PJSC «IDGC of Centre»

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2020

Contents	Page

Independent auditor's report	3
Consolidated statement of profit or loss and other comprehensive income	9
Consolidated statement of financial position	10
Consolidated statement of cash flows	11
Consolidated statement of changes in equity	13
Notes to the consolidated financial statements	14

1	Background	14
2	Basis of preparation of consolidated financial statements	16
3	Significant accounting policies	21
4	Measurement of fair value	33
5	Significant subsidiaries	33
6	Information about segments	36
7	Revenue	42
8	Other income and other expenses	42
9	Operating expenses	43
10	Personnel costs	43
11	Finance income and costs	44
12	Income tax	44
13	Property, plant and equipment	46
14	Intangible assets	56
15	Right-of-use assets	57
16	Other financial assets	59
17	Deferred tax assets and liabilities	59
18	Inventories	61
19	Trade and other receivables	61
20	Advances given and other assets	61
21	Cash and cash equivalents	62
22	Equity	63
23	Earnings per share	63
24	Borrowed funds	64
25	Changes in liabilities arising from financial activities	66
26	Employee benefits	68
27	Trade and other payables	71
28	Tax liabilities other than income tax	71
29	Advances from customers	71
30	Provisions	72
31	Financial risk and capital management	72
32	Capital commitments	79
33	Contingencies	79
34	Related party transactions	80
35	Events after the reporting date	82

Совершенствуя бизнес,
улучшаем мир

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/ru

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827
ОГРН: 1027739707203
ИНН: 7709383532

Independent auditor's report

To Shareholders and Board of Directors of
Public Joint-Stock Company
"Interregional Distribution Grid Company of Centre"

Opinion

We have audited the consolidated financial statements of Public Joint-Stock Company "Interregional Distribution Grid Company of Centre" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 2020 and its consolidated financial performance and its consolidated cash flows for 2020 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 2020, 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.

Key audit matter	How our audit addressed the key audit matter
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 2020, the Group 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 2020, 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.	As part of our audit procedures, we also assessed the assumptions and methodologies applied by the Group, in 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.

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

In connection with 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.

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 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.

Совершенствуя бизнес,
улучшаем мир

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

T.L. Okolotina
Partner
Ernst & Young LLC

9 March 2021

Details of the audited entity

Name: Public Joint-Stock Company "Interregional Distribution Grid Company of 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.

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.

(in thousands of Russian rubles, unless otherwise stated)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019 (restated)
Revenue	7	97,638,836	94,641,562
Operating expenses	9	(89,400,742)	(88,510,090)
Accrual of allowance for expected credit losses	31	(846,454)	(831,785)
Net (accrual) / recovery of impairment losses on property, plant and equipment and assets in the form of rights of use	13,15	(3,980,593)	881,180
Other income	8	1,662,373	2,215,884
Other expenses	8	(48,329)	(578,245)
Result from operating activities		**5,025,091**	**7,818,506**
Finance income	11	1,494,014	146,949
Finance costs	11	(3,205,271)	(3,603,127)
Total financial costs		**(1,711,257)**	**(3,456,178)**
Profit before income tax		**3,313,834**	**4,362,328**
Income tax expense	12	(1,157,512)	(1,302,794)
Profit for the period		**2,156,322**	**3,059,534**
Other comprehensive income/(expense)			
Items that will never be reclassified subsequently to profit or loss			
Changes in the fair value of equity investments accounted for at fair value through other comprehensive income	16	944	15,357
Remeasurements of the defined benefit liability	26	(175,702)	(1,047,816)
Income tax	17	26,332	167,996
Total items that will not be reclassified subsequently to profit or loss		**(148,426)**	**(864,463)**
Other comprehensive expense for the period, net of income tax		**(148,426)**	**(864,463)**
Total comprehensive income for the period		**2,007,896**	**2,195,071**
Profit attributable to:			
Equity holders of the Company		2,051,061	2,988,065
Non-controlling interests		105,261	71,469
Total comprehensive income attributable to:			
Equity holders of the Company		1,902,635	2,123,602
Non-controlling interests		105,261	71,469
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	23	0.049	0.071

These consolidated financial statements were approved by management on 09 March 2021 and were signed on its behalf by:

General Director — Chief Accountant

I.V. Makovskiy — L.A. Sklyarova

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

(in thousands of Russian rubles, unless otherwise stated)

	Notes	31 December 2020	31 December 2019 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	13	96,105,195	93,779,238
Intangible assets	14	2,331,958	2,476,115
Right-of-use assets	15	2,897,358	2,808,335
Trade and other receivables	19	138,841	128,138
Assets related to employee benefits plans	26	517,405	514,585
Other non-current financial assets	16	208,201	207,257
Advances given and other non-current assets	20	1,500	2,801
Total non-current assets		**102,200,458**	**99,916,469**
Current assets			
Inventories	18	3,069,976	2,682,124
Income tax prepayments		4,630	19,807
Trade and other receivables	19	14,341,554	12,971,865
Cash and cash equivalents	21	1,406,311	1,517,108
Advances given and other current assets	20	973,365	755,090
Total current assets		**19,795,836**	**17,945,994**
Total assets		**121,996,294**	**117,862,463**
EQUITY AND LIABILITIES			
Equity			
Share capital	22	4,221,794	4,221,794
Reserves		(1,212,174)	(1,063,748)
Retained earnings		43,900,420	41,850,655
Total equity attributable to equity holders of the Company		**46,910,040**	**45,008,701**
Non-controlling interest		955,903	856,642
Total equity		**47,865,943**	**45,865,343**
Non-current liabilities			
Long-term borrowed funds	24	33,443,946	39,323,975
Long-term trade and other payables	27	63,553	98,121
Long-term advances from customers	29	616,964	731,546
Employee benefits	26	3,308,876	2,996,844
Deferred tax liabilities	17	3,647,908	4,225,773
Total non-current liabilities		**41,081,247**	**47,376,259**
Current liabilities			
Short-term borrowed funds and current part of long-term borrowed funds	24	13,944,769	7,168,941
Trade and other payables	27	11,856,820	10,086,163
Tax debts other than income tax	28	2,561,765	2,757,508
Advances from customers	29	2,306,436	2,136,468
Provisions	30	1,995,276	2,251,523
Current income tax liabilities		384,038	220,258
Total current liabilities		**33,049,104**	**24,620,861**
Total liabilities		**74,130,351**	**71,997,120**
Total equity and liabilities		**121,996,294**	**117,862,463**

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

(in thousands of Russian rubles, unless otherwise stated)

		Year ended 31 December	
	Notes	**2020**	**2019 (restated)**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**3,313,834**	**4,362,328**
Adjustments for:			
Depreciation and amortization of property, plant and equipment and intangible assets	13,14,15	11,736,288	10,848,219
Impairment of property, plant and equipment and assets in the form of rights of use	13,15	3,980,593	(881,180)
Finance costs	11	3,205,271	3,603,127
Finance income	11	(1,494,014)	(146,949)
Loss on disposal of property, plant and equipment		87,035	574,574
Accrual of allowance for expected credit losses		846,454	831,785
Bad debt write-off		43,581	37,058
Accrual of provisions	30	304,558	1,676,637
Acquisition of subsidiaries	5	(121,849)	(737,888)
Other non-cash transactions		202,429	(63,570)
Total impact of adjustments		**18,790,346**	**15,741,813**
Change in assets related to employee benefits plans		(2,820)	34,496
Change in employee benefit liabilities		(40,226)	(154,274)
Change in long-term trade and other receivables		2,185	488,956
Change in long-term advances given and other non-current assets		2,348	5,965
Change in long-term trade and other payables		(41,770)	617
Change in long-term advances received		(114,582)	113,110
Cash flows from operating activities before changes in working capital and provisions		**21,909,315**	**20,593,011**
Changes in working capital:			
Change in trade and other receivables		(2,009,855)	(2,388,288)
Change in advances given and other assets		(225,250)	(186,678)
Change in inventories		(303,017)	181,967
Change in trade and other payables		(1,516,037)	(1,607,516)
Change in advances received		88,381	364,935
Change in provisions		(574,348)	(238,045)
Cash flows from operating activities before income taxes and interest paid		**17,369,189**	**16,719,386**
Income tax paid		(1,538,042)	(1,010,476)
Interest paid under lease agreement		(303,931)	(207,115)
Interest paid		(2,784,044)	(3,556,181)
Net cash flows from operating activities		**12,743,172**	**11,945,614**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(13,641,733)	(11,997,997)
Proceeds from the sale of property, plant and equipment and intangible assets		17,380	113,470
Acquisition of subsidiaries, net of cash received	5	(288,904)	(1,289,606)
Interest received		146,366	90,412
Dividends received		14,374	14,436
Net cash flows used in investing activities		**(13,752,517)**	**(13,069,285)**

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

(in thousands of Russian rubles, unless otherwise stated)

CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowed funds		56,857,215	35,389,553
Repayment of borrowed funds		(54,974,838)	(32,447,774)
Dividends paid to equity holders of the Company		(836,639)	(865,315)
Dividends paid to shareholders of non-controlling interests		(6,000)	(17,150)
Payment of lease liabilities		(141,190)	(205,588)
Net cash flows received from financing activities		**898,548**	**1,853,726**
Net change in cash and cash equivalents		**(110,797)**	**730,055**
Cash and cash equivalents at the beginning of period		1,517,108	787,053
Cash and cash equivalents at the end of period	21	**1,406,311**	**1,517,108**

(in thousands of Russian rubles, unless otherwise stated)

	Notes	Attributable to equity holders of the Company					
		Share capital	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 31 December 2020		**4,221,794**	**(1,063,748)**	**41,944,315**	**45,102,361**	**984,795**	**46,087,156**
Effect of recount **(Notes 2(g))**		-	-	(93,660)	(93,660)	(128,153)	(221,813)
Balance at 1 January 2020 (restated)		**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	5,22	-	-	-	-	(6,000)	(6,000)
Other	5,22	-	-	(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**

	Notes	Attributable to equity holders of the Company					
		Share capital	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2019		**4,221,794**	**(199,285)**	**40,580,643**	**44,603,152**	**259,822**	**44,862,974**
Profit for the period (restated)		-	-	2,988,065	2,988,065	71,469	3,059,534
Other comprehensive expense	16,17,26	-	(1,032,459)	-	(1,032,459)	-	(1,032,459)
Related income tax		-	167,996	-	167,996	-	167,996
Total comprehensive income/(expense) for the period (restated)		**-**	**(864,463)**	**2,988,065**	**2,123,602**	**71,469**	**2,195,071**
Transactions with owners							
Dividends	22	-	-	(1,723,261)	(1,723,261)	(17,150)	(1,740,411)
Acquisition of subsidiaries (restated) (Notes 5)	5	-	-	-	-	542,501	542,501
Other	22	-	-	5,208	5,208	-	5,208
Total contributions and payments (restated)		**-**	**-**	**(1,718,053)**	**(1,718,053)**	**525,351**	**(1,192,702)**
Balance at 31 December 2019 (restated)		**4,221,794**	**(1,063,748)**	**41,850,655**	**45,008,701**	**856,642**	**45,865,343**

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 “Interregional Distribution Grid Company of Centre” (hereinafter referred to as the PJSC “IDCG of 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”.

PJSC “IDGC of Centre” and its subsidiaries comprise Russian public and joint stock companies as defined in the Civil Code of the Russian Federation. 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.

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.

In September 2017, the Company took over the functions of the sole Executive body of Public joint stock company "Interregional distribution grid company of Center and Volga region" (hereafter PJSC "IDGC of Center and Volga region") pursuant to the Board of Directors’ decision (Board of directors’ meeting Minutes no. 22/17 of 07 September 2017). In accordance with the agreement, PJSC "IDGC of Centre" is the management company for PJSC "IDGC of Center and Volga region". The Company exercises the rights and carries out the duties of the sole Executive body of PJSC "IDGC of Center and Volga region" to the extent and with those limitations which are determined by the legislation of the Russian Federation, the Articles of Association, the internal documents, the decisions of the General meeting of shareholders and/or the Board of Directors of PJSC "IDGC of Center and Volga region". In October 2020, the Company signed a new agreement to perform the function of the sole executive body of the Public Joint Stock Company Interregional Distribution Grid Company of the Center and Volga Region on the basis of the decision of the Board of Directors (minutes of the Board of Directors meeting No. 45/20 of 29 September 2020). In accordance with the agreement, PJSC “IDGC of Center” is the managing organization for PJSC “IDGC of Center and Volga Region”. The contract is signed from 07 October 2020 and is valid until 31 December 2023 with the possibility of prolongation.

The Group consists of PJSC “IDGC of Centre” and its subsidiaries, presented in Note 5.

(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.

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. As at 31 December 2019, 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 Russian Government directly affects the Group’s operations through tariffs regulations. In accordance with the Russian legislation, the Group's tariffs are regulated by executive authorities of the constituent entities of the Russian Federation in the field of state regulation of tariffs. The number of consumers of the Group’s services includes a large number of enterprises under state control.

1 Background (continued)

(c) Russian business environment

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

The economy of the Russian Federation exhibits some 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.

The coronavirus pandemic (COVID-19) in 2020 caused financial and economic tensions on world markets, reduced consumer spending and business activity. Since March 2020, there has been significant volatility in the stock, currency and commodity markets.

Many countries, including the Russian Federation, have introduced quarantine measures. Social distancing and isolation measures have led to the termination of companies ' activities in retail, transport, travel and tourism, catering and many other areas.

The impact of the pandemic on the development of the economy at the level of individual countries and the world economy as a whole has no historical analogues with other periods when governments adopted rescue packages. Forecasts of changes in macroeconomic parameters in the short and long term, the extent of the impact of the pandemic on companies in various industries, including estimates of the duration of the crisis period and the pace of recovery, differ significantly.

The group assesses the impact of the above events on the Group's operations as limited, taking into account:

- system-forming nature and position in the industry in which the Group operates, ensuring uninterrupted transmission of electricity to consumers and connecting power;
- government regulation of tariffs for core operating activities, which allows forecasting within the limits of approved tariffs for the Group's services;
- no changes in the current period in the ways and volumes of using the Group's production assets;
- no currency risk (the Group's income and expenses, as well as monetary assets and liabilities, are denominated in Russian rubles);
- no direct negative impact on the group's core operating activities of legislative (regulatory) changes aimed at limiting the distribution of COVID-19.

Since the second quarter, there has been a gradual recovery in global economic activity due to the partial lifting of restrictions aimed at preventing the spread of the epidemic, as well as a partial recovery in world oil prices as a result of the adoption of a new OPEC+ production agreement and compliance with production reduction targets. This process continued in the second half of 2020. However, the scope and duration of these events remain uncertain and may continue to have an impact on Group earnings, cash flows and financial position in the future.

The group continues to monitor and evaluate the situation and respond accordingly, as follows:

- work in contact with authorities at the Federal and regional levels to contain the spread of coronavirus and take all necessary measures to ensure the safety, protection of the life and health of its employees and contractors;
- implement measures to ensure reliable power supply, implement investment projects and ensure the Group's financial stability;
- track forecast and actual information on the impact of the pandemic on the economy of the Russian Federation and on the activities of the Group's main counterparties;

1 Background (continued)

– incorporate such forward-looking and factual information, taking into account the assessment of its reliability and representativeness, into the assessment of the possible impact of changing micro - and macro-economic conditions on the financial position and results of operations of the Group.

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, expect for:

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

(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

For the first time, the Group has applied certain standards and amendments that relate to the Group's operations and are effective for annual periods beginning on or after 1 January 2020. The application of these amendments did not have a material impact on the Group's consolidated financial statements.

The Group has not prematurely applied the standards, clarifications and amendments that have been issued but have not yet entered into force.

Amendments to IFRS 3 "Determination of business".

These amendments change the definition of business in order to simplify its application in practice. In addition, an optional "asset concentration test" is introduced, which does not require further analysis to determine whether a business exists. When applying the asset concentration test, if virtually all of the fair value of the assets acquired is concentrated in a single asset (or a group of similar assets), such assets will not be considered a business.

Conceptual framework for financial reporting.

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

2 Basis of preparation of consolidated financial statements (continued)

Amendments to IAS 1 and IAS 8 "Determination of materiality".

These amendments clarify the definition of materiality and the application of this concept by including recommendations on the definition that were previously presented in other IFRS standards, and ensure consistency in the definition of materiality in all IFRS standards. Information is considered material if it is reasonably expected that omission, misstatement, or difficulty in understanding it could affect the decisions made by key users of General purpose financial statements based on such financial statements that provide financial information about a particular reporting entity.

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

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

The following are new standards, amendments and clarifications that have been issued but are not yet effective at the date of issue of the Group's consolidated financial statements. The Group intends to adopt the applicable standards and clarifications upon entry into force, and no material impact on the Group's consolidated financial statements is expected.

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

(e) Change in presentation. Reclassification of comparative data

Some amounts in the comparative information for the previous period have been reclassified to ensure that they are comparable to the presentation of data in the current reporting period. All reclassifications carried out are insignificant.

(f) 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.

2 Basis of preparation of consolidated financial statements (continued)

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:

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 Note "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.

(in thousands of Russian rubles, unless otherwise stated)

2 Basis of preparation of consolidated financial statements (continued)

(g) Comparative period data restatement

The Group restated the comparative period data to reflect the results of the fair value measurement of the identified assets and obligations of JSC "Tula City Electric grids" (hereinafter referred to as JSC "TGES"). In 2019 the group recorded the acquisition of LLC "Bryanskelectro" using the purchase method in accordance with the requirements of IFRS 3 "Business combination". The assessment of the identifiable assets and obligations of JSC "TGES" was not completed as of the date of signing of the Group's consolidated financial statements for 2019. In these consolidated financial statements, the Group has completed the allocation of the acquisition price. Therefore, the fair value of the identifiable assets and obligations is clarified in these consolidated financial statements. The main information related to the acquisition of JSC "TGES" is reflected in note 5.

The Group also restated the comparative period data in the amount of RUB 205,352 thousand as a decrease in the deferred tax liability as at 31 December 2019 and in the income tax expense for 2019 on the fixed assets of JSC "VGES" in connection with the adjustment of the tax value of fixed assets.

The effect of the restatement on these Consolidated Financial Statements is as follows:

Consolidated Statement of Financial Position as at 31 December 2019

31 December 2019	**As previously reported**	**Effect of change**	**As restated**
Property, plant and equipment	94,313,194	(533,956)	93,779,238
Total non-current assets	100,450,425	(533,956)	99,916,469
Total assets	**118,396,419**	**(533,956)**	**117,862,463**
Retained earnings	41,944,315	(93,660)	41,850,655
Total equity attributable to equity holders of the Company	**45,102,361**	(93,660)	45,008,701
Non-controlling interest	984,795	(128,153)	856,642
Total equity	**46,087,156**	**(221,813)**	**45,865,343**
Deferred tax liabilities	4,537,916	(312,143)	4,225,773
Total non-current liabilities	**47,688,402**	(312,143)	47,376,259
Total equity and liabilities	**118,396,419**	**(533,956)**	**117,862,463**

(in thousands of Russian rubles, unless otherwise stated)

2 Basis of preparation of consolidated financial statements (continued)

Consolidated Statement of profit or loss and other comprehensive income for the year ended 31 December 2019

For the year ended 31 December 2019	As previously reported	Effect of change	As restated
Revenue	94,641,562	-	94,641,562
Operating expenses	(88,510,090)	-	(88,510,090)
Accrual of allowance for expected credit losses	(831,785)	-	(831,785)
Net (accrual) / recovery of impairment losses on property, plant and equipment and assets in the form of rights of use	881,180	-	881,180
Other income	2,514,896	(299,012)	2,215,884
Other expenses	(578,245)	-	(578,245)
Result from operating activities	**8,117,518**	**(299,012)**	**7,818,506**
Finance income	146,949	-	146,949
Finance costs	(3,603,127)	-	(3,603,127)
Total financial costs	**(3,456,178)**	**-**	**(3,456,178)**
Profit before income tax	**4,661,340**	**(299,012)**	**4,362,328**
Income tax expense	(1,508,146)	205,352	(1,302,794)
Profit for the year	**3,153,194**	**(93,660)**	**3,059,534**
Other comprehensive income for the year	**2,288,731**	**(93,660)**	**2,195,071**
Profit attributable to:			
Equity holders of the Company	3,081,725	(93,660)	2,988,065
Non-controlling interests	71,469	-	71,469
Total comprehensive income attributable to:			
Equity holders of the Company	2,217,262	(93,660)	2,123,602
Non-controlling interests	71,469	-	71,469
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	0.073	(0.002)	0.071

Consolidated Statements of Cash Flows for the year ended 31 December 2019

For the year ended 31 December 2019	As previously reported	Effect of change	As restated
Profit before income tax	**4,661,340**	**(299,012)**	**4,362,328**
Acquisition of subsidiaries	(1,036,900)	(299,012)	(737,888)
Cash flows from operating activities before charges in working capital and provisions	**20,593,011**	**-**	**20,593,011**
Cash flows from operating activities before income taxes and interest paid	**16,719,386**	**-**	**16,719,386**

3 Significant accounting policies

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

(a) Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to 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.

3 Significant accounting policies (continued)

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.

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,

3 Significant accounting policies (continued)

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.

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

3 Significant accounting policies (continued)

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.

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.

3 Significant accounting policies (continued)

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.

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.

3 Significant accounting policies (continued)

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.

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.

3 Significant accounting policies (continued)

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.

(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.

3 Significant accounting policies (continued)

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

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

3 Significant accounting policies (continued)

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

Deferred tax is measured at the tax 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 s net basis or their tax assets and liabilities will be realized simultaneously.

(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 its 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 services

Revenue from installation, repair and maintenance 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 applies IFRS 9 and IFRS 7 for a recognized financial asset.

For a financial asset, the amount receivable from the supplier of the concession, or on its instructions, the Group considers in accordance with IFRS 9, as measured:

a) at amortized cost;
b) at fair value through other comprehensive income; or
c) at fair value through profit or loss.

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.

(in thousands of Russian rubles, unless otherwise stated)

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

5 Significant subsidiaries

		30 September 2020	31 December 2019
	Country of incorporation	Ownership/voiting, %	Ownership/voiting, %
JSC "Sanatorium "Energetik"	Russian Federation	100	100
JSC "Yaroslavl Electrical Grid Company"	Russian Federation	51	51
JSC «Voronezh city electric grids»	Russian Federation	100	100
JSC «Tula city electric grids»	Russian Federation	69.9992	69.9992
LLC «Bryanskelectro»	Russian Federation	100	-

At the Subsidiary's annual shareholders meeting JCS "Yaroslavl Electrical Grid Company" held on 26 June 2020 the decision was made not to pay dividends on ordinary shares for the year 2019.

At the Subsidiary's annual shareholders meeting JCS "Sanatorium "Energetik" held on 29 May 2020 the decision was made not to pay dividends on ordinary shares for the year 2019.

At the Subsidiary's annual shareholders meeting JSC "Voronezh city electric grids" held on 25 September 2020 the decision was made to distribute the Subsidiary's profit for the year 2019 to dividends in the amount of RUB 78,000 thousand and to pay dividends for the year 2019 in the amount of RUB 24.77470896 per ordinary share in cash. At the same time, JSC "VGES" acts as a tax agent for the payment of tax on accrued dividends in the amount of RUB 10,140 thousand.

At the extraordinary general meeting of shareholders JSC "Voronezh city electric grids" held on 17 December 2020 dividends for the first 9 months of fiscal year 2020 were declared in the amount of 33,000 thousand and on the payment of dividends for the first 9 months of 2020 in the amount of 10.481607637 rubles per ordinary share in cash. At the same time, JSC "VGES" acts as a tax agent for the payment of tax on accrued dividends in the amount of RUB 4,290 thousand.

At the Subsidiary's annual shareholders meeting JSC "Tula city electric grids" held on 25 September 2020 the decision was made to distribute the Subsidiary's profit for the year 2019 to dividends in the amount of RUB 20,000 thousand and to pay dividends for the year 2019 in the amount of RUB 41.05477939 per ordinary share in cash. At the same time, JSC "TGES" acts as a tax agent for the payment of tax on accrued dividends in the amount of RUB 1,820 thousand. The amount of dividends payable to shareholders with non-controlling interests was RUB 6,000 thousand.

(in thousands of Russian rubles, unless otherwise stated)

5 Significant subsidiaries (continued)

Business combination

Acquisition of LLC "Bryanskelectro"

As part of the implementation of the Development Strategy for the electric grid complex of the Russian Federation, approved by order of the Government of the Russian Federation dated April 3, 2013 No. 511-r, in order to reduce the number of existing TSS, the Group acquired on 07 August 2020, 100% of the share in the authorized capital of LLC "Bryanskelectro" for cash as a result of the conclusion of the purchase and sale agreement. The group recorded the acquisition of LLC "Bryanskelectro" using the purchase method in accordance with the requirements of IFRS 3 "Business combination".

The results, assets and liabilities of LLC "Bryanskelectro" are consolidated by the Group since 07 August 2020. The fair value of assets and liabilities of LLC "Bryanskelectro" was determined by an independent appraiser in the amount of RUB 340,000 thousand for the purpose of determining the fair value of the Consideration.

The acquisition of shares in the authorized capital of LLC "Bryanskelectro" was made by the Company's subsidiaries – JSC "Sanatorium Energetik" and JSC "Yaroslavl electrical grid company", while JSC 'Sanatorium Energetik" acquired 99.999% of the 100% shares LLC "Bryanskelectro", and JSC "Yaroslavl electrical grid company" acquired 0.001% shares in the 100% LLC "Bryanskelectro".

The main activities of LLC "Bryanskelectro" is the electricity transmission and technological connection to power grids.

The table below shows the estimated fair value of the identifiable net assets of LLC "Bryanskelectro" received at the acquisition date:

	Fair value, thousand rubles
Non-current assets	
Intangible assets	52
Right-of-use assets	2,185,768
Property, plant and equipment	249,160
Deferred tax asset	31,266
Other non-current assets	4,087
Total non-current assets	**2,470,333**
Current assets	
Inventories	52,896
VAT recoverable	59
Trade and other receivables	295,113
Cash and cash equivalents	51,096
Other current assets	1,388
Total current assets	**400,552**
Total assets	**2,870,885**
Non-current liabilities	
Borrowed funds	118,292
1Deferred tax liabilities	25,977
Total non-current liabilities	**144,269**
Current liabilities	
Borrowed funds	1,715,667
Trade and other payables	535,557
Provisions	13,543
Total current liabilities	**2,264,767**
Total liabilities	**2,409,036**
Total identifiable net assets at fair value	**461,849**
Consideration transferred	**340,000**
Gain on a bargain purchase	**121,849**

(in thousands of Russian rubles, unless otherwise stated)

5 Significant subsidiaries (continued)

Since the carrying value of the identifiable net assets of LLC "Bryanskelectro" exceeds the value of the consideration transferred, the Group recognized income (negative goodwill) in other income in the amount of RUB 121,849 thousand in the consolidated statement of profit or loss and other comprehensive income for 2020.

From the acquisition date, the revenue of LLC "Bryanskelectro", consolidated in the Group's financial statements, amounted to RUB 1,796,760 thousand and profit before tax amounted to RUB 143,413 thousand. If the merger had taken place at the beginning of the 2020 year, the Group's revenue from continuing operations would have been RUB 99,004,277 thousand, and the Group's profit from continuing operations before tax would have been RUB 3,294,676 thousand.

The cash flow when acquiring a company is shown in the following table:

Net cash received on the acquisition of a subsidiary	51,096
Consideration transferred	(340,000)
Net cash flow	**(288,904)**

Acquisition of JSC "TGES"

On December 30, 2019, the Group acquired a 69.9992% of shares in the authorized capital of Tula City Electric Grids JSC (hereinafter referred to as JSC "TGES"). The results, assets and liabilities of JSC "TGES" are consolidated by the Group since 30 December 2019.

The buyers of JSC "TGES" are the subsidiaries of the Company - JSC "Sanatorium "Energetic" and JSC "Yaroslavl Electric Grid Company", while JSC "Sanatorium "Energetic" acquired a 69.9990% shares in the 100% equity in JSC "TGES", which accounts for 341,003 ordinary registered non-documentary shares, and JSC "Sanatorium "Energetic" acquired a 0.0002% shares in the 100% equity in JSC "TGES", which accounts for 1 (one) ordinary registered non-documentary share.

The main activities of JSC "TGES" are electric power transmission and technological connection to electric networks.

The assessment of identifiable net assets of JSC "TGES" was carried out by an independent appraiser and was completed in 2020. The table below shows the estimated fair value of the identifiable net assets of JSC "TGES" received at the acquisition date:

	Fair value, thousand rubles
Non-current assets	
Intangible assets	21,533
Property, plant and equipment	1,898,720
Deferred tax asset	116,189
Other non-current assets	5,802
Total non-current assets	**2,042,244**
Current assets	
Inventories	27,627
Trade and other receivables	229,944
Cash and cash equivalents	127,480
Total current assets	**385,051**
Total assets	**2,427,295**
Non-current liabilities	
Long-term borrowing	358,605
Deferred tax liabilities	22,749
Total non-current liabilities	**381,354**
Current liabilities	
Short-term borrowing	89,788
Trade and other payables	134,586
Deferred revenue	6,130
Provisions	7,147
Total current liabilities	**237,651**

(in thousands of Russian rubles, unless otherwise stated)

Total liabilities	**619,005**
Total identifiable net assets at fair value 100%	**1,808,290**
Identifiable net assets at fair value in the amount of the acquired share of 69.9992%	**1,265,789**
Identifiable net assets at fair value attributable to holders of non - controlling interests	**542,501**
Consideration transferred	**903,003**
Gain on a bargain purchase	**362,786**

During the negotiations, the purchase price of JSC "TGES" was determined as RUB 903,003 thousand, while RUB 3 thousand paid in cash and RUB 903,000 thousand by transferring property rights - rights of claim to JSC TNS Energy Tula arising from contracts for the provision of electricity transmission services. The transfer of these rights was made by a related party PJSC IDGC "Center and Volga Region" in favor of JSC "Sanatorium "Energetic", and then by JSC "Sanatorium "Energetic" in favor of the seller of shares of JSC "TGES".

Since the carrying value of 69.9992% of the identifiable net assets of JSC "TGES" exceeds the value of the consideration transferred, the Group recognized a gain on a bargain purchase (negative goodwill) in other income in the amount of RUB 362,786 thousand (the amount reflected in the financial statements for 2019 according to the preliminary assessment was RUB 661,798 thousand) in the consolidated statement of profit and loss and other comprehensive income as part of the comparative information for 2019, and also recognized the non-controlling interests in the amount of RUB 542,501 thousand (the amount reflected in the financial statements for 2019 according to the preliminary assessment was RUB 670,654 thousand) in the statement of financial position as part of the comparative information for 2019. Changes in the reporting forms resulting from the restatement of data are reflected in note 2(g) of these consolidated financial statements.

A detailed description of the transaction, the parameters of the impact of the business combination on the Group's revenue and profit, as well as cash flow indicators are provided in the consolidated financial statements for 2019 in note 5.

6 Information about segments

The Management Board of PJSC "IDGC of 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 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.

Revenue indicators and EBITDA are used to reflect the performance of each reportable segment, since they are included in internal management reporting prepared on the basis of the Russian accounting standards reporting data and are regularly analyzed and evaluated by the Management Board.

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.

6 Information about segments (continued)

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

The purchase 100% of shares in the authorized capital in the authorized capital of LLC "Bryanskelectro" in 2020 in accordance with IFRS 8 (segment assets are 10 per cent or more of total assets of all operating segments) from the other category were identified and combined into the category "Other TSS" subsidiary companies engaged in similar operations.

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 (JSC "Yaroslavl electrical grid company", LLC "Bryanskelectro", JSC "Voronezh city electric grids", JSC "Tula city electric grids")
- Others

The category "Other" includes operations of the head office branch and subsidiary of JSC "Sanatorium Energetik". None of them meets any of the quantitative thresholds for determining reportable segments.

When a new reporting segment was allocated in accordance with IFRS 8, the segment data for the previous period presented for comparative purposes was recalculated to ensure comparability of information.

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 consolidated financial statements includes those reclassifications and adjustments that are necessary for reporting in accordance with IFRS.

(in thousands of Russian rubles, unless otherwise stated)

6 Information about segments (continued)

(a) Information about reportable segments

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	*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***
Electricity transmission	*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***
Technological connection services	-	-	-	-	-	-	-	-	-	*531,219*	-	-	-	***531,219***
Sale of electricity and capacity	*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***
Other revenue	*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***
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**

(in thousands of Russian rubles, unless otherwise stated)

6 Information about segments (continued)

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

	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	12,701,320	5,423,867	14,727,483	5,317,873	7,640,239	9,045,212	4,672,465	7,535,739	6,434,236	11,081,353	9,813,911	87,336	160,255	**94,641,289**
Inter-segment revenue	–	–	–	–	–	–	–	–	–	–	836	652,228	3,296	**656,360**
Segment revenue	**12,701,320**	**5,423,867**	**14,727,483**	**5,317,873**	**7,640,239**	**9,045,212**	**4,672,465**	**7,535,739**	**6,434,236**	**11,081,353**	**9,814,747**	**739,564**	**163,551**	**95,297,649**
Including														
Electricity transmission	*12,103,586*	*5,329,457*	*14,223,274*	*5,176,081*	*7,275,968*	*8,793,516*	*4,600,634*	*7,393,403*	*6,069,040*	*10,367,111*	*9,554,604*	*647,563*	-	***91,534,237***
Technological connection services	*230,817*	*40,463*	*202,284*	*72,244*	*281,313*	*85,738*	*25,228*	*41,696*	*282,426*	*125,239*	*154,569*	*48,719*	-	***1,590,736***
Sale of electricity and capacity	–	–	–	–	–	–	–	–	–	*520,662*	-	–	–	**520,662**
Other revenue	*366,917*	*53,947*	*301,925*	*69,548*	*82,958*	*165,958*	*46,603*	*100,640*	*82,770*	*68,341*	*105,574*	*43,282*	*163,551*	**1,652,014**
Финансовые доходы	8,024	8,009	25,854	8,010	8,028	8,234	8,009	8,010	8,251	8,016	8,021	1,616	-	**108,082**
Финансовые расходы	(368,725)	(97,434)	(295,917)	(112,601)	(121,339)	(295,819)	(142,305)	(340,500)	(274,899)	(674,138)	(494,284)	(32)	(17,617)	**(3,235,610)**
Амортизация	2,766,784	580,995	1,279,268	679,611	766,598	1,490,040	381,355	938,625	543,668	932,530	1,285,647	75,826	2,490	**11,723437**
EBITDA	**3,577,294**	**849,156**	**2,719,113**	**1,084,372**	**1,362,327**	**772,503**	**601,657**	**1,377,229**	**1,461,696**	**1,636,293**	**589,857**	**229,310**	**26,688**	**16,287,495**
Segment assets	**25,230,341**	**5,446,087**	**14,138,311**	**7,247,050**	**7,725,949**	**15,434,327**	**4,161,343**	**7,790,287**	**6,273,876**	**11,966,661**	**15,707,876**	**7,910,287**	**5,625,764**	**134,658,159**
Including property, plant and equipment and construction in progress	23,391,084	4,660,102	12,086,463	6,249,228	6,317,727	13,197,807	3,588,821	6,596,461	4,403,244	9,409,869	11,184,254	6,697,336	124,599	**107,906,995**
Capital expenditure	2,518,838	617,752	1,905,067	,829,366	850,250	667,434	424,397	917,414	511,464	1,506,746	1,085,500	235,443	955	**12,070,626**
Segment liabilities	3,679,254	890,063	2,650,522	1,282,088	1,136,833	2,313,454	645,349	1,030,058	924,031	2,498,155	3,091,063	1,726,898	49,653,777	**71,521,545**

(in thousands of Russian rubles, unless otherwise stated)

6 Information about segments (continued)

(b) The reconciliation of key segment items measured as reported to the Management Group with similar items in these consolidated financial statements

The reconciliation of segment revenue:

	Year ended 31 December 2020	Year ended 31 December 2019
Segment revenues	**100,473,248**	**95,297,649**
Intersegment revenue elimination	(2,834,412)	(656,360)
Reclassification from other income	-	273
Revenues per consolidated statement of profit or loss and other comprehensive income	**97,638,836**	**94,641,562**

The reconciliation of reportable segment EBITDA:

	Year ended 31 December 2020	Year ended 31 December 2019 (restated)
EBITDA of reportable segments	**20,286,904**	**16,287,495**
Discounting receivables	13,077	41,832
Discounting of financial liabilities	1,221,091	
Adjustment for lease	156,909	430,247
Recognition of pension and other long-term liabilities to employees	2,820	1,749
Adjustment on assets related to employee benefit liability	(136,330)	(34,496)
Re-measurement of financial assets at fair value through other comprehensive income (transfer of revaluation to equity)	(944)	(15,357)
Adjustment of the value of property, plant and equipment	244,063	37,955
Adjustment of income from donated property, plant and equipment	(65,761)	(191,702)
Acquisition of subsidiaries	121,849	737,888
Other adjustments	140,235	458,864
EBITDA	**21,983,913**	**17,754,475**
Depreciation and amortization	(11,736,288)	(10,848,219)
Net (accrual) / recovery of impairment losses on property, plant and equipment and assets in the form of rights of use	(3,980,593)	881,180
Interest expenses on financial liabilities	(2,649,267)	(3,217,993)
Interest expenses of lease liabilities	(303,931)	(207,115)
Income tax expense	(1,157,512)	(1,302,794)
Profit for the year per consolidated statement of profit or loss and other comprehensive income	**2,156,322**	**3,059,534**

(in thousands of Russian rubles, unless otherwise stated)

6 Information about segments (continued)

The reconciliation of reportable segment total assets is presented below:

	31 December 2020	31 December 2019 (restated)
Total segment assets	**144,793,581**	**134,658,159**
Intersegment balances	(4,343,560)	(1,738,738)
Intragroup financial assets	(2,793,197)	(2,453,197)
Adjustment for value of property, plant and equipment	(12,948,045)	(14,980,757)
Impairment of property, plant and equipment and right-of-use assets	(3,980,593)	881,180
Recognition of right-of-use assets	2,897,358	2,808,335
Assets related to employee benefits	517,405	514,585
Adjustment for deferred tax assets	(2,172,514)	(1,847,040)
Discounting of accounts receivables	(30,369)	(43,446)
Other adjustments	56,228	63,382
Total assets per consolidated statement of financial position	**121,996,294**	**117,862,463**

The reconciliation of reportable segment total liabilities is presented below:

	31 December 2020	31 December 2019 (restated)
Total segment liabilities	**78,863,166**	**71,521,545**
Intersegment balances	(4,343,560)	(1,738,738)
Adjustment for deferred tax liabilities	(5,598,602)	(3,533,116)
Recognition of pension and other long-term liabilities to employees	3,308,876	2,996,844
Recognition of lease obligations	3,033,961	2,861,862
Discounting of financial liabilities	(1,221,091)	-
Other adjustments	87,601	(111,277)
Total liabilities per consolidated statement of financial position	**74,130,351**	**71,997,120**

(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 2020 and 31 December 2019, 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, Smolenskenergo, Tverenergo and Yarenergo.

The total revenue received from PJSC GC “TNS energo” was RUB 17,629,375 thousand or 19.48% of the Group’s total revenue for 2020 (2019: RUB 17,581,800 thousand or 19%). The total revenue received from JSC “Atomenergosbyt” was RUB 19,456,850 thousand or 21.50% of the Group’s total revenue for 2020 (2019: RUB 19,453,998 thousand or 21%).

(in thousands of Russian rubles, unless otherwise stated)

7 Revenue

	Year ended 31 December 2020	Year ended 31 December 2019
Electricity transmission	92,825,277	90,886,674
Technological connection services	1,488,678	1,590,650
Sales of electricity and capacity	531,219	520,662
Other revenue	2,766,449	1,608,628
Total revenue from contracts with customers	**97,611,623**	**94,606,614**
Lease revenue	27,213	34,948
	97,638,836	**94,641,562**

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

Other revenue includes also revenue from performing the functions of the sole Executive body of PJSC “IDGC of Center and Volga region” for year ended 31 December 2020 in the amount of RUB 194,422 thousand (for year ended 31 December 2019: RUB 111,289 thousand).

8 Other income and other expenses

	Year ended 31 December 2020	Year ended 31 December 2019 (restated)
Income from identified non-contracted electricity consumption	214,609	136,258
Income in the form of fines and penalties on commercial contracts	584,944	658,826
Accounts payable write-off	29,714	78,719
Acquisition of subsidiaries	121,849	737,888
Insurance indemnity	67,614	100,104
Income from compensation of losses due to disposal/liquidation of electric grid property	124,260	84,413
Other income	519,383	419,676
	1,662,373	**2,215,884**

Other income for 2020 also includes income for 2018 for performing the function of the sole Executive body of PJSC “IDGC of Center and Volga Region” in the amount of RUB 233,677 thousand.

Other expenses include loss on disposal of property, plant and equipment for the year ended 31 December 2020 in the amount of RUB 48,329 thousand (for the year ended 31 December 2019: RUB 578,245 thousand).

(in thousands of Russian rubles, unless otherwise stated)

9 Operating expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Personnel costs	21,635,814	19,415,780
Depreciation and amortization	11,736,288	10,848,219
Material expenses, including:		
Electricity for compensation of losses	15,218,134	15,201,311
Electricity for sale	473,714	451,165
Purchased electricity and heat power for own needs	413,371	403,839
Other material costs	3,164,286	3,086,835
Production work and services, including:		
Electricity transmission services	29,002,860	30,464,735
Repair and maintenance services	716,036	552,082
Other works and industrial services	1,218,623	588,620
Taxes and levies other income tax	2,165,931	2,104,153
Rent	3,510	2,419
Insurance	132,578	140,441
Other third-party services, including:		
Communication services	325,162	289,457
Security services	314,493	305,015
Consulting, legal and audit services	106,550	40,161
Software costs and services	299,774	276,679
Transportation services	34,692	38,149
Other services	875,837	918,828
Provisions	304,558	1,676,637
Expenses recognized in connection with debt settlement for electricity transmission, electricity for resale, purchased electricity to compensate for losses and non-contracted consumption	171,979	606,415
Other expenses	1,086,552	1,099,150
	89,400,742	**88,510,090**

10 Personnel costs

	Year ended 31 December 2020	Year ended 31 December 2019
Wages and salaries	13,775,852	12,489,249
Social security contributions	4,795,575	4,334,907
Provisions related to employee benefits	1,601,836	1,407,343
Expenses/(income) related to defined benefit plan	154,138	43,345
Other	1,308,413	1,140,936
	21,635,814	**19,415,780**

(in thousands of Russian rubles, unless otherwise stated)

10 Personnel costs (continued)

The amount of contributions to the defined contribution plan was RUB 20,110 thousand for the year ended 31 December 2020 (for the year ended 31 December 2019: RUB 24,009 thousand).

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

11 Finance income and costs

	Year ended 31 December 2020	Year ended 31 December 2019
Finance income		
Interest income on bank deposits and balances on bank accounts	147,020	90,466
Interest income on assets related to employee defined benefits plans	38,591	-
Dividends receivable	14,184	14,651
Effect of initial recognition of discount on financial liabilities	1,281,142	-
Other finance income	13,077	41,832
	1,494,014	**146,949**
Finance costs		
Interest expenses on financial liabilities measured at amortized cost	(2,649,267)	(3,217,993)
Interest expenses on lease liabilities	(303,931)	(207,115)
Interest expense on long-term employee benefit liability	(176,556)	(152,525)
Amortization of discount on financial liabilities	(60,051)	-
Other finance costs	(15,466)	(25,494)
	(3,205,271)	**(3,603,127)**

12 Income tax

	Year ended 31 December 2020	Year ended 31 December 2019 (restated)
Current income tax		
Accrual of current tax	(1,700,012)	(1,598,489)
Adjustment of the tax for the previous periods	(3,745)	24,566
Total	**(1,703,757)**	**(1,573,923)**
Deferred income tax (Note 17)	546,245	271,129
Income tax expense	**(1,157,512)**	**(1,302,794)**

In 2020 and 2019, 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 3,745 thousand in accordance with the updated tax returns submitted to the tax authorities (2019: RUB 24,566 thousand tax to decrease).

(in thousands of Russian rubles, unless otherwise stated)

12 Income tax (continued)

Income tax recognized in other comprehensive income:

	Year ended 31 December 2020			Year ended 31 December 2019		
	Before tax	**Tax**	**Net of tax**	**Before tax**	**Tax**	**Net of tax**
Financial assets at fair value through other comprehensive income	944	(189)	755	15,357	(3,071)	12,286
Remeasurements of the defined benefit liability	(175,702)	26,521	(149,181)	(1,047,816)	171,067	(876,749)
	(174,758)	**26,332**	**(148,426)**	**(1,032,459)**	**167,996**	**(864,463)**

In 2020 and 2019 PJSC "IDGC of Centre" and its subsidiaries 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 2020	**Year ended 31 December 2019 (restated)**
Profit before income tax	**3,313,834**	**4,362,328**
Income tax calculated at the applicable tax rate	**(662,767)**	**(872,466)**
Tax effect of items not deductible/not taxable for taxation purposes	(491,000)	(454,894)
Adjustments for prior years	(3,745)	24,566
	(1,157,512)	**(1,302,794)**

(in thousands of Russian rubles, unless otherwise stated)

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 2019	**38,274,038**	**68,988,195**	**39,527,879**	**24,088,027**	**3,867,435**	**174,745,574**
Reclassification between groups	(456)	366	(1,665)	1,755	-	-
Additions	-	14,065	206	2,532	12,048,284	12,065,087
Acquisition of subsidiaries (restated)	2,484,785	359,355	416,388	372,419	49,836	3,682,783
Transfer	2,053,498	4,719,643	2,028,906	2,652,185	(11,454,232)	-
Disposals	(6,093)	(19,306)	(21,638)	(276,240)	(672,273)	(995,550)
At 31 December 2019 (restated)	**42,805,772**	**74,062,318**	**41,950,076**	**26,840,678**	**3,839,050**	**189,497,894**
Accumulated depreciation and impairment						
At 1 January 2019	**(16,001,193)**	**(36,857,256)**	**(18,475,981)**	**(15,462,222)**	**(88,619)**	**(86,885,271)**
Reclassification between groups	-	21	(22)	1	-	-
Transfer to property, plant and equipment (transfer of impairment losses)	(1,943)	(4,555)	(2,244)	(2,722)	11,464	-
Depreciation charge	(1,630,167)	(4,218,805)	(2,150,024)	(2,024,397)	-	(10,023,393)
Disposals	3,100	12,598	14,209	249,817	29,104	308,828
(Impairment)/reversal of impairment	1,063,945	(504,558)	436,096	(81,524)	(32,779)	881,180
At 31 December 2019	**(16,566,258)**	**(41,572,555)**	**(20,177,966)**	**(17,321,047)**	**(80,830)**	**(95,718,656)**
Net book value						
At 1 January 2019	**22,272,845**	**32,130,939**	**21,051,898**	**8,625,805**	**3,778,816**	**87,860,303**
At 31 December 2019 (restated)	**26,239,514**	**32,489,763**	**21,772,110**	**9,519,631**	**3,758,220**	**93,779,238**

(in thousands of Russian rubles, unless otherwise stated)

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 2020 (restated)	**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)/reversal of 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**

(in thousands of Russian rubles, unless otherwise stated)

13 Property, plant and equipment (continued)

As at 31 December 2020 advance payments for property, plant and equipment include in construction in progress in the amount of RUB 111,514 thousand (as at 31 December 2019: RUB 152,203 thousand), also materials for the construction of property, plant and equipment in the amount RUB of 690,749 thousand (as at 31 December 2019: RUB 671,712 thousand).

For the year ended 31 December 2020 capitalized interest amount is RUB 153,761 thousand (for the year ended 31 December 2019: RUB 157,510 thousand), the capitalization rate used to determine the amount of borrowing costs to be capitalized was 5.79-7.44% during the year (for the year ended 31 December 2019 – 7.51- 8.50%).

Depreciation charges were capitalized in the value of capital construction in the amount of RUB 28,383 thousand for the year ended 31 December 2020 (2019: RUB 24,117 thousand).

As at 31 December 2020 fixed assets in the amount of RUB 38,173 thousand under a loan agreement with PJSC VTB Bank (2019: RUB 38,173 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 2020.

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 2020 and as at 31 December 2019 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 2021-2025 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 2021;
- tariffs for electricity transmission services for forecasted period (after 2021) 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 2021 and for the planning period of 2022 and 2023 of 26.09.2020. 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 2021-2025

Name	2021	2022	2023	2024	2025	2026
Inflation taken into account	1.037	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 2021-2025.

The cash flow forecasts were discounted to their present value at the nominal weighted average cost of capital of 9.03% (2019: 9.03%).

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

(in thousands of Russian rubles, unless otherwise stated)

13 Property, plant and equipment (continued)

Based on the results of testing, as at 31 December 2020, an impairment loss in the amount of RUB 5,821,934 thousand was recognized for "Lipetskenergo", a reversal of the previously recognized impairment in the amount of RUB 465,626 thousand for "Yarenergo" and in the amount of RUB 1,375,715 thousand for "Belgorodenergo".

The main factors of the impairment of assets for the branch of "Lipetskenergo" are the decrease in the forecast volume of electricity transmission services rendered from 2023 as a result of the planned transfer of electricity consumption of PJSC "Novolipetsk Metallurgical Combine" to its own generation.

The main factors for the recovery of impairment for the "Belgorodenergo" branch are the expected growth of other types of income from core activities (by the end of 2024 by 2.3 times compared to the forecast as of 31.12.2019) as part of the implementation of the program for the development and promotion of unregulated types of services and services developed in 2020; the expected reduction in the cost of compensation for electricity losses by 13% by the end of 2024, taking into account the implementation of the program of measures developed in 2020 to reduce electricity losses and reduce the level of electricity losses achieved by the end of 2020 (from 10.1% to the supply of electricity to the grid to 9.5%); the cost of services of PJSC FGC UES due to a reduction in the amount of declared capacity used for settlements with PJSC FGC UES from 2021 as a result of tariff regulation.

The main factors for the recovery of impairment for the "Yarenergo" branch are the expected growth in the volume of electricity transmission services, taking into account the dynamics of electricity consumption in 2020; the growth of other types of income from core activities (by the end of 2024 by 2.6 times compared to the forecast as of 31.12.2019) as part of the implementation of the program for the development and promotion of unregulated types of services and services developed in 2020; the expected reduction in expenses for compensation of electricity losses by 30% by the end of 2024, taking into account the implementation of the program of measures developed in 2020 to reduce electricity losses and reduce the price of electricity for compensation of losses by the end of 2020.

Branch	Balance of impairment 31.12.2019	Depreciation and disposal for the period 2020	Accrued impairment in 2020	Reversal impairment in 2020	Balance of impairment 31.12.2020
Belgorodenergo	1,558,607	(182,892)	-	(1,375,715)	-
Lipetskenergo	-	-	5,821,934	-	5,821,934
Tverenergo	3,462,079	(344,273)	-	-	3,117,806
Yarenergo	519,897	(54,271)	-	(465,626)	-
	5,540,583	**(581,436)**	**5,821,934**	**(1,841,341)**	**8,939,740**

Quantitative information about significant unobservable input data used in assessing the value in use as of 31 December 2020 is disclosed below:

Table 2 Quantitative information on significant unobservable baseline data as at 31 December 2020

Indicators	2020	2021	2022	2023	2024	2025
Rate without TCO, with losses and FSK cop./kW*h						
Belgorodenergo	196.85	201.98	208.64	215.50	222.56	229.86
Bryanskenergo	143.17	146.91	150.32	159.41	164.94	170.67
Voronezhenergo	134.26	141.30	144.61	149.89	153.41	157.02
Kostromaenergo	209.71	217.69	225.15	232.47	240.20	248.12
Kurskenergo	184.06	190.79	199.91	203.65	208.53	212.64
Lipetskenergo	149.83	158.22	160.83	167.46	174.92	181.27
Orelenergo	168.86	178.20	184.77	188.19	193.71	199.62
Smolenskenergo	204.30	212.81	218.95	225.72	233.01	240.55
Tambovenergo	156.51	163.21	169.22	175.14	181.28	187.66
Tverenergo	178.34	170.69	177.54	179.21	185.54	191.91
Yarenergo	135.23	140.88	145.26	150.06	155.10	160.84

(in thousands of Russian rubles, unless otherwise stated)

Indicators	2020	2021	2022	2023	2024	2025
LLC “Bryanskelectro”	144.38	155.43	165.25	161.70	165.94	170.27
JSC “VGES”	102.91	104.08	107.04	110.08	113.21	116.42
JSC “TGES”	131.04	134.34	137.01	141.81	146.77	151.91
Boiler productive supply, million kW*h.						
Belgorodenergo	6,251.59	6,097.58	6,141.07	6,158.90	6,177.72	6,196.54
Bryanskenergo	3,298.51	3,366.83	3,387.68	3,407.62	3,427.65	3,447.77
Voronezhenergo	8,301.54	8,401.43	8,514.63	8,514.44	8,628.43	8,743.94
Kostromaenergo	2,314.46	2,329.12	2,357.86	2,366.05	2,374.28	2,382.53
Kurskenergo	3,085.60	3,108.70	3,141.71	3,201.92	3,263.92	3,327.73
Lipetskenergo	4,718.79	4,617.79	4,661.79	4,374.79	4,086.79	4,098.79
Orelenergo	2,164.19	2,030.54	2,032.54	2,034.54	2,036.54	2,038.54
Smolenskenergo	3,273.72	3,377.27	3,411.04	3,421.28	3,431.54	3,441.83
Tambovenergo	2,694.48	2,708.12	2,735.21	2,743.41	2,751.64	2,759.90
Tverenergo	4,524.66	4,677.47	4,724.24	4,739.00	4,758.57	4,785.19
Yarenergo	5,818.42	6,016.77	6,073.90	6,091.21	6,108.57	6,108.57
LLC “Bryanskelectro”	1,649.99	1,650.12	1,650.12	1,650.12	1,650.12	1,650.12
JSC “VGES”	1,617.28	1,637.73	1,642.64	1,647.57	1,652.51	1,657.47
JSC “TGES”	991.11	996.04	998.63	1,003.62	1,008.64	1,013.68
Growth rate of revenue from e/e transmission						
Belgorodenergo	3.19%	0.08%	4.03%	3.59%	3.59%	3.60%
Bryanskenergo	-6.80%	4.74%	2.96%	6.67%	4.07%	4.09%
Voronezhenergo	0.88%	6.52%	3.72%	3.65%	3.72%	3.73%
Kostromaenergo	-2.85%	4.46%	4.70%	3.61%	3.68%	3.66%
Kurskenergo	-1.54%	4.43%	5.89%	3.82%	4.38%	3.96%
Lipetskenergo	3.10%	3.34%	2.62%	-2.28%	-2.42%	3.93%
Orelenergo	-1.88%	-0.99%	3.79%	1.95%	3.03%	3.15%
Smolenskenergo	-1.48%	7.46%	3.92%	3.40%	3.54%	3.55%
Tambovenergo	-6.27%	4.81%	4.72%	3.81%	3.82%	3.82%
Tverenergo	-4.38%	-1.06%	5.05%	1.26%	3.96%	4.01%
Yarenergo	-0.31%	7.73%	4.09%	3.60%	3.65%	3.71%
LLC “Bryanskelectro”	0.00%	7.66%	6.32%	-2.15%	2.62%	2.61%
JSC “VGES”	0.00%	2.42%	3.15%	3.15%	3.15%	3.15%
JSC “TGES”	0.00%	3.02%	2.25%	4.02%	4.02%	4.02%
Investments (development) total (without VAT)						
Belgorodenergo	2,707,048	2,034,677	2,674,106	2,955,643	3,149,714	2,810,109
Bryanskenergo	663,109	448,923	556,157	964,306	1,077,091	918,998
Voronezhenergo	1,986,824	2,018,764	2,671,517	3,639,441	4,249,421	3,068,085
Kostromaenergo	513,838	855,711	945,523	1,255,564	1,261,224	1,106,661
Kurskenergo	753,280	789,821	888,988	1,333,622	1,316,182	1,247,867
Lipetskenergo	968,635	1,429,039	1,693,295	1,561,530	2,236,717	1,431,356
Orelenergo	390,760	497,224	425,283	707,924	824,140	719,521
Smolenskenergo	862,027	911,096	928,645	1,626,831	1,722,302	1,115,723
Tambovenergo	706,302	342,528	740,351	1,368,224	1,412,762	819,785
Tverenergo	2,056,068	514,455	301,491	1,766,775	1,994,511	541,684
Yarenergo	939,321	1,133,735	1,499,836	1,553,570	1,478,713	1,509,594
LLC “Bryanskelectro”	2,114,740	158,382	123,681	128,628	133,773	139,124
JSC “VGES”	373,975	354,435	334,358	347,733	361,642	361,642
JSC “TGES”	364,028	378,107	353,883	353,883	353,883	353,883

(in thousands of Russian rubles, unless otherwise stated)

13 Property, plant and equipment (continued)

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%	(16.63)	24.89
Change NVV to the base value in each period by 3%	19.38	(19.38)
Change in the growth rate of net cash flow in the post-forecast period by 1%	20.15	(13.46)
Change in the level of operating expenses by 5%	(27.27)	27.27
Change in the level of investment (capital investment) by 10%	(2.88)	2.88
Change in net output in each period by 0.5%	3.23	(3.23)

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

Name	Increase, %	Decrease, %
Change the discount rate by 1%	(18.37)	27.61
Change NVV to the base value in each period by 3%	25.84	(25.95)
Change in the growth rate of net cash flow in the post-forecast period by 1%	22.53	(15.05)
Change in the level of operating expenses by 5%	(37.72)	37.39
Change in the level of investment (capital investment) by 10%	(2.67)	2.67
Change in net output in each period by 0.5%	4.31	(4.31)

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

Name	Increase, %	Decrease, %
Change the discount rate by 1%	(17.82)	26.71
Change NVV to the base value in each period by 3%	18.11	(18.11)
Change in the growth rate of net cash flow in the post-forecast period by 1%	21.66	(14.47)
Change in the level of operating expenses by 5%	(24.95)	24.95
Change in the level of investment (capital investment) by 10%	(2.78)	2.78
Change in net output in each period by 0.5%	3.02	(3.02)

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

Name	Increase, %	Decrease, %
Change the discount rate by 1%	(17.25)	25.83
Change NVV to the base value in each period by 3%	19.46	(19.46)
Change in the growth rate of net cash flow in the post-forecast period by 1%	20.90	(13.97)
Change in the level of operating expenses by 5%	(27.17)	27.17
Change in the level of investment (capital investment) by 10%	(2.20)	2.20
Change in net output in each period by 0.5%	3.24	(3.24)

(in thousands of Russian rubles, unless otherwise stated)

13 Property, plant and equipment (continued)

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

Name	Increase, %	Decrease, %
Change the discount rate by 1%	(19.21)	28.78
Change NVV to the base value in each period by 3%	25.65	(25.65)
Change in the growth rate of net cash flow in the post-forecast period by 1%	23.33	(15.59)
Change in the level of operating expenses by 5%	(36.58)	36.58
Change in the level of investment (capital investment) by 10%	(2.83)	2.83
Change in net output in each period by 0.5%	4.28	(4.28)

Table 8 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%	(13.93)	20.56
Change NVV to the base value in each period by 3%	56.47	(56.91)
Change in the growth rate of net cash flow in the post-forecast period by 1%	16.09	(10.75)
Change in the level of operating expenses by 5%	(94.21)	91.32
Change in the level of investment (capital investment) by 10%	(7.43)	7.43
Change in net output in each period by 0.5%	9.41	(9.41)

Table 9 The sensitivity of the value of the use of fixed assets of the generating unit branch “Orelenergo”

Name	Increase, %	Decrease, %
Change the discount rate by 1%	(17.57)	26.34
Change NVV to the base value in each period by 3%	22.53	(22.53)
Change in the growth rate of net cash flow in the post-forecast period by 1%	21.37	(14.28)
Change in the level of operating expenses by 5%	(32.45)	32.45
Change in the level of investment (capital investment) by 10%	(2.31)	2.31
Change in net output in each period by 0.5%	3.75	(3.75)

Table 10 The sensitivity of the value of the use of fixed assets of the generating unit branch “Smolenskenergo”

Name	Increase, %	Decrease, %
Change the discount rate by 1%	(16.80)	25.11
Change NVV to the base value in each period by 3%	19.98	(19.98)
Change in the growth rate of net cash flow in the post-forecast period by 1%	20.21	(13.51)
Change in the level of operating expenses by 5%	(28.16)	28.16
Change in the level of investment (capital investment) by 10%	(1.68)	1.68
Change in net output in each period by 0.5%	3.33	(3.33)

(in thousands of Russian rubles, unless otherwise stated)

13 Property, plant and equipment (continued)

Table 11 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%	(20.16)	30.21
Change NVV to the base value in each period by 3%	31.48	(31.48)
Change in the growth rate of net cash flow in the post-forecast period by 1%	24.49	(16.37)
Change in the level of operating expenses by 5%	(46.73)	46.73
Change in the level of investment (capital investment) by 10%	(4.22)	4.22
Change in net output in each period by 0.5%	5.25	(5.25)

Table 12 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%	(18.35)	27.43
Change NVV to the base value in each period by 3%	53.92	(55.04)
Change in the growth rate of net cash flow in the post-forecast period by 1%	22.05	(14.74)
Change in the level of operating expenses by 5%	(86.55)	83.93
Change in the level of investment (capital investment) by 10%	(3.94)	3.94
Change in net output in each period by 0.5%	9.15	(9.15)

Table 13 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%	(20.00)	29.80
Change NVV to the base value in each period by 3%	23.80	(23.80)
Change in the growth rate of net cash flow in the post-forecast period by 1%	23.85	(15.94)
Change in the level of operating expenses by 5%	(33.84)	33.84
Change in the level of investment (capital investment) by 10%	(1.82)	1.82
Change in net output in each period by 0.5%	3.97	(3.97)

Table 14 The sensitivity of the value of the use of fixed assets of the generating unit LLC "Bryanskelectro"

Name	Increase, %	Decrease, %
Change the discount rate by 1%	(9.95)	14.56
Change NVV to the base value in each period by 3%	24.64	(24.64)
Change in the growth rate of net cash flow in the post-forecast period by 1%	11.19	(7.48)
Change in the level of operating expenses by 5%	(38.99)	38.99
Change in the level of investment (capital investment) by 10%	(0.21)	0.21
Change in net output in each period by 0.5%	4.11	(4.11)

(in thousands of Russian rubles, unless otherwise stated)

13 Property, plant and equipment (continued)

Table 15 The sensitivity of the value of the use of fixed assets of the generating unit JSC “VGES”

Name	Increase, %	Decrease, %
Change the discount rate by 1%	(13.31)	19.84
Change NVV to the base value in each period by 3%	30.33	(30.33)
Change in the growth rate of net cash flow in the post-forecast period by 1%	15.92	(10.64)
Change in the level of operating expenses by 5%	(40.15)	40.15
Change in the level of investment (capital investment) by 10%	(3.74)	3.74
Change in net output in each period by 0.5%	5.05	(5.05)

Table 16 The sensitivity of the value of the use of fixed assets of the generating unit JSC “TGES”

Name	Increase, %	Decrease, %
Change the discount rate by 1%	(16.31)	24.40
Change NVV to the base value in each period by 3%	8.85	(8.85)
Change in the growth rate of net cash flow in the post-forecast period by 1%	19.72	(13.18)
Change in the level of operating expenses by 5%	(10.27)	10.27
Change in the level of investment (capital investment) by 10%	(1.34)	1.34
Change in net output in each period by 0.5%	1.47	(1.47)

Table 17 The sensitivity of the value of the use of fixed assets of the Company (average for all branches and subsidiaries)

Name	Increase, %	Decrease, %
Change the discount rate by 1%	(16.83)	25.15
Change NVV to the base value in each period by 3%	27.17	(27.29)
Change in the growth rate of net cash flow in the post-forecast period by 1%	20.25	(13.53)
Change in the level of operating expenses by 5%	(40.36)	39.94
Change in the level of investment (capital investment) by 10%	(2.86)	2.86
Change in net output in each period by 0.5%	4.54	(4.54)

The sensitivity analysis for the material assumptions that are used to build the impairment models for IDGC of Centre's EGDS as of December 31, 2020 is presented below:

- **increase the discount rate to 10.03%:**

o results in an impairment loss on “Lipetskenergo” in the amount of RUB 6,611,644 thousand;

o results in an impairment loss on “Tverenergo” in the amount of RUB 747,386 thousand;

- **decrease of the required gross revenue to the base value in each period by 3%:**

o results in an impairment loss on “Lipetskenergo” in the amount of RUB 9,048,174 thousand;

o results in an impairment loss on “Tverenergo” in the amount of RUB 3,452,226 thousand;

o results in an impairment loss of JSC “VGES” in the amount of RUB 182,626 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 “Lipetskenergo” in the amount of RUB 10,946,872 thousand;

o results in an impairment loss on “Tverenergo” in the amount of RUB 5,640,353 thousand;

o results in an impairment loss of JSC “VGES” in the amount of RUB 442,686 thousand;

- **increase in the level of capital investments in the forecast and post-forecast period by 10%:**

o results in an impairment loss on “Lipetskenergo” in the amount of RUB 6,243,326 thousand;

- **decrease in the growth rate of net cash flow in the post-forecast period by 1%:**

o results in an impairment loss on “Lipetskenergo” in the amount of RUB 6,431,321 thousand;

o results in an impairment loss on “Tverenergo” in the amount of RUB 480,948 thousand;

- **decrease of useful leave in each period by 0.5%:**

o results in an impairment loss on “Lipetskenergo” in the amount of RUB 6,355,483 thousand;

o results in an impairment loss on “Tverenergo” in the amount of RUB 69,319 thousand;

(in thousands of Russian rubles, unless otherwise stated)

14 Intangible assets

	Software	R&D	Other intangible assets	Total
Initial cost				
At 1 January 2019	**2,336,066**	**35,516**	**1,310,223**	**3,681,805**
Additions	200,807	48,619	1,106	250,532
Disposals	(273,798)	-	(12)	(273,810)
At 31 December 2019	**2,263,075**	**84,135**	**1,311,317**	**3,658,527**
Accumulated amortization and impairment				
At 1 January 2019	**(655,729)**	**–**	**(241,682)**	**(897,411)**
Amortization charge	(473,964)	–	(78,785)	(552,749)
Disposals	267,748	–	-	267,748
At 31 December 2019	**(861,945)**	**–**	**(320,467)**	**(1,182,412)**
Initial cost				
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**
Accumulated amortization and impairment				
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)**
Net book value				
At 31 December 2019	**1,401,130**	**84,135**	**990,850**	**2,476,115**
At 31 December 2020	**1,347,350**	**38,454**	**946,154**	**2,331,958**

Amortization of intangible assets included in operating expenses in consolidated statement of profit or loss and other comprehensive income is RUB 511,887 thousand (for the year ended 31 December 2019: RUB 552,749 thousand).

Capitalized interest is absent for the year ended 31 December 2020 and 31 December 2019.

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 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

(in thousands of Russian rubles, unless otherwise stated)

14 Intangible assets (continued)

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 2020, 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 2019: 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 2020 in the amount of RUB 823,477 thousand is reflected in the line “Intangible assets” of the consolidated statement of financial position (in the amount of RUB 878,340 thousand as at 31 December 2019). For the year ended 31 December 2020 depreciation was accrued on the objects of the concession agreement in the amount of RUB 54,863 thousand (for the year ended 31 December 2019: RUB 54,863 thousand).

15 Right-of-use assets

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
Initial cost					
At 1 January 2019	**2,071,525**	**121,286**	**81,312**	**29,453**	**2,303,576**
Reclassification between groups	-	(156)	(113)	269	-
Additions	1,368,027	18,501	4,263	23	1,390,814
Change in lease terms	(516,829)	1,922	(5,908)	(178)	(520,993)
Disposal or termination of lease agreements	(166,919)	(402)	(1,108)	(17,587)	(186,016)
At 31 December 2019	**2,755,804**	**141,151**	**78,446**	**11,980**	**2,987,381**
Accumulated depreciation and impairment					
At 1 January 2019	-	-	-	-	-
Depreciation charge	(252,458)	(26,142)	(14,841)	(2,753)	(296,194)
Change in lease terms	1,260	39	1,033	105	2,437
Disposal or termination of lease agreements	114,247	21	88	355	114,711
At 31 December 2019	**(136,951)**	**(26,082)**	**(13,720)**	**(2,293)**	**(179,046)**
Net book value					
At 1 January 2019	**2,071,525**	**121,286**	**81,312**	**29,453**	**2,303,576**
At 31 December 2019	**2,618,853**	**115,069**	**64,726**	**9,687**	**2,808,335**

(in thousands of Russian rubles, unless otherwise stated)

15 Right-of-use assets (continued)

The value of right-of-use assets in the initial cost as at 01 January 2019 includes a number of objects received under financial lease (leasing) agreements. As at 31 December 2018 the residual value of such facilities amounted to RUB 2,884 thousand.

	Land and buildings	**Electricity transmission networks**	**Equipment for electricity transmission**	**Other**	**Total**
Initial cost					
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**
Accumulated depreciation and impairment					
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)**
Net book value					
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**

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 2020 is disclosed in Note 13.
*At the date of acquisition, LLC “Bryanskelectro” in August 2020 recognized assets in the form of right-of-use under lease and leasing agreements, the leased property under which was subsequently purchased into ownership of the Group and the lease agreements are terminated. The disposal of leased assets from the assets in the form of the right-of-use in the form of fixed assets amounted to RUB 2,013,422 thousand.

(in thousands of Russian rubles, unless otherwise stated)

16 Other financial assets

	31 December 2020	31 December 2019
Financial assets at fair value through other comprehensive income	208,201	207,257
	208,201	**207,257**

Finance assets at fair value through other comprehensive income as at 31 December 2020 and as at 31 December 2019 include shares of PJSC "Unipro", PJSC "IDGC of Centre and Volga region", PJSC "FGC UES'. Fair value of these investments is RUB 208,201 thousand and RUB 207,257 thousand respectively.
For the year ended 31 December 2020 the increase in fair value in the total amount of RUB 944 thousand is reflected in other comprehensive income (for the year ended 31 December 2019 the increase: RUB 15,357 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 2020	**31 December 2019**	**31 December 2020**	**31 December 2019 (restated)**	**31 December 2020**	**31 December 2019 (restated)**
Property, plant and equipment	-	-	(5,353,431)	(5,997,737)	(5,353,431)	(5,997,737)
Intangible assets	-	-	(24,557)	(25,190)	(24,557)	(25,190)
Right-off-use assets	-	-	(579,472)	(561,667)	(579,472)	(561,667)
Assets related to employee defined benefits plans	-	-	(103,481)	(102,917)	(103,481)	(102,917)
Trade and other receivables	1,053,079	901,781	-	-	1,053,079	901,781
Lease obligations	617,638	576,121	-	-	617,638	576,121
Borrowed funds	-	-	(247,266)	(2,302)	(247,266)	(2,302)
Provisions	399,055	450,305	-	-	399,055	450,305
Employee benefits	387,412	345,516	-	-	387,412	345,516
Trade and other payables	207,918	194,313	(7,275)	(5,797)	200,643	188,516
Other	2,595	2,307	(123)	(506)	2,472	1,801
Net tax assets/(liabilities)	**2,667,697**	**2,470,343**	**(6,315,605)**	**(6,696,116)**	**(3,647,908)**	**(4,225,773)**

(in thousands of Russian rubles, unless otherwise stated)

17 Deferred tax assets and liabilities (continued)

(b) Movement in temporary differences during the year

	1 January 2020 (restated)	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)**

	1 January 2019	Acquisition of subsidiaries (restated)	Recognized in profit and loss (restated)	Recognized in other comprehensive income	31 December 2019 (restated)
Property, plant and equipment	(6,244,062)	464,383	(218,058)	-	(5,997,737)
Intangible assets	(25,823)	-	633	-	(25,190)
Right-off-use assets	-	(460,138)	(101,529)	-	(561,667)
Assets related to employee defined benefits plans	(109,816)	-	6,899	-	(102,917)
Financial assets at fair value through other comprehensive income	–	-	3,071	(3,071)	-
Trade and other receivables	784,690	7,070	110,021	-	901,781
Lease liabilities	-	456,501	119,620	-	576,121
Borrowed funds	(3,646)	-	1,344	-	(2,302)
Provisions	162,586	-	287,719	-	450,305
Employee benefits	182,016	-	(7,567)	171,067	345,516
Trade and other payables	168,614	-	19,902	-	188,516
Other	(43,840)	(3,433)	49,074	-	1,801
	(5,129,281)	**464,383**	**271,129**	**167,996**	**(4,225,773)**

(in thousands of Russian rubles, unless otherwise stated)

18 Inventories

	31 December 2020	31 December 2019
Raw materials and supplies	1,204,928	1,339,904
Allowance for impairment of raw materials and supplies	(1,420)	(258)
Other inventories	1,866,468	1,342,478
	3,069,976	**2,682,124**

The Group had no inventories that would have been pledged under credit or other contracts as at 31 December 2020 and 31 December 2019. The Group has included spare parts, fuel.

19 Trade and other receivables

	31 December 2020	31 December 2019
Non-current trade and other account receivable		
Trade receivables	59,053	31,937
Other receivables	79,788	96,201
	138,841	**128,138**
Current trade and other account receivable		
Trade receivables	24,183,709	23,301,335
Allowance for expected credit losses on trade receivables	(10,785,503)	(10,854,477)
Other receivables	2,547,896	2,135,540
Allowance for expected credit losses on other receivables	(1,604,548)	(1,610,533)
	14,341,554	**12,971,865**

Non-current and current other receivables include restructured receivables under the assignment agreement in the total non-discounted amount of RUB 125,423 thousand as at 31 December 2020 (as at 31 December 2019: RUB 188,135 thousand). The terms of the agreement provide for the repayment of the remaining part of receivables in 2021-2024 and the application of the interest rate of 12.44% per annum.
The Group’s exposure to credit and currency 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.

20 Advances given and other assets

	31 December 2020	31 December 2019
Non-current		
Advances given	1,500	2,801
	1,500	**2,801**
Current		
Advances given	406,450	229,081
Advances given impairment allowance	(14,123)	(16,266)
VAT recoverable	42,484	18,364
VAT on advances to customers and clients and advances given for the purchase of property, plant and equipment	479,109	488,307
Prepaid taxes, other than income tax and VAT	59,445	35,604
	973,365	**755,090**

Balance with related parties is disclosed in Note 34.

(in thousands of Russian rubles, unless otherwise stated)

21 Cash and cash equivalents

	31 December 2020	31 December 2019
Cash in bank accounts and cash on hand	1,002,671	1,146,108
Cash equivalents	403,640	371,000
	1,406,311	**1,517,108**

	Rating	Rating agency	31 December 2020	31 December 2019
PJSC «Sberbank of Russia"*	Baa3	Moody's	377,690	223,623
JSC "Bank GPB"*	Ba1	Moody's	94,776	47,406
PJSC "VTB bank"*	Baa3	Moody's	320,635	87,120
JSC "Alfa-Bank"	Ba1	Moody's	1,575	12,138
JSC "AB Rossia"	ruAA	Эксперт РА	184	736,145
PJSC "Promsvyazbank"	Ba2	Moody's	159,017	4,060
PJSC "Rosbank"	Baa3	Moody's	48,460	35,108
PJSC "Sovkombank"	Ba1	Moody's	-	1
Cash on hand			334	507
			1,002,671	**1,146,108**

* State-controlled banks

Cash equivalents include short-term investments in bank deposits and bonds.

<u>Deposits:</u>

	Rate on 31 December 2020	Rating	Rating agency	31 December 2020	31 December 2019
PJSC Russian Agricultural Bank*	3.89-3.93%	Ba1	Moody's	149,500	77,000
JSC "Bank GPB"*	4.21-4.41%	Ba1	Moody's	86,040	-
PJSC "VTB bank"*	3.90-4.00%	Baa3	Moody's	4,100	-
				239,640	**77,000**

<u>Bonds:</u>

	Rate on 31 December 2020	Rating	Rating agency	31 December 2020	31 December 2019
JSC "AB Rossia"	3.85%	ruAA	Expert RA	164,000	-
PJSC "VTB bank"*	-	Baa3	Moody's	-	294,000
				164,000	**294,000**

* State-controlled banks

All balance of cash and cash equivalents are denominated in rubles as at 31 December 2020 and 31 December 2019.

As at 31 December 2019, the balance on the current account with JSC "AB Russia" in the amount of RUB 696,000 thousand represents cash in the form of a non-reducible balance at 6% per annum.

(in thousands of Russian rubles, unless otherwise stated)

22 Equity

(a) Equity

	Ordinary shares	
	31 December 2020	**31 December 2019**
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.

(c) Dividends

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

Holders of ordinary shares have the right to vote on all issues on the agenda at the General Meetings of Shareholders of the Company, to receive dividends in the manner specified by the legislation of the Russian Federation and the Charter of the company, as well as other rights provided for by the Charter and legislation of the Russian Federation.

At the annual general meeting of shareholders held on 30 May 2019 dividends for 2018 were declared in the amount of RUB 876,162 thousand. The amount of dividends was RUB 0.0207533 per one ordinary share.

At the extraordinary general meeting of shareholders held on 30 December 2019 dividends for the first 9 months of fiscal year 2019 were declared in the amount of 847,099 thousand and on the payment of dividends for the first 9 months of 2019 in the amount of 0.0200649 rubles per ordinary share of the Company in cash.

In 2020, the Company recovered unclaimed dividends for 2016 in the amount of RUB 14,955 thousand (in 2019: RUB 5,208 thousand – recovered unclaimed dividends for 2015).

For the years ended 31 December 2020, the Company paid dividends to the equity holders of the Company in the amount of RUB 836,639 thousand (for the year ended 31 December 2019 – RUB 865,315 thousand).

23 Earnings per share

The calculation of earnings per share for the year ended 31 December 2020 and 31 December 2019 is based on earnings attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

The Company has no dilutive financial instruments.

23 Earnings per share (continued)

In millions of shares	2020	2019
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 2020	Year ended 31 December 2019 (restated)
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	2,051,061	2,988,065
Earnings per ordinary share (in RUB) – basic and diluted	**0.049**	**0.071**

24 Borrowed funds

	31 December 2020	31 December 2019
Non-current liabilities		
Secured loans and borrowings	239,183	358,681
Unsecured loans and borrowings	28,932,684	26,533,899
Unsecured bonds	15,128,660	10,107,840
Lease liabilities	3,088,188	2,880,604
Less: current portion of long-term loans and borrowings	(8,386,286)	(119,611)
Less: current portion of long-term bonds	(5,142,867)	(119,350)
Less: current portion of long-term lease liabilities	(415,616)	(318,088)
	33,443,946	**39,323,975**
Current liabilities		
Unsecured loans and borrowings	-	89,712
Current portion of long-term loans and borrowings	8,386,286	6,641,791
Current portion of long-term bonds	5,142,867	119,350
Current portion of long-term lease liabilities	415,616	318,088
	13,944,769	**7,168,941**
Including:		
Debts on interest payable on loans and borrowings	16,751	22,317
Debts on interest payable on bonds	143,900	119,350
	160,651	**141,667**

All balance of loans and borrowings are denominated in rubles as at 31 December 2020 and 31 December 2019.

(in thousands of Russian rubles, unless otherwise stated)

24 Borrowed funds (continued)

		Effective interest rate		Carrying value	
	Year of maturity	**31.12.2020**	**31.12.2019**	**31 December 2020**	**31 December 2019**
Unsecured borrowed funds					
Unsecured bank loans*	-	-	7.49% - 7.49%	-	4,000,000
Unsecured bank loans*	-	-	7.40% - 7.50%	-	15,066,013
Unsecured bank loans*	2022-2023	KR CB RF+1.10%-KR CB RF+1.50%	KR CB RF+1.10%-KR CB RF+2.00%	14,322,128	2,818,495
Unsecured bank loans*	2021-2023	KR CB RF+0.98%-KR CB RF+1.70%	KR CB RF+0.98%-KR CB RF+1.20%	10,988,524	9,261,283
Unsecured bank loans	-	-	7.34% - 7.34%	-	2,000,000
Unsecured loans*	2028	5.80%-6.40%	-	3,622,032	-
				28,932,684	**33,145,791**
Secured borrowed funds					
Secured bank loans*	2022	KR CB RF +1.50%	KR CB RF +1.50%	239,183	358,681
Unsecured bonds					
Unsecured bonds	2021 –2023	5.60%-6.95%	6.85% - 6.95%	15,128,660	10,107,840
Lease liabilities					
Lease liabilities	2021–2069	5.62%-12.76%	7.48% - 12.76%	3,088,188	2,880,604
Total liabilities				**47,388,715**	**46,492,916**

* Loans and borrowings received from companies related to the state

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.

On 05 June 2020, the Group issued documentary interest-bearing non-convertible bonds with a total nominal value of RUB 5,000,000 thousand with a nominal interest rate of 5.60% per annum. The maturity of the bonds is 3 years.

(in thousands of Russian rubles, unless otherwise stated)

25 Changes in liabilities arising from financial activities

	Borrowed funds				
	Long-term part	**Short-term part**	**Interest on financial liabilities, other than leases**	**Lease liabilities**	**Dividends payable**
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**

(in thousands of Russian rubles, unless otherwise stated)

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 2019	**29,076,926**	**10,989,846**	**322,208**	**696**	**43,154**
Changes in cash flows from financial activities					
Proceeds from borrowed funds	23,083,559	12,305,994	-	-	-
Repayment of borrowed funds	(6,641,780)	(25,805,994)	-	-	-
Lease payment	-	-	-	(205,588)	-
Interest paid (operating activities, reference)	-	-	(3,556,181)	(207,115)	-
Dividends paid	-	-	-	-	(882,465)
Total	**16,441,779**	**(13,500,000)**	**(3,556,181)**	**(412,703)**	**(882,465)**
Non-cash transactions					
Reclassification	(9,119,535)	9,119,535	-	-	-
Capitalize interest	-	-	157,510	-	-
Interest expense	-	-	3,217,993	207,115	-
Additions from lease agreements	-	-	-	3,673,319	-
Dividends accrued	-	-	-	-	1,740,411
Discounting	3,684	10,154	-	-	-
Other changes, net	358,605	89,651	137	(587,823)	(5,208)
Total	**(8,757,246)**	**9,219,340**	**3,375,640**	**3,292,611**	**1,735,203**
As at 31 December 2019	**36,761,459**	**6,709,186**	**141,667**	**2,880,604**	**895,892**

(in thousands of Russian rubles, unless otherwise stated)

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:

	31 December 2020	**31 December 2019**
Present value of post-employment benefits obligation	3,308,876	2,996,844
Total present value of employee benefit obligation	**3,308,876**	**2,996,884**

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

	Year ended 31 December 2020	**Year ended 31 December 2019**
Value of assets at 1 January	**514,585**	**549,081**
Gain on program assets	38,591	-
Employer contributions	109,198	113,631
Other movements in the accounts	(20,297)	(16,329)
Payments of remuneration	(124,672)	(131,798)
Value of assets at 31 December	**517,405**	**514,585**

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.

(in thousands of Russian rubles, unless otherwise stated)

26 Employee benefits (continued)

Movements in the present value of defined benefit liabilities:

	Year ended 31 December 2020	Year ended 31 December 2019
	Post-employment benefits obligation	**Post-employment benefits obligation**
Defined benefit plan obligations as at 1 January	**2,996,844**	**1,950,777**
Current service cost	154,138	43,345
Past service cost and sequestration	-	-
Interest expense	176,556	152,525
Remeasurement effect from:		
- (gain)/loss from change in demographic actuarial assumptions	-	234,871
- (gain)/loss from change in financial actuarial assumptions	73,393	614,312
- (gain)/loss arising from experience adjustment	102,309	198,633
Contributions to the plan	(194,364)	(197,619)
Defined benefit plan obligations as at 31 December	**3,308,876**	**2,996,844**

(Income)/expenses recognized in profit or loss for the period:

	Year ended 31 December 2020	Year ended 31 December 2019
Employees service cost	154,138	43,345
Interest expenses	176,556	152,525
Total expenses recognized in profit or loss	**330,694**	**195,870**

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

	Year ended 31 December 2020	Year ended 31 December 2019
(Gain)/loss from change in demographic actuarial assumptions	-	234,871
(Gain)/loss from change in financial actuarial assumptions	73,393	614,312
(Gain)/loss arising from experience adjustment	102,309	198,633
Total (gain)/loss recognized in other comprehensive income	**175,702**	**1,047,816**

(in thousands of Russian rubles, unless otherwise stated)

26 Employee benefits (continued)

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

	Year ended 31 December 2020	Year ended 31 December 2019
Remeasurements at 1 January	**1,418,774**	**370,958**
Movement of remeasurements	175,702	1,047,816
Remeasurements at 31 December	**1,594,476**	**1,418,774**

The key actuarial assumptions are as follows:

	31 December 2020	31 December 2019
Financial assumptions		
Discount rate	6.10%	6.30%
Future salary increase	4.50%	4.50%
Inflation rate	4.00%	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 -5.3%
Future salary growth	Increase by 0.50%	Increase/decrease by 4.8%
Future growth of benefits (inflations)	Increase by 0.50%	Increase/decrease by 1.2%
Level of staff movement	Increase by 10%	Increase/decrease by -1.7%
Mortality level	Increase by 10%	Increase/decrease by -1.4%

Expected payments under the defined long-term employee benefit plans to employees in 2021 year including non-state pension schemes are RUB 334,693 thousand under the defined benefit plans.

(in thousands of Russian rubles, unless otherwise stated)

27 Trade and other payables

	31 December 2020	31 December 2019
Non-current accounts payable		
Trade payables	19,446	37,443
Other payables	44,107	60,678
	63,553	**98,121**
Current accounts payable		
Trade payables	9,152,280	6,411,572
Other payables and accrued expenses	1,583,221	1,549,313
Payables to employees	1,077,021	1,654,892
Dividends payable	44,298	470,386
	11,856,820	**10,086,163**

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

28 Tax liabilities other than income tax

	31 December 2020	31 December 2019
Value-added tax	1,540,225	1,605,638
Property tax	512,728	499,284
Social security contributions	473,965	484,007
Other taxes payable	34,847	168,579
	2,561,765	**2,757,508**

29 Advances from customers

Advances from customers (contractual obligations) as at 31 December 2020 and 31 December 2019 are reflected, including VAT.

	31 December 2020	31 December 2019
Advances for services of technological connection to electric grids	547,256	567,128
Advances from customers	69,708	164,418
Total non-current advances from customers	**616,964**	**731,546**
Advances for services of technological connection to electric grids	1,640,372	1,218,768
Advances from customers	666,064	917,700
Total current advances from customers	**2,306,436**	**2,136,468**

(in thousands of Russian rubles, unless otherwise stated)

30 Provisions

	Year ended 31 December 2020	Year ended 31 December 2019
Balance on 1 January	**2,251,523**	**812,931**
Acquisition of subsidiaries	-	6,787
Accrual (increase) for the period	631,106	1,870,497
Recovery (decrease) for the period	(326,549)	(193,860)
Use of provisions	(560,804)	(244,832)
Balance on 31 December	**1,995,276**	**2,251,523**

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 1,411,696 thousand as at 31 December 2020 (as at 31 December 2019: RUB 1,098,700 thousand).

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.

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 thousands of Russian rubles, unless otherwise stated)

31 Financial risk and capital management (continued)

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 20209	**31 December 2019**
Financial assets at fair value through other comprehensive income	208,201	207,257
Trade and other receivables (net of allowance for expected credit losses)	14,480,395	13,100,003
Cash and cash equivalents	1,406,311	1,517,108
	16,094,907	**14,824,368**

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:

	Gross	**Impairment loss**	**Gross**	**Impairment loss**
	31 December 2020	**31 December 20209**	**31 December 2019**	**31 December 2019**
Buyers of electricity sales services	1,076,806	(928,342)	1,403,704	(1,218,042)
Buyers of electricity transmission services	21,882,735	(9,272,508)	20,914,465	(9,355,098)
Buyers of technological connection to networks	179,339	(82,373)	186,277	(79,341)
Other buyers	1,103,882	(502,280)	828,826	(201,996)
	24,242,762	**(10,785,503)**	**23,333,272**	**(10,854,477)**

The carrying amount of trade receivables attributable to the ten largest debtors of the Group was RUB 10,055,544 thousand as at 31 December 2020 (as at 31 December 2019: RUB 9,624,664 thousand).

(in thousands of Russian rubles, unless otherwise stated)

31 Financial risk and capital management (continued)

Allowance for expected credit losses of trade and other receivables

The aging of trade and other receivables is provided below:

	Gross	Impairment loss	Gross	Impairment loss
	31 December 2020	**31 December 2020**	**31 December 2019**	**31 December 2019**
Not past due	9,418,300	(676,909)	8,536,983	(315,291)
Past due less than 3 months	2,527,436	(98,404)	1,768,629	(70,687)
Past due more than 3 months and less than 6 months	785,719	(78,402)	886,638	(138,759)
Past due more than 6 months and less than 1 year	943,284	(356,273)	1,082,391	(459,751)
Past due more than 1 year	13,195,707	(11,180,063)	13,290,372	(11,480,522)
	26,870,446	**(12,390,051)**	**25,565,013**	**(12,465,010)**

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

	Year ended 31 December 2020	Year ended 31 December 2019
Balance at 1 January	**12,465,010**	**12,524,034**
Increase for the period	1,317,268	1,726,000
Amounts of trade and other receivables written off using the allowance for impairment accrued earlier	(943,281)	(1,136,431)
Reversal of allowance for impairment for the period	(470,814)	(894,215)
Acquisition of subsidiaries	21,868	245,622
Balance at 31 December	**12,390,051**	**12,465,010**

(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.

31 Financial risk and capital management (continued)

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 85,846,485 thousand valid from 2021 to 2025 at 31 December 2020 (31 December 2019: RUB 48,983,101 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:

(in thousands of Russian rubles, unless otherwise stated)

31 Financial risk and capital management (continued)

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 December 2019	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	33,504,472	37,188,481	9,125,166	23,355,535	4,707,780	-	-	-
Bonds	10,107,840	11,544,550	688,100	5,514,850	5,341,600	-	-	-
Lease liabilities	2,880,604	7,161,371	500,758	464,910	454,487	436,392	329,668	4,975,156
Trade and other payables	10,184,284	10,221,884	10,108,797	4,578	17,068	4,578	81,593	5,270
	56,677,200	**66,116,286**	**20,422,821**	**29,339,873**	**10,520,935**	**440,970**	**411,261**	**4,980,426**

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 2020, the Group's financial liabilities with floating interest rates amounted to RUB 25,549,835 thousand (31 December 2019: RUB 12,438,459 thousand).

A possible change in interest rates by 100 basis points would increase (decrease) the amount of profit /(loss) for 2020 by RUB 183,729 thousand (31 December 2019: RUB 14,786 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 2020, financial assets measured at fair value through other comprehensive income exposed to equity price risk amounted to RUB 208,201 thousand (31 December 2019: RUB 207,257 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 20,816 thousand.

(in thousands of Russian rubles, unless otherwise stated)

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 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**

		31 December 2019		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	207,257	207,257	207,220	-	37
Total		**207,257**	**207,257**	**207,220**	**-**	**37**

During the year ended 31 December 2020, 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 valu hrough other comprehensiv income 2020
On 1 January	**207,257**
Change in fair value recognized in other comprehensive income	944
On 31 December	**208,201**

(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 2020, The Group has outstanding commitments under contract for the purchase and construction of property, plant and equipment items for RUB 10,669,117 thousand inclusive of VAT (as at 31 December 2019: RUB 11,423,253 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 1,501,170 thousand, inclusive of VAT, as at 31 December 2020 (as at 31 December 2019: none).

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 January 1, 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, add 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, 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.

(in thousands of Russian rubles, unless otherwise stated)

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

(a) Control relationships

Related parties are shareholders, affiliates and entities under common ownership and control of the Group, members of the Board of Directors and key management personnel of the Company. The Company's parent as at 31 December 2020 and 31 December 2019 was PJSC "Russian Grids". The final controlling party is the state represented by the Federal Property Management Agency, which owns a controlling stake in PJSC "Russian Grids".

(b) Transactions with the parent company, its subsidiaries and associates

Transactions with the parent company, its subsidiaries and associates include operations with PJSC "Russian Grids", its subsidiaries and associates:

	Amount of the transaction for the year ended 31 December		Carrying amount	
Revenue, net other income, finance income	**2020**	**2019**	**2020**	**2019**
Parent company				
Other income	780	780	-	-
Entities under common control of the parent company				
Electricity transmission	1,292,937	-	141,135	-
Other revenue	1,016,308	494,428	264,385*	547,666
Dividends receivable	162	654	-	-
Other	233,677	-	-	-
	2,543,864	**495,862**	**405,520**	**547,666**

(in thousands of Russian rubles, unless otherwise stated)

34 Related party transactions (continued)

	Amount of the transaction		Carrying amount	
Operating expenses, finance costs	**2020**	**2019**	**2020**	**2019**
Parent company				
Expenses for services related to the organization of the functioning and development of the EEC	242,405	242,405	47,050	47,546
Technical supervision services	42,249	42,249	-	-
Other expenses	13,671	13,671	-	-
Interest expenses on financial liabilities recorded at amortized cost	-	812,350	-	-
Dividends	-	865,610	-	425,506
Entities under common control of the parent company				
Electricity transmission services	16,663,949	17,246,855	887,005	881,160
Other expenses	178,111	79,044	110,407	396,374
Others	-	-	903,000	903,000
	17,140,385	**19,302,184**	**1,947,462**	**2,653,586**

*Accounts receivable for other revenue as at 31 December 2020 include an allowance for expected credit losses created for the debt of PJSC “ROSSETI North Caucasus” in the amount of RUB 290,013 thousand.

For 2020, 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 476,924 thousand (2019: in the amount of RUB 374,887 thousand). The accounts payable for such transactions are shown in the table above.

	Carrying amount	
	2020	**2019**
Parent company		
Borrowed funds	3,622,032	-
Entities under common control of the parent company		
Advances given	67,414	78,898
Advances received	229,554	567,243
	3,919,000	**646,141**

The debt to the parent company for the payment of dividends as at 31 December 2020 is absent (as at 31 December 2019 RUB 425,506 thousand).

In the third quarter of 2020, the Company entered into an interest-free loan agreement with PJSC “Russian Grids” in the amount of RUB 4,900,000 thousand maturity to 2028. As at 31 December 2020, the Company received several tranches totaling RUB 4,843,123 thousand. The fair value of the received tranches, calculated at the market rates of 5.80 – 6.40%% per annum at the date of initial recognition, as at 31 December 2020 was RUB 3,622,032 thousand, the remaining net discount recognized as part of financial income for 2020, was amounted to RUB 1,221,091 thousand.

(in thousands of Russian rubles, unless otherwise stated)

34 Related party transactions (continued)

(c) 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 2020	Year ended 31 December 2019
Short-term employee benefits	463,487	276,795
Severance payment	5,760	-
	469,247	**276,795**

As at 31 December 2020, 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 19,271 thousand (as at 31 December 2019: RUB 7,546 thousand).

(d) Transactions with government-related entities

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

Revenues from state-controlled entities for the year ended 31 December 2020 constitute 30% (for the year ended 31 December 2019: 30%) of total Group revenues, including 30% (for the year ended 31 December 2019: 30%) of electricity transmission revenues.

Electricity transmission costs (including compensation of technological losses) for state-controlled entities including PJSC "FGC UES" for the year ended 31 December 2020 constitute 62% (for the year ended 31 December 2019: 61%) of total electricity transmission costs.

Interest expense for government-related entities account for 69% of the total interest expenses for the year ended 31 December 2020 (for the year ended 31 December 2019: 63%).

As at 31 December 2020, the balance of cash and cash equivalents held with state-controlled banks is RUB 1,032,741 thousand (as at 31 December 2019: RUB 435,149 thousand).

As of 31 December 2020, lease obligations for companies associated with the state amounted to RUB 623,323 thousand (as at 31 December 2019: RUB 176,821 thousand).

Borrowed funds received from state-controlled banks are disclosed in Note 24.

35 Events after the reporting date

Significant events after the balance sheet date, which should be reflected in the consolidated financial statements for the reporting period, have not been identified.