Independent Auditor's Report

on the Consolidated Financial Statements
of Public Joint Stock Company
Rosseti South
and its Subsidiaries
for the year ended December 31, 2024

March 2025

Independent Auditor's Report of the Independent Auditor on the Consolidated Financial Statements of Public Joint Stock Company Rosseti South and its Subsidiaries

Table of Contents — Page

Independent Auditor's Report 3

Appendices

Consolidated statement of profit or loss and other comprehensive income 9
Consolidated statement of financial position 10
Consolidated statement of changes in equity 11
Consolidated statement of cash flows 12

Notes to the consolidated financial statements

1. General information 14
2. Basis of preparation of the consolidated financial statements 15
3. Significant accounting policies 18
4. Fair value measurements 29
5. Main subsidiariesof the Company 30
6. Information by segments 30
7. Revenue 35
8. Other income 35
9. Other expenses 36
10. Operating expenses 36
11. Employee benefit expenses 36
12. Finance income and expenses 37
13. Income taxes 37
14. Fixed asssets 39
15. Intangible assets 44
16. Right-of-use assets 45
17. Other financial assets 47
18. Deferred tax assets and liabilities 48
19. Inventories 50
20. Trade and other receivables 50
21. Advances paid and other assets 51
22. Cash and cash equivalents 51
23. Share capital 51
24. Earnings per share 51
25. Borrowings 52
26. Changes in liabilities arising from financing activities 54
27. Employee benefits 56
28. Trade and other payables 57
29. Taxes payable, other than income tax 58
30. Advances received 58
31. Estimated liabilites 58
32. Financial risk and capital management 59
33. Contractual capital commitments 65
34. Contingencies 65
35. Related-party transactions 66
36. Events after the reporting date 69

НОВЫЕ ВЫЗОВЫ
НОВЫЕ РЕШЕНИЯ

LLC "CATR - audit services"
Russia, 115035, Moscow,
Sadovnicheskaya emb., 77, building 1
Tel.: +7 495 705 9700
+7 495 755 9700
Fax: +7 495 755 9701
OGRN: 1027739707203
TIN: 7709383532
OKPO: 59002827
KPP: 770501001

TSATR – Audit Services LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 495 705 9700
+7 495 755 9700
Fax: +7 495 755 9701
www.b1.ru

Independent Auditor's Report of the Independent Auditor

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

Opinion

We have audited the consolidated financial statements of Public Joint Stock Company Rosseti South and its subsidiaries (the “Company”, the “Group”), which comprise the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2024, the consolidated statement of financial position as at December 31, 2024, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year ended December 31, 2024, as well as the notes to the consolidated financial statements, which comprise significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024, and its consolidated financial performance and consolidated cash flows for the year ended December 31, 2024, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Code of Professional Ethics for Auditors and the Rules on Independence of Auditors and Audit Organizations, which are applicable to our audit of the consolidated financial statements in the Russian Federation and the International Code of Ethics for Professional Accountants (including International Standards on Independence) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our 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 matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were considered in the context of our audit of the consolidated financial statements taken as a whole and in forming our opinion on those statements, and we do not express a separate opinion on these matters. For each of the matters described below, our description of how the relevant matter was addressed in our audit is set forth in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including the responsibilities that regard to those matters. Accordingly, our audit included performing procedures designed in response to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed in considering the matters described below, provide a basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**The way the relevant key audit matter was addressed in the course of our audit**
Recognition and measurement of revenue originated from electricity transmission services	
The recognition and measurement of revenue originated from electricity transmission services was one of the most significant matters of our audit due to the specific nature of the electricity market mechanisms; this causes disagreements between electric grid companies, power supply and other companies with respect to the amount and value of electricity transmitted. The amount of revenue disputed by the counterparties is material to the Group's financial statements. The Group's management assesses the likelihood of resolving disagreements in its favor very subjectively. Revenue is recognized when the dispute is resolved in the Group's favor, subject to assumptions. Revenue from electricity transmission services is disclosed in paragraph 7 of the notes to the consolidated financial statements	We reviewed the applied accounting policy in relation to the recognition of revenue from electricity transmission services; we assessed the internal control system for the recognition of this revenue; we checked the determination of the relevant revenue amounts based on the concluded electricity transmission contracts; we obtained confirmation of the accounts receivable balances from counterparties on a sample basis; we analyzed the results of legal proceedings in relation to disputed amounts of services rendered (if any), and we also assessed the current procedures for confirming the amount of electricity transmitted.
Allowance for expected credit losses on trade receivables	
The issue of provision for expected credit losses on trade receivables was one of the most significant for our audit not only due to significant trade receivable balances as of December 31, 2024, but also because management's assessment of the recoverability of these receivables is based on assumptions, in particular, the Group's forecast of customer solvency. The allowance for expected credit losses on trade receivables is disclosed in paragraphs 20 and 32 of the notes to the consolidated financial statements.	We reviewed the Group's accounting policies for reviewing trade receivables for the purpose of establishing an allowance for expected credit losses on trade receivables; and we also reviewed the assessment procedures performed by the Group's management, including review of trade receivables collection, review of maturity and delinquency, and review of customer solvency. We performed audit procedures on the information used by the Group to determine the allowance for expected credit losses on trade receivables, on the ageing and maturity profile of receivables, and we tested the calculation of the amounts of the accrued allowance based on management's estimates.

НОВЫЕ ВЫЗОВЫ
НОВЫЕ РЕШЕНИЯ

Key audit matter	The way the relevant key audit matter was addressed in the course of our audit
Recognition, measurement and disclosure of allowances and contingencies	
Recognition, measurement and disclosure of allowances and contingencies in respect of litigation and claims of counterparties (including territorial electric grid companies and power sales companies) and tax risks were among the most significant matters of our audit due to the fact that they require significant management judgment with respect to significant amounts contested in litigation or in the process of pre-trial settlement. Information on allowances and contingencies is disclosed in paragraphs 31 and 34 of the notes to the consolidated financial statements.	Audit procedures, among others, included the analysis of decisions rendered by courts of various instances and consideration of management judgments regarding the assessment of the probability of an outflow of economic resources due to the resolution of disagreements; also, the above procedures included studying the compliance of the prepared documentation with the provisions of existing contracts and legislation, analysis of disclosure in the notes to the consolidated financial statements of information on allowances and contingencies.
Impairment of non-current assets	
Due to indications of impairment of non-current assets as of December 31, 2024, the Group performed an impairment test. The projected cash flow method was applied to determine the value in use of property, plant and equipment, which represented a significant portion of the Group's non-current assets, as at 31 December 2024. The issue of impairment testing of property, plant and equipment was one of the most significant issues in our audit; this was due to the fact that the balance of property, plant and equipment constituted a significant portion of the Group's total assets at the reporting date and because the process of management's assessment of value in use was complex, largely subjective and relied on assumptions, in particular, on the forecast of electricity transmission volumes, electricity transmission tariffs, and operating and capital expenditures, which depended on expected future market or economic conditions in the Russian Federation. The Group's impairment review of non-current assets is disclosed in paragraphs 14 and 16 of the notes to the consolidated financial statements.	As part of our audit procedures, we evaluated, inter alia, the assumptions and methodologies applied by the Group, particularly those related to projected transmission revenues, tariff decisions, operating and capital costs, long-term tariff growth rates and discount rates. We performed testing of the inputs to the model, and we tested the arithmetic accuracy of the model used to determine the recoverable amount in the fixed asset impairment test. We engaged valuation specialists to analyze the model used to determine the recoverable amount in the fixe asset impairment test. We also analyzed the sensitivity of the model to changes in key valuation figures and the Group's disclosures about the assumptions, on which the results of the impairment test were most dependent.

Other information included in the annual report of Public Joint Stock Company Rosseti South

The other information comprises the information contained in the annual report of Public Joint Stock Company Rosseti South, but excludes the consolidated financial statements and our auditor's report thereon. The management is responsible for the other information. The annual report of Public Joint Stock Company Rosseti South is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information, and no conclusion will be provided by us, which would express any form of assurance on that information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information referred to above when it is made available to us and to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, and to consider whether the other information is otherwise materially misstated. If, based on our work, we conclude that the said other information contains a material misstatement, we are required to report that fact. We are not aware of any such facts.

Responsibilities of the management and the Audit Committee of the Board of Directors for the consolidated financial statements

The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for: assessing the Group's ability to continue as a going concern; disclosing, when appropriate, matters related to going concern; and preparing the financial statements on a going concern basis, except when management intends to liquidate the Group, cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors is responsible for overseeing the Group's consolidated financial reporting process.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high degree of assurance, although it is not a guarantee that an audit conducted in accordance with ISA will detect a material misstatement whenever it exists. Misstatements can result from fraud or error, and misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated (financial) statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and we remain professional skeptics throughout the audit process. In addition, we perform the following:

- identify and assess the risks of material misstatement of the consolidated (financial) statements due to fraud or errors; design and perform audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk that a fraud-induced material misstatement will not be detected is greater than the risk that an error-based material misstatement will not be detected, as fraud may include collusion, forgery, omission, misrepresentation of information or actions bypassing the system of internal control;
- delve into the internal control system that is relevant to the audit for the purpose of developing audit procedures that are appropriate in the circumstances, rather than for the purpose of expressing an opinion on the effectiveness of the Group's internal control system;
- assess the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management and related disclosures;
- conclude how appropriately the management has applied the going concern assumption; and based on the audit evidence obtained, we conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw, in our auditor's report, attention to the related disclosures in the consolidated financial statements; or, if such disclosure is inappropriate, we shall modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. Future events or conditions may, however, cause the Group to be unable to continue as a going concern;
- evaluate the presentation of the consolidated (financial) statements in general, and its structure and content in particular, including information disclosure, and we also evaluate whether the consolidated (financial) statements present underlying transactions and events in such a way that their fair presentation is ensured.
- we plan and perform the audit of the Group to obtain sufficient appropriate audit evidence that is relevant to the financial information of the Group's entities or divisions as a basis for forming an opinion on the consolidated financial statements of the Group. We are responsible for directing, supervising and reviewing the audit work performed for the purpose of the Group's audit. We remain fully responsible for our audit opinion.

We communicate with members of the Audit Committee of the Board of Directors to bring, inter alia, to its attention information about the planned scope and timing of the audit, as well as significant comments on the results of the audit, including significant shortcomings in the internal control system if we identify them in the course of the audit.

НОВЫЕ ВЫЗОВЫ
НОВЫЕ РЕШЕНИЯ

We also provide the Audit Committee of the Board of Directors with a statement that we have complied with all relevant ethical requirements regarding independence and that we have informed those persons of all relationships and other matters that could reasonably be considered to bear on the auditor's independence and, where appropriate, of actions taken to address threats or precautions taken.

Of those matters that we have brought to the attention of the Audit Committee of the Board of Directors, we identify those matters that were of most significance in our audit of the consolidated financial statements of the current period and are, hence, the key audit matters. We describe those matters in our auditor's report unless public disclosure of those matters is prohibited by law or regulation, or when (very rarely) we conclude that a matter should not be disclosed in our report because the adverse consequences of communicating that matter would reasonably be expected to outweigh the public benefit of doing so.

Head of the audit, based on the results of which this independent auditor's report has been issued - Tatyana Leonidovna Okolotina.

Tatyana Leonidovna Okolotina,
acting on behalf of Limited Liability Company
“Center for Audit Technologies and Solutions - Audit Services”
on the basis of power of attorney <unnumbered> dated January 18, 2024,
Head of the audit, based on the results of which the audit report was drawn up (ORNZ 21906110171)

March 15, 2024.

Information about the auditor

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

Information about the auditee

Name: Public Joint-Stock Company ROSSETI South
The record was entered into the Unified State Register of Legal Entities on June 28, 2007, and was assigned the state registration number 1076164009096.
Location: 344002, Russia, Rostov region, urban district Rostov-on-Don, city of Rostov-on-Don, Bolshaya Sadovaya str., 49/42.

(in thousands of Russian rubles, unless otherwise stated)

	Remark	For the year ended December 31 2024	2023
Revenue	7	56 412 429	51 034 446
Operating expenses	10	(51,972,161)	(46,394,416)
(Accrual)/recovery of allowance for expected credit losses		(25,296)	643,709
Net reversal of impairment loss on fixe assets and right-of-use assets	14, 16	6,538,506	184,640
Other income	8	747 348	704 210
Other expenses	9	-	(99 668)
Operating income		**11 700 826**	**6 072 921**
Finance income	12	435 687	352 621
Finance costs	12	(3 709 358)	(2 406 413)
Total finance costs		**(3 273 671)**	**(2 053 792)**
Profit before tax		**8 427 155**	**4 019 129**
Income tax benefit	13	(2 296 036)	(1 004 537)
Profit for the period		**6 131 119**	**3 014 592**
Other comprehensive income			
Items that cannot be reclassified subsequently to profit or loss:			
Changes in fair value of equity investments at fair value through other comprehensive income		(4 283)	20 196
Income tax on other comprehensive income	13	1 071	(4 039)
Remeasurement of defined-benefit pension plans	27	13 171	38 053
Total items that cannot be reclassified subsequently to profit or loss		**9 959**	**54 210**
Other comprehensive income for the period, net of income tax		**9 959**	**54 210**
Total comprehensive income for the period		**6 141 078**	**3 068 802**
Profit attributable to:			
Owners of the Company		**6 131 119**	**3 014 592**
Total comprehensive income attributable to:			
Owners of the Company		**6 141 078**	**3 068 802**
Earnings per share			
Basic and diluted earnings per share (RUB)	24	0.040	0.020

These consolidated financial statements were authorized for issue by the management on March 17, 2025 and signed on behalf of the management by the following persons:

Deputy General Director
for Economics and Finance — K.A. Iordanidi

Acting Chief Accountant — M.V. Petrova

(in thousands of Russian rubles, unless otherwise stated)

	Remark	December 31, 2024	December 31, 2023
Assets			
Non-current assets			
Fixed asssets	14	36 197 446	26 455 748
Intangible assets	15	203 863	212 776
Right-of-use assets	16	962 450	794 463
Non-current trade and other receivables	20	1 067 035	1 298 066
Other non-current financial assets	17	21 856	26 139
Deferred tax assets	18	27 891	373 673
Advances paid and other non-current assets	21	6 583	7 642
Total non-current assets		**38 487 124**	**29 168 507**
Current assets			
Inventories	19	5 125 303	3 147 270
Prepayment of current income tax		207 046	361 397
Trade and other receivables	20	4 947 169	6 423 912
Cash and cash equivalents	22	2 574 076	4 029 964
Advances paid and other current assets	21	4 067 282	6 635 343
Total current assets		**16 920 876**	**20 597 886**
Total assets		**55 408 000**	**49 766 393**
Equity and liabilities			
Equity			
Share capital	23	15 164 143	15 164 143
Reserves		(221 090)	(231 049)
Accumulated loss		(6 213 392)	(12 344 511)
Total equity attributable to owners of the Company		**8 729 661**	**2 588 583**
Non-current liabilities			
Non-current borrowings	25	13 768 544	15 506 210
Non-current trade and other payables	28	568 935	167 799
Employee benefit obligations	27	397 474	284 326
Non-current advances received	30	408 685	462 287
Deferred tax liabilities	18	1 813 313	-
Total non-current liabilities		**16 956 951**	**16 420 622**
Current liabilities			
Current borrowings and current portion of non-current borrowings	25	11 376 447	8 022 172
Trade and other payables	28	8 241 771	10 606 743
Taxes payable, other than income tax	29	1 123 960	1 417 967
Advances received	30	8 709 333	9 980 768
Estimated liabilites	31	259 606	713 562
Current income tax payable		10 271	15 976
Total current liabilities		**29 721 388**	**30 757 188**
Total liabilities		**46 678 339**	**47 177 810**
Total equity and liabilities		**55 408 000**	**49 766 393**

(in thousands of Russian rubles, unless otherwise stated)

	Equity attributable to owners of the Company			
	Share capital	**Other reserves**	**Retained earnings / (accumulated loss)**	**Total equity**
Balance as of January 1, 2024	**15 164 143**	**(231 049)**	**(12 344 511)**	**2 588 583**
Profit for the period	–	–	6 131 119	6 131 119
Net change in fair value of available-for-sale financial assets	–	(4 283)	–	(4 283)
Remeasurement of defined-benefit pension plans	–	13 171	–	13 171
Income tax on other comprehensive income	–	1 071	–	1 071
Total comprehensive income for the period	**–**	**9 959**	**6 131 119**	**6 141 078**
Balance as of December 31, 2024	**15 164 143**	**(221 090)**	**(6 213 392)**	**8 729 661**

	Equity attributable to owners of the Company			
	Share capital	**Other reserves**	**Retained earnings / (accumulated loss)**	**Total equity**
Balance as of January 1, 2023	**15 164 143**	**(285 259)**	**(15 359 103)**	**(480 219)**
Profit for the period	–	–	3 014 592	3 014 592
Net change in fair value of available-for-sale financial assets	–	20 196	–	20 196
Remeasurement of defined-benefit pension plans	–	38 053	–	38 053
Income tax on other comprehensive income	–	(4 039)	–	(4 039)
Total comprehensive income for the period	**–**	**54 210**	**3 014 592**	**3 068 802**
Balance as of December 31, 2023	**15 164 143**	**(231 049)**	**(12 344 511)**	**2 588 583**

(in thousands of Russian rubles, unless otherwise stated)

	Remark	For the year ended December 31 2024	For the year ended December 31 2023
Cash flows from operating activities			
Profit for the period		**6 131 119**	**3 014 592**
Adjustments			
Depreciation and amortization of fixed assets, intangible assets and right-of-use assets	10	2 650 013	2 531 149
Net reversal of impairment loss on fixe assets and right-of-use assets	14, 16	(6 538 506)	(184 640)
Accrual/(recovery) of allowance for expected credit losses	32	25 296	(643 709)
Finance costs	12	3 709 358	2 406 413
Finance income	12	(435 687)	(352 621)
Gain/loss on disposal of fixed assets	8,9	(33 736)	99 668
Other non-cash transactions		66 502	62 840
Income tax expense	13	2 296 036	1 004 537
Total impact of adjustments		**7 870 395**	**7 938 229**
Change in employee benefit obligations		113 148	(5 425)
Change in non-current trade and other receivables		253 272	242 381
Change in non-current advances paid and other non-current assets		1 059	15 131
Change in non-current trade and other payables		401 136	(222 077)
Change in non-current advances received		(53 602)	151 291
Cash flows from operating activities before changes in working capital and estimated liabilities		**8 585 408**	**8 119 530**
Changes in working capital			
Change in trade and other receivables		1 891 009	13 204 826
Change in advances paid and other assets		2 568 061	(5 017 616)
Change in inventories		(1 980 126)	(1 968 328)
Change in trade and other payables		(2 192 965)	(10 820 666)
Use of estimated liabilities		(453 956)	(175 240)
Change in advances received		(1 271 435)	7 397 476
Cash flows from operating activities before income tax and interest paid		**7 145 996**	**10 739 982**
Income tax paid		(312 888)	(611 439)
Interest paid on lease agreements	26	(55 542)	(69 813)
Interest paid	26	(3 995 874)	(2 373 517)
Net cash flows from operating activities		**2 781 692**	**7 685 213**
Cash flows from investing activities			
Purchases of fixed assets and intangible assets		(6 017 555)	(5 417 650)
Proceeds from sale of fixed and intangible assets		4 413	862
Interest received		299 548	165 191
Net cash used in investing activities		**(5 713 594)**	**(5 251 597)**

(in thousands of Russian rubles, unless otherwise stated)

	Remark	For the year ended December 31 2024	2023
Cash flows from financing activities			
Attraction of borrowings	26	11 048 743	13 711 986
Repayment of borrowings	26	(9 479 694)	(13 728 953)
Payments on lease obligations	26	(93 035)	(49 351)
Net cash provided by/(used in) financing activities		**1 476 014**	**(66 318)**
Net change in cash and cash equivalents		**(1 455 888)**	**2 367 298**
Cash and cash equivalents at the beginning of the reporting period		**4 029 964**	1 662 666
Cash and cash equivalents at the end of the reporting period	22	**2 574 076**	**4 029 964**

1. General information

The Group and its activities

The principal activity of PJSC ROSSETI South (the "Company" or PJSC ROSSETI South) and its subsidiaries (together referred to as the "Group" or "ROSSETI South Group") is the provision of electricity transmission and distribution services via power grids, provision of services related to technological connection of consumers to the grid, as well as sale of electricity to end consumers in the Republic of Kalmykia.

Notes 7 and 10 disclose revenues and operating expenses from these activities.

The ultimate parent company is PJSC ROSSETI.

The location of PJSC ROSSETI South is: 344002, Russia, Rostov region, urban district Rostov-on-Don, city of Rostov-on-Don, Bolshaya Sadovaya str., 49/42.

Information on the structure of the Group is disclosed in Note 5 "Main Subsidiaries of the Company".

Information on the Group's relationships with other related parties is disclosed in Note 35 "Related Party Transactions".

Relationship with the Government. Ultimate parent company

The Government of the Russian Federation represented by the Federal Agency for State Property Management is the ultimate controlling party of the Company (the "parent Company's major shareholder"). The Government of the Russian Federation's economic, social and other policies may impact significantly on the Group's operations.

The Government 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) include a significant number of companies related to the major shareholder of the parent company.

Following the reorganization in 2023, the parent company of the Group is Public Joint Stock Company Federal Grid Company-Rosseti.

The abbreviated corporate name of the Group's ultimate parent company is PJSC ROSSETI.

Prior to the reorganization, the ultimate parent company of the Group was Public Joint Stock Company RUSSIAN GRIDS. The extraordinary general meeting of shareholders of Public Joint Stock Company RUSSIAN GRIDS held on September 16, 2022, decided to reorganize Public Joint Stock Company RUSSIAN GRIDS in the form of a merger with a subsidiary, Public Joint Stock Company Federal Grid Company-Rosseti, in accordance with the procedure and on the terms and conditions stipulated in the merger agreement.

On January 9, 2023, information on the termination of the activities of the Public Joint Stock Company RUSSIAN GRIDS through reorganization in the form of a merger with the Public Joint Stock Company "Federal Grid Company - Rosseti" has been entered into the Unified State Register of Legal Entities.

The economic environment, in which the Group operates

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

The economy of the Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Ongoing geopolitical tensions and sanctions imposed by a number of countries on certain sectors of the Russian economy, Russian entities and individuals continue to have a negative impact on the Russian economy.

In 2024, external sanctions against Russian companies and individuals are still in effect. These circumstances have resulted in fluctuations in the exchange rate of the Russian ruble, increased volatility in the financial and commodity markets, and have significantly increased the level of uncertainty in the business environment in the Russian Federation. The extent and duration of these events remain uncertain and could affect the Group's financial position and results of operations. The future economic situation in the Russian Federation is dependent on external factors and measures taken by the Government of the Russian Federation. The Group is taking all necessary measures to ensure sustainability of its operations.

These consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future effects of the current economic environment and the above measures are difficult to predict, and management's current expectations and estimates may differ from actual results.

Functional and presentation currency

The national currency of the Russian Federation is the Russian Ruble (“RUR” or “RUB”), which has been determined by the Group entities as the functional currency and selected by the Group as the presentation currency for the consolidated financial statements. All financial information presented in RUB has been rounded to the nearest thousand, unless otherwise indicated.

2. Basis of preparation of the consolidated financial statements

Statement of compliance with IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Each entity of the Group maintains its own individual accounting records and prepares its statutory financial statements in accordance with Russian Accounting Standards ("RAS”). These consolidated financial statements have been prepared from RAS accounting records adjusted and reclassified for the purpose of fair presentation in accordance with IFRS.

New standards, clarifications and amendments to current standards

The Group has adopted amendments and revisions to standards, which are mandatory and have been approved for application in the Russian Federation for annual periods beginning on or after January 1, 2024:

- Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities into Current and Non-current Liabilities and Non-current Liabilities with Covenants. The amendments clarify the requirements for classifying liabilities as current or non-current, including non-current liabilities with covenants. The amendments also clarify the requirements for an entity to disclose additional information about liabilities that arise from a loan agreement.
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Vendor Financing Arrangements. The amendment clarifies the characteristics of vendor financing arrangements (reverse factoring transactions) and the requirements for additional disclosures about such arrangements.
- Amendments to IFRS 16 Leases - Lease Liabilities in a Sale and Leaseback Transaction. The amendment clarifies the accounting requirements for lease liabilities that arise from a sale and leaseback transaction.
- Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar 2 Model Rules (issued on June 4, 2024 and effective from the date of official publication on July 5, 2024). The amendments clarify the rules for disclosures and application of exemptions.

The impact of the adoption of the amendments to standards did not impact significantly on these consolidated financial statements.
New standards and interpretations have been published, which are mandatory for annual periods that begin on or after January 1, 2025, and the Group intends to adopt the standards and amendments when they become effective.

No material impact on the Group's consolidated financial statements is expected:

- Lack of possibility to exchange currencies. Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates (introduced in the Russian Federation by Executive Order of the Ministry of Finance of the Russian Federation dated 04.06.2024 No. 77n and are effective for annual periods that begin on or after January 1, 2025).

- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - "Amendments to Classification and Measurement of Financial Instruments" that are effective on or after January 1, 2026 (issued on May 30, 2024).
- IFRS 19 Non-public Subsidiaries: Disclosures, which will be effective for annual periods beginning on or after January 1, 2027 (issued on May 9, 2024).
- Annual Improvements to IFRS Financial Reporting Standards - Volume 11:
- Amendments to IAS 7 – Historical Cost Accounting;
- Amendments to IFRS 9 - Derecognition of Lease Obligations;
- Amendments to IFRS 10 - Definition of a De Facto Agent;
- Amendments to IFRS 7 - Disclosure of Deferred Differences between Fair Value and Transaction Price;
- Amendments to IFRS 7 - Gain or Loss on Derecognition;
- Amendments to IFRS 1 – Hedge Accounting by First-Time Adopters;
- Amendments to IFRS 7 Implementation Guide - Introduction;
- Amendments to IFRS 7 - Credit Risk Disclosures; Amendments to IFRS 9 - Transaction Price.

The Group is in the process of assessing the impact of the changes in presentation and in the process of providing disclosures in the consolidated financial statements:

- IFRS 18, Presentation and Disclosures in Financial Statements (issued on April 9, 2024, and effective for annual periods beginning on or after January 1, 2027). IFRS 18 supercedes IAS 1.

Going Concern

The Group's 2024 consolidated financial statements have been prepared on a going concern basis, which implies that the Group is able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Basis for determining the cost

These consolidated financial statements have been prepared on the historical cost basis, except for financial assets measured at fair value through other comprehensive income.

Changes in presentation. Reclassification of comparative information

Certain prior period amounts in comparative information have been reclassified to make them comparable to the current period's presentation. All reclassifications made are immaterial.

Use of estimates and professional judgments

The preparation of consolidated financial statements in conformity with IFRS requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

The management continually reviews the estimates and assumptions it makes based on experience and other factors used to determine the recorded amounts of assets and liabilities. Changes in estimates and assumptions are recognized either in the period in which they are made, if the change affects only that period, or in the period to which the change relates and in subsequent periods if the change affects both that period and future periods.

The following professional judgments have the most significant effect on the amounts recognised in the consolidated financial statements, estimates and assumptions that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year:

Depreciation of fixed assets, intangible assets and right-of-use assets

At each reporting date, the management assesses whether there is any indication of impairment of fixed assets, intangible assets and right-of-use assets. Impairment indicators include changes in business plans, tariffs, other factors that lead to unfavorable consequences for the Group's operations. In making value-in-use calculations, the Group estimates the expected cash flows from cash-generating units and calculates a discount rate to calculate the present value of those cash flows. A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The primary criterion for determining a CGU is that it is indivisible and cannot be further disaggregated for accounting and planning purposes.

Determination of lease term for lease contracts with an option to renew or an option to terminate the lease, with the Group as lessee

The Group defines the lease term as the non-cancellable period of the lease together with periods subject to an option to renew if there is reasonable assurance that it will be exercised, or periods in respect of which an option to terminate the lease is provided, if there is reasonable assurance that it will not be exercised.

The Group considers the following factors in making its judgement to assess whether the Group has reasonable certainty of exercising an option to renew or an option to terminate the lease in determining the lease term:

- whether the leased facility is a specialized facility;
- the location of the facility;
- whether the Group and the lessor have a practical ability to choose an alternative counterparty (the choice of an alternative asset);
- costs associated with terminating the lease and concluding a new agreement to replace the previous one;
- significant leasehold improvements.

Impairment of receivables

Provision for expected credit losses on receivables is based on management's assessment of the likelihood of collection of specific receivables from specific debtors. For the purpose of estimating credit losses, the Group consistently considers all reasonable and supportable information about past events, current and forecasted events, which is available without undue effort and is relevant to the estimation of receivables. Past experience is adjusted on the basis of currently available data to reflect current conditions that did not affect prior periods and to eliminate the effects of past conditions that no longer exist.

Non-state pension liabilities

The cost of the defined-benefit pension plan and the related pension expense are determined using actuarial calculations. Actuarial valuations involve the use of assumptions regarding demographic and financial data. This is a long-term program, so there are significant uncertainties inherent in the said valuations.

Recognition of deferred tax assets

The management assesses deferred tax assets at each reporting date and determines the amount to recognize to the extent that it is probable that tax benefits will be utilized. In determining future taxable income and the amount of tax benefits, the management uses estimates and judgments based on prior years' taxable income and expectations of future income that are reasonable under the circumstances.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Amendments to existing standards effective for annual periods beginning January 1, 2024 did not have a material impact on these consolidated financial statements of the Group.

Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls a subsidiary when the Group is exposed to risks associated with, or has rights to, variable returns from its involvement with the investee and when it has the ability to use its power over the investee to influence the amount of that return. The financial statements of subsidiaries are included in the consolidated financial statements from the date that the said control commences until the date that control ceases.

Accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Business combinations

The acquisition method of accounting is used to account for business combinations as of the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as follows:

- the fair value of the consideration transferred; plus
- the amount of non-controlling interest recognized in the acquiree; plus
- the fair value of the existing equity interest in the acquiree, if the business combination was achieved in stages; less
- the net recognized amount (generally fair value) of the identifiable assets acquired less liabilities assumed.

If this difference is negative, a bargain purchase gain is recognized immediately in profit or loss.

Consideration transferred does not include amounts related to the settlement of pre-existing relationships. The said amounts are generally recognized in profit or loss.

Excluding costs associated with the issue of debt or equity securities, all other transaction costs incurred by the Group as a result of a business combination are expensed as incurred.

Any contingent consideration is recognized at fair value at the acquisition date. If the contingent consideration is classified as part of equity, it is not subsequently remeasured, and settlement is accounted for within equity. Otherwise, changes in the fair value of the contingent consideration are recognized in profit or loss.

Acquisitions of a group of assets and liabilities that do not meet the definition of “business acquisitions” under IFRS 3 Business Combinations are accounted for based on the respective fair values of all identifiable assets and liabilities at the acquisition date.

Non-controlling interests

Non-controlling interests are the results of operations and capital of subsidiaries that are attributable to equity interests that the Company does not directly or indirectly own. Non-controlling interests represent a separate component of the Group's equity.

Non-controlling interest is measured at acquisition date on a transaction-by-transaction basis:

- at fair value; or
- as the share of the net assets of a subsidiary owned by non-controlling owners (proportionate to the value of net assets).

The following are recognised by the Group as equity transactions and directly within equity:

- the difference between the consideration transferred for the acquisition of non-controlling interest, and its carrying amount;
- the difference between the consideration received for the sale of non-controlling interest, and its carrying amount.

The non-controlling owners' share in the profit (loss) and total comprehensive income of a subsidiary for the reporting period is calculated based on the profit (loss) of the period, the amount of other comprehensive income and the non-controlling owners' share in the capital of the subsidiary. If a subsidiary's financial performance for the reporting period is a loss, the total comprehensive income is attributed in full to the owners of the parent company and to the non-controlling owners, even if this results in the non-controlling interest having a deficit balance.

Transactions eliminated on consolidation

In preparing the consolidated financial statements, intra-group balances and transactions, and unrealized gains and losses resulting from intra-group transactions, are eliminated. Unutilized gains on transactions with investees accounted for using the equity method are eliminated by reducing the cost of the investment to the extent of the Group's interest in the relevant investee. Unutilized losses are eliminated in the same way as unutilized gains, but only to the extent that they do not constitute evidence of impairment.

Financial instruments

Financial assets

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

Financial assets are classified as measured at amortized cost when the following conditions are met: the asset is held within a business model whose objective is to hold assets to collect the contractual cash flows, and the contractual terms of the asset are contractually required to produce cash flows that are solely payments of principal and interest on the outstanding principal amount of the debt.

The Group includes the following financial assets in the category of financial assets measured at amortized cost:

- trade and other receivables that meet the definition of financial assets when the Group has no intention of selling them immediately or in the near term;
- bank deposits that do not meet the definition of cash equivalents;
- promissory notes and bonds not held for trading;
- loans receivable;
- cash and cash equivalents.

A provision for expected credit losses (“ECL”) is established for financial assets classified as measured at amortized cost.

Upon derecognition of financial assets at amortized cost and at fair value through profit or loss, the Group recognises in the consolidated statement of profit or loss and other comprehensive income (through profit or loss) the financial result from their disposal, which is equal to the difference between the fair value of the consideration received and the carrying amount of the asset.

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

- are not designated as at fair value through profit or loss; and that
- do not give the Group control, joint control or significant influence over the investee entity.

On derecognition of equity instruments of other companies classified at the Group's discretion as at fair value through other comprehensive income, the previously recognized components of other comprehensive income are transferred from the fair value provision to retained earnings.

Within the category of financial assets at fair value through profit or loss, the Group includes
– assets held for trading (acquired by the Group principally for the purpose of selling them in the near term and generating a profit from favorable fluctuations in market prices);
– derivative financial assets;
– other financial assets that are not designated by the Group in any of the above categories.

Impairment of financial assets

Impairment provisions are measured based on either 12-month ECLs that result from possible defaults within 12 months after the reporting date or lifetime ECLs, which are the result of all possible events of default over the expected life of the financial instrument.

For trade receivables or contract assets that arise from transactions within the scope of IFRS 15 *Revenue from Contracts with Customers* (including those with a significant financing component) and lease receivables, the Group applies a simplified approach to measuring the allowance for expected credit losses, namely, an estimate that is equal to the expected credit losses for the full term.

Allowances for impairment of other financial assets classified as measured at amortized cost are estimated based on 12-month ECLs, unless there has been a significant increase in credit risk since recognition. The allowance for expected credit losses on a financial instrument is estimated at each reporting date at an amount that is equal to the expected credit losses for the whole term if the credit risk on this financial instrument has increased significantly since initial recognition, in view of all reasonable and supportable information, including forecasts.

The Group considers the following as indicators of a significant increase in credit risk: actual or expected difficulties of the issuer or debtor with respect to the asset; actual or expected breach of contract terms; expected revision of contract terms due to financial difficulties of the debtor on terms unfavorable for the Group, which it would not agree to under other circumstances.

Based on normal credit risk management practice, the Group defines default as the inability of a counterparty (issuer) to fulfill its obligations (including repayment of contractual cash flows) due to a significant deterioration in its financial position.

A credit loss from impairment of a financial asset is recognized through the recognition of an allowance for impairment. In respect of a financial asset carried at amortized cost, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of expected future cash flows after discounting them at the original effective interest rate.

If, in a subsequent period, the credit risk on a financial asset decreases as a result of an event occurring after the loss was recognized, the previously recognized impairment loss is reversed by reducing the related allowance for impairment.

Financial liabilities

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

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

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

Loans and borrowings (borrowed funds) are initially recognized at fair value plus transaction costs that are directly attributable to the issue of the funds. If the fair value differs materially from the transaction price, it is determined taking into account the prevailing market interest rates for similar instruments. In subsequent periods, borrowings are stated at amortized cost using the effective interest method; any difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss as interest expense over the period of the borrowings.

If borrowing costs were not related to the acquisition or construction of qualifying assets, they are expensed in the reporting period in which they are incurred. Costs related to borrowings that relate to the acquisition or construction of assets that are expected to be used over a substantial period of time (qualifying assets) are capitalised as part of the cost of the asset. Capitalization occurs when the Group

- incurs expenditures for qualifying assets;
- incurs borrowing costs; and when the Group
- is engaged in activities that involve preparing assets for their use or sale.

Capitalization of borrowing costs continues up to the date when the assets are available for use or sale. The Group capitalizes borrowing costs that could have been avoided if it had not incurred the costs of qualifying assets. Borrowing costs are capitalized on the basis of the Group's average funding cost (the weighted average interest cost attributable to the expenditure incurred on qualifying assets), except for borrowing costs that are incurred directly for the purpose of obtaining a qualifying asset. Actual costs of targeted borrowings are capitalized after reduction by the amount of investment income from temporary investment of loans.

Accounts payable are accrued when a counterparty performed its obligations under the contract. Accounts payable are recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Fixed asssets

Recognition and measurement

Items of fixed assets are stated at cost less accumulated depreciation and impairment losses. The historical cost of fixed assets as at January 1, 2007 (the date of transition to IFRS) was determined based on their fair value (deemed cost) at that date.

The historical cost includes all costs that are directly attributable to the acquisition of the asset. The historical cost of the assets that were constructed independently includes the cost of materials, direct labor, any other costs that are directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized interest on borrowings. Costs of acquiring software that is integral to the functionality of the related equipment are capitalized as part of the cost of that equipment.

Where an item of fixed assets comprises major individual components, useful lives of which differ, each component is accounted for as a separate item (major component) of fixed assets.

Any gain or loss on disposal of an item of fixed assets is determined by comparing the proceeds from disposal with the carrying amount of fixed assets, and it is recognized net in profit or loss, under "Other income", "Other costs".

Subsequent costs

The cost of replacing a part (major component) of an item of fixed assets increases the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in the consolidated statement of profit or loss and other comprehensive income as incurred.

Depreciation

Each component of an item of fixed assets is depreciated from the date it is available for use on a straight-line basis over its estimated useful life, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the lease term. Land is not depreciated.

Useful lives expressed in years by type of fixed assets are as follows:

- buildings and structures 7-105 years;
- power transmission networks 5-59 years;
- equipment for electricity transmission 2-74 years;
- other assets 3-100 years.

Impairment

At each reporting date, the management assesses whether there is any indication of impairment of fixed asssets.

An impairment loss is recognized when the carrying amount of an asset or its related cash-generating unit exceeds its estimated (recoverable) amount. The recoverable amount of an asset or cash-generating unit is either the asset's (unit's) value in use or its fair value less costs to sell (whichever is greater).

For the purpose of impairment testing, assets that cannot be individually verified are grouped into the smallest group that generates cash inflows from the continuing use of the assets; and those inflows are largely independent of the cash inflows from other assets or groups of assets (a "cash-generating unit").

The Group's total (corporate) assets do not generate independent cash flows and they are utilized by more than one cash-generating unit. The cost of a corporate asset is allocated to the units on a reasonable and consistent basis and is tested for impairment as part of the testing of the unit to which the corporate asset is allocated.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Amounts written off against goodwill impairment losses are not reversed. In respect of other assets, impairment losses recognized in prior periods are reviewed at each reporting date in order to determine whether there is any indication that the loss has decreased or no longer exists.

Amounts written off for impairment losses are reversed if there has been a change in the valuation factors used to calculate the recoverable amount. An impairment loss is reversed no more than the amount that allows the asset to be restored to its carrying amount (less accumulated depreciation) if the impairment loss had not been recognized.

Intangible assets

Primarily, intangible assets consist of capitalized computer software and licenses. Acquired computer software and licenses are capitalized on the basis of the costs incurred to acquire and bring them to use.

Research costs are expensed as incurred. Development costs are recognized as intangible assets only when the Group can demonstrate the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale; Group's intention to create the intangible asset and to use or sell it; the way the intangible asset would generate future economic benefits; the availability of resources to complete the development; and the ability to measure reliably the expenditure incurred during the development. Other development costs are expensed as incurred. Development costs that have previously been expensed are not recognised as assets in a subsequent period. The carrying amount of development costs is reviewed annually for impairment.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their useful lives. At each reporting date, the management assesses whether there is any indication that intangible assets may be impaired. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value of the asset less costs to sell.

Goodwill (“negative goodwill”) arises on the acquisition of subsidiaries, associates and joint ventures. With respect to the measurement of goodwill at initial recognition, goodwill is recognized net of impairment losses. In respect of associates, the amount of goodwill relating to them is recognised as part of the carrying amount of the related investment in the associate; and when impairment of the said investment is recognised, the said amount is not allocated to any assets that form the carrying amount of the investment in associates, including goodwill.

Lease

At the time of entering into a contract, the Group assesses whether the contract is a lease, in whole or in part. A contract or its components is a lease if the contract conveys the right to control the use of an identified asset for a specified period in exchange for consideration.

Right-of-use assets are initially measured at initial cost and amortized to the end of the lease term. The initial cost of a right-of-use asset comprises the initial measurement of the lease liability, lease payments made before or at the commencement date of the lease, and initial direct costs. After recognition, right-of-use assets are carried at initial cost less any accumulated depreciation and any accumulated impairment losses. Right-of-use assets are presented separately in the consolidated financial statements.

The lease liability is initially measured at the present value of the lease payments, which are outstanding at the commencement date and are subsequently measured at amortized cost with interest expense recognized in finance costs in the consolidated profit and loss statements. Lease liabilities are presented in the consolidated financial statements within current and non-current borrowings.

The Group recognizes lease payments under short-term leases as an expense on a straight-line basis over the lease term.

For an individual lease, the Group may elect to characterise the contract as a low-value lease and recognise the lease payments under the said contract as an expense on a straight-line basis over the lease term.

Advances paid

Advances paid are classified as non-current assets if the advance relates to the acquisition of an asset that will be classified as non-current on initial recognition. Advances paid to acquire an asset are included in its carrying amount when the Group obtains control over the asset and it is probable that the economic benefits associated with its use will flow to the Group.

Inventories

Inventories are stated either at cost or at net realizable value (whichever is lower). Cost is determined on the weighted average basis and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price of an item of inventory in the ordinary course of business of the Group less the estimated costs of completing the item and selling it.

Reserves intended to ensure work aimed at preventing and eliminating accidents (emergency situations) at power grid facilities (emergency reserve) are included in the “Inventories” item.

Value added tax

Value added tax arising from the sale of products shall be transferred to the state budget on the earlier of (a) the date of receipt of payment from buyers or (b) the date of delivery of goods or services to the buyer. Input VAT is recoverable against output VAT upon receipt of an invoice. VAT related to advances received and advances paid, VAT recoverable and VAT prepayments are recognized in advances paid and other assets on a net basis. Amounts of VAT payable to the budget are disclosed separately within current liabilities. Where allowance has been made for expected credit losses on receivables, the entire amount of doubtful debts, including VAT, is reserved.

Employee benefits

Defined-benefit programs

A defined-benefit plan is a post-employment benefit plan that differs from a defined contribution plan. The liability recognized in the consolidated financial statements in respect of defined-benefit plans is the present value of the liabilities at the reporting date.

The discount rate is the year-end rate of return on government bonds that have maturities that approximate the terms of the Group's related obligations and are denominated in the same currency as the benefits expected to be paid. These calculations are made annually by a qualified actuary who uses the projected unit credit method of accruing future benefits.

Remeasurements of the net defined-benefit liability, including actuarial gains and losses, and the effect of applying the asset ceiling (excluding interest, if any) are recognized immediately in other comprehensive income. The Group determines the net interest cost on the net defined-benefit liability for the period by applying the discount rate used to measure the defined-benefit obligation at the beginning of the annual period to the net defined-benefit liability at that date, taking into account any changes in the net defined-benefit liability during the period as a result of contributions and benefits. Net interest and other expenses related to defined-benefit plans are recognized in profit or loss. The Group's actuarial total (corporate) assets and profits or losses that arise from changes in actuarial assumptions are recognized in other comprehensive income/cost.

When benefits under a plan are changed or curtailed, the resulting change in benefits that relate to past service or the profit or loss on the curtailment is recognised immediately in profit or loss. The Group recognizes a profit or loss on settlement of the plan liabilities when the settlement occurs.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than defined-benefit plans is the amount of future benefits that employees have earned in the current and prior periods. The said future benefits are discounted to determine their present value. The discount rate is the market yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and are denominated in the same currency, in which the benefits are expected to be paid. To measure the liabilities, the projected unit credit method is used. Remeasurements are recognized in profit or loss in the period, in which they occur.

Short-term benefits

No discounting is applied in determining the liability for short-term employee benefits, and the related expense is recognized as soon as the employees perform their duties.

For amounts expected to be paid under a short-term bonus or profit-sharing plan, a liability is recognised if the Group has a present legal obligation to pay the amount or a constructive obligation resulting from the employee's past performance and if the amount of the obligation can be measured reliably and if an outflow of economic benefits is probable.

Income taxes

Income tax expense includes current income tax for the current period and deferred tax. Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to business combinations, transactions recognized in other comprehensive income or directly in equity.

Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. eferred tax is not recognized for:

- taxable temporary differences arising on the initial recognition of goodwill;
- temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or tax loss;
- temporary differences associated with investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences, and temporary differences will likely not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred tax is measured at the tax rates that are expected to apply in the future when the temporary differences reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax, the Group considers the impact of uncertainty regarding tax positions and whether additional taxes, fines and penalties may be assessed. The Group provides for tax based on an assessment of many factors, including interpretations of tax laws and regulations and historical experience. The said assessment is based on assumptions and may involve a number of judgments with regard to future events. If new information becomes available, the Group may revise its judgment regarding the amount of tax liabilities for prior periods; such changes in tax liabilities will affect the income tax expense in the period, in which the judgment is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current income tax assets and liabilities against each other and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities, but those entities intend to settle current tax liabilities and assets on a net basis or their tax assets will be realized simultaneously with the settlement of their tax liabilities.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences only to the extent that taxable profit will likely be available, against which the related deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that the realization of the relevant tax benefits is no longer probable.

Estimated liabilites

An estimated liability is recognised when the Group has a present legal or constructive obligation as a result of a past event, the amount of which can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the estimated liability is determined by discounting expected cash flows at a pre-tax rate that reflects current market assessments of the impact of changes in the time value of money and the risks inherent in the obligation. The increase in the estimated liability over time is recognized as a financing cost.

Share capital

Ordinary shares and preference shares that are not mandatorily redeemable at the option of the holders are classified as equity.

Treasury shares

Where any Group's company purchases the Company's shares (treasury shares), the amount paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are canceled, reissued or disposed of. Where the said shares are subsequently reissued or sold, amounts received, net of directly attributable transaction costs and the related tax charge, are included in equity that is attributable to equity holders of the Company.

Reserves within equity include

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

Financial assets revaluation reserve.

Note 32 describes valuation techniques for financial assets at fair value through other comprehensive income, as well as the procedure of derecognition of these financial assets.

Revaluation reserve for the net defined-benefit liability.

Actuarial profits and losses recognized in the net defined-benefit liability remeasurement reserve are calculated by a qualified independent actuary in accordance with the requirements of IAS 19 *Employee Benefits*.

Retained earnings. Dividends

Retained earnings (uncovered loss) reflect the net profit (loss) on an accrual basis since the beginning of the Group's operations, which has not been distributed to shareholders or utilized in any other manner.

Dividends are recognized as a liability and excluded from equity at the reporting date when only they are declared (approved by shareholders) on or before the reporting date. Dividends are disclosed when they are declared after the reporting date but before the consolidated financial statements are authorized for issue.

Revenue from contracts with customers

The Group recognizes revenue when (or as) the performance obligation is satisfied by transferring the promised good or service (i.e. the asset) to the customer. An asset is transferred when (or as) the customer obtains control of that asset.

When (or as) the performance obligation is satisfied, the Group recognizes revenue at the amount that the Group expects to receive in exchange for transferring the promised assets to the customer, excluding VAT.

Electric power transmission

Revenue from electric power transmission is recognized over the period (billing month) and is measured using the output method (cost of electricity volumes transmitted).

Tariffs for electric power transmission services are approved by the executive authorities of the constituent entities of the Russian Federation in the field of state regulation of tariffs.

Sales of electricity and capacity

Revenue from electric power sales is recognized over the period (billing month) and is measured using the output method (cost of electricity volumes transmitted).

Electricity is sold to consumers in the retail electricity and capacity markets at regulated prices (tariffs) established by the executive authorities of the constituent entities of the Russian Federation in the field of state tariff regulation.

Services on technological connection to power grids

Revenue from grid connection services represents a non-refundable fee for connection of customers to power grids. The Group transfers control over the service at a certain point in time (when the customer is connected to the grid or, for certain categories of customers, when the Group ensures that the customer is able to connect to the grid) and therefore fulfills a performance obligation at a certain point in time.

Payment for technological connection under an individual project, standardized tariff rates, rates of payment per unit of maximum capacity and formulas of payment for technological connection are approved by the Regional Energy Commission (Department of Prices and Tariffs of the relevant region), and they do not depend on revenue from the provision of electric power transmission services. The fee for technological connection to the unified national (all-Russian) electric grid shall be and is approved by the Federal Antimonopoly Service.

The Group applied the judgment that technological connection is a separate performance obligation, which is recognized when the related services are rendered. The technological connection contract does not contain any further obligations after the connection services have been rendered. In accordance with established practice and laws that govern the electricity market, technological connection and transmission of electricity are separately negotiated with different customers as different services with different commercial purposes without connection in pricing, intentions, recognition or types of services.

Other revenue

Revenue from other services (maintenance and repair services, consulting and organizational and technical services, communication and information technology services, other services) and revenue from other sales is recognized when the customer obtains control of the asset.

Trade receivables

Receivables represent the Group's right to consideration, which is unconditional (i.e. the timing of when such consideration becomes due is determined solely by the passage of time). The accounting policy for trade and other receivables is set out in the Financial Assets section.

Contractual liabilities

A contractual liability is an obligation to transfer goods or services to a customer, for which the Group has received consideration (or for which consideration is payable) from the customer. If the customer pays the consideration before the Group transfers the goods or services to the customer, a contractual liability is recognized when the payment is made or when the payment becomes due and payable (whichever is earlier). Contractual liabilities are recognized as revenue when the Group fulfills its contractual obligations. The Group recognizes contractual obligations with customers under “Advances Received” inclusive of value added tax (VAT).

Primarily, advances received represent deferred income on contracts for technological connection and construction services.

Advances received are analyzed by the Group to determine whether there is a financial component. Where there is a lag of more than 1 year between the receipt of advances and the transfer of promised goods and services for reasons other than providing financing to a counterparty (for grid connection contracts), no interest expense is recognized on advances received. The said advances are recorded at the fair value of assets received by the Group from customers on a prepayment basis.

Finance income and expenses

Financial income includes: interest income on invested funds; dividend income; profit from the disposal of financial assets measured at fair value and measured at amortized cost; the effect of discounting financial instruments. Interest income is recognized in profit or loss as it arises and its amount is calculated using the effective interest method. Dividend income is recognized in profit or loss when the Group's right to receive the payment is established.

Financial expenses include: interest expenses on borrowed funds, lease obligations; losses from the disposal of financial assets measured at fair value and measured at amortized cost; the effect of discounting financial instruments. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Government grants

Grants provided by the government are recognized at fair value where there is reasonable assurance that the grant will be received and all conditions precedent for receipt of such grant will be met.

Government grants related to the acquisition of fixed assets are included in non-current liabilities as deferred income, and they are charged to profit or loss over the expected useful lives of the related assets as such assets are depreciated.

In the consolidated statement of cash flows, grants related to the acquisition of fixed assets are included in cash flows from financing activities.

Government grants that are allocated to costs are recognized in profit or loss (in other income) over the period corresponding to the time when the costs to be compensated are incurred.

Government grants that are receivable as compensation for expenditure already incurred or that are receivable to provide immediate financial support without any future related expenditure are recognised in profit or loss in the period, in which they become receivable.

Government grants that compensate the Group for electricity tariffs (revenue shortfalls) are recognized in the consolidated statement of profit or loss and other comprehensive income (within other income) in the same periods, in which the related revenue is recognized.

Social contributions

When the Group's contributions to social programs benefit the community at large rather than being limited to payments to the Group's employees, they are recognized in profit or loss as incurred. The costs incurred by the Group in funding social programs, without any future commitments to do so, are recognized in the consolidated statement of profit or loss and other comprehensive income as incurred.

Earnings per share

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

4. Fair value measurements

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

Fair value is the price that would be received if an asset were sold or that would be paid if a liability were transferred in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the market that is principal to the asset or liability or, in the absence of a principal market, in the market that is most advantageous to the asset or liability.

(in thousands of Russian rubles, unless otherwise stated)

In estimating the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair value measurements are categorized within different levels of the fair value hierarchy depending on the inputs used in the respective valuation techniques:

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

If the inputs used to measure the fair value of an asset or liability can be categorized into different levels of the fair value hierarchy, the fair value measurement as a whole is categorized within the level of the hierarchy that contains the lowest-level input that is significant to the entire measurement.

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

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

5. Main subsidiariesof the Company

The consolidated financial statements of the Group as of December 31, 2024 and December 31, 2023 include the Company and its subsidiaries owned (founded) by the Company:

		Share of ownership, %	
	Country of incorporation	**December 31, 2024**	**December 31, 2023**
JSC Energetik Recreation Base	Russian Federation	100	100
JSC Energoservice of the South	Russian Federation	100	100
JSC VMES	Russian Federation	100	100

6. Information by segments

The Management Board of PJSC ROSSETI South is the chief operating decision maker.

The internal management reporting system is based on segments (branches organized on a territorial basis) related to electricity transmission and distribution, technological connection to power grids and sale of electricity to end consumers in a number of regions of the Russian Federation.

The Management Board of PJSC ROSSETI South assesses the performance, assets and liabilities of the operating segments on the basis of internal management reports prepared on the basis of data compiled in accordance with Russian Accounting Standards.

EBITDA is used to reflect the performance of each reportable segment: profit or loss before interest expense, taxation, depreciation and amortization (taking into account current accounting and reporting standards in the Russian Federation) and net accrual/(recovery) of impairment loss on fixed assets and right-of-use assets (based on IFRS). This procedure for determining EBITDA may differ from that used by other companies. The management believes that EBITDA calculated in this manner is the most representative measure of the performance of the Group's operating segments.

For the purposes of presenting a reconciliation of EBITDA to the consolidated profit for the previous period, the net impairment charge for fixed assets and right-of-use assets has been moved from the adjustments section to the second section in the comparative information.

In accordance with the requirements of IFRS 8, the following reportable segments have been identified based on segment revenue, EBITDA and total assets reported to the Management Board:

- Kalmenergo, a branch of PJSC ROSSETI South;
- Astrakhanenergo, a branch of PJSC ROSSETI South;
- Rostovenergo, a branch of PJSC ROSSETI South;
- Volgogradenergo, a branch of PJSC ROSSETI South;
- JSC VMES;
- JSC Energoservice of the South;
- other segments.

The "Other" segment includes operations of the Company's subsidiary JSC Energetik Recreation Base and Kubanenergo, a branch of PJSC ROSSETI South. These operations do not meet the quantitative criteria to be classified as reportable segments for the year ended December 31, 2024.

Unallocated figures include general figures of the Company's executive body, which is not an operating segment as required by IFRS 8.

Segment amounts are based on management information prepared on the basis of RAS reporting data, and they may differ from similar amounts presented in the financial statements prepared in accordance with IFRS. Reconciliations between the amounts measured as reported to the Management Board and the amounts reported herein include the reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

(in thousands of Russian rubles, unless otherwise stated)

Information on reportable segments

Information on reportable segments as of the year ended December 31, 2024:

	Astrakhanenergo	**Volgogradenergo**	**Kalmenergo**	**Rostovenergo**	**Subsidiary JSC VMES**	**Subsidiary JSC Energoservice of the South**	**Other**	**Total**
Revenue from external customers	7 605 181	10 388 076	3 351 725	27 134 127	5 322 468	2 481 000	129 852	**56 412 429**
Revenue from inter-segment sales	-	2 711 665	-	13 390	12 741	138 264	-	**2 876 060**
Segment revenue	**7 605 181**	**13 099 741**	**3 351 725**	**27 147 517**	**5 335 209**	**2 619 264**	**129 852**	**59 288 489**
Including								
Electric power transmission	*7 229 240*	*12 671 301*	*1 804 345*	*26 360 645*	*5 061 461*	-	-	***53 126 992***
Technological connection to grids	*302 408*	*164 180*	*49 010*	*486 541*	*214 868*	-	-	***1 217 007***
Sales of electricity and capacity	-	-	*1 449 952*	-	-	-	-	***1 449 952***
Revenue under lease agreements	*6 860*	*6 359*	*470*	*8 420*	-	*28 458*	*5 999*	***56 566***
Other revenue	*66 673*	*257 901*	*47 948*	*291 911*	*58 880*	*2 590 806*	*123 853*	***3 437 972***
Cost of technological connection to grids	*(44 452)*	*(82 275)*	*(17 166)*	*(98 690)*	*(22 454)*	-	-	***(265 037)***
Finance income	31 301	164 494	20 352	225 256	55 423	13 154	-	509 980
Finance costs	(1 577 391)	(1 997 220)	(1 718)	(58 226)	(126 007)	(209)	-	(3 760 771)
Depreciation	(582 745)	(41 828)	(82 680)	(1 559 138)	-	-	-	(2 266 391)
EBITDA	**1 443 735**	**8 264 441**	**288 470**	**5 879 272**	**597 039**	**110 650**	**60 603**	**16 644 210**
Segment assets	7 857 279	12 628 501	1 776 720	24 888 699	4 247 874	7 681 978	183 265	59 264 316
Including fixed assets and construction in progress	6 628 915	8 984 047	1 205 777	20 959 488	2 477 525	25 846	20 468	40 302 066
Capital expenditures	850 490	949 354	333 857	3 476 562	398 341	-	107 670	6 116 274
Segment liabilities	**2 446 982**	**3 129 839**	**1 006 719**	**5 282 727**	**2 380 885**	**7 480 247**	**91 063**	**21 818 462**

(in thousands of Russian rubles, unless otherwise stated)

Information on reportable segments as of the year ended December 31, 2023:

	Astrakhanenergo	**Volgogradenergo**	**Kalmenergo**	**Rostovenergo**	**Subsidiary JSC VMES**	**Subsidiary JSC Energoservice of the South**	**Other**	**Total**
Revenue from external customers	6 885 723	9 916 572	4 189 536	24 460 685	4 828 296	645 322	108 312	**51 034 446**
Revenue from inter-segment sales	–	2 628 349	–	14 283	6 504	62 797	–	**2 711 933**
Segment revenue	**6 885 723**	**12 544 921**	**4 189 536**	**24 474 968**	**4 834 800**	**708 119**	**108 312**	**53 746 379**
Including								
Electric power transmission	*6 685 468*	*12 286 526*	*2 020 011*	*23 998 912*	*4 589 969*	–	–	***49 580 886***
Technological connection to grids	*145 514*	*131 844*	*25 864*	*303 766*	*210 014*	–	–	***817 002***
Sales of electricity and capacity	–	–	*2 098 994*	–	–	–	–	***2 098 994***
Revenue under lease agreements	*6 237*	*8 557*	*1 381*	*8 458*	*227*	*64 126*	*4 369*	***93 355***
Other revenue	*48 504*	*117 994*	*43 286*	*163 832*	*34 590*	*643 993*	*103 943*	***1 156 142***
Cost of technological connection to grids	(47 813)	(67 161)	(14 562)	(83 861)	(18 228)	–	–	**(231 625)**
Finance income	18 247	158 037	13 816	123 007	80 781	15 747	–	**409 635**
Finance costs	(974 363)	(1 221 748)	(5 151)	(76 154)	(122 750)	(910)	–	**(2 401 076)**
Depreciation	(588 834)	(37 323)	(132 333)	(1 733 782)	–	–	–	**(2 492 272)**
EBITDA	**1 623 554**	**567 407**	**(21 690)**	**5 920 393**	**1 954 966**	**265 014**	**13 970**	**10 323 614**
Segment assets	7 664 673	3 999 363	1 366 993	22 730 903	4 171 594	12 812 203	204 365	**52 950 094**
Including fixed assets and construction in progress	6 371 749	503 960	848 623	18 923 653	2 276 404	29 352	149 042	**29 102 783**
Capital expenditures	484 186	899 492	693 995	1 861 455	353 253	–	19 502	**4 311 883**
Segment liabilities	**2 465 049**	**2 631 431**	**934 874**	**4 952 749**	**2 501 725**	**12 586 131**	**150 722**	**26 222 681**

(in thousands of Russian rubles, unless otherwise stated)

Reconciliation of segment key figures presented to the Management Board of the Company to the same figures herein:

Reconciliation of segment revenue:

	For the year ended December 31	
	2024	**2023**
Segment revenue	**59 288 489**	**53 746 379**
Elimination of inter-segment sales revenue	(2 876 060)	(2 711 933)
Revenue in the statement of profit or loss and other comprehensive income	**56 412 429**	**51 034 446**

Reconciliation of reportable segment EBITDA:

	For the year ended December 31	
	2024	**2023**
EBITDA of reportable segments	**16 644 210**	**10 323 614**
Discounting of financial instruments	12 373	(26 683)
Lease adjustment	18 640	6 652
Recognition of pension and other long-term employee benefit obligations	(126 319)	(32 628)
Adjustment of the value of fixed assets	(7 771 320)	(64 366)
Adjustment of allowance for impairment losses on intragroup financial assets	(238 300)	(1 424 725)
Adjustment on write-off of other current and non-current assets	(149 353)	(9 149)
Other adjustments	(176 924)	(70 545)
Unallocated figures	(12 993)	(24 085)
EBITDA	**8 200 014**	**8 678 085**
Depreciation and amortization of fixed assets, right-of-use assets and intangible assets	(2 650 013)	(2 531 149)
Net charge for impairment loss on fixed assets and right-of-use assets	6,538,506	184,640
Interest expense on financial liabilities carried at amortized cost	(3 595 475)	(2 240 372)
Interest expense on lease liabilities	(65 877)	(72 075)
Income/(expense) on income tax	(2 296 036)	(1 004 537)
Consolidated profit for the period in the consolidated statement of profit or loss and other comprehensive income	**6 131 119**	**3 014 592**

Reconciliation of total reportable segment assets:

	For the year ended December 31	
	2024	**2023**
Total segment assets	**59 264 316**	**52 950 094**
Inter-segment settlements	(1 499 528)	(1 775 682)
Intra-group financial assets	(2 767 917)	(2 767 917)
Adjustment of the value of fixed assets	(3 919 260)	(1 454 960)
Impairment of fixed assets	(207 337)	(1 326 840)
Adjustment of provision for expected credit losses	-	108 808
Adjustment of deferred tax assets	(2 643 125)	(3 082 840)
Reversal of provision for impairment of financial assets	843 001	1 081 788
Other adjustments	(490 090)	(955 721)
Unallocated figures	6 827 940	6 989 663
Total assets in the consolidated financial statements	**55 408 000**	**49 766 393**

(in thousands of Russian rubles, unless otherwise stated)

Reconciliation of total reportable segment liabilities:

	For the year ended December 31	
	2024	**2023**
Total segment liabilities	**21 818 462**	**26 222 681**
Inter-segment settlements	(1 499 528)	(1 775 682)
Adjustment of deferred tax liabilities	(3 327 808)	(3 285 220)
Recognition of pension and other long-term employee benefit obligations	397 474	284 326
Discounting of accounts payable	-	(16 544)
Other adjustments	(493 266)	(868 915)
Unallocated figures	29 783 005	26 617 164
Total liabilities in the consolidated financial statements	**46 678 339**	**47 177 810**

The Group operates in the Russian Federation. The Group does not receive revenue from foreign customers and has no assets abroad.

For the year ended December 31, 2024, the Group had three major customers, which are sales companies in three regions of the Russian Federation; each of them accounted for more than 10% of the Group's total revenue. Revenues received from these counterparties are reported in the Rostovenergo, Astrakhanenergo, Volgogradenergo operating segments.

Total revenue received from PJSC "TNS Energy Rostov-on-Don" for the year ended December 31, 2024, amounted to RUB 14,336,167 thousand, or 25.41% of the Group's total revenue (for the year ended December 31, 2023: RUB 12,449,080 thousand, or 23.45%). Total revenue received from PJSC Volgogradenergosbyt for the year ended December 31, 2024, was RUB 7,596,653 thousand, or 13.47%, of the Group's total revenue (for the year ended December 31, 2023: RUB 7,138,043 thousand, or 13.44%). Total revenue received from PJSC Astrakhanenergosbyt for the year ended December 31, 2024, amounted to RUB 6,325,327 thousand, or 11.21% of the Group's total revenue (for the year ended December 31, 2023: RUB 5,776,233 thousand, or 10.88%).

7. Revenue

	For the year ended December 31	
	2024	**2023**
Electric power transmission	50 437 999	46 957 708
Technological connection to power grids	1 216 606	815 331
Sales of electricity and capacity	1 449 952	2 098 994
Other revenue	3 265 826	1 134 164
Revenue from contracts with customers	**56 370 383**	**51 006 197**
Revenue under lease agreements	42 046	28 249
	56 412 429	**51 034 446**

Mainly, other revenue includes design and survey works, construction and installation works in the amount of RUB 1,724,261 thousand recognized in connection with the settlement of contractual obligations recognized at the beginning of the reporting period.

8. Other income

	For the year ended December 31	
	2024	**2023**
Income in the form of fines, penalties and forfeits under business contracts	241 121	473 130
Insurance reimbursement	422 665	153 392
Income from identified non-contractual consumption of electricity	28 496	37 099
Write-off of accounts payable	12 737	39 478
Income from disposal of fixed assets on sale operations	33 736	-
Other income	8 593	1 111
	747 348	**704 210**

(in thousands of Russian rubles, unless otherwise stated)

9. Other expenses

	For the year ended December 31	
	2024	**2023**
Loss on disposal (sale) of fixed assets	-	99 668
	-	**99 668**

10. Operating expenses

	For the year ended December 31	
	2024	**2023**
Employee benefit expenses	14 801 341	13 463 771
Depreciation of fixed assets	2 539 878	2 426 628
Depreciation of intangible assets	36 187	50 483
Depreciation of right-of-use assets	73 948	54 038
Material expenses, incl.	14 916 994	13 859 191
- Electricity for compensation of technological losses	*11 232 136*	*10 533 149*
- Purchased electricity and auxiliary heat	*329 331*	*304 052*
- Electricity for sale	*659 214*	*852 039*
- Other material expenses	*2 696 313*	*2 169 951*
Works and services of production nature, incl.	17 427 463	13 943 148
- Electricity transmission services	*14 693 655*	*13 166 254*
- Repair and maintenance services	*265 849*	*275 856*
- Other works and services of production nature	*2 467 959*	*501 038*
Other services of third parties, incl.	1 185 940	1 222 540
- Consulting, legal and audit services	*59 581*	*101 190*
- Expenses related to property upkeep	*145 009*	*202 236*
- Security	*176 404*	*137 925*
- Communication services	*76 483*	*68 470*
- Transportation services	*38 191*	*45 602*
- Software and maintenance costs	*261 575*	*216 838*
- Other services	*428 697*	*450 279*
Estimated liabilites	(146 202)	148 462
Fines, penalties, forfeits for breach of contractual terms and conditions	209 076	288 940
Taxes and fees other than income tax	204 166	204 926
Insurance	197 465	103 689
Other expenses	525 905	628 600
	51 972 161	**46 394 416**

11. Employee benefit expenses

	For the year ended December 31	
	2024	**2023**
Wages and salaries, including changes in the provision for bonuses and unused vacations	10 739 069	9 845 322
Payroll taxes	3 333 433	3 035 237
Current service cost	111 341	15 533
Remeasurement of other long-term employee benefit obligations	1 210	1 597
Other personnel expenses	616 288	566 082
Total employee benefit expenses	**14 801 341**	**13 463 771**

During the year ended December 31, 2024, the amount of contributions for defined contribution plans was RUB 12,028 thousand (for the year ended December 31, 2023: RUB 7,772 thousand).

The amounts of remuneration to key management personnel are disclosed in Note 35 “Related-party transactions”.

(in thousands of Russian rubles, unless otherwise stated)

12. Finance income and expenses

	For the year ended December 31	
	2024	**2023**
Finance income		
Interest income on loans issued, bank deposits	301 469	164 104
Interest income on receivables restructuring agreements	105 301	149 738
Depreciation of discount on financial assets to income	28 917	27 312
Effect of discount on financial liabilities at initial recognition	–	11 467
	435 687	**352 621**

	For the year ended December 31	
	2024	**2023**
Finance costs		
Interest expense on financial liabilities carried at amortized cost	3 595 475	2 240 372
Depreciation of discount on financial liabilities to expenses	16 544	65 462
Interest expense on lease liabilities	65 877	72 075
Other financial expenses	31 462	28 504
	3 709 358	**2 406 413**

Information on discounting of long-term trade and other payables is disclosed in Note 28.

13. Income taxes

On July 12, 2024, Federal Law No. 176-FZ "On Amendments to Parts One and Two of the Tax Code of the Russian Federation, Certain Legislative Acts of the Russian Federation and Annulment of Certain Provisions of Legislative Acts of the Russian Federation" was adopted, which provides for an increase in the income tax rate from 20% to 25% from January 1, 2025.

In connection with the adoption of this law, additional deferred tax expense was recognized herein, which relates to the remeasurement of deferred tax assets and liabilities at the new rates that will be effective in the periods when such assets and liabilities are recovered after January 1, 2025, in the amount of RUB 357,402 thousand, including:

- income tax expense in profit or loss: RUB 356,376 thousand;
- expense in other comprehensive income: RUB 1,045 thousand.

This change in legislation did not affect the amounts of current income tax for 2024 and the Group's deferred assets and liabilities as of December 31, 2023:

- The current income tax rate for 2024 was 20%;
- Deferred income tax assets and liabilities as of December 31, 2023, were calculated at a rate of 20%.

Note 18 presents the effect of an increase in the income tax rate on deferred income tax assets and liabilities as of December 31, 2024, by type of difference (item).

	For the year ended December 31	
	2024	**2023**
Current income tax		
Current tax accrual	(140 263)	(424 728)
Adjustments in respect of prior years	4 394	26 287
Total	**(135 869)**	**(398 441)**
Deferred income tax	(2 160 167)	(606 096)
Accrual of deferred tax at the applicable rate of 2024	(1 802 765)	-
Recognition of additional deferred tax expense due to increase in income tax rate	(357 402)	-
Total expense on income tax	**(2 296 036)**	**(1 004 537)**

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

The adjustment for prior years includes the restatement of income tax of prior periods through the filing of revised returns. The filing of returns is related to the pre-trial settlement of disputes with counterparties.

(in thousands of Russian rubles, unless otherwise stated)

Excess profit tax expense

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, the "Law").

In accordance with the provisions of the Law, PJSC ROSSETI South is not a payer of excess profit tax.

Income tax recognized in other comprehensive income:

	For the year ended december 31, 2024		
	Before taxation	**Income taxes**	**Tax excluded**
Financial assets at fair value through other comprehensive income	(4 283)	1 071	(3 212)
Remeasurement of defined-benefit pension plan liabilities	13 171	-	13 171
	8 888	**1 071**	**9 959**

	for the year ended December 31, 2023		
	Before taxation	**Income taxes**	**Tax excluded**
Financial assets at fair value through other comprehensive income	20 196	(4 039)	16 157
Remeasurement of defined-benefit pension plan liabilities	38 053	–	38 053
	58 249	**(4 039)**	**54 210**

Profit before taxation relates to income tax expense as follows:

	For the year ended December 31	
	2024	**2023**
Profit before tax	**8 427 155**	**4 019 129**
Theoretical amount of income tax expense at the rate of 20%	**(1 685 431)**	**(803 826)**
Tax effect of items that are non-taxable or non-deductible for tax purposes	(257 812)	(226 998)
Effect of applying a lower tax rate	(357 187)	-
Prior period adjustments	4 394	26 287
	(2 296 036)	**(1 004 537)**

(in thousands of Russian rubles, unless otherwise stated)

14. Fixed asssets

	Land plots and buildings	Power transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
Original/conditional historical cost						
As of January 1, 2023	**3 356 258**	**29 249 287**	**18 100 745**	**18 916 212**	**3 213 826**	**72 836 328**
Additions	–	4 228	3 584	221 983	3 624 429	**3 854 224**
Commissioning	25 986	1 869 919	872 709	875 185	(3 643 799)	**–**
Disposals	(3 399)	(14 190)	(33 902)	(21 998)	(237 729)	**(311 218)**
As of December 31, 2023	**3 378 845**	**31 109 244**	**18 943 136**	**19 991 382**	**2 956 727**	**76 379 334**
Accumulated depreciation						
As of January 1, 2023 (restated)	**(1 191 132)**	**(16 943 157)**	**(10 222 263)**	**(8 588 025)**	**–**	**(36 944 577)**
Accumulated depreciation	(107 959)	(1 156 808)	(876 293)	(1 137 428)	–	**(3 278 488)**
Disposals	1 815	12 767	18 175	12 571	–	**45 328**
As of December 31, 2023	**(1 297 276)**	**(18 087 198)**	**(11 080 381)**	**(9 712 882)**	**–**	**(40 177 737)**
Accumulated impairment						
As of January 1, 2023 (restated)	**(873 513)**	**(3 540 975)**	**(2 266 895)**	**(2 977 959)**	**(1 229 577)**	**(10 888 919)**
Commissioning	(16)	(441 130)	(57 493)	(31 792)	530 431	**–**
Amortization of impairment	39 877	295 765	231 480	283 727	–	**850 849**
Recognition of impairment losses/reversal of previously recognized impairment losses	361 869	769 230	(328 726)	(217 356)	(371 098)	**213 919**
Disposals	1 575	224	2 332	2	74 169	**78 302**
As of December 31, 2023	**(470 208)**	**(2 916 886)**	**(2 419 302)**	**(2 943 378)**	**(996 075)**	**(9 745 849)**
Amortization (including amortization of impairment)	**(68 082)**	**(861 043)**	**(644 813)**	**(853 701)**	**–**	**(2 427 639)**
Residual value						
As of January 1, 2023	**1 291 613**	**8 765 155**	**5 611 587**	**7 350 228**	**1 984 249**	**25 002 832**
As of December 31, 2023	**1 611 361**	**10 105 160**	**5 443 453**	**7 335 122**	**1 960 652**	**26 455 748**

(in thousands of Russian rubles, unless otherwise stated)

	Land plots and buildings	Power transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
Original/conditional historical cost						
As of January 1, 2024	**3 378 845**	**31 109 244**	**18 943 136**	**19 991 382**	**2 956 727**	**76 379 334**
Additions	171 696	836	208 867	431 828	5 315 263	**6 128 490**
Commissioning	35 509	2 150 836	1 092 130	764 532	(4 043 007)	**-**
Disposals	(2 893)	(11 936)	(30 511)	(39 577)	(322 759)	**(407 676)**
As of December 31, 2024	**3 583 157**	**33 248 980**	**20 213 622**	**21 148 165**	**3 906 224**	**82 100 148**
Accumulated depreciation						
As of January 1, 2024 (restated)	**(1 297 276)**	**(18 087 198)**	**(11 080 381)**	**(9 712 882)**	**-**	**(40 177 737)**
Accumulated depreciation	(152 640)	(1 192 179)	(815 704)	(1 190 585)	-	**(3 351 108)**
Disposals	1 194	9 986	20 454	36 183	-	**67 817**
As of December 31, 2024	**(1 448 722)**	**(19 269 391)**	**(11 875 631)**	**(10 867 284)**	**-**	**(43 461 028)**
Accumulated impairment						
As of January 1, 2024 (restated)	**(470 208)**	**(2 916 886)**	**(2 419 302)**	**(2 943 378)**	**(996 075)**	**(9 745 849)**
Commissioning	(9 278)	(156 945)	(55 121)	(70 392)	291 736	**-**
Amortization of impairment	30 447	263 987	225 716	289 549	-	809 699
Recognition of impairment losses/reversal of previously recognized impairment losses	291 976	1 935 263	1 219 438	2 344 430	682 754	6 473 861
Disposals	13	116	971	2 097	17 418	20 615
As of December 31, 2024	**(157 050)**	**(874 465)**	**(1 028 298)**	**(377 694)**	**(4 167)**	**(2 441 674)**
Amortization (including amortization of impairment)	**(122 193)**	**(928 192)**	**(589 988)**	**(901 036)**	**-**	**(2 541 409)**
Residual value						
As of January 1, 2024	**1 611 361**	**10 105 160**	**5 443 453**	**7 335 122**	**1 960 652**	**26 455 748**
As of December 31, 2024	**1 977 385**	**13 105 124**	**7 309 693**	**9 903 187**	**3 902 057**	**36 197 446**

As of December 31, 2024 and December 31, 2023, there were no fixed assets pledged as collateral for loans and borrowings.

As at 31 December 2024, the historical cost of fully depreciated fixed assets amounted to RUB 18,495,045 thousand (December 31, 2023: RUB 23,514,415 thousand).

As at December 31, 2024, construction in progress includes advances for acquisition of fixed assets in the amount of RUB 127,856 thousand (December 31, 2023: none), materials for construction of fixed assets amounted to RUB 1,025,061 thousand (December 31, 2023: RUB 615,017 thousand).

For the year ended December 31, 2024, capitalized interest amounted to RUB 389,126 thousand (as of December 31, 2023: RUB 173,073 thousand), capitalization rate was 17.55% (as of December 31, 2023: 10.89%).

For the year ended December 31, 2024, there were no depreciation charges capitalized to the cost of capital construction projects (for the year ended December 31, 2023, there were none of these).

Impairment of fixed assets

The Group considered the current economic conditions in certain regions of the Group's operations as an indicator (sign) of possible impairment and reversal of fixed assets.

The majority of the Group's fixed assets are specialized items that are rarely sold on the open market unless they are sold as part of a going concern. The market for fixed assets of this kind is not active in the Russian Federation and does not provide a sufficient number of sales examples so that a market-based approach can be used to determine the fair value of these fixed assets. Accordingly, the projected cash flow method was used to determine the recoverable amount of special purpose assets as their value in use. This method considers the future net cash flows expected to be generated by these fixed assets through operating activities as well as upon disposal in order to determine the recoverable amount of these assets.

To determine cash generating units (CGU), the Group uses the geographical location of branches and subsidiaries as the basis; CGUs represent the smallest identifiable group of assets that generate cash inflows independent of other assets of the Group.

The Group tested fixed assets for impairment as at December 31, 2024 in respect of cash-generating units:

- Kalmenergo, a branch of PJSC ROSSETI South;
- Astrakhanenergo, a branch of PJSC ROSSETI South;
- Rostovenergo, a branch of PJSC ROSSETI South;
- Volgogradenergo, a branch of PJSC ROSSETI South;
- JSC VMES.

(in thousands of Russian rubles, unless otherwise stated)

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

Key assumption	As of December 31, 2024	As of December 31, 2023
Forecasting period	Forecasted cash flows were determined for the period 2025-2029 for all cash generating units based on the management's best estimate of electric power transmission amounts, operating and capital costs and tariffs approved by the regulatory authorities for 2025.	Forecasted cash flows were determined for the period 2024-2028 for all cash generating units based on the management's best estimate of electric power transmission amounts, operating and capital expenditures and tariffs approved by the regulatory authorities for 2024.
Percentage rate of net cash flow growth in the post-forecast period	4%	4%
Electric power transmission tariff forecast	For 2025, approved tariffs are applied. For 2026-2029, on the basis of tariff models formed with account for the growth rate of tariff for electric power transmission services in accordance with the Forecast of Socio-Economic Development of the Russian Federation for 2025 and for the planning period of 2026 and 2027.	Based on tariff models formed with account for the average annual growth rate of the tariff for electric power transmission services in accordance with the Forecast of Socio-Economic Development of the Russian Federation for 2024 and for the planning period of 2025 and 2026.
Forecast of sales amount	In accordance with the approved business plan. Outside the business planning: fixed amount (at the level of the last year of the business planning period).	In accordance with the approved business plan. Outside the business planning: fixed amount (at the level of the last year of the business planning period).
Discount rate (Nominal discount rate determined for the purposes of the weighted average cost of capital test)	13.71%	11.97%

Based on the results of the impairment test, the recoverable value of non-current assets of CGUs tested was (as of December 31, 2024):

- Kalmenergo, a branch of PJSC ROSSETI South: RUB 1,466,772 thousand;
- Astrakhanenergo, a branch of PJSC ROSSETI South: RUB 16,299,517 thousand;
- Rostovenergo, a branch of PJSC ROSSETI South: RUB 59,030,292 thousand;
- Volgogradenergo, a branch of PJSC ROSSETI South: RUB 18,434,308 thousand;
- JSC VMES: RUB 4,789,018 thousand.

Based on the results of testing as of December 31, 2024, impairment loss from fixed assets recognized in previous reporting periods was reversed in the total amount of RUB 6,473,861 thousand for CGU Volgogradenergo, a branch of PJSC ROSSETI South.

Deferred tax expense recognized in profit or loss in respect of reversal of impairment loss on fixed assets, intangible assets and right-of-use assets at the applicable rate amounted to RUB 1,474,648 thousand.

Recognition of reversal of impairment loss on account of CGU Volgogradenergo, a branch of PJSC ROSSETI South, is due to approval of tariffs for electric power transmission in the Volgograd region for 2025, which exceed the maximum tariff limits set by the Federal Antimonopoly Service of Russia, as well as due to containment of operating and investment expenses of the Volgogradenergo.

A 1% increase in the discount rate would result in a decrease in recoverable amount to RUB 1,379,850 thousand for CGU Kalmenergo, a branch of PJSC Rosseti South.

Determination of future cash flows during the forecast period for the tested CGUs of the Group was based on the best estimate of the management of electricity transmission volumes, operating costs and capital investments, as well as tariffs approved by regulatory authorities; provided that the figures of business plans were taken aboard, which were based on tariff models formed taking into account the average annual growth rate of the tariff for electric power transmission services in accordance with the Forecast of the Socio-Economic Development of the Russian Federation for 2025 and for the planning period of 2026 and 2027 (September 30, 2024), in 2023, in 2024 and for the planning period of 2025 and 2026 dated September 28, 2023.

(in thousands of Russian rubles, unless otherwise stated)

15. Intangible assets

	Software	R&D	Other	Total
Historical value				
As of January 1, 2023	**224 149**	**19 503**	**62 386**	**306 038**
Additions	72 561	26 432	–	**98 993**
Disposals	(28 941)	–	–	**(28 941)**
As of December 31, 2023	**267 769**	**45 935**	**62 386**	**376 090**
Accumulated depreciation				
As of January 1, 2023	**(82 672)**	**–**	**(32 738)**	**(115 410)**
Accumulated depreciation	(39 936)	–	(10 547)	**(50 483)**
Disposals	2 579	–	–	**2 579**
As of December 31, 2023	**(120 029)**	**–**	**(43 285)**	**(163 314)**
Residual value				
As of January 1, 2023	**141 477**	**19 503**	**29 648**	**190 628**
As of December 31, 2023	**147 740**	**45 935**	**19 101**	**212 776**

	Software	R&D	Other	Total
Historical value				
As of January 1, 2024	**267 769**	**45 935**	**62 386**	**376 090**
Additions	75 209	8	17 392	**92 609**
Reclassification between NTA groups	(8 680)	-	8 680	**-**
Disposals	(60 946)	(45 943)	(33 503)	**(140 392)**
As of December 31, 2024	**273 352**	**-**	**54 955**	**328 307**
Accumulated depreciation				
As of January 1, 2024	**(120 029)**	**-**	**(43 285)**	**(163 314)**
Accumulated depreciation	(31 375)	-	(4 812)	**(36 187)**
Disposals	47 904	-	27 153	**75 057**
As of December 31, 2024	**(103 500)**	**-**	**(20 944)**	**(124 444)**
Residual value				
As of January 1, 2024	**147 740**	**45 935**	**19 101**	**212 776**
As of December 31, 2024	**169 852**	**-**	**34 011**	**203 863**

Depreciation of intangible assets included in operating expenses in the consolidated statement of profit or loss and other comprehensive income amounted to RUB 36,187 thousand (as of December 31, 2023: RUB 50,483 thousand). No interest was capitalized for the year ended December 31, 2024 and December 31, 2023. Depreciation of intangible assets is calculated with the use of a straight-line technique.

(in thousands of Russian rubles, unless otherwise stated)

16. Right-of-use assets

	Land plots and buildings	Power transmission networks	Equipment for electricity transmission	Other fixed assets	Total
Historical value					
As of January 1, 2023	**704 276**	**1 827**	**123 325**	**11 694**	**841 122**
Additions	21 777	–	53 375	10 443	**85 595**
Change in contractual terms and conditions	186 354	–	14 844	200	**201 398**
Termination of lease agreement	(13 156)	–	(3 557)	(11 669)	**(28 382)**
As of December 31, 2023	**899 251**	**1 827**	**187 987**	**10 668**	**1 099 733**
Accumulated depreciation					
As of January 1, 2023 (restated)	**(75 055)**	**(14)**	**(38 895)**	**(53)**	**(114 017)**
Accumulated depreciation	(39 986)	(303)	(36 970)	(1 289)	**(78 548)**
Change in contractual terms and conditions	(6 252)	–	(10 081)	82	**(16 251)**
Termination of lease agreement	6 700	–	620	–	**7 320**
As of December 31, 2023	**(114 593)**	**(317)**	**(85 326)**	**(1 260)**	**(201 496)**
Accumulated impairment					
As of January 1, 2023 (restated)	**(35 495)**	**–**	**(63 436)**	**–**	**(98 931)**
Amortization of impairment	973	–	23 463	–	**24 436**
Recognition of impairment losses/reversal of previously recognized impairment losses	(425)	–	(28 854)	–	**(29 279)**
As of December 31, 2023	**(34 947)**	**–**	**(68 827)**	**–**	**(103 774)**
Amortization (including amortization of impairment)	**(39 013)**	**(303)**	**(13 507)**	**(1 289)**	**(54 112)**
Residual value					
As of January 1, 2023	**593 726**	**1 813**	**20 994**	**11 641**	**628 174**
As of December 31, 2023	**749 711**	**1 510**	**33 834**	**9 408**	**794 463**

(in thousands of Russian rubles, unless otherwise stated)

	Land plots and buildings	**Power transmission networks**	**Equipment for electricity transmission**	**Other fixed assets**	**Total**
Historical value					
As of January 1, 2024	**899 251**	**1 827**	**187 987**	**10 668**	**1 099 733**
Reclassification between groups	225			(225)	–
Additions	11 707	–	155 629	8 864	176 200
Change in contractual terms and conditions	8 507	(486)	(18 424)	–	(10 403)
Termination of lease agreement	(6 647)	(1 341)	(20 456)	(10 443)	(38 887)
As of December 31, 2024	**913 043**	**–**	**304 736**	**8 864**	**1 226 643**
Accumulated depreciation					
As of January 1, 2024	**(114 593)**	**(317)**	**(85 326)**	**(1 260)**	**(201 496)**
Reclassification between groups	(31)	–	–	31	–
Accumulated depreciation	(38 091)	(199)	(58 773)	(246)	(97 309)
Change in contractual terms and conditions	1 525	-	6 841	–	8 366
Termination of lease agreement	4 923	516	19 707	1 229	26 375
As of December 31, 2024	**(146 267)**	**–**	**(117 551)**	**(246)**	**(264 064)**
Accumulated impairment					
As of January 1, 2024	**(34 947)**	**–**	**(68 827)**	**–**	**(103 774)**
Reclassification between groups	–	(917)	917	–	–
Amortization of impairment	1 040	168	21 997	–	23 205
Disposal or termination of leases	–	749	15 046	–	15 795
Recognition of impairment losses/reversal of previously recognized impairment losses	33 907	–	30 738	–	64 645
As of December 31, 2024	–	–	**(129)**	**–**	**(129)**
Amortization (including amortization of impairment)	(37 051)	(31)	(36 776)	(246)	(74 104)
Residual value					
As of January 1, 2024	**749 711**	**1 510**	**33 834**	**9 408**	**794 463**
As of December 31, 2024	**766 776**	–	**187 056**	**8 618**	**962 450**

(in thousands of Russian rubles, unless otherwise stated)

For the purposes of the impairment test, specialized right-of-use assets (including leased land under owned and leased specialized facilities) are classified as CGU assets in the same way as owned non-current assets, that is, based on the geographical location of branches and subsidiaries.

Following the results of testing as of December 31, 2024, an impairment loss of RUB 64,645 thousand was recognized for CGU Volgogradenergo, a branch of PJSC ROSSETI South.

To determine the value in use of right-of-use assets, the discounted cash flow method is used. Information on impairment test performed as of December 31, 2024 is disclosed in Note 14 “Fixed Assets”.

17. Other financial assets

	December 31, 2024	December 31, 2023
Non-current		
Financial assets measured at fair value through other comprehensive income	21 856	26 139
	21 856	**26 139**

Shares of PJSC Volgogradenergosbyt are included in other financial assets; they are recorded at fair value based on published market quotations and they are equal to RUB 21,167 thousand as at December 31, 2024 (December 31, 2023: RUB 25,450 thousand).

(in thousands of Russian rubles, unless otherwise stated)

18. Deferred tax assets and liabilities

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amounts of certain assets and liabilities for financial reporting purposes and for income tax purposes.

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following items:

	Assets		Liabilities		Net	
	December 31, 2024	**December 31, 2023**	**December 31, 2024**	**December 31, 2023**	**December 31, 2024**	**December 31, 2023**
Fixed asssets	–	–	(2 662 640)	(480 880)	(2 662 640)	(480 880)
Right-of-use assets	–	–	(239 735)	(158 893)	(239 735)	(158 893)
Trade and other receivables and advances paid	–	–	133 677	84 548	133 677	84 548
Lease liabilities	257 452	195 647	–	–	257 452	195 647
Estimated liabilites	64 902	142 713	–	–	64 902	142 713
Trade and other payables	338 695	238 705	–	–	338 695	238 705
Tax losses to be carried forward	248 882	323 436	–	–	248 882	323 436
Other	51 270	39 662	22 075	(11 265)	73 345	28 397
Tax assets/(liabilities)	**961 201**	**940 163**	**(2 746 623)**	**(566 490)**	**(1 785 422)**	**373 673**
Tax offset	(2 746 623)	(566 490)	2 746 623	566 490	–	–
Net deferred tax assets/(liabilities)	**(1 785 422)**	**373 673**	**–**	**–**	**(1 785 422)**	**373 673**

(in thousands of Russian rubles, unless otherwise stated)

Movement in deferred tax assets and liabilities during the year

	January 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2023
Fixed asssets	(73 392)	(407 488)	–	(480 880)
Right-of-use assets	(123 423)	(35 470)	–	(158 893)
Trade and other receivables	(3 580)	88 128	–	84 548
Lease liabilities	152 511	43 136	–	195 647
Estimated liabilites	221 645	(78 932)	–	142 713
Trade and other payables	233 566	5 139	–	238 705
Tax losses to be carried forward	552 429	(228 993)	–	323 436
Other	24 052	8 384	(4 039)	28 397
Net deferred tax assets/(liabilities)	**983 808**	**(606 096)**	**(4 039)**	**373 673**

	January 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2024
Fixed asssets	(480 880)	(2 181 760)	–	(2 662 640)
Right-of-use assets	(158 893)	(80 842)	–	(239 735)
Trade and other receivables	84 548	49 129	–	133 677
Lease liabilities	195 647	61 805	–	257 452
Estimated liabilites	142 713	(77 811)	–	64 902
Trade and other payables	238 705	99 990	–	338 695
Tax losses to be carried forward	323 436	(74 554)	–	248 882
Other	28 397	43 877	1 071	73 345
Net deferred tax assets/(liabilities)	**373 673**	**(2 160 166)**	**1 071**	**(1 785 422)**

(in thousands of Russian rubles, unless otherwise stated)

19. Inventories

	December 31, 2024	December 31, 2023
Raw materials and supplies	955 234	885 352
Provision for impairment of raw materials and supplies	(15 136)	(13 043)
Other inventories	4 185 426	2 275 182
Provision for impairment of other inventories	(221)	(221)
	5 125 303	**3 147 270**

As of December 31, 2024, other inventories include capitalized costs under a subcontract for design and survey works, construction and installation works, where the Group acts as a subcontractor in the amount of RUB 3,851,168 thousand (December 31, 2023: RUB 2,060,752 thousand). The amount of capitalized costs (contract asset) is subject to consideration by the customer as the work is over and technical reviews are completed. The amount of incurred costs is measured at net realizable value in accordance with a contract. Note 7 discloses the amount of revenue recognized in 2024 for this type of work. Note 30 discloses the related advances received (contractual obligations) as of December 31, 2024, in the amount of RUB 5,275,700 thousand including VAT (December 31, 2023: RUB 7,344,814 thousand). Also, Note 35 discloses advances received, because this transaction is a related party transaction.

As at December 31, 2024 and December 31, 2023 the Group did not have any inventories pledged under loan or other agreements.

As at December 31, 2024, the industry emergency provision amounts to RUB 449,458 thousand (December 31, 2023: RUB 314,923 thousand).

During the year ended December 31, 2024, inventories recognized in operating expenses under "Other material expenses" amounted to RUB 2,696,313 thousand (during the year ended December 31, 2023: RUB 2,169,951 thousand).

20. Trade and other receivables

	December 31, 2024	December 31, 2023
Long-terms trade and other receivables		
Trade receivables	131 602	181 542
Allowance for impairment of trade receivables	(26)	(29 619)
Other receivables	945 169	1 148 501
Allowance for impairment of other receivables	(9 710)	(2 358)
Total financial assets	**1 067 035**	**1 298 066**
Trade and other receivables short-term		
Trade receivables	5 588 030	7 195 554
Allowance for impairment of trade receivables	(1 203 501)	(2 200 058)
Other receivables	1 047 684	1 952 574
Allowance for impairment of other receivables	(485 044)	(524 158)
Total financial assets	**4 947 169**	**6 423 912**

Non-current other receivables include settlements with PJSC Volgogradenergosbyt totaling RUB 1,004,748 thousand by type:

- interest on restructured trade receivables in the amount of RUB 675,494 thousand.

- interest and penalties for the use of somebody else's monetary funds under the Arbitration Court ruling of January 20, 2022, in the amount of RUB 264,700 thousand, with installment payment until January 2028. The market rate as at the date of initial recognition was 8.6%, and the effective rate was 21.48%. As at 31 December 2024, the total unamortized discount amounted to RUB 54,034 thousand (as at December 31, 2023, interest and penalties for the use of other monetary funds amounted to RUB 186,990 thousand; total unamortized discount: RUB 70,115 thousand).

- interest and penalties for the use of other monetary funds under the rulings of the Arbitration Court received in the period from January 21, 2022 to December 01, 2023 in the amount of 185,170 thousand rubles, with installment payments until March 2027. The market rate as at the date of initial recognition was 6.58%...14.08%. As at 31 December 2024, the total unamortized discount amounted to RUB 26,512 thousand (as at December 31, 2023m interest and penalties for use of other monetary funds amounted to RUB 145,621 thousand; total unamortized discount amounted to RUB 39,348 thousand).

Trade receivables as of December 31, 2024, include restructured receivables from SUE RO "Management of Water Supply Systems Development" for electricity transmission services in the total amount of RUB 266,832 thousand. The terms of the agreement assume repayment of the receivables in 2023-2026 and application of an interest rate as high as the key rate of the Central Bank of the Russian Federation as effective at the beginning of the settlement period (month), increased by 4.0 percentage points. This rate was used to calculate the fair value of the recovery of these receivables at the date of initial recognition.

(in thousands of Russian rubles, unless otherwise stated)

Note 32 discloses information on the Group's exposure to credit risk, impairment of trade and other receivables and fair value.

Information on balances with related parties are disclosed in Note 35.

21. Advances paid and other assets

Non-current	**December 31, 2024**	**December 31, 2023**
VAT on advances from buyers and customers	5 074	3 029
Advances paid	1 509	4 613
	6 583	**7 642**

Current	**December 31, 2024**	**December 31, 2023**
Advances paid (short-term)	2 187 813	5 522 049
Allowance for impairment of advances paid (short-term)	(306)	(241)
VAT recoverable	185 110	77 746
VAT on advances received and VAT on advances for the acquisition of fixed assets	1 256 530	866 716
Prepayment of taxes other than income tax	438 135	169 073
	4 067 282	**6 635 343**

22. Cash and cash equivalents

	December 31, 2024	**December 31, 2023**
Cash in bank accounts and cash on hand	2 451 447	3 909 919
Cash equivalents	122 629	120 045
	2 574 076	**4 029 964**

Cash equivalents as of December 31, 2024, and December 31, 2023, include short-term investments in bank deposits. As of December 31, 2024, the deposits bear interest rates of 17.18...22.92% per annum (December 31, 2023: 16.20% per annum).

Designated cash in the accounts of the Federal Treasury Department as of December 31, 2024, amounted to RUB 671,334 thousand, (December 31, 2023: RUB 2,227,487 thousand).

As of December 31, 2024, and December 31, 2023, all balances of cash and cash equivalents are denominated in rubles.

23. Share capital

	Ordinary shares	
	December 31, 2024	**December 31, 2023**
Nominal value of one share, RUB	0,10	0,10
Outstanding as of January 1, pcs	151 641 426 354	151 641 426 354
Outstanding at the end of the period and fully paid, pcs	151 641 426 354	151 641 426 354

Ordinary shares

Ordinary shareholders may vote on all agenda items at General Shareholders' Meetings of the Company, receive dividends in accordance with the procedure established by the laws of the Russian Federation and the Company's Charter, as well as they have other rights provided for by the Charter and the laws of the Russian Federation.

Additional issue of securities and dividends

No additional issue of securities and dividends have been declared in 2024 and 2023.

24. Earnings per share

The calculation of earnings per share for the year ended December 31, 2024, and December 31, 2023, is based on earnings that are attributable to common shareholders, and the weighted average number of common shares outstanding. The Company has no dilutive financial instruments.

	For the year ended December 31	
In thousands of shares	**2024**	**2023**
Ordinary stock at January 1	**151 641 426**	**151 641 426**
Effect of share offering	–	–
Weighted average number of shares for the period ended December 31	**151 641 426**	**151 641 426**

	For the year ended December 31	
	2024	**2023**
Weighted average number of common shares outstanding for the period ended December 31 (thousands pcs)	**151 641 426**	**151 641 426**
Profit for the period that is attributable to ordinary shareholders	6 131 119	3 014 592
Earnings per ordinary share, basic and diluted (in Russian rubles)	**0.040**	**0.020**

25. Borrowings

	December 31, 2024	**December 31, 2023**
Non-current liabilities		
Unsecured loans and borrowings	17 534 823	22 451 819
Lease liabilities	1 041 062	981 842
Less: current portion of non-current liabilities on loans and borrowings	(162 053)	(7 783 717)
Less: current portion of long-term lease liabilities	(4 645 288)	(143 734)
	13 768 544	**15 506 210**
Current liabilities		
Unsecured loans and borrowings	6 569 106	94 721
Current portion of long-term liabilities on loans and borrowings	4 645 288	7 783 717
Current portion of long-term lease liabilities	162 053	143 734
	11 376 447	**8 022 172**
Including:		
Interest payable on loans and borrowings	36 398	48 467
Interest payable on borrowings	40 677	40 268
	77 075	**88 735**

(in thousands of Russian rubles, unless otherwise stated)

As of December 31, 2024 and December 31, 2023, all loan balances are denominated in RUB.

		Effective interest rates		Nominal value	
	Maturity	**December 31, 2024**	**December 31, 2023**	**December 31, 2024**	**December 31, 2023**
Unsecured bank loans*					
	2024	-	17,50%	-	4 061 766
Unsecured bank loans*					
	2026	KC+7,3	KC+1.5%= 17.5%	6 864 260	1 549 977
Unsecured bank loans*					
	2025	KC+2,3; KC+7	KC+3%= 19%;	1 815 933	252 275
Unsecured bank loans*					
	2027	KC+2.05	–	1 086 964	–
Unsecured bank loans					
	2026	KC+2.64	–	30 981	–
Unsecured bank loans					
	2026	KC+1.5	KC+1.48=17.48%; KC+1.6=17.6%	4 014 754	6 096 106
Unsecured bank loans					
	2025	KC+1.5	KC+1.48=17.48%; KC+1.5=17.5%	178 144	2 014 624
Unsecured bank loans*					
	2025	KC+1.395	KC+1.395=17.395%	2 984 014	3 000 000
	2026	KC+1.5; KC+1.79	KC+1.36=17.36%		
Unsecured borrowings*				596 171	5 986
	2025	7,07%	7,07%		
Unsecured borrowings*				3 040 677	3 039 515
	2025	KC+1.22	KC+1.22=17.22%		
Unsecured borrowings*				1 492 031	1 500 000
Unsecured borrowings*	2025	KC+0.51; KC+1.48	KC+1.28=17.28%; KC+1.48=17.48%	2 000 000	1 026 291
	2024-2076	11.7%...16.86%	9.36%...12.35%		
Lease liabilities				1 041 062	981 842
				25 144 991	**23 528 382**

* Borrowings from government-related entities.

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

The Group's exposure to interest rate risk is disclosed in Note 32.

(in thousands of Russian rubles, unless otherwise stated)

26. Changes in liabilities arising from financing activities

	Borrowings		Interest payable on borrowings (other than % under lease agreements)	Lease liabilities	Dividends payable	Total
	Long-term	Short-term				
As of January 1, 2024	**14 668 102**	**7 789 703**	**115 687**	**981 841**	**-**	**23 555 333**
Changes in cash flows from financing activities						
Attraction of borrowings	8 276 190	2 772 553	-	-	-	11 048 743
Repayment of borrowings	(378 241)	(9 101 453)	-	-	-	(9 479 694)
Lease payments	-	-	-	(93 035)	-	(93 035)
Interest paid (operating activities, for reference)	-	-	(3 995 874)	(55 542)	-	(4 051 416)
Total	**7 897 949**	**(6 328 900)**	**(3 995 874)**	**(148 577)**	**-**	**(2 575 402)**
Non-cash changes						
Reclassification	(9 676 516)	9 676 516	-	-	-	-
Capitalized interest	-	-	389 126	-	-	389 126
Interest expense	-	-	3 595 475	62 848	-	3 658 323
Proceeds from lease agreements	-	-	-	146 215	-	146 215
Other changes, net	-	-	-	11 078	-	11 078
Total	**(9 676 516)**	**9 676 516**	**3 984 601**	**220 141**	**-**	**4 204 742**
As of December 31, 2024	**12 889 535**	**11 137 319**	**104 414**	**1 053 405**	**-**	**25 184 673**

(in thousands of Russian rubles, unless otherwise stated)

	Borrowings		Interest payable on borrowings (other than % under lease agreements)	Lease liabilities	Dividends payable	Total
	Long-term	Short-term				
As of January 1, 2023	**15 368 654**	**7 106 118**	**75 759**	**771 298**	**-**	**23 321 829**
Changes in cash flows from financing activities						
Attraction of borrowings	8 402 786	5 309 200	-	-	-	13 711 986
Repayment of borrowings	(1 313 635)	(12 415 318)	-	-	-	(13 728 953)
Lease payments			-	(49 351)	-	(49 351)
Interest paid (operating activities, for reference)	-	-	(2 373 517)	(69 813)	-	(2 443 330)
Total	**7 089 151**	**(7 106 118)**	**(2 373 517)**	**(119 164)**	**-**	**(2 509 648)**
Non-cash changes						
Reclassification	(7 789 703)	7 789 703	-	-	-	-
Capitalized interest	-	-	173 073	-	-	173 073
Interest expense	-	-	2 240 372	72 075	-	2 312 447
Proceeds from lease agreements	-	-	-	85 595	-	85 595
Other changes, net	-	-	-	172 037	-	172 037
Total	**(7 789 703)**	**7 789 703**	**2 413 445**	**329 707**	**-**	**2 743 152**
As of December 31, 2023	**14 668 102**	**7 789 703**	**115 687**	**981 841**	**-**	**23 555 333**

(in thousands of Russian rubles, unless otherwise stated)

27. Employee benefits

The Group has pension and other long-term defined-benefit obligations that cover the majority of employees and retirees. Defined-benefit obligations consist of several unfunded programs that provide lump-sum payments upon retirement, financial support to retirees, payments in case of death of employees and payments for anniversary dates.

The amounts of defined-benefit obligations recognized in the consolidated financial statements are presented below:

	December 31, 2024	**December 31, 2023**
Net value of employee post-employment benefit obligations	381 936	268 190
Net liability for other long-term employee benefit plans	15 538	16 136
	397 474	**284 326**

Changes in the present value of the defined-benefit obligation:

	2024		**2023**	
	Post-employment benefits	**Other long-term employee benefits**	**Post-employment benefits**	**Other long-term employee benefits**
Obligations under defined benefit plans as of January 1	**268 190**	**16 136**	**274 406**	**15 345**
Current service cost	10 718	2 623	12 146	3 387
Past service cost and curtailments	98 000	-	-	-
Interest expense	30 227	1 235	27 463	1 041
Effect of revaluation:				
- *changes in financial actuarial assumptions*	(87 391)	(3 358)	(41 550)	(1 745)
- *experience-based adjustments*	74 220	4 568	3 497	3 342
Contributions to a plan	(12 028)	(5 666)	(7 772)	(5 234)
Obligations under defined benefit plans as of December 31	**381 936**	**15 538**	**268 190**	**16 136**

Expense recognized in profit or loss for period:

Expense/(income) recognized as part of profit or loss for a period	**For the year ended December 31**	
	2024	**2023**
Cost of employee services	111 341	15 533
Remeasurement of other long-term employee benefits liabilities	1 210	1 597
Interest expense	31 462	28 504
Total expenses recognized in profit or loss	**144 013**	**45 634**

Profit recognized in other comprehensive income for the period:

	For the year ended December 31	
	2024	**2023**
Profit from change in financial actuarial assumptions	(87 391)	(41 550)
Loss from experience adjustments	74 220	3 497
Total gains recognized in other comprehensive income	**(13 171)**	**(38 053)**

(in thousands of Russian rubles, unless otherwise stated)

Change in liability revaluation reserve in other comprehensive income during the period:

	For the year ended December 31	
	2024	**2023**
Balance as of January 1	**251 194**	**289 247**
Change in revaluation	(13 171)	(38 053)
Balance as of December 31	**238 023**	**251 194**

The sensitivity of the total pension liability to changes in the key actuarial assumptions is summarized below:

	For the year ended December 31	
	2024	**2023**
Financial assumptions		
Discount rate	11.8%	11.8%
Inflation rate	5.6%	5.6%
Salary increases	6.1%	6.1%
Demographic assumptions		
Expected retirement age		
Men	65	65
Women	60	60
Average employee turnover rate	6.3%	6.3%

The amount of expected payments under long-term employee benefit programs for 2024 is RUB 99,193 thousand, including:

- under defined-benefit programs, including non-state pension provision for employees: RUB 97,164 thousand;
- other long-term employee benefit programs: RUB 2,029 thousand.

Risks associated with pension and other long-term employee benefit programs reflect the fact that actual developments may differ from the long-term assumptions used in the calculation of liabilities. The Group's programs are subject to mortality and longevity risks and investment return risks, with no significant concentration of risks.

The weighted average duration of the defined-benefit obligation is 10 years as of December 31, 2024 (10 years as of December 31, 2023).

	Changes in assumptions	**Impact on liabilities**
Discount rate	Increase/decrease by 0.5%	-4.3%
Future salary increases	Increase/decrease by 0.5%	2,6%
Future benefit increases (inflation)	Increase/decrease by 0.5%	2.4%
Staff turnover rate	Increase/decrease by 10%	-1.0%
Mortality rate	Increase/decrease by 10%	-1.1%

28. Trade and other payables

	December 31, 2024	**December 31, 2023**
Long-term accounts payable		
Trade payables	206 415	–
Other payables	362 520	167 799
	568 935	**167 799**
Short-term accounts payable		
Trade payables	5 985 892	5 331 288
Other long-term employee benefits	404 226	3 612 490
Indebtedness to the staff	1 851 653	1 662 965
	8 241 771	**10 606 743**

(in thousands of Russian rubles, unless otherwise stated)

During 2024, the Group received government grants for design and construction of energy infrastructure in the amount of RUB 162,101 thousand (during 2023: RUB 107,249 thousand). As at December 31, 2024, these grants are recognized in other long-term payables in the amount of RUB 269,350 thousand (December 31, 2023: RUB 107,249 thousand).

As of December 31, 2024, the restructured debt within short-term trade payables was repaid (as of December 31, 2023: RUB 329,714 thousand).

Note 32 discloses the Group's exposure to liquidity risk related to trade payables.

29. Taxes payable, other than income tax

	December 31, 2024	December 31, 2023
Taxes payable		
VAT	690 018	813 029
Property tax	38 244	41 051
Social security contributions	317 934	492 322
Other taxes payable	77 764	71 565
	1 123 960	**1 417 967**

30. Advances received

In this note the amount of advances from customers is stated inclusive of VAT:

Long-term	December 31, 2024	December 31, 2023
Advances for grid connection services	394 663	462 155
Other advances received	14 022	132
	408 685	**462 287**

Short-term	December 31, 2024	December 31, 2023
Advances for grid connection services	2 548 475	1 656 901
Other advances received	6 160 858	8 323 867
	8 709 333	**9 980 768**

31. Estimated liabilites

	For the year ended December 31	
	2024	2023
Balance as of January 1	**713 562**	**888 802**
Accrual (increase) for the period	318 335	654 122
Reversal (decrease) for the period	(464 537)	(505 660)
Use of estimated liabilities	(307 754)	(323 702)
Balance as of December 31	**259 606**	**713 562**

Estimated liabilities relate to legal actions and claims made against the Group in the ordinary course of business.

(in thousands of Russian rubles, unless otherwise stated)

32. Financial risk and capital management

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

As at December 31, 2024, the Group's equity amounts to RUB 8,642,558 thousand (December 31, 2023: minus RUB 2,588,583 thousand).

The Group's Management forecasts that the Group's net cash flow from operating activities in 2024 will be sufficient, taking into account undrawn credit lines, to cover short-term liabilities payable in 2024. The amount of long-term open credit lines unused as of December 31, 2024 is RUB 76,432,595 thousand (December 31, 2023: RUB 53,924,165 thousand).

This note presents information about the Group's exposure to each of the above risks and discusses the Group's objectives, policies and processes for measuring and managing risk, and information about capital management. Further quantitative disclosures are included in the relevant sections of these consolidated financial statements.

In order to maintain or adjust the capital structure, the Company may issue new shares or raise financing from outside.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations in full and on time. Principally, credit risk arises from the Group's receivables, bank deposits, cash and cash equivalents.

Deposits with original maturities of more than three months, cash and cash equivalents are placed with financial institutions that have minimal risk of default and are considered to be reliable counterparties with stable financial position in the financial market of the Russian Federation. Concentration risk is managed by placing cash with banks with lowest risk of default. Note 35, “Related party transactions”, discloses information on balances of deposits with original maturity exceeding three months, cash and cash equivalents placed with banks related to the Company's major shareholder.

Given the structure of the Group's debtors, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Group establishes an allowance for expected credit losses on trade and other receivables, the estimated amount of which is based on an expected credit loss model weighted by the likelihood of default; this estimated amount can be adjusted either upwards or downwards. For this purpose, the Group analyzes the creditworthiness of counterparties, debt repayment dynamics, considers changes in payment terms, availability of third party sureties, bank guarantees and current economic situation.

The maximum amount exposed to credit risk is represented by the carrying amount of accounts receivable net of allowance for expected credit losses. Although the collectability of receivables may be influenced by economic and other factors, the Group believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

Where possible, the Group utilizes a prepayment system, when dealing with counterparties. As a rule, grid connection contracts concluded with consumers provide for prepayment. For accounts receivable, the Group does not require collateral.

In order to effectively organize work with accounts receivable, the Group monitors changes in the volume of accounts receivable and its structure, aiming at identification of current and overdue receivables. In order to minimize credit risk, the Group implements measures aimed at timely fulfillment of contractual obligations by counterparties, reduction and prevention of overdue debts. In particular, the Group conducts negotiations with consumers of services, increases the efficiency of the process of forming the amount of electricity transmission services, ensures the implementation of schedules for control readings and technical inspection of electricity metering devices agreed with the guaranteeing suppliers, limits the mode of electricity consumption (implemented in accordance with the norms of the legislation of the Russian Federation), is actively engaged in claims and litigation work, makes demands for the provision of financial security in the form of independent (bank) guarantees, sureties and other forms of security for the fulfillment of obligations.

Level of credit risk

The Group's maximum exposure to credit risk is reflected by the carrying amount of financial assets. As at the reporting date, the maximum exposure to credit risk was as follows:

	Carrying amount	
	December 31, 2024	**December 31, 2023**
Trade and other receivables (net of allowance for expected credit losses)	6 014 204	7 721 978

(in thousands of Russian rubles, unless otherwise stated)

Cash and cash equivalents	2 574 076	4 029 964
Financial assets at fair value through other comprehensive income	21 856	26 139
	8 610 136	**11 778 081**

As at the reporting date, the maximum exposure to credit risk for trade receivables by customer group was:

	December 31, 2024		**December 31, 2023**	
	Total nominal amount	**Provision for expected credit losses**	**Total nominal amount**	**Provision for expected credit losses**
Buyers of electricity sales services	498 169	(406 744)	605 806	(460 503)
Buyers of electricity transmission services	4 947 455	(660 477)	6 547 727	(1 623 639)
Buyers of grid connection services	19 787	(7 688)	24 609	(9 300)
Other buyers	254 221	(128 618)	198 954	(136 235)
	5 719 632	**(1 203 527)**	**7 377 096**	**(2 229 677)**

The carrying amount of trade receivables attributable to the Group's ten largest debtors amounted to RUB 3,587,224 thousand as of December 31, 2024 (December 31, 2023: RUB 3,999,940 thousand).

The ageing of trade and other receivables is presented below:

	December 31, 2024		**December 31, 2023**	
	Total nominal amount	**Provision for expected credit losses**	**Total nominal amount**	**Provision for expected credit losses**
Non-overdue debt	5 535 925	(151 953)	7 257 506	(202 557)
Overdue for less than 3 months	435 469	(26 299)	271 520	(27 640)
Overdue for more than 3 months and less than 6 months	132 454	(57 121)	232 673	(71 205)
Overdue for more than 6 months and less than a year	201 549	(117 852)	262 528	(154 886)
Overdue for more than a year	1 407 088	(1 345 056)	2 453 944	(2 299 905)
	7 712 485	**(1 698 281)**	**10 478 171**	**(2 756 193)**

(in thousands of Russian rubles, unless otherwise stated)

Movements in the allowance for expected credit losses on trade and other receivables are as follows:

	2024	2023
Balance as of January 1	**2 756 193**	**3 679 680**
Increase in provision for the period	437 163	512 399
Reversal of allowance for the period	(411 867)	(1 156 108)
Amounts of trade and other receivables written off against previously accrued allowance	(1 083 208)	(279 778)
Balance as of December 31	**1 698 281**	**2 756 193**

As at December 31, 2024 and December 31, 2023, the Group has no contractual arrangements to offset financial assets and financial liabilities, and the management does not expect any future offsetting to occur based on supplemental agreements.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Liquidity risk management implies maintaining sufficient cash on hand and the availability of financial resources through the use of credit lines. The Group follows a balanced model of financing working capital through the use of both short-term and long-term sources. Temporarily available cash is placed in the form of short-term financial instruments in the form of minimum balance transactions.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or jeopardizing the Group's reputation. This approach is used to analyze the maturity profile of financial assets and forecast cash flows from operating activities.

(in thousands of Russian rubles, unless otherwise stated)

The following are the contractual maturities of financial liabilities, taking into account expected interest payments and excluding the impact of netting. The cash flows included in the maturity analysis are not expected to occur significantly earlier in time or in significantly different amounts:

December 31, 2024	**Carrying amount**	**Cash flows under a contract**	**up to 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**
Non-derivative financial liabilities								
Loans and borrowings	**24 103 929**	31 601 896	16 318 676	13 708 522	1 574 698	–	–	–
Lease liabilities	**1 041 062**	2 234 634	126 371	130 077	130 077	130 077	130 077	1 587 955
Trade and other payables	**8 541 358**	8 611 247	8 311 662	145 268	55 735	52 812	45 770	-
	33 686 349	**42 447 777**	**24 756 709**	**13 983 867**	**1 760 510**	**182 889**	**175 847**	**1 587 955**

December 31, 2023	**Carrying amount**	**Cash flows under a contract**	**up to 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**
Non-derivative financial liabilities								
Loans and borrowings	**22 546 540**	28 632 374	11 152 846	11 126 360	6 353 168	–	–	–
Lease liabilities	**981 842**	2 234 634	126 371	130 077	130 077	130 077	130 077	1 587 955
Trade and other payables	**10 774 542**	10 369 108	10 201 309	166 302	1 497	–	–	–
	34 302 924	**41 236 116**	**21 480 526**	**11 422 739**	**6 484 742**	**130 077**	**130 077**	**1 587 955**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and cost of capital will affect the Group's financial performance or the value of financial instruments held. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on investment.

Currency risk

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

Interest rate risk

Primarily, changes in interest rates affect loans and borrowings by changing either their fair value (for fixed rate loans and borrowings) or their future cash flows (for floating-rate loans and borrowings). The Group's management does not follow any prescribed rules in determining the ratio between fixed and floating rate borrowings.

Fair value sensitivity analysis of fixed rate financial instruments

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

Sensitivity analysis of cash flows on floating rate financial instruments

As at December 31, 2024, the Group's financial liabilities with floating interest rates amounted to RUB 20,436,610 thousand (December 31, 2023: RUB 15,445,259 thousand).

A reasonably possible change of 100 basis points in interest rates would increase (decrease) profit before income tax for 2024 by RUB 204,366 thousand (2023: RUB 154,453 thousand) This analysis assumes that all other variables remain constant and interest expense is not capitalized.

(in thousands of Russian rubles, unless otherwise stated)

Fair value and carrying amount

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

	December 31, 2023		**Fair value hierarchy level**		
Financial instruments	**Carrying amount**	**Fair value**	**1**	**2**	**3**
Financial assets measured at amortized cost:					
Long-term receivables	1 298 066	1 153 613			1 153 613
Financial assets at fair value through other comprehensive income					
Investments in equity instruments	26 139	26 139	25 450		689
Financial assets measured at amortized cost:					
Loans and borrowings	(22 546 540)	(23 038 545)	-	(23 038 545)	-
Long-term accounts payable	*(167 799)*	*(167 799)*			(167 799)
Total	**(21 390 134)**	**(21 882 139)**	**25 450**	**(23 038 545)**	**1 130 956**

	December 31, 2024		**Fair value hierarchy level**		
Financial instruments	**Carrying amount**	**Fair value**	**1**	**2**	**3**
Financial assets measured at amortized cost:					
Long-term receivables	1 067 035	877 671			877 671
Financial assets at fair value through other comprehensive income					
Investments in equity instruments	21 856	21 856	21 167		689
Financial assets measured at amortized cost:					
Loans and borrowings	(24 103 929)	(24 246 709)	-	(24 246 709)	-
Long-term accounts payable	*(568 935)*	*(568 935)*			(568 935)
Total	**(23 583 973)**	**(23 726 753)**	**21 167**	**(24 246 709)**	**498 789**

(in thousands of Russian rubles, unless otherwise stated)

The management believes that at the reporting date the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

The Group's financial assets and financial liabilities, except for quoted marketable securities recorded within investments (Level 1 of the fair value hierarchy, Note 17), cash and cash equivalents (Level 1 of the hierarchy), loans and borrowings (Level 2 of the hierarchy) are categorized within Level 3 of the fair value hierarchy.

There were no transfers between levels of the fair value hierarchy for the year ended December 31, 2024.

The interest rate used to discount the expected future cash flows on long-term receivables and payables for the purpose of determining the disclosed fair value as of December 31, 2024 was 21.48%. Accounts payable are disclosed at fair value and are marketable.

The following table provides a reconciliation of the carrying amounts of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income at the beginning and end of the reporting period:

	Financial assets at fair value through other comprehensive income	
	2024	**2023**
Balance as of January 1	**26 139**	**5 943**
Acquisition	–	–
Sale	–	–
Disposal	–	–
Change in fair value recognized in other comprehensive income	(4 283)	20 196
Balance as of December 31	**21 856**	**26 139**

Capital management

The Group's capital under management represents the amount of capital that is attributable to owners of the Company as presented in the consolidated financial statements.

The primary objective of the Group's capital management is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group monitors the capital structure and return on capital using ratios calculated on the basis of IFRS consolidated financial statements, management accounts and RAS financial statements. The Group analyzes the dynamics of total debt and net debt ratios, debt structure, as well as the ratio of equity and debt capital.

The Group manages its debt position by implementing a credit policy aimed at improving financial stability, optimizing the debt portfolio and building long-term relationships with debt capital market participants. To manage a debt position, the Group applies limits, including limits on leverage, debt coverage and debt service coverage. The source data for calculating limits are RAS reporting figures.

33. Contractual capital commitments

The Group's capital commitments under contracts for the acquisition and construction of fixed assets amount to RUB 4,173,867 thousand including VAT as of December 31, 2024 (December 31, 2023: RUB 4,758,004 thousand).

34. Contingencies

Insurance

The Group has uniform requirements in relation to the amount of insurance coverage, reliability of insurance companies and the procedure for organizing insurance coverage. The Group insures assets, civil liability and other insurable risks. The Group's main production assets have insurance coverage, including coverage for damage to or loss of fixed assets. There are risks, however, which impact negatively on the Group's operations and financial position in the event of loss or damage to assets, for which insurance coverage is not in place or is not fully in place.

Tax contingencies

The tax legislation of the Russian Federation, which is in force or has entered into force at the end of the reporting period, allows that individual facts in the economic life of the Group may be interpreted differently. Consequently, tax positions taken by the Group's management and the documents that support such positions may be challenged by tax authorities.

In the area of tax control, the Russian state is tightening the screws, so the risks are increasing that tax authorities will review the impact on the taxable base of transactions that do not have a clear financial and economic purpose or transactions with counterparties that do not comply with the requirements of tax legislation. Fiscal periods remain open to review by the tax authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover earlier periods, too.

While the Group's management currently believes that its tax positions and interpretations can be sustained, there is a risk that the Group will incur additional expenses if tax positions and interpretations are challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; it may, however, be significant to the financial position and results of operations of the Group.

As the practice of application of property tax rules continues to evolve, the criteria for classifying property as movable or immovable property, which are applied by the Group, may be challenged by tax authorities and courts. The Group's management does not rule out the risk of outflow of resources, provided that the risk of such development is not assessed as probable.

Russian tax legislation allows for varying interpretations of the Group's transactions and activities. Accordingly, relevant regional or federal authorities may successfully challenge management's interpretation of tax legislation as well as formal documentation. Tax administration in Russia is gradually getting stronger. In particular, the risk of review of the tax aspects of transactions without obvious economic substance or with counterparties violating tax legislation increases. Fiscal periods remain open to review by the tax authorities in respect of taxes for three calendar years preceding the year, in which the decision to conduct a tax review is taken. Under certain circumstances, reviews may cover earlier periods.

If the price/profitability in controlled transactions differs from the market level, the Russian tax authorities may impose additional tax liabilities and penalties based on the rules established by the transfer pricing legislation (“TP legislation”). Predominantly, the list of controlled transactions includes related-parties transactions.

Starting from January 1, 2019, transfer pricing control has been abolished for a significant part of intra-Russian transactions. Exemption from price control may, however, apply to several domestic transactions rather than to all of them. Provided that the mechanism of counter-adjustment of tax liabilities may, in the event of additional tax assessments, be used subject to observance of certain legal requirements. Intra-group transactions that are out of the control of the TCO starting from 2019 may, nevertheless, be subject to review by territorial tax authorities for unjustified tax benefits, TCO methods can be used to determine the amount of additional charges. The federal executive body that is authorized to control and supervise in the area of taxes and fees may conduct a price/profitability audit in controlled transactions; if the said federal body does not agree with the prices that the Group applied in these transactions, and if the Group cannot substantiate the arm's length nature of pricing in these transactions by providing transfer pricing documentation that complies with the requirements of the law, the said federal body may assess additional tax liabilities.

As the practice of application of property tax rules continues to evolve, the criteria for classifying property as movable or immovable property, which are applied by the Group, may be challenged by tax authorities and courts.

In the opinion of the management, the relevant provisions of the legislation have been interpreted correctly by the management and the Group's position in terms of compliance with tax legislation can be justified and defended.

Legal Proceedings

The Group is a party to a number of legal proceedings (both as plaintiff and defendant) that arose in the ordinary course of business. The management believes that there are currently no outstanding claims or other actions, which could have a material effect on the result of operations or financial position of the Group and which have not been recognized or disclosed in the consolidated financial statements.

Environmental liabilities

The Group has been operating in the electric power industry in the Russian Federation for many years. Environmental regulation in the Russian Federation continues to evolve and the enforcement responsibilities of the relevant authorities are continually being reconsidered. Potential environmental liabilities arising from changing interpretations of existing legislation, litigation or changes in legislation cannot be estimated. The management believes that under the existing control system and current legislation, there are no probable liabilities that could have a material adverse effect on the financial position, results of operations or cash flows of the Group.

35. Related-party transactions

Control relationships

(in thousands of Russian rubles, unless otherwise stated)

Parties are generally considered to be related if they are under common control or one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering the relationships that exist with each of the possible related parties, the economic substance of such relationships is taken into account rather than just their legal form.

The Group's principal related parties for the year ended December 31, 2024 and December 31, 2023 and as of December 31, 2024 and December 31, 2023 were the following: the parent company, its subsidiaries, key management personnel and companies related to the parent company's major shareholder.

Transactions with the parent company, its subsidiaries

	Amount of transaction for the year ended December 31		Carrying amount	
Revenue, net other income	**2024**	**2023**	**December 31, 2024**	**December 31, 2023**
Parent company				
Rent	1 641	1 231	160	270
Other revenues and income	31 993	144 184	–	–
Entities under common control of the parent company				
Other revenues and income	2 040	6 192	22 987	328 020
Accrual of allowance for expected credit losses	–	38 468	–	–
	35 674	**190 075**	**23 147**	**328 290**

(in thousands of Russian rubles, unless otherwise stated)

Operating expenses, finance costs	Amount of transaction for the year ended December 31 2024	2023	Carrying amount December 31, 2024	December 31, 2023
Parent company				
Electric power transmission services	10 166 793	9 138 608	819 790	689 548
Other works and services of production nature	36 640	40 945	–	–
Other	26 906	47 997	11 304	3 172 150
Interest expense on financial liabilities carried at amortized cost	769 317	451 111	40 677	40 268
Entities under common control of the parent company				
Electric power transmission services	622	82	–	13 591
Other	367 236	262 322	53 769	66 703
Interest expense on financial liabilities carried at amortized cost	90 581	26 229	–	–
	11 458 095	**9 967 294**	**925 540**	**3 982 260**

	Carrying amount December 31, 2024	December 31, 2023
Parent company		
Advances paid	9 651	8 814
Loans	6 492 031	5 525 538
Lease liabilities	–	49 568
Entities under common control of the parent company		
Advances paid	540	–
Loans received	596 171	5 986
Lease liabilities	–	49 568
	7 098 393	**5 639 474**

As of December 31, 2024, there are no dividends payable to the parent company.

No dividends were paid by the Company to the parent company in 2024 and 2023.

Transactions with companies related to the major shareholder of the parent company

In the normal course of business, the Group enters into transactions with other companies related to the major shareholder of the parent company. These transactions are carried out at regulated tariffs or at market prices. Borrowings and placements with financial institutions related to the parent company's major shareholder are made at market interest rates. Taxes are accrued and paid in accordance with Russian tax legislation.

Revenue from companies related to the major shareholder of the parent company amounted to:

- 20% of the Group's total revenue for the year ended December 31, 2024 (for the year ended December 31, 2023: 17%);
- 16% of the Group's electric power transmission revenue for the year ended December 31, 2024 (the same (16%) for the year ended December 31, 2023).

For companies related to the major shareholder of the parent company, electric power transmission costs and electric power purchase costs for compensation of technological losses, represented 9%, respectively, of total electricity transmission costs and compensation of technological losses for the year ended December 31, 2024 (the same (9%) for the year ended December 31, 2023).

Interest accrued on loans and borrowings from banks related to the parent company's main shareholder for the year ended December 31, 2024 amounted to RUB 1,786,623 thousand (for the year ended December 31, 2023: RUB 1,313,781 thousand).

As at December 31, 2024, borrowings from banks related to the parent company's major shareholder amounted to RUB 8,584,422 thousand (December 31, 2023: RUB 6,815,372 thousand).

(in thousands of Russian rubles, unless otherwise stated)

As at December 31, 2024, the balance of cash and cash equivalents placed with banks related to the major shareholder of the parent company amounted to RUB 1,682,152 thousand (for the year ended December 31, 2023: RUB 3,896,659 thousand).

As at December 31, 2024, there are no deposits with original maturity of more than three months placed with banks related to the major shareholder of the parent company (also none as at December 31, 2023).

As at December 31, 2024, lease liabilities with companies related to the major shareholder of the parent company amounted to RUB 716,681 thousand (December 31, 2023: RUB 723,767 thousand).

Transactions with companies related to the parent company's major shareholder include a subcontract agreement for design and survey works, construction and installation works. The amount of advances received under this transaction and disclosed in Note 30 is RUB 5,275,700 thousand.

Transactions with the key management personnel

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

Remuneration of the key management personnel consists of salaries and non-monetary benefits stipulated by the labor agreement, as well as bonuses based on the results for the period and other payments.

The amounts disclosed in the table represent the current period cost of the key management personnel recognized in employee remuneration expense.

	For the year ended December 31	
	2024	**2023**
Short-term employee benefits	216 723	170 806
Change in post-employment and other long-term employee benefit obligations (including pension plans)	907	536

As at December 31, 2024, the present value of defined-benefit obligations in respect of key management personnel recognized in the consolidated financial statements amounted to RUB 2,558 thousand (as of December 31, 2023: RUB 1,650 thousand).

36. Events after the reporting date

In the period between the reporting date and the date of signing of the consolidated financial statements, the Group utilized previously opened credit lines and borrowings totaling RUB 1,518,706 thousand, and received a loan under a new agreement with a related party in the amount of RUB 1,200,000 thousand.