PJSC ROSSETI

CONSOLIDATED FINACIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
FOR THE YEAR ENDED 31 DECEMBER 2020
WITH INDEPENDENT AUDITOR'S REPORT

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25.03.2021
№ РСМ-1028

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Public Joint Stock Company "ROSSETI" (PJSC "ROSSETI")

Opinion

We have audited the consolidated financial statements of PJSC "ROSSETI" and its subsidiaries (hereinafter - the Group), which comprise the Consolidated Statement of Financial Position as of 31 December 2020, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended and notes to the consolidated financial statements, composed of a summary of 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 at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year that ended on the specified date 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 in accordance with those standards are 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 Rules for the Independence of Auditors and Auditing Organizations and with the Auditor Code of Ethics, corresponded International Code of Ethics for Professional Accountants (including international standards of independence) developed by the International Ethics Standards Board for Professional Accountants, and we have fulfilled other responsibilities in accordance with these requirements of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment

In our opinion, this matter was one of most significance in our audit due to a significant share of property, plant and equipment in total assets of the Group, high level of the subjectivity of assumptions used to determine the fair value as well as the materiality of judgments and estimates made by the management in determining the replacement cost of property, plant and equipment.

The majority of the Group's property, plant and equipment is specialized in nature and is rarely sold on the open market other than as part of a continuing business, making it impossible to use market-based approaches for determining its fair value. Consequently, the fair value of such items is primarily determined by the Group using depreciated replacement cost valuation method.

We have performed procedures of analysis and testing of the model used in making the estimates, assessment of the adequacy of assumptions underlying the estimates, including assumptions in respect of projected revenue, tariffs solutions, discount rates, etc.

We have also reviewed the relevant controls in respect of the estimates, consideration by management of estimation uncertainty and changes in approaches as compared to the previous period. We have reviewed the actual outcomes of the use of the model to obtain sufficient appropriate audit evidence about whether the management in making the estimates complied with IFRS requirements, the methods used in estimates of tests are appropriate and are applied consistently and the changes in estimates are reasonable based on information available at the date of preparation of the accounts.

For testing the model of estimate and underlying assumptions, we have engaged an expert in accordance with the procedure established by ISA.

We have evaluated the accuracy and sufficiency of disclosures to the consolidated financial statements of information about the determination of the fair value of property, plant and equipment, including information about uncertainties taken into consideration when making the estimates.

Information about property, plant and equipment, the manner of recognition and measurement of the Group's property, plant and equipment is disclosed in Notes 2, 3, 4, 15 to the consolidated financial statements.

Provision for expected credit losses on trade and other receivables

In our opinion, this matter was one of the most significant in our audit due to significant balances of trade and other receivables as at 31 December 2020. The management estimate of recoverability of these receivables is complex, largely subjective and based on the assumptions, in particular, forecasting and estimating financial solvency of the Group's counterparties, credit risk and expected credit losses.

We have performed procedures of evaluation of the adequacy of the Group's policy on reviewing trade and other receivables and determining if provision for credit losses should be accrued, as well as procedures of confirming the reasonableness of the estimates made by the management of the Group, including specific characteristics of specific clients, their financial solvency, dynamics of a collection of accounts receivable, payments and arrangements after the balance-sheet date, as well as a review of expected future cash flows, credit losses.

Accrued provision for expected credit losses on trade and other receivables is disclosed by the Group in Notes 2, 21 and 33 to the consolidated financial statements.

Recognition and measurement of revenue

Recognition and measurement of revenue were matters of most significance in our audit due to certain imperfection of mechanisms of operation of the electricity market and it leads to disagreements between electric grid companies and energy supply companies in respect of volume of electricity consumption and capacity. The assessment by the Group's management of favorable outcome of the dispute resolution is, to a large extent, subjective and is based on the assumptions of dispute resolution.

We evaluated the internal control over revenue recognition, reviewed the accuracy of determining revenue amounts based on concluded contracts for electricity transmission and other work (services), on a sample basis obtained confirmations of accounts receivable balances from the counterparties, reviewed and evaluated existing procedures for confirming the volume of electricity transmitted and outcomes of litigations in respect of disputed amounts for the provided services, and also performed other procedures to obtain sufficient and appropriate audit evidence, in order to confirm the accuracy, in all material respects, of the amounts of revenues recognized in the consolidated financial statements.

Revenue amounts and recognition approach are disclosed in Notes 3, 8 and 9 to the consolidated financial statements.

Recognition, measurement and disclosure of provisions and contingent liabilities

Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims of counterparties (including territorial electric grid companies and energy supply companies) were matters of most significance in our audit because they require a lot of management judgments in respect of significant amounts in dispute in the course of litigations and claim settlements.

Our audit procedures included a review of court rulings made by courts of different levels, a review of the adequacy of management judgments and documents confirming the assessment of the possibility of an outflow of economic resources following dispute resolutions, conformity of the prepared documentation with the existing contracts and compliance with the law.

Provisions and contingent liabilities of the Group are disclosed in Notes 3, 32 and 35 to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report of PJSC "ROSSETI" for 2020 and the quarterly report of the issuer PJSC "ROSSETI" for the 1st quarter of 2021, but does not include the consolidated financial statements and our auditor's report thereon. The annual report of PJSC "ROSSETI" for 2020 and the quarterly report of the issuer for the 1st quarter of 2021 are 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 we do not express any form of assurance conclusion thereon.

In connection with the audit of the consolidated financial statements, our responsibility is to study the other information provided above, when it is provided to us, and to consider whether there are material misstatements between the other information and the consolidated financial statements or our knowledge obtained in the course of the audit and whether the other information contains other possible material misstatements.

In case after reviewing the annual report of PJSC "ROSSETI" for 2020 and/or the quarterly report of the issuer PJSC "ROSSETI" for the 1st quarter of 2021, we conclude that there are material misstatements therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and the Audit Committee of the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and 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, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concerned and using the going concern basis of accounting unless management either intends to liquidate the Group or to 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 financial reporting process.

Auditor's Responsibilities 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 level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, 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 attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the Audit Committee of the Board of Directors all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Management Board Chairperson **N.A. Dantser**

Audit Certificate No. 05-000015. Issued following Resolution of self-regulatory organization Not-for-Profit Partnership "Russian Collegium of Auditors" dated 15 November 2011 No. 24. Permanent award.

ORNZ in the Register of auditors and audit organizations – 21706004215

"РСМ РУСЬ"

Engagement Leader on the audit resulting in this independent auditor`s report **N.N. Usanova**

Audit Certificate No. 05-000030. Issued following Resolution of self-regulatory organization Not-for-Profit Partnership "Russian Collegium of Auditors" dated 30 November 2011 No. 25. Permanent award.

ORNZ in the Register of auditors and audit organizations – 21706004441

Audited entity:
Public Joint Stock Company "ROSSETI" (abbreviated name - **PJSC "ROSSETI"**)
Location: 4 Belovezhskaya St., Moscow, 121353, Russia;
Primary state registration number – 1087760000019.

Auditor:
RSM RUS Ltd.
Location: room 15, floor 3, 4, Pudovkina St., Moscow, 119285;
Tel.: (495) 363-28-48;
Primary state registration number – 1027700257540;
RSM RUS Ltd. is a member of the Self-regulatory organization of auditors Association "Sodruzhestvo" (membership certificate # 6938, ORNZ 11306030308), location: 21, Michurinsky Ave., bldg. 4, Moscow, 119192.

The audit was conducted pursuant to Contract No. 201a017 dated 14.07.2020, concluded based on the results of competitive selection (Minutes of 30.03.2018, procurement №0473000000518000001). The auditor was approved by the Annual General Meeting of Shareholders (AGM) on June 01, 2020.

Consolidated Statement of profit or loss and other comprehensive income
(in millions of Russian rubles unless otherwise stated)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Revenue	9	1,001,517	1,029,654
Operating expenses	11	(870,512)	(858,282)
Accrual of allowance for expected credit losses	33	(10,251)	(23,356)
Net accrual of impairment of property, plant and equipment and right-of-use assets	15, 17	(39,716)	(23,631)
Other income	10	18,280	31,966
Other expenses	10	(2,372)	(4,860)
Operating profit		**96,946**	**151,491**
Finance income	13	19,510	21,741
Finance costs	13	(32,571)	(31,696)
Total finance costs		**(13,061)**	**(9,955)**
Share of profit of associates and joint ventures		144	192
Profit before income tax		**84,029**	**141,728**
Income tax expense	14	(22,854)	(36,436)
Profit for the period		**61,175**	**105,292**
Total other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference		42	(228)
Total items that may be reclassified subsequently to profit or loss		**42**	**(228)**
Items that will not be reclassified subsequently to profit or loss			
Changes in fair value of financial assets at fair value through other comprehensive income		2,454	9,865
Remeasurements of the defined benefit liability	28	(1,227)	(5,056)
Income tax	14	(183)	(731)
Total items that will not be reclassified subsequently to profit or loss		**1,044**	**4,078**
Total other comprehensive income for the period, net of income tax		**1,086**	**3,850**
Total comprehensive income for the period		**62,261**	**109,142**
Profit attributable to:			
Owners of the Company		43,872	76,773
Non-controlling interest		17,303	28,519
Total comprehensive income attributable to:			
Owners of the Company		44,798	80,411
Non-controlling interest		17,463	28,731
Earnings per share			
Basic and diluted earnings per share (in RUB)	25	0.22	0.38

These consolidated financial statements were approved by management on 25 March 2021 and were signed on its behalf by:

Director General

A.V. Ryumin

ПАО "Россети"

Head of Accounting and Financial Reporting – Chief Accountant

D.V. Nagovitsyn

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Financial Position
(in millions of Russian rubles unless otherwise stated)

	Notes	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	15	2,205,068	2,119,648
Intangible assets	16	22,390	19,648
Right-of-use assets	17	42,801	36,669
Investments in associates and joint ventures		1,481	1,296
Trade and other receivables	21	83,524	76,882
Assets related to employee benefits plans	28	5,976	5,808
Other non-current financial assets	18	70,893	49,227
Deferred tax assets	19	11,664	12,245
Advances given and other non-current assets	22	5,878	6,664
Total non-current assets		**2,449,675**	**2,328,087**
Current assets			
Inventories	20	39,982	37,329
Other current financial assets	18	20,950	57,592
Income tax prepayments		3,851	2,266
Trade and other receivables	21	120,977	126,827
Cash and cash equivalents	23	65,911	79,013
Advances given and other current assets	22	29,239	18,152
Total current assets		**280,910**	**321,179**
Assets held for sale		313	313
Total assets		**2,730,898**	**2,649,579**
EQUITY AND LIABILITIES			
Equity			
Share capital	24	200,903	200,903
Share premium		213,098	213,098
Treasury shares		(109)	(109)
Reserves		18,401	17,517
Retained earnings		783,397	758,600
Total equity attributable to owners of the Company		**1,215,690**	**1,190,009**
Non-controlling interests		407,604	394,096
Total equity		**1,623,294**	**1,584,105**
Non-current liabilities			
Non-current borrowings	26	499,043	464,709
Non-current trade and other payables	29	25,767	23,797
Non-current advances received	31	41,285	42,280
Employee benefit liabilities	28	29,198	27,800
Deferred tax liabilities	19	94,927	91,878
Total non-current liabilities		**690,220**	**650,464**
Current liabilities			
Current borrowings and current portion of non-current borrowings	26	65,179	97,698
Trade and other payables	29	219,742	208,685
Taxes other than income tax	30	22,282	22,427
Advances received	31	72,515	58,992
Provisions	32	36,240	23,234
Current income tax liabilities		1,426	3,974
Total current liabilities		**417,384**	**415,010**
Total liabilities		**1,107,604**	**1,065,474**
Total equity and liabilities		**2,730,898**	**2,649,579**

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows
(in millions of Russian rubles unless otherwise stated)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**61,175**	**105,292**
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use-assets, amortisation of intangible assets	11	139,488	129,413
Net accrual of impairment of property, plant and equipment and right-of-use assets	15, 17	39,716	23,631
Finance costs	13	32,571	31,696
Finance income	13	(19,510)	(21,741)
Loss on disposal of property, plant and equipment	10	2,372	4,860
Share of profit of associates and joint ventures		(144)	(192)
Allowance for expected credit losses	33	10,251	23,356
Write-off accounts payable		(1,198)	(660)
Accrual of provisions	11	19,367	17,340
Gain on compensation of losses in connection with retirement / liquidation of electric grid assets		(2,891)	(2,663)
Non-cash settlements under technological connection agreements		(747)	(962)
Gain on disposal of assets	10	–	(8,110)
Gain on acquisition of new subsidiaries	10	(122)	(1,036)
Other non-cash transactions		(642)	(114)
Income tax expense	14	22,854	36,436
Total impact of adjustments		**241,365**	**231,254**
Change in assets related to employee benefit liabilities		238	408
Change in employee benefit liabilities		(1,428)	(2,633)
Change in non-current trade and other receivables		(2,303)	10,463
Change in non-current advances given and other non-current assets		973	(2,508)
Change in non-current trade and other payables		7,851	3,109
Change in non-current advances received		(995)	16,058
Cash flows from operating activities before changes in working capital and provisions		**306,876**	**361,443**

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows
(in millions of Russian rubles unless otherwise stated)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Changes in operating assets and liabilities:			
Change in trade and other receivables		(2,548)	(23,600)
Change in advances given and other assets		(10,587)	2,419
Change in inventories		(1,616)	546
Change in trade and other payables		(255)	(117)
Change in advances received		13,353	(9,895)
Use of provisions		(7,483)	(5,058)
Cash flows from operating activities before income tax and interest paid		**297,740**	**325,738**
Income tax paid		(24,214)	(23,971)
Interest paid under lease agreements		(3,798)	(3,305)
Interest paid		(34,316)	(42,017)
Net cash flows from operating activities		**235,412**	**256,445**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(235,632)	(231,684)
Proceeds from sale of property, plant and equipment and intangible assets		916	1,622
Acquisition of financial assets and placement of bank deposits		(92,578)	(119,864)
Disposal of financial assets and withdrawal of bank deposits		109,515	109,730
Interest received		8,319	9,210
Sale of financial investments		–	32,180
Acquisition of shares in subsidiary, net of cash and cash equivalents		(852)	(3,818)
Proceeds from sale of subsidiary, net of cash and cash equivalents		–	45
Dividends received		1,553	1,467
Net cash flows used in investing activities		**(208,759)**	**(201,112)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowed funds		498,182	288,722
Repayment of borrowed funds		(504,786)	(330,660)
Acquisition of non-controlling interests		(535)	(74)
Dividends paid to owners of the Company		(17,900)	(4,988)
Dividends paid to non-controlling interest		(9,656)	(10,154)
Repayment of lease liabilities		(5,060)	(3,222)
Net cash flows used in financing activities		**(39,755)**	**(60,376)**
Net decrease in cash and cash equivalents		**(13,102)**	**(5,043)**
Cash and cash equivalents at the beginning of the period	23	**79,013**	**84,056**
Cash and cash equivalents at the end of the period	23	**65,911**	**79,013**

Consolidated Statement of Changes in Equity
(in millions of Russian rubles unless otherwise stated)

	Attributable to owners of the Company							
	Share capital	**Share premium**	**Treasury shares**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2020	**200,903**	**213,098**	**(109)**	**17,517**	**758,600**	**1,190,009**	**394,096**	**1,584,105**
Profit for the period	–	–	–	–	43,872	43,872	17,303	61,175
Other comprehensive income	–	–	–	1,092	–	1,092	177	1,269
Related income tax (Note 14)	–	–	–	(166)	–	(166)	(17)	(183)
Total comprehensive income for the period	–	–	–	**926**	**43,872**	**44,798**	**17,463**	**62,261**
Dividends (Note 24)	–	–	–	–	(17,934)	(17,934)	(4,613)	(22,547)
Change of non-controlling interest in subsidiaries (Note 6)	–	–	–	(42)	(1,141)	(1,183)	658	(525)
Balance at 31 December 2020	**200,903**	**213,098**	**(109)**	**18,401**	**783,397**	**1,215,690**	**407,604**	**1,623,294**

Consolidated Statement of Changes in Equity
(in millions of Russian rubles unless otherwise stated)

	Attributable to owners of the Company							
	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2019	**200,903**	**213,098**	**(109)**	**15,322**	**687,356**	**1,116,570**	**377,957**	**1,494,527**
Profit for the period	–	–	–	–	76,773	76,773	28,519	105,292
Transfer of provision for revaluation on the disposal of equity investments	–	–	–	(1,338)	1,338	–	–	–
Other comprehensive income	–	–	–	4,358	–	4,358	223	4,581
Related income tax (Note 14)	–	–	–	(720)	–	(720)	(11)	(731)
Total comprehensive income for the period	**–**	–	–	**2,300**	**78,111**	**80,411**	**28,731**	**109,142**
Dividends	–	–	–	–	(4,990)	(4,990)	(15,323)	(20,313)
Change of non-controlling interest in subsidiaries	–	–	–	(105)	(1,877)	(1,982)	2,060	78
Acquisition of new subsidiaries	–	–	–	–	–	–	671	671
Balance at 31 December 2019	**200,903**	**213,098**	**(109)**	**17,517**	**758,600**	**1,190,009**	**394,096**	**1,584,105**

1 Background

a) The Group and its operations

Public Joint stock company «ROSSETI» (PJSC «ROSSETI» or the "Company") and its subsidiaries (hereinafter - the "Group" or "Rosseti Group of Companies") are a natural monopoly operator of distribution and transmission grids in the Russian Federation, the largest backbone power grid company. By Decree of the President of the Russian Federation dated 4 August 2004 No. 1009 “On approval of the list of strategic enterprises and strategic joint-stock companies”, the Company is included in the List of strategic enterprises and strategic joint-stock companies.

The primary activities of the Group are the provision of services for electricity transmission and distribution and provision of services for technological connection of consumers to the grids. The Group’s power distribution companies sell electricity.

The Group’s structure is disclosed in Note 5 “Significant subsidiaries”.

Information regarding Group’s relations with other related parties is disclosed in Note 36 “Related parties transactions”.

The ordinary and preference shares of the Company are traded on the Moscow Exchange. The Company’s GDRs are traded on the London Stock Exchange.

Location of PJSC «ROSSETI» is 4 Belovezhskaya Street, Moscow, Russia, 121353.

b) Relationships with the state

The Russian Government through the Federal Agency for the Management of State Property is the ultimate controlling party of the Company. The Russian Government’s economic, social and other policies could have a significant impact on the Group's operations.

As at 31 December 2020 the Russian Government owned 88.04 % in the share capital of the head parent Company – PJSC “ROSSETI” including 88.89 % of the voting ordinary shares and 7.01 % of the preference shares (as at 31 December 2019 - 88.04 % in the share capital of the Company, including 88.89 % of the voting ordinary shares and 7.01 % of the voting preference shares)

The State influences the Group's operations through its representation in the Board of Directors of the Company, regulation of tariffs in the electric power industry, approval and control over the implementation of the investment program. The Group's counterparties (consumers of services, suppliers and contractors, etc.) include a significant number of government-related entities.

c) The Group’s business environment

The Group operates primarily in the Russian Federation and hence is exposed to risks related to the Russian economy and political market environments.

The economy of the Russian Federation displays certain characteristics of an emerging market. The country’s economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory systems are continuing to evolve and are subject to varying interpretations, and changes, which can occur frequently. The ongoing political tension as well as international sanctions against certain Russian companies and individuals still adversely impacts the Russian economy.

The pandemic of coronavirus (COVID-19) in 2020 has caused financial and economic tension in the world markets, decrease in consumption expenditure and business activities. A drop in demand for oil, natural gas and crude products together with a higher supply of oil due to the cancellation of the OPEC+ oil production agreement in March 2020 has caused a fall in hydrocarbon world prices. The stock exchange, currency and commodity markets have shown significant volatility since March 2020.

Many countries as well as the Russian Federation have imposed quarantine measures. Social distancing and isolation measures have resulted in discontinued operations in retail, transport, travel and tourism, foodservice and many other areas.

The impact of the pandemic on economics in countries individually and globally has had no historical analogies ever when governments took measures to save the economy. Various forecasts of changes in the macroeconomic indicators both in the short- and long-term horizon, the extent of the impact of the pandemic on businesses, including the estimation of how long the crisis and recovery from it will last, display different views.

The Group considers the influence of the events on the Group's operations as limited taking into consideration the following factors:

– systemic nature and position of the industry where the Group operates to ensure uninterruptible energy and power supply to users;

– state regulation of tariffs on the main operational activities which allows to make forecasts within the approved tariffs on the Group's services;

– the means and volume of use of the Group's production assets have not changed during the reporting period;

– absence of currency risk (the majority of the Group's revenues and expenditures as well as monetary assets and liabilities are denominated in RUB);

– absence of direct adverse effect on the main operating activities of the Group from the regulatory changes aimed at preventing the spread of COVID-19.

Global economic activity has begun a gradual recovery during the second quarter following the partial removals of restrictions aimed at preventing the epidemic spread, as well as a partial recovery in benchmark crude oil prices following the new OPEC+ production agreement reached and the compliance to the target cuts. This recovery has continued throughout the second half of 2020. Nevertheless, the scale and duration of these events remain uncertain and may continue influencing future earnings of the Group, cash flows and financial position.

The Group continues to monitor and assess the situation and takes appropriate action:

– cooperate with the federal and regional authorities to prevent the spread of coronavirus and take all required measures to ensure safety, health protection of its employees and contractors;

– conduct events to ensure stable electricity supply, realize investment projects;

– monitor forecasted and actual information about the pandemic impact on the economy of the Russian Federation and on the business activities of the Group and its main counterparties;

– adjust the Group’s operations to fit the new market opportunities, take actions to counteract the adverse effect of the pandemic and ensure the financial stability of the Group.

2 Basis of preparation

a) Statement of compliance

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

Each entity of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Russian Accounting Standards (hereinafter – RAS).

The Group’s consolidated financial statements are based on the statutory records in accordance with RAS with adjustments and reclassifications for the fair presentation in accordance with IFRS.

b) Basis for measurement

These consolidated financial statements have been prepared on the historical cost basis, except for:

– financial assets measured at fair value through profit or loss;

– financial assets measured at fair value through other comprehensive income.

c) Functional and presentation currency

The Russian ruble (hereinafter referred to as ruble or RUB) is the national currency of the Russian Federation and is used by the Group as its functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest million.

d) Use of professional judgements and estimates

The preparation of consolidated financial statements in compliance with IFRS requires management to make a number of professional judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management constantly reviews assumptions and estimates based on previous experience and other factors that affect the application of accounting policies and the reported amounts of assets and liabilities. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected by these changes.

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

Impairment of fixed and right-of-use assets

At each reporting date management assesses whether there is any indication of impairment in respect of property, plant and equipment and right-of-use assets. Such indication includes a change in business plans, tariffs and other factors leading to an unfavorable impact on the Group's business.

When measuring value in use, management assesses estimated cash flows from assets or groups of assets (cash-generating units) and calculates an acceptable discount rate for the present value of these cash flows. For more detailed information see note 15 "Property, plant and equipment" and 17 "Right – of – use assets"

Determining the lease term under contracts with an option to extend the lease or an option to terminate the lease - the Group as the lessee

The Group determines the lease term as the non-cancellable period of a lease together with both the periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and the periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

When making an assumption whether the Group is reasonably certain to exercise the option to extend the lease or the option to terminate the lease for the purpose of determining the lease term, the Group takes into consideration the following factors:

- if the leased item is special purpose;
- location of the item;
- a practical possibility for the Group and lessor to choose another contractor (asset);
- costs related to terminate the lease and to enter into a new (replacement) agreement;
- existence of significant improvements to lease items.

Impairment of accounts receivable

Allowance for expected credit losses of accounts receivable is based on the management assumption of debt recovery made for each debtor individually. For the purposes of assessing credit losses, the Group consistently takes into account all reasonable and verifiable information on past events, current and projected events that is available without excessive effort and is appropriate for the assessment of receivables.

Experience gained in the past is adjusted on the basis of data available to date to reflect current conditions that had no impact on previous periods and to exclude the impact of conditions that have occurred in the past and no longer exist.

Pension obligations

The costs of the defined benefit pension plan and its related costs are determined using actuarial valuations. Actuarial valuations involve making demographic and financial data assumptions. As the programme is the long-term one there is considerable uncertainty about such estimates.

Deferred tax assets recognition

At each reporting date management assesses the amount of deferred tax assets to be recognized to the extent that tax deductions are likely to be used. In determining future taxable profit and deductions, management makes estimates and judgments based on the taxable profit of previous years and expectations for future profits that are reasonable in the current circumstances.

e) Changes in presentation

Reclassification of comparative data

Some items in the comparative data for the previous period were reclassified to comply with the current reporting period presentation. All reclassifications are immaterial.

f) New standards and amendments

The Group first-time adopted certain standards and amendments related to the Group's operations and become effective for annual periods beginning on or after 1 January 2020. The application of these changes did not have a material impact on these consolidated financial statements of the Group.

The Group has not prematurely applied the standards, interpretations and amendments that have been issued and are not yet effective.

Amendments to IFRS 3 Business Combination
These amendments revise the definition of a business with the aim to make its application less complicated. In addition, they introduce an optional “concentration test” that, if met, eliminates the need for further assessment. Under this concentration test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

Conceptual framework for financial reporting.
The revised Conceptual Framework for Financial Reporting contains a new Chapter on measurement, recommendations for reporting financial results, new definitions and recommendations (in particular – definition of “liabilities”) and explanations on specific issues such as the role of management, prudence, and measurement uncertainty in the preparation of financial statements.

Amendments to IAS 1 and IAS 8, Definition of Material
These amendments specify the definition of “material” and its application by including recommendations on the definition that were previously presented in other IFRSs and align the definition across the Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Amendments to IFRS 16 "Lease Assignments Related to the Covid-19 Pandemic»

Amendments to IFRS 16 "Lease Assignments Related to the Covid-19 Pandemic». These amendments provide for an exemption for lessees from applying the requirements of IFRS 16 in terms of accounting for lease modifications in the case of lease assignments that arise as a direct consequence of the Covid-19 pandemic. As a practical simplification, the lessee may decide not to analyze whether the lease assignment granted by the lessor in connection with the Covid-19 pandemic is a modification of the lease agreement. The lessee who makes such a decision must account for any change in lease payments resulting from a lease assignment related to the Covid-19 pandemic, in the same way, that this change would be accounted for under IFRS 16 if it were not a modification of the lease agreement.

Certain new standards, amendments and interpretations have been issued but are not effective for the reporting period of the Group's consolidated financial statements.

The Group plans to adopt these pronouncements when they become effective; they are not expected to have a significant impact on the Group's Consolidated Financial Statements.

- Amendments to IAS 1 "Classification of Liabilities as Short-term or Long-term"
- Amendments to IAS 37 "Onerous Contracts – Contract Performance Costs"
- Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"
- Amendments to IFRS 3 "References to the Conceptual framework"
- Amendment to IFRS 9 "Financial Instruments" - commission fee for the "10% test" in the event of derecognition of financial liabilities
- Amendment to IFRS 1 "First-Time Adoption of International Financial Reporting Standards" – a subsidiary applying International Financial Reporting Standards for the first time
- IFRS 17 "Insurance Contracts"
- Amendment to IAS 41 "Agriculture" - Taxation in the measurement of fair value

3 Significant accounting policies

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

(a) Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to non-controlling interests, even if doing so causes the non-controlling interests to have a debit balance ("deficit") on the account.

ii. Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which the Group obtains control of the acquiree.

The Group measures goodwill at the acquisition date as:

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

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss for the period.

Transaction costs that the Group incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

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

iii. **Accounting for acquisition of non-controlling interests**

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners, and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

iv. **Acquisition from entities under common control**

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for by the method the predecessor. The acquired assets and liabilities are recognized at the carrying amounts recognized previously in the consolidated financial statements of the acquired entities. Any cash or other contribution paid for the acquisition is recognized directly in equity

v. **Investments in associates (equity accounted investees)**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment also includes transaction cost. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

vi. **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealized gain and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to rubles at the exchange rate at that date. Foreign currency transactions accounted for at the exchange rates prevailing at the date of the transactions. Foreign currency profit or loss arising from retranslation is recognised in profit or loss.

c) Financial instruments

i. **Financial assets**

The Group classified financial assets as follows: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit or loss.

The classification depends on the business model for managing financial assets and the contractual characteristics of cash flows.

Financial assets are classified as measured at amortised cost if the following conditions are met: the asset is held under a business model that aims to hold assets to receive contractual cash flows, and at the end of the contract, cash flows are received on the specified dates that are solely payments to the principal amount and interest on the outstanding portion of the principal amount.

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

- trade and other receivables that meet the definition of financial assets in case the Group does not intend to sell them immediately or in the nearest future;
- bank deposits, that do not meet the criteria of cash equivalents;
- promissory notes and bonds not held for trading;
- loans given;
- cash and cash equivalents.

For financial assets classified as measured at amortised cost, an allowance for expected credit losses (hereinafter – ECL) is made.

When financial assets measured at amortised cost and fair value through profit or loss are derecognized, the Group recognizes the financial result of their disposal equal to the difference between the fair value of the consideration received and the carrying amount of the asset in the consolidated statement of profit or loss and other comprehensive income (through profit or loss) .

The Group treated the following equity instruments of other companies as financial assets measured at fair value through other comprehensive income:

- those that are not classified as measured at fair value with any change therein recognised in profit or loss; and
- those that do not provide the Group with control, joint control, or significant influence over the company under investment.

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

***ii*. Impairment of financial assets**

Loss allowances are measured on either of the following bases: 12-month ECLs that result from possible default events within the 12 months after the reporting date; and lifetime ECLs that result from all possible default events over the expected life of a financial instrument.

The Group uses a simplified approach to estimating an allowance for expected credit losses – an estimate of an amount equal to the expected credit losses for the entire term of trade receivables or contractual assets that arise as a result of transactions within the scope of IFRS 15 *Revenue from Contracts with Customers* (including those containing a significant financing component) and lease receivables.

For other financial assets classified as at amortised cost loss allowances are measured as 12-month ECLs unless there has been a significant increase in credit risk since initial recognition.

The estimated allowance for expected credit losses on a financial instrument is estimated at each reporting date at the amount equal to the expected credit losses for the entire period if the credit risk for the financial instrument has increased significantly since initial recognition, taking into account all reasonable and verifiable information, including forecasted information.

As indicators of significant deterioration in credit risk the Group considers the actual or anticipated difficulties of the Issuer or of a debtor's asset, the actual or expected breach of a contract, the expected renegotiation of the contract due to financial difficulties of the debtor at a disadvantage for the Group the terms on which it would disagree in other circumstances.

Based on the usual credit risk management practice, the Group defines default as the inability of the counterparty (Issuer) to meet its obligations (including repayment of funds under the agreement) due to a significant deterioration in its financial position.

A credit impairment loss on a financial asset is accounted for by recognizing an estimated allowance for impairment. For a financial asset measured at amortised cost, the amount of the impairment loss is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the initial effective interest rate.

If, in subsequent periods, the credit risk of a financial asset decreases as a result of an event occurring after the recognition of this loss, the previously recognized impairment loss is reversed by reducing the corresponding valuation allowance. As a result of the recovery, the carrying amount of the asset should not exceed the amount at which it would have been recorded in the statement of financial position if the impairment loss had not been recognized.

***iii*. Financial liabilities**

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

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

- loans and borrowing (debt);
- trade and other payables.

Loans and borrowing are initially recognized at fair value taking into account transaction costs that are directly related to raising these funds. Fair value is determined based on prevailing market interest rates for similar instruments if it differs significantly from the transaction price. In subsequent periods borrowings are carried at amortised cost using the effective interest rate method; any difference between the fair values of funds received (net of transaction costs) and the amount due is recorded in profit or loss as interest expense over the entire period of the liability to repay the borrowed funds.

Borrowing costs are charged in the reporting period in which they were incurred if they were not related to the acquisition or construction of qualified assets. Borrowing costs related to the acquisition or construction of assets that take a significant amount of time to prepare for use (qualifying assets) are capitalized as part of the asset's value.

Capitalization is performed when the Group:

- bears the costs of qualified assets;
- bears borrowing costs;
- conducts activities related to preparing assets for use or sale.

Capitalization of borrowing costs continues until the asset is ready 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 cost of financing (weighted average interest expense related to expenses incurred on qualifying assets), except for loans that were received directly for the purpose of acquiring a qualifying asset. Actual borrowing costs reduced by the amount of investment income from temporary investment of loans are capitalized.

Accounts payable are accrued starting the moment the counterparty fulfills its obligations under the agreement. Accounts payable are recognized at fair value and subsequently accounted at amortised cost using the effective interest rate method.

d) Property, plant and equipment

***i.* Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The deemed cost of property, plant and equipment as at 1 January 2007, the date of transition to IFRS, was determined by using its fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed (built) assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized net within "Other income", "Other expense" line within profit or loss for the period.

ii. Subsequent cost

The cost of replacing part (major component) of an item of property, plant and equipment is recognized in 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 property, plant and equipment are recognized in the statement of consolidated profit or loss and other comprehensive income as incurred.

iii. Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the moment it is ready for use, 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 shorter of the lease term and their useful lives. Land is not depreciated

The useful lives expressed in years by types of property, plant and equipment are as follows:

– Buildings	7–50 years;
– Electricity transmission grids	5–40 years;
– Equipment for electricity transmission	5–40 years;
– Other assets	1–50 years.

iv. Impairment

At each reporting date the management determines whether there is any indication of impairment of fixed assets.

An impairment loss is recognised if 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 the greater of its two values: the value in use of this asset (this unit) and its fair value less costs to sell.

For the purpose of an impairment test, assets that cannot be individually tested are grouped into the smallest group of assets that generates cash inflows from continuing use of the relevant assets that are largely dependent on the cash inflows of other assets or groups of assets ("cash generating unit").

The Group's general (corporate) assets do not generate independent cash flows and are used by more than one cash-generating unit. The value of a corporate asset is allocated to the units on a reasonable and consistent basis, and its impairment test is performed as part of the testing of the unit to which the corporate asset was allocated.

Impairment losses are recognized in profit or loss. Impairment losses on cash generating units are initially allocated to reduce the carrying amount of goodwill allocated to these units, and then proportionally to reduce the carrying amount of other assets in the unit (group of units).

Amounts written off as a goodwill impairment loss are not recoverable. For other assets at each reporting date, an impairment loss recognized in one of the previous periods is assessed for any indication that the loss has decreased or no longer exists.

Amounts written off for impairment losses are reversed if the valuation factors used in determining the relevant recoverable amount change.

An impairment loss is reversed only to the extent that it is possible to restore the value of assets to their book value, in which they would be reflected (less accumulated depreciation amounts), if no impairment loss had been recognized.

e) Intangible assets

Intangible assets primarily include capitalised computer software and licenses. Acquired computer software and licenses are capitalised on the basis of the costs incurred to acquire and bring them to use.

Research costs are recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure incurred during the development. Other development costs are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. The carrying value of development costs is reviewed for impairment annually

After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets is calculated on a straight-line basis over useful lives. At each reporting date the management assesses whether there is any indication of impairment of intangible assets. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less cost to sell.

Goodwill (“negative goodwill”) arises on the acquisition of subsidiaries, associates and joint ventures. For the measurement of goodwill at initial recognition, see Note 3(a)(ii).

Goodwill is measured at cost less accumulated impairment losses. With respect to associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

f) Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. An agreement is, or contains, a lease if it conveys the right to control the use of an identified asset for a period in exchange for consideration.

Right-of-use assets are initially measured at cost and amortised to the earlier of the following: the end date of useful lives of the right-of-use asset or the lease end date. The initial cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, lease payments made before or at the commencement of the lease, and initial direct costs. After initial recognition, the right-of-use assets are carried at cost less accumulated depreciation and accumulated impairment losses. Right-of-use assets are presented in the consolidated statement of financial position as a separate line item.

The lease liability is initially measured at the present value of the lease payments that are not paid on the inception of the lease and subsequently measured at amortized cost in the form of interest in the finance costs line in the consolidated statement of profit or loss and other comprehensive income. Lease liabilities are presented in the consolidated statement of financial position under Current and Non-current Borrowings lines.

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

Regarding a separate lease agreement, the decision may be made on the qualification of the agreement as a lease with the low cost of an asset. Lease payments under such an agreement will be recognized as an expense on a straight-line basis over the lease term.

For leases of land plots under electric grid facilities with an indefinite period of time or with a contract term of not more than 1 year with the possibility of annual renewal, the Group determines the term of the contract using the useful life of fixed assets located on leased land plots as basic criteria.

For leases of electric grid facilities with an indefinite term or with a contract term of not more than 1 year with the possibility of annual renewal, the Group determines the term of the contract using the useful life of its own fixed assets with similar technical characteristics as basic criteria.

g) Advances given

Advances given are classified as non-current if they are connected with the acquisition of an asset which will be classified as non-current upon initial recognition. Advances given for the acquisition of an asset are included in its carrying amount upon the acquisition of control over the asset, and when it is probable that the Group will obtain economic benefit from its usage.

h) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined on the weighted average cost method, 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 realizable value is the estimated selling price in the ordinary course of business of the Group, less the estimated costs of completion and selling expenses.

Inventories aimed to maintain works on prevention and elimination of accidents (emergency situations) in electric grids (sectorial emergency reserve) are recognised within the item Inventories.

i) Value – added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. As part of advances given and other assets are recognised (on a net basis) the amounts of VAT accrued from advances received and advances given, as well as VAT recoverable and prepayment for VAT. Amounts of VAT payable to the budget are disclosed separately as part of current liabilities. Where allowance for the expected credit losses has been made for receivables, the allowance loss is recorded for the gross amount of the debtor, including VAT.

j) Employee benefits

i. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate (independent) entity and will have no further (legal or constructive) obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including the Pension Fund of the Russian Federation, are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

ii. Defined benefit plans

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

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense 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 then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. Actuarial gains and losses on changes in actuarial assumptions are recognized in other comprehensive income/expense.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

iii. Other non-current employee benefits

The Group's net obligation with respect to long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Remeasurements are recognized in profit or loss in the period in which they arise.

iv. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably and it is highly probable that there will be an outflow of economic benefits.

k) Income tax expense

Income tax expense is comprised of current and deferred tax. Current and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized in other comprehensive income or directly in equity.

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

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

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- temporary differences relating to 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 it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they 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 takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group accrues tax liabilities based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions, and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities for prior periods; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

m) Share capital

Ordinary shares and non-redeemable preference shares are both classified as equity.

n) Treasury shares

Where any Group company purchases the Company’s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company’s shareholders until the shares are cancelled or reissued or disposed of. Where such shares are subsequently reissued or disposed of, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s shareholders. Treasury shares are recorded at weighted average cost. Gains or losses resulting from subsequent sales of shares are recorded in the consolidated statement of changes in equity, net of associated costs including taxation.

o) Dividends

Dividends are recognised as a liability and deducted from equity at the end of the reporting period only if they are declared (approved by shareholders) before or at the end of the reporting period. Dividends are disclosed when they are declared after the end of the reporting period, but before the consolidated financial statements are authorised for issue.

p) Revenue from Contracts with Customers

The Group recognizes revenue when (or as) it satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.
When (or as) a performance obligation is satisfied, the Group recognizes as revenue the amount which the Group expects to be entitled in exchange for transferring promised assets to a customer excluding VAT.

Electricity transmission services

Revenue from electricity transmission is recognized during the period (accounting month) and is estimated by the output methods (cost of transferred volumes of electric energy).

The tariffs for the electricity transmission are approved by the Federal Executive Authority in the field of state regulation of tariffs (the Federal Antimonopoly Service) and the executive authorities of subjects of the Russian Federation in the field of state regulation of tariffs.

Sale of electricity and power

Retail sale of electricity and power to consumers is carried out at prices (tariffs) set forth by the executive authorities of constituent entities of the Russian Federation in the field of state regulation of tariffs.
Electricity production in the forced mode is carried out at prices approved by the Federal Executive Authority in the field of state regulation of tariffs.

Power supply with electric energy in geographically isolated energy systems is carried out at the prices established by the executive authorities of the constituent entities of the Russian Federation in the field of state regulation of tariffs.

Revenue from electricity sales is recognized during the period (accounting month) and is estimated by the output methods (cost of transferred volumes of electric energy).

Services for technological connection to electric grids

Revenue from the provision of technological connection services is a non-refundable fee for connecting consumers to electric networks. The Group transfers control over the service at a certain point in time (after the consumer is connected to the power grid or, for certain categories of consumers, when the Group provides the opportunity for the consumer to connect to the power grid) and, therefore, fulfills the obligation to perform at a certain point in time.

Payment for technological connection for an individual project, the standardized tariff rates, the rates for an unit of maximum capacity and the form of payment for technological connection are approved by the regional energy commission (the department of prices and tariffs of the corresponding region) and do not depend on the proceeds from the provision of electricity transmission services. Payment for technological connection to the unified national electric network is approved by the Federal Antimonopoly Service.

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

Construction services

Revenue from construction services are recognised over time as the Group creates or enhances assets that are controlled by the customer and those assets have no alternative use to the entity and the Group has an enforceable right to payment for performance completed to date.

Other revenue

Revenue from rendering other services (technical and repair and maintenance service, consulting and organizational and technical services, communication and IT services, other services) and revenue from other sales are recognised when the customer obtains control over the asset.

Trade receivables

The accounts receivables represent the Group's right to compensation, which is unconditional (i.e., the moment when such compensation becomes payable is due only to the passage of time).

Contract liabilities

A contract liability is an obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. Contract liabilities are recognized within “Advances received” including value-added-tax (VAT)

Advances received from buyers and customers are analyzed by the Group for the presence of a financial component. If there is a gap of time of more than 1 year between the receipt of advances from customers and transfer of the promised goods and services for reasons other than providing financing to the counterparty (under contracts for technological connection to electric grids), received advances are not recognized interest expense. Such advances are recorded at the fair value of assets received by the Group from buyers and customers in advance.

q) Finance income and cost

Finance income comprises interest income on funds invested, dividend income, proceeds on the disposal of financial assets measured at fair value and amortised cost, discounts on financial instruments. Interest income is recognized as it accrues in profit or loss, using the effective interest rate method. Dividend income is recognized in profit or loss on the date that the Group’s right to receive payment is established.

Finance costs are comprised of interest expense on borrowings, lease liabilities, and loss on disposal of financial assets measured at fair value or amortised cost, discounts on 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 rate method.

r) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all the attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income, less the related expenses, in equal amounts over the expected useful life of the related asset.

Government grants that compensate the Group for low electricity tariffs (lost income) are recognized in the Consolidated Statement of profit or loss and other comprehensive income (among other income line) in the same periods in which the respective revenue is earned.

s) Social expenditures

To the extent that the Group’s contributions to social programs benefit the community at large without creating constructive obligations to provide such benefit in the future and are not restricted to the Group’s employees, they are recognized in the income statements as incurred. Group costs related to the financing of social programs, without making a commitment with respect to such financing in the future date are recognized in the Consolidated Statement of profit or loss and other comprehensive income as they arise.

t) Earnings per share

To calculate basic earnings per share, profit or loss is distributed between ordinary shares and preference shares in proportion to each instrument's share of profit or loss, assuming that all profit (or loss) for the reporting period has been distributed. The total profit or loss attributable to each of the two classes of equity instruments (ordinary shares and preference shares) is determined by adding together the amount attributable to dividends and the amounts attributable to profit sharing. The total profit or loss thus determined is divided by the number of outstanding shares to which this profit is attributable.

4 Measurement of fair values

A number of the Group’s accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities.

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Group recognises transfers between levels of the fair value hierarchy during the reporting period when the change has occurred.

(in millions of Russian rubles, unless otherwise stated)

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

5 Significant subsidiaries

	Country of incorporation	Ownership/voting, %	
		31 December 2020	**31 December 2019**
PJSC “FGC UES”	Russian Federation	80.14	80.14
PJSC “Rosseti Moscow Region”	Russian Federation	50.90	50.90
JSC “ROSSETI Tyumen”	Russian Federation	100.00	100.00
PJSC “Rosseti Lenenergo”	Russian Federation	68.10/69.17	68.10/69.17
PJSC “IDGC of Centre”	Russian Federation	50.23	50.23
JSC “IDGC of Urals”	Russian Federation	51.52	51.52
PJSC “IDGC of Centre and Volga region”	Russian Federation	50.40	50.40
PJSC “Rosseti Kuban”	Russian Federation	93.44	93.44
PJSC “Rosseti Siberia”	Russian Federation	57.84/55.59	57.84/55.59
PJSC “Rosseti Volga”	Russian Federation	67.97	67.97
PJSC “IDGC of North-West”	Russian Federation	55.38	55.38
PJSC “ROSSETI Northern Caucasus”*	Russian Federation	98.90	98.77
JSC “Chechenenergo”*	Russian Federation	76.95	73.65
PJSC “ROSSETI South”	Russian Federation	84.12	84.12
PJSC “TDC”	Russian Federation	85.77/94.58	85.77/94.58
JSC “Yantarenergo”	Russian Federation	100.00	100.00
JSC “Karachaevo-Cherkesskenergo”	Russian Federation	100.00	100.00
JSC “Kalmenergosbyt”	Russian Federation	100.00	100.00
JSC “Kabbalkenergo”	Russian Federation	65.27	65.27
JSC “Tyvaenergosbyt”	Russian Federation	100.00	100.00
JSC “Sevkavkazenergo”	Russian Federation	55.94	55.94
PJSC “Dagestan Power Sales Company”	Russian Federation	51.00	51.00

*The share includes actually placed shares of the current issue

6 Acquisition of subsidiaries and change of participation shares

Acquisition of LLC "Infrsastructual Investments -3"

On 25 March 2020 the Group obtained control over Infrastructural Investments – 3 LLC as a result of the acquisition of 100% share in Charter capital and as well as legal claims for shareholder loans from participants of Infrastructural Investments – 3 LLC:

- Transaction with RDIF Asset Management LLC: acquisition of 49% share in Charter capital at RUB 133 million and legal claims for a shareholder loan in the amount of RUB 481 million,
- Transaction with Thirty Seventh Investment Company LLC: acquisition of 51% share in Charter capital at RUB 139 million and legal claims for a shareholder loan paid in the amount of RUB 500 million.

The main activities of Infrastructure Investments-3 LLC are the implementation of measures to reduce electricity losses in the Group's subsidiaries which transfer electricity in certain territories, and the activity of leasing equipment.

Acquisition of LLC "Bryanskelectro"

On 7 August 2020 the Group obtained control over LLC BryanskElectro as a result of the acquisition of 100% share in Charter capital at RUB 320 million. The main activities of the acquired company are electricity transmission within grids 0.4 and 6-10 kW and provision of services for technological connection to the power grids in Bryansk and Bryansk region.

Changes in shares in subsidiaries

During the reporting period the Group acquired additional share issues of its subsidiaries:

- Additional issue of shares by PJSC "ROSSETI Northern Caucasus"

In September 2020 the Group acquired 3,283,182 ordinary shares of additional issue of securities as a part of the implementation of the program for increasing the Charter capital of PJSC "ROSSETI Northern Caucasus". Shares were subscribed by the Group for RUB 107 million paid in cash.

In December 2020 the Group acquired 106,796,754 ordinary shares of additional issue of securities as a part of the implementation of the program for increasing the Charter capital of PJSC "ROSSETI Northern Caucasus". Shares were subscribed by the Group for RUB 3,464 million paid in cash.

As the result the Group's ownership interest has increased to 98.90%. The Group recognized a decrease in retained earnings and an increase in non-controlling interest of RUB 61 million and RUB 61 million respectively.

- Additional issue of shares by JSC "Chechenenergo"

In September 2020 the Group acquired 261,729,787 ordinary shares of additional issue of securities as a part of the implementation of the program for increasing the Charter capital of JSC "Chechenenergo". Shares were subscribed by the Group for RUB 262 million paid in cash.

In December 2020 the Group acquired 1,256,139,961 ordinary shares of additional issue of securities as a part of the implementation of the program for increasing the Charter capital of JSC "Chechenenergo". Shares were subscribed by the Group for RUB 1,256 million paid in cash.

As the result the Group's ownership interest has increased to 76.95%. The Group recognized a decrease in retained earnings and an increase in non-controlling interest of RUB 553 million and RUB 553 million respectively.

(in millions of Russian rubles, unless otherwise stated)

7 Non-controlling interests

The following table summarizes the information relating to each of the Group's subsidiaries that has significant non-controlling interest, before any intra-group eliminations.

As at 31 December 2020 and for the year ended 31 December 2020:

	FGC	Rosseti Moscow Region	Rosseti Lenenergo	IDGC of Centre	IDGC of Urals	IDGC of Centre and Volga region	Rosseti Siberia	Other subsidiaries	Total
Non-controlling percentage	**19.86**	**49.10**	**31.90**	**49.77**	**48.48**	**49.60**	**42.16**		
Non-current assets	1,223,244	332,792	209,043	102,197	80,340	97,676	66,429		
Current assets	115,189	26,986	10,475	20,125	10,691	20,802	10,308		
Assets held for sale	313	–	–	–	–	–	–		
Non-current liabilities	(303,897)	(117,251)	(35,210)	(42,121)	(27,461)	(27,052)	(35,169)		
Current liabilities	(84,182)	(62,903)	(39,308)	(33,049)	(18,052)	(29,846)	(24,018)		
Net assets	**950,667**	**179,624**	**145,000**	**47,152**	**45,518**	**61,580**	**17,550**		
Carrying amount of non-controlling interest	**189,737**	**88,204**	**43,929**	**23,958**	**22,496**	**30,560**	**7,403**	**1,317**	**407,604**
Revenue	237,273	164,090	82,717	97,639	88,621	96,740	57,805		
Profit	59,515	4,868	9,185	1,244	602	6,673	(619)		
Other comprehensive income/(loss)	1,679	(39)	1	(148)	(177)	(3)	26		
Total comprehensive income	**61,194**	**4,829**	**9,186**	**1,096**	**425**	**6,670**	**(593)**		
Profit/(loss) allocated to non-controlling interest	11,822	2,390	2,929	619	292	3,310	(261)	(3,798)	17,303
Other comprehensive income/(loss) allocated to non-controlling interest	334	(19)	–	(74)	(87)	(1)	11	(4)	160
Cash flows from operating activities	120,887	38,582	28,963	12,743	8,972	13,934	4,575		
Cash flows used in investing activities	(91,213)	(28,456)	(32,855)	(13,753)	(10,697)	(12,053)	(6,783)		
Cash flows from/(used in) financing activities:	(36,655)	(10,781)	(2,544)	899	1,679	(2,175)	2,097		
including dividends to non-controlling shareholders	(4,347)	(1,610)	(1,224)	(417)	(470)	(904)	(119)		
Net decrease in cash and cash equivalents	**(6,981)**	**(655)**	**(6,436)**	**(111)**	**(46)**	**(294)**	**(111)**		

(in millions of Russian rubles, unless otherwise stated)

As at 31 December 2019 and for the year ended 31 December 2019:

	FGC	Rosseti Moscow Region	Rosseti Lenenergo	IDGC of Centre	IDGC of Urals	IDGC of Centre and Volga region	Rosseti Siberia	Other subsidiaries	Total
Non-controlling percentage	**19.86**	**49.10**	**31.90**	**49.77**	**48.48**	**49.60**	**42.16**		
Non-current assets	1,163,752	324,558	199,230	100,447	76,133	80,865	61,818		
Current assets	125,539	24,575	15,265	17,946	12,492	28,484	14,048		
Assets held for sale	313	–	–	–	–	–	–		
Non-current liabilities	(286,068)	(102,456)	(30,388)	(47,687)	(25,709)	(26,104)	(32,339)		
Current liabilities	(102,069)	(70,648)	(45,704)	(24,621)	(17,307)	(28,346)	(25,356)		
Net assets	**901,467**	**176,029**	**138,403**	**46,085**	**45,609**	**54,899**	**18,171**		
Carrying amount of non-controlling interest	**179,874**	**86,436**	**42,419**	**23,443**	**22,479**	**27,239**	**7,670**	**4,536**	**394,096**
Revenue	249,671	161,463	82,665	94,642	106,149	96,534	59,118		
Profit	84,713	8,550	9,211	3,092	2,638	6,906	463		
Other comprehensive income/(loss)	7,383	(669)	(151)	(865)	(455)	2	(108)		
Total comprehensive income	**92,096**	**7,881**	**9,060**	**2,227**	**2,183**	**6,908**	**355**		
Profit/(loss) allocated to non-controlling interest	16,828	4,198	2,938	1,539	1,279	3,425	195	(1,883)	28,519
Other comprehensive income/(loss) allocated to non-controlling interest	1,467	(328)	(48)	(430)	(207)	1	(46)	(197)	212
Cash flows from operating activities	136,234	27,856	33,543	11,946	8,448	10,619	6,784		
Cash flows used in investing activities	(79,069)	(27,176)	(23,476)	(13,069)	(9,641)	(12,719)	(10,493)		
Cash flows from/(used in) financing activities:	(57,706)	(5,782)	(8,123)	1,854	1,309	(2,516)	3,910		
including dividends to non-controlling shareholders	(3,868)	(1,401)	(878)	(442)	(148)	(2,245)	(42)		
Net increase/ (decrease) in cash and cash equivalents	**(541)**	**(5,102)**	**1,944**	**731**	**116**	**(4,616)**	**201**		

8 Segment information

The Group has identified fourteen reportable segments, as described below, which are the Group's strategic business units. Each strategic business unit offers electricity transmission services, including technological connection services, in a separate geographical region of the Russian Federation and is managed separately.

The "other" segment includes several operating segments such as electricity sales, rent services and repair services. Unallocated items are comprised mainly of assets and account balances related to the Company's headquarters.

The Management Board of the Company assesses the performance, assets and liabilities of operating segments based on internal management reporting, which is based on the information prepared under Russian accounting standards.

EBITDA is used to reflect the results of each reporting segment: profit or loss before interest expense, taxation, depreciation, and net accrual/(reversal) of an impairment loss on property, plant and equipment and right-of-use assets (taking into account current accounting and reporting standards in the Russian Federation). Management believes that the EBITDA calculated in this way is the most indicative indicator for evaluating the performance of the Group's operating segments

For the purpose of presenting a reconciliation of EBITDA to consolidated profit for the previous period, in comparative information, the net accrual of an impairment loss on property, plant and equipment and right-of-use assets has been moved from the section of adjustments for EBITDA of the reporting segments to the indicators of transition to profit for the reporting period according to the consolidated financial statements.

Information regarding reportable segments is included below.

(in millions of Russian rubles, unless otherwise stated)

a) Information about reportable segments

As at 31 December 2020 and for the year ended 31 December 2020:

	IDGC of Siberia and Tomskaya DC	**ROSSETI Tyumen**	**IDGC of Urals**	**IDGC of Volga**	**ROSSETI South**	**Kubanenergo**	**ROSSETI Northern Caucasus**	**IDGC of Centre and Volga**	**IDGC of North-West**	**Lenenergo**	**Yantarenergo**	**IDGC of Centre**	**MOESK**	**FGC**	**Other**	**Total**
Revenue from external customers	63,475	59,251	69,056	60,230	36,456	49,330	22,190	96,496	40,130	82,551	1,295	93,294	162,575	82,902	87,765	1,006,996
Inter-segment revenue	68	43	7,008	105	2,666	40	4,674	92	3,806	95	5,504	1,691	224	147,690	47,618	221,324
Segment revenue	**63,543**	**59,294**	**76,064**	**60,335**	**39,122**	**49,370**	**26,864**	**96,588**	**43,936**	**82,646**	**6,799**	**94,985**	**162,799**	**230,592**	**135,383**	**1,228,320**
Including																
Electricity transmission	58,700	56,396	74,900	59,821	36,062	48,102	13,539	93,229	41,750	75,897	5,803	90,490	149,715	222,409	18,116	1,044,929
Technological connection services	457	2,630	730	171	1,909	731	1,243	2,313	1,201	6,340	888	1,306	9,696	5,033	1,589	36,237
Sales of electricity and capacity	4,001	–	–	–	913	–	11,081	–	–	–	–	531	700	–	72,230	89,456
Other revenue	318	221	388	294	223	391	618	999	699	308	49	2,633	2,374	1,814	39,787	51,116
Revenue from leases	67	47	46	49	15	146	383	47	286	101	59	25	314	1,336	3,661	6,582
Finance income	89	72	684	247	148	30	674	83	126	375	21	298	361	11,303	675	15,186
Finance costs	(2,367)	(145)	(973)	(320)	(1,615)	(1,593)	(446)	(1,672)	(941)	(292)	(285)	(2,627)	(4,332)	(4,707)	(1,452)	(23,767)
Depreciation and amortisation	6,479	10,266	5,986	5,861	2,785	4,560	2,211	8,718	4,712	15,171	1,621	11,662	24,563	78,428	5,730	188,753
EBITDA	**9,487**	**6,118**	**6,966**	**5,094**	**4,401**	**4,769**	**(10,794)**	**19,708**	**4,034**	**32,579**	**2,017**	**18,469**	**35,922**	**132,653**	**(903)**	**270,520**
Segment assets	**90,682**	**165,155**	**79,204**	**67,800**	**51,092**	**77,380**	**41,589**	**127,751**	**54,377**	**255,092**	**29,879**	**130,310**	**369,911**	**1,567,949**	**135,554**	**3,243,725**
Including property, plant and equipment and construction in progress	68,708	158,247	63,151	56,818	35,696	63,827	24,313	91,126	43,933	228,881	27,164	103,310	330,282	1,299,364	60,641	2,655,461
Capital expenditure	8,477	8,665	9,753	8,039	10,090	5,053	3,418	13,386	4,104	31,263	3,918	13,581	35,968	103,594	9,949	269,258
Segment liabilities	**59,885**	**42,367**	**38,442**	**21,800**	**40,562**	**39,551**	**36,563**	**56,236**	**31,064**	**82,087**	**7,670**	**71,739**	**182,559**	**406,173**	**187,433**	**1,304,131**

(in millions of Russian rubles, unless otherwise stated)

As at 31 December 2019 and for the year ended 31 December 2019:

	IDGC of Siberia and Tomskaya DC	**ROSSETI Tyumen**	**IDGC of Urals**	**IDGC of Volga**	**ROSSETI South**	**Kuban-energo**	**ROSSETI Northern Caucasus**	**IDGC of Centre and Volga**	**IDGC of North-West**	**Len-energo**	**Yantar-energo**	**IDGC of Centre**	**MOESK**	**FGC**	**Other**	**Total**
Revenue from external customers	64,608	63,372	86,668	62,872	35,224	50,996	12,656	96,172	41,361	82,178	1,561	94,126	159,926	94,102	88,967	1,034,789
Inter-segment revenue	66	93	7,374	8	1,743	8	5,705	171	3,770	194	5,379	380	449	148,598	46,866	220,804
Segment revenue	**64,674**	**63,465**	**94,042**	**62,880**	**36,967**	**51,004**	**18,361**	**96,343**	**45,131**	**82,372**	**6,940**	**94,506**	**160,375**	**242,700**	**135,833**	**1,255,593**
Including																
Electricity transmission	58,898	60,871	70,084	62,437	34,911	46,516	14,196	94,329	42,931	75,696	5,628	90,887	148,567	223,144	14,469	1,043,564
Technological connection services	1,224	2,273	783	266	848	4,206	531	1,062	1,298	6,242	1,140	1,542	8,754	17,235	3,021	50,425
Sales of electricity and capacity	4,188	–	22,806	–	923	–	2,708	–	–	–	39	521	–	–	79,230	110,415
Other revenue	302	262	152	87	265	267	356	871	646	271	80	1,528	2,813	1,130	34,573	43,603
Revenue from leases	62	59	217	90	20	15	570	81	256	163	53	28	241	1,191	4,540	7,586
Finance income	75	215	557	243	360	68	552	249	119	701	19	121	319	10,281	546	14,425
Finance costs	(2,387)	(347)	(1,083)	(120)	(2,441)	(1,971)	(655)	(1,815)	(1,087)	(995)	(398)	(3,218)	(5,118)	(4,914)	(1,052)	(27,601)
Depreciation and amortisation	6,176	9,728	5,610	5,577	2,643	4,257	2,086	8,089	4,694	12,590	1,224	11,598	24,527	78,660	6,091	183,550
EBITDA	**8,118**	**10,220**	**9,561**	**9,432**	**1,267**	**9,752**	**(8,999)**	**17,169**	**6,585**	**30,761**	**2,006**	**15,990**	**40,617**	**157,467**	**(8,272)**	**301,674**
Segment assets	**87,700**	**161,695**	**77,190**	**65,830**	**44,263**	**76,232**	**33,512**	**118,272**	**54,461**	**226,796**	**27,856**	**124,263**	**351,834**	**1,532,324**	**157,491**	**3,139,719**
Including property, plant and equipment and construction in progress	67,168	154,511	60,062	54,850	28,614	63,343	23,294	86,664	44,687	187,018	24,968	101,191	318,989	1,257,406	83,610	2,556,375
Capital expenditure	11,000	10,061	11,856	9,031	3,091	5,451	3,331	13,298	4,486	27,127	3,717	11,875	31,862	135,470	8,137	289,793
Segment liabilities	**55,184**	**27,899**	**35,649**	**16,912**	**32,412**	**35,622**	**21,087**	**52,589**	**28,771**	**75,728**	**8,369**	**67,336**	**158,643**	**393,261**	**171,147**	**1,180,609**

(in millions of Russian rubles, unless otherwise stated)

b) Reconciliation of key indicators of reportable segment revenues, EBITDA, assets and liabilities:

The reconciliation of key segment items measured as reported to the Management Board of the Group with similar items in these consolidated financial statements is presented below.

The reconciliation of segment revenue is presented below:

	Year ended 31 December 2020	Year ended 31 December 2019
Segment revenues	**1,228,320**	**1,255,593**
Intersegment revenue elimination	(221,873)	(220,804)
Reclassification from other income	580	140
Other adjustments	(5,536)	(5,286)
Unallocated revenues	26	11
Revenues per consolidated statement of profit or loss and other comprehensive income	**1,001,517**	**1,029,654**

Reconciliation of reportable segment EBITDA:

	Year ended 31 December 2020	Year ended 31 December 2019
EBITDA of reportable segments	**270,520**	**301,674**
Adjustment for allowance for expected credit losses	12,999	12,467
Adjustment for impairment of advances given	72	2,048
Adjustment for provisions	933	(1,531)
Adjustments for lease	8,255	5,845
Adjustment for disposal of property, plant and equipment	449	1,522
Discounting of financial instruments	(514)	4,018
Adjustment on assets related to employee benefits	168	(408)
Recognition of retirement and other long-term employee benefit obligation	(171)	848
Gain on disposal of assets	–	8,110
Re-measurement of financial assets measured at fair value through other comprehensive income (transfer of re -measurement to equity)	(2,576)	(10,293)
Other adjustments	1,170	618
Unallocated items	(2,848)	(1,206)
	288,457	**323,712**
Depreciation of property, plant and equipment and right-of-use-assets, amortization of intangible assets	(139,488)	(129,413)
Net accrual of impairment of property, plant and equipment and right-of-use assets	(39,716)	(23,631)
Interest expenses on financial liabilities at amortised cost	(21,551)	(25,850)
Interest expenses on lease liabilities	(3,673)	(3,090)
Income tax expense	(22,854)	(36,436)
Profit for the period per consolidated statement of profit or loss and other comprehensive income	**61,175**	**105,292**

(in millions of Russian rubles, unless otherwise stated)

The reconciliation of reportable segment total assets is presented below:

	Year ended 31 December 2020	Year ended 31 December 2019
Total segment assets	**3,243,725**	**3,139,719**
Intersegment balances	(188,583)	(138,124)
Intersegment financial assets	(40,893)	(57,655)
Adjustment for net book value of property, plant and equipment	(66,206)	(70,987)
Impairment of property, plant and equipment	(388,626)	(365,998)
Recognition of right-of-use-assets	42,801	36,669
Recognition of assets related to employee benefits	5,976	5,808
Investments accounted for using the equity method	717	532
Adjustment for allowance for expected credit losses	61,176	44,814
Adjustment for impairment of advances given	1,592	(209)
Deferred tax assets adjustment	(24,959)	(14,089)
Other adjustments	(5,035)	(13,515)
Unallocated items	89,213	82,614
Total assets per consolidated statement of financial position	**2,730,898**	**2,649,579**

The reconciliation of reportable segment total liabilities is presented below:

	Year ended 31 December 2020	Year ended 31 December 2019
Total segment liabilities	**1,304,131**	**1,180,609**
Intersegment balances	(185,120)	(134,697)
Adjustment for deferred tax liabilities	(98,805)	(36,534)
Accrual of retirement and other long-term employee benefit obligation	29,198	27,800
Recognition of lease liabilities	44,899	38,209
Accrued salaries and wages to employees	188	63
Provisions and other accruals	(63)	877
Other adjustments	(13,116)	(16,878)
Unallocated items	26,292	6,025
Total liabilities per consolidated statement of financial position	**1,107,604**	**1,065,474**

c) Major customer:

In 2020 the Inter RAO Group (consisting primarily of electricity sales companies within the Inter RAO Group) was a major customer of the Group. Total revenue from companies of the Inter RAO Group amounted to RUB 252,626 million for the year ended 31 December 2020 (RUB 253,877 million for the year ended 31 December 2019).

(in millions of Russian rubles, unless otherwise stated)

9 Revenue

	Year ended 31 December 2020	Year ended 31 December 2019
Electricity transmission	862,672	860,852
Sales of electricity and capacity	81,574	100,291
Technological connection services	36,177	48,674
Other revenue	18,219	17,046
	998,642	**1,026,863**
Revenue from leases	2,875	2,791
	1,001,517	**1,029,654**

The other revenue mainly comprises technical, repair and maintenance services, test and diagnosis, construction services, consulting and organizational and technical services.

10 Other income and other expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Income in the form of fines and penalties on commercial contracts	9,856	12,890
Gain on disposal of assets	–	8,110
Gain on compensation of losses in connection with retirement / liquidation of electric grid assets	4,008	4,122
Gain on from identified non-contracted electricity consumption	1,465	2,686
Gain on acquisition of subsidiaries	122	1,036
Income on insurance compensation	1,614	1,164
Other income	1,215	1,958
	18,280	**31,966**

On 26 December 2018, as a part of the Unified national (all-Russian) electric grid (hereinafter – UNEG) asset consolidation process the Group concluded an exchange contract with JSC “Far Eastern Energy Management Company” (government-controlled entity). The Group exchanges property, plant and equipment, accounts receivable, and cash to be paid by instalments up to 2024 in exchange for UNEG assets. The exchange was completed on 1 January 2019. For the year ended 31 December 2019 the Group recognised gain on disposal of assets in the amount of RUB 8,110 million in the consolidated statement of profit or loss and other comprehensive income.

Other expenses include loss on disposal of property, plant and equipment in the amount of RUB 2,372 million for the year ended 31 December 2020 (for the year ended 31 December 2019: RUB 4,860 million).

(in millions of Russian rubles, unless otherwise stated)

11 Operating expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Personnel costs	212,208	201,274
Depreciation of property, plant and equipment and right-of-use-assets, amortization of intangible assets	139,488	129,413
Material expenses, including:		
Electricity for compensation of losses	149,912	150,743
Electricity for sale	49,417	60,691
Purchased electricity and heat power for own needs	3,940	4,057
Other material costs	32,006	30,709
Production work and services, including:		
Electricity transmission services	159,050	155,396
Repair and maintenance services	14,972	15,657
Other works and industrial services	16,733	13,827
Taxes and levies other than income tax	27,107	27,076
Short term lease	1,301	3,490
Insurance	2,408	2,371
Other third-party services, including:		
Communication services	2,734	2,726
Security services	5,116	5,012
Consulting, legal and audit services	3,690	3,305
Software costs and servicing	3,522	2,704
Transportation services	2,769	2,777
Other services	9,846	9,912
Provisions	19,367	17,340
Other expenses	14,926	19,802
	870,512	**858,282**

12 Personnel costs

	Year ended 31 December 2020	Year ended 31 December 2019
Wages and salaries	159,444	151,406
Social security contributions	45,810	43,569
Loss/(gain) related to defined benefit plan	1,092	(8)
Expenses related to other long-term employee benefits	32	64
Other	5,830	6,243
	212,208	**201,274**

During the year ended 31 December 2020 the amount of contributions to the defined contribution plan was RUB 33,365 million (for the year ended 31 December 2019: RUB 31,850 million).

The amounts of remuneration to the key management personnel are disclosed in Note 36 “Related party transactions”.

(in millions of Russian rubles, unless otherwise stated)

13 Finance income and costs

	Year ended 31 December 2020	**Year ended 31 December 2019**
Finance income		
Interest income on loans, bank deposits and accounts, and promissory notes	8,072	9,371
Depreciation of discount of financial assets	7,643	9,569
Dividends	1,554	1,467
Effect on initial discounting of financial liabilities	1,546	927
Interest income on assets related to employee benefits plans	407	39
Other finance income	288	368
	19,510	**21,741**

	Year ended 31 December 2020	**Year ended 31 December 2019**
Finance costs		
Interest expenses on financial liabilities measured at amortized cost	21,551	25,850
Interest expenses on lease liabilities	3,673	3,090
Effect on initial discounting of financial assets	2,898	128
Interest expenses on long-term defined benefit liabilities	1,599	1,691
Depreciation of discount of financial liabilities	1,235	570
Other finance costs	1,615	367
	32,571	**31,696**

(in millions of Russian rubles, unless otherwise stated)

14 Income tax

	Year ended 31 December 2020	Year ended 31 December 2019
Current income tax		
Accrual of current tax	(19,890)	(23,686)
Adjustment for previous periods tax	488	(65)
Total	**(19,402)**	**(23,751)**
Deferred income tax	(3,452)	(12,685)
Total income tax expense	**(22,854)**	**(36,436)**

Income tax recognized in other comprehensive income

	Year ended 31 December 2020			Year ended 31 December 2019		
	Before tax	**Tax**	**Net of tax**	**Before tax**	**Tax**	**Net of tax**
Financial assets measured at fair value through other comprehensive income	2,454	(323)	2,131	9,865	(1,357)	8,508
Foreign currency translation differences	42	–	42	(228)	–	(228)
Remeasurements of the defined benefit liability	(1,227)	140	(1,087)	(5,056)	626	(4,430)
	1,269	**(183)**	**1,086**	**4,581**	**(731)**	**3,850**

As at 31 December 2020 and 31 December 2019, deferred income tax assets and liabilities are calculated (primarily) at the rate of 20%, which is expected to be applicable to the disposal of the related assets and liabilities. Deferred assets and liabilities arising from individual investments in equity instruments are calculated at the rate of 13%. Some of the companies of the Group use income tax benefit as reduced income tax rate provided in accordance with regional legislation.

Profit before income tax for financial reporting purposes is reconciled to income tax expenses as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Profit before income tax	**84,029**	**141,728**
Theoretical income tax expense at the rate of 20%	**(16,806)**	**(28,346)**
Effect of income taxed at lower rates	628	735
Tax effect on not taxable or non-deductible for tax purposes items	(4,711)	(6,106)
Adjustments for prior years	488	(65)
Change in unrecognized deferred tax assets	(2,453)	(2,654)
	(22,854)	**(36,436)**

(in millions of Russian rubles, unless otherwise stated)

15 Property, plant and equipment

	Land plots and buildings	Electricity trans-mission grids	Equipment for electricity transmission	Other	Construction in progress	Total
Cost/Deemed cost						
At 1 January 2019	**277,559**	**1,370,505**	**1,169,698**	**342,739**	**361,270**	**3,521,771**
Reclassification between groups	(7,302)	10	7,180	112	–	–
Additions	2,237	31,757	8,659	14,074	229,119	285,846
Acquisition of subsidiaries	3,417	1,910	403	499	78	6,307
Transfers	17,141	87,762	72,916	36,208	(214,027)	–
Reclassification to assets held for sale	–	–	–	–	(335)	(335)
Disposals	(389)	(1,882)	(2,541)	(2,824)	(9,570)	(17,206)
At 31 December 2019	**292,663**	**1,490,062**	**1,256,315**	**390,808**	**366,535**	**3,796,383**
Accumulated depreciation and impairment						
At 1 January 2019	**(93,870)**	**(622,960)**	**(548,977)**	**(216,035)**	**(58,357)**	**(1,540,199)**
Reclassification between groups	3,956	(1,429)	(10,257)	(1,758)	9,488	–
Depreciation charge	(9,599)	(44,228)	(43,274)	(24,114)	–	(121,215)
Reclassification to assets held for sale	–	–	–	–	22	22
Disposals	132	1,387	2,281	2,685	1,028	7,513
Impairment	(1,806)	(9,127)	(5,862)	(943)	(5,118)	(22,856)
At 31 December 2019	**(101,187)**	**(676,357)**	**(606,089)**	**(240,165)**	**(52,937)**	**(1,676,735)**
Net book value						
At 1 January 2019	**183,689**	**747,545**	**620,721**	**126,704**	**302,913**	**1,981,572**
At 31 December 2019	**191,476**	**813,705**	**650,226**	**150,643**	**313,598**	**2,119,648**

(in millions of Russian rubles, unless otherwise stated)

	Land plots and buildings	Electricity trans-mission grids	Equipment for electricity transmission	Other	Construction in progress	Total
Cost/Deemed cost						
At 1 January 2020	**292,663**	**1,490,062**	**1,256,315**	**390,808**	**366,535**	**3,796,383**
Reclassification between groups	(306)	6	199	103	(2)	–
Additions	867	2,820	1,092	8,619	245,918	259,316
Acquisition of subsidiaries (Note 6)	112	21	41	1,027	18	1,219
Transfers	14,151	115,199	80,351	43,832	(253,533)	–
Disposals	(345)	(969)	(2,617)	(3,308)	(5,665)	(12,904)
At 31 December 2020	**307,142**	**1,607,139**	**1,335,381**	**441,081**	**353,271**	**4,044,014**
Accumulated depreciation and impairment						
At 1 January 2020	**(101,187)**	**(676,357)**	**(606,089)**	**(240,165)**	**(52,937)**	**(1,676,735)**
Reclassification between groups	(340)	(3,340)	(2,805)	(436)	6,921	–
Depreciation charge	(9,689)	(47,133)	(45,545)	(27,092)	–	(129,459)
Disposals	153	680	2,198	2,924	719	6,674
Impairment	(3,892)	(16,831)	(10,746)	(1,856)	(6,101)	(39,426)
At 31 December 2020	**(114,955)**	**(742,981)**	**(662,987)**	**(266,625)**	**(51,398)**	**(1,838,946)**
Net book value						
At 1 January 2020	**191,476**	**813,705**	**650,226**	**150,643**	**313,598**	**2,119,648**
At 31 December 2020	**192,187**	**864,158**	**672,394**	**174,456**	**301,873**	**2,205,068**

As at 31 December 2020, construction in progress includes advance payments for the purchase of property, plant and equipment of RUB 16,699 million (31 December 2019: RUB 21,838 million) and materials for the property, plant and equipment of RUB 10,236 million (31 December 2019: RUB 9,220 million).

Capitalized borrowing costs for the year ended 31 December 2019 amounted to RUB 13,168 million (for the year ended 31 December 2019: RUB 16,251 million), with capitalization rates of 4.65 – 7.49 % (for the year ended 31 December 2019: 6.01 – 9.39%).

The depreciation charge for the year ended 31 December 2020 in the amount of RUB 507 million (for the year ended 31 December 2019: RUB 378 million) has been capitalized to the cost of the capital construction objects.

As of 31 December 2020, fixed assets pledged as collateral for a loan amounted of RUB 38 million (31 December 2019: RUB 38 million).

Impairment

The majority of the Group's property, plant and equipment is specialized in nature and is rarely sold on the open market other than as part of a continuing business. The market for similar property, plant and equipment is not active in the Russian Federation and does not provide a sufficient number of sales transactions for use of a market-based approach for determination of the fair value.

Consequently, the recoverable amount of property, plant and equipment was primarily determined as value-in-use using discounted cash flows method. This method considers the future net cash flows expected to be generated by the property, plant and equipment in the process of operating activities and upon disposal, to determine the recoverable amount of the assets.

As the indicators of impairment were revealed, the Group performed an impairment test of the non-current assets as at 31 December 2020.

The Group performed an impairment test within the cash generating units (CGU) and recognized an impairment loss in the amount of RUB 41,655 million (as at 31 December 2019: RUB 30,380 million) including impairment loss on property, plant and equipment in the amount of RUB 41,324 million (as at 31 December 2019: RUB 29,605 million) and impairment loss on right-of-use assets in the amount of RUB 331 million (as at 31 December 2019: RUB 775 million).

At the same time, the partially amortised impairment loss recognized as at 31 December 2020 was reversed in the amount of RUB 1,939 million (as at 31 December 2019: RUB 6,749 million), including an impairment loss on property, plant and equipment in the amount of RUB 1,898 million (as at 31 December 2019: RUB 6,749 million), and an impairment loss attributed to right-of-use assets in the amount of RUB 41 million.

The recoverable amount for all CGU's, as value in use, was calculated using the discounting rate, determined as the weighted average cost of capital (WACC) within the range of 8.41% – 9.03% (2019: 8.57% – 9.03%).

(in millions of Russian rubles, unless otherwise stated)

16 Intangible assets

	Software	Licenses, certificates and patents	Other	Total
Cost				
At 1 January 2019	**25,441**	**903**	**11,092**	**37,436**
Reclassification between groups	216	349	(565)	–
Additions	3,585	727	1,261	5,573
Disposals	(1,202)	(32)	(1,268)	(2,502)
At 31 December 2019	**28,040**	**1,947**	**10,520**	**40,507**
Accumulated amortization and impairment				
At 1 January 2019	**(13,676)**	**(142)**	**(4,473)**	**(18,291)**
Reclassification between groups	(47)	(288)	335	–
Amortization charge	(3,137)	(134)	(715)	(3,986)
Disposals	1,050	33	335	1,418
At 31 December 2019	**(15,810)**	**(531)**	**(4,518)**	**(20,859)**
Net book value				
At 1 January 2019	**11,765**	**761**	**6,619**	**19,145**
At 31 December 2019	**12,230**	**1,416**	**6,002**	**19,648**
Cost				
At 1 January 2020	**28,040**	**1,947**	**10,520**	**40,507**
Reclassification between groups	135	21	(156)	–
Additions	5,034	690	1,544	7,268
Disposals	(912)	(46)	(264)	(1,222)
At 31 December 2020	**32,297**	**2,612**	**11,644**	**46,553**
Accumulated amortization and impairment				
At 1 January 2020	**(15,810)**	**(531)**	**(4,518)**	**(20,859)**
Reclassification between groups	7	(7)	–	–
Amortization charge	(3,178)	(178)	(929)	(4,285)
Disposals	899	43	39	981
At 31 December 2020	**(18,082)**	**(673)**	**(5,408)**	**(24,163)**
Net book value				
At 1 January 2020	**12,230**	**1,416**	**6,002**	**19,648**
At 31 December 2020	**14,215**	**1,939**	**6,236**	**22,390**

Capitalized borrowing costs for the year ended 31 December 2020 amounted to RUB 10 million (for the year ended 31 December 2019: RUB 28 million), with capitalization rates of 6.60 – 7.49 % (for the year ended 31 December 2019: 7.72 – 8.40%).

(in millions of Russian rubles, unless otherwise stated)

17 Right-of-use assets

	Land plots and buildings	Electricity transmission grids	Equipment for electricity transmission	Other	Total
Cost					
At 1 January 2019	**24,282**	**3,855**	**4,817**	**1,713**	**34,667**
Reclassification between groups	(39)	121	(93)	11	–
Additions	4,741	1,939	1,076	505	8,261
Change of lease agreement terms	(868)	717	352	19	220
Disposal or termination of lease agreements	(472)	(59)	(47)	(36)	(614)
At 31 December 2019	**27,644**	**6,573**	**6,105**	**2,212**	**42,534**
Accumulated depreciation and impairment					
At 1 January 2019	**(51)**	**(280)**	**(289)**	**(459)**	**(1,079)**
Reclassification between groups	–	(26)	24	2	–
Depreciation charge	(2,720)	(814)	(930)	(136)	(4,600)
Change of lease agreement terms	177	178	71	2	428
Disposal or termination of lease agreements	143	10	1	7	161
Impairment	(57)	(481)	(237)	–	(775)
At 31 December 2019	**(2,508)**	**(1,413)**	**(1,360)**	**(584)**	**(5,865)**
Net book value					
At 1 January 2019	**24,231**	**3,575**	**4,528**	**1,254**	**33,588**
At 31 December 2019	**25,136**	**5,160**	**4,745**	**1,628**	**36,669**

(in millions of Russian rubles, unless otherwise stated)

	Land plots and buildings	Electricity transmission grids	Equipment for electricity transmission	Other	Total
Cost					
At 1 January 2020	**27,644**	**6,573**	**6,105**	**2,212**	**42,534**
Reclassification between groups	–	4	(2)	(2)	–
Additions	6,167	3,810	2,407	641	13,025
Acquisition of subsidiaries	1,144	645	152	244	2,185
Change of lease agreement terms	116	(76)	(380)	(18)	(358)
Disposal or termination of lease agreements	(1,761)	(708)	(885)	(117)	(3,471)
At 31 December 2020	**33,310**	**10,248**	**7,397**	**2,960**	**53,915**
Accumulated depreciation and impairment					
At 1 January 2020	**(2,508)**	**(1,413)**	**(1,360)**	**(584)**	**(5,865)**
Reclassification between groups	–	(1)	–	1	–
Depreciation charge	(3,316)	(1,531)	(1,072)	(340)	(6,259)
Change of lease agreement terms	326	196	209	11	742
Disposal or termination of lease agreements	272	13	267	6	558
Impairment	(36)	(174)	(80)	–	(290)
At 31 December 2020	**(5,262)**	**(2,910)**	**(2,036)**	**(906)**	**(11,114)**
Net book value					
At 1 January 2020	**25,136**	**5,160**	**4,745**	**1,628**	**36,669**
At 31 December 2020	**28,048**	**7,338**	**5,361**	**2,054**	**42,801**

For the purpose of the impairment test the specialized right-of-use assets (including rented land plots for own and rented specialized fixed assets) were treated as own non-current assets within cash generating units (CGU). Value in use of such right-of-use assets as at 31 December 2020 was determined by using the discounted cash flow method. For information regarding impairment test see Note 15 “Property, plant and equipment”.

At the date of acquisition LLC “Bryanskelectro” assets in the form of right-of-use under lease and leasing agreements were recognised, the leased property under which was subsequently purchased into ownership of the Group and the lease agreements are terminated. The disposal of leased assets from the assets in the form of the right-of-use in the form of fixed assets amounted to RUB 2,013 million.

(in millions of Russian rubles, unless otherwise stated)

18 Other financial assets

	31 December 2020	31 December 2019
Non-current		
Financial assets measured at amortised cost	19,768	3,360
Financial assets measured at fair value through other comprehensive income	48,074	45,620
Investments in quoted equity instruments	*47,961*	*45,507*
Investments in unquoted equity instruments	*113*	*113*
Financial assets measured at fair value through profit or loss	3,051	247
	70,893	**49,227**
Current		
Financial assets measured at amortised cost	20,950	57,592
	20,950	**57,592**

Investments in quoted equity instruments include shares of PJSC "Inter RAO". The fair value of these shares is based on published market quotations and amounted to RUB 47,615 million as of 31 December 2020 (as of 31 December 2019: RUB 45,190 million).

The financial assets measured at fair value through profit or loss as at 31 December 2020 includes a subordinated deposit with Bank "Tavricheskiy" (JSC) (the "Bank") of RUB 2,830 million. As at 31 December 2019, the financial instrument was classified as a financial asset measured at amortised cost in accordance with the initial contract on the restructuring of liabilities entered with the Bank. The Bank's reorganization process opened in 2015 features the participation of Bank's large creditors, the Group's subsidiaries PJSC Rosseti Lenenergo and PJSC IDGC of the North-West. The project provides for joint financing of reorganization measures with means of financial assistance to the Bank from state corporation Deposit Insurance Agency (DIA) at the expense of the Bank of Russia and placing (under certain conditions) subordinated deposits by the Group's subsidiaries. Taking into considerations factors that indicate potential deterioration in the credit quality of the financial asset as at 31 December 2020, the Group reviewed the approach to its classification and measurement. The fair value as at the reporting date was measured with the use of discounting the long-term debt at the rate which reflects industry, market, financial and other risks and well as the investment risk.

(in millions of Russian rubles, unless otherwise stated)

Financial assets measured at amortised cost at 31 December 2020 and 31 December 2019 are mainly represented by bank deposits with an original maturity of more than three months and federal loan bonds:

	Interest rate at 31 December 2020	Rating	Rating agency	31 December 2020	31 December 2019
Bank GPB (JSC)*	4.30 – 5.27	BBB-	Fitch Ratings	11,797	4,221
JSC Russian Agricultural Bank*	4.50 – 5.31	BBB-	Fitch Ratings	10,036	15,228
Promsvyazbank (PJSC)	4.77 – 5,10	BB	Standart & Poor's	7,939	–
VTB Bank (PJSC)*	4.25 – 5.10	BBB-	Standart & Poor's	6,000	37,936
Russian Regional Development Bank*	4.00 – 5.00	Ba2	Moody's	537	–
OJSC Bank Tavrichesky	–	–	–	–	3,131
JSC Alfa-Bank	–	BB+	Standart & Poor's	–	70
PJSC Sberbank*	–	BBB	Fitch Ratings	–	7
				36,309	**60,593**
Federal loan bonds (OFZ)*				**4,151**	–
				40,460	**60,593**

* Government-related entities

(in millions of Russian rubles, unless otherwise stated)

19 Deferred tax assets and liabilities

The differences between IFRS and Russian tax regulations give rise to temporary differences between the accounting value of certain assets and liabilities for financial reporting purposes and the income tax for taxation purposes.

a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Net	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Property, plant and equipment	5,577	7,307	(119,920)	(112,057)	(114,343)	(104,750)
Intangible assets	126	448	(884)	(250)	(758)	198
Right-of-use assets	–	2	(8,537)	(6,952)	(8,537)	(6,950)
Financial assets measured at amortised cost	4,020	5,983	–	–	4,020	5,983
Financial assets measured at fair value through other comprehensive income	918	25	(3,920)	(3,611)	(3,002)	(3,586)
Financial assets measured at fair value through profit or loss	1,987	32	–	–	1,987	32
Inventories	127	304	(109)	(55)	18	249
Trade and other receivables	23,193	18,898	(359)	(553)	22,834	18,345
Advances given and other assets	2,330	2,386	(5)	(31)	2,325	2,355
Lease liabilities	9,228	7,565	(75)	(89)	9,153	7,476
Loans and borrowings	–	–	(220)	(201)	(220)	(201)
Provisions	6,889	6,185	(1)	(1)	6,888	6,184
Employee benefit liabilities	2,412	2,250	(63)	(36)	2,349	2,214
Trade and other payables	3,889	2,623	(534)	(1,102)	3,355	1,521
Tax loss carry-forwards	7,269	5,373	–	–	7,269	5,373
Asset held for sale	4	–	–	(63)	4	(63)
Other	413	583	(279)	(310)	134	273
Tax assets/(liabilities)	**68,382**	**59,964**	**(134,906)**	**(125,311)**	**(66,524)**	**(65,347)**
Set off of tax	(39,979)	(33,433)	39,979	33,433	–	–
Unrecognized deferred tax assets	(16,739)	(14,286)	–	–	(16,739)	(14,286)
Net tax assets/(liabilities)	**11,664**	**12,245**	**(94,927)**	**(91,878)**	**(83,263)**	**(79,633)**

(in millions of Russian rubles, unless otherwise stated)

b) Unrecognized deferred tax liabilities

At 31 December 2020 a deferred tax liability for temporary differences of RUB 324,618 million (31 December 2019: RUB 257,346 million) related to an investment in subsidiaries was not recognized as the Group is able to control the timing of the reversal of this temporary difference and it is probable that this temporary difference will not reverse in the foreseeable future.

c) Unrecognized deferred tax assets

The Group makes certain estimates and assumptions when determining future taxable income and an amount of possible tax deductions and also when determining the capacity of certain Group' loss-making subsidiaries to gain a taxable income which is sufficient to utilise tax deductions and the period when these tax deductions can be utilised.

Unrecognised tax assets including losses carried forward and deferred tax assets on temporary differences with regard to the subsidiaries comprised:

	31 December 2020	**31 December 2019**
Deductible temporary differences	55,111	40,685
Tax losses	28,585	30,750
Total	**83,696**	**71,435**
Unrecognized deferred tax assets at the applicable tax rate	**16,739**	**14,286**

(in millions of Russian rubles, unless otherwise stated)

d) Movement in deferred tax assets and liabilities during the year

	1 January 2020	Acquired as part of a business combination	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2020
Property, plant and equipment	(104,750)	5	(9,598)	–	(114,343)
Intangible assets	198	–	(956)	–	(758)
Right-of-use assets	(6,950)	–	(1,587)	–	(8,537)
Financial assets measured at amortised cost	5,983	–	(1,963)	–	4,020
Financial assets measured at fair value through other comprehensive income	(3,586)	–	907	(323)	(3,002)
Financial assets measured at fair value through profit or loss	32	–	1,955	–	1,987
Inventories	249	–	(231)	–	18
Trade and other receivables	18,345	–	4,489	–	22,834
Advances given and other assets	2,355	–	(30)	–	2,325
Lease liabilities	7,476	–	1,677	–	9,153
Loans and borrowings	(201)	–	(19)	–	(220)
Provisions	6,184	–	704	–	6,888
Employee benefit liabilities	2,214	–	(5)	140	2,349
Trade and other payables	1,521	–	1,834	–	3,355
Tax loss carry-forwards	5,373	–	1,896	–	7,269
Asset held for sale	(63)	–	67	–	4
Other	273	–	(139)	–	134
Unrecognized deferred tax assets	(14,286)	–	(2,453)	–	(16,739)
	(79,633)	**5**	**(3,452)**	**(183)**	**(83,263)**

(in millions of Russian rubles, unless otherwise stated)

	1 January 2019	Acquired as part of a business combination	Recognized in profit or loss	Recognized in other comprehensive income	Recognized at Capital	31 December 2019
Property, plant and equipment	(85,760)	322	(19,312)	–	–	(104,750)
Intangible assets	107	–	91	–	–	198
Right-of-use assets	–	(458)	(6,579)	–	87	(6,950)
Financial assets measured at amortised cost	6,037	–	(54)	–	–	5,983
Financial assets measured at fair value through other comprehensive income	(2,178)	–	(51)	(1,357)	–	(3,586)
Financial assets measured at fair value through profit or loss	35	–	(3)	–	–	32
Inventories	46	(1)	204	–	–	249
Trade and other receivables	16,132	1	2,212	–	–	18,345
Advances given and other assets	2,067	–	288	–	–	2,355
Lease liabilities	146	455	6,875	–	–	7,476
Loans and borrowings	(229)	–	28	–	–	(201)
Provisions	3,811	4	2,369	–	–	6,184
Employee benefit liabilities	1,842	–	(254)	626	–	2,214
Trade and other payables	2,144	6	(629)	–	–	1,521
Tax loss carry-forwards	4,919	9	445	–	–	5,373
Asset held for sale	(4,293)	–	4,230	–	–	(63)
Other	171	(7)	109	–	–	273
Unrecognized deferred tax assets	(11,547)	–	(2,654)	–	(85)	(14,286)
	(66,550)	**331**	**(12,685)**	**(731)**	**2**	**(79,633)**

20 Inventories

	31 December 2020	31 December 2019
Raw materials and supplies	24,960	20,564
Allowance for impairment of raw materials and supplies	(208)	(540)
Other inventories	15,802	17,623
Allowance for impairment of other inventories	(572)	(318)
	39,982	**37,329**

As at 31 December 2020 and 31 December 2019, the Group has no pledged inventories in accordance with loan or other agreements as collateral.

(in millions of Russian rubles, unless otherwise stated)

21 Trade and other receivables

	31 December 2020	31 December 2019
Non-current trade and other accounts receivable		
Trade receivables	82,774	75,486
Allowance for expected credit losses on trade receivables	(966)	(555)
Other receivables	1,887	2,098
Allowance for expected credit losses on other receivables	(241)	(251)
Loans given	70	104
Total financial assets	**83,524**	**76,882**
Current trade and other accounts receivable		
Trade receivables	221,160	223,724
Allowance for expected credit losses on trade receivables	(110,367)	(109,619)
Other receivables	35,241	37,852
Allowance for expected credit losses on other receivables	(25,123)	(25,240)
Loans given	325	265
Allowance for expected credit loss on current loans given	(259)	(155)
Total financial assets	**120,977**	**126,827**

Long-term trade receivables mainly relate to the contracts of technological connection that imply deferred inflow of cash for the provided services (as at 31 December 2020: RUB 61,293 million, as at 31 December 2019: RUB 69,166 million) and to restructured balances receivable for electricity transmission services.

Information regarding exposure credit risk, currency risk, impairment of accounts trade and other receivables, and fair value is disclosed in Note 33 “Financial risk and capital management”.

22 Advances given and other assets

	31 December 2020	31 December 2019
Non-current assets		
Advances given	7,265	7,461
Advances given impairment allowance	(7,031)	(7,219)
VAT on advances received	5,644	6,422
	5,878	**6,664**
Current assets		
Advances given	14,946	11,750
Advances given impairment allowance	(4,580)	(5,563)
VAT recoverable	2,275	2,227
VAT on advances received and VAT on advances given for purchase of property, plant and equipment	14,534	8,818
Prepaid taxes, other than income tax	2,064	920
	29,239	**18,152**

(in millions of Russian rubles, unless otherwise stated)

23 Cash and cash equivalents

	31 December 2020	31 December 2019
Cash at banks and in hand	42,079	34,436
Cash equivalents	23,832	44,577
	65,911	**79,013**

	Rating	Rating agency	31 December 2020	31 December 2019
Bank GPB (JSC)*	BBB-	Fitch Ratings	21,680	13,425
PJSC Sberbank*	BBB	Fitch Ratings	9,099	6,487
UFK*	–	–	4,330	1,581
JSC «Alfa-Bank»	BB+	Standart & Poor's	1,869	1,339
JSC AB ROSSIYA	A+(RU)	ACRA	1,864	4,793
VTB Bank (PJSC)*	BBB-	Standart & Poor's	846	3,130
Russian Regional Development Bank*	Ba2	Moody's	814	127
Promsvyazbank (PJSC)	BB	Standart & Poor's	627	92
PJSC RNCB*	A+(RU)	ACRA	394	2,548
JSC Russian Agricultural Bank*	BBB-	Fitch Ratings	197	101
Other banks	–	–	297	745
Cash in hand			62	68
			42,079	**34,436**

*Government-related entities

Cash equivalents primarily consist of bank deposits placed with a number of banks for less than three months.

	Interest rate at 31 December 2020	Rating	Rating agency	31 December 2020	31 December 2019
Bank GPB (JSC)*	2.00 – 6.00	BBB-	Fitch Ratings	12,013	21,377
PJSC RNCB*	4.17	A+(RU)	ACRA	3,600	–
VTB Bank (PJSC)*	3.65 – 4.31	BBB-	Standart & Poor's	3,350	1,176
Russian Regional Development Bank*	3.81 – 4.17	Ba2	Moody's	3,116	6,182
PJSC Sberbank*	0.01 – 3.49	BBB	Fitch Ratings	717	625
JSC Russian Agricultural Bank*	3.89 – 4.05	BBB-	Fitch Ratings	714	179
JSC NCO NKTS*	5.00	BBB	Fitch Ratings	120	–
JSC AB ROSSIYA	3.90	A+(RU)	ACRA	14	9
JSC «Alfa-Bank»	–	BB+	Standart & Poor's	–	11,761
FK Otkritie*	–	Ba2	Moody's	–	2,804
Promsvyazbank (PJSC)	–	BB	Standart & Poor's	–	6
				23,644	**44,119**

*Government-related entities

(in millions of Russian rubles, unless otherwise stated)

As at 31 December 2020 cash and cash equivalents balance included amount in foreign currency in the amount of RUB 97 million (as at 31 December 2019: RUB 78 million).

24 Equity

a) Share capital

	Ordinary shares		Preference shares	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Par value	RUB 1	RUB 1	RUB 1	RUB 1
On issue at 1 January	198,827,865,141	198,827,865,141	2,075,149,384	2,075,149,384
On issue and fully paid at the end of the year	198,827,865,141	198,827,865,141	2,075,149,384	2,075,149,384

b) Ordinary and preference shares

Holders of ordinary shares have the right to vote on all issues on the agenda at the General Meetings of Shareholders of the Company, to receive dividends in the manner specified by the legislation of the Russian Federation and the Charter of the Company, as well as other rights provided for by the Charter and the legislation of the Russian Federation. Preference shares are recognized in equity. These shares are non-convertible, non-cumulative and non-redeemable.

Holders of preference shares are entitled to an annual dividend equal to 10% of net statutory profit divided by 25% of all shares. If the amount of dividends paid by the Company for each ordinary share in a given year exceeds the amount payable as a dividend on each preference share, the dividend rate payable on the latter must be increased to the amount of dividends on ordinary shares.

Preference shares carry the right to vote on all issues within the competence of General shareholders' meetings following the Annual Shareholders' Meeting at which a decision not to pay (or not to pay the full amount of) dividends on preference shares was taken. The right of preference shareholders to participate at General shareholders' meetings ceases from the date of the first full payment of dividends on such shares. The preference shares also carry the right to vote on the amendments to the Company's Charter when limiting their rights, on reorganization and liquidation as well as on the delisting of preference shares. The owners of both ordinary and preference shares have the preemptive right to purchase additional Company's shares placed through an open subscription, in an amount proportional to the number of this type of shares held. In the case of liquidation of the Company, accrued but not paid dividends on preference shares and the liquidation value specified by the Charter for preference shares are paid. After that the assets are distributed among the shareholders - owners of ordinary and preference shares.

Preference shares are included in the calculation of the weighted average number of outstanding shares used in the calculation of basic and diluted earnings per share (Note 25 "Earnings per share").

c) Dividends

The basis for dividends distribution is the net profit of the PJSC "ROSSETI" defined in accordance with the current Russian legislation.

On 1 June 2020 the annual General Shareholders Meeting of the Company made a decision on distributing dividends for 2019 on the preference and ordinary shares of PJSC "ROSSETI" of RUB 17,992 million (RUB 0.189304 per a preference share and RUB 0.0885155625 per an ordinary share).

The total dividends for 2019 amounted to RUB 23,015 million taking into account paid interim dividends for the 1st quarter of 2019 in the amount of RUB 5,023 million in accordance with the decision of the annual General Shareholders Meeting taken on 27 June 2019.

d) Treasury shares

Information regarding treasury shares is presented below:

31 December 2020			31 December 2019		
Number of shares, mln.		Cost, mln. RUB	Number of shares, mln.		Cost, mln. RUB
Ordinary	**Preference**		**Ordinary**	**Preference**	
3	308	109	3	308	109

25 Earnings per share

To calculate earnings per share, the Group divides earnings attributable to the owners of the Company by the weighted average number of ordinary and preference shares outstanding for the reporting period.

The Company does not have dilutive financial instruments.

In millions of shares	**2020**	**2019**
Issued ordinary and preference shares at the beginning of the period	200,903	200,903
Effect of treasury shares	(3)	(3)
Weighted average number of shares for the period ended 31 December	**200,900**	**200,900**

	2020	**2019**
Weighted average number of shares for the period ended 31 December (in millions of shares)	200,900	200,900
Profit for the period attributable to the owners of the Company	43,872	76,773
Earnings per share (in RUB) – basic and diluted	**0.22**	**0.38**

(in millions of Russian rubles, unless otherwise stated)

26 Borrowings

	31 December 2020	31 December 2019
Non-current liabilities		
Secured loans and borrowings	239	359
Unsecured loans and borrowings	184,367	213,537
Unsecured bonds	329,643	298,374
Lease liabilities	45,901	38,209
Less: current portion of long-term lease liabilities	(6,932)	(5,550)
Less: current portion of long-term loans and borrowings	(25,190)	(28,493)
Less: current portion of long-term bonds	(28,985)	(51,727)
	499,043	**464,709**
Current liabilities		
Unsecured loans and borrowings	3,882	11,635
Promissory notes	190	293
Current portion of long-term lease liabilities	6,932	5,550
Current portion of long-term loans and borrowings	25,190	28,493
Current portion of long-term bonds	28,985	51,727
	65,179	**97,698**
Including:		
Interests payable on loans and borrowings	220	226
Interests payable on bonds	3,431	3,815
	3,651	**4,041**

As at 31 December 2020 and 31 December 2019 long-term and short-term liabilities on loans, bonds, promissory notes amounted to RUB 518,321 million and RUB 524,198 million respectively (excluding long-term and short-term lease liabilities).

As at 31 December 2020 and 31 December 2019 long-term and short-term lease liabilities amounted to RUB 45,901 million and RUB 38,209 million respectively.

As at 31 December 2020 and 31 December 2019 all loans and borrowings balances are nominated in RUB.

(in millions of Russian rubles, unless otherwise stated)

		Effective interest rate		Carrying value	
	Year of maturity	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Unsecured loans and borrowings					
Unsecured bank loans*	2021-2024	Key rate**+1.05% – Key rate +2.25%	Key rate+1.05% – Key rate+2.00%	78,247	7,326
Unsecured bank loans*	2021-2024	5.70–8.25%	7.40–10.00%	27,831	38,375
Unsecured bank loans*	2021-2023	Key rate+0.98% – Key rate+1.75%	Key rate+0.98% – Key rate+1.20%	19,873	9,787
Unsecured bank loans	2021-2023	Key rate+0.00% – Key rate+1.50%	Key rate+0.00%	8,370	2,005
Unsecured bank loans*	2023	Key rate+1.407% – Key rate+1.80%	–	7,722	–
Unsecured bank loans*	2022-2023	5.55–5.75%	7.20–7.25%	7,029	5,011
Unsecured bank loans*	2022-2023	5.55–6.10%	7.15–7.89%	7,021	7,219
Unsecured bank loans	2023-2023	5.73–6.35%	7.53–10.00%	5,836	1,660
Unsecured bank loans*	2021-2023	6.50–8.25%	7.50–8.75%	4,755	9,475
Unsecured bank loans*	2023	Key rate+2.20%	Key rate+0.00%	4,320	503
Unsecured bank loans	2021-2023	4.60–5.77%	6.60%	4,300	700
Unsecured bank loans*	2022-2023	Key rate+1.15% – Key rate+1.75%	Key rate+1.15%	3,307	805
Unsecured bank loans	2021-2021	Key rate+0.58%	Key rate+0.58%	3,001	3,002
Unsecured bank loans*	2023	Key rate+1.48% – Key rate +1.70%	–	2,005	–
Unsecured bank loans	2023-2023	Key rate+1.90%	–	1,900	–
Unsecured bank loans*	2023-2023	5.69	–	1,000	–
Unsecured bank loans*	2022-2023	Key rate+1.10% – Key rate+1.45%	Key rate+0.95% – Key rate+1.10%	941	500
Unsecured bank loans	2022-2022	8.00%	–	400	–
Secured bank loans*	2022-2022	Key rate+1.5%	Key rate+1.50%	239	359
Unsecured bank loans	2021-2021	7.00%	–	94	–
Unsecured bank loans	2023-2023	6.00%	–	71	–
Unsecured bank loans*	2021	6.5–6.5%	6.95–8.20%	67	114,472
Unsecured bank loans*	2020	–	7.49–7.68%	–	13,208
Unsecured bank loans	2020	–	7.10%	–	8,017
Unsecured bank loans	2020	–	7.34–8.10%	–	2,500
Unsecured bank loans	2020	–	10.00%	–	200
Unsecured bank loans*	2020	–	10.00%	–	200
Unsecured loans	2025-2026	0.10–3.00%	0.10–3.00%	159	207
				188,488	**225,531**

(in millions of Russian rubles, unless otherwise stated)

		Effective interest rate		Carrying value	
	Year of maturity	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Bonds					
Unsecured bonds	2046-2048	(CPI***–100%)+1.00%	(CPI–100%)+1.00%	20,202	20,226
Unsecured bonds	2045-2050	(CPI–100%)+1.00%	(CPI–100%)+1.00%	20,164	20,170
Unsecured bonds	2045-2050	(CPI–100%)+1.00%	(CPI–100%)+1.00%	20,164	20,170
Unsecured bonds	2048-2048	(CPI–100%)+1.00%	(CPI–100%)+1.00%	20,085	20,076
Unsecured bonds	2047-2048	(CPI –100%)+1.00%	(CPI–100%)+1.00%	15,111	15,115
Unsecured bonds	2047-2048	(CPI–100%)+1.00%	(CPI–100%)+1.00%	14,052	14,046
Unsecured bonds	2047-2048	(CPI–100%)+1.00%	(CPI–100%)+1.00%	11,082	11,084
Unsecured bonds	2022-2027	(CPI–100%)+2.50%	(CPI–100%)+2.50%	10,234	10,319
Unsecured bonds	2023-2023	6.15%	–	10,222	–
Unsecured bonds	2023-2023	8.70%	8.70%	10,167	10,162
Unsecured bonds	2027-2035	6.60%	–	10,130	–
Unsecured bonds	2025-2035	6.50%	–	10,114	–
Unsecured bonds	2025-2025	6.50%	–	10,112	–
Unsecured bonds	2022-2022	8.55%	8.55%	10,108	10,098
Unsecured bonds	2030-2035	6.75%	–	10,107	–
Unsecured bonds	2021-2051	9.35%	9.35%	10,095	10,090
Unsecured bonds	2048-2048	(CPI–100%)+1.00%	(CPI–100%)+1.00%	10,042	10,038
Unsecured bonds	2046-2048	(CPI–100%)+1.00%	(CPI–100%)+1.00%	10,037	10,033
Unsecured bonds	2021-2021	8.50%	8.50%	10,021	10,016
Unsecured bonds	2022-2052	7.75%	7.75%	9,145	9,141
Unsecured bonds	2022-2022	8.45%	8.45%	8,133	8,130
Unsecured bonds	2023-2023	5.65%	–	8,019	–
Unsecured bonds	2023-2052	7.60%	7.60%	7,042	7,039
Unsecured bonds	2022-2022	8.15%	8.15%	5,195	5,193
Unsecured bonds	2023-2023	6.20%	–	5,126	–
Unsecured bonds	2023-2023	6.20%	–	5,126	–
Unsecured bonds	2021-2021	6.95%	6.95%	5,081	5,075
Unsecured bonds	2023-2023	5.55%	–	5,054	–
Unsecured bonds	2022-2022	6.85%	6.85%	5,037	5,033
Unsecured bonds	2024-2024	8.40%	8.40%	5,035	5,032
Unsecured bonds	2022-2022	6.85%	6.85%	5,021	5,015

(in millions of Russian rubles, unless otherwise stated)

		Effective interest rate		Carrying value	
	Year of maturity	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Unsecured bonds	2023-2023	5.60%	–	5,011	–
Unsecured bonds	2022	7.00%	7.00%	4,049	4,048
Unsecured bonds	2022	7.00%	7.00%	3,037	3,036
Unsecured bonds*	2022-2022	(CPI–100%)+1.00%	–	1,081	–
Unsecured bonds	2021-2028	5.00%	5.00%	514	10,362
Unsecured bonds	2024-2027	7.40%	7.40%	426	426
Unsecured bonds	2020-2024	0.00%	0.00%	262	315
Unsecured bonds	2020	–	9.15%	–	10,318
Unsecured bonds	2020	–	8.25%	–	7,713
Unsecured bonds	2020	–	8.25%	–	7,489
Unsecured bonds	2020	–	9.65%	–	5,210
Unsecured bonds	2020	–	8.30%	–	5,117
Unsecured bonds	2020	–	7.50%	–	1,788
Unsecured bonds	2020	–	0.10%	–	667
Unsecured bonds	2020	–	0.10%	–	521
Unsecured bonds	2020	–	5.00%	–	32
Unsecured bonds	2020	–	7.75%	–	31
				329,643	**298,374**
Lease liabilities		3.01–53.23%	5.66–32.89%	**45,901**	**38,209**
Promissory notes*	on demand	0.00%	0.00%	**190**	**293**
Total debt				**564,222**	**562,407**

* Government-related entities
** The Bank of Russia Key Rate
*** Consumer price index – CPI

The Group has not entered into any hedging arrangements with respect to interest rate exposures. Information about the Group’s exposure to interest rate risk is disclosed in Note 33 “Financial risk and capital management”.

(in millions of Russian rubles, unless otherwise stated)

27 Changes in liabilities arising from financing activities

	Loans and borrowings		Interest payable on borrowed funds, except interest payable on lease agreements	Lease liabilities	Dividends payable
	Non-current	Current			
As at 1 January 2020	**432,050**	**88,107**	**4,041**	**38,209**	**5,789**
Changes from financing cash flows					
Proceeds from loans and borrowings	443,471	54,711	–	–	–
Repayment of loans and borrowings	(361,442)	(143,344)	–	–	–
Repayment of lease liabilities	–	–	–	(5,060)	–
Interests paid (operating cash flows, for information)	–	–	(33,614)	(3,798)	–
Dividends paid	–	–	–	–	(27,556)
Total	**82,029**	**(88,633)**	**(33,614)**	**(8,858)**	**(27,556)**
Non-cash transactions					
Transfers	(55,090)	55,090	–	–	–
Capitalised borrowing costs	–	–	12,899	279	–
Interest expenses	–	–	20,327	3,673	–
Acquisition under lease agreements	–	–	–	12,551	–
Dividends accrued	–	–	–	–	22,547
Discounting	(3)	34	–	–	–
Other changes, net	1,088	(2)	(2)	47	(28)
Total	**(54,005)**	**55,122**	**33,224**	**16,550**	**22,519**
As at 31 December 2020	**460,074**	**54,596**	**3,651**	**45,901**	**752**

(in millions of Russian rubles, unless otherwise stated)

	Loans and borrowings		Interest payable on borrowed funds, except interest payable on lease agreements	Lease liabilities	Dividends payable
	Non-current	Current			
As at 1 January 2019	**479,504**	**82,091**	**4,710**	**33,834**	**624**
Changes from financing cash flows					
Proceeds from loans and borrowings	222,546	66,176	–	–	–
Repayment of loans and borrowings	(189,788)	(140,872)	–	–	–
Repayment of lease liabilities	–	–	–	(3,222)	–
Interests paid (operating cash flows, for information)	–	–	(41,207)	(3,305)	–
Dividends paid	–	–	–	–	(15,142)
Total	**32,758**	**(74,696)**	**(41,207)**	**(6,527)**	**(15,142)**
Non-cash transactions					
Transfers	(80,578)	80,578	–	–	–
Capitalised borrowing costs	–	–	16,036	243	–
Interest expenses	–	–	24,521	3,090	–
Acquisition under lease agreements	–	–	–	8,288	–
Dividends accrued	–	–	–	–	20,313
Discounting	4	39	–	–	–
Other changes, net	362	95	(19)	(719)	(6)
Total	**(80,212)**	**80,712**	**40,538**	**10,902**	**20,307**
As at 31 December 2019	**432,050**	**88,107**	**4,041**	**38,209**	**5,789**

(in millions of Russian rubles, unless otherwise stated)

28 Employee benefits

The Group has a defined benefit pension and other long-term defined benefit plans that cover most full-time and retired employees. Defined post-employment benefits consist of several unfunded plans providing for lump-sum payments upon retirement, life retirement benefits, financial support for current pensioners, death benefits, and anniversary benefits.

Amounts of defined benefit obligations recognized in the consolidated statement of financial position are presented below:

	31 December 2020	31 December 2019
Present value of post-employment net benefits obligation	27,324	26,048
Present value of other long-term employee net benefit obligation	1,874	1,752
Total present value of employee net benefit obligation	**29,198**	**27,800**

Change in the value of assets related to employee benefit obligations:

	2020	2019
Value of assets at 1 January	**5,808**	**6,216**
Return on plan assets	407	39
Employer contributions	1,466	1,286
Other movements in the accounts	104	(177)
Payment of remuneration	(1,809)	(1,556)
Value of assets at 31 December	**5,976**	**5,808**

Assets related to pension plans and defined benefit plans are administrated by non-state pension funds JSC N-s PF “Otkritie”, NPF “Professional” (JSC) and JSC “NPF GAZFOND pensionnie nakoplenia”.

These assets are not the defined benefit plans' assets, because under the terms of agreements between the Group and the funds the Group has the right to use the contributions paid under defined benefit plans to fund its defined contribution pension plans or transfer to another fund on the Group’s own initiative.

(in millions of Russian rubles, unless otherwise stated)

Movements in the present value of defined benefit liabilities:

	Year ended 31 December 2020		Year ended 31 December 2019	
	Post-employment benefits obligation	**Other long-term employee benefit obligation**	**Post-employment benefits obligation**	**Other long-term employee benefit obligation**
Defined benefit plan obligations as at 1 January	**26,048**	**1,752**	**21,934**	**1,658**
Current service cost	1,223	183	626	74
Past service cost and curtailments	(327)	(21)	(688)	(19)
Interest expense	1,499	100	1,565	126
Remeasurement arising from:				
– Actuarial loss arising from demographic assumptions	324	15	463	9
– Actuarial loss arising from financial assumptions	536	36	5,095	250
– Actuarial (gain)/loss arising from experience adjustment	367	(19)	(502)	(195)
Contributions to the plan	(2,346)	(172)	(2,445)	(151)
Defined benefit plan obligations as at 31 December	**27,324**	**1,874**	**26,048**	**1,752**

Expenses/income recognized in profit or loss for the period:

	Year ended 31 December 2020	Year ended 31 December 2019
Employees service cost	1,058	(7)
Remeasurement of other long-term employee benefit obligation	32	64
Interest expenses	1,599	1,691
Total expenses recognized in profit or loss	**2,689**	**1,748**

Gain/loss recognized in other comprehensive income for the period:

	Year ended 31 December 2020	Year ended 31 December 2019
Actuarial loss arising from demographic assumptions	324	463
Actuarial loss arising from financial assumptions	536	5,095
Actuarial loss/(gain) arising from experience adjustment	367	(502)
Total actuarial loss recognized in other comprehensive income	**1 227**	**5,056**

(in millions of Russian rubles, unless otherwise stated)

Movements in remeasurement of employee benefit obligations in other comprehensive income during the year are as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Remeasurements at 1 January	**17,363**	**12,307**
Movement of remeasurements	1,227	5,056
Remeasurements at 31 December	**18,590**	**17,363**

The significant actuarial assumptions are as follows:

	31 December 2020	31 December 2019
Financial assumptions		
Discount rate	6.2%	6.4%
Future salary increase	4.5%	4.4%
Inflation rate	4.0%	4.0%
Demographic assumptions		
Expected age of retirement:		
Men	65	65
Women	60	60
Average level of staff movement	6.1%	6.2%

A sensitivity of total employee benefits obligations to changes in the key actuarial assumptions is as follows:

	Change in the assumption	Impact on obligation
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 5.1%
Future salary growth	Increase/decrease by 0.5%	Increase/decrease by 3.2%
Future growth of benefits (inflation)	Increase/decrease by 0.5%	Increase/decrease by 2.6%
Level of staff movement	Increase/decrease by 10%	Decrease/increase by 1.9%
Mortality level	Increase/decrease by 10%	Decrease/increase by 1.4%

Expected payments under the defined long-term employee benefit plans to employees in 2020 are RUB 3,203 million, including:

– RUB 3,062 million under the defined benefit plans, including non-state pension schemes;
– RUB 141 million under the other long-term employee benefit schemes.

(in millions of Russian rubles, unless otherwise stated)

29 Trade and other payables

	31 December 2020	31 December 2019
Non-current accounts payable		
Trade payables	15,945	16,349
Other payables	9,822	7,448
Total financial liabilities	**25,767**	**23,797**
Current accounts payable		
Trade payables	176,763	162,160
Other payables and accrued expenses	18,811	16,433
Payables to employees	23,416	24,303
Dividends payable	752	5,789
Total financial liabilities	**219,742**	**208,685**

As at 31 December 2020 and 31 December 2019 long-term trade accounts payable mainly relate to contracts for the purchase of property, plant and equipment in instalments.

The Group’s exposure to liquidity risk related to payables is disclosed in Note 33 “Financial risk and capital management”.

30 Taxes other than income tax

	31 December 2020	31 December 2019
Value-added tax	10,105	9,799
Property tax	6,250	6,666
Social security contributions	4,631	4,326
Other taxes payable	1,296	1,636
	22,282	**22,427**

31 Advances received

Non-current	31 December 2020	31 December 2019
Advances from technological connection services to electricity girds	37,918	38,668
Other advances received	3,367	3,612
	41,285	**42,280**
Current		
Advances from technological connection services to electricity girds	58,833	50,026
Other advances received	13,682	8,966
	72,515	**58,992**

(in millions of Russian rubles, unless otherwise stated)

32 Provisions

	2020	2019
Balance at 1 January	**23,234**	**10,901**
Accrual (increase) for the period	25,192	19,462
Reversal (decrease) for the period	(4,704)	(2,071)
Use of provisions	(7,482)	(5,058)
Balance at 31 December	**36,240**	**23,234**

Provisions relate mainly to legal proceedings and claims against the Group in the day-to-day terms of business.

33 Financial risk and capital management

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

This note contains information about the Group’s exposure to each of these risks, discusses the objectives, policies and procedures for assessing and managing risks as well as the Group’s capital management system.

The Group's policy is aimed at minimizing or eliminating the impact of possible negative consequences of risks on the Group's financial results. From time to time, the Group may use derivative financial instruments as part of its risk management. More detailed quantitative data are disclosed in the relevant sections of these consolidated financial statements.

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

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge a contractual obligation in full and on time. Credit risk is mainly associated with the Group's receivables, bank deposits, cash and cash equivalents.

Deposits with an initial maturity of more than three months, cash and cash equivalents are placed in financial institutions that have minimal risk of default, are considered reliable counterparties with a stable financial position in the financial market of the Russian Federation.

Given the structure of the Group's debtors, the Group's exposure to credit risk mainly depends on the individual characteristics of each counterparty. The Group creates an allowance for expected credit losses on trade and other receivables, the estimated value of which is determined on the basis of the model of expected credit losses, weighted by the degree of probability of default, and can be adjusted both up and down. To this end, the Group analyzes the creditworthiness of counterparties, the dynamics of debt repayment, takes into account changes in the terms of payment, the availability of third-party guarantees, bank guarantees, current economic conditions.

The carrying amount of receivables, net of allowance for expected credit losses, represents the maximum amount exposed to credit risk. Although the collection of receivables may be subject to economic and other factors, the Group believes that there is no significant risk of losses in excess of the created allowance. Whenever possible, the Group uses a prepayment system in relations with counterparties. As a rule, an advance payment for the technological connection of consumers to networks is provided for by the contract. The Group does not require collateral for receivables.

In order to effectively organize work with receivables, the Group monitors changes in the volume of receivables and its structure, highlighting current and overdue debts. In order to minimize credit risk, the Group implements measures aimed at timely fulfillment by counterparties of contractual obligations, reduction and prevention of formation of overdue debts.

(in millions of Russian rubles, unless otherwise stated)

Such measures, in particular, include: negotiating with consumers of services, increasing the efficiency of the process of generating the volume of electricity transmission services, ensuring the implementation of schedules of control readings and technical verification of electricity metering devices agreed with guaranteeing suppliers, limiting the mode of electricity consumption (implemented in accordance with norms of the legislation of the Russian Federation), claim work, presentation of requirements for granting financial collateral in the form of independent (bank) guarantees, sureties and other forms of securing the fulfillment of obligations.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure of the Group. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2020	**31 December 2019**
Financial assets measured at fair value through profit or loss	3,051	247
Financial assets measured at fair value through other comprehensive income	48,074	45,620
Loans given (less allowance for expected credit losses)	136	214
Trade and other receivables (less allowance for expected credit losses)	204,365	203,495
Cash and cash equivalents	65,911	79,013
Bank deposits	36,309	60,593
Federal loan bonds (OFZ)	4,151	–
Promissory notes	258	359
	362,255	**389,541**

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	31 December 2020	**31 December 2019**
North-West region	9,037	15,317
Central region	119,636	90,993
Ural and Volga region	31,141	32,089
South region	20,778	25,038
Siberian region	11,933	19,114
Other regions	76	6,485
	192,601	**189,036**

The Group's ten most significant debtors account for RUB 110,002 million of the trade receivables carrying amount at 31 December 2020 (at 31 December 2019: RUB 125,125 million).

(in millions of Russian rubles, unless otherwise stated)

The aging of trade and other receivables is provided below:

	31 December 2020		31 December 2019	
	Gross	**Allowance for expected credit losses**	**Gross**	**Allowance for expected credit losses**
Not past due	178,458	(4,333)	167,534	(6,022)
Past due less than 3 months	16,415	(4,436)	26,401	(8,409)
Past due more than 3 months and less than 6 months	8,340	(4,702)	13,596	(6,546)
Past due more than 6 months and less than 1 year	17,602	(11,260)	20,636	(14,160)
Past due more than 1 year	120,247	(111,966)	110,993	(100,528)
	341,062	**(136,697)**	**339,160**	**(135,665)**

The Group believes that not impaired and past due accounts receivable are recoverable with a high level of probability at the reporting date.

The movement of allowance for expected credit losses of trade and other receivables was as follows:

	2020	**2019**
Balance at 1 January	**(135,665)**	**(121,324)**
Increase for the period	(29,429)	(36,990)
Decrease due to reversal for the period	19,178	13,634
Allowance utilized	9,658	9,015
Reclassification for the period	(439)	–
Balance at 31 December	**(136,697)**	**(135,665)**

b) Liquidity risk

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

Management of liquidity risk involves maintaining sufficient cash and the availability of financial resources by attracting credit lines. The Group adheres to a balanced model of financing working capital by using both short-term and long-term sources. Free funds are invested in short-term financial instruments such as bank deposits.

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 risking damage to the Group’s reputation. This approach is used to analyse payment dates associated with financial assets, and also to forecast cash flows from operating activities.

As of 31 December 2020, the amount of free limit on open but unused credit lines of the Group was RUB 681,438 million (31 December 2019: RUB 646,450 million). The Group has an opportunity to attract additional financing within the corresponding limits, including for the purpose of execution of the short-term liabilities.

(in millions of Russian rubles, unless otherwise stated)

Information regarding the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting, is provided below. With respect to cash flows included in the maturity analysis it is not intended that it could occur significantly earlier, or at significantly different amounts:

31 December 2020	**Carrying amount**	**Contractual cash flows**	**0-1 years**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Over 5 years**
Non-derivative financial liabilities								
Loans and borrowings	188,488	215,292	39,321	40,933	114,832	20,002	141	63
Bonds	329,643	557,040	48,464	65,300	78,770	16,046	29,238	319,222
Promissory notes	190	190	190	–	–	–	–	–
Lease liabilities	45,901	120,432	9,387	7,756	7,092	5,613	4,700	85,884
Trade and other payables	245,509	293,259	265,839	15,212	3,997	5,824	217	2,170
	809,731	**1,186,213**	**363,201**	**129,201**	**204,691**	**47,485**	**34,296**	**407,339**

31 December 2019	**Carrying amount**	**Contractual cash flows**	**0-1 years**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Over 5 years**
Non-derivative financial liabilities								
Loans and borrowings	225,531	260,247	54,587	85,262	118,466	1,726	2	204
Bonds	298,374	509,931	64,395	39,434	63,880	26,222	13,174	302,826
Promissory notes	293	293	293	–	–	–	–	–
Lease liabilities	38,209	107,754	7,732	6,344	5,171	4,599	4,268	79,640
Trade and other payables	232,482	232,687	207,240	14,880	2,498	2,991	3,159	1,919
	794,889	**1,110,912**	**334,247**	**145,920**	**190,015**	**35,538**	**20,603**	**384,589**

c) Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates, prices of goods and equity prices that will affect the Group's financial results or the value of its financial instruments owned. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

(i) Currency risk

The majority of the Group's revenues and expenditures, monetary assets and liabilities are nominated in RUB. Changes in exchange rates do not have a significant impact on the Group's revenue and expenditures.

(ii) Interest rate risk

Changes in interest rates mainly affect loans and borrowings, as they change either their fair value (for loans and borrowings with a fixed rate) or future cash flows (for loans and loans with a floating rate). The management of the Group does not adhere to any established rules in determining the relationship between loans and borrowings at fixed and floating rates. At the same time, at the time of attracting new loans, the decision, based on the judgment, is made on whether the rate, fixed or floating, will be most beneficial for the Group for the entire settlement period until the debt repayment period.

Fair value sensitivity analysis for financial instruments with fixed interest rate

The Group does not account for any financial assets and liabilities with fixed interest rate at fair value through profit or loss for the period. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for financial instruments with floating interest rate

As at 31 December 2020 the Group's financial liabilities at floating interest rate amounted to RUB 280,873 million (31 December 2019: RUB 173,802 million). A reasonably possible change of 100 basis points in interest rates would have increased (decreased) profit or loss before income tax for 2020 by RUB 2,809 million (2019: by RUB 1,738 million). This analysis assumes that all other variables remain constant and interest expenses are not capitalized.

(iii) Other price risk

Equity price risk arises from financial assets measured at fair value through other comprehensive income. The Management of the Group monitors its investment portfolio based on market indices. Significant investments within the portfolio are managed on an individual basis and all buy and sell decisions are taken by the management of the Group.

As at 31 December 2020 financial assets measured at fair value through other comprehensive income exposed to equity price risk amounted to RUB 47,961 million (31 December 2019: RUB 45,507 million). If equity prices had been 10% higher (lower), with all other variables held constant, the other comprehensive income would increase (decrease) by RUB 4,796 million.

(in millions of Russian rubles, unless otherwise stated)

d) Fair values and carrying amounts

A comparison of the fair values and carrying amounts of the Group's financial instruments is presented below, with the exception of those financial instruments, the carrying value of which corresponds to their fair value:

		31 December 2020		Level of fair value hierarchy		
Financial instruments	**Note**	**Carrying amount**	**Fair value**	**1**	**2**	**3**
Financial assets measured at amortised cost:						
Non-current bank deposits	18	15,460	15,460	–	–	15,460
Fedetal loan bonds (OFZ)	18	4,151	4,151	4,151	–	–
Non-current trade receivables	21	83,454	89,210	–	–	89,210
Financial assets measured at fair value through profit or loss	18	3,051	3,051	–	–	3,051
Financial assets measured at fair value through other comprehensive income:						
Investments in an equity instruments	18	48,074	48,074	47,961	–	113
Financial liabilities measured at amortised cost:						
Borrowings	26	(518,321)	(518,641)	(89,370)	(288,175)	(141,096)
Non-current accounts payable	29	(25,767)	(24,869)	–	–	(24,869)
		(389,898)	**(383,564)**	**(37,258)**	**(288,175)**	**(58,131)**

(in millions of Russian rubles, unless otherwise stated)

		31 December 2019		Level of fair value hierarchy		
Financial instruments	**Note**	**Carrying amount**	**Fair value**	**1**	**2**	**3**
Financial assets measured at amortised cost:						
Non-current bank deposits	188	3,131	7,055	–	–	7,055
Non-current trade receivables	21	76,778	76,772	–	–	76,772
Financial assets measured at fair value through profit or loss	18	247	247	–	–	247
Financial assets measured at fair value through other comprehensive income:						
Investments in an equity instruments	18	45,620	45,620	45,507	–	113
Financial liabilities measured at amortised cost:						
Borrowings	26	(524,198)	(526,705)	(86,214)	(299,323)	(141,168)
Non-current accounts payable	29	(23,797)	(23,404)	–	–	(23,404)
		(422,219)	**(420,415)**	**(40,707)**	**(299,323)**	**(80,385)**

The interest rate used for discounting expected future cash flows of long-term receivables for the purpose of determining the disclosed fair value at 31 December 2020 was 6.08 – 7.62 % (31 December 2019: 4.95 – 9.63%).

The interest rate used for discounting expected future cash flows of non-current accounts payable for the purpose of determining the disclosed fair value at 31 December 2020 was 5.22 – 7.12 % (31 December 2019: 5.38 – 8.84%).

The interest rate used for discounting expected future cash flows for non-current and current borrowed funds for the purpose of determining the disclosed fair value at 31 December 2020 was 5.78 – 7.12 % (31 December 2019: 4.87 – 8.84%).

The reconciliation of the carrying amount of financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income at the beginning and end of the reporting period is provided in the table below:

	Financial assets measured at fair value through profit or loss	**Financial assets measured at fair value through other comprehensive income**
As at 1 January 2020	**247**	**45,620**
Reclassification of subordinated deposit placed at OJSC Bank Tavrichesky	3,131	–
Change in fair value recognized in other comprehensive income	–	2,454
Change in fair value recognized in profit or loss	(327)	–
As at 31 December 2020	**3,051**	**48,074**

e) Capital management

The main goal of capital management for the Group is to maintain a consistently high level of capital that allows investors, creditors and market participants to remain in trust and ensure sustainable business development in the future.

The Group monitors the structure and return on equity using coefficients calculated on the basis of the consolidated financial statements in accordance with IFRS, management statements and statements prepared in accordance with RAS. The Group analyzes the dynamics of the indicators of total debt and net debt, the structure of debt, as well as the ratio of equity and debt capital.

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

34 Capital commitments

As at 31 December 2020 the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment items for RUB 290,476 million including VAT (as at 31 December 2019: RUB 254,410 million including VAT).

As at 31 December 2020 future lease payments under lease agreements for which the Group has contractual obligations and the lease term has not yet begun amounted to RUB 3,092 million including VAT (as at 31 December 2019: RUB 5,109 million including VAT).

35 Contingencies

a) Insurance

The Group has unified requirements in respect of the volume of insurance coverage, reliability of insurance companies and procedures of organisation of insurance protection. The Group maintains insurance of assets, civil liability and other insurable risks. The main business assets of the Group have insurance coverage, including coverage in case of damage or loss of assets. However, there are risks of negative impact on the operations and the financial position of the Group in case of damage caused to third parties, and also as a result of damage or loss of assets, insurance protection of which is non-existent or not fully implemented.

b) Taxation contingencies

Russian tax legislation is subject to varying interpretations regarding the operations and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by the relevant regional and federal authorities. Russian tax administration is gradually strengthening. In particular, there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of decision to perform tax review. Under certain circumstances reviews may cover longer periods.

The Russian tax authorities are entitled to charge additional tax and penalty in accordance with procedures set forth by transfer pricing regulations (hereinafter - TPR) in case prices/return in controlled transactions differ from those on the market. The list of controlled transactions comprises mainly transactions between related parties.

Starting from 1 January 2019 the control over transfer pricing for the major domestic Russian transactions has been cancelled. However, exemption from the control over prices can be applied to certain domestic transactions only. At this, in case of additional tax charges, a correlative adjustment mechanism can be used to tax liabilities if certain legal requirements are met. Intercompany transactions that have been out of scope of TPR since 2019, however, can be subject to inspection from territorial tax authorities with regard to unjustified tax income and the TRP principles can be applied to determine the additional tax payable. The federal executive body responsible for control and supervision over taxes and charges can inspect prices/return in controlled transactions and, if disagreeing with the Group's prices applied in the transactions, can charge additional tax unless the Group justifies the marketing nature of pricing in the transaction with documents on transfer pricing that are in compliance with the legal regulations.

(in millions of Russian rubles, unless otherwise stated)

Depending on the further practice of applying the property tax rules by the tax authorities and courts the classification of moveable and immoveable property set by the Group could be argued. The Group's management does not exclude the risk of resources outflow and its impact can not be sufficiently estimated.

Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax positions will be sustained.

c) Legal proceedings

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

d) Environmental matters

The Group has been operating in the electric power industry in the Russian Federation for many years. The legislation on environmental protection in the Russian Federation continues to develop, the duties of the authorized state bodies to monitor its compliance are revised. Potential liabilities on environmental protection arising as a result of a change in interpretation of existing regulations, civil litigation or changes in legislation can not be estimated. Management believes that there are no probable liabilities, which will have a significant adverse effect on the Group's financial position, results of operations or cash flows under the existing legislation.

36 Related party transactions

a) Control relationships

The Russian Federation holds the majority of the voting shares of the Company and is the ultimate controlling party of the Group.

b) Transactions with the key management personnel

In order to prepare these consolidated financial statements, the key management personnel are members of the Management Board and the Board of Directors of PJSC "ROSSETI" and general directors (sole executive body) of subsidiaries engaged in transmission and distribution of electric power through electric grids.

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

The amounts of the remuneration to the key management personnel, disclosed in the table, are recognized as an expense related to the key management personnel during the reporting period and included in personnel costs:

	Year ended 31 December 2020	**Year ended 31 December 2019**
Short-term remuneration to employees	1,383	1,039
Change in post-employment benefits and other long-term benefits (including pension plans)	6	(50)
Total	**1,389**	**989**

As of 31 December 2020 the carrying value of defined benefit plan, defined contribution plan and other post-employment benefit plans reported in the consolidated statement of financial position includes liabilities related to the key management personnel for RUB 13 million (31 December 2019: RUB 7 million).

c) Transactions with government-related entities

In the course of its operating activities the Group is engaged in many transactions with government-related entities. These transactions are carried out in accordance with regulated tariffs or based on market prices.

Revenue from government-related entities for the year ended 31 December 2020 comprises 40% of total Group revenue (for the year ended 31 December 2019: 39%), including 41% of electricity transmission revenues (for the year ended 31 December 2019: 41%).

Electricity transmission costs (including compensation of technological losses) for government-related entities for the year ended 31 December 2020 comprise 42% of total electricity transmission costs (for the year ended 31 December 2019: 41%).

For the year ended 31 December 2020 interest expenses on government-related banks' loans amounted to RUB 11,837 million (for the year ended 31 December 2019: RUB 16,095 million).

As at 31 December 2020 cash and cash equivalents held in government-related banks amounted to RUB 37,987 million (as at 31 December 2019: RUB 27,566 million).

As at 31 December 2020 deposits with an original maturity of more than three months placed in state-related banks amounted to RUB 28,370 million (as at 31 December 2019: RUB 57,392 million).

Information of borrowings received from state-related banks is disclosed in Note 26 "Borrowings".

Lease obligations (as part of borrowings) for government-related entities amounted to RUB 30,456 million as at 31 December 2020 (as at 31 December 2019: RUB 21,867 million).

The assets exchange transaction with JSC "Far Eastern Energy Management Company" (government-controlled entity) is disclosed in Note 10 "Other income and other expenses".