



ROSSETI
CENTRE

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Appendices 2 to the Annual Report 2021

IFRS Consolidated Financial Statements for 2021
with Auditor's Report

21
ANNUAL
REPORT

PJSC «Rosseti Centre»

**Consolidated Financial Statements prepared in accordance with International
Financial Reporting Standards for the year ended 31 December 2021**

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Independent auditor's report
on the consolidated financial statements of
Public Joint Stock Company
"Rosseti Centre"
and its subsidiaries
for 2021
March 2022

**Independent auditor's report
on the consolidated financial statements of
Public Joint Stock Company
"Rosseti Centre"
and its subsidiaries**

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Independent auditor’s report

To Shareholders and Board of Directors of
Public Joint Stock Company
“Rosseti Centre”

Opinion

We have audited the consolidated financial statements of Public Joint Stock Company “Rosseti Centre” and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2021 and its consolidated financial performance and its consolidated cash flows for 2021 in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the key audit matter

Recognition and measurement of revenue from electricity transmission services

Recognition and measurement of revenue from electricity transmission services was one of the most significant matters for our audit due to certain specifics of the electricity market mechanisms that gave rise to disagreements among electricity supply, utilities, and other companies in relation to the volume and cost of the transmitted electricity. The amount of revenue challenged by counterparties is material to the Group's financial statements. Management's assessment of the probability of settling disputes in the Group's favor is highly subjective. Revenue is recognized when disagreements are resolved in favor of the Group with regard to assumptions.

Information on revenue from electricity transmission services is disclosed in Note 7 to the consolidated financial statements.

We considered the applied accounting policy with regard to the recognition of revenue from electricity transmission services; assessed internal controls over the recognition of this revenue; checked the calculation of the corresponding revenue amounts based on the existing electricity transmission contracts; received, on a selective basis, confirmations of balances of receivables from counterparties; analyzed the results of litigations concerning disputable amounts of services provided, if any; and assessed existing procedures to confirm the volume of electricity transmitted.

Allowance for expected credit losses on trade receivables

The allowance for expected credit losses on trade receivables was one of the most significant matters for our audit due to the material balances of trade receivables as of 31 December 2021, as well as due to the fact that management's assessment of the possible recoverability of these receivables is based on assumptions, in particular, on the predicted solvency of the Group's customers.

Information on the allowance for expected credit losses on trade receivables is disclosed in Note 19.31 to the consolidated financial statements.

We analyzed the Group's accounting policy on trade receivables with respect to the allowance for expected credit losses on trade receivables, and considered the assessment procedures performed by the Group's management, including the analysis of repayment of trade receivables, the analysis of maturity and delayed performance of obligations, and the analysis of customers' solvency.

We performed audit procedures in respect of the information used by the Group to determine the allowance for expected credit losses on trade receivables, as well as the structure of receivables by age and maturity, tested the calculation of the charged allowance amounts based on management's estimates.

Recognition, measurement and disclosure of provisions and contingent liabilities

Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims from counterparties (including territorial electric grid and utilities companies) were among the most significant matters for our audit as they require significant judgments of management with respect to material amounts of balances of settlements with counterparties that are challenged in litigations or under the pretrial settlement.

Information on provisions and contingent liabilities is disclosed in Note 30.33 to the consolidated financial statements.

Audit procedures also involved analyzing decisions made by courts of different instances; considering management's judgments with regard to its assessment of the possibility of the economic resources outflow due to dispute settlement; examining the compliance of prepared documentation with provisions of existing contracts and legislation; and analyzing disclosures on provisions and contingent liabilities in notes to the consolidated financial statements.

Impairment of non-current assets

Due to the existence of impairment indicators in respect of non-current assets as of 31 December 2021, the Group

As part of our audit procedures, we also assessed the assumptions and methodologies applied by the Group, in

PJSC «IDGC of Centre»
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2020
(in thousands of Russian rubles, unless otherwise stated)

Key audit matter

performed impairment testing. The value-in-use of fixed assets and right-of-use assets forming a significant share of the Group's non-current assets, as of 31 December 2021, was determined by the projected cash flow method.

The impairment testing of fixed assets was one of the most significant matters for our audit because the fixed assets balance forms a significant part of the Group's assets at the reporting date, and because management's assessment of the value-in-use is complex and largely subjective and is based on assumptions, in particular, on projected electricity transmission volumes, transmission fees, as well as operating and capital expenditures that depend on the expected future market or economic conditions in the Russian Federation.

Information on the results of the impairment analysis of non-current assets is disclosed by the Group in Note 13 to the consolidated financial statements.

How our audit addressed the key audit matter

particular, those relating to projected total revenue from electricity transmission, fee solutions, operating and capital expenditures, long-term rates of fee growth and discount rates. We tested the incoming data imported in the model and the arithmetic accuracy of the model used to determine the recoverable amount in the impairment test of fixed assets and right-of-use assets. We engaged valuation specialists to analyze the model used to determine the recoverable amount in the impairment test of fixed assets. We also analyzed the sensitivity of the model to changes in the main indicators of assessment and the Group's disclosures of assumptions on which the results of impairment testing largely depend.

Other information included in the annual report

Other information consists of the information included in annual report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The accompanying notes are an integral part of these Consolidated Financial Statements

Responsibilities of management and 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 IFRSs, 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 concern 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.

Audit Committee of the Board of Directors are 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

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PJSC «IDGC of Centre»
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2020
(in thousands of Russian rubles, unless otherwise stated)

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 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 Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with 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.

The partner in charge of the audit resulting in this independent auditor's report is T.L. Okolotina.

T.L. Okolotina,
acting on behalf of Ernst & Young LLC
on the basis of power of attorney dated 1 March 2022,
partner in charge of the audit resulting in this independent auditor's report
(main registration number 21906110171)
18 March 2022

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Details of the audited entity

Name: Public Joint Stock Company "Rosseti Centre"
Record made in the State Register of Legal Entities on 17 December 2004, State Registration Number 1046900099498.
Address: Russia 119017, Moscow, Malaya Ordynka st., 15.

The accompanying notes are an integral part of these Consolidated Financial Statements

PJSC «Rosseti Centre»
Consolidated Statement of profit or loss and other comprehensive income
for the year ended 31 December 2021
(in thousands of Russian rubles, unless otherwise stated)

	Notes	Year ended 31 December	
		2021	2020
Revenue	7	108,101,278	97,638,836
Operating expenses	9	(97,749,658)	(89,400,742)
Accrual of allowance for expected credit losses	31	(669,513)	(846,454)
Net accrual of impairment losses on property, plant and equipment and assets in the form of rights of use	13,15	(1,111,495)	(3,980,593)
Other income	8	1,656,900	1,662,373
Other expenses	8	(100,784)	(48,329)
Result from operating activities		10,126,728	5,025,091
Finance income	11	237,446	1,494,014
Finance costs	11	(3,954,980)	(3,205,271)
Total financial costs		(3,717,534)	(1,711,257)
Profit before income tax		6,409,194	3,313,834
Income tax expense	12	(2,036,576)	(1,157,512)
Profit for the period		4,372,618	2,156,322
Other comprehensive income/(expense)			
<i>Items that will never be reclassified subsequently to profit or loss</i>			
Changes in the fair value of equity investments accounted for at fair value through other comprehensive income	16	(14,182)	944
Remeasurements of the defined benefit liability	26	462,916	(175,702)
Income tax	17	(35,566)	26,332
Total items that will not be reclassified subsequently to profit or loss		413,168	(148,426)
Other comprehensive income/(expense) for the period, net of income tax		413,168	(148,426)
Total comprehensive income for the period		4,785,786	2,007,896
Profit attributable to:			
Equity holders of the Company		4,250,911	2,051,061
Non-controlling interests		121,707	105,261
Total comprehensive income attributable to:			
Equity holders of the Company		4,664,079	1,902,635
Non-controlling interests		121,707	105,261
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	23	0.101	0.049

These consolidated financial statements were approved by management on 18 March 2022 and were signed on its behalf by:

General Director

I.V. Makovskiy

Chief Accountant

L.A. Sklyarova

The accompanying notes are an integral part of these Consolidated Financial Statements

PJSC «Rosseti Centre»
Consolidated Statement of Financial Position
for the year ended 31 December 2021
(in thousands of Russian rubles, unless otherwise stated)

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	13	100,269,568	96,105,195
Intangible assets	14	2,345,248	2,331,958
Right-of-use assets	15	6,207,131	2,897,358
Trade and other receivables	19	1,999,730	138,841
Assets related to employee benefits plans	26	524,376	517,405
Other non-current financial assets	16	194,019	208,201
Advances given and other non-current assets	20	4,077	1,500
Total non-current assets		111,544,149	102,200,458
Current assets			
Inventories	18	3,531,119	3,069,976
Income tax prepayments		22,038	4,630
Trade and other receivables	19	11,871,775	14,341,554
Cash and cash equivalents	21	1,881,546	1,406,311
Advances given and other current assets	20	1,499,084	973,365
Total current assets		18,805,562	19,795,836
Total assets		130,349,711	121,996,294
EQUITY AND LIABILITIES			
Equity			
Share capital	22	4,221,794	4,221,794
Reserves		(799,006)	(1,212,174)
Retained earnings		46,743,299	43,900,420
Total equity attributable to equity holders of the Company		50,166,087	46,910,040
Non-controlling interest		1,055,410	955,903
Total equity		51,221,497	47,865,943
Non-current liabilities			
Long-term borrowed funds	24	39,271,378	33,443,946
Long-term trade and other payables	27	328,812	63,553
Long-term advances from customers	29	2,062,791	616,964
Employee benefits	26	2,981,218	3,308,876
Deferred tax liabilities	17	3,685,504	3,647,908
Total non-current liabilities		48,329,703	41,081,247
Current liabilities			
Short-term borrowed funds and current part of long-term borrowed funds	24	9,735,896	13,944,769
Trade and other payables	27	12,863,392	11,856,820
Tax debts other than income tax	28	2,820,793	2,561,765
Advances from customers	29	2,742,140	2,306,436
Provisions	30	2,327,790	1,995,276
Current income tax liabilities		308,500	384,038
Total current liabilities		30,798,511	33,049,104
Total liabilities		79,128,214	74,130,351
Total equity and liabilities		130,349,711	121,996,294

The accompanying notes are an integral part of these Consolidated Financial Statements

PJSC «Rosseti Centre»
Consolidated Statement of Cash Flows for the year ended 31 December 2021
(in thousands of Russian rubles, unless otherwise stated)

	Notes	Year ended 31 December	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		6,409,194	3,313,834
<i>Adjustments for:</i>			
Depreciation and amortization of property, plant and equipment and intangible assets	13,14,15	12,499,771	11,736,288
Impairment of property, plant and equipment and assets in the form of rights of use	13,15	1,111,495	3,980,593
Finance costs	11	3,954,980	3,205,271
Finance income	11	(237,446)	(1,494,014)
Loss on disposal of property, plant and equipment		95,563	87,035
Accrual of allowance for expected credit losses		669,513	846,454
Bad debt write-off		13,662	43,581
Accrual of provisions	30	982,635	304,558
Result from the acquisition of subsidiaries	5	(60,110)	(121,849)
Other non-cash transactions		(62,979)	202,429
Total impact of adjustments		18,967,084	18,790,346
Change in assets related to employee benefits plans		(6,971)	(2,820)
Change in employee benefit liabilities		(52,488)	(40,226)
Change in long-term trade and other receivables		(1,858,167)	2,185
Change in long-term advances given and other non-current assets		(2,577)	2,348
Change in long-term trade and other payables		300,411	(41,770)
Change in long-term advances received		1,445,827	(114,582)
Cash flows from operating activities before changes in working capital and provisions		25,202,313	21,909,315
<i>Changes in working capital:</i>			
Change in trade and other receivables		1,262,276	(2,009,855)
Change in advances given and other assets		(526,333)	(225,250)
Change in inventories		(407,259)	(303,017)
Change in trade and other payables		1,028,575	(1,516,037)
Change in advances received		391,338	88,381
Change in provisions		(651,749)	(574,348)
Cash flows from operating activities before income taxes and interest paid		26,299,161	17,369,189
Income tax paid		(2,058,209)	(1,538,042)
Interest paid under lease agreement		(411,087)	(303,931)
Interest paid		(2,790,766)	(2,784,044)
Net cash flows from operating activities		21,039,099	12,743,172
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(16,039,836)	(13,641,733)
Proceeds from the sale of property, plant and equipment and intangible assets		23,754	17,380
Acquisition of subsidiaries, net of cash received	5	(1,024,373)	(288,904)
Interest received		144,051	146,366
Dividends received		27,417	14,374
Net cash flows used in investing activities		(16,868,987)	(13,752,517)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowed funds		16,358,310	56,857,215
Repayment of borrowed funds		(18,294,337)	(54,974,838)
Dividends paid to equity holders of the Company		(1,392,284)	(836,639)
Dividends paid to shareholders of non-controlling interests		(22,200)	(6,000)
Payment of lease liabilities		(344,366)	(141,190)
Net cash flows used from financing activities		(3,694,877)	898,548
Net change in cash and cash equivalents		475,235	(110,797)
Cash and cash equivalents at the beginning of period		1,406,311	1,517,108
Cash and cash equivalents at the end of period	21	1,881,546	1,406,311

The accompanying notes are an integral part of these Consolidated Financial Statements

PJSC «Rosseti Centre»
Consolidated Statement of Changes in Equity
For the year ended 31 December 2021
(in thousands of Russian rubles, unless otherwise stated)

	Notes	Attributable to equity holders of the Company			Total	Non-controlling interest	Total equity
		Share capital	Reserves	Retained earnings			
Balance at 1 January 2021		4,221,794	(1,212,174)	43,900,420	46,910,040	955,903	47,865,943
Profit for the period		-	-	4,250,911	4,250,911	121,707	4,372,618
Other comprehensive income	16,17, 26	-	448,734	-	448,734	-	448,734
Related income tax		-	(35,566)	-	(35,566)	-	(35,566)
Total comprehensive income for the period		-	413,168	4,250,911	4,664,079	121,707	4,785,786
Transactions with owners							
Dividends	22	-	-	(1,414,339)	(1,414,339)	(22,200)	(1,436,539)
Other	22	-	-	6,307	6,307	-	6,307
Total contributions and payments		-	-	(1,408,032)	(1,408,032)	(22,200)	(1,430,232)
Balance at 31 December 2021		4,221,794	(799,006)	46,743,299	50,166,087	1,055,410	51,221,497

	Notes	Attributable to equity holders of the Company			Total	Non-controlling interest	Total equity
		Share capital	Reserves	Retained earnings			
Balance at 1 January 2020		4,221,794	(1,063,748)	41,850,655	45,008,701	856,642	45,865,343
Profit for the period		-	-	2,051,061	2,051,061	105,261	2,156,322
Other comprehensive expense	16,17, 26	-	(174,758)	-	(174,758)	-	(174,758)
Related income tax		-	26,332	-	26,332	-	26,332
Total comprehensive income/(expense) for the period		-	(148,426)	2,051,061	1,902,635	105,261	2,007,896
Transactions with owners							
Dividends	22	-	-	-	-	(6,000)	(6,000)
Other	22	-	-	(1,296)	(1,296)	-	(1,296)
Total contributions and payments		-	-	(1,296)	(1,296)	(6,000)	(7,296)
Balance at 31 December 2020		4,221,794	(1,212,174)	43,900,420	46,910,040	955,903	47,865,943

The accompanying notes are an integral part of these Consolidated Financial Statements

1 Background

(a) The Group and its operation

The primary activities of Public Joint-Stock Company “Rosseti Centre” (hereinafter referred to as the PJSC “Rosseti Centre” or the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) are provision of services for transmission and distribution of electricity for power grids, as well as the provision of services for technological connection of consumers to the network, as well as the sale of electricity to the end consumer in a number of regions of the Russian Federation.

The parent company is PJSC “Rosseti”.

The Company was set up on 17 December 2004 based on Resolution no. 154p of 9 December 2004 and pursuant to the Board of Directors’ decision (board of directors’ meeting minutes no. 178 of 1 October 2004) and Management Board decision (Management Board meeting minute no. 1102 of 15 November 2004) of Open Joint-Stock Company RAO “United Energy Systems of Russia” (hereinafter - “RAO UES”). From 07 July 2015, OJSC “IDGC of Centre” is renamed as PJSC “IDGC of Centre” based on the Decision of the Annual General Meeting of Shareholders of OJSC “IDGC of Centre” dated 25 June 2015 (minutes No. 01/15 of 26 June 2015), in order to bring it in line with the legal requirements. From 03 August 2021 PJSC “IDGC of Centre” has been renamed PJSC “Rosseti Centre” based on the decision of the Annual General Meeting of Shareholders of PJSC “IDGC of Centre” held on 31 May 2021 (minutes No. 01/21 of 31 May 2021). The corresponding changes were made to the Company's Charter.

The Company’s registered office is Malaya Ordynka St., 15, Moscow, 119017, Russia.

The Company’s de facto address is Malaya Ordynka St., 15, Moscow, 119017, Russia.

(b) Relations with state

The Russian Government, through the Federal Agency for the Management of State Property, is the ultimate controlling party of the Company. The policies of the Government of the Russian Federation in the economic, social and other areas may have a significant impact on the Group.

As at 31 December 2021, the share of the Russian Federation in the authorized capital of the parent company of PJSC “Rosseti” was 88.04%, including 88.89% of the voting ordinary shares and 7.01% of the preference shares (as at 31 December 2020, the share of the Russian Federation in the authorized capital of the parent company of PJSC “Rosseti” was 88.04%, including 88.89% of the voting ordinary shares and 7.01% of the preference shares).

PJSC “Rosseti”, in its turn, owns 50.23% of the Company’s shares.

The State has a direct influence on the Group's activities through the 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, others) include a significant number of companies associated with the main shareholder of the parent company.

(c) Russian business environment

The economy of the Russian Federation exhibits some of the characteristics of emerging markets. The country's economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory system continues to evolve and is subject to frequent changes, as well as the possibility of different interpretations. Ongoing political tensions, as well as international sanctions against some Russian companies and citizens, continue to have a negative impact on the Russian economy.

1 Background (continued)

In March 2020, the World Health Organization declared the COVID-19 epidemic a global pandemic. In connection with the pandemic, the Russian authorities have taken a number of measures aimed at curbing the spread and mitigating the consequences of COVID-19, such as banning and restricting movement, self-isolation and restricting commercial activities, including the closure of enterprises. Some of the above measures were subsequently relaxed, but as of December 31, 2021, the level of infection remained high, the proportion of vaccinated was relatively low and there was a risk that Russian state authorities would impose additional restrictions in subsequent periods, including due to the emergence of new varieties of the virus.

These measures, in particular, have significantly restricted economic activity in Russia and have already had and may still have a negative impact on the Group's business, market participants, customers, as well as on the Russian and global economy for an indefinite period of time. The level of economic activity remains subdued, and the economic recovery is closely linked to the continuing restrictive measures.

The geopolitical situation is highly unstable. In February 2022, the effect of additional restrictions and sanctions against Russian companies and the economy of the Russian Federation as a whole intensified. At the moment, the possible consequences of these events cannot be determined with a sufficient degree of reliability. It is impossible to determine how long the increased volatility will persist and at what level the indicators of the financial and currency markets will eventually stabilize. Sanctions have been imposed on a number of Russian banks by the United States, the United Kingdom and the EU.

The Group continues to monitor and assess the development of the situation and respond accordingly:

- carry out measures to ensure reliable energy supply, implement investment projects;
- work in contact with the authorities at the federal and regional levels, to take all necessary measures to ensure the safety, protection of the life and health of their employees and contractors;
- track forecast and actual information about the impact of the current economic situation on the Group's activities and the main counterparties of the Group;
- adapt the Group's activities to the current economic situation, take measures to ensure the financial stability of the Group.

The future consequences of the current economic situation and the above measures are difficult to predict, and management's current expectations and estimates may differ from actual results.

2 Basis of preparation of consolidated financial statements

(a) Statement of compliance

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

Each subsidiary of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Russian Accounting Standards ("RAS"). The Group's consolidated financial statements are based on the statutory records with adjustments and reclassifications recorded in the consolidated financial statements for the fair presentations in accordance with IFRS.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, except for:

- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income.

2 Basis of preparation of consolidated financial statements (continued)

(c) Functional and presentation currency

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

(d) Application of new and revised standards and interpretations

The new amendments, effective for annual reporting periods beginning on 1 January 2022, are listed below. These amendments are not expected to have a material impact on the Group's consolidated financial statements:

- Amendments to IFRS 3 “References to the Conceptual framework”
- Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Contract Performance Costs”
- Amendments to IFRS 1 “First-Time Adoption of International Financial Reporting Standards” - A subsidiary applying International Financial Reporting Standards for the first time
 - Amendments to IFRS 9 “Financial Instruments” - Commission fee for the “10% test” in the event of derecognition of financial liabilities
 - Amendments to IAS 41 “Agriculture” - Taxation in the measurement of fair value.

New standards, amendments and clarifications that have been issued but have not yet entered into force at the date of issue of the Group's consolidated financial statements are listed below. The Group intends to adopt the applicable standards and clarifications for use after entry into force, no significant impact on the consolidated financial statements of the Group is expected.

- IFRS 17 “Insurance Contracts” (issued in May 2017 and effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 12 “Income Taxes” – deferred tax on assets and liabilities arising from a single transaction (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 1 “Presentation of Financial Statements” and Practical Guidance 2 “Making Judgments on Materiality” - Disclosure of Accounting Policies (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023)
- Amendments to IFRS (IAS) 1 “Presentation of Financial Statements” - classification of liabilities as short-term or long-term (in July 2021, a preliminary decision was made to postpone the effective date of the 2020 amendments no earlier than 1 January 2024).

(e) Use of estimates and professional judgments

The preparation of consolidated financial statements in conformity 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.

Assumptions and estimates made on their basis are continually evaluated to determine the necessity to change them. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected by these changes.

Professional judgements that have the most significant effect on the amounts recognized in these Consolidated Financial Statements and estimates and assumptions that may require significant adjustment to the carrying amounts of assets and liabilities within the next financial year include:

2 Basis of preparation of consolidated financial statements (continued)***Impairment of fixed assets and right-of-use assets***

At each reporting date, management of the Group determines whether there is any indication of impairment of fixed assets and assets in the form of a right of use. Such indicators include changes in business plans, tariffs and other factors that may lead to unfavorable conditions for the Group's activities. When calculating the value of use, management estimates the expected cash flows from the asset or group of cash-generating assets and calculates an acceptable discount rate to calculate the present value of these cash flows. Detailed information is presented in the Notes "Property, plant and equipment" and "Assets in the form of rights of use».

Determination of the lease term under contracts with an option to extend or an option to terminate the lease – The Group as a lessee

The Group defines a lease term as a non-prematurely terminated lease period, together with periods for which an option to extend the lease is available if there is sufficient confidence that it will be exercised, or periods for which an option to terminate the lease is available if there is sufficient confidence that it will not be exercised.

In making a judgment to assess whether the Group has sufficient confidence in the exercise of an option to extend or terminate the lease in determining the lease term, the Group considers the following factors:

- whether the leased object is a specialized;
- the location of the object;
- the Group and the lessor have a practical opportunity to choose an alternative counterparty (choose an alternative asset);
- costs associated with the termination of the lease and the conclusion of a new (replacement) contract;
- availability of significant improvements to leased properties.

Impairment of accounts receivable

Allowance for impairment of accounts receivable is based on management assumptions of debt recovery made for each debtor individually. For the goal of allowance for expected credit losses the Group consistently takes into account all reasonable and verified information about past events, current and forecasted events, which is available without undue effort and is relevant to the assessment of receivables. The experience gained in the past based on the date currently available to reflect current conditions that did not have an impact on previous periods and in order to exclude the impact of past conditions that no longer exist.

Liabilities for the payment of pensions

The costs of the defined benefit pension plan and the related costs of the pension program are determined using actuarial calculations. Actuarial estimates provide for the use of assumptions regarding demographic and financial data. Since this program is long-term, there is considerable uncertainty about such estimates.

Deferred tax assets recognition

At each reporting date management assesses the amount of deferred tax assets and determines the amount to be reflected to the extent in which it is likely to be used as tax allowances. When determining future taxable profit and related tax allowances management uses estimates and assumptions based on prior periods' taxable profit and expectations related to the future profit that are reasonable under the circumstances.

3 Significant accounting policies

The accounting policies described below have been applied consistently in all reporting periods presented in these consolidated financial statements.

Amendments to the current standards, which entered into force for annual reporting periods beginning on 1 January 2021, did not have a significant impact on these consolidated financial statements of the Group.

(a) Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to risks connected to variable returns from its involvement with the entity or has the right to those returns 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 attributable 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 deficit balance.

ii. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

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 acquire; plus
- The fair value of the pre-existing equity interest in the acquire 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 recognized 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 recognized 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 acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners, and there for 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. Acquisitions 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 of 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.

3 Significant accounting policies (continued)

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 an 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 income and expenses 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 of the Group's entities denominated at the reporting date in foreign currencies have been translated into rubles at the exchange rate at the reporting date. Foreign currency transactions are accounted for at the exchange rate at the transaction date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(c) Financial instruments

i. Financial assets

The Group classifies financial assets into the following measurement categories: subsequently measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss. The classification depends on the financial asset management business model and the cash flow characteristics of the contracts.

Financial assets are classified as measured at amortized cost if the following conditions are met: the asset is held in the framework of a business model, the purpose of which is to hold assets to receive cash flows stipulated by the contract, and the terms of the contract determine receipt of cash flows on specified dates, which are exclusively payments to the account principal amount of the debt and interest on the outstanding part of the principal amount of debt.

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

- trade and other receivables that meet the definition of financial assets if the Group has no intention to sell immediately or in the near future;
- bank deposits not meeting the definition of cash equivalents;
- bills and bonds not held for trading;
- loans;
- cash and cash equivalents.

For financial assets classified as measured at amortised cost provision for expected credit losses.

3 Significant accounting policies (continued)

Upon derecognition of financial assets measured at amortized cost and fair value with any change therein recognised in profit or loss, the Group presents in the statement of profit or loss and other comprehensive income (through profit or loss) financial result from disposal equal to the difference between the fair value of consideration received and the carrying amount of the asset.

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

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

At derecognition of equity instruments of other companies classified in the discretion of the Group as at fair value through other comprehensive income previously recognized components of other comprehensive income are transferred from the reserve for changes in fair value to retained earnings.

ii. Impairment of financial assets

Impairment provisions are assessed either on the basis of 12-month expected credit loss, which are the result of possible defaults within 12 months after the reporting date, or expected credit loss for the entire life period, which are the result of all possible cases of non-fulfillment of obligations during the expected term of the financial instrument.

For trade receivables or contractual assets arising from transactions that are within the scope of IFRS 15 Revenue from Contracts with Customers (including those that contain a significant financing component) and lease receivables, the Group uses a simplified approach to measuring provisions for expected credit losses - an estimate in an amount equal to the expected credit losses for the entire term.

Impairment allowances for other financial assets classified as measured at amortized cost are measured on the basis of 12-month asset allocation if there has not been a significant increase in credit risk since recognition. The estimated provision for expected credit losses for a financial instrument is assessed at each reporting date in an amount equal to expected credit losses for the entire period if the credit risk for this financial instrument has increased significantly since initial recognition, taking into account all reasonable and confirmed information, including predictive.

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 contract, the expected renegotiation of the contract due to financial difficulties of the debtor at a disadvantage for the Group the terms on which she would disagree in other circumstances.

On the basis of the usual practice of credit risk management the Group defines default as the failure of the counterparty (Issuer) to perform its obligations (including repayment of funds under the contract) due to significant deterioration in the financial position.

The credit impairment loss for financial assets is reflected by recognition of a valuation allowance for its impairment. In respect of a financial asset carried 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 original effective interest rate.

If in subsequent periods, the credit risk on financial assets decreases due to an event occurring after the recognition of this loss, the previously recognized impairment loss reversed by reduction of 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 at fair value, changes in which are recognized in profit or loss; financial liabilities measured at amortized cost.

3 Significant accounting policies (continued)

In the category of financial liabilities measured at amortized cost, the Group includes the following financial liabilities:

- Borrowed funds (borrowed funds)
- Trade and other payables

Borrowed funds (borrowed funds) are initially recognized at fair value, taking into account transaction costs directly related to raising these funds. Fair value is determined taking into account prevailing market interest rates for similar instruments if they differ materially from transaction prices. In subsequent periods, borrowings are carried at amortized cost using the effective interest method. The entire difference between the fair value of funds received (net of transaction costs) and the amount to be paid off is recognized in profit or loss as interest expense over the entire life of the obligation to repay the borrowed funds.

Borrowing costs are expensed 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, the preparation of which takes considerable time (qualifying assets), are capitalized as part of the value of the asset. Capitalization is carried out when the Group:

- incur the costs of qualifying assets,
- incur the costs of loans and
- conducts activities related to the preparation of assets for use or sale.

The capitalization of borrowing costs continues until the date the assets are ready for use or sale. The Group capitalizes borrowing costs that could have been avoided if it had not borne the costs of qualifying assets. Borrowing costs are capitalized based on the average cost of financing the Group (weighted average interest expenses related to the costs incurred for qualifying assets), excluding 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 loans, are capitalized.

Accounts payable are accrued from the moment the counterparty fulfills its obligations under the contract. Accounts payable are recognized at fair value and are subsequently measured at amortized cost using the effective interest 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 (deemed cost) 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 labor, 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 for 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 in the item "Other income", "Other expenses", within the profit or loss for the period.

3 Significant accounting policies (continued)**ii. Subsequent costs**

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 profit or loss and other comprehensive income as incurred.

iii. Depreciation

Each component of an item of property, plant and equipment is amortised from the time it is ready for use on a straight-line basis over its expected useful life, since this method most accurately reflects the nature of the expected consumption of the future economic benefits embodied in the asset. Leased assets are amortized over the shorter of the lease term and the useful life of the assets. Land plots are not amortized.

The useful lives, expressed in years by type of property, plant and equipment, are presented below:

- | | |
|--|-------------|
| – buildings | 7-50 years; |
| – transmission networks | 5-40 years; |
| – equipment for electricity transmission | 5-40 years; |
| – other assets | 1-50 years. |

iv. Impairment

At each reporting date, management determines whether there is any indication that property, plant and equipment is impaired.

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

For the purposes of an impairment test, assets that cannot be individually tested are grouped into the smallest group that generates cash inflows from continuing use of the related assets, and these inflows are largely independent of cash inflows generated by other assets or groups of assets (the “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 first attributed to a decrease in the carrying amount of goodwill allocated to these units, and then pro rata to a decrease in the carrying amount of other assets in the relevant unit (group of units).

Amounts written off for an impairment loss on goodwill are not reversed. For other assets, an impairment loss recognized in a prior period is reviewed at each reporting date to determine whether the amount of the loss should be reduced or whether it should no longer be recognized.

Amounts written off for impairment losses are reversed if the measurement factors used in calculating the corresponding recoverable amount change. An impairment loss is reversed only to the extent that it is possible to restore the value of the assets to the carrying amount at which they would have been carried (net of accumulated depreciation) if no impairment loss had been recognized.

(e) Intangible assets

Intangible assets include primarily capitalized computer software and licenses. The purchased software and licenses are capitalized on the basis of the costs incurred to acquire them and bring them to a state of fitness for use.

3 Significant accounting policies (continued)

Research costs are expensed as incurred. Development costs are recognized as intangible assets only when the Group can demonstrate the following: the technical feasibility of creating an intangible asset so that it is available for use or sale; its intention to create an intangible asset and use or sell it; how the intangible asset will generate future economic benefits; the availability of resources to complete development, and the ability to reliably estimate the costs incurred during development. Other development costs are expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. The carrying amount of development costs is subject to an annual impairment test.

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

Goodwill (“negative goodwill”) arises from the acquisition of subsidiaries, associates and joint ventures. For the measurement of goodwill at initial recognition, see Note 3 (a) (ii). Goodwill is carried at cost less any impairment losses. In the case of associates, the cost of related goodwill is recognized as part of the carrying amount of the related investment in the associate, and when such investments are recognized as impaired, it is not allocated to any assets that form the carrying amount of the investment in associates, including goodwill.

(f) Lease

At the time of the conclusion of the contract, the Group assesses whether the contract as a whole or its individual components is a lease agreement. A contract as a whole, or its individual components, is a lease if the contract transfers the right to control the use of an identified asset for a specified period in exchange for a refund.

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

The lease liability is initially measured at the present value of lease payments that have not yet been made at the lease commencement date and is subsequently measured at amortised cost, with interest expense recognized as finance expense in the consolidated income statement. Lease liabilities are presented in the Statement of Financial Position as long-term and short-term borrowings.

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

For an individual lease agreement, the Group may decide to qualify the agreement as a lease in which the underlying asset has a low value and recognize the lease payments under such agreement as an expense on a straight-line basis over the lease term.

For lease agreements for land plots under power grid facilities with an indefinite term, or with a contract term of no more than 1 year with the possibility of annual renewal, the Group determines the term of the contract, using as a basic criterion the useful life of the fixed assets located on the leased land plots.

For leases of transmission facilities with indefinite or with a term contract of not more than 1 year with possibility of annual renewal, the Group determines the duration of the contract, using as basic criterion the useful life of the objects of fixed assets with similar technical characteristics.

3 Significant accounting policies (continued)**(g) Advances issued**

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 the 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 intended for the provision of work on the prevention and elimination of accidents (emergencies) at power grid facilities (industry emergency reserve) are reflected in the article "Inventories".

(i) Value-added tax

Output value-added tax (VAT) related to sales is payable to the 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. Amounts of VAT related to advances received and given as well as VAT prepayment are recognized in the consolidated statement of financial position on a net basis and disclosed as an asset within accounts receivable (VAT recoverable). Amounts of VAT to be paid to the tax authorities are presented separately within short-term accounts payable. Where a provision has been made for the impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

(j) Employee benefits***i. Defined contributions 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 Russia's State Pension Fund, 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

The defined benefit program is a program for the payment of employee benefits at the end of an employment relationship with them, different from the defined benefit program. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension schemes is the discounted 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.

3 Significant accounting policies (continued)

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 arising from 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. It is recognized in profit or loss for the period, except to the extent that it relates to a business combination, or items recognized in other comprehensive income or directly in equity.

Current income 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 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 or 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.

3 Significant accounting policies (continued)

Deferred tax is measured at the tax rate 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 for open tax years 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; 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 tax 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 only to the extent that it is probable that future taxable profits will be available against which the related deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

(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 finance cost.

(m) Share capital

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

(n) Own repurchased shares

In the event that a Group company purchases shares of the Company (its own repurchased shares), the amount paid, including any additional costs directly related to the acquisition (net of income tax), is deducted from equity attributable to the Company's shareholders until the shares are cancelled, reissued or sold. Where such shares are subsequently reissued or sold, the amounts received, net of directly related transaction costs and related tax charges, are included in equity attributable to the Company's shareholders. Repurchased equity shares are carried at their weighted average cost. Gains and losses arising from the subsequent sale of shares are recognized in the consolidated statement of changes in equity, net of related expenses, including taxes.

(o) Dividends

Dividends are recognized as a liability and excluded from equity at the reporting date only if they are declared (approved by shareholders) at or before the reporting date. Dividends are subject to disclosure if they are declared after the reporting date but before the consolidated financial statements are signed.

(p) Revenue from Contracts with Customers

The Group recognizes revenue when (or as) the performance obligation is fulfilled by transferring the promised good or service (i.e. an asset) to customer. An asset is transferred then (or as it is) a performance obligation is fulfilled. When (or as) a performance obligation is fulfilled, the Group recognizes revenue in the amount that the Group expects to receive in exchange for transferring the promised assets to the buyer, excluding VAT.

3 Significant accounting policies (continued)

Electricity transmission

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 within the limit minimum and (or) maximum levels approved by the Federal Antimonopoly Service.

Sales of electricity and capacity

Revenue from the sale of electricity and capacity is recognized during the period (accounting month) and is measured using the results method (cost of electricity transferred).

The sale of electricity to retail electricity markets and power to consumers, except for the population, is carried out at regulated prices (tariffs), established by executive authorities of constituent entities of the Russian Federation in the field of state regulation of tariffs in the framework of maximum levels of tariffs approved by the Federal Antimonopoly service (in respect of constituent entities of the Russian Federation, is not related to price zones), free (unregulated) prices (in respect of constituent entities of the Russian Federation referred to the price zones) formed in the manner, approved by the Government of the Russian Federation.

The sale of electricity in the retail markets of electricity and capacity to the population and equivalent categories of consumers is carried out at regulated prices (tariffs) established by the executive authorities of the subjects of the Russian Federation in the field of state regulation of tariffs within the limits of the tariff limits approved by the Federal Antimonopoly Service.

Technological connection services

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.

Other revenue

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

Trade receivables

Accounts receivable represent the Group's right to compensation, which is unconditional (that is, the moment when such compensation becomes payable is due only to the passage of time).

3 Significant accounting policies (continued)

The accounting policy for the recognition of trade and other receivables is set out in the section “Financial assets”.

Contractual obligations

An obligation under a contract is an obligation to transfer to the buyer the goods or services for which the Group has received compensation (or compensation for which is payable) from the buyer. If the buyer pays the consideration before the Group transfers the goods or services to the buyer, a contractual obligation is recognized at the time the payment is made or at the time when the payment becomes payable (whichever occurs earlier). Contractual obligations are recognized as revenue when the Group performs its obligations under the contract. The Group reflects obligations under contracts with customers under the item “Advances received” including value added tax (VAT).

Advances received mainly consists of deferred revenue under contracts of technological connection.

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

(q) Finance income and costs

Financial income includes interest income on invested funds, dividend income, profit on disposal of financial assets measured at fair value and measured at amortized cost, and the effect of discounting financial instruments. Interest income is recognized in profit or loss when incurred, and its amount is calculated using the effective interest rate method. Dividend income is recognized in profit or loss when the Group is entitled to receive the corresponding payment.

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

(r) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all 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 related to an asset, it is recognized as income 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 in the same periods in which the respective revenue is earned.

(s) Social expenditure

When the Group's contributions to social programs are for the benefit of society as a whole and are not limited to payments to employees of the Group, they are recognized in profit or loss as they are made. The Group's expenses related to the financing of social programs, without committing to such financing in the future, are reflected in the consolidated Statement of profit or loss and other comprehensive income as they arise.

3 Significant accounting policies (continued)**(t) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(u) Concession Arrangement

The Group applies IFRS 15 to public-private concession arrangement for the provision of services, if: 1. The concession provider controls or regulates what services the operator must provide in relation to the infrastructure, to whom it must provide them and at what price; and 2. the supplier of the concession controls - on the basis of ownership, use rights for the purpose of extracting benefits or other grounds - any significant residual share in the infrastructure at the end of the agreement period.

The Group doesn't recognize the infrastructure of the objects of the concession agreement as property, plant and equipment, because the contractual services agreement doesn't transfer to the Group the right to control the use of the infrastructure.

The Group keeps records of reimbursement for construction services and revenue from electricity transmission services, in accordance with IFRS 15.

The Group recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from the concession provider or at its direction for performing construction services; the concession provider has a small choice to avoid payment, or does not have such a choice at all, usually because the agreement is enforceable.

The Group recognizes an intangible asset to the extent that it obtains the right to charge users of services.

The Group accounts for an intangible asset in accordance with IAS 38. The Group determines the amortization period for an intangible asset as the period of validity of the concession agreement.

The Group capitalizes borrowing costs in accordance with IAS 23 relating to the construction phase of the concession agreement into the intangible asset. Other borrowing costs related to the concession agreement are recognized by the Group as an expense in the period in which they are incurred.

(v) Energy service contracts

Within the framework of the energy service contract, services are provided aimed at energy saving and improving the energy efficiency of the use of energy resources (including reducing the technological consumption (loss) of electricity during its transmission in electric networks) by identifying and reducing losses in electric networks. The services of an energy service company are paid for by saving the cost of compensating for electricity losses.

The Group recognizes the costs of energy service contracts as part of the operating expenses of the period under other works and industrial services.

4 Measurement of fair value

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 input that is significant to the entire measurement.

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

The point in time at which transfers to and from certain levels are recognized is the date on which the event or change in circumstances that caused the transfer occurs.

5 Acquisition and disposal of subsidiaries, ownership interests

In the framework of the implementation of the development Strategy of the electric grid complex of the Russian Federation approved by the decree of the Government of the Russian Federation of 03 April 2013 No. 511-R, with the aim of reducing the number of existing territorial grid organizations, the Group acquired:

- 06 April 2021 100% of the ordinary registered non-documentary shares of an electric grid company (hereinafter referred to as the acquired company) for cash as a result of concluding the contract of sale.

On 30 March 2021 the Group concluded an agreement for the purchase and sale (in electronic form) of 100% of ordinary registered non-documentary shares of the acquired company. In accordance with the terms of the agreement, the shares are considered to be transferred to the ownership of the Group from the moment the corresponding entry about the buyer of shares as the owner of shares is made in the register of owners of shares of the acquired company - on 06 April 2021. The purchase price is defined as RUB 1,030,000 thousand and paid in cash.

The Group recorded the acquisition of control over the acquired company using the purchase method in accordance with the requirements of IFRS 3 "Business Combination".

The results of operations, assets and liabilities of the acquired company are consolidated by the Group from 06 April 2021.

The main activities of the acquired company are the transmission of electricity and technological connection to the power grid in one of the regions of the Russian Federation.

5 Acquisition and disposal of subsidiaries, ownership interests (continued)

The table below shows the fair value of the identifiable net assets of the acquired company received at the acquisition date, which was determined by an independent appraiser:

	Fair value, thousand rubles
Non-current assets	
Property, plant and equipment	1,091,401
Deferred tax assets	102,932
Total non-current assets	1,194,333
Current assets	
Inventories	53,090
Accounts receivable	150,335
Cash and cash equivalents	5,627
Other current assets	2,538
Total current assets	211,590
Total assets	1,405,923
Non-current liabilities	
Long-term borrowed funds	48,000
Deferred tax liabilities	45,203
Total non-current liabilities	93,203
Current liabilities	
Short-term borrowed funds and current part of long-term borrowed funds	10,125
Accounts payable	199,553
Provisions	12,932
Total current liabilities	222,610
Total liabilities	315,813
Total identifiable net assets at fair value	1,090,110
Consideration transferred	1,030,000
Gain on a bargain purchase	60,110

Since the fair value of the identifiable net assets of the acquired company exceeds the value of the consideration transferred, the Group recorded income (negative goodwill) in other income in the amount of RUB 60,110 thousand in the consolidated statement of profit or loss and other comprehensive income.

Since the acquisition date, the revenue of the acquired company, consolidated into the Group's financial statements amounted to RUB 623,800 thousand, profit before tax amounted to RUB 45,614 thousand. If the merger had taken place at the beginning of the year, the Group's revenue have amounted to RUB 108,367,848 thousand, and the Group's profit before tax would have amounted to RUB 6,454,122 thousand.

The cash flow from the acquisition of the company is shown in the following table:

Cash received on the acquisition of a subsidiary	5,627
Consideration transferred	(1,030,000)
Net cash flow	(1,024,373)

6 Information about segments

The Management Board of PJSC “Rosseti Centre” is the supreme body that makes decisions on operating activities.

The primary activities of the Group are provision of services for transmission and distribution of electricity for power grids, as well as the provision of services for technological connection of consumers to the network, as well as the sale of electricity to the end consumer in a number of regions of the Russian Federation. From 2016 and at the date of signing of the interim condensed consolidated financial statements, the division of the Company Tverenergo performs the electricity guarantee supplier function in the territory of Tver Region.

The internal management system is based on segments (branches formed on a territorial basis) related to transmission and distribution of electricity, technological connection to electric grids and electricity sales to the end user in a number of regions of the Russian Federation.

EBITDA is used to reflect the results of each reporting segment: profit or loss before interest expense, taxation, depreciation, and net accrual/(recovery) 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.

The following reportable segments were identified:

- branch Belgorodenergo, branch Bryanskenergo, branch Voronezhenergo, branch Kostromaenergo, branch Kurskenergo, branch Lipetskenergo, branch Orelenergo, branch Smolenskenergo, branch Tambovenrgo, branch Tverenergo, branch Yarenergo
- Other TSS (specialized electric grid subsidiaries)
- Others

The “Others” category includes operations of the executive office and non-core subsidiaries. These operations do not meet the quantitative criteria for allocating them to reportable segments.

Segment indicators are based on management information, which is prepared on the basis of the Russian accounting standards financial statements and may differ those presented in the financial statements prepared in accordance with IFRS. The reconciliation of the indicators in the evaluation to the Management Board and similar indicators in these interim condensed consolidated financial statements includes those reclassifications and adjustments that are necessary for reporting in accordance with IFRS.

6 Information about segments (continued)**(a) Information about reportable segments**

As at 31 December 2021 and for the year ended 31 December 2021:

	<u>Belgorod energo</u>	<u>Bryansk energo</u>	<u>Voronezh energo</u>	<u>Kostroma energo</u>	<u>Kursk energo</u>	<u>Lipetsk energo</u>	<u>Orel energo</u>	<u>Smolensk energo</u>	<u>Tambov energo</u>	<u>Tver energo</u>	<u>Yar energo</u>	<u>Other TSS</u>	<u>Others</u>	<u>Total</u>
Revenue from external customers	14,183,768	4,096,437	17,071,226	5,761,354	8,038,120	9,854,805	4,955,274	8,097,565	6,276,871	11,692,752	10,871,930	6,644,554	556,551	108,101,207
Inter-segment revenue	-	1,716,496	41,879	-	-	-	-	-	837	-	8,136	2,300,515	4,904	4,072,767
Segment revenue	14,183,768	5,812,933	17,113,105	5,761,354	8,038,120	9,854,805	4,955,274	8,097,565	6,277,708	11,692,752	10,880,066	8,945,069	561,455	112,173,974
Including:														
Electricity transmission	13,172,749	5,610,994	16,079,488	5,548,800	7,838,173	9,508,402	4,833,277	7,924,761	6,044,174	10,817,656	10,392,599	8,474,476	-	106,245,549
Technological connection services	212,187	48,473	478,147	58,593	92,590	83,464	48,449	33,773	78,697	132,492	219,958	236,934	-	1,723,757
Sale of electricity and capacity	-	-	-	-	-	-	-	-	-	591,226	-	-	-	591,226
Other revenue	798,832	153,466	555,470	153,961	107,357	262,939	73,548	139,031	154,837	151,378	267,509	233,659	561,455	3,613,442
Finance income	10,716	157,772	116,402	10,686	10,685	10,699	10,685	10,684	10,813	10,687	10,699	21,840	4,062	396,430
Finance costs	(224,850)	(209,843)	(269,113)	(59,871)	(87,041)	(169,765)	(119,361)	(271,508)	(210,633)	(503,833)	(392,239)	(197,922)	(130,156)	(2,846,135)
Depreciation and amortization	2,868,733	644,530	1,403,441	683,887	727,110	1,584,655	420,653	885,843	577,730	1,106,041	1,273,586	1,186,820	13,965	13,376,994
EBITDA	4,223,029	1,313,975	4,134,784	1,311,356	1,412,050	2,069,679	729,003	1,554,034	450,731	1,030,669	2,293,146	2,344,302	126,240	22,992,998
Segment assets	24,597,808	5,642,227	17,692,704	8,152,093	8,615,640	19,929,647	4,541,905	8,242,960	6,487,110	12,655,371	16,759,037	14,387,675	8,528,535	156,232,712
Including property, plant and equipment and construction in progress	22,650,335	4,659,704	14,978,109	6,690,033	7,081,640	16,537,299	3,794,388	6,839,613	4,619,006	10,203,053	11,168,372	11,019,061	151,468	120,392,081
Capital expenditure	2,316,859	577,442	2,985,106	1,208,861	1,282,652	1,512,673	604,573	1,006,242	558,454	715,597	1,576,694	1,149,593	34,993	15,529,739
Segment liabilities	8,344,587	3,749,777	8,379,330	3,227,381	3,747,511	10,267,901	2,538,957	5,641,480	4,776,560	14,801,784	8,677,370	5,034,498	6,340,993	85,528,129

6 Information about segments (continued)

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

	Belgorod energo	Bryansk energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	Other TSS	Others	Total
Revenue from external customers	13,926,277	4,724,192	15,121,083	5,201,851	7,484,077	8,901,678	4,738,583	7,362,020	5,957,766	10,887,418	9,741,889	3,302,612	289,390	97,638,836
Inter-segment revenue	-	664,943	12,362	-	-	-	-	-	-	-	1,089	2,149,813	6,205	2,834,412
Segment revenue	13,926,277	5,389,135	15,133,445	5,201,851	7,484,077	8,901,678	4,738,583	7,362,020	5,957,766	10,887,418	9,742,978	5,452,425	295,595	100,473,248
Including														
Electricity transmission	12,532,175	5,120,045	14,633,200	5,070,990	7,238,759	8,656,653	4,596,449	7,211,237	5,816,456	10,223,213	9,391,273	5,134,326	-	95,624,776
Technological connection services	170,442	67,514	274,444	46,508	149,714	94,662	64,667	58,519	66,646	76,870	235,991	184,074	-	1,490,051
Sale of electricity and capacity	-	-	-	-	-	-	-	-	-	531,219	-	-	-	531,219
Other revenue	1,223,660	201,576	225,801	84,353	95,604	150,363	77,467	92,264	74,664	56,116	115,714	134,025	295,595	2,827,202
Finance income	11,193	57,813	124,789	11,176	11,180	11,610	11,178	11,174	11,471	11,181	11,201	23,077	112	307,155
Finance costs	(237,354)	(111,596)	(286,447)	(85,248)	(90,123)	(202,445)	(116,587)	(277,977)	(199,830)	(615,525)	(403,732)	(60,676)	(121,865)	(2,809,405)
Depreciation and amortization	2,773,554	612,857	1,347,109	680,422	738,642	1,453,016	390,585	917,819	545,592	973,215	1,274,612	743,589	3,808	12,454,820
EBITDA	4,267,707	956,289	2,961,392	1,176,607	1,057,693	2,140,897	666,139	1,152,893	746,850	1,277,125	1,969,720	1,665,012	248,580	20,286,904
Segment assets	25,016,192	5,617,777	15,601,028	7,577,834	7,939,731	15,429,997	4,252,635	8,016,138	6,578,189	13,136,798	15,960,256	11,529,377	8,137,629	144,793,581
Including property, plant and equipment and construction in progress	23,234,786	4,730,462	13,385,920	6,163,387	6,533,036	12,753,768	3,610,479	6,735,758	4,592,434	10,594,159	10,867,190	9,616,657	126,450	112,944,486
Capital expenditure	2,634,239	685,156	2,641,263	599,769	931,703	947,545	402,893	940,900	684,267	2,137,436	953,838	2,944,276	13,989	16,517,274
Segment liabilities	3,478,331	948,297	4,055,793	1,566,683	1,537,519	2,425,375	720,235	1,553,416	1,588,335	2,672,099	2,632,701	4,202,834	51,481,548	78,863,166

6 Information about segments (continued)**(b) The reconciliation of key segment items measured as reported to the Management Board of the Company with similar items in these consolidated financial statements:**

The reconciliation of segment revenue:

	Year ended 31 December 2021	Year ended 31 December 2020
Segment revenues	112,173,974	100,473,248
Intersegment revenue elimination	(4,072,767)	(2,834,412)
Reclassification from other income	71	-
Revenues per consolidated statement of profit or loss and other comprehensive income	108,101,278	97,638,836

The reconciliation of reportable segment EBITDA:

	Year ended 31 December 2021	Year ended 31 December 2020
EBITDA of reportable segments	22,992,998	20,286,904
Discounting receivables	(514,697)	13,077
Discounting of financial liabilities	-	1,221,091
Adjustment for lease	692,565	156,909
Recognition of pension and other long-term liabilities to employees	6,971	2,820
Adjustment on assets related to employee benefit liability	(135,258)	(136,330)
Re-measurement of financial assets at fair value through other comprehensive income (transfer of revaluation to equity)	14,182	(944)
Adjustment of the value of property, plant and equipment	17,167	244,063
Adjustment of income from donated property, plant and equipment	34,538	(65,761)
Acquisition of subsidiaries	60,110	121,849
Other adjustments	(143,643)	140,235
EBITDA	23,024,933	21,983,913
Depreciation and amortization	(12,499,771)	(11,736,288)
Net (accrual) / recovery of impairment losses on property, plant and equipment and assets in the form of rights of use	(1,111,495)	(3,980,593)
Interest expenses on financial liabilities	(2,593,386)	(2,649,267)
Interest expenses of lease liabilities	(411,087)	(303,931)
Income tax expense	(2,036,576)	(1,157,512)
Profit for the year per consolidated statement of profit or loss and other comprehensive income	4,372,618	2,156,322

6 Information about segments (continued)

The reconciliation of reportable segment total assets is presented below:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Total segment assets	156,232,712	144,793,581
Intersegment balances	(4,431,371)	(4,343,560)
Intragroup financial assets	(3,823,197)	(2,793,197)
Adjustment for value of property, plant and equipment	(19,507,909)	(12,948,045)
Impairment of property, plant and equipment and right-of-use assets	(1,111,495)	(3,980,593)
Recognition of right-of-use assets	6,207,131	2,897,358
Assets related to employee benefits	524,376	517,405
Adjustment for deferred tax assets	(2,480,510)	(2,172,514)
Discounting of accounts receivables	(545,066)	(30,369)
Adjustment for leasing	(750,199)	-
Other adjustments	35,239	56,228
Total assets per consolidated statement of financial position	<u>130,349,711</u>	<u>121,996,294</u>

The reconciliation of reportable segment total liabilities is presented below:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Total segment liabilities	85,528,129	78,863,166
Intersegment balances	(4,431,371)	(4,343,560)
Adjustment for deferred tax liabilities	(5,752,767)	(5,598,602)
Recognition of pension and other long-term liabilities to employees	2,981,218	3,308,876
Recognition of lease obligations	6,314,541	3,033,961
Discounting of financial liabilities	(997,637)	(1,221,091)
Adjustment for leasing	(4,501,192)	-
Other adjustments	(12,707)	87,601
Total liabilities per consolidated statement of financial position	<u>79,128,214</u>	<u>74,130,351</u>

(c) Major customer

The Group operates in the Russian Federation. The Group does not receive revenues from foreign customer and does not have non-current assets abroad.

For the year ended 31 December 2021 and 31 December 2020, the Group had a few counterparties, each of which accounted for more than 10% of the Group's total revenue. Revenue received from these counterparties is reflected in the reporting of the operating segments of Voronezhenergo, Kurskenergo, Lipetskenergo, Orelenergo, Smolenskenergo, Tambovenergo, Tverenergo and Yarenergo.

The total revenue received from PJSC "TNS energo Voronezh" and PJSC "TNS energo Yaroslavl" was RUB 18,907,570 thousand or 18.33% of the Group's total revenue for 2021 (2020: RUB 17,629,375 thousand or 19.48%). The total revenue received from JSC "Atomenergobyt" was RUB 21,039,649 thousand or 20.39% of the Group's total revenue for 2021 (2020: RUB 19,456,850 thousand or 21.50%).

PJSC «Rosseti Centre»
Notes to the Consolidated Financial Statements for the year ended 31 December 2021
(in thousands of Russian rubles, unless otherwise stated)

7 Revenue

	Year ended 31 December 2021	Year ended 31 December 2020
Electricity transmission	102,258,280	92,825,277
Technological connection services	1,723,421	1,488,678
Sales of electricity and capacity	591,226	531,219
Other revenue	3,471,251	2,766,449
Total revenue from contracts with customers	108,044,178	97,611,623
Lease revenue	57,100	27,213
	108,101,278	97,638,836

Other revenues are comprised of repair and maintenance services, rental income and other.

8 Other income and other expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Income from identified non-contracted electricity consumption	257,537	214,609
Income in the form of fines and penalties on commercial contracts	760,792	584,944
Accounts payable write-off	38,781	29,714
Acquisition of subsidiaries	60,110	121,849
Insurance indemnity	116,713	67,614
Income from compensation of losses due to disposal/liquidation of electric grid property	-	124,260
Other income	422,967	519,383
	1,656,900	1,662,373

Other expenses include loss on disposal of property, plant and equipment for the year ended 31 December 2021 in the amount of RUB 100,784 thousand (for the year ended 31 December 2020: RUB 48,329 thousand).

Notes to the Consolidated Financial Statements for the year ended 31 December 2021
(in thousands of Russian rubles, unless otherwise stated)**9 Operating expenses**

	Year ended 31 December 2021	Year ended 31 December 2020
Personnel costs	23,200,242	21,635,814
Depreciation and amortization	12,499,771	11,736,288
<i>Material expenses, including:</i>		
Electricity for compensation of losses	18,092,682	15,218,134
Electricity for sale	510,336	473,714
Purchased electricity and heat power for own needs	495,052	413,371
Other material costs	3,406,457	3,164,286
<i>Production work and services, including:</i>		
Electricity transmission services	28,969,228	29,002,860
Repair and maintenance services	901,345	716,036
Other works and industrial services	2,049,683	1,218,623
Taxes and levies other income tax	2,224,277	2,165,931
Rent	68,925	3,510
Insurance	135,162	132,578
<i>Other third-party services, including:</i>		
Communication services	352,265	325,162
Security services	343,405	314,493
Consulting, legal and audit services	68,304	106,550
Software costs and services	327,640	299,774
Transportation services	63,801	34,692
Other services	873,283	875,837
Provisions	982,635	304,558
Expenses recognized in connection with debt settlement for electricity transmission, electricity for resale, purchased electricity to compensate for losses and non-contracted consumption	735,127	171,979
Other expenses	1,450,038	1,086,552
	97,749,658	89,400,742

10 Personnel costs

	Year ended 31 December 2021	Year ended 31 December 2020
Wages and salaries	14,659,968	13,775,852
Social security contributions	5,151,075	4,795,575
Provisions related to employee benefits	1,711,695	1,601,836
Expenses related to defined benefit plan	178,583	154,138
Other	1,498,921	1,308,413
	23,200,242	21,635,814

10 Personnel costs (continued)

Other expenses for employee benefits include lump-sum payments when leaving for another vacation, financial assistance, compensation, benefits, social benefits.

The amount of contributions to the defined contribution plan was RUB 4,835 thousand for the year ended 31 December 2021 (for the year ended 31 December 2020: RUB 20,110 thousand).

Remuneration to key management personnel is disclosed in the Note 34.

11 Finance income and costs

	<u>Year ended</u> <u>31 December 2021</u>	<u>Year ended</u> <u>31 December 2020</u>
Finance income		
Interest income on bank deposits and balances on bank accounts	143,688	147,020
Interest income on assets related to employee defined benefits plans	20,802	38,591
Dividends receivable	20,393	14,184
Effect of initial recognition of discount on financial liabilities	39,959	1,281,142
Other finance income	12,604	13,077
	<u>237,446</u>	<u>1,494,014</u>
Finance costs		
Interest expenses on financial liabilities measured at amortized cost	(2,593,386)	(2,649,267)
Interest expenses on lease liabilities	(411,087)	(303,931)
Interest expense on long-term employee benefit liability	(187,746)	(176,556)
Amortization of discount on financial liabilities	(223,454)	(60,051)
Effect of initial discounting of financial assets	(527,301)	-
Other finance costs	(12,006)	(15,466)
	<u>(3,954,980)</u>	<u>(3,205,271)</u>

12 Income tax

	<u>Year ended</u> <u>31 December 2021</u>	<u>Year ended</u> <u>31 December 2020</u>
Current income tax		
Accrual of current tax	(2,088,391)	(1,700,012)
Adjustment of the tax for the previous periods	111,574	(3,745)
Total	<u>(1,976,817)</u>	<u>(1,703,757)</u>
Deferred income tax (Note 17)	(59,759)	546,245
Income tax expense	<u>(2,036,576)</u>	<u>(1,157,512)</u>

In 2021 and 2020, the Group recalculated tax for previous periods and filed revised statements the income tax including the settlement of disputes with contractors in the judicial and pre-trial order for previous periods. As a result, the profit tax accrual for previous periods was RUB 111,574 thousand in accordance with the updated tax returns submitted to the tax authorities (2020: RUB 3,745 thousand tax to decrease).

12 Income tax (continued)

Income tax recognized in other comprehensive income:

	Year ended 31 December 2021			Year ended 31 December 2020		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Financial assets at fair value through other comprehensive income	(14,182)	2,836	(11,346)	944	(189)	755
Remeasurements of the defined benefit liability	462,916	(38,402)	424,514	(175,702)	26,521	(149,181)
	448,734	(35,566)	413,168	(174,758)	26,332	(148,426)

In 2021 and 2020 the Group applied the standard rate of corporate profit tax of 20%. This rate has been used in the calculation of deferred tax assets and liabilities.

The profit before taxation is correlated to income tax expenses as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Profit before income tax	6,409,194	3,313,834
Income tax calculated at the applicable tax rate	(1,281,839)	(662,767)
Tax effect of items not deductible/not taxable for taxation purposes	(866,311)	(491,000)
Adjustments for prior years	111,574	(3,745)
	(2,036,576)	(1,157,512)

13 Property, plant and equipment

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction progress	Total
Cost/deemed cost						
At 1 January 2020	42,805,772	74,062,318	41,950,076	26,840,678	3,839,050	189,497,894
Additions	1,139,738	657,065	121,441	177,792	14,983,363	17,079,399
Acquisition of subsidiaries	111,825	20,860	41,259	56,766	18,450	249,160
Transfer	3,093,201	3,543,288	2,600,771	4,034,759	(13,272,019)	-
Disposals	(19,232)	(30,938)	(29,714)	(133,249)	(2,857)	(215,990)
At 31 December 2020	47,131,304	78,252,593	44,683,833	30,976,746	5,565,987	206,610,463
Accumulated depreciation and impairment						
At 1 January 2020	(16,566,258)	(41,572,555)	(20,177,966)	(17,321,047)	(80,830)	(95,718,656)
Transfer to property, plant and equipment (transfer of impairment losses)	(4,174)	(11,303)	(4,875)	(22,252)	42,604	-
Depreciation charge	(2,047,585)	(4,446,866)	(2,343,639)	(2,138,712)	-	(10,976,802)
Disposals	7,123	23,182	12,365	127,021	1,092	170,783
Impairment	(453,908)	(2,002,189)	(990,794)	(398,602)	(135,100)	(3,980,593)
At 31 December 2020	(19,064,802)	(48,009,731)	(23,504,909)	(19,753,592)	(172,234)	(110,505,268)
Net book value						
At 1 January 2020	26,239,514	32,489,763	21,772,110	9,519,631	3,758,220	93,779,238
At 31 December 2020	28,066,502	30,242,862	21,178,924	11,223,154	5,393,753	96,105,195

13 Property, plant and equipment (continued)

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction progress	Total
Cost/deemed cost						
At 1 January 2021	47,131,304	78,252,593	44,683,833	30,976,746	5,565,987	206,610,463
Additions	8,045	30,473	7,959	11,910	15,914,716	15,973,103
Acquisition of subsidiaries	733,888	148,452	139,140	61,709	8,212	1,091,401
Transfer	2,809,519	4,041,698	2,736,050	6,661,867	(16,249,134)	-
Disposals	(26,627)	(13,075)	(20,181)	(147,367)	(89,027)	(296,277)
At 31 December 2021	50,656,129	82,460,141	47,546,801	37,564,865	5,150,754	223,378,690
Accumulated depreciation and impairment						
At 1 January 2021	(19,064,802)	(48,009,731)	(23,504,909)	(19,753,592)	(172,234)	(110,505,268)
Transfer to property, plant and equipment (transfer of impairment losses)	(4,561)	(69,040)	(4,008)	(2,150)	79,759	-
Depreciation charge	(2,436,509)	(4,369,323)	(2,408,066)	(2,466,073)	-	(11,679,971)
Disposals	8,108	8,372	16,328	147,075	7,729	187,612
Impairment	(321,292)	(363,963)	(286,631)	(93,277)	(46,332)	(1,111,495)
At 31 December 2021	(21,819,056)	(52,803,685)	(26,187,286)	(22,168,017)	(131,078)	(123,109,122)
Net book value						
At 1 January 2021	28,066,502	30,242,862	21,178,924	11,223,154	5,393,753	96,105,195
At 31 December 2021	28,837,073	29,656,456	21,359,515	15,396,848	5,019,676	100,269,568

13 Property, plant and equipment (continued)

As at 31 December 2021 advance payments for property, plant and equipment include in construction in progress in the amount of RUB 82,584 thousand (as at 31 December 2020: RUB 111,514 thousand), also materials for the construction of property, plant and equipment in the amount RUB of 1,187,127 thousand (as at 31 December 2020: RUB 690,749 thousand).

For the year ended 31 December 2021 capitalized interest amount is RUB 185,012 thousand (for the year ended 31 December 2020: RUB 153,761 thousand), the capitalization rate used to determine the amount of borrowing costs to be capitalized was 5.52-8.64% during the year (for the year ended 31 December 2020 – 5.79-7.44%).

Depreciation charges were capitalized in the value of capital construction in the amount of RUB 24,990 thousand for the year ended 31 December 2021 (2020: RUB 28,383 thousand).

As at 31 December 2021 fixed assets in the amount of RUB 203,679 at the collateral value under loan agreements are used as collateral in the Group's subsidiaries (as at 31 December 2020: RUB 38,173 thousand).

As at 31 December 2021 the initial cost of fully amortized property plant and equipment was RUB 32,877,395 thousand (as at 31 December 2020: RUB 27,875,865 thousand).

Impairment of property, plant and equipment

As the indicators of impairment were revealed, the Group performed an impairment test of the non-current assets as at 31 December 2021.

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.

Therefore, the values in use for property, plant and equipment as at 31 December 2021 and as at 31 December 2020 were determined using projected cash flows method. This method considers the future net cash flows expected to be generated through the usage of property, plant and equipment in the process of operating activities up to its ultimate disposal to determine the recoverable amount of the assets of the Group.

Each cash-generating unit (CGU) is determined by the Group based on the geographical location of the Company's branches and subsidiaries which is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other groups of assets.

The following key assumptions were used in determining the recoverable amounts of each of the cash-generating units:

- forecast cash flows were prepared for the period 2022-2026 for all the CGUs and were based on the best estimate of the Group's Management in respect of the transmission volumes, operating and capital expenditures and tariffs approved by regulatory bodies for 2022;
- tariffs for electricity transmission services for forecasted period (after 2022) were estimated using business plans, which were based on the tariff models prepared taking into account annual average growth of tariffs for electricity transmission services in accordance with "The socio-economic development of the Russian Federation for 2022 and for the planning period of 2023 and 2024 of 30.09.2021. In the post-forecast period, the rate of tariff growth is limited by the rate of inflation growth according to the forecast to Ministry of Economic Development of the Russian in the amount 4%;

Table 1 Inflation used in calculations in 2022-2026

Name	2022	2023	2024	2025	2026
Inflation taken into account	1.040	1.040	1.040	1.040	1.040

- forecasted electricity transmission volumes for all CGUs were determined based on the Company's business plans for 2022-2026.

13 Property, plant and equipment (continued)

The cash flow forecasts were discounted to their present value at the nominal weighted average cost of capital of 10.55% (2020: 9.03%).

The long- term growth rate of the cash flows in the post- forecast period was 4.00%.

Based on the results of testing, as at 31 December 2021, an impairment loss in the amount of RUB 1,524,013 thousand was recognized, including an impairment loss in the amount of RUB 662,403 thousand for “Tambovenergo”, in the amount of RUB 861,610 thousand for “Yarenergo”, a reversal of the previously recognized impairment in the amount of RUB 412,518 thousand for “Lipetskenergo”.

The main factors of the impairment recovery for “Lipetskenergo” are the expected growth relative to the forecast as at 31 December 2020 of revenue from electricity transmission services due to the growth in the volume of services, taking into account the dynamics of electricity consumption in 2021 and the growth of the weighted average tariff for 2022, the expected increase in the economic efficiency of activities, taking into account the acquisition in 2021 of the electric grid property of JSC “LGEK” in Lipetsk.

The main factor in the impairment of assets for "Tambovenergo" and "Yarenergo" is an increase in the discount rate of projected cash flows to their present value at the nominal weighted average cost of capital from 9.03% as at 31 December 2020 to 10.55% as at 31 December 2021.

Branch	Balance of impairment 31.12.2020	Depreciation and disposal for the period 2021	Accrued impairment in 2021	Reversal impairment in 2021	Balance of impairment 31.12.2021
Lipetskenergo	5,821,934	(636,018)	-	(412,518)	4,773,398
Tambovenergo	-	-	662,403	-	662,403
Tverenergo	3,117,806	(328,549)	-	-	2,789,257
Yarenergo	-	-	861,610	-	861,610
	8,939,740	(964,567)	1,524,013	(412,518)	9,086,668

Quantitative information about significant unobservable input data used in assessing the value in use as of 31 December 2021 is disclosed below:

Notes to the Consolidated Financial Statements for the year ended 31 December 2021
(in thousands of Russian rubles, unless otherwise stated)

13 Property, plant and equipment (continued)

Table 2 Quantitative information on significant unobservable baseline data as at 31 December 2021

Indicators	2022	2023	2024	2025	2026
Rate without TCO with losses and FSK cop./kW*h					
Belgorodenergo	209.89	217.58	224.42	231.01	238.76
Lipetskenergo	202.03	198.84	192.27	197.86	203.26
Tambovenergo	162.30	169.45	175.61	181.95	188.58
Tverenergo	175.67	180.28	186.09	191.73	197.54
Yarenergo	146.11	151.00	156.41	161.76	167.30
Boiler productive supply million kW*h.					
Belgorodenergo	6,233.23	6,235.42	6,254.31	6,273.26	6,292.26
Lipetskenergo	4,747.90	4,747.10	4,776.43	4,790.76	4,805.13
Tambovenergo	2,701.16	2,709.26	2,717.39	2,725.54	2,733.72
Tverenergo	4,796.54	4,810.93	4,825.36	4,839.83	4,854.35
Yarenergo	6,084.33	6,109.92	6,116.52	6,128.15	6,139.80
Growth rate of revenue from e/e transmission					
Belgorodenergo	1.61%	3.70%	3.45%	3.25%	3.67%
Lipetskenergo	17.35%	-1.59%	-2.71%	3.21%	3.04%
Tambovenergo	2.61%	4.72%	3.94%	3.93%	3.95%
Tverenergo	-0.64%	2.93%	3.53%	3.34%	3.34%
Yarenergo	2.15%	3.78%	3.69%	3.61%	3.62%
Investments (development) total (without VAT)					
Belgorodenergo	2,706,495	3,455,916	3,158,013	2,674,095	2,292,893
Lipetskenergo	1,705,084	1,682,430	2,283,961	1,536,785	1,267,828
Tambovenergo	459,696	1,441,868	1,443,226	851,709	884,145
Tverenergo	394,361	1,903,576	2,069,238	602,194	582,532
Yarenergo	1,374,149	1,536,992	1,562,674	1,578,669	1,688,116

Table 3 The sensitivity of the value of the use of fixed assets of the generating unit branch “Belgorodenergo”

Name	Increase %	Decrease %
Change the discount rate by 1%	-12.81	17.42
Change NVV to the base value in each period by 3%	18.71	-18.71
Change in the growth rate of net cash flow in the post-forecast period by 1%	13.22	-9.71
Change in the level of operating expenses by 5%	-26.01	26.01
Change in the level of investment (capital investment) by 10%	-3.12	3.12
Change in net output in each period by 0.5%	3.12	-3.12

Table 4 The sensitivity of the value of the use of fixed assets of the generating unit branch “Lipetskenergo”

Name	Increase %	Decrease %
Change the discount rate by 1%	-8.32	11.07
Change NVV to the base value in each period by 3%	33.37	-33.37
Change in the growth rate of net cash flow in the post-forecast period by 1%	7.79	-5.73
Change in the level of operating expenses by 5%	-51.84	51.45
Change in the level of investment (capital investment) by 10%	-4.01	4.01
Change in net output in each period by 0.5%	5.56	-5.56

Table 5 The sensitivity of the value of the use of fixed assets of the generating unit branch “Tambovenergo”

Name	Increase %	Decrease %
Change the discount rate by 1%	-18.58	25.29
Change NVV to the base value in each period by 3%	44.25	-44.74
Change in the growth rate of net cash flow in the post-forecast period by 1%	19.18	-14.10
Change in the level of operating expenses by 5%	-67.64	66.70
Change in the level of investment (capital investment) by 10%	-6.01	6.01
Change in net output in each period by 0.5%	7.38	-7.38

13 Property, plant and equipment (continued)

Table 6 The sensitivity of the value of the use of fixed assets of the generating unit branch “Tverenergo”

Name	Increase %	Decrease %
Change the discount rate by 1%	-13.61	18.41
Change NVV to the base value in each period by 3%	46.58	-47.68
Change in the growth rate of net cash flow in the post-forecast period by 1%	13.61	-10.00
Change in the level of operating expenses by 5%	-74.67	72.13
Change in the level of investment (capital investment) by 10%	-4.44	4.44
Change in net output in each period by 0.5%	7.95	-7.95

Table 7 The sensitivity of the value of the use of fixed assets of the generating unit branch “Yarenergo”

Name	Increase %	Decrease %
Change the discount rate by 1%	-21.31	9.18
Change NVV to the base value in each period by 3%	24.22	-40.84
Change in the growth rate of net cash flow in the post-forecast period by 1%	4.45	-17.69
Change in the level of operating expenses by 5%	-57.05	40.43
Change in the level of investment (capital investment) by 10%	-11.33	-5.29
Change in net output in each period by 0.5%	-2.89	-13.73

Table 8 The sensitivity of the value of the use of fixed assets of the Company (average for all branches)

Name	Increase %	Decrease %
Change the discount rate by 1%	-14.93	16.27
Change NVV to the base value in each period by 3%	33.43	-37.07
Change in the growth rate of net cash flow in the post-forecast period by 1%	11.65	-11.45
Change in the level of operating expenses by 5%	-55.44	51.35
Change in the level of investment (capital investment) by 10%	-5.78	2.46
Change in net output in each period by 0.5%	4.22	-7.55

The sensitivity analysis for the material assumptions that are used to build the impairment models for Rosseti Centre's EGDS as of December 31 2021 is presented below:

- increase the discount rate to 11.55%:
 - o results in an impairment loss on “Belgorodenergo” in the amount of RUB 1,482,120 thousand;
 - o results in an impairment loss on “Lipetskenergo” in the amount of RUB 386,841 thousand;
 - o results in an impairment loss on “Tambovenergo” in the amount of RUB 1,343,625 thousand;
 - o results in an impairment loss on “Tverenergo” in the amount of RUB 923,289 thousand;
 - o results in an impairment loss on “Yarenergo” in the amount of RUB 3,042,375 thousand;
- decrease of the required gross revenue to the base value in each period by 3%:
 - o results in an impairment loss on “Belgorodenergo” in the amount of RUB 2,997,273 thousand;
 - o results in an impairment loss on “Lipetskenergo” in the amount of RUB 2,792,925 thousand;
 - o results in an impairment loss on “Tambovenergo” in the amount of RUB 2,303,067 thousand;
 - o results in an impairment loss on “Tverenergo” in the amount of RUB 3,234,515 thousand;
 - o results in an impairment loss on “Yarenergo” in the amount of RUB 5,040,313 thousand;

13 Property, plant and equipment (continued)

- increase the level of operating expenses to the base value in each period by 5%:
 - o results in an impairment loss on “Belgorodenergo” in the amount of RUB 4,826,537 thousand;
 - o results in an impairment loss on “Lipetskenergo” in the amount of RUB 4,566,303 thousand;
 - o results in an impairment loss on “Tambovenergo” in the amount of RUB 3,142,945 thousand;
 - o results in an impairment loss on “Tverenergo” in the amount of RUB 5,065,792 thousand;
 - o results in an impairment loss on “Yarenergo” in the amount of RUB 6,699,055 thousand;
- increase in the level of capital investments in the forecast and post-forecast period by 10%:
 - o does not lead to an impairment loss on “Belgorodenergo” (the value of use in this case will be RUB 24,547,790 thousand);
 - o does not lead to an impairment loss on “Lipetskenergo” (the value of use in this case will be RUB 9,219,262 thousand);
 - o results in an impairment loss on “Tambovenergo” in the amount of RUB 882,736 thousand;
 - o results in an impairment loss on “Tverenergo” in the amount of RUB 300,986 thousand;
 - o results in an impairment loss on “Yarenergo” in the amount of RUB 2,020,758 thousand;
- decrease in the growth rate of net cash flow in the post-forecast period by 1%:
 - o results in an impairment loss on “Belgorodenergo” in the amount of RUB 696,831 thousand;
 - o results in an impairment loss on “Lipetskenergo” in the amount of RUB 137,787 thousand;
 - o results in an impairment loss on “Tambovenergo” in the amount of RUB 1,179,539 thousand;
 - o results in an impairment loss on “Tverenergo” in the amount of RUB 678,481 thousand;
 - o results in an impairment loss on “Yarenergo” in the amount of RUB 2,671,430 thousand;
- decrease of useful life in each period by 0.5%:
 - o does not lead to an impairment loss on “Belgorodenergo” (the value of use in this case will be RUB 24,548,202 thousand);
 - o results in an impairment loss on “Lipetskenergo” in the amount of RUB 121,716 thousand;
 - o results in an impairment loss on “Tambovenergo” in the amount of RUB 932,906 thousand;
 - o results in an impairment loss on “Tverenergo” in the amount of RUB 539,052 thousand;
 - o results in an impairment loss on “Yarenergo” in the amount of RUB 2,266,400 thousand.

The uncertainty of the state of the economy and financial markets of the Russian Federation during the spread of the COVID-19 pandemic, as well as significant volatility in the stock, currency and commodity markets, including the fall in oil prices and the depreciation of the ruble against the US dollar and euro increases the degree of uncertainty of the data used in the test.

14 Intangible assets

	<u>Software</u>	<u>R&D</u>	<u>Other intangible assets</u>	<u>Total</u>
<i>Initial cost</i>				
At 1 January 2020	2,263,075	84,135	1,311,317	3,658,527
Reclassification between groups	-	(21,953)	21,953	-
Additions	386,615	46,402	60	433,077
Acquisition of subsidiaries	4,753	-	52	4,805
Disposals	-	(70,130)	(22)	(70,152)
At 31 December 2020	2,654,443	38,454	1,333,360	4,026,257
<i>Accumulated amortization and impairment</i>				
At 1 January 2020	(861,945)	-	(320,467)	(1,182,412)
Amortization charge	(445,148)	-	(66,739)	(511,887)
At 31 December 2020	(1,307,093)	-	(387,206)	(1,694,299)
<i>Initial cost</i>				
At 1 January 2021	2,654,443	38,454	1,333,360	4,026,257
Reclassification between groups	-	(51,232)	51,232	-
Additions	442,778	53,413	2,576	498,767
Acquisition of subsidiaries	2,435	-	-	2,435
Disposals	-	(11,841)	(3,304)	(15,145)
At 31 December 2021	3,099,656	28,794	1,383,864	4,512,314
<i>Accumulated amortization and impairment</i>				
At 1 January 2021	(1,307,093)	-	(387,206)	(1,694,299)
Amortization charge	(404,773)	-	(71,221)	(475,994)
Disposals	-	-	3,227	3,227
At 31 December 2021	(1,711,866)	-	(455,200)	(2,167,066)
<i>Net book value</i>				
At 1 January 2021	1,347,350	38,454	946,154	2,331,958
At 31 December 2021	1,387,790	28,794	928,664	2,345,248

Amortization of intangible assets included in operating expenses in consolidated statement of profit or loss and other comprehensive income is RUB 475,994 thousand (for the year ended 31 December 2020: RUB 511,887 thousand).

Interest for the year ended 31 December 2021 and for the year ended 31 December 2020 was not capitalized as intangible assets.

Other intangible assets include objects of intellectual property R&D results and objects of Service Concession Arrangement.

Intangible assets in the subgroup “Other intangible assets” the Group included the right to charge users of electricity transmission services under the “Concession agreement regarding the financing creation and

14 Intangible assets (continued)

operation of electric energy transmission and distribution facilities in the Tambov Region”. This agreement provides for the construction by the Group of facilities for the transmission and distribution of electricity in the Tambov region and the provision of services for the transmission distribution of electricity and technological connection using the facilities of the concession agreement. The ownership of the constructed facilities belongs to the Tambov region and the Group receives the right possession and use of objects for use in the specified activity. The concession agreement was concluded in 2015 for 20 years. A concession agreement may be amended or terminated by agreement of the parties in the manner and in the cases provided for by law upon the expiration of the validity period as well as on the basis of a court decision. The objects of the concession agreement shall be included in the planning document for the privatization of property for a period corresponding to the expiration of the concession agreement. Moreover the Group has a preemptive right to repurchase these objects.

During the period of the Concession Agreement the administration of the Tambov Region may provide the Group with subsidies both in terms of paying remuneration for construction and in compensating for lost revenue from electricity transmission. In 2021 the Group received a subsidy in the amount of payment of remuneration for construction in the amount of RUB 50,847 thousand excluding VAT which is reflected in other income (in 2020: in the amount of RUB 50,847 thousand excluding VAT).

The residual value of the intangible assets of the concession agreement as at 31 December 2021 in the amount of RUB 768,614 thousand is reflected in the line “Intangible assets” of the consolidated statement of financial position (in the amount of RUB 823,477 thousand as at 31 December 2020). For the year ended 31 December 2021 depreciation was accrued on the objects of the concession agreement in the amount of RUB 54,863 thousand (for the year ended 31 December 2020: RUB 54,863 thousand).

15 Right-of-use assets

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
<i>Initial cost</i>					
At 1 January 2020	2,755,804	141,151	78,446	11,980	2,987,381
Additions	85,273	56,181	85,825	8,980	236,259
Acquisition of subsidiaries	1,144,149	645,047	152,230	244,343	2,185,769
Change in lease terms	(98,940)	(4,349)	(9,606)	(16,689)	(129,584)
Disposal or termination of lease agreements*	(1,159,543)	(646,514)	(120,744)	(110,770)	(2,037,571)
At 31 December 2020	2,726,743	191,516	186,151	137,844	3,242,254
<i>Accumulated depreciation and impairment</i>					
At 1 January 2020	(136,951)	(26,082)	(13,720)	(2,293)	(179,046)
Depreciation charge	(186,572)	(37,215)	(33,365)	(18,830)	(275,982)
Change in lease terms	94,174	3,237	5,002	2,821	105,234
Disposal or termination of lease agreements	3,232	246	366	1,054	4,898
At 31 December 2020	(226,117)	(59,814)	(41,717)	(17,248)	(344,896)
<i>Net book value</i>					
At 1 January 2020	2,618,853	115,069	64,726	9,687	2,808,335
At 31 December 2020	2,500,626	131,702	144,434	120,596	2,897,358

15 Right-of-use assets (continued)

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
<i>Initial cost</i>					
At 1 January 2021	2,726,743	191,516	186,151	137,844	3,242,254
Additions	1,506,836	576,897	604,882	1,100,948	3,789,563
Change in lease terms	(104,379)	(11,442)	(14,360)	(141)	(130,322)
Disposal or termination of lease agreements*	(98,191)	(23,163)	(21,420)	(93)	(142,867)
At 31 December 2021	4,031,009	733,808	755,253	1,238,558	6,758,628
<i>Accumulated depreciation and impairment</i>					
At 1 January 2021	(226,117)	(59,814)	(41,717)	(17,248)	(344,896)
Depreciation charge	(192,646)	(26,630)	(55,294)	(94,226)	(368,796)
Change in lease terms	66,588	13,492	30,598	241	110,919
Disposal or termination of lease agreements	31,024	9,440	10,757	55	51,276
At 31 December 2021	(321,151)	(63,512)	(55,656)	(111,178)	(551,497)
<i>Net book value</i>					
At 1 January 2021	2,500,626	131,702	144,434	120,596	2,897,358
At 31 December 2021	3,709,858	670,296	699,597	1,127,380	6,207,131

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

The use value of the right-of-use assets is determined using the discounted cash flow method. Information on the impairment test conducted as at 31 December 2021 is disclosed in Note 13.

*At the date of acquisition of one of the acquired companies in August 2020 assets were recognized in the form of right-of-use under lease and lease agreements the leased property for which was subsequently purchased into the ownership of the Group and the lease agreements were terminated. Disposal of leased assets from right-of-use assets to property plant and equipment amounted to RUB 2,013,422 thousand.

16 Other financial assets

	31 December 2021	31 December 2020
Financial assets at fair value through other comprehensive income	194,019	208,201
	194,019	208,201

Non-current financial assets include shares of Russian companies with a fair value calculated on the basis of published market quotations equal to RUB 194,019 thousand as at 31 December 2021 (as at 31 December 2020: RUB 208,201 thousand).

17 Deferred tax assets and liabilities

Differences between IFRS and Russian tax legislation lead to temporary differences between the carrying value of certain assets and liabilities for financial reporting targets on the one hand and for tax targets on income tax on the other.

(a) Recognized deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Property plant and equipment	-	-	(4,899,325)	(5,353,431)	(4,899,325)	(5,353,431)
Intangible assets	-	-	(23,924)	(24,557)	(23,924)	(24,557)
Right-off-use assets	-	-	(1,241,426)	(579,472)	(1,241,426)	(579,472)
Assets related to employee defined benefits plans	-	-	(104,875)	(103,481)	(104,875)	(103,481)
Trade and other receivables	1,350,594	1,053,079	-	-	1,350,594	1,053,079
Lease obligations	1,273,274	617,638	-	-	1,273,274	617,638
Borrowed funds	-	-	(201,137)	(247,266)	(201,137)	(247,266)
Provisions	463,292	399,055	-	-	463,292	399,055
Employee benefits	360,605	387,412	-	-	360,605	387,412
Trade and other payables	225,247	207,918	(886,586)	(7,275)	(661,339)	200,643
Other	1,304	2,595	(2,547)	(123)	(1,243)	2,472
Net tax assets/(liabilities)	3,674,316	2,667,697	(7,359,820)	(6,315,605)	(3,685,504)	(3,647,908)

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17 Deferred tax assets and liabilities (continued)

(b) Movement in temporary differences during the year

	1 January 2021	Acquisition of subsidiaries	Recognized in profit and loss	Recognized in other comprehensive income	31 December 2021
Property plant and equipment	(5,353,431)	57,729	396,377	-	(4,899,325)
Intangible assets	(24,557)	-	633	-	(23,924)
Right-off-use assets	(579,472)	-	(661,954)	-	(1,241,426)
Assets related to employee defined benefits plans	(103,481)	-	(1,394)	-	(104,875)
Financial assets at fair value through other comprehensive income	-	-	(2,836)	2,836	-
Trade and other receivables	1,053,079	-	297,515	-	1,350,594
Lease liabilities	617,638	-	655,636	-	1,273,274
Borrowed funds	(247,266)	-	46,129	-	(201,137)
Provisions	399,055	-	64,237	-	463,292
Employee benefits	387,412	-	11,595	(38,402)	360,605
Trade and other payables	200,643	-	(861,982)	-	(661,339)
Other	2,472	-	(3,715)	-	(1,243)
	(3,647,908)	57,729	(59,759)	(35,566)	(3,685,504)
	1 January 2020	Acquisition of subsidiaries	Recognized in profit and loss	Recognized in other comprehensive income	31 December 2020
Property plant and equipment	(5,997,737)	5,289	639,017	-	(5,353,431)
Intangible assets	(25,190)	-	633	-	(24,557)
Right-off-use assets	(561,667)	-	(17,805)	-	(579,472)
Assets related to employee defined benefits plans	(102,917)	-	(564)	-	(103,481)
Financial assets at fair value through other comprehensive income	-	-	189	(189)	-
Trade and other receivables	901,781	-	151,298	-	1,053,079
Lease liabilities	576,121	-	41,517	-	617,638
Borrowed funds	(2,302)	-	(244,964)	-	(247,266)
Provisions	450,305	-	(51,250)	-	399,055
Employee benefits	345,516	-	15,375	26,521	387,412
Trade and other payables	188,516	-	12,127	-	200,643
Other	1,801	-	671	-	2,472
	(4,225,773)	5,289	546,245	26,332	(3,647,908)

18 Inventories

	<u>31 December 2021</u>	<u>31 December 2020</u>
Raw materials and supplies	1,250,040	1,204,928
Allowance for impairment of raw materials and supplies	(835)	(1,420)
Other inventories	<u>2,281,914</u>	<u>1,866,468</u>
	<u>3,531,119</u>	<u>3,069,976</u>

The Group had no inventories that would have been pledged under credit or other contracts as at 31 December 2021 and 31 December 2020. The Group has included spare parts, others.

19 Trade and other receivables

	<u>31 December 2021</u>	<u>31 December 2020</u>
Non-current trade and other account receivable		
Trade receivables	1,756,272	59,053
Allowance for expected credit losses on trade receivables	(9,016)	-
Other receivables	<u>252,474</u>	<u>79,788</u>
	<u>1,999,730</u>	<u>138,841</u>
Current trade and other account receivable		
Trade receivables	19,486,901	24,183,709
Allowance for expected credit losses on trade receivables	(8,797,026)	(10,785,503)
Other receivables	3,299,820	2,547,896
Allowance for expected credit losses on other receivables	<u>(2,117,920)</u>	<u>(1,604,548)</u>
	<u>11,871,775</u>	<u>14,341,554</u>

Non-current and current other receivables include restructured receivables under the assignment agreement in the total non-discounted amount of RUB 94,068 thousand as at 31 December 2021 (as at 31 December 2020: RUB 125,423 thousand). The terms of the agreement provide for the repayment of the remaining part of receivables in 2022-2024 and the application of the interest rate of 12.44% per annum. As at 31 December non-current trade receivables include the debt of a number of consumers of electricity transmission services discounted at a rate of 9.5% per annum.

The Group's exposure to credit risk and allowance for expected credit losses on trade and other receivables is disclosed in Note 31.

Balance with related parties is disclosed in Note 34.

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(in thousands of Russian rubles, unless otherwise stated)**20 Advances given and other assets**

	<u>31 December 2021</u>	<u>31 December 2020</u>
Non-current		
Advances given	4,077	1,500
	4,077	1,500
Current		
Advances given	637,991	406,450
Advances given impairment allowance	(14,446)	(14,123)
VAT recoverable	21,434	42,484
VAT on advances to customers and clients and advances given for the purchase of property plant and equipment	801,289	479,109
Prepaid taxes other than income tax	52,816	59,445
	1,499,084	973,365

Balance with related parties is disclosed in Note 34.

21 Cash and cash equivalents

	<u>31 December 2021</u>	<u>31 December 2020</u>
Cash in bank accounts and cash on hand	1,617,933	1,002,671
Cash equivalents	263,613	403,640
	1,881,546	1,406,311

All balance of cash and cash equivalents are denominated in rubles as at 31 December 2021 and 31 December 2020.

Cash equivalents as at 31 December 2021 and 31 December 2020 include short-term investments in bank deposits and promissory notes (only as at 31 December 2020). They are placed at interest rates 6.37 % - 8.15% per annum.

22 Equity**(a) Equity**

	<u>Ordinary shares</u>	
	<u>31 December 2021</u>	<u>31 December 2020</u>
Par value (in RUB)	0.10	0.10
On issue at 1 January units	42,217,941,468	42,217,941,468
On issue at the end of the period fully paid units	42,217,941,468	42,217,941,468

(b) Ordinary and preference shares

The holders of ordinary shares are entitled to vote on all issues on the agenda of the General meeting of shareholders to receive dividends in the manner determined by the legislation of the Russian Federation and the Charter as well as other rights stipulated by the Charter and the legislation of the Russian Federation.

22 Equity (continued)

(c) Dividends

The source of payment of dividends is the net profit of the Company determined in accordance with the requirements established by the current legislation of the Russian Federation.

In accordance with the Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

At the annual general meeting of shareholders held on 31 May 2021 dividends for 2020 were declared in the amount of RUB 1,414,339 thousand. The amount of dividends was RUB 0.0335009 per one ordinary share.

At the same time for 2021 the Company restored unclaimed dividends for 2017 in the amount of RUB 7,257 thousand (for 2020: RUB 14,955 thousand - recovery of unclaimed dividends for 2016).

For the year ended 31 December 2021 the dividends paid to the owners of the company amounted to RUB 1,392,284 thousand (for the year ended 31 December 2020 – RUB 836,639 thousand).

23 Earnings per share

The calculation of earnings per share for the year ended 31 December 2021 and 31 December 2020 is based on earnings attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

The Company has no dilutive financial instruments.

<i>In millions of shares</i>	2021	2020
Ordinary shares at 1 January	42,218	42,218
Weighted average number of shares for the year ended 31 December	42,218	42,218
	Year ended 31 December 2021	Year ended 31 December 2020
Weighted average number of ordinary shares outstanding for the year ended 31 December (millions of shares)	42,218	42,218
Earnings for the year attributable to holders of ordinary shares	4,250,911	2,051,061
Earnings per ordinary share (in RUB) – basic and diluted	0.101	0.049

24 Borrowed funds

	<u>31 December 2021</u>	<u>31 December 2020</u>
Non-current liabilities		
Secured loans and borrowings	120,068	239,183
Unsecured loans and borrowings	32,465,133	28,932,684
Unsecured bonds	10,055,702	15,128,660
Lease liabilities	6,366,371	3,088,188
Less: current portion of long-term loans and borrowings	(3,647,725)	(8,386,286)
Less: current portion of long-term bonds	(5,063,750)	(5,142,867)
Less: current portion of long-term lease liabilities	(1,024,421)	(415,616)
	<u>39,271,378</u>	<u>33,443,946</u>
Current liabilities		
Current portion of long-term loans and borrowings	3,647,725	8,386,286
Current portion of long-term bonds	5,063,750	5,142,867
Current portion of long-term lease liabilities	1,024,421	415,616
	<u>9,735,896</u>	<u>13,944,769</u>
Including:		
Debts on interest payable on loans and borrowings	84,983	16,751
Debts on interest payable on bonds	63,750	143,900
	<u>148,733</u>	<u>160,651</u>

All balance of loans and borrowings are denominated in rubles as at 31 December 2021 and 31 December 2020.

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24 Borrowed funds (continued)

	Year of maturity	Effective interest rate		Carrying value	
		31.12.2021	31.12.2020	31 December 2021	31 December 2020
Unsecured borrowed funds					
Unsecured bank loans	2022-2023	KR,CB,RF+1.10% - ,KR,CB,RF+1.40%	KR,CB,RF+1.10% - ,KR,CB,RF+1.50%	12,939,353	14,322,128
Unsecured bank loans	2023-2024	KR,CB,RF+1.35% - ,KR,CB,RF+2.50%	KR,CB,RF+0.98% - ,KR,CB,RF+1.70%	10,492,519	10,988,524
Unsecured bank loans	2024	KR,CB,RF+1.20%	-	4,000,000	-
Unsecured bank loans	2023	9,00%	-	100,000	-
Unsecured loans	2028	5.80%-6.40%	5.80%-6.40%	3,845,486	3,622,032
Unsecured loans	2027	9,00%	-	1,087,775	-
				32,465,133	28,932,684
Secured borrowed funds					
Secured bank loans	2022	KR,CB,RF,+1.50%	KR,CB,RF,+1.50%	119,633	239,183
Secured bank loans	2022	8,30%	-	435	-
				120,068	239,183
Unsecured bonds					
Unsecured bonds	2022,-2023	5.60%-6.85%	5.60%,-,6.95%	10,055,702	15,128,660
Lease liabilities					
Lease liabilities	2022-2070	5.62%-12.76%	5.62%-12.76%	6,366,371	3,088,188
Total liabilities				49,007,274	47,388,715

The Group does not use hedging instruments to manage interest rate risk. Information on the Group's exposure to interest rate risk is disclosed in Note 31.

25 Changes in liabilities arising from financial activities

	Borrowed funds		Interest on financial liabilities other than leases	Lease liabilities	Dividends payable
	Long-term part	Short-term part			
As at 1 January 2021	30,771,374	13,368,502	160,651	3,088,188	44,298
Changes in cash flows from financial activities					
Proceeds from borrowed funds	15,560,183	798,127	-	-	-
Repayment of borrowed funds	(4,117,000)	(14,177,337)	-	-	-
Lease payment	-	-	-	(344,366)	-
Interest paid (operating activities reference)	-	-	(2,790,766)	(411,087)	-
Dividends paid	-	-	-	-	(1,414,484)
Total	11,443,183	(13,379,210)	(2,790,766)	(755,453)	(1,414,484)
Non-cash transactions					
Reclassification	(8,601,782)	8,601,782	-	-	-
Capitalize interest	-	-	185,012	-	-
Interest expense	-	-	2,593,386	411,087	-
Additions from lease agreements	-	-	-	3,758,961	-
Dividends accrued	-	-	-	-	1,436,539
Discounting	268,653	(38,007)	-	-	-
Other changes net	48,000	9,675	450	(136,412)	(7,257)
Total	(8,285,129)	8,573,450	2,778,848	4,033,636	1,429,282
As at 31 December 2021	33,929,428	8,562,742	148,733	6,366,371	59,096

25 Changes in liabilities arising from financial activities (continued)

	Borrowed funds		Interest on financial liabilities other than leases	Lease liabilities	Dividends payable
	Long-term part	Short-term part			
As at 1 January 2020	36,761,459	6,709,186	141,667	2,880,604	895,892
Changes in cash flows from financial activities					
Proceeds from borrowed funds	54,845,119	2,012,096	-	-	-
Repayment of borrowed funds	(46,373,091)	(8,601,747)	-	-	-
Lease payment	-	-	-	(141,190)	-
Interest paid (operating activities reference)	-	-	(2,784,044)	(303,931)	-
Dividends paid	-	-	-	-	(842,639)
Total	8,472,028	(6,589,651)	(2,784,044)	(445,121)	(842,639)
Non-cash transactions					
Reclassification	(13,245,343)	13,245,343	-	-	-
Capitalize interest	-	-	153,761	-	-
Interest expense	-	-	2,649,267	303,931	-
Additions from lease agreements	-	-	-	236,258	-
Dividends accrued	-	-	-	-	6,000
Discounting	(1,216,770)	3,624	-	-	-
Other changes net	-	-	-	112,516	(14,955)
Total	(14,462,113)	13,248,967	2,803,028	652,705	(8,955)
As at 31 December 2020	30,771,374	13,368,502	160,651	3,088,188	44,298

26 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 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:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Present value of post-employment benefits obligation	2,981,218	3,308,876
Total present value of employee benefit obligation	<u>2,981,218</u>	<u>3,308,876</u>

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

	<u>Year ended 31 December 2021</u>	<u>Year ended 31 December 2020</u>
Value of assets at 1 January	517,405	514,585
Gain on program assets	20,802	38,591
Employer contributions	165,559	109,198
Other movements in the accounts	(11,910)	(20,297)
Payments of remuneration	(167,480)	(124,672)
Value of assets at 31 December	<u>524,376</u>	<u>517,405</u>

Assets, related, to, pension, plans, and, defined, benefit, plans, are, administrated, by, non-state pension funds JSC “NPF “Otkrytie”.

These assets are not the defined benefit plans assets because according to the conditions of the fund the Group has 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.

26 Employee benefits (continued)

Movements in the present value of defined benefit liabilities:

	Year ended 31 December 2021	Year ended 31 December 2020
	Post-employment benefits obligation	Post-employment benefits obligation
Defined benefit plan obligations as at 1 January	3,308,876	2,996,844
Current service cost	178,583	154,138
Interest expense	187,746	176,556
Remeasurement effect from:		
- (gain)/loss from change in financial actuarial assumptions	(603,499)	73,393
- (gain)/loss arising from experience adjustment	140,583	102,309
Contributions to the plan	(231,071)	(194,364)
Defined benefit plan obligations as at 31 December	2,981,218	3,308,876

Expenses recognized in profit or loss for the period:

	Year ended 31 December 2021	Year ended 31 December 2020
Employees service cost	178,583	154,138
Interest expenses	187,746	176,556
Total expenses recognized in profit or loss	366,329	330,694

(Income)/costs recognized in other comprehensive income for the period:

	Year ended 31 December 2021	Year ended 31 December 2020
(Gain)/loss from change in financial actuarial assumptions	(603,499)	73,393
Loss arising from experience adjustment	140,583	102,309
Total (gain)/loss recognized in other comprehensive income	(462,916)	175,702

26 Employee benefits (continued)

Movements in allowance for remeasurement of employee benefit obligations in other comprehensive income during the year:

	Year ended 31 December 2021	Year ended 31 December 2020
Remeasurements at 1 January	1,594,476	1,418,774
Movement of remeasurements	(462,916)	175,702
Remeasurements at 31 December	1,131,560	1,594,476

The key actuarial assumptions are as follows:

	31 December 2021	31 December 2020
Financial assumptions		
Discount rate	8.40%	6.10%
Future salary increase	5.00%	4.50%
Inflation rate	4.50%	4.00%
Demographic assumptions		
Expected age of retirement		
• Men	65	65
• Women	60	60
Average level of staff movement	5.90%	5.90%

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 by 0.50%	Increase/decrease by -4.5%
Future salary growth	Increase by 0.50%	Increase/decrease by 4.0%
Future growth of benefits (inflation)	Increase by 0.50%	Increase/decrease by 1.0%
Level of staff movement	Increase by 10%	Increase/decrease by -1.4%
Mortality level	Increase by 10%	Increase/decrease by -1.4%

Expected payments under the defined long-term employee benefit plans to employees in 2022 year including non-state pension schemes are RUB 389,552 thousand under the defined benefit plans.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021
(in thousands of Russian rubles, unless otherwise stated)**27 Trade and other payables**

	<u>31 December 2021</u>	<u>31 December 2020</u>
Non-current accounts payable		
Trade payables	258,383	19,446
Other payables	70,429	44,107
	<u>328,812</u>	<u>63,553</u>
Current accounts payable		
Trade payables	9,620,579	9,152,280
Other payables and accrued expenses	1,245,931	1,583,221
Payables to employees	1,937,786	1,077,021
Dividends payable	59,096	44,298
	<u>12,863,392</u>	<u>11,856,820</u>

The Group's exposure to liquidity risk related to payables is disclosed in Note 31.

28 Tax liabilities other than income tax

	<u>31 December 2021</u>	<u>31 December 2020</u>
Value-added tax	1,578,833	1,540,225
Property tax	528,945	512,728
Social security contributions	516,507	473,965
Other taxes payable	196,508	34,847
	<u>2,820,793</u>	<u>2,561,765</u>

29 Advances from customers

Advances from customers (contractual obligations) as at 31 December 2021 and 31 December 2020 are reflected including VAT.

	<u>31 December 2021</u>	<u>31 December 2020</u>
Advances for services of technological connection to electric grids	1,975,234	547,256
Advances from customers	87,557	69,708
Total non-current advances from customers	<u>2,062,791</u>	<u>616,964</u>
Advances for services of technological connection to electric grids	2,007,250	1,640,372
Advances from customers	734,890	666,064
Total current advances from customers	<u>2,742,140</u>	<u>2,306,436</u>

30 Provisions

	Year ended 31 December 2021	Year ended 31 December 2020
Balance on 1 January	1,995,276	2,251,523
Accrual (increase) for the period	1,129,969	631,106
Recovery (decrease) for the period	(145,706)	(326,549)
Use of provisions	(651,749)	(560,804)
Balance on 31 December	2,327,790	1,995,276

Provisions relate mainly to legal proceedings and claims against the Group on ordinary activities.

In the course of its operations the Group is a party to legal proceedings. For unfinished legal proceedings where the Group acts as a defendant with a low probability of resolution in favor of the Group an allowance reserve for legal proceedings has been established. The estimated timeframe for the fulfillment of estimated obligations for unfinished litigation is less than 12 months. The Group did not reflect in the financial statements the reserves for the appraisal liabilities at the reporting date for claims the likelihood of their resolution being assessed considering the positive judicial practice in favor of the Group as high. The amount of such claims amounted to RUB 3,827,327 thousand as at 31 December 2021 (as at 31 December 2020: RUB 3,131,534 thousand).

The amount of disagreements on the volumes of electricity transmitted and on payment amounted to RUB 3,888,462 thousand as at 31 December 2021 (as at 31 December 2020: RUB 4,360,030 thousand). The Group did not recognize the expected credit losses at the reporting date for disagreements on the volumes of electricity transmitted and on payment the likelihood of their resolution being assessed considering the positive judicial practice and the expected results of an independent expertise in favor of the Group as high.

31 Financial risk and capital management

In the normal course of its 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 provides information on the Group's exposure to each of these risks examines the goals policies and procedures for assessing and managing risks and the Group's capital management system. More detailed quantitative information is disclosed in the relevant sections of these consolidated financial statements.

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

(a) Credit risk

Credit risk is the risk that the Group will incur a financial loss caused by the buyer or counterparty to a financial instrument not fulfilling its contractual obligations in full and within a specified period. Credit risk is mainly related to the group's accounts receivable 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 a minimal risk of default and are considered reliable counterparties with a stable financial position in the financial market of the Russian Federation.

31 Financial risk and capital management (continued)

Taking into account 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 a provision for expected credit losses on trade and other receivables the estimated amount of which is determined based on the model of expected credit losses weighted by the probability of default and can be adjusted both upwards and downwards. To do this the Group analyzes the creditworthiness of counterparties the dynamics of debt repayment takes into account changes in payment terms the availability of third-party guarantees bank guarantees and current general economic conditions.

The carrying amount of accounts receivable less allowance for expected credit losses represents the maximum amount exposed to credit risk. Although the repayment of accounts receivable is subject to economic and other factors the Group believes that there is no significant risk of losses exceeding the created allowance.

If possible the group uses the prepayment system in its relations with counterparties. As a rule prepayment for technological connection of consumers to networks is provided by the contract. The group does not require collateral for receivables.

In order to effectively manage accounts receivable the Group monitors changes in the volume of accounts receivable and its structure identifying current and overdue debts. In order to minimize credit risk the Group implements measures aimed at timely fulfillment of contractual obligations by contractors reducing and preventing the formation of overdue debts. Such events include in particular: negotiating with customers improving the efficiency of the formation process of services volume on electricity transmission ensure the execution concerted with guaranteeing suppliers schedules a test of reading and technical checks of the accounting system of electricity restriction of the consumption mode of electric power (exercisable in accordance with the legislation of the Russian Federation) claim work the presentation of requirements on provision of financial security in the form of independent (bank) guarantees guarantees and other forms of security for the obligations performance.

Level of credit risk

The carrying amount of financial assets reflects the Group's maximum exposure to credit risk. At the balance sheet date the maximum level of credit risk was:

	Carrying amount	
	31 December 2021	31 December 2020
Financial assets at fair value through other comprehensive income	194,019	208,201
Trade and other receivables (net of allowance for expected credit losses)	13,871,505	14,480,395
Cash and cash equivalents	1,881,546	1,406,311
	15,947,070	16,094,907

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31 Financial risk and capital management (continued)

At the balance sheet date the maximum level of credit risk in respect of trade receivables (excluding other receivables) by customer groups was as follows:

	<u>Gross</u>	<u>Impairment loss</u>	<u>Gross</u>	<u>Impairment loss</u>
	<u>31 December 2021</u>	<u>31 December 2021</u>	<u>31 December 2020</u>	<u>31 December 2020</u>
Buyers of electricity sales services	641,629	(496,769)	1,076,806	(928,342)
Buyers of electricity transmission services	18,809,103	(7,322,888)	21,882,735	(9,272,508)
Buyers of technological connection to networks	147,853	(71,256)	179,339	(82,373)
Other buyers	1,644,588	(915,129)	1,103,882	(502,280)
	<u>21,243,173</u>	<u>(8,806,042)</u>	<u>24,242,762</u>	<u>(10,785,503)</u>

The carrying amount of trade receivables attributable to the ten largest debtors of the Group was RUB 9,356,540 thousand as at 31 December 2021 (as at 31 December 2020: RUB 10,055,544 thousand).

The aging of trade and other receivables is provided below:

	<u>Gross</u>	<u>Impairment loss</u>	<u>Gross</u>	<u>Impairment loss</u>
	<u>31 December 2021</u>	<u>31 December 2021</u>	<u>31 December 2020</u>	<u>31 December 2020</u>
Not past due	9,110,579	(655,700)	9,418,300	(676,909)
Past due less than 3 months	2,168,343	(115,862)	2,527,436	(98,404)
Past due more than 3 months and less than 6 months	471,908	(93,024)	785,719	(78,402)
Past due more than 6 months and less than 1 year	1,426,579	(617,836)	943,284	(356,273)
Past due more than 1 year	11,618,058	(9,441,540)	13,195,707	(11,180,063)
	<u>24,795,467</u>	<u>(10,923,962)</u>	<u>26,870,446</u>	<u>(12,390,051)</u>

31 Financial risk and capital management (continued)

The movement in the allowance for expected credit losses was as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Balance at 1 January	12,390,051	12,465,010
Increase for the period	1,449,103	1,317,268
Amounts of trade and other receivables written off using the allowance for impairment accrued earlier	(2,162,415)	(943,281)
Reversal of allowance for impairment for the period	(779,590)	(470,814)
Acquisition of subsidiaries	26,813	21,868
Balance at 31 December	10,923,962	12,390,051

(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 securing credit lines. The Group adheres to a balanced model of financing working capital by using both short-term and long-term sources. Basically temporarily free funds invested in the 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 analyze payment dates associated with financial assets and also to forecast cash flows from operating activities.

The amount of free limit on open but unused credit lines of the Group was RUB 66,744,802 thousand at 31 December 2021 (31 December 2020: RUB 85,846,485 thousand). The Group has opportunity to attract additional financing within the corresponding limits including for the purpose of execution of the short-term obligations.

Information about the contractual maturities of financial liabilities including estimated interest payments and without influence of netting is provided below. With respect to the cash flows included in the maturity analysis it is not expected that they can arise much earlier in time or in significantly different amounts:

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31 Financial risk and capital management (continued)

31 December 2021	Carrying amount	Contractual cash flows	12 months or less	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
Non-derivative financial liabilities								
Borrowed funds	32,585,201	33,582,838	3,689,012	13,632,470	12,786,058	881,475	937,375	1,656,448
Bonds	10,055,702	10,063,750	5,063,750	5,000,000	-	-	-	-
Lease liabilities	6,366,371	11,192,813	1,133,117	1,059,796	952,009	948,946	821,054	6,277,891
Trade and other payables	13,192,204	13,236,209	12,864,481	98,822	220,875	47,493	-	4,538
	62,199,478	68,075,610	22,750,360	19,791,088	13,958,942	1,877,914	1,758,429	7,938,877
31 December 2020	Carrying amount	Contractual cash flows	12 months or less	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
Non-derivative financial liabilities								
Borrowed funds	29,171,867	32,975,636	9,542,162	4,504,080	15,470,020	691,875	691,875	2,075,624
Bonds	15,128,660	16,554,450	5,794,050	5,620,800	5,139,600	-	-	-
Lease liabilities	3,088,188	6,970,032	585,799	507,809	483,682	353,698	311,153	4,727,891
Trade and other payables	11,920,373	11,929,226	11,857,909	27,207	30,513	8,692	-	4,905
	59,309,088	68,429,344	27,779,920	10,659,896	21,123,815	1,054,265	1,003,028	6,808,420

31 Financial risk and capital management (continued)

(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 optimizing the return.

Currency risk

During the reporting period no significant payments were made in foreign currency.

Interest rate risk

Changes in interest rates primarily affect borrowed funds because they change either their fair value (for fixed-rate borrowed funds) or their future cash flows (for floating-rate borrowed funds). The Group's management does not follow any established rules when determining the ratio between borrowed funds at fixed and floating rates. However, at the time of attracting new borrowed funds, management makes a decision based on its judgment on which rate – fixed or floating – will be most beneficial for the Group for the entire settlement period until the debt is repaid.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities 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.

Sensitivity of cash flows for financial instruments with a floating interest rate

As at 31 December 2021 the Group's financial liabilities with floating interest rates amounted to RUB 27,551,505 thousand (31 December 2020: RUB 25,549,835 thousand).

A possible change in interest rates by 100 basis points would increase (decrease) the amount of profit /(loss) for 2021 by RUB 281,763 thousand (31 December 2020: RUB 183,729 thousand). This analysis was based on the assumption that all other variables remain unchanged and interest expenses are not capitalized.

Other market price risk

The risk of changes in the price of equity instruments arises in respect of equity securities measured at fair value through other comprehensive income. The Management of the Group monitors its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Group Management. As at 31 December 2021 financial assets measured at fair value through other comprehensive income exposed to equity price risk amounted to RUB 194,019 thousand (31 December 2020: RUB 208,201 thousand). If the stock prices were 10% larger (lower) at constant values of all other variables the other comprehensive income excluding income tax increased (decreased) by RUB 19,398 thousand.

31 Financial risk and capital management (continued)**(d) Fair value and carrying amount**

The Group's management believes that the fair value of other financial assets and financial liabilities approximates their carrying value.

	31 December 2021		Level of fair value hierarchy			
	Note	Carrying amount	Fair value	1	2	3
Financial assets at fair value through other comprehensive income						
Investments in equity instruments	16	194,019	194,019	193,982	-	37
Total		194,019	194,019	193,982	-	37

	31 December 2020		Level of fair value hierarchy			
	Note	Carrying amount	Fair value	1	2	3
Financial assets at fair value through other comprehensive income						
Investments in equity instruments	16	208,201	208,201	208,164	-	37
Total		208,201	208,201	208,164	-	37

During the year ended 31 December 2021, there was no transfer between the levels of the fair value hierarchy.

Reconciliation of the carrying amount of financial assets at fair value through other comprehensive income at the beginning and end of the reporting period is presented in the table below:

	Financial assets at fair value through other comprehensive income 2021
On 1 January	208,201
Change in fair value recognized in other comprehensive income	(14,182)
On 31 December	194,019

(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.

31 Financial risk and capital management (continued)

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.

32 Capital commitments

As at 31 December 2021, the Group has outstanding commitments under contract for the purchase and construction of property plant and equipment items for RUB 10,086,921 thousand inclusive of VAT (as at 31 December 2020: RUB 10,669,117 thousand inclusive of VAT).

Future lease payments under lease agreements for which the Group has contractual obligations and the lease term has not yet begun at the reporting date amount to RUB 128,033 thousand inclusive of VAT as at 31 December 2021 (as at 31 December 2020: RUB 1,501,170 thousand).

33 Contingencies**(a) Insurance**

The Group has unified requirements in respect of the volume of insurance coverage, reliability of insurance companies and about procedures of insurance protection organization. The Group maintains insurance of assets, civil liability and other insurable risks. The main business assets of the Group have insurance coverage in case of damage or loss assets. However, there are risks of negative impact on the operations and the financial position of the Group in the 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 and customs legislation is subject to varying interpretations regarding the operations and activities of the Group. Accordingly, management's interpretation of tax legislation and its formal documentation can be successfully challenged by the relevant regional or federal authorities. Tax administration in Russia is gradually increasing. In particular, the risk of checking the tax aspect of transactions without obvious economic sense or with counterparties that violate tax laws is increasing. Tax audits may cover the three calendar years preceding the year of the decision on the tax audit. Under certain conditions, earlier periods may also be subject to verification.

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

Starting from 1 January 2019 control over transfer pricing for a significant part of domestic transactions has been lifted. However, the exemption from price controls may not apply to all transactions made in the domestic market. At the same time, in the case of additional charges, the mechanism of counter-adjustment of tax liabilities can be used if certain legal requirements are met. Intra-group transactions that have been out of the control of the TP since 2019 can nevertheless be checked by the territorial tax authorities for obtaining unjustified tax benefits and the TP methods can be used to determine the amount of additional charges. The federal executive body authorized to control and supervise taxes and fees may check prices/profitability in controlled transactions and, in case of disagreement with the prices applied by the Group in these transactions additional tax liabilities if the Group is unable to justify the market nature of pricing in these transactions by providing transfer pricing documentation that meets the legal requirements.

With the further development of the practice of applying the rules of taxation the property tax authorities and courts may challenge the criteria for classifying property as movable or immovable things applied by the Group. The Group's management does not exclude the risk of resource outflows and the impact of such developments cannot be reliably assessed.

33 Contingencies (continued)

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

(c) *Litigations*

The Group is a party to a number of litigations (both as a plaintiff and as respondent) arising in the ordinary course of business. In the opinion of Management, there are currently no outstanding claims or other claims that could have a material impact on the Group's results of operations or financial position and would not be recognized or disclosed in the consolidated financial statements.

(d) *Environmental matters*

The Group has operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation continues to evolve responsibilities of authorized Government bodies to oversee are being reconsidered. Potential environmental liabilities arise from changes in interpretations of existing legislation lawsuits or changes in legislation can be assessed. In the opinion of management under the existing control system and under current legislation there are no probable liabilities that could have a material adverse effect on the financial position results of operations or cash flows of the Group.

34 Related party transactions

Parties are usually considered related if they are under common control or one of the parties has the ability to control the other party or can have a significant influence on its decisions on financial and economic activities or exercise joint control over it. When considering the relationship with each of the possible related parties, the economic content of such relationships is taken into account and not only their legal form.

The related parties of the Group for the year ended 31 December 2021 and 31 December 2020, as well as at 31 December 2021 and 31 December 2020, were the parent company its subsidiaries key management personnel as well as companies related to the main shareholder of the parent company.

(a) Transactions with the parent company its subsidiaries and associates

	Amount of the transaction for the year ended 31 December		Carrying amount	
	2021	2020	2021	2020
Revenue net other income finance income				
Parent company				
Other income	780	780	-	-
Entities under common control of the parent company				
Electricity transmission	1,875,179	1,292,937	158,176	141,135
Other revenue	898,938	1,016,308	231,723*	264,385*
Dividends receivable	393	162	-	-
Other	130,921	233,677	-	-

34 Related party transactions (continued)

Operating expenses	Amount of the transaction		Carrying amount	
	2021	2020	2021	2020
Parent company				
Expenses for services related to the organization of the functioning and development of the EEC	207,458	242,405	42,752	47,050
Technical supervision services	42,249	42,249	-	-
Other expenses	13,671	13,671	-	-
Dividends	710,436	-	-	-
Entities under common control of the parent company				
Electricity transmission services	17,145,732	16,663,949	824,702	887,005
Other expenses	606,464	178,111	508,468	110,407
Interest expenses on financial liabilities recorded at amortized cost	57,775	-	-	-
Others	-	-	878,000	903,000

* Accounts receivable for other revenue includes an allowance for expected credit losses created for the debt of companies under the general control of the parent company as at 31 December 2021 in the amount of RUB 330,927 thousand (as at 31 December 2020: in the amount of RUB 328,851 thousand).

For 2021 entities under the common control of the parent company performed work on the creation of assets that were registered as non-current assets in the amount of RUB 223,820 thousand (2020: in the amount of RUB 476,924 thousand). The accounts payable for such transactions are shown in the table above.

	Carrying amount	
	2021	2020
Parent company		
Borrowed funds	3,845,486	3,622,032
Entities under common control of the parent company		
Advances given	56,086	67,414
Advances received	62,316	229,554
Borrowed funds	1,087,775	-

The debt to the parent company for the payment of dividends as at 31 December 2021 is absent (as at 31 December 2020: is absent).

34 Related party transactions (continued)

(b) Transactions with key management personnel

In order to prepare these consolidated financial statements, the key management personnel are members of the Board of Directors, the management Board, General Directors of subsidiaries and other key management personnel.

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

The amounts of remuneration to key management personnel disclosed in the table represent the current period expenses for key management personnel reflected in employee benefits.

	Year ended 31 December 2021	Year ended 31 December 2020
Short-term employee benefits	509,320	463,487
Severance payment	509	5,760
	509,829	469,247

As at 31 December 2021 the current value of the defined benefit obligation is shown in the consolidated statement of financial position and includes liabilities for key management personnel in the amount RUB 43,914 thousand (as at 31 December 2020: RUB 19,271 thousand).

(c) Transactions with companies related to the main shareholder of the parent company

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

Revenue from companies related to the main shareholder of the parent company for the year ended 31 December 2021 constitute 31% (for the year ended 31 December 2020: 30%) of total Group revenues, including 30% (for the year ended 31 December 2020: 30%) of electricity transmission revenues.

Electricity transmission costs and expenses for the purchase of electricity to compensate for technological losses for companies related to the main shareholder of the parent company, including PJSC FGC UES, for the year ended 31 December 2021 constitute 73% (for the year ended 31 December 2020: 62%) of total electricity transmission costs.

As at 31 December 2021 loans from banks related to the main shareholder of the parent company amounted to RUB 27,551,941 thousand (as of 31 December 2020: RUB 25,549,835 thousand).

Interest accrued on loans and borrowings from banks related to the main shareholder of the parent company amounted to 77% of the total amount of accrued interest for the year ended 31 December 2021 (for the year ended 31 December 2020: 69%).

As at 31 December 2021 the balance of cash and cash equivalents placed with banks associated with the main shareholder of the parent company amounted to RUB 452,516 thousand (as at 31 December 2020: RUB 1,032,741 thousand).

As at 31 December 2021 lease obligations for companies related to the main shareholder of the parent company amounted to RUB 1,996,143 thousand (as at 31 December 2020: RUB 1,291,534 thousand).

35 Events after the reporting date

On 21 January 2022, the Group concluded an agreement for the purchase and sale of 100% of ordinary registered non-documentary shares of an electric grid company located in one of the regions of the Russian Federation. In accordance with the terms of the agreement, the shares are considered to be transferred to the ownership of the Group from the moment the corresponding entry about the buyer of shares into the register of owners of the company's shares - on 04 February 2022. The purchase price is defined as RUB 255,917 thousand and paid in cash. The main activities of the acquired company are the transmission of electricity and technological connection to the power grid in one of the regions of the Russian Federation.

There are no other significant events that have or may have an impact on the financial condition, cash flows or results of operations of the Group that occurred between the reporting date and the date of signing of the consolidated financial statements of the Group for the year ended 31 December 2021, prepared in accordance with IFRS, except for the events disclosed in the Note 1 in relation to the economic environment in which the Group operates.