

**Interim Condensed Consolidated Financial Statements
(unaudited)**

***Public Joint-Stock Company
"Rosseti Moscow Region"
and its subsidiaries***
for the three months ended 31 March 2023

May 2023

Interim Condensed Consolidated Financial Statements
(unaudited)
Public Joint Stock Company “Rosseti Moscow Region”
and its subsidiaries

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PJSC Rosseti Moscow Region
*Interim condensed consolidated statement of
profit or loss and other comprehensive income (unaudited)
for the three months ended 31 March 2023
(in thousands of Russian roubles unless otherwise stated)*

	Note	For the three months ended 31 March	
		2023	2022
		(unaudited)	(unaudited)
Revenue	6	60 412 367	50 485 118
Operating expenses	7	(49 339 920)	(44 172 968)
Reversal of allowance for expected credit losses of accounts receivable	25	51 371	213 451
Other operating income	8	3 828 177	1 008 243
Operating profit		14 951 995	7 533 844
Finance income	9	292 862	356 658
Finance costs	9	(611 793)	(1 096 152)
Profit before Income tax		14 633 064	6 794 350
Income tax expense	10	(2 777 455)	(1 466 005)
Profit for the period		11 855 609	5 328 345
Profit for the period attributable to:			
Shareholders of PJSC Rosseti Moscow Region		11 855 609	5 328 345
Other comprehensive income			
<i>Items that will not be reclassified to profit and loss in subsequent periods</i>			
Remeasurement of defined benefit plans		75 740	357 896
Income tax on defined benefit plans		(13 740)	(64 991)
Other comprehensive income, net of income tax		62 000	292 905
Total comprehensive income for the period		11 917 609	5 621 250
Total comprehensive income attributable to:			
Shareholders of PJSC Rosseti Moscow Region		11 917 609	5 621 250
Earnings per share			
Basic and diluted earnings per ordinary share (in Russian roubles)	19	0.2434	0.1094

These interim condensed consolidated financial statements were approved by management on 25 May 2023 and were signed on its behalf by:

General Director
P.A. Sinyutin



First Deputy General Director
for Finance and Economic Activity
and Corporate Management
V.Y. Myasnikov

PJSC Rosseti Moscow Region
Interim condensed consolidated statement of financial position (unaudited)
as at 31 March 2023
(in thousands of Russian roubles, unless otherwise stated)

		31 March 2023	31 December 2022
	Note	(unaudited)	(audited)
Assets			
Non-current assets			
Property, plant and equipment	11	330 797 563	328 040 963
Right-of-use assets	13	3 468 714	3 588 021
Intangible assets	12	5 958 584	5 981 780
Trade and other receivables	15	117 226	133 391
Assets related to employee defined benefits plans		213 395	210 098
Deferred tax assets		131 117	57 952
Other non-current non-financial assets	16	3 852 381	3 322 125
Total non-current assets		344 538 980	341 334 330
Current assets			
Inventories		5 378 105	4 306 928
Other current financial assets	14	1 000 000	-
Income tax prepaid		14 055	69 009
Trade and other receivables	15	16 818 038	17 224 977
Other current non-financial assets	16	9 725 264	10 103 292
Cash and cash equivalents	17	9 910 122	15 464 193
Total current assets		42 845 584	47 168 399
Total assets		387 384 564	388 502 729
Equity and liabilities			
Equity			
Share capital	18	24 353 546	24 353 546
Retained earnings		177 907 239	165 989 630
Total equity		202 260 785	190 343 176
Non-current liabilities			
Loans and borrowings	20	28 856 763	28 497 458
Employee benefits		2 863 685	2 934 182
Deferred tax liabilities		12 243 281	11 756 885
Contract liabilities	23	23 057 522	19 890 086
Trade and other payables	21	9 849 742	9 272 363
Total non-current liabilities		76 870 993	72 350 974
Current liabilities			
Loans and borrowings	20	29 204 104	39 236 941
Income tax payable		1 198 320	1 138 678
Other taxes payable	22	6 685 639	4 674 332
Contract liabilities	23	42 289 694	43 967 188
Trade and other payables	21	24 001 047	33 119 623
Provisions	24	4 873 982	3 671 817
Total current liabilities		108 252 786	125 808 579
Total equity and liabilities		387 384 564	388 502 729

PJSC Rosseti Moscow Region
Interim condensed consolidated statement of changes in equity (unaudited)
for the three months ended 31 March, 2023
(in thousands of Russian roubles, unless otherwise stated)

	Share capital	Retained earnings	Total equity
Balance at 1 January 2022	24 353 546	161 236 577	185 590 123
Profit for the period	-	5 328 345	5 328 345
Other comprehensive income	-	292 905	292 905
Total comprehensive income for the period	-	5 621 250	5 621 250
Balance at 31 March 2022 (unaudited)	24 353 546	166 857 827	191 211 373
Balance at 1 January 2023	24 353 546	165 989 630	190 343 176
Profit for the period	-	11 855 609	11 855 609
Other comprehensive income	-	62 000	62 000
Total comprehensive income for the period	-	11 917 609	11 917 609
Balance at 31 March 2023 (unaudited)	24 353 546	177 907 239	202 260 785

PJSC Rosseti Moscow Region
Interim condensed consolidated statement of cash flows (unaudited)
for the three months ended 31 March 2023
(in thousands of Russian roubles, unless otherwise stated)

	For the three months ended 31 March	
	2023	2022
	(unaudited)	
Cash flows from operating activities		
Profit for the period	11 855 609	5 328 345
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment, right-of-use assets and intangible assets (Note 7)	5 801 378	5 901 565
Finance costs (Note 9)	611 793	1 096 152
Property received as a compensation of losses (Note 8)	(946 037)	(544 211)
Allowance for expected credit losses of accounts receivable	(51 371)	(213 451)
Allowance for impairment of advances given (Note 7)	(95 918)	(11 684)
Provisions (Note 7, 24)	1 965 416	(17 629)
Loss on disposal of property, plant and equipment	260 254	56 972
Finance income (Note 9)	(292 862)	(356 658)
Write-off of the cost of inventories to net realizable value (Note 7)	3 021	7 261
Loss from write off of inventory	1 278	2 517
Write off of accounts payable	(99 065)	(30 048)
Income tax expense (Note 10)	2 777 455	1 466 005
Other non-cash items	(142 988)	148 820
Total adjustments	21 647 963	12 833 956
Changes in assets related to employees benefit liabilities	6 072	(1)
Changes in employees benefit liabilities	(67 841)	(35 078)
Changes in long-term trade and other receivables	16 165	36 826
Changes in long-term non-financial assets	(530 256)	(282 590)
Changes in long-term trade and other payables	577 379	266 863
Changes in long-term contract liabilities	3 167 436	1 724 725
Cash flows from operating activities before changes in working capital and provisions	24 816 918	14 544 701
<i>Changes in operating assets and liabilities</i>		
Changes in trade and other receivables	(373 798)	944 771
Changes in advances given and other assets	473 946	422 377
Changes in inventories	(1 048 529)	(941 266)
Changes in trade and other payables	400 763	11 397
Changes in contract liabilities	(1 677 496)	(1 058 419)
Changes in provisions	(763 251)	(96 310)
Changes in taxes payable, other than income tax	2 011 307	2 651 118
Cash flows from operating activities before payment of income tax and interest	23 839 860	16 478 369
Interest paid	(1 038 284)	(1 021 124)
Interest paid under lease agreements	(56 444)	(65 147)
Income taxes paid	(2 263 367)	(425 118)
Net cash flows from operating activities	20 481 765	14 966 980

PJSC Rosseti Moscow Region
Interim condensed consolidated statement of cash flows (unaudited)
for the three months ended 31 March 2023(continued)
(in thousands of Russian roubles, unless otherwise stated)

	For the three months	
	ended 31 March	
	2023	2022
	(unaudited)	(unaudited)
Cash flows from investing activities		
Acquisition of property plant and equipment	(11 143 729)	(10 449 314)
Acquisition of intangible assets	(470 696)	(365 697)
Acquisition of other financial assets	(1 000 000)	-
Interest received	283 493	396 449
Proceeds from sale of property, plant and equipment	1 276	3 442
Net cash flows used in investing activities	(12 329 656)	(10 415 120)
Cash flows from financing activities		
Proceeds from loans and borrowings (Note 20)	503 795	312 878
Repayment of loans and borrowings (Note 20)	(9 955 852)	(81 182)
Dividends paid (Note 18(c))	(4 135 232)	-
Payment of principal portion of lease liabilities	(118 891)	(111 612)
Net cash flows used in financing activities	(13 706 180)	120 084
Net increase in cash and cash equivalents	(5 554 071)	4 671 944
Cash and cash equivalents at the beginning of the period	15 464 193	10 654 224
Cash and cash equivalents at the end of the period (Note 17)	9 910 122	15 326 168

1. Background

a) Group and its operations

Public Joint-Stock Company “Rosseti Moscow Region” (the “Company”) was established on 1 April 2005 by transfer of assets and activities related to the electricity transmission of OJSC Mosenergo, a subsidiary of RAO UES of Russia, within the framework of Russian electricity sector restructuring (Minutes No.1 of 29 June 2004 of the annual general meeting of shareholders of OJSC Mosenergo). The Company’s shares are traded on Moscow Exchange.

On 24 July 2020, Public Joint Stock Company “Moscow United Electric Grid Company” was renamed into Public Joint Stock Company “Rosseti Moscow Region”, after the state registration entry of changes made to the constituent documents of a legal entity related to changes in information about the legal entity, contained in the Unified State Register of Legal Entities under the state number 2207706755584.

The Company’s registered office and the actual address is Russia 115114, Moscow, 2 Paveletskiy proezd, 3, building 2.

The Company and its subsidiaries are collectively referred to as the Group.

The ultimate beneficiary of the Group is the Russian Federation, and parent entity of the Group is PJSC “ROSSETI”.

The Group’s main activity is the provision of fee-based services of electricity transmission in Moscow and the Moscow region. The main activities of the Group also include the provision of technological connection services to electric networks.

b) Relations with the state. The parent company.

The Government of the Russian Federation, represented by the Federal Agency for the Administration of State Property, is the ultimate controlling party of the Company (further - the "main shareholder of the parent company"). The policy of the Government of the Russian Federation in the economic, social and other areas may have a significant impact on the Group's activities.

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

At 31 March 2023, the share of the Russian Federation in the authorized capital of the parent company the Public Joint Stock Company “Federal Grid Company – ROSSETI” (PJSC “ROSSETI”) was 75%. At 31 December 2022, the share of Russian Federation in the authorized capital of the parent company the Public Joint Stock Company “ROSSETI” was 88,04%, including 88.89% in voting ordinary shares, 7.01% in preferred shares. In turn, at 31 March 2023, the parent company PJSC “ROSSETI” owned 50.9% of the Company's voting shares (at 31 December 2022: 50.9%).

The Extraordinary General Meeting of Public Joint Stock Company “ROSSETI”, which was held on 16 September 2022, decided to reorganise PJSC “ROSSETI” in the form of joining the Public Joint Stock Company Public Joint Stock Company “Federal Grid Company – ROSSETI” in the manner and on the terms provided for in the accession agreement.

1 Background (continued)

(b) Relations with the state. The parent company (continued).

The information on the termination of the activities of Public Joint Stock Company "ROSSETI" through reorganisation in the form of joining the Public Joint Stock Company "Federal Grid Company – ROSSETI", which is the universal legal successor of Public Joint Stock Company "ROSSETI", was entered into the Unified State Register of Legal Entities on 9 January 2023. As a result of the reorganisation, the share of the Russian Federation in the authorised capital of the parent company of the Group, Public Joint Stock Company "Federal Grid Company – ROSSETI", is 75.000048%.

c) Operating environment of the Group

The Group operates in the Russian Federation and is therefore exposed to risks related to the state of the economy and financial markets of the Russian Federation.

The economy of the Russian Federation exhibits some characteristic features inherent in emerging markets. The country's economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory systems continue to evolve and are subject to frequent changes, as well as the possibility of different interpretations.

In 2023, the effect of external sanctions on legal entities and individuals in the Russian Federation continues, in connection with which the influence of economic and other factors, as well as the uncertainty factor on the conditions of doing business in the Russian Federation increases. In 2022, the high uncertainty of the impact of external and internal factors on the economy of the Russian Federation, the volatility of financial indicators continues to persist. The United States, the United Kingdom and the EU have imposed sanctions on a number of Russian banks. All of the above has a negative impact on the economy of the Russian Federation. At the same time, during the reporting year, there was a structural restructuring of the economy, a number of legislative measures made it possible to maintain the stability of the economy of the Russian Federation and adapt to the changes taking place.

The Group takes all necessary measures to ensure the sustainability of its activities. The presented consolidated financial statements reflect management's view of the impact of the business environment in the Russian Federation on the Group's operations and financial position. The actual impact of future business conditions may differ from current estimates.

2. Basis of preparation of financial statements

a) Statement of compliance

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

The interim condensed consolidated financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with International financial reporting standards ("IFRS").

2 Basis of preparation of financial statements (continued)

b) Use of estimates and professional judgments

The significant judgements regarding accounting policy of the Group and key sources of uncertainty in estimations applied by the management in preparation current interim condensed consolidated financial statements were the same as those applied to consolidated financial statements for the year ended 31 December 2022.

c) New standards, clarifications and amendments to existing standards

The Group has applied all new standards and amendments to them, which entered into force on 1 January 2023. The impact of the adoption of the new standards and interpretations was not significant for these interim condensed consolidated financial statements.

A number of new standards and interpretations have been published that are mandatory for annual periods beginning on or after 1 January 2024. The Group intends to adopt the standards and amendments for use after entry into force, no significant impact on the consolidated financial statements of the Group is expected.

- ▶ Classification of Liabilities into Short-term and Long-term - Amendments to IFRS (IAS) 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022, the effective date was subsequently postponed to 1 January 2024 by Amendments to IFRS (IAS) 1).
- ▶ Amendments to IFRS 10 and IAS 28 – "Sale or Contribution of Assets in Transactions between an Investor and its Associate or Joint Venture" (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB dates).
- ▶ Lease Obligations on Sale and Leaseback – Amendments to IFRS 16 (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- ▶ Long-term Obligations with Covenants – Amendments to IAS 1 (issued on 31 October 2022 and effective for annual periods beginning on or after 1 January 2024).

d) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Group's functional currency and the currency in which these interim condensed consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand.

e) Reclassification of comparative data

Certain figures in the comparative information for the previous period have been reclassified in order to ensure their comparability with the presentation of data in the current reporting period. All reclassifications are immaterial.

3. Significant accounting policies

The key significant accounting policies and measurements procedures applied by the Group are consistent with those as disclosed in the audited consolidated financial statements for the year ended 31 December 2022.

4. Determination of fair values

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability; or, in the absence of a principal market, in the most advantageous market for the asset or liability.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as practicable. Fair values are categorized into different levels within the fair value hierarchy based on the inputs used in the valuation techniques as follows:

- ▶ Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- ▶ Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- ▶ Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The Group considers the point of time when transfers between and for certain levels are recognised when an event or change in circumstances occurs.

5. Operating segments

The Group defines operating segments based on the nature of their activities and geographical location. The main activity of the Group is the provision of services for the transmission and distribution of electricity, technological connection to electric networks. The results of the operating segments are regularly reviewed by the management of the Group.

Management has determined the following reportable segments:

- Electricity transmission in Moscow;
- Electricity transmission in the Moscow region;
- Connection services to electric networks in Moscow;
- Connection services to electric networks in the Moscow region.

Other activities mainly represent rental income, installation services, repair and technical maintenance of electrical equipment, which have been included in the segment "Other". None of these activities meets the quantitative thresholds for determining reportable segments for the three months ended 31 March 2023 or for the three months ended 31 March 2022.

5. Operating segments (continued)

The Board of Directors of PJSC Rosseti Moscow Region, being the supreme body making decisions on the Group's operating activities, regularly analyses information related to reporting segments in order to make decisions on the allocation of resources to segments and evaluate the results of their activities.

The results of the segments' activities are evaluated on the basis of revenue and operating profit of the segments as reported in the statutory financial statements prepared in accordance with Russian accounting standards.

The segment information also includes loans and borrowings as this indicator is analyzed by the management of the Group responsible for operational decision-making.

Reconciliation of reportable segment indicators to the similar indicators in these interim condensed consolidated financial statements includes reclassifications and amendments that are necessary for the presentation of financial statements in accordance with IFRS.

Information about reportable segments is provided below.

The segment revenue and profit before tax for the three months ended 31 March 2023 are as follows (unaudited):

	Electricity transmission	Connection services	Other	Total
External revenues	55 639 143	3 998 717	774 507	60 412 367
Moscow	24 413 056	2 946 074	608 441	27 967 571
Moscow region	31 226 087	1 052 643	166 066	32 444 796
Inter-segment revenue	-	-	386 246	386 246
Moscow	-	-	244 271	244 271
Moscow region	-	-	141 975	141 975
Operating expenses	(46 500 719)	(346 830)	(1 094 396)	(47 941 945)
Moscow	(19 284 821)	(170 583)	(788 409)	(20 243 813)
Moscow region	(27 215 898)	(176 247)	(305 987)	(27 698 132)
Depreciation and amortisation	(6 859 992)	-	(155 191)	(7 015 183)
Moscow	(3 611 769)	-	(21 803)	(3 633 572)
Moscow region	(3 248 223)	-	(133 388)	(3 381 611)
Reportable segment finance costs	(408 182)	(133 266)	(23 754)	(565 202)
Moscow	(9 041)	(133 266)	(22 790)	(165 097)
Moscow region	(399 141)	-	(964)	(400 105)
Reportable segment finance income	-	-	291 401	291 401
Moscow	-	-	270 559	270 559
Moscow region	-	-	20 842	20 842
Reportable segment profit	9 138 424	3 651 887	66 357	12 856 668
Moscow	5 128 235	2 775 491	64 303	7 968 029
Moscow region	4 010 189	876 396	2 054	4 888 639

5. Operating segments (continued)

The segment revenue and profit before tax for the three months ended 31 March 2022 are as follows (unaudited):

	Electricity transmission	Connection services	Other	Total
External revenues	46 670 626	2 488 889	1 325 603	50 485 118
Moscow	20 861 865	1 990 461	1 159 333	24 011 659
Moscow region	25 808 761	498 428	166 270	26 473 459
Inter-segment revenue	-	-	423 575	423 575
Moscow	-	-	282 949	282 949
Moscow region	-	-	140 626	140 626
Operating expenses	(43 136 990)	(264 202)	(1 608 199)	(45 009 391)
Moscow	(18 319 419)	(95 878)	(1 298 515)	(19 713 812)
Moscow region	(24 817 571)	(168 324)	(309 684)	(25 295 579)
Depreciation and amortisation	(7 352 633)	-	(28 504)	(7 381 137)
Moscow	(3 945 757)	-	(28 504)	(3 974 261)
Moscow region	(3 406 876)	-	-	(3 406 876)
Reportable segment finance costs	(987 454)	-	(14 526)	(1 001 980)
Moscow	(422 038)	-	(13 751)	(435 789)
Moscow region	(565 416)	-	(775)	(566 191)
Reportable segment finance income	-	-	409 711	409 711
Moscow	-	-	341 490	341 490
Moscow region	-	-	68 221	68 221
Reportable segment profit	3 533 636	2 224 687	140 979	5 899 302
Moscow	2 542 446	1 894 583	143 767	4 580 796
Moscow region	991 190	330 104	(2 788)	1 318 506

5. Operating segments (continued)

Reconciliation of reportable segments profit is presented below:

	For the 3 months ended 31 March	
	2023	2022
	(unaudited)	(unaudited)
Reportable segments profit	12 790 311	5 758 323
Other profit or loss	66 357	140 979
Unallocated	677 784	34 595
Total profit before income tax per RAS	13 534 452	5 933 897
Borrowing costs capitalized	54 677	44 480
Rental expenses of property, plant and equipment	(8 291)	(224 074)
Loss on disposal of property, plant and equipment	263 808	2 661
Depreciation and amortisation	1 098 929	1 315 116
Allowance for expected credit losses	(5 724)	77 848
Discounting of loan	(8 640)	(73 377)
Employee benefits plan liabilities	(1 946)	(22 496)
Income from fixed assets received free-of-charge	(205 904)	(85 639)
Other items	(88 297)	(174 066)
Consolidated profit before income tax per IFRS	14 633 064	6 794 350

Segment assets are as follows:

	Moscow	Moscow region	Total
31 March 2023 (unaudited)			
Total assets	244 628 232	174 195 013	418 823 245
Property, plant and equipment	203 807 613	148 293 097	352 100 710
Trade and other receivables	10 569 782	10 473 252	21 043 034
Unallocated	30 250 837	15 428 664	45 679 501
31 December 2022 (audited)			
Total assets	250 422 749	170 477 847	420 900 596
Property, plant and equipment	203 118 923	147 517 530	350 636 453
Trade and other receivables	10 964 164	10 482 607	21 446 771
Unallocated	36 339 662	12 477 710	48 817 372

5. Operating segments (continued)

Segment liabilities are as follows:

	Moscow	Moscow region	Total
31 March 2023 (unaudited)			
Total liabilities	103 479 673	97 877 994	201 357 667
Loans and borrowings	7 096 479	46 489 027	53 585 506
Unallocated	96 383 194	51 388 967	147 772 161
31 December 2022 (audited)			
Total liabilities	118 042 570	96 315 577	214 358 147
Loans and borrowings	16 656 224	46 577 120	63 233 344
Unallocated	101 386 346	49 738 457	151 124 803

The segment disclosure was prepared in consistency with the segment disclosure as at 31 December 2022. However, for the purpose of preparation of the interim condensed consolidated financial statements the Group does not present a reconciliation of segment assets and segment liabilities to the amounts reported in the interim condensed consolidated financial statements as required by IFRS 8 *Operating Segments*.

Segment operating results reported to the Group's chief operating decision maker are determined based on the income and expenses determined in accordance with Russian Accounting Standards (RAS). Segment operating results represent the profit earned by each segment without segregation of finance income and costs, other income and expenses, which are included in "Unallocated" component.

6. Revenue

	For the three months ended 31 March	
	2023	2022
	(unaudited)	(unaudited)
Revenue from electricity transmission	55 639 143	46 670 626
Revenue from connection services	3 998 717	2 488 889
Other revenue	672 892	1 251 917
Revenue from contracts with customers	60 310 752	50 411 432
Rental income	101 615	73 686
	60 412 367	50 485 118

Other revenues include electrical equipment installation and maintenance services.

7. Operating expenses

	For the three months ended 31 March	
	2023	2022
	(unaudited)	(unaudited)
Personnel costs	(6 591 411)	(5 658 666)
Property, plant and equipment depreciation charge	(5 501 091)	(5 601 074)
Intangible assets depreciation charge	(200 952)	(194 923)
Right-of-use assets depreciation charge	(99 335)	(105 568)
<i>Material expenses, including:</i>		
- Electricity for compensation of losses	(8 229 429)	(7 877 149)
- Purchased electricity and heat power for own needs	(139 486)	(148 157)
- Other material costs	(737 526)	(667 035)
<i>Production work and services, including:</i>		
- Electricity transmission services	(22 637 577)	(20 241 303)
- Repair, maintenance and installation services	(613 436)	(515 714)
- Other works and production services	(150 279)	(539 876)
- Allowance for impairment of advances given	95 918	11 684
- Taxes other than income tax	(267 002)	(264 298)
- Rent	(20 373)	(24 384)
- Insurance	(111 688)	(110 299)
<i>Other third-party services, including:</i>		
- Consulting, legal and audit services	(45 621)	(42 517)
- Software costs	(266 975)	(262 391)
- Security services	(237 910)	(198 025)
- Transportation	(116 151)	(110 706)
- Telecommunication services	(169 848)	(143 256)
- Other services	(480 840)	(489 429)
Disposals of items of property, plant and equipment	(260 254)	(69 511)
Write-off of the cost of inventories to net realizable value	(3 021)	(7 261)
Provisions (Note 24)	(1 965 416)	17 629
Other expenses	(590 217)	(930 739)
	(49 339 920)	(44 172 968)

8. Other operating income

	For the three months ended 31 March	
	2023	2022
	(unaudited)	(unaudited)
Income from electricity consumption without contracts	282 447	188 164
Income from compensation of losses on disposal of power grid facilities	3 034 142	656 108
Income from the sale of property, plant and equipment	-	12 539
Other income	511 588	151 432
	3 828 177	1 008 243

Income received as compensation of losses from disposal of power grid facilities for the three months ended 31 March 2023 includes property in the amount of RUB 946 037 thousand (for the three months ended 31 March 2022: RUB 544 211 thousand) and cash in the amount of RUB 2 088 105 thousand (for the three months ended 31 March 2022: RUB 111 897 thousand).

9. Finance income and finance costs

	For the three months ended 31 March	
	2023	2022
	(unaudited)	(unaudited)
Finance income		
Interest income	283 493	351 379
Interest on assets related to employee benefits obligations	9 369	5 279
	292 862	356 658
Finance costs		
Interest expense in respect of loans and borrowings	(473 626)	(956 725)
Interest on employee benefits obligation	(73 084)	(62 853)
Interest under lease agreements	(56 444)	(65 147)
Unwinding of discount of financial liabilities at amortized cost	(8 639)	(10 193)
Other financial costs	-	(1 234)
	(611 793)	(1 096 152)

10. Income tax expense

The main components of income tax expense for the three months ended 31 March 2023 and 31 March 2022 are presented in the table below:

	For the three months ended 31 March	
	2023 г.	2022 г.
	(unaudited)	(unaudited)
Current income tax	(2 377 963)	(946 255)
Deferred income tax	(399 492)	(519 750)
	(2 777 455)	(1 466 005)

The income tax rate in the Russian Federation is 20%.

In accordance with the Moscow Regional Law *On Preferential Tax Treatment in the Moscow Region* No. 151/2004-OZ dated 24 November 2004, the Group exercised its right to tax benefit as an investor that made capital investments in the newly constructed property, plant and equipment that was put into operation, in the form of decreased income tax rate by 4.5 percentage points. Thus, in calculating its deferred tax assets and liabilities as at 31 March 2023, the Group applied a lower rate of 18.14% (31 March 2022: 18.16%).

Reconciliation of income tax expense calculated at effective tax rate and actual income tax expense is presented below:

	For the three months ended 31 March	
	2023 г.	2022 г.
	(unaudited)	(unaudited)
Profit before income tax	14 633 064	6 794 350
Income tax calculated at the current income tax rate 18.14% (2022: 18.16%)	(2 654 379)	(1 233 811)
Effect of the change in a tax rate	7 935	4 682
Non-deductible expenses	(131 011)	(236 876)
Income tax expense	(2 777 455)	(1 466 005)

11. Property, plant and equipment

	Land and buildings	Transmission networks	Transformers and transformer substations	Other	Construction in progress	Total
Cost						
At 1 January 2023	58 519 691	296 975 906	122 619 486	121 685 608	54 852 084	654 652 775
Reclassification	-	(31)	4 287	(4 256)	-	-
Additions	6 049	851 846	823 655	118 330	6 723 297	8 523 177
Disposals	(15 314)	(572 096)	(21 451)	(32 686)	-	(641 547)
Transfers from right-of-use assets	-	-	5 582	-	-	5 582
Transfers	15 786	2 739 134	1 157 716	1 676 871	(5 589 507)	-
At 31 March 2023 (unaudited)	58 526 212	299 994 759	124 589 275	123 443 867	55 985 874	662 539 987
Depreciation						
At 1 January 2023	(19 242 215)	(119 778 214)	(62 923 117)	(84 102 961)	-	(286 046 507)
Reclassification	-	32	(3 683)	3 651	-	-
Depreciation charge	(456 372)	(2 781 355)	(1 335 242)	(1 572 746)	-	(6 145 715)
Disposals	9 082	242 121	13 906	27 474	-	292 583
Transfers from right-of-use assets	-	-	(2 429)	-	-	(2 429)
At 31 March 2023 (unaudited)	(19 689 505)	(122 317 416)	(64 250 565)	(85 644 582)	-	(291 902 068)
Impairment losses						
At 1 January 2023	(5 273 055)	(24 453 423)	(6 170 313)	(3 049 077)	(1 619 437)	(40 565 305)
Reclassification	-	-	(102)	102	-	-
Transfers	-	(2 037)	(500)	(53)	2 590	-
Depreciation charge of impairment	63 412	311 592	143 264	126 314	-	644 582
Disposals	94	78 361	1 149	1 001	-	80 605
Transfers from right-of-use assets	-	-	(238)	-	-	(238)
At 31 March 2023 (unaudited)	(5 209 549)	(24 065 507)	(6 026 740)	(2 921 713)	(1 616 847)	(39 840 356)
Depreciation charge (including depreciation of impairment)	(392 960)	(2 469 763)	(1 191 978)	(1 446 432)	-	(5 501 133)
Net book value						
At 1 January 2023	34 004 421	152 744 269	53 526 056	34 533 570	53 232 647	328 040 963
At 31 March 2023 (unaudited)	33 627 158	153 611 836	54 311 970	34 877 572	54 369 027	330 797 563

11. Property, plant and equipment (continued)

	Land and buildings	Transmission networks	Transformers and transformer substations	Other	Construction in progress	Total
Cost						
At 1 January 2022	57 481 985	278 452 194	113 796 014	112 932 595	50 822 739	613 485 527
Reclassification	-	-	34 703	(34 703)	-	-
Additions	4 340	517 157	39 286	45 799	5 555 547	6 162 129
Disposals	(2 614)	(155 250)	(5 613)	(61 622)	-	(225 099)
Transfers	2 662	2 286 223	969 278	483 418	(3 741 581)	-
At 31 March 2022 (unaudited)	57 486 373	281 100 324	114 833 668	113 365 487	52 636 705	619 422 557
Depreciation						
At 1 January 2022	(17 459 989)	(109 323 094)	(57 476 750)	(78 388 410)	-	(262 648 243)
Reclassification	-	-	(15 631)	15 631	-	-
Depreciation charge	(444 168)	(2 624 206)	(1 338 481)	(1 479 818)	-	(5 886 673)
Disposals	2 240	72 313	4 017	58 644	-	137 214
At 31 March 2022 (unaudited)	(17 901 917)	(111 874 987)	(58 826 845)	(79 793 953)	-	(268 397 702)
Impairment losses						
At 1 January 2022	(2 580 662)	(11 484 226)	(2 420 279)	(1 019 915)	(1 649 095)	(19 154 177)
Reclassification	-	-	(1 625)	1 625	-	-
Transfers	-	(410)	(236)	(2)	648	-
Depreciation charge of impairment	29 190	146 540	66 682	43 187	-	285 599
Disposals	17	6 709	54	51	-	6 831
At 31 March 2022 (unaudited)	(2 551 455)	(11 331 387)	(2 355 404)	(975 054)	(1 648 447)	(18 861 747)
Depreciation charge (including depreciation of impairment)	(414 978)	(2 477 666)	(1 271 799)	(1 436 631)	-	(5 601 074)
Net book value						
At 1 January 2022	37 441 334	157 644 874	53 898 985	33 524 270	49 173 644	331 683 107
At 31 March 2022 (unaudited)	37 033 001	157 893 950	53 651 419	32 596 480	50 988 258	332 163 108

Borrowing costs capitalized

The amount of borrowing costs capitalized during the three months ended 31 March 2023 was RUB 448 667 thousand at the capitalization rate of 6.36% (the three months ended 31 March 2022: RUB 382 306 thousand at the capitalization rate of 6.84%). This amount was included into the cost of property, plant and equipment.

Depreciation charge capitalized

For the three months ended 31 March 2023 depreciation charges in the amount of RUB 20 521 thousand were capitalized in the cost of capital construction projects (including depreciation charges of property, plant and equipment assets – RUB 42 thousand, intangible assets – RUB 18 094 thousand, right of use assets – RUB 2 385 thousand).

For the three months ended 31 March 2022 depreciation charges in the amount of RUB 4 905 thousand were capitalized in the cost of capital construction projects (including depreciation charges of property, plant and equipment assets – RUB 0 thousand, intangible assets – RUB 4 905 thousand, right of use assets – RUB 0 thousand).

Initial cost of fully depreciated fixed assets

As at 31 March 2023, the initial cost of fully depreciated fixed assets amounted to RUB 37 585 118 thousand (31 December 2022: RUB 37 971 038 thousand).

12. Intangible assets

	Software	Patents and licences	Scientific research	Other	Total
Cost					
At 1 January 2022	6 088 306	478 416	374 092	716 490	7 657 304
Additions	178 651	40 044	366	-	219 061
Disposals	(170 754)	(754)	-	-	(171 508)
At 31 March 2022 (unaudited)	6 096 203	517 706	374 458	716 490	7 704 857
Amortisation					
At 1 January 2022	(1 492 494)	(80 310)	(279 650)	(280 071)	(2 132 525)
Amortisation	(134 574)	(42 917)	(3 799)	(18 538)	(199 828)
Disposals	91 532	754	-	-	92 286
At 31 March 2022 (unaudited)	(1 535 536)	(122 473)	(283 449)	(298 609)	(2 240 067)
Net book value					
At 1 January 2022	4 595 812	398 106	94 442	436 419	5 524 779
At 31 March 2022 (unaudited)	4 560 667	395 233	91 009	417 881	5 464 790
Cost					
At 1 January 2023	6 928 428	681 979	393 459	784 660	8 788 526
Reclassification	(216)	-	-	216	-
Additions	140 422	73 242	1 426	-	215 090
Disposals	(28 102)	-	-	-	(28 102)
At 31 March 2023 (unaudited)	7 040 532	755 221	394 885	784 876	8 975 514
Amortisation					
At 1 January 2023	(1 929 894)	(235 242)	(281 826)	(359 784)	(2 806 746)
Amortisation	(152 801)	(48 601)	(1 135)	(16 509)	(219 046)
Disposals	8 862	-	-	-	8 862
At 31 March 2023 (unaudited)	(2 073 833)	(283 843)	(282 961)	(376 293)	(3 016 930)
Net book value					
At 1 January 2023	4 998 534	446 737	111 633	424 876	5 981 780
At 31 March 2023 (unaudited)	4 966 699	471 378	111 924	408 583	5 958 584

Borrowing costs capitalized

The amount of borrowing costs capitalized during the three months ended 31 March 2023 was RUB 2 078 thousand at the capitalization rate of 6.36% (the three months ended 31 March 2022: RUB 10 377 thousand at the capitalization rate of 6.84%). This amount was included in the cost of intangible assets.

13. Right-of-use assets

	Land and buildings	Transmission networks	Transformers and transformer substations	Other	Total
Cost					
At 1 January 2023	4 339 518	257 673	249 236	136 149	4 982 576
Additions	29 093	52	-	4 706	33 851
Changing the terms of the agreement	(47 679)	-	-	-	(47 679)
Disposals	(32 170)	-	-	(8 435)	(40 605)
Transfers	-	-	(5 582)	-	(5 582)
At 31 March 2023 (unaudited)	4 288 762	257 725	243 654	132 420	4 922 561
Depreciation					
At 1 January 2023	(1 086 162)	(115 142)	(114 296)	(78 198)	(1 393 798)
Depreciation charge	(91 121)	(2 506)	(3 382)	(4 721)	(101 730)
Disposals	31 326	-	-	8 435	39 761
Transfers	-	-	2 429	-	2 429
At 31 March 2023 (unaudited)	(1 145 957)	(117 648)	(115 249)	(74 484)	(1 453 338)
Impairment losses					
At 1 January 2023	-	(399)	(358)	-	(757)
Depreciation charge of impairment	-	5	5	-	10
Transfers	-	-	238	-	238
At 31 March 2023 (unaudited)	-	(394)	(115)	-	(509)
Depreciation charge (including depreciation of impairment)	(91 121)	(2 501)	(3 377)	(4 721)	(101 720)
Net book value					
At 1 January 2023	3 253 356	142 132	134 582	57 951	3 588 021
At 31 March 2023 (unaudited)	3 142 805	139 683	128 290	57 936	3 468 714

13. Right-of-use assets (continued)

	Land and buildings	Transmission networks	Transformers and transformer substations	Other	Total
Cost					
At 1 January 2022	4 023 450	368 716	335 100	28 636	4 755 902
Changing the terms of the agreement	(16 430)	-	-	-	(16 430)
Disposals	(20 790)	-	-	-	(20 790)
Reclassification	(20 039)	22 210	(85 706)	83 535	-
At 31 March 2022 (unaudited)	3 966 191	390 926	249 394	112 171	4 718 682
Depreciation					
At 1 January 2022	(800 755)	(159 127)	(143 530)	(17 796)	(1 121 208)
Depreciation charge	(88 351)	(8 287)	(5 793)	(3 228)	(105 659)
Disposals	14 079	-	-	-	14 079
Reclassification	8 570	(9 646)	41 543	(40 467)	-
At 31 March 2022 (unaudited)	(866 457)	(177 060)	(107 780)	(61 491)	(1 212 788)
Impairment losses					
At 1 January 2022	-	(6 290)	(398)	-	(6 688)
Depreciation charge of impairment	-	81	9	-	90
At 31 March 2022 (unaudited)	-	(6 209)	(389)	-	(6 598)
Depreciation charge (including depreciation of impairment)	(88 351)	(8 206)	(5 784)	(3 228)	(105 569)
Net book value					
At 1 January 2022	3 222 695	203 299	191 172	10 840	3 628 006
At 31 March 2022 (unaudited)	3 099 734	207 657	141 225	50 680	3 499 296

14. Other financial assets

	31 March 2023	31 December 2022
	(unaudited)	(audited)
Other current financial assets		
Financial assets carried at amortized cost	1 000 000	-
	1 000 000	-

Financial assets measured at amortised cost as at 31 March 2023 are bank deposits with an initial maturity of more than three months. Deposits are placed at an interest rate of 8.35% per annum.

15. Trade and other receivables

	31 March 2023	31 December 2022
	(unaudited)	(audited)
Non-current trade and other receivable		
Other receivables	369 570	385 735
Allowance for expected credit losses on other receivables	(252 344)	(252 344)
	117 226	133 391
Current trade and other receivable		
Trade receivables	18 238 472	18 780 299
Allowance for expected credit losses on trade receivables	(3 396 130)	(3 408 193)
Other receivables	6 023 375	5 946 975
Allowance for expected credit losses on other receivables	(4 047 679)	(4 094 104)
	16 818 038	17 224 977

As at 31 March 2023 the Group received a pledge of immovable property in the amount of RUB 364 977 thousand as security interest from counterparties for the fulfillment of their' obligations to the Group. The pledge of immovable property is provided to the Group as a part of an amicable agreement to settle debt for non-contractual electricity consumption.

16. Other non-financial assets

	31 March 2023	31 December 2022
	(unaudited)	(audited)
Other non-current non-financial assets		
Advances given	6 542 822	6 624 228
Allowance for impairment of advances given	(6 542 822)	(6 624 228)
VAT on contract liabilities with suppliers and customers	3 852 381	3 322 125
	3 852 381	3 322 125
Other current non-financial assets		
Advances given	2 291 840	2 425 632
Allowance for impairment of advances given	(14 120)	(28 755)
VAT recoverable	396 527	441 882
VAT on contract liabilities with suppliers and customers	7 029 627	7 257 416
Prepaid taxes, other than income tax and VAT	21 390	7 117
	9 725 264	10 103 292

Information on balances with related parties is disclosed in Note 28.

17. Cash and cash equivalents

	31 March 2023	31 December 2022
	(unaudited)	(audited)
Cash in bank	9 684 633	15 238 702
Cash for intended use under government contract	225 489	225 489
Petty cash	-	2
	9 910 122	15 464 193

As at 31 March 2023 and 31 December 2022, all cash and cash equivalents are denominated in roubles.

18. Equity

a) Share capital

	Ordinary shares	
	31 March 2023	31 December 2022
Share capital		
Number of ordinary shares at 0.50 RUB each, pcs.	48 707 091 574	48 707 091 574

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Company's shareholders.

b) Treasury shares

As at 31 March 2023 and 31 December 2022 the Group did not hold any of its own shares.

c) Dividends

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

In the 1st quarter of 2023, the Company paid dividends for 9 months of 2022 in the amount of RUB 4 135 232 thousand (RUB 0.0849 per share), announced in December 2022.

19. Earnings per share

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

	For the three months ended 31 March	
	2023	2022
	(unaudited)	
Number of outstanding shares (pcs.)	48 707 091 574	48 707 091 574
Profit for the period attributable to the shareholders of PJSC Rosseti Moscow Region (´000 RUB)	11 855 609	5 328 345
Basic and diluted earnings per share (RUB)	0.2434	0.1094

20. Loans and borrowings

	31 March 2023	31 December 2022
	(unaudited)	(audited)
Non-current		
Unsecured bank loans	42 920 226	42 918 073
Unsecured bonds	10 736 909	20 459 411
Lease liabilities	3 595 594	3 708 031
Less: current portion of unsecured bank loans	(22 920 226)	(22 918 073)
Less: current portion of unsecured bonds	(5 206 276)	(15 387 006)
Less: current portion of lease liabilities	(269 464)	(282 978)
	28 856 763	28 497 458
Current		
Unsecured bank loans	808 138	648 884
Current portion of unsecured bank loans	22 920 226	22 918 073
Current portion of unsecured bonds	5 206 276	15 387 006
Current portion of lease liabilities	269 464	282 978
	29 204 104	39 236 941
Including		
Interests payable on loans and borrowings	40 226	38 073
Interests payable on bonds	198 490	318 100
	238 716	356 173

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

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

	Interest rate	Maturity	Amount
Unsecured bank loans	10.50%	2023	13 909
Unsecured bank loans	12.00%	2023	243 140
Unsecured bank loans	KR CB RF+1.5%	2023	178 012
Unsecured bank loans	KR CB RF+3%	2024	68 734
			503 795

During the three months ended 31 March 2023, the Group repaid the following borrowings and bonds:

	Interest rate	Maturity	Amount
Unsecured bonds	-	2023	83 084
Unsecured bonds	6.15%	2023	9 528 228
Unsecured bonds	10.50%	2023	118 248
Unsecured bank loans	11.00%	2023	16 651
Unsecured bank loans	11.50%	2023	17 826
Unsecured bank loans	12.00%	2023	78 366
Unsecured bank loans	12.50%	2023	91 864
Unsecured bank loans	KR CB RF+1.5%	2023	6 000
Unsecured bank loans	KR CB RF+3%	2023	15 585
			9 955 852

21. Trade and other payables

	31 March 2023	31 December 2022
	(unaudited)	(audited)
Non-current trade and other payable		
Trade accounts payable	3 804	3 804
Other payables	9 845 938	9 268 559
	9 849 742	9 272 363
Current trade and other payable		
Trade accounts payable	18 057 589	23 768 798
Provision for unused vacations and bonuses	2 700 471	3 990 419
Other payables	3 242 987	5 360 406
	24 001 047	33 119 623

22. Other taxes payable

	31 March 2023	31 December 2022
	(unaudited)	(audited)
Value added tax	4 217 979	2 613 439
Property tax	10 716	17 509
Employee taxes paid to government non-budgetary funds	2 219 147	1 862 713
Other taxes	237 797	180 671
	6 685 639	4 674 332

23. Contract liabilities

	31 March 2023	31 December 2022
	(unaudited)	(audited)
Non-current		
Contract liabilities from technological connection services to electricity grids	22 933 842	19 821 321
Other contract liabilities	123 680	68 765
	23 057 522	19 890 086
Current		
Contract liabilities from technological connection services to electricity grids	40 097 277	41 682 974
Other contract liabilities	2 192 417	2 284 214
	42 289 694	43 967 188

24. Provisions

	2023	2022
Balance at 1 January	3 671 817	12 016 937
Provisions accrued during the period	2 093 238	559
Provisions reversed during the period	(127 822)	(18 188)
Provisions used during the period	(763 251)	(96 310)
Balance at 31 March (unaudited)	4 873 982	11 902 998

A certain specifics of the mechanisms of functioning of the electricity market determines the existence of disagreements between electric grid, retail and other companies regarding the volume and cost of electricity transferred.

Taking into account all the circumstances and the current conditions for provision for resolving disagreements regarding the volumes of electricity transmitted with regard to the contingent liability of electricity transmission services and the costs of electricity purchased to compensate for losses, the Group recognized a provision to cover the possible outflow of economic resources in case of resolution of disagreements with JSC Mosenergosbyt not in favor of the Group in the amount of RUB 4 803 246 thousand (31 March 2022: RUB 2 365 627 thousand). The Group also recognized provision to cover losses that the Group may incur due to an unfavorable outcome of litigations with JSC Mosenergosbyt in the amount of RUB 26 856 thousand (31 March 2022: RUB 475 793 thousand).

In addition, there are a number of unresolved disputes with other counterparties, in respect of which the Group recognized a provision in the amount of RUB 43 880 thousand (31 March 2022: RUB 114 612 thousand).

During 2018-2022, the Group challenged in court additional property tax charges for 2013-2015 related to the qualification of objects as movable or immovable property, presented according to the results of an on-site tax audit. As at 31 December 2022 the Group restored the estimated liability for property tax in connection with the decision of the Supreme Court of the Russian Federation No. 305-ES22-13255 in case No. A40-317545/2018 on the refusal of the tax inspectorate to transfer the cassation appeal for consideration at a court session of the Judicial Board for Economic Disputes of the Supreme Court of the Russian Federation and the expiration after 12 February 2023 of the deadline for appealing previously adopted judicial decisions acts in favor of the Society. As at 31 March 2022: the estimated liability was recognized in the amount of RUB 8 946 966 thousand.

Provision for legal cases is made to cover expenses under legal proceedings with regard to electricity transmission services where is the Group is a defender. It is expected that the balance of provision for legal cases as at 31 March 2023 will be used during 2023. It is anticipated that the outcomes of the currently outstanding legal cases will not result in significant losses for the Group, in access of amounts already recognized in the financial statements.

25. Financial risk management

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

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

Management of the Group takes operational measures to ensure sufficient cash amounts (liquidity) received from operating activities to finance priority projects of investment programs and to service short-term and long-term loans and borrowings. The Group's management undertakes activities aimed at optimizing the structure of debt capital, ensuring the availability of credit limits, liquidity reserves in the form of bank account balances and short-term deposits, and monitoring of quality of accepted financial collateral (bank guarantees).

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

The changes in the allowance for expected credit losses in respect of trade and other receivables during the reporting period were as follows:

	2023	2022
Balance at 1 January	(7 754 641)	(8 679 749)
Allowance accrued during the period	(14 374)	(29 215)
Allowance reversed during the period	65 745	242 666
Allowance used during the period	7 117	57 161
Balance at 31 March (unaudited)	(7 696 153)	(8 409 137)

Substantial portion of advances received from customers under agreements for technological connection to electricity networks and agreements for compensation of losses has the major impact on the Group's liquidity ratio. Such advances are regarded as long-term sources of funding since they relate to implementation of long-term investment program by the Group. These liabilities do not require current assets coverage since they are used for non-current assets construction and are settled when technological connection services are provided.

At 31 March 2023, the Group's short-term liabilities exceeded its current assets by RUB 65 407 202 thousand (31 December 2022: RUB 78 640 180 thousand). The net amount of current liabilities as at 31 March 2023 is represented mainly by accounts payable.

The Group monitors its liquidity risk by opening credit lines, obtaining credits and loans (refer to Note 20).

At 31 March 2023, the Group had unused credit limits in the amounts sufficient for financing its working capital deficit. The amount of undrawn borrowing facilities is RUB 166 151 862 thousand (31 December 2022: RUB 166 311 116 thousand), including RUB 145 429 508 thousand (31 December 2022: RUB 145 615 236 thousand) that can be drawn beyond one year. Besides, the management believes that the measures undertaken on cost savings in combination with gradual growth of tariffs of transmission services and technological connection to electricity networks services are aimed at positive effect of the financial results of the Group in the future.

The management believes that due to abovementioned circumstances, the Group has sufficient liquidity to continue as a going concern in the foreseeable future.

25. Financial risk management (continued)

Fair values and carrying amounts

Management estimates that at the reporting date the fair value of financial assets and liabilities corresponds to their carrying amount. There were no transfers between levels 2 and 3 of the hierarchy during the three months ended 31 March 2023.

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments presented in the financial statements, other than those with carrying amounts that reasonable approximate fair value:

	31 March 2023 (unaudited)		Level of fair value hierarchy		
	Carrying amount	Fair value	1	2	3
Bonds	5 529 862	5 466 717	5 466 717	-	-
	5 529 862	5 466 717	5 466 717	-	-
	31 December 2022 (audited)		Level of fair value hierarchy		
	Carrying amount	Fair value	1	2	3
Bonds	15 281 300	15 246 300	15 246 300	-	-
	15 281 300	15 246 300	15 246 300	-	-

26. Capital commitments

As at 31 March 2023, the contracted future capital commitments related to capital construction of power grid facilities amount to RUB 70 083 923 thousand (31 December 2022: RUB 68 009 653 thousand), including VAT.

27. Contingencies

a) Insurance

There are uniform requirements in the Group for extent of insurance coverage, reliability of coverage and insurance protection management procedures. The Group insures its assets, civil liability and other insured risks. The Group's main production assets have insurance coverage, including damage or loss of property, plant and equipment. Nevertheless, there are risks that damage to third parties, as well as loss or destruction of certain assets, that are not covered or not fully covered by insurance could have an adverse effect on the Group's operations and financial position.

27. Contingencies (continued)

b) Litigations

The Group acts as a party to a number of legal proceedings arising in the normal course of business. Management believes that these legal proceedings will not have a material adverse effect on the Group's operating results.

The Group believes that the Group's practice in the servicing its clients and discharging its obligations generally complies with the requirements of the Russian electricity legislation. Disagreements in assessment of mutual obligations of electricity market participants arising during several reporting periods are resolved through the courts. Disagreements relates to volumes of electricity supplied due to different approaches used in calculation, applied tariffs (prices) and accounting (delivery) points. The court can agree with the position of the Group's customers.

Differences in the calculation of quantities and tariffs applied to electricity transmission services affect the calculation of amount of electricity purchased by the Group from distribution companies to compensate for losses in grid networks. The amounts of receivables for electricity transmission services disputed by consumers, subject to negative court practice in the relevant disputes, are included in allowance for expected credit losses, and the amounts of disputed debt for purchased electricity for compensation of electricity losses in such cases are included in provisions (Note 23). At the same time, disputes over the obligations to pay for electricity to compensate for losses in grid networks are often not considered in courts, but are settled by the parties after the dispute over the electricity transmission services is resolved.

c) Taxation contingencies in the Russian Federation

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

The Russian tax authorities may impose additional tax liabilities and penalties based on the rules established by transfer pricing legislation, if the price/profitability of controlled transactions differs from the market level. The list of controlled transactions mainly includes transactions concluded between interrelated parties.

Starting from 1 January 2019, control over transfer pricing ("TP") for a significant part of domestic transactions has been removed. However, the exemption from price control may not apply to all transactions made in the domestic market. However, in the case of additional charges, the mechanism of counter-adjustment of tax liabilities can be used, if certain legal requirements are met. Intra-group transactions that have been out of control of the TP since 2019 may, nevertheless, be checked by the territorial tax authorities for obtaining an unjustified tax benefit, and TP methods may be used to determine the amount of additional charges.

The federal executive authority authorized to control and supervise taxes and fees may check prices/profitability in controlled transactions and, if it does not agree with the prices applied by the Group in these transactions, charge additional tax liabilities, if the Group is unable to justify the market nature of pricing in these transactions by providing transfer pricing documentation that meets legal requirements.

27. Contingencies (continued)

c) Taxation contingencies in the Russian Federation (continued)

As the practice of applying tax rules on property taxes continues to develop, tax authorities and courts may challenge the criteria for classifying property as movable or immovable property applied by the Group. The management of the Group does not exclude the risk of outflow of resources, and the impact of such a development of events cannot be estimated reliably. In the opinion of management, the relevant provisions of the legislation have been correctly interpreted, and the Group's position in terms of tax compliance can be justified and protected.

d) Environmental matters

The Group runs its operations in the energy market in the Russian Federation for many years. Legislation on environmental protection in the Russian Federation continues to develop, and the duties of authorized state bodies to monitor its compliance are being reviewed. Potential liabilities might arise as a result of changes in existing regulations, civil litigation or legislation cannot be assessed. In the opinion of management, under the current control system and current legislation, there are no probable liabilities that could have a material adverse effect on the Group's financial position, results of operations or cash flows.

28. Related party transactions

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

The main related parties of the Group for the three months ended 31 March 2023 and 31 March 2022, as well as at 31 March 2023 and 31 December 2022, were the parent company, its subsidiaries, key management personnel, as well as companies related to the main shareholder of the parent company.

28. Related party transactions (continued)

a) Transactions with parent company, its subsidiaries and associates

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

	Transaction value		Outstanding balance	
	for the three months ended		as at	
	31 March		31 March	31 December
	2023	2022	2023	2022
	(unaudited)		(unaudited)	(audited)
Revenue, other income				
Parent company				
Technical connection	55 325	-	-	-
Other revenue	23	398	6	-
Fellow subsidiaries				
Rental income	140	184	-	6
Technical connection	-	103	-	-
Other revenue	15 434	31 961	621 178	634 862
Other income	6 973	13 262	116 407	106 819
Total revenue and income	77 895	45 908	737 591	741 687
Allowance for expected credit losses of accounts receivable	(6 135)	(13 262)	(695 686)	(689 551)
Operating expenses, other expenses				
Parent company				
Consulting, legal services	(6 809)	(15 661)	(6)	(6)
Power transmission services	(6 238 117)	-	(1 272 526)	-
Technological connection	(701)	-	-	-
Other expenses	(325)	-	(310)	-
Fellow subsidiaries				
Power transmission services	-	(5 616 868)	-	(2 386 194)
Short term rent	-	-	(745)	(630)
Technological connection	-	(10 577)	-	-
Other expenses	(87 430)	(64 849)	(85 810)	(111 161)
Total operating expenses	(6 333 382)	(5 707 955)	(1 359 397)	(2 497 991)
Parent company				
Advances given	-	-	30 632	-
Contract liabilities	-	-	(1 975)	-
Fellow subsidiaries				
Advances given	-	-	-	28 543
Contract liabilities	-	-	(642 312)	(709 960)
Dividends to parent company	-	-	-	(2 105 027)

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

As at 31 December 2022, the debt to the parent company for the payment of dividends amounted to RUB 2 105 027 thousand.

28. Related party transactions (continued)

b) Transactions with entities related to the main shareholder of the parent company

As part of its current activities the Group carries out transactions with other companies related to the main shareholder of the parent company. These operations are measured at regulated tariffs, or at market prices. Attraction and placement of funds in financial organizations related to the main shareholder of the parent company is carried out at market interest rates. Taxes are charged and paid in accordance with the Russian tax legislation.

Revenues from companies related to the main shareholder of the parent company amounted to:

- ▶ 91% of the Group's total revenues for the three months ended 31 March 2023 (for the three months ended 31 March 2022: 89%);
- ▶ 94% of the Group's electricity transmission revenue for the three months ended 31 March 2023 (for the three months ended 31 March 2022: 93%).

Electricity transmission costs and expenses for the purchase of electricity to compensate for technological losses, for companies related to the main shareholder of the parent company, amounted to 86% of the total transmission costs and compensation for losses for the three months ended 31 March 2023 (for the three months ended 31 March 2022: 91%).

As of 31 March 2023, loans and borrowings from banks related to the main shareholder of the parent company amounted to RUB 42 880 000 thousand (31 December 2022: RUB 42 880 000 thousand).

Interest accrued on loans and borrowings from banks related to the main shareholder of the parent company for the three months ended 31 March 2023 amounted to RUB 353 132 thousand (for the three months ended 31 March 2022: RUB 636 707 thousand).

As at 31 March 2023, the balance of cash and cash equivalents placed with banks related to the main shareholder of the parent company amounted to RUB 614 395 thousand (31 December 2022: RUB 709 768 thousand).

As at 31 March 2023, lease liability before the companies related to the main shareholder of the parent company amounted to RUB 3 183 377 thousand (31 December 2022: RUB 3 252 826 thousand).

28. Related party transactions (continued)

c) Transactions with key management personnel

Key management personnel include members of the Board of Directors, the management of the Executive Board, the Revision Committee, and representatives of the Company's top management.

Remuneration of the key management personnel consists of the salary stipulated by the employment contract, non-monetary benefits, as well as bonuses determined based on the results for the period and other payments. Remuneration or compensation to members of the Board of Directors who are government employees is not paid.

The table below represents the amounts of remuneration to key management personnel for the current period recorded as employee remuneration expenses.

	For the three months ended 31 March	
	2023	2022
Short-term employee benefits	216 268	300 294
Termination benefits	4 874	4 996
Changes in end-of-service obligations and other long-term benefits (including pension programs)	195	(665)
	221 337	304 625

The present value of defined benefit obligations recorded in the interim condensed consolidated statement of financial position includes liabilities for key management personnel in the amount of RUB 11 142 thousand (31 December 2022: RUB 10 947 thousand).