Period	At the beginning of the year			At the end of the period		
		Accounted for under the terms of the agreement	Amount of the provision for doubtful debts	Carrying value	Accounted for under the terms of the agreement	Amount of the provision for doubtful debts	Carrying value
1	2	3	4	5	6	7	8
Advances paid for capital construction	2023	465,074	(2,033)	463,041	1,614,412	(2,033)	1,612,379
	2022	765,453	(2,033)	763,420	465,074	(2,033)	463,041

4. Right-of-use assets and lease liabilities

Information on the availability and movement of right-of-use assets is disclosed as part of table explanation 4.1. "Availability and Movement of Right-of-Use Assets".

4.1 Availability and Movement of Right-of-Use Assets

thousand rubles

Index name	Period	At the beginning of the year			Changes for the period							At the end of the period		
		Initial cost	Accumulated depreciation and impairment	Residual value	Initial cost			Accumulated depreciation and impairment				Initial cost	Accumulated depreciation and impairment	Residual value
					Received	Retired	Change of agreement conditions	Depreciation accrued (with impairment)	Depreciation accumulated retired (with depreciation of impairment)	Change of agreement conditions	Recognition (-), recovery (-) of impairment			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Right-of-use assets	2023	4,358,105	(1,390,261)	2,967,844	191,640	(128,995)	6,442	(1,421,324)	34,530	–	–	4,427,192	(2,777,055)	1,650,137
	2022	4,228,736	–	4,228,736	156,094	(28,907)	2,182	(1,393,316)	3,055	–	–	4,358,105	(1,390,261)	2,967,844
Including:														
Land and buildings	2023	867,987	(265,825)	602,162	20,536	(31,220)	10,362	(265,727)	8,758	–	–	867,665	(522,794)	344,871
	2022	857,986	–	857,986	31,864	(7,493)	(14,370)	(267,097)	1,272	–	–	867,987	(265,825)	602,162
Electricity transmission lines and relevant devices	2023	1,920,337	(627,131)	1,293,206	58,598	(22,374)	1,654	(643,308)	4,198	–	–	1,958,215	(1,266,241)	691,974
	2022	1,886,254	–	1,886,254	39,454	(7,333)	1,962	(628,062)	931	–	–	1,920,337	(627,131)	1,293,206
Machines and equipment	2023	794,524	(238,521)	556,003	103,298	(63,923)	(6,412)	(257,227)	13,801	–	–	827,487	(481,947)	345,540
	2022	700,117	–	700,117	83,643	(694)	11,458	(238,873)	352	–	–	794,524	(238,521)	556,003
Other	2023	775,257	(258,784)	516,473	9,208	(11,478)	838	(255,062)	7,773	–	–	773,825	(506,073)	267,752
	2022	784,379	–	784,379	1,133	(13,387)	3,132	(259,284)	500	–	–	775,257	(258,784)	516,473

The main objects of the Company's lease are electricity transmission facilities.

Information about lease liabilities:

thousand rubles

Index name	Index code	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4	5
Short-term lease liabilities	1520	1,533,808	1,461,754	1,384,223
Long-term lease liabilities	1450	252,013	1,624,891	2,844,513
Total lease liabilities		1,785,821	3,086,645	4,228,736

Interest on lease liabilities in the amount of 248,026 thousand rubles is included in the "Interest payable" index of line 2330 of the Statement of Financial Results for the year ended December 31, 2023 (in the amount of 325,381 thousand rubles for the year ended December 31, 2022).

Expenses related to operating leases are included in expenses for ordinary activities in the amount of 62,492 thousand rubles for the year ended December 31, 2023 (in the amount of 48,213 thousand rubles for the year ended December 31, 2022).

5. Verification of fixed assets in respect of impairment in accordance with IAS 36 "Impairment of Assets"

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

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

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 a generating unit "Rosseti Kuban" PJSC based on 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%
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 (taking into account the indexation 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 the impairment verification, as of December 31, 2023, no impairment was detected.

6. Other fixed assets

Line 1190 "Other fixed assets" of the Balance Sheet reflects:

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Software and licenses	289,354	103,997	133,158
Other	90,710	50,749	–
Total other fixed assets	380,064	154,746	133,158

7. Inventories

Inventories in the accounting statements are reflected less the provision for cost reduction created in relation to these inventories on line 1210 "Inventories". There are no inventories pledged.

Information on the availability and movement of inventories by group:

thousand rubles

Index name	Period	At the beginning of the year		Proceeds and costs	Changes for the period				At the end of the period	
		Cost	Amount of provision for impairment		retired		Impairment losses	Turnover of inventories between groups (types) thereof	Cost	Amount of provision for impairment
					Cost	Provision for impairment				
1	2	3	4	5	6	7	8	9	10	11
Inventories, total	2023	1,975,327	(51,591)	6,612,767	(4,846,149)	3,766	(2,314)	x	3,741,945	(50,139)
	2022	1,926,407	(1,543)	3,849,479	(3,800,559)	668	(50,716)	x	1,975,327	(51,591)
Raw and other materials	2023	1,975,327	(51,591)	6,606,722	(4,846,149)	3,766	(2,314)	–	3,735,900	(50,139)
	2022	1,926,407	(1,543)	3,849,479	(3,800,559)	668	(50,716)	–	1,975,327	(51,591)
Work in process	2023	–	–	6,045	–	–	–	–	6,045	–
	2022	–	–	–	–	–	–	–	–	–
Other inventories and expenses	2023	–	–	–	–	–	–	–	–	–
	2022	–	–	–	–	–	–	–	–	–

8. Other current assets

Line 1260 "Other current assets" of the Balance Sheet reflects:

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Other current assets, including	3,669,436	1,573,337	974,558
VAT on advances received	3,233,363	1,369,300	700,138
VAT on advances paid for the acquisition of items of fixed assets	262,503	77,155	125,914
Future expenses	124,442	77,953	106,219
Other	49,128	48,929	42,287

9. Financial investments

9.1 Availability and movement of financial investments

Movement of long-term financial investments

thousand rubles

Index name	Period	At the beginning of the year		Changes for the period				At the end of the year	
		Initial cost	Revaluation, reserve	Received	Initial cost retired	Revaluation, reserve retired	Revaluation, reserve	Initial cost	Revaluation, reserve
1	2	3	4	5	6	7	8	9	10
Long-term financial investments, total	2023	45,690	(2)	–	(3)	2	–	45,687	–
	2022	45,690	(5,850)	–	–	–	5,848	45,690	(2)
Including:									
Contributions to other organizations (traded at the formal securities market)	2023	–	–	–	–	–	–	–	–
	2022	–	–	–	–	–	–	–	–
Contributions to other organizations (not traded at the formal securities market)	2023	3	(2)	–	(3)	2	–	–	–
	2022	3	(2)	–	–	–	–	3	(2)
Deposits	2023	–	–	–	–	–	–	–	–
	2022	–	–	–	–	–	–	–	–
Contributions to subsidiaries	2023	45,687	–	–	–	–	–	45,687	–
	2022	45,687	(5,848)	–	–	–	5,848	45,687	–
Bond loans	2023	–	–	–	–	–	–	–	–
	2022	–	–	–	–	–	–	–	–
Contributions to dependent companies	2023	–	–	–	–	–	–	–	–
	2022	–	–	–	–	–	–	–	–

9.2 Information on the initial and carrying value of financial investments

thousand rubles

Name of the group of financial investments		December 31, 2023		December 31, 2022		December 31, 2021	
		Initial cost	Carrying value [*]	Initial cost	Carrying value [*]	Initial cost	Carrying value [*]
1	2	3	4	5	6	7	8
At current market value	Long-term financial investments	–	–	–	–	–	–
	Short-term financial investments	–	–	–	–	–	–
The current market value is not determined	Long-term financial investments	45,687	45,687	45,690	45,688	45,690	39,840
	Short-term financial investments	–	–	–	–	–	–

[*] – The value at which financial investments are reflected in the balance sheet (taking into account adjustments to the current market value, provisions for impairment, attribution to an increase in the value of debt securities of the difference between their initial and nominal values, exchange differences).

9.3 Information on the revaluation of financial investments for which the current market value is determined

There are no financial investments that determine the current market value.

9.4 Information on the carrying value of financial investments by type.

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Long-term financial investments, total	45,687	45,688	39,840
Including:			
Contributions to subsidiaries	45,687	45,687	39,839
Contributions to dependent companies	–	–	–
Contributions to other organizations (traded at the formal securities market)	–	–	–
Contributions to other organizations (not traded at the formal securities market)	–	1	1
Deposits	–	–	–
Bond loans	–	–	–
Borrowings granted	–	–	–
Short-term financial investments	–	–	–

9.5 Information on the provision for impairment of financial investments

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Provision for impairment of financial investments, total	–	2	5,850
Including:			
- on investments in the authorized capital of subsidiaries	–	–	–
- on borrowings granted	–	–	–
- on other financial investments	–	2	5,850
Initial cost of financial investments for which provision for impairment has been created	–	–	–

10. Cash and cash equivalents

Composition of cash and cash equivalents

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Cash in hand	–	–	–
Funds on current accounts	5,461,267	3,468,182	1,964,718
Funds on foreign currency accounts	–	–	–
Funds on special bank accounts	–	–	1
Total cash	5,461,267	3,468,182	1,964,719
Short-term bank deposits (with a placement period of up to three months)	7,511,113	650,000	–
Total cash equivalents	7,511,113	650,000	–
Total cash and cash equivalents	12,972,380	4,118,182	1,964,719

The Company places deposits in financial institutions that are considered reliable counterparties with a stable financial position in the financial market of the Russian Federation. All funds are available for use by the Company.

As of December 31, 2023 The Company placed the following deposits in the Southern Branch of "PROMSVYAZBANK" PJSC: 1) deposit in the amount of 3,822,113 thousand rubles, with the placement date of December 18, 2023, 2) deposit in the amount of 3,689,000 thousand rubles, with the placement date of December 28, 2023. Date of repayment of deposits is January 9, 2024.

Details of the lines "Other proceeds" and "Other payments" of the Statement of Cash Flows

thousand rubles

Index name	2023	2022
1	2	3
Other proceeds from current activities	1,743,032	1,142,573
Insurance claims receivable	188,355	563,497
Settlements on fines, penalties, and forfeits receivable	349,456	352,459
Value added tax	629,473	36,934
Other proceeds*	575,748	189,683
Other payments for current activities	(6,202,439)	(4,389,269)
Payments on taxes (excluding VAT, profit tax) and funds	(2,978,337)	(2,327,281)
Settlements on fines, penalties, and forfeits payable	(231,266)	(52,832)
Refund of advance payments under technological connection agreements	(509,548)	(23,771)
Refund of the advance payment under the agreement of additional non-tariff services	(352,293)	–
Other payments**	(2,130,995)	(1,985,385)

* The line includes proceeds from the sale of inventories, proceeds from the assignment agreement, and other proceeds from current activities.

** The line includes payments for reforestation, social payments (other financial assistance and other payments to employees), and other payments for current activities.

11. Receivables

11.1 Existence of receivables

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Receivables, total	6,443,929	7,626,134	6,547,358
Long-term receivables	73,618	43,085	19,042
Buyers and customers	707	1,241	1,819
Other debtors:	72,911	41,844	17,223
<i>Settlements with notaries on public easements</i>	<i>47,557</i>	<i>22,436</i>	–
<i>Other services</i>	<i>12,317</i>	<i>8,016</i>	<i>6,036</i>
<i>Easement payment</i>	<i>8,974</i>	<i>5,829</i>	<i>885</i>
<i>Settlements on non-contractual electricity consumption</i>	<i>2,737</i>	<i>4,185</i>	<i>5,964</i>
<i>Other debtors</i>	<i>1,326</i>	<i>1,378</i>	<i>4,338</i>
Short-term receivables	6,370,311	7,583,049	6,528,316
Buyers and customers	4,968,641	6,198,385	5,863,976
Advances paid	162,244	78,313	43,534
Other debtors:	1,239,426	1,306,351	620,806
<i>Settlements with the national budget on taxes and insurance premiums</i>	<i>1,057,002</i>	<i>717,191</i>	<i>276,037</i>
<i>Settlements on interest (receivable)</i>	<i>31,820</i>	<i>267</i>	<i>184</i>
<i>Settlements on non-contractual electricity consumption</i>	<i>31,174</i>	<i>37,442</i>	<i>31,287</i>
<i>Settlements on claims, fines, penalties and forfeits</i>	<i>27,156</i>	<i>80,459</i>	<i>99,868</i>
<i>Other debtors</i>	<i>92,274</i>	<i>470,992</i>	<i>213,430</i>

Receivables that have not been repaid or with a high degree of probability will not be repaid within the time limits set by the agreement and are unsecured by appropriate guarantees, sureties or other means are shown in the balance sheet less provisions for doubtful debts.

11.2 Provision for doubtful debts

thousand rubles

Index name	Period	At the beginning of the year	Accrued	Recovered	Used	At the end of the year
1	2	3	4	5	6	7
Provision for doubtful receivables	2023	2,572,900	1,059,221	813,999	35,503	2,782,619
	2022	2,492,334	787,528	636,088	70,874	2,572,900

The amount of debt written off for the balance sheet of insolvent debtors as of December 31, 2023 is 183,165 thousand rubles (as of December 31, 2022 – 452,081 thousand rubles; as of December 31, 2021 – 627,744 thousand rubles).

12. Capital and Reserves

12.1 Authorized capital

The authorized capital of the Company is registered in accordance with the established procedure and fully paid. The authorized capital of the Company is reflected in the amount of the nominal value of ordinary shares. The Company has placed ordinary registered non-documentary shares with a nominal value of 100 (One hundred) rubles 00 kopecks each in the amount of 334,657,837 pieces for a total amount of 33,465,784 thousand rubles.

The receipt of deposits from the founders (in cash) before the state registration of changes in the constituent documents is reflected in the balance sheet in the section "Capital and Reserves" in the amount of 6,430,824 thousand rubles.

In the reporting period, the placement of additional issue shares continued, the state registration of which was carried out by the Bank of Russia on April 1, 2021 (state registration number 1-02-00063-A).

The maximum volume of placement of additional shares of this issue is 69,583,132 shares with a nominal value of 100 rubles each for a total amount of 6,958,313.2 thousand rubles.

The date of completion of the placement of these securities (taking into account the extension of the placement period provided for by the listing prospectus of "Rosseti Kuban" PJSC, registered by the Bank of Russia on 2May 25, 2023) - is the earliest of the following dates:

24. date of placement of the last security of this additional issue;
25. 3 years from the date of state registration of this additional issue of securities, that is, April 1, 2024.

As of December 31, 2023, 64,308,239 additional shares were placed.

Since the placement of additional shares has not been completed as of the end of the reporting year, the state registration of amendments to the Company's Charter in connection with the increase in the authorized capital has not been carried out.

Preferred shares were not issued by the Company.

12.2 Reserve capital

According to the decision of the General Meeting of Shareholders, based on the results of the Company's work for 2022, the Company's net profit in the amount of 262,224 thousand rubles was assigned to the formation of a reserve fund. As of December 31, 2023, the value of the reserve fund amounted to 772,036 thousand rubles.

12.3 Additional capital

The additional capital of the Company includes the amount of issue income received as a result of the placement of shares of the Company at a price exceeding the nominal value and the amounts received during the reform (restructuring) of the electric power industry completed in 2008.

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Share premium	6,481,916	6,481,916	6,481,916
Contributions of shareholders to the Company's property	–	–	–
Amount of additional capital of the affiliated companies during the reorganization	–	–	–
Total additional capital (without revaluation)	6,481,916	6,481,916	6,481,916

12.4 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.

12.5 Earnings per share

Underlying earnings per share reflect a portion of the profit for the reporting period that can potentially be distributed to shareholders who own ordinary shares. It is calculated as the ratio of the underlying profit for the reporting year to the weighted average number of ordinary shares outstanding during the reporting year. The underlying profit is equal to the net profit of the reporting year.

Index name	2023	2022
1	2	3
Underlying profit (loss) for the reporting year, thousand rubles	6,166,520	5,244,477
Weighted average number of ordinary shares outstanding during the reporting year, thousand pieces	375,351	347,126
Underlying profit (loss) per share, rubles	16.4287	15,1080

13. Loans and borrowings

13.1 Information on the movement of borrowed funds

thousand rubles

Index name	Long-term		Short-term	
	2023	2022	2023	2022
1	2	3	4	5
Balance of debt on borrowed funds at the beginning of the year	16,931,543	16,036,315	3,990,281	4,834,192
Borrowed funds received in the reporting year (including overdraft)	8,618,064	14,682,503	–	1,000,698
As a result of the transfer of long-term debt to short-term debt	(4,279,853)	(7,725,548)	4,279,853	7,725,548
As a result of the transfer of short-term debt to long-term debt	–	–	–	–
Interest accrued (including overdraft)	–	–	2,096,399	2,379,171
Repaid in part of the principal amount of the debt (including overdraft)	(5,389,754)	(6,061,727)	(3,971,758)	(9,554,489)
Repaid in terms of interest accrued (including overdraft)	–	–	(2,085,935)	(2,394,839)
Balance of debt on borrowed funds at the end of the year	15,880,000	16,931,543	4,308,840	3,990,281

13.2 Information on borrowed funds types

thousand rubles

Index name	Long-term		Short-term	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
1	2	3	4	5
Loans and borrowings secured	–	–	–	–
Loans and borrowings unsecured	15,880,000	16,931,543	4,279,853	3,971,758
Bond loans secured	–	–	–	–
Bond loans unsecured	–	–	–	–
Interest payable	–	–	28,987	18,523

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 Company has a chance to raise additional funding within the relevant limits, including to ensure the fulfillment of its short-term obligations. There is no non-fulfillment or partial non-fulfillment of obligations by the lender for the reporting period and as of December 31, 2023.

Interest on borrowed funds

thousand rubles

Index name	2023	2022
1	2	3
Interest included in the cost of investment assets on borrowed funds related to the acquisition, construction or manufacture of investment assets	2,980	41,980
Interest included in the cost of investment assets on borrowed funds taken for purposes not related to the acquisition, construction or manufacture of investment assets	–	–
Interest on borrowed funds attributed to other expenses	2,093,419	2,337,191
Total interest accrued on borrowed funds	2,096,399	2,379,171

13.3 Information on maturity dates of borrowed funds

thousand rubles

Index name	Balance of debt on borrowed funds	Including maturity dates:					
		Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
1	2	3	4	5	6	7	8
Loans and borrowings secured	–	–	–	–	–	–	–
Loans and borrowings unsecured	20,159,853	4,279,853	13,380,000	2,500,000	–	–	–
Bond loans secured	–	–	–	–	–	–	–
Bond loans unsecured	–	–	–	–	–	–	–
Interest payable	28,987	28,987	–	–	–	–	–
Total as of December 31, 2023	20,188,840	4,308,840	13,380,000	2,500,000	–	–	–

Index name	Balance of debt on borrowed funds	Including maturity dates:					
		Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
1	2	3	4	5	6	7	8
Loans and borrowings secured	–	–	–	–	–	–	–
Loans and borrowings unsecured	20,903,300	3,971,757	4,279,853	12,651,690	–	–	–
Bond loans secured	–	–	–	–	–	–	–
Bond loans unsecured	–	–	–	–	–	–	–
Interest payable	18,524	18,524	–	–	–	–	–
Total as of December 31, 2022	20,921,824	3,990,281	4,279,853	12,651,690	–	–	–

14. Payables

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Payables, total	34,420,507	22,969,106	17,034,864
Other liabilities (long-term payables)	13,746,293	4,070,948	4,295,806
Suppliers and contractors	1,591,150	88,663	92,134
Advances received	11,903,130	2,357,394	1,359,159
Settlement of lease liabilities	252,013	1,624,891	2,844,513
Short-term payables	20,674,214	18,898,158	12,739,058
Suppliers and contractors	8,536,680	9,342,262	6,861,390
Payables to employees	345,757	341,987	299,668
Settlements with the national budget on taxes and insurance premiums	1,499,965	1,168,754	916,152
Property tax debt	158,906	155,389	159,376
Insurance premiums debt	348,985	459,368	157,707
Value added tax debt	942,069	465,644	536,089
Profit tax debt	–	–	–
Debt on other taxes and fees	50,005	88,353	62,980
Advances received	7,217,311	5,331,457	2,290,864
For technological connection	7,056,087	4,327,315	2,066,738
For electricity transmission services	15,845	47,358	81,365
Other advances	145,379	956,784	142,761
Other creditors:	1,539,235	1,150,266	986,417
Settlements under cost compensation agreements	1,206,505	828,437	604,959
Settlements under property lease agreements	175,709	157,112	155,028
Other creditors:	157,021	164,717	226,430
Debt to participants (founders) for the payment of income	1,458	101,678	344
Settlement of lease liabilities	1,533,808	1,461,754	1,384,223

15. Estimated liabilities

The Company reflects the estimated liability while complying with the recognition conditions set out in RAR 8/2010 "*Estimated Liabilities, Contingent Liabilities and Contingent Assets*". No discounting of the value of the estimated liabilities recognized by the Company was made, since the expected performance period does not exceed 12 months after the reporting date.

thousand rubles

Index name	Period	Balance at the beginning of the year	Accrued	Use	Recovered	Balance at the end of the period
1	2	3	4	5	6	7
Estimated liabilities, total	2023	2 358 399	1 711 509	(1 293 056)	(453 383)	2 323 469
	2022	2 802 883	1 846 346	(1 414 770)	(876,060)	2 358 399
Including:						
Estimated liabilities of court cases not completed at the reporting date in which the Company acts as a plaintiff or defendant and decisions on which can be made only in subsequent reporting periods, leading to an outflow of economic benefits of the Company	2023	319,620	202,010	(83 843)	(117 551)	320,236
	2022	276,278	221,867	(22 274)	(156 251)	319,620
Estimated liabilities for vacation payment	2023	370,778	686,807	(651 211)	–	406,374
	2022	330,958	599,208	(559 388)	–	370,778
Estimated liability on payment of benefits (bonuses) to employees based on the results of work for the year;	2023	551,772	306,979	(271,758)	(340)	586,653
	2022	415,390	464,941	(328,559)	–	551,772
Estimated liability on excess profit tax	2023	–	200,065	–	–	200,065
	2022	–	–	–	–	–
Other estimated liabilities	2023	1,116,229	315,648	(286,244)	(335,492)	810,141
	2022	1,780,257	560,330	(504,549)	(719,809)	1,116,229

16. Contingent liabilities

Contingent tax liabilities

The Company is a defendant in a number of legal proceedings. However, in the opinion of the Company's Management, the results of these legal proceedings will not have a significant impact on the financial position of the Company.

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 Company's economic life. In this regard, the Management's position 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.

The Management currently believes that its position on taxes and the interpretations of legislation applied by the Company can be confirmed, however, there is a risk that the Company will incur additional costs if the Management's position on taxes and the interpretations of legislation applied by the Company 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 Company'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 Company. The Company's Management does not exclude the risk of an outflow of resources, while the risk of such a development is not assessed as probable.

Legal Proceedings

The Company 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 Company 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 Company and would not be recognized or disclosed in the accounting (financial) statements.

17. Taxes

17.1 Corporate profit tax

thousand rubles

Index name	2023		2022	
	Difference	Tax effect	Difference	Tax effect
1	2	3	4	5
Contingent profit tax expense / (contingent profit tax income)	–	1,709,483	–	1,436,086
Permanent tax expenses (PTE)				
Including:				
Expenses for previous years	119,651	23,930	955,988	191,198
Financial assistance and compensation	366,933	73,387	343,178	68,635
Remuneration, bonuses, contributions to mandatory social insurance	348,394	69,679	318,592	63,718
Other	1,814,747	362,949	1,594,310	318,862
Total PTE	2,649,725	529,945	3,212,068	642,413
Permanent tax income (PTI)				
For income not accounted for tax purposes	–	–	–	–
For other grounds	–	–	–	–
Including:				
For income of previous periods	(42,305)	(8,461)	(435,599)	(87,120)
For income from participation in other organizations (dividends)	(3,943)	(789)	–	–
For court costs and administrative fines	(28,857)	(5,771)	(27,247)	(5,449)

Index name	2023		2022	
	Difference	Tax effect	Difference	Tax effect
1	2	3	4	5
Other	(77)	(15)	(25,941)	(5,188)
Total PTI	(75,182)	(15,036)	(488,787)	(97,757)
Deferred tax assets (DTA)				
DTA accrual	2,049,715	409,943	2,555,787	511,158
On property, plant and equipment, including differences in the amounts of depreciation of property, plant and equipment in accounting and tax accounting	236,779	47,356	244,576	48,915
On estimated liabilities	412,061	82,412	697,528	139,506
On provisions for doubtful debts	724,279	144,856	674,950	134,990
For other grounds	676,596	135,319	938,733	187,747
Including:	—	—	—	—
On lease liabilities	213,705	42,741	252,583	50,517
Other	462,891	92,578	686,150	137,230
Payment of DTA	(3,118,069)	(623,614)	(3,595,872)	(719,175)
Differences in depreciation amounts of property, plant and equipment in accounting and tax accounting	(97,379)	(19,476)	(81,005)	(16,201)
On estimated liabilities	(446,991)	(89,398)	(1,142,015)	(228,403)
On provisions for doubtful debts	(479,055)	(95,811)	(525,993)	(105,199)
For other grounds	(2,094,644)	(418,929)	(1,846,859)	(369,372)
Including:				
On lease liabilities	(1,620,870)	(324,174)	(1,654,130)	(330,826)
Other	(473,774)	(94,755)	(192,729)	(38,546)
Total DTA change for the purposes of calculating profit tax	(1,068,354)	(213,671)	(1,040,085)	(208,017)
Deferred tax liabilities (DTL)				
DTL accrual	(5,240,912)	(1,048,182)	(1,683,583)	(336,716)
On property, plant and equipment, including differences in the amounts of depreciation of property, plant and equipment in accounting and tax accounting	(5,052,099)	(1,010,420)	(1 305 850)	(261 170)
On the expenditure of paying interest on loans used for the acquisition (construction) of property, plant and equipment	(2 980)	(596)	(41 980)	(8 396)
For other grounds	(185 833)	(37 166)	(335 753)	(67 151)
Including:				
Interest on lease liabilities	(112 841)	(22 568)	(36 704)	(7 341)
Other	(72 992)	(14 598)	(299 049)	(59 810)
Repayment of DTL	2,771,473	554,294	984,091	196,818
On property, plant and equipment, including differences in the amounts of depreciation of property, plant and equipment in accounting and tax accounting	2,145,454	429,091	614,039	122,808
On the expenditure of paying interest on loans used for the acquisition (construction) of property, plant and equipment	3,777	755	49,103	9,820
For other grounds	622,242	124,448	320,949	64,190
Including:				
Interest on lease liabilities	308,705	61,741	319,012	63,802
Other	313,537	62,707	1,937	388
Total DTL change for the purposes of calculating profit tax	(2 469 439)	(493 888)	(699 492)	(139 898)
Taxable profit	7,584,167		8,164,133	
Use of tax losses from previous years	—		—	
Taxable profit after using tax losses of previous years	7,584,167		8,164,133	
Current profit tax	(1 516 833)		(1 632 827)	

17.2 Applicable profit tax rates

The amounts of the temporary differences that arose led to the recognition of deferred tax assets and deferred tax liabilities in accounting and reporting based on the profit tax rate applicable to the Company: 20% in 2023, 20% in 2022.

Deferred tax change

thousand rubles

Index name	2023	2022
1	2	3
Deferred tax assets		
At the beginning of the reporting year (line 1180 of the balance sheet)	2,200,526	2,429,612
Accrued in the reporting year on operations, the result of which is included in the net profit (loss) of the period (line 2412)	409,943	511,158
Accrued in the reporting year on operations the result of which is not included in the net profit (loss) of the period (line 2530)	–	–
Repaid in the reporting year (line 2412)	(623,614)	(719,175)
Written off in the reporting year (line 2460)	(33 108)	(21 069)
A deferred tax asset previously written off due to the absence of a recoverable profit and loss account has been recovered (line 2412)	–	–
Amount of accrued/(written off) deferred tax assets as a result of an increase/decrease in the profit tax rate from the next reporting year (line 2412)	–	–
At the end of the reporting year (line 1180 of the balance sheet)	1,953,747	2,200,526
Deferred tax liabilities		
At the beginning of the reporting year (line 1420 of the balance sheet)	3,746,979	3,610,868
Accrued in the reporting year on operations, the result of which is included in the net profit (loss) of the period (line 2412)	1,048,182	336,716
Accrued in the reporting year on operations the result of which is not included in the net profit (loss) of the period (line 2530)	–	–
Repaid in the reporting year (line 2412)	(554 294)	(196 818)
Written off in the reporting year (line 2460)	(28 310)	(3 787)
Amount of accrued/(written off) deferred tax liabilities as a result of an increase/decrease in the profit tax rate from the next reporting year (line 2412)	–	–
At the end of the reporting year (line 1420 of the balance sheet)	4,212,557	3,746,979

17.3 Excess Profit Tax

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, the Company is a taxpayer for excess profit tax.

The amount of the estimated excess profit tax liability, calculated at a rate of 5% (taking into account the payment of the security payment within the time limits established by the Law), amounted to 200,065 thousand rubles and is included in line 2460 "Other" of the Statement of Financial Results. The security payment for the excess profit tax as of December 31, 2023 was paid in the amount of 203,106 thousand rubles and included in line 1230 "Receivables" of the Balance Sheet.

17.4 Other Taxes and Levies

In 2023, the following taxes and levies were accrued: VAT – 4,426,311 thousand rubles, property tax – 588,463 thousand rubles, transport tax – 8,873 thousand rubles, personal income tax – 971,494 thousand rubles, land tax – 3,836 thousand rubles, other taxes – 99,355 thousand rubles.

In 2022, the following taxes and levies were accrued: VAT – 3,386,255 thousand rubles, property tax – 643,796 thousand rubles, transport tax – 8,904 thousand rubles, personal income tax – 871,991 thousand rubles, land tax – 2,797 thousand rubles, other taxes – 22,192 thousand rubles.

18. Information about income and expenses

18.1 Revenue

The Company's revenue is generated in connection with the sale of goods, finished products, works, and services by type:

thousand rubles

Index name	2023	2022
1	2	3
Revenue (net) from the sale of goods, products, works, services (less value added tax)	74 557 482	63,738,857
Electricity transmission services	71 207 120	61,452,874
Technological connection services	2 437 913	1,282,050
Lease income	199,485	148,909
Other activities	712,964	855,024

18.2 Expenses for ordinary activities

The Company's prime cost of sales is generated in connection with the sale of goods, finished products, works, and services by type:

thousand rubles

Index name	2023	2022
1	2	3
Prime cost of goods, products, works, and services sold	62 056 731	52 991 184
Electricity transmission services	60 497 075	51 354 745
Technological connection services	720,031	721,400
Lease income	169,545	111,769
Other activities	670,080	803,270
Management expenses	60,788	162,561

Distribution of the Company's expenses by cost elements recognized in the Statement of Financial Results:

thousand rubles

Index name	2023	2022
1	2	3
Material costs	13 561 307	11 567 990
Labor costs	6,570,925	6 086 158
Compulsory insurance premiums, insurance against accidents and fire protection	1 954 721	1 774 480
Depreciation	5 259 304	4,904,610
Depreciation of the right-of-use asset	1 421 324	1 393 316
Other costs	33 289 150	27 264 630
Total by elements	62 056 731	52 991 184
Change in balances (increase [-], decrease [+]): work in progress, finished products, etc.	-	-
Total expenses for ordinary activities	62 056 731	52 991 184

18.3 Interest receivable

thousand rubles

Index name	2023	2022
1	2	3
Interest on bank deposits	247,751	62,635
Interest on borrowings granted	-	-
Other interest receivable	191,162	46,775
Total for line "Interest receivable" of the Statement of Financial Results	438,913	109,410

18.4 Interest payable

thousand rubles

Index name	2023	2022
1	2	3
Interest on loans received	1 952 755	1 743 236
Interest on borrowings received	140,664	593,955
Interest on lease liabilities	248,026	325,381
Other interest	4,555	-
Total for line "Interest payable" of the Statement of Financial Results	2 346 000	2 662 572

18.5 Other income and expenses

thousand rubles

Index name	2023		2022	
	Income	Expenses	Income	Expenses
1	2	3	2	3
Other income/expenses from the sale of property, plants and equipment, except apartments	3,406	-	52,281	(11 580)
Other income/expenses from the sale of inventories	35,757	(31 364)	9,841	(8 112)
Other income/expenses from full or partial termination of the lease agreement/modification of the lease agreement	4,769	-	262	(5)
Profit/loss 2022, revealed in the reporting period	163,927	(206 584)	-	-
Profit/loss 2021, revealed in the reporting period	44,786	(80 425)	199,492	(382 270)

Index name	2023		2022	
	Income	Expenses	Income	Expenses
1	2	3	2	3
Profit/loss 2020, revealed in the reporting period	56,987	(163 969)	28,068	(163 150)
Profit/loss till January 1, 2020, revealed in the reporting period	42,987	(119 651)	227,071	(410 566)
Penalties, fines and forfeits recognized or those, for which decisions of the court (arbitration court) on their recovery have been received	349,332	(133 956)	468,105	(42 093)
Recording of surpluses, write-off of shortages and losses identified as a result of inventory	2,332	–	188	–
Provision for doubtful debts	813,999	(1 059 221)	636,088	(787 528)
Provision for impairment of inventories value	17,147	(2 314)	676	(121 696)
Estimated liabilities	453,383	(216 474)	876,060	(241 557)
Impairment (recovery of impairment) of property, plant and equipment and right-of-use assets	–	–	–	–
Provision for impairment of financial investments	2	(1)	5,848	–
Insurance claims receivable	228,978	–	566,521	–
Other operations	742,603	(2 935 838)	487,239	(2 240 704)
Total other income/expenses	2 960 395	(4 949 797)	3 557 740	(4 409 261)

19. Related Parties

In the course of its normal activities, the Company carries out operations with enterprises that are related parties in accordance with Russian accounting legislation.

For the purposes of information disclosure, the Company's related parties include its subsidiaries, the parent company - "Rosseti" PJSC, subsidiaries of "Rosseti" PJSC, key management personnel, as well as non-governmental pension funds acting in the interests of the Company's employees.

Information on benefit paid to key management personnel is provided in section 19 "Benefit Paid to Members of the Management Board, Board of Directors, and Audit Commissions".

Information on operations with non-governmental pension funds acting in the interests of the Company's employees is provided in section 21 "Relations with Non-Governmental Pension Funds".

In accordance with paragraph 16 of RAR 11/2008, information about related parties is disclosed to a limited extent. Operation amounts and settlement balances with related parties are disclosed separately for the following groups of related parties: parent company, subsidiaries, and other related companies.

19.1 The Company's revenue from sales of finished products and services to related parties

thousand rubles

Index name	2023	2022
1	2	3
Electricity transmission services:	2,408	1,493
- including the parent company	–	–
- including subsidiaries	2,408	1,493
-including other related companies	–	–
Total for electricity transmission services	2,408	1,493
Technological connection services:	–	–
- including the parent company	–	–
- including subsidiaries	–	–
-including other related companies	–	–
Total for technological connection services	–	–
Revenue from the sale of electricity:	–	–
- including the parent company	–	–
- including subsidiaries	–	–
-including other related companies	–	–
Total for revenue from the sale of electricity	–	–
Other types of revenue:	126,004	18,721
- including the parent company	101,823	1,185
- including subsidiaries	18,713	10,871
-including other related companies	5,468	6,665
Total for other revenue types	126,004	18,721
Total revenue from sales to related parties	128,412	20,214

19.2 The cost of purchased goods, products, works, and services provided by related parties amounted to:

thousand rubles

Index name	2023	2022
1	2	3
Works and services of production nature, incl.:		
- from the parent company	10,148,102	8,327,814
- from subsidiaries	199,601	351,265
- from other related companies	3,557	1,987
Total works and services of production nature	10,351,260	8,681,066
Communication services, including:		
- from the parent company	–	–
- from subsidiaries	–	–
- from other related companies	38,008	35,591
Total for communication services	38,008	35,591
Information services and software, including:		
- from the parent company	11,026	–
- from subsidiaries	–	–
- from other related companies	79,710	41,632
Total information services and software, including:	90,736	41,632
Consulting services, including:		
- from the parent company	–	–
- from subsidiaries	–	–
- from other related companies	–	4,426
Total consulting services, including:	–	4,426
Property lease, including:		
- from the parent company	219	60
- from subsidiaries	167	–
- from other related companies	–	–
Total property lease	386	60
Other services, including:		
- from the parent company	36,101	126,093

Index name	2023	2022
1	2	3
- from subsidiaries	46,709	80,999
- from other related companies	8,457	10,073
Total other services	91,267	217,165
Total prime cost of purchases from related parties	10,571,657	8,979,940

Purchases from related parties were conducted on normal commercial terms.

19.3 Status of settlements with related parties, as well as information on debt financial investments

Receivables

thousand rubles

Index name	December 31, 2023		December 31, 2022		December 31, 2021	
	Debt	Reserve	Debt	Reserve	Debt	Reserve
1	2	3	4	5	6	7
Receivables from buyers and customers, including:	11,506	10,762	33,556	32,403	64,597	62,308
Parent company	4	–	–	–	–	–
Subsidiaries	740	–	392	–	926	–
Other related parties	10,762	10,762	33,164	32,403	63,675	62,308
Advances paid, including:	213,422	–	127,448	–	211,818	–
Parent company	10,489	–	–	–	–	–
Subsidiaries	190,397	–	127,448	–	211,818	–
Other related parties	12,536	–	–	–	–	–
Other receivables, including:	86,773	38,354	73,764	36,021	75,880	42,085
Parent company	32,212	–	–	–	–	–
Subsidiaries	–	–	–	–	–	–
Other related parties	54,561	38,354	73,764	36,021	75,880	42,085
Total receivables of related parties	311,701	49,116	234,768	68,424	352,295	104,393

19.4 Payables

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Settlements with suppliers and contractors, including:	85,053	88,663	92,134
Parent company	–	–	–
Subsidiaries	–	–	–
Other related parties	85,053	88,663	92,134
Settlements of advances received, including:	–	–	–
Parent company	–	–	–
Subsidiaries	–	–	–
Other related parties	–	–	–
Other receivables, including:	–	–	–
Parent company	–	–	–
Subsidiaries	–	–	–
Other related parties	–	–	–
Total long-term payables to related parties	85,053	88,663	92,134
Settlements with suppliers and contractors, including:	1 411 299	1 840 046	1,597,148
Parent company	1,024,885	–	–
Subsidiaries	364,885	683,027	487,352
Other related parties	21,529	1 157 019	1,109,796
Settlements of advances received, including:	36	685,922	602

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Parent company	36	–	–
Subsidiaries	–	182	566
Other related parties	–	685,740	36
Other receivables, including:	180,532	60,455	110,535
Parent company	17,913	19,926	62,710
Subsidiaries	4,342	20,801	5,901
Other related parties	158,277	19,728	41,924
Total short-term payables to related parties	1 591 867	2 586 423	1 708 285

19.5 Cash flows from operations with related parties

thousand rubles

Index name	For 2023	For 2022
1	2	3
<i>Cash flows from current operations</i>		
Proceeds from the sale of products, including:	44,657	573,430
Parent company	10,305	–
Subsidiaries	2,604	2,010
Other related parties	31,748	571,420
Proceeds from lease payments, including:	1,854	1,649
Parent company	–	–
Subsidiaries	1,321	1,649
Other related parties	533	–
Other proceeds, including:	198,514	16,567
Parent company	99,354	–
Subsidiaries	13	10
Other related parties	99,147	16,557
Payments to suppliers for raw materials, works, services, including:	(11 870 343)	(756 837)
Parent company	(11 291 807)	(124 535)
Subsidiaries	(325 587)	(373 228)
Other related parties	(252 949)	(259 074)
Interest payments on debt obligations, including:	(140 393)	(624 483)
Parent company	(98 709)	(600 829)
Subsidiaries	–	–
Other related parties	(41 684)	(23 654)
Other payments, transfers, including:	(403 065)	(83 588)
Parent company	(238)	–
Subsidiaries	(44 679)	(79 748)
Other related parties	(358 148)	(3 840)
Cash flows from investment operations		
Proceeds from the sale of fixed assets (other than financial investments), including:	–	49,900
Parent company	–	–
Subsidiaries	–	–
Other related parties	–	49,900
Proceeds from the return of borrowings granted, from the sale of debt securities (rights to claim funds from other persons), including:	–	–
Parent company	–	–
Subsidiaries	–	–
Other related parties	–	–
Proceeds dividends, interest on debt financial investments and similar proceeds from participation interest in other organizations, including:	–	665
Parent company	–	–
Subsidiaries	–	–
Other related parties	–	665

Index name	For 2023	For 2022
1	2	3
Payments in connection with the acquisition, creation, modernization, reconstruction and preparation for the use of fixed assets, including:	(1 297 548)	(1 225 015)
Parent company	–	–
Subsidiaries	(1 095 077)	(1 016 035)
Other related parties	(202 471)	(208 980)
Payments in connection with the acquisition of debt securities (the rights to claim funds from other persons), the provision of borrowings to other persons, including:	–	–
Parent company	–	–
Subsidiaries	–	–
Other related parties	–	–
<i>Cash flows from financial operations</i>		
Proceeds from loans and borrowings, including:	450,000	–
Parent company	–	–
Subsidiaries	–	–
Other related parties	450,000	–
From issuance of shares, increase in participation interest:	3,566,562	2,104,202
Parent company	3,566,562	2,104,202
Subsidiaries	–	–
Other related parties	–	–
For the payment of dividends and other payments for the distribution of profits in favor of the owners (participants), including:	(863 601)	(872 691)
Parent company	(863 601)	(872 691)
Subsidiaries	–	–
Other related parties	–	–
In connection with the redemption (repurchase) of promissory notes and other debt securities, repayment of loans and borrowings:	–	(4 800 000)
Parent company	–	(4 200 000)
Subsidiaries	–	–
Other related parties	–	(600 000)

20. Benefit paid to members of the Management Board, the Board of Directors, and Audit Commissions

In 2023, the Company accrued benefit in the amount of 14,424 thousand rubles to the members of the Board of Directors and the Management Board, in addition, insurance premiums were accrued for these payments in the amount of 3,283 thousand rubles (for 2022 – 19,079 thousand rubles, in addition, insurance premiums 5,604 thousand rubles).

In 2023, the Company accrued benefit to the members of the audit commission in the amount of 792 thousand rubles, in addition, insurance premiums of 241 thousand rubles. (for 2022 – 793 thousand rubles, in addition, insurance premiums of 241 thousand rubles).

21. Securities for obligations and payments

Securities for obligations and payments issued (received) by the Company is recorded on off-balance sheet accounts on the date of their issuance (receipt) in accordance with the terms of the agreement.

Availability and movement of securities for obligations and payments

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Received, total	2 629 601	1,781,328	1 770 906

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Bank guarantees	2 629 601	1,781,328	1 770 906
Surety agreements	–	–	–
Property pledge agreement	–	–	–
Other	–	–	–
Issued under own obligations, total	–	–	–
Surety	–	–	–

22. Relations with a non-governmental pension fund

Contributions to the Non-Governmental Pension Fund for voluntary pension insurance of the Company's employees were not made during 2023 (for 2022 – 21,543 thousand rubles, for 2021 - 20,734 thousand rubles).

23. Segment Information

The Company's internal management reporting system is based on segments related to electricity transmission and distribution, technological connection to electric networks in the regions of the Russian Federation.

In accordance with the requirements of RAR 12/2010 "*Segment Information*", the Company has defined the following composition of reporting segments:

- 1) electricity transmission;
- 2) technological connection to electrical networks.

The Company discloses information in accounting (financial) statements only for the above reporting segments. The remaining segments are reported as other segments. As part of the information on the reporting segments, the Company does not disclose cash flows from current, investment and financial operations due to the practical labor intensity of its presentation in the accounting (financial) statements.

For the years ended December 31, 2023 and December 31, 2022, the Company had 2 (two) counterparties, each of which accounted for over 10% of the Company's total revenue. The revenue received from these counterparties is reflected in the statements of the operating segment 1.

The total amount of revenue received from the Counterparty 1 for 2023 amounted to 22,014,240 thousand rubles, or 29.53% of the Company's total revenue (in 2022: 19,531,366 thousand rubles or 30.64%).

The total amount of revenue received from the Counterparty 2 for 2023 amounted to 33,223,931 thousand rubles, or 44.56% of the Company's total revenue (in 2022: 28,913,339 thousand rubles, or 45.36%).

thousand rubles

Index name	Period	Electricity transmission	Technological connection	Reporting segment name	Reporting segment name	Reporting segment name	Other	Total
1	2	3	4	5	6	7	8	9
Revenue from external consumers	2023	71,207,120	2,437,913	–	–	–	912,449	74,557,482
	2022	61,452,874	1,282,050	–	–	–	1,003,933	63,738,857
Sales proceeds between segments	2023	–	–	–	–	–	–	–
	2022	–	–	–	–	–	–	–
Total segment revenue	2023	71,207,120	2,437,913	–	–	–	912,449	74,557,482
	2022	61,452,874	1,282,050	–	–	–	1,003,933	63,738,857
Including								
- transmission revenue	2023	71,207,120	–	–	–	–	–	71,207,120
	2022	61,452,874	–	–	–	–	–	61,452,874
- revenue from technological connection	2023	–	2,437,913	–	–	–	–	2,437,913
	2022	–	1,282,050	–	–	–	–	1,282,050
- revenue from the sale of electricity	2023	–	–	–	–	–	–	–
	2022	–	–	–	–	–	–	–
- other revenue	2023	–	–	–	–	–	912,449	912,449
	2022	–	–	–	–	–	1,003,933	1,003,933
Interest receivable	2023	–	–	–	–	–	438,913	438,913
	2022	–	–	–	–	–	109,410	109,410
Interest payable	2023	2,346,000	–	–	–	–	–	2,346,000
	2022	2,662,572	–	–	–	–	–	2,662,572
Profit tax expense	2023	2,110,143	245,473	–	–	–	25,281	2,380,897
	2022	1,704,481	172,051	–	–	–	59,420	1,935,952
Segment profit/(loss)	2023	4,344,057	1,457,878	–	–	–	364,585	6,166,520
	2022	4,725,107	448,133	–	–	–	71,237	5,244,477
Assets of segments	2023	102,138,000	12,803,359	–	–	–	1,439,097	116,380,456
	2022	92,107,730	1,978,808	–	–	–	1,780,756	95,867,294
Including fixed assets	2023	85,099,564	3,436,424	–	–	–	1,063,814	89,599,802
	2022	77,618,628	1,723,676	–	–	–	1,282,168	80,624,472
Segment liabilities	2023	92,114,838	22,164,062	–	–	–	2,101,556	116,380,456
	2022	84,352,393	8,666,498	–	–	–	2,848,403	95,867,294
Depreciation of property, plant and equipment and intangible assets	2023	5,070,087	175,197	–	–	–	63,708	5,308,992
	2022	4,728,044	98,092	–	–	–	78,474	4,904,610
Amount of impairment losses recognized (recovered) in the reporting period	2023	–	–	–	–	–	–	–
	2022	–	–	–	–	–	–	–

24. Business Risk Information

In the course of business activities, the Company is exposed to various risks that can significantly affect the financial position and financial results of the Company's activities.

Uninterrupted supply of electric energy to industrial consumers and the public is a national task. Federal Law No. 35-FZ *"On Electric Power Industry"* establishes that the electric power industry is the basis for the functioning of the economy and life support, therefore, coordination of the activities of interested parties should be carried out taking into account the achievement of the necessary balance of interests between investors and the state.

Based on the strategic purpose of the industry, the Company is constantly working to identify and assess risks, to develop and implement risk response measures in order to maintain its effectiveness and manage business continuity.

Country and regional risks

Since 2022, the conditions for the functioning of the Russian economy have changed significantly (see the section "The economic environment in which the Company operates").

Due to the specifics of the Company's activities and its resistance to the external environment, the impact of changes in business conditions directly on the Company is limited. The Company will continue to carry out continuous activities to ensure reliable, high-quality and affordable power supply and technological connection of consumers in the territory of the Russian Federation.

The Company is taking measures to optimize operating and investment expenses, and to implement a balanced policy in the field of liquidity management.

The Company focuses on strengthening measures in the field of ensuring information security and protection of electric grid infrastructure facilities, protecting the health and social well-being of employees.

Taking into account the current conditions, the Company is taking measures to improve the state of anti-terrorist and anti-sabotage protection of facilities, strengthen the protection of facilities. The Company's anti-terrorist policy is carried out in strict accordance with the requirements of Federal Law No. 256-FZ dated July 21, 2011 *"On the Safety of Fuel and Energy Complex Facilities"*, the requirements of the Decree of the Government of the Russian Federation dated September 19, 2015 No. 993 *"On Approval of Requirements for Ensuring the Safety of Linear Facilities of the Fuel and Energy Complex"*.

Industry risks. Risks associated with the Company's activities.

Risks of reducing electricity consumption

Given the macroeconomic situation that has developed as a result of the growing sanctions pressure on the Russian Federation, the risks of deterioration in the industry are primarily associated with a decrease in electricity consumption by industrial companies. In order to reduce the possible consequences of this risk, the Company carries out business planning taking into account possible fluctuations in the volume of services provided, implements a set of measures to reduce technological losses of electricity and optimize the investment program.

Risks of tariff regulation

The main activities of the Company (the sale of services for the electricity transmission and the implementation of technological connection to electric networks) are regulated by the state by setting tariffs for the services provided. The main risk factors of state regulation include, in particular, the discrepancy between the growth rate of the electricity transmission tariff and the actual inflation rate, the establishment of a fee for technological connection that does not fully compensate the Company's expenses. The Company implements measures aimed at improving the efficiency of operating and investment activities, consistent implementation of approved tariff regulation parameters and preparation of balanced and economically reasonable proposals for their adjustment and establishment.

Operational and technological risks

Operational and technological risks are associated with physical and moral deterioration of electrical network assets, violation of operating conditions and operating modes of electrical network equipment, damage to equipment, improper operation of relay protection of automatic devices and emergency automatic devices, failure to complete the repair plan to the required extent. In order to minimize operational and technological risks, the Company carries out its activities in accordance with the Regulation on the Unified Technical Policy in the Electric Network Complex.

The Company pays great attention to ensuring transparency and reliability of procedures for controlling the expenditure of funds within the framework of the implementation of the Company's investment program.

Risk associated with non-payments for services rendered for the electricity transmission by consumers of services

In order to minimize the risk of non-payments, the Company approved the Rules of Work with Receivables for Services Rendered in Electricity Transmission and the Rules of Work with Receivables for Electricity Supplied, provided control over the implementation of measures provided for in the Rules - quarterly at meetings of the Board of Directors of the Company action plans to reduce overdue debts are approved and reports on their implementation are considered.

The Company follows the methodological recommendations of the parent company "Rosseti" PJSC on the preparation of materials in relation to counterparties who maliciously evade debt repayment, for organizing a pre-investigation check on the signs of a crime under Article 177 of the Criminal Code of the Russian Federation, methodological recommendations on the procedure for sending appeals, applications and petitions to the Federal Bailiff Service and its territorial authorities, methodological recommendations on the procedure for interaction with Interregional departments of Rosfinmonitoring for conducting financial investigations.

In order to reduce the risks of non-payments caused by disagreements, the Company implements measures to develop and improve electricity metering systems.

Financial risks

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

Credit risk

Credit risk is the risk that the Company will incur a financial loss caused by the buyer or counterparty's failure to fulfill its contractual obligations in full and on time. Credit risk relates mainly to the Company's receivables, bank deposits, cash and cash equivalents.

Taking into account the structure of the Company's counterparties, the Company's exposure to credit risk mainly depends on the individual characteristics of each counterparty.

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.

The carrying amount of receivables, net of expected credit loss provisions, represents the maximum amount exposed to credit risk. Although the collection of receivables may be influenced by economic and other factors, there is no significant risk of losses exceeding the provision created.

For effective management of receivables, the Company monitors changes in the volume of receivables and its structure by allocating current and overdue accounts. In order to minimize credit risk, the Company 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.

Liquidity risk

Liquidity risk is the risk that the Company 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 Company 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 Company's approach to liquidity management is to ensure that the Company has sufficient liquidity to meet its obligations on time without incurring illegible losses or exposing to risk the Group's reputation.

Information on the amounts of the free limit on the Company's open but unused loan lines as of the reporting date is provided in the section "Loans and Borrowings". The Company has a chance to raise additional funding within the relevant limits, including to ensure the fulfillment of its short-term obligations.

The Company 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 Company applies limits, including the categories of capital leverage, debt coverage, and debt servicing coverage.

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 Company's financial performance. The purpose of market risk management is to control market risk exposure and keep it within acceptable limits, while optimizing the return on investment.

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.

The Company attracts borrowed funds for the purposes of debt refinancing, financing investment and operating activities. The Company does not adhere to any established rules when determining the ratio between loans and borrowings at fixed and floating rates and analyzes the exposure to interest rate risks in dynamics.

The Company's debt portfolio is formed from instruments with both fixed and floating interest rates for the purpose of risk diversification in case of market fluctuations. 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 Company for the entire settlement period until maturity.

The principles of state regulation in the electric power industry assume that economically reasonable costs are taken into account when setting tariffs, which in the long term allows taking into account the market level of interest rates when setting tariffs. Due to the above factors, as well as taking into account the moderate debt burden of the Company, the impact of changes in the level of market interest rates on the financial condition of the Company is limited.

Legal risks

In order to minimize various types of legal risks, the Company necessarily carries out a preliminary legal analysis of planned legislative initiatives, corporate procedures, transactions concluded, and other aspects of financial and economic activities provided for by current legislation and/or the Company's Charter.

Risks associated with changes in legislation on taxes and fees

The Company belongs to the category of the largest taxpayers. The Company's activities are based on the principles of integrity and openness to tax authorities. The Company constantly monitors changes in legislation and takes measures to obtain information about possible changes at the stage of their preliminary discussion. The Company does not see in the short term any significant risks arising in its financial and economic activities related to fundamental changes in tax legislation.

Risks associated with changes in licensing requirements for the Company's principal activity

There are no legal risks of the Company related to changes in licensing requirements for its principal activity, as the Company's principal activity is not licensed.

Risks associated with antimonopoly regulation

The Company has adopted a number of organizational and administrative documents regulating activities for the prevention and combating of corruption, which have been developed and approved taking into account the current requirements of anti-corruption legislation. The Company is working on the prevention of corruption, legal education and the formation of the foundations of law-abiding behavior of employees and many other anti-corruption procedures.

The new version of the Anti-Corruption Policy of "Rosseti" PJSC and subsidiaries of "Rosseti" PJSC was approved by the decision of the Board of Directors of "Rosseti" PJSC (extract from the Minutes No. 620/2 dated June 7, 2023). The document defines a unified approach to the implementation of the requirements of Article 13.3 of Federal Law No. 273-FZ dated December 25, 2008 "*On Combating Corruption*", concerning the obligation of "Rosseti" PJSC and its subsidiaries to develop and take measures to prevent and combat corruption: identification and subsequent elimination of the causes of corruption (prevention of corruption); identification, prevention and suppression of corruption and other offenses; minimization and (or) elimination of the consequences of corruption and other offenses, including those provided for in Art. 19.28 "liability for illegal benefit on behalf of a legal entity" of the Administrative Code of the Russian Federation.

The Code of Corporate Ethics and Official Conduct of Employees has been approved, developed taking into account the best practices in the field of corporate governance and aimed at improving the level of corporate culture of employees. The Code of Corporate Ethics defines the basic norms and rules of individual and collective behavior of employees, members of the Company's management and control bodies.

In order to comply with the anti-corruption legislation of the Russian Federation and improve anti-corruption activities in the Company, an Anti-Corruption Clause has been approved, which is included in all agreements concluded. By signing it, a counterparty confirms that the Anti-Corruption Charter of Russian Business, the Anti-Corruption Policy of "Rosseti" PJSC / subsidiaries of "Rosseti" PJSC has been read and understood by it, certifying that it fully accepts its provisions and undertakes to ensure compliance with the requirements of the Anti-Corruption Policy.

The Company has implemented an interactive channel of interaction with applicants through a corporate website, a telephone hotline for reports of corruption.

Risk of information security

The risk of information security is associated with the implementation of information threats, including those caused by the lack (vulnerability) of the information technologies used.

The information security system of the Company is created taking into account the critical infrastructure facilities operated in the structural divisions of the Company, and includes a set of measures necessary to ensure the continuity of their functioning.

Risks associated with geographical and climatic features. Environmental risk

Climatic, seismic and other natural conditions of the regions where the production assets of the Company's structural divisions engaged in electricity transmission activities are located are risk factors for the Company's activities. In particular, natural phenomena caused by temperature changes, such as a hurricane, flooding, heavy snowfall and freezing rain, can cause damage to the Company's production assets, primarily electricity transmission lines.

The possibility of natural phenomena affecting electrical network facilities, as well as factors of remoteness and (or) inaccessibility, are taken into account at the planning and design stages and when determining the composition of protective equipment. During the construction of electric network facilities, design solutions are used to protect facilities from the negative effects of natural factors, the placement of repair bases and emergency provisions is carried out taking into account the remoteness of electric network facilities.

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. The probability of damage (compensation for harm) associated with the negative impact of the Company's production and economic activities on the environment is assessed as insignificant, since the Company does not operate production facilities that have a significant negative impact on the environment. With the existing control system and current legislation, there are no probable liabilities that may have a significant negative impact on the Company due to environmental risks.

Other risks

In order to manage risks, the Company pays great attention to other risks. The Company constantly implements a set of measures designed to monitor risks and reduce the probability and severity of possible adverse consequences, including liability distribution, control, diversification and insurance.

25. Events after the reporting period.

There are no events after the reporting date that have or may have an impact on the financial condition, cash flows or results of operations of the Company and that took place between the reporting date and the date of signing the accounting statements for the reporting year.

Deputy General Director for
Economics and Finance of "Rosseti Kuban" PJSC _____ K.A. Iordanidi

Chief Accountant of "Rosseti Kuban" PJSC _____ L.V. Loskutova

Date March 15, 2024