PUBLIC JOINT STOCK COMPANY
"INTERREGIONAL DISTRIBUTION GRID COMPANY OF NORTH-WEST"

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

March 2021

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Совершенствуя бизнес,
улучшаем мир

Ernst & Young LLC
St. Petersburg Branch
White Nights House Business Center
Malaya Morskaya Street, 23
St. Petersburg, 190000, Russia
Tel: +7 (812) 703 7800
Fax: +7 (812) 703 7810
www.ey.com/ru

ООО «Эрнст энд Янг»
Филиал в Санкт-Петербурге
Россия, 190000, Санкт-Петербург
ул. Малая Морская, 23
Бизнес Центр «Белые Ночи»
Тел.: +7 (812) 703 7800
Факс: +7 (812) 703 7810
ОКПО: 71457074
ОГРН: 1027739707203
ИНН: 7709383532

Independent auditor's report

To Shareholders and Board of Directors of
Public joint stock company
"Interregional Distribution Grid Company of North-West"

Opinion

We have audited the consolidated financial statements of Public joint stock company "Interregional Distribution Grid Company of North-West" and its subsidiaries (the Group), which comprise the consolidated statement of profit or loss and other comprehensive income for 2020, consolidated statement of financial position as at 31 December 2020, and the consolidated statement of cash flows and consolidated statement of changes in equity 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' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (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 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 give rise to the existence of 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 to be 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; examined internal controls over the recognition of this revenue; checked the correctness 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 examined existing procedures to confirm the volume of electricity transmitted with counterparties.
Allowance for expected credit losses on trade receivables	
The matter of creating allowance for expected credit losses on trade receivables is 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 projected solvency of the Group's customers. Information on allowance for expected credit losses on trade receivables is disclosed in Notes 20 and 32 to the consolidated financial statements.	We analyzed the adequacy of the Group's accounting policy on the trade receivables with respect to the creation of allowance for expected credit losses on trade receivables, as well as Group's management estimation procedures, 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, the structure of receivables by age and maturity, and tested the correctness of the charged allowance amounts calculation.

Key audit matter	How our audit addressed the 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 31 to the consolidated financial statements.	Audit procedures among others involved analyzing decisions made by courts of different instances; considering the adequacy of management's judgments with regard to assessment of the possibility of an outflow of economic resources due to the dispute settlement; examining the compliance of the prepared documentation with provisions of existing contracts and legislation; and reviewing disclosures on provisions and contingent liabilities in notes to the consolidated financial statements.
Impairment of non-current assets	
Due to the existence of the impairment indicators of non-current assets as of 31 December 2020, the Group performed impairment testing. The value-in-use of fixed 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 matter of 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 the 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 14 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 the electricity transmission, fee solutions, operating and capital expenditures, long-term rates of fee growth and discount rates. We tested the incoming data applied in the model and the arithmetic accuracy of the model used to determine the recoverable amount in the impairment test of fixed 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 the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

The partner in charge of the audit resulting in this independent auditor's report is A.Y. Grebeniuk.

A.Y. Grebeniuk
Partner
Ernst & Young LLC

10 March 2021

Details of the audited entity

Name: Public joint stock company "Interregional Distribution Grid Company of North-West"
Record made in the State Register of Legal Entities on 23 December 2004, State Registration Number 1047855175785.
Address: Russia 196247, St. Petersburg, Constitution square, 3, lit A, room 16N.

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 thousand of Russian rubles, unless otherwise stated)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Revenue	7	48,252,863	49,135,508
Operating expenses	10	(47,082,171)	(45,803,015)
Expected credit losses		(915,604)	(857,999)
Impairment of property, plant and equipment and right-of-use assets	14, 16	(991,271)	(428,280)
Other income	8	566,269	524,585
Other expenses	9	(149,056)	(30,139)
Results from operating activities		**(318,970)**	**2,540,660**
Finance income	12	215,019	113,286
Finance costs	12	(1,168,088)	(1,255,277)
Total finance costs		**(953,069)**	**(1,141,991)**
Profit/(loss) before tax		**(1,272,039)**	**1,398,669**
Income/(loss) tax expense	13	131,518	(317,950)
Profit/(loss) for the period		**(1,140,521)**	**1,080,719**
Other comprehensive income/(loss)			
Items that will never be reclassified subsequently to profit or loss			
Change in the fair value of equity investments measured at fair value through other comprehensive income		(1,973)	5,386
Remeasurement of the defined benefit liability	27	44,068	(63,682)
Income tax		(8,419)	11,660
Total items that will not be reclassified subsequently to profit or loss		**33,676**	**(46,636)**
Other comprehensive income/(loss) for the period, net of income tax		**33,676**	**(46,636)**
Total comprehensive income/(loss) for the period		**(1,106,845)**	**1,034,083**
Profit/(loss) attributable to:			
Owners of the Company		(1,140,502)	1,080,736
Non-controlling interest		(19)	(17)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(1,106,826)	1,034,100
Non-controlling interest		(19)	(17)
Earnings per share			
Basic earnings per share (in RUB)	24	(0.0119)	0.0113

These consolidated financial statements were approved by management on 10 March 2021 and were signed on its behalf by:

General Director	Deputy General Director for Economy and Finance	Chief Accountant – Head of Department of accounting and tax accounting and reporting
A.Y. Pidnik	L.V. Shadrina	I.G. Zhdanova

	Notes	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	14	38,686,997	40,037,317
Intangible assets	15	400,219	266,945
Right-of-use assets	16	925,493	613,705
Trade and other receivables	20	113,045	140,121
Assets related to employee benefits plans	27	312,721	314,159
Other non-current financial assets	17	477,437	551,544
Deferred tax assets	18	7,541	18,533
Advances issued and other non-current assets	21	36,568	71,540
Total non-current assets		**40,960,021**	**42,013,864**
Current assets			
Inventories	19	1,036,343	965,749
Prepaid income tax		32,973	44,438
Trade and other receivables	20	5,054,769	5,360,864
Cash and cash equivalents	22	842,490	232,088
Advances issued and other current assets	21	766,423	706,810
Total current assets		**7,732,998**	**7,309,949**
Total assets		**48,693,019**	**49,323,813**
EQUITY AND LIABILITIES			
Equity	23		
Share capital		9,578,592	9,578,592
Reserve related to business combination		10,457,284	10,457,284
Other reserves		(58,146)	(91,822)
Accumulated deficit		(1,393,803)	(132,938)
Total equity attributable to owners of the Company		**18,583,927**	**19,811,116**
Non-controlling interest		217	236
Total equity		**18,584,144**	**19,811,352**
Non-current liabilities			
Loans and borrowings	25	8,521,062	12,803,516
Trade and other payables	28	143,917	291,552
Advances received	30	217,142	350,546
Employee benefit liabilities	27	860,491	983,386
Deferred tax liabilities	18	533,428	730,285
Total non-current liabilities		**10,276,040**	**15,159,285**
Current liabilities			
Loans and borrowings and short-term portion of long-term loans and borrowings	25	8,110,338	2,491,915
Trade and other payables	28	5,137,325	5,546,021
Taxes, other than income tax	29	1,424,395	1,344,441
Advances received	30	3,177,002	3,610,619
Provisions	31	1,938,914	998,058
Current income tax liability		44,861	362,122
Total current liabilities		**19,832,835**	**14,353,176**
Total liabilities		**30,108,875**	**29,512,461**
Total equity and liabilities		**48,693,019**	**49,323,813**

(in thousand of Russian rubles, unless otherwise stated)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the period		**(1,140,521)**	**1,080,719**
Adjustments for:			
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	10	4,783,835	4,587,332
Impairment of property, plant and equipment and right-of-use assets		991,271	428,280
Finance costs	12	1,168,088	1,255,277
Finance income	12	(215,019)	(113,286)
(Gain)/loss on disposal of property, plant and equipment		3,085	(1,079)
Expected credit losses		915,604	857,999
Accounts receivable write-off		9,671	33,084
Accounts payable write-off		(3,862)	(6,251)
Change in provisions		1,055,724	538,474
Other non-cash transactions		(41,160)	(23,290)
Income tax expense	13	(131,518)	317,950
Total effect of adjustments		**8,535,719**	**7,874,490**
Change in assets related to employee benefit plans		25,556	55,892
Change in employee benefit liabilities		(130,846)	(1,059,413)
Change in long-term trade and other receivables		27,076	(129,853)
Change in long-term advances issued and other non-current assets		34,972	78,583
Change in long-term trade and other payables		(147,635)	44,865
Change in long-term advances received		(133,404)	(544,384)
Cash flows from operating activities before changes in working capital and provisions		**7,070,917**	**7,400,899**
Changes in working capital			
Change in trade and other receivables		(440,814)	949,408
Change in advances issued and other assets		(59,612)	243,077
Change in inventories		(70,482)	(111,686)
Change in trade and other payables		(137,313)	(957,093)
Change in advances received		(433,617)	(194,664)
Use of provision		(114,980)	(3,391)
Cash flows from operating activities before income tax and interest paid		**5,814,099**	**7,326,550**
Income tax reimbursement/(paid)		(372,596)	36,151
Interest paid under lease agreements		(86,861)	(46,163)
Interest paid		(1,003,881)	(1,190,144)
Net cash from operating activities		**4,350,761**	**6,126,398**

(in thousand of Russian rubles, unless otherwise stated)

otherwise stated)	Notes	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(4,244,419)	(4,746,580)
Proceeds from the sale of property, plant and equipment and intangible assets		3,917	22,206
Interest received		37,226	40,494
Dividends received		1,185	750
Net cash used in investing activities		**(4,202,091)**	**(4,683,130)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		35,683,180	24,095,963
Repayment of loans and borrowings		(34,722,091)	(24,974,887)
Dividends paid	23	(309,100)	(376,261)
Repayment of lease liabilities		(190,257)	(107,118)
Net cash (used in)/from financing activities		**461,732**	**(1,362,303)**
Net increase in cash and cash equivalents		**610,402**	**80,965**
Cash and cash equivalents at the year beginning	22	232,088	151,123
Cash and cash equivalents at the year end	22	**842,490**	**232,088**

(in thousand of Russian rubles, unless otherwise stated)

	Equity attributable to owners of the Company						
	Share capital	**Reserve related to business combination**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2019	**9,578,592**	**10,457,284**	**(45,186)**	**(645,455)**	**19,345,235**	**253**	**19,345,488**
Profit for the period	–	–	–	1,080,736	**1,080,736**	(17)	**1,080,719**
Other comprehensive loss	–	–	(58,296)	–	**(58,296)**	–	**(58,296)**
Income tax related to other comprehensive loss	–	–	11,660	–	**11,660**	–	**11,660**
Total comprehensive income for the period	–	–	**(46,636)**	**1,080,736**	**1,034,100**	**(17)**	**1,034,083**
Transactions with owners of the Company							
Dividends to shareholders (Note 23)	–	–	–	(568,219)	**(568,219)**	–	**(568,219)**
Balance at 31 December 2019	**9,578,592**	**10,457,284**	**(91,822)**	**(132,938)**	**19,811,116**	**236**	**19,811,352**
Balance at 1 January 2020	**9,578,592**	**10,457,284**	**(91,822)**	**(132,938)**	**19,811,116**	**236**	**19,811,352**
Loss for the period	–	–	–	(1,140,502)	**(1,140,502)**	(19)	**(1,140,521)**
Other comprehensive income	–	–	42,095	–	**42,095**	–	**42,095**
Income tax related to other comprehensive income	–	–	(8,419)	–	**(8,419)**	–	**(8,419)**
Total comprehensive income/(loss) for the period	–	–	**33,676**	**(1,140,502)**	**(1,106,826)**	**(19)**	**(1,106,845)**
Transactions with owners of the Company							
Dividends to shareholders (Note 23)	–	–	–	(120,363)	**(120,363)**	–	**(120,363)**
Balance at 31 December 2020	**9,578,592**	**10,457,284**	**(58,146)**	**(1,393,803)**	**18,583,927**	**217**	**18,584,144**

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

1. Background

(a) The Group and its operations

Public Joint Stock Company Interregional Distribution Grid Company of North-West (hereinafter referred to as PJSC "IDGC of North-West" or the "Company") was established in December 2004 in accordance with the laws of the Russian Federation. The Company was formed as a result of re-organization of OJSC RAO "UES of Russia" ("RAO UES") as the owner and operator of the electric power transmission and distribution grid in the North-West Region of Russia.

On 27 April 2007 the Board of Directors of RAO UES approved the structure of the Interregional Distribution Grid Companies. Under the approved structure, the IDGC of North-West was incorporated with IDGC of North-West and seven branches, located in Arkhangelsk, Vologda, Syktyvkar, Novgorod, Pskov, Petrozavodsk and Murmansk and subsidiaries (the "Group"). The principal subsidiaries are listed in Note 5.

The branches were formed on the basis of seven Regional Distribution Grid Companies: OJSC "Arkhenergo", OJSC "Vologdaenergo", OJSC "AEK Komienergo", OJSC "Novgorodenergo" OJSC "Pskovenergo", OJSC "Karelenergo", OJSC "Kolenergo", all of which were subsidiaries of RAO UES prior to the formation of the Group. The merger was a business combination among entities under common control and has been accounted for using the predecessor accounting method.

The primary activities of PJSC IDGC of North-West and its subsidiaries (hereinafter jointly 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 and sale of electricity to end customers in the territory of North-West Region of Russia.

The registered office (location) of the Company is 3 Constitution Square, lit. "A" room 16N, St. Petersburg 196247.

The parent company of PJSC "IDGC of North-West" is PJSC "ROSSETI".

The structure of the Group is presented in Note 5.

The Group's relationship with other related parties is disclosed in Note 35.

(b) Relations with state

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

As at 31 December 2020, the Russian Government owned 88.04% in the share capital of the parent company PJSC "ROSSETI" including 88.89% of the voting ordinary shares and 7.01% of the preference shares (as at 31 December 2019: 88.04%, including 88.89% of the voting ordinary shares and 7.01% of the preference shares).

The Russian Government influences the Group's operations through representation in the Board of Directors of the parent company, PJSC "ROSSETI", regulation of tariffs in the electric power industry, and approval and control over the implementation of the investment program. The counterparties of the Group (consumers of services, suppliers and contractors, etc.) include a large number of enterprises under state control.

(c) Russian business environment

The Group's operations are located in the Russian Federation.

The economy of the Russian Federation displays some of the characteristics of emerging markets. The country's economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory systems continue to evolve and are subject to frequent changes and varying interpretations. Continuing political tensions, as well as international sanctions against certain Russian companies and citizens, continue to have a negative impact on the Russian economy.

The coronavirus (COVID-19) pandemic in 2020 caused financial and economic tensions in global markets, a decline in consumer spending and business activity. Reduced demand for oil, natural gas and petroleum products, together with an increase in oil supply as a result of the cancellation of the OPEC + production agreement in March 2020, led to a drop in global hydrocarbon prices. Since March 2020, there has been significant volatility in the stock, foreign exchange and commodity markets.

Quarantine measures have been introduced by many countries, including the Russian Federation. Social distancing and isolation measures have led to the shutdown of businesses in retail, transportation, travel and tourism, catering, and more.

The impact of the pandemic on economic development at the level of individual countries and the global economy, in general, has no historical analogues with other periods when governments adopted packages of measures to rescue the economy. Forecasts of changes in macroeconomic indicators in the short and long term, the scale 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 estimates impact of the above events on the Group's operations as limited, taking into account the following assumptions:

- The system-forming nature and position in the industry in which the Group operates, ensuring uninterrupted transmission of electricity to consumers and connecting power;
- State regulation of tariffs for basic operations, which allows forecasting within the limits of the approved tariffs for the Group's services;
- No changes in the methods and volumes of use of the Group's production assets in the current period;
- No currency risk;
- No direct negative impact on the Group's core operating activities of legislative (regulatory) changes aimed at limiting the spread 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 our earnings, cash flows and financial position in the future.

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

- To work in contact with the authorities at the federal and regional levels to restrain the spread of the coronavirus and take all necessary measures to ensure the safety, protection of the life and health of its employees and contractors;
- To implement measures to ensure reliable energy supply, implement investment projects;
- To monitor forward-looking and actual information about the impact of the pandemic on the Russian economy, on the activities of the Group and the main counterparties of the Group;
- To adapt the Group's activities taking into account new market opportunities, to take measures to neutralize the possible negative impact of the pandemic and to ensure the financial stability of the Group.

2. Basis of preparation of consolidated financial statements

(a) Statement of compliance

These consolidated financial statements have been 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 presentation in accordance with IFRS.

(b) Basis of measurement

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

- Investments classified as financial assets measured at fair value through profit and loss;
- Investments classified as financial assets measured at fair value through other comprehensive income.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian ruble (hereinafter – ruble or 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.

(d) Use of professional judgments and estimates

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.

Management continually reviews estimates and assumptions made based on experience and other factors that have been used to determine the carrying amounts of assets and liabilities. Changes in estimates and assumptions are recognized in the period in which they were made, if the change affects only that period, or are recognized in the period to which the change relates and in subsequent periods if the change affects both this and future periods.

Professional judgements that have the most significant effect on the amounts recognised 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 property, plant and equipment and right-of-use assets

At each reporting date, the Group's management determines whether there is any indication of impairment of property, plant and equipment and of right-of-use assets. Indications of impairment include changes in business plans, tariffs, and other factors that have an adverse effect on the Group's operations. In making value-in-use calculations, management estimates the expected cash flows from an asset or group of cash-generating assets and calculates an acceptable discount rate to calculate the present value of these cash flows. For more information, see Notes 14 and 16.

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-cancellable lease period, together with periods for which an option to extend the lease is available if it is reasonably certain that it will be exercised, or periods for which an option to terminate the lease is available if it is reasonably certain 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 asset is a specialized;
- The location of the asset;
- Whether the group and the lessor have the practical possibility of choosing an alternative counterparty (choosing 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 assets.

Impairment of accounts receivable

Provision for expected credit losses of accounts receivable is based on management assumptions of accounts receivable recovery made for each debtor individually. For the purposes of assessing credit losses, the Group consistently takes into account all reasonable and verifiable information on past events, current and projected events that is available without undue effort and is appropriate for the assessment of receivables. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Pension obligations

The costs of defined benefit pension plans and related costs of the pension program are determined using actuarial valuations. The actuarial estimates involve making demographic assumptions as well as financial assumptions. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Deferred tax assets recognition

At each reporting date management assesses the deferred tax assets to be reflected in the consolidated financial statement to the extent it is likely to be used as tax deductions. 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.

(e) Change in presentation

Reclassification of comparatives

Some amounts in the comparative information for the previous period have been reclassified to ensure their comparability with the presentation of data in the current reporting period. All the reclassifications made are insignificant.

(f) New standards, amendments to clarify the applicable standards

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 applied ahead of schedule the standards, clarifications and amendments that have been issued but are not yet effective.

Amendments to IFRS 3 Business Combinations

These amendments change the definition of business in order to simplify its application in practice. In addition, an optional "asset concentration test" is introduced, in which further analysis to determine the presence of a business can not be carried out. When applying the asset concentration test, if virtually all of the fair value of the acquired assets 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 clarifications on selected issues, such as the role of management, prudence, and measurement uncertainty in the preparation of financial statements.

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 its omission, misstatement or difficulty in understanding it could affect the decisions made by the main users of general-purpose financial statements based on such financial statements that present financial information about a particular reporting entity.

Amendments to IFRS 16 Lease Assignments Related to the COVID-19 Pandemic

These amendments provide an exemption for lessees from applying the requirements of IFRS 16 to account 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 as this change would be accounted for under IFRS 16 if it were not a modification of the lease agreement.

The new standards, amendments and clarifications that have been issued but are not yet effective as of the date of issue of the Group's consolidated financial statements are set out below. The Group intends to adopt the applicable standards and interpretations after their effective date, 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 IFRS 17 Insurance Contracts*;
- Amendment to IFRS 9 *Financial Instruments* – commission on 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 at fair value measurement.

3. Significant accounting policies

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

(a) Basis of consolidation

i. Subsidiaries

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are attributed to non-controlling interests, even if results in the non-controlling interests having 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 the Group obtains control.

The Group measures goodwill at the acquisition date as:

1) The fair value of the consideration transferred; plus
2) The recognized amount of any non-controlling interests in the acquiree; plus
3) The fair value of previous interest held in the acquiree if the business combination is achieved in stages; less
4) 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. Contingent consideration classified as an asset or liability that is a financial instrument and falls within the scope of IFRS 9 is measured at fair value, and changes in fair value are recognized either in profit or loss or as changes in other comprehensive income. If the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with another applicable IFRS. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

iii. Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests not resulting in Group losing control are accounted for as transactions with owners, and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

iv. Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under control of the shareholder that controls the Group are accounted for by using the predecessor accounting method. The acquired assets and liabilities are recognized at the carrying amounts recognized previously in the 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 costs. 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 no further losses are recognised, except to the extent that the Group assumed obligations to reimburse losses 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 while 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.

(b) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into Russian rubles at the official exchange rates at the reporting date. Transactions in foreign currencies are recorded at exchange rates at the dates of the transactions. Foreign currency differences arising on settlement or translation of monetary items are recognised in profit or loss.

(c) Financial instruments

i. Financial assets

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

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

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

- Trade and other receivables that meet the definition of financial assets if the Group does not intend to sell them immediately or in the near future;
- Bank deposits that do not meet the definition of cash equivalents;
- Promissory notes and bonds not intended for trading;
- Loans issued;
- Cash and cash equivalents.

For financial assets classified as measured at amortised cost, a provision is made for expected credit losses.

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

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

- Are not classified as measured at fair value with any change therein recognised in profit or loss; and
- Do not provide the Group with control, joint control or significant influence over the investee.

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

ii. Impairment of financial assets

Provisions for impairment are measured either on the basis of 12-month expected credit losses (ECL), which are the result of possible defaults within 12 months after the reporting date, or lifetime ECL, which are the result of all possible defaults during the expected life of the financial instrument.

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

Provisions for impairment of other financial assets classified as measured at amortised cost are measured based on 12-month ECL unless there has been a significant increase in credit risk since recognition. The estimated allowance for expected credit losses on a financial instrument is measured at each reporting date at an amount equal to the expected credit losses for the entire term if the credit risk on the financial instrument has increased significantly since initial recognition, taking into account all reasonable and verifiable information, including forward-looking information.

As indicators of a significant increase in credit risk, the Group considers the actual or expected difficulties of the issuer or the debtor of the asset, the actual or expected violation of the terms of the contract, the expected revision of the terms of the contract due to the financial difficulties of the debtor on terms that are unfavorable for the Group, to which it would not otherwise agree.

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

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

If, in subsequent periods, the credit risk of a financial asset decreases as a result of an event occurring after the loss was recognized, the previously recognized impairment loss is reversed by reducing the corresponding allowance. As a result of the reversal, the carrying amount of the asset should not exceed the amount at which it would have been recognized in the statement of financial position if no impairment loss had been recognized.

iii. Financial liability

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

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

- Loans and borrowings (borrowed funds);
- Trade and other payables.

Loans and borrowings are initially recognized at fair value, less transaction costs directly related to raising these funds. Fair value is determined by taking into account prevailing market interest rates for similar instruments if it differs significantly from the transaction price. In subsequent periods borrowings are carried at amortised cost using the effective interest method; all differences between the fair value of funds received (net of transaction costs) and the amount to be repaid are recorded in profit or loss as interest expense over the life of the loan repayment obligations.

Borrowing costs are expensed in the reporting period in which they are incurred if they were not related to the acquisition or construction of qualified assets. Borrowing costs related to the acquisition or construction of assets that take a significant amount of time to prepare for use (qualifying assets) are capitalized as part of the cost of the asset. Capitalization is performed when the Group:

- Bears the cost of qualifying assets;
- Bears borrowing costs; and
- Leads activities associated with the preparation of assets for use or sale.

Capitalisation of borrowing costs continues until the assets are ready for use or sale. The Group capitalizes those borrowing costs that could have been avoided if it had not incurred the costs of qualifying assets. Borrowing costs are capitalized based on the average cost of financing the Group (weighted average interest expense related to expenditures incurred on qualifying assets), except for loans that were received directly for acquiring a qualifying asset. Actual borrowing costs reduced by the amount of investment income from temporary investment of loans are capitalized.

Accounts payable are accrued from the moment the counterparty fulfils its obligations under the agreement. Accounts payable are recognized at fair value and are subsequently carried at amortised cost using the effective interest method.

Upon derecognition of financial liabilities, its obligations under the relevant contract are terminated or cancelled or expire. The Group reflects in the statement of profit or loss and other comprehensive income (through profit or loss) the financial result of their disposal, equal to the difference between the carrying amount of the financial liability at the time of derecognition and the amount of remuneration paid by the Group on the repayment or transfer of this liability (including any non-monetary assets transferred or liabilities assumed).

(d) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at historical cost (or deemed cost) less accumulated depreciation and impairment loss. The cost of property, plant and equipment as at 1 January 2007, the date of transition to IFRS, was determined based on their fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed (built) assets includes the cost of materials and direct 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" or "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 on a straight-line basis over its expected useful life, since this method most accurately reflects the nature of the expected consumption of future economic benefits embodied in the asset, and depreciation is included in profit or loss for the period. Leased assets are amortized over the shorter of the lease term and the useful life of the assets. Land plots are not amortized.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

- Buildings 7-50 years;
- Transmission networks 7-40 years;
- Equipment for electricity transmission 5-40 years;
- Other assets 1-50 years.

iv. Impairment loss

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

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

For the purposes of an impairment test, assets that cannot be individually tested are grouped into the smallest group that generates cash inflows from continuing use of the related assets, and these inflows are largely independent of cash inflows generated by other assets or groups of assets (the "cash-generating unit").

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

Impairment losses are recognized in profit or loss. Impairment losses on cash – generating units are first attributed to a decrease in the carrying amount of goodwill allocated to these units, and then pro rata to a decrease in the carrying amount of other assets in the relevant unit (group of units).

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

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

(e) Intangible assets

i. Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the statement of profit or loss and other comprehensive income as incurred.

iii. Amortization

Amortization expense on intangible assets, other than goodwill is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives of intangible assets for the current and comparative periods are as follows:

- Licenses and certificates 1-5 years;
- Software 3-15 years.

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(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 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 statement of profit or loss and other comprehensive income. Lease liabilities are presented in the Statement of Financial Position within 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, the Group may decide to qualify the contract as a lease in which the underlying asset is of low value and recognize the lease payments under such a contract as an expense on a straight-line basis over the lease term.

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

For contracts for the lease of power grid facilities with an indefinite term, or with a term under the contract 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 its own fixed assets with similar technical characteristics.

(g) Advances given

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

(h) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost 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 "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 on a net basis within Advances given and other assets. Amounts of VAT to be paid to the tax authorities are presented separately within short-term liabilities. Where a provision has been made for the expected credit losses of receivables, impairment loss is recorded for the gross amount of the accounts receivable, including VAT.

(j) Employee benefits

i. Defined contribution plans

A defined contribution program is a program for the payment of remuneration to employees at the end of an employment relationship with them, under the terms of which the Company makes fixed contributions to a separate (independent) fund and at the same time it does not incur any additional obligations (neither legal nor constructive) to pay additional amounts. Obligations to make contributions to funds through which defined contribution pension programs are implemented, including the State Pension Fund of the Russian Federation, are recognized as employee benefit expenses in profit or loss for the periods in which employees provided the relevant services under employment contracts. Contributions paid in advance are recognized as an asset when the entity is entitled to recover the contributions it has paid or to reduce the amount of future contribution payments.

ii. Defined benefit plans

A defined benefit program is a program that provides benefits to employees at the end of their employment relationship, other than a defined contribution program. The liability recognized in the consolidated statement of financial position for defined benefit pension schemes is the discounted amount of the liability at the reporting date.

The discount rate is the rate of return at the end of the year on government bonds that have a maturity approximately equal to that of the Group's respective liabilities and are denominated in the same currency as the consideration expected to be paid. These calculations are made annually by a qualified actuary using the method of the projected conditional unit of accumulation of future payments.

Revaluations of the net defined benefit liability that include actuarial gains and losses and the effect of applying the asset limit (other than interest, if any) are recognized immediately in other comprehensive income. The Group determines the net interest expense on the net program liability for the period by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the net program liability at that date, taking into account any changes in the net program liability for the period as a result of contributions and disbursements. Net interest and other expenses related to defined benefit programs are recognized in profit or loss. Actuarial gains or losses resulting from changes in actuarial assumptions are recognized in other comprehensive income/expense.

In the event of a change in payments under the program or its sequestration, the resulting change in payments related to past services, or the gain or loss from the sequestration, is recognized immediately in profit or loss. The Group recognizes a gain or loss on the settlement of the program's obligations when this 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 income tax and deferred tax. Current and deferred income tax is recognized in profit or loss for the period, except to the extent that it relates to a business combination, or transactions recognized in other comprehensive income or directly in equity.

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

Deferred tax is recognized with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. 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;
- Taxable temporary differences arising on the initial recognition of goodwill.

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

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

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group accrues tax liabilities based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such determination is made.

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

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

(l) Provisions

Provision is recognized if, as a result of a past event, the Group has a legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provision is determined by discounting the expected cash flows at a pre-tax rate that reflects current market estimates of the impact of changes in the value of money over time and the risks inherent in the liability. Amounts that reflect the "release of the discount" are recognized as finance costs.

(m) Share capital

Ordinary shares are classified as equity.

(n) Dividends

Dividends are recognized as a liability and excluded from equity at the reporting date only if they are declared (approved by shareholders) on 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.

(o) Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is met by transferring a promised good or service (i.e. an asset) to a buyer. An asset is transferred when (or as) the buyer gains control of the asset.

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.

Electricity transmission services

Revenue from electricity transmission is recognized during the period (billing month) and is measured using the results method (cost of electricity transmitted).

Tariffs for electricity transmission services are approved by the federal executive authority in the field of state tariff regulation (the Federal Antimonopoly Service) and the executive authorities of the constituent entities of the Russian Federation in the field of state tariff regulation.

Sale of electricity and capacity

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

The sale of electricity in the retail markets of electricity and capacity to 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.

Services for technological connection to the power grid

Revenue from the provision of services for technological connection to the power grid is a non-refundable fee for connecting consumers to the power grid. 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 ability to connect to the power grid through the actions of the consumer), and therefore fulfils the obligation to perform at a certain point in time.

Payment for technological connection for an individual project, standardized tariff rates, payment rates per unit of maximum capacity, and payment formulas 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 revenue from the provision of electricity transmission services. The fee for technological connection to the unified national (all-Russian) electric network is approved by the Federal Antimonopoly service.

The Group has applied the judgment that technological connection is a separate performance obligation that is recognized when the related services are rendered. The technological connection agreement does not contain any further obligations after the connection service is provided. According to established practice and laws regulating 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 any connection in pricing, intentions, recognition or types of services.

Other revenue

Revenue from the provision of other services (technical and maintenance services, consulting and organizational and technical services, communications and information technology services, and other services), as well as revenue from other sales, is recognized at the time when the buyer gains control of the asset.

Trade receivables

Accounts receivable represent the Group's right to compensation, which is unconditional (i.e. the time when such compensation becomes payable is determined only by the passage of time). The accounting policy for the recognition of trade and other receivables is set out in the section "Financial assets".

Contract liabilities

A contract liability is an obligation to transfer to the buyer goods or services for which the Group has received compensation (or for which compensation is payable) from the buyer. If the buyer pays compensation before the Group transfers the goods or services to the buyer, the obligation under the contract is recognized when the payment is made or when the payment becomes payable (whichever occurs earlier). Contractual obligations are recognized as revenue when the Group fulfils its contractual obligations. The Group recognizes contract liabilities within "Advances received", including value added tax (VAT).

Advances received mainly represent the deferred income under agreements of technological connection.

Advances received 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 providing financing to the counterparty (under contracts for technological connection to the power grid), no interest expense is recognized on the received advances. Such advances are recorded at the fair value of assets received by the Group from buyers and customers in advance.

(p) Finance income and costs

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

Finance costs include interest expense on borrowings, finance leases, long-term employee benefit obligations, losses on disposal of financial assets measured at fair value and measured at amortised 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 using the effective interest method.

(q) Government grants

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

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

(r) Social expenditure

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

(s) Earnings per share

The Group presents basic 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.

(in thousand of Russian rubles, unless otherwise stated)

4. Measurement of fair values

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

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

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

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

	Country of incorporation	31 December 2020 Ownership/voting shares, %	31 December 2019 Ownership/voting shares, %
OJSC Pskovenergosbyt	Russian Federation	100	100
OJSC Pskovenergoagent	Russian Federation	100	100
OJSC Energoservice North-West	Russian Federation	100	100
OJSC Lesnaya Skazka	Russian Federation	98*	98*

* Non-controlling interest of subsidiary OJSC "Lesnaya skazka" is not significant (2%) that is why it is not disclosed in these consolidated financial statements.

During the extraordinary General meeting of shareholders of OJSC "Lesnaya Skazka" from 22 May 2019, it was decided to liquidate OJSC "Lesnaya skazka". The liquidation process is expected to be completed no more than 2 years after the decision. Management believes that this event does not have a material impact on these consolidated financial statements.

6. Information about segments

The Management Board of PJSC IDGC of North-West has been determined as the chief operating decision maker.

The Group's primary activity is the provision of services for electricity transmission and distribution, technological connection to electricity grids and sale of electricity to end customers in the territory of North-West Region of the Russian Federation.

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

To reflect the results of each reporting segment, the following calculation method of EBITDA is used: profit or loss before interest expense, taxation, depreciation and amortisation, and net accrual/(reversal) of impairment losses 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 for evaluating the performance of the Group's operating segments.

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

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

- Electricity Transmission Segments – Arkhangelsk branch, Vologda branch, Karelian branch, Murmansk branch, Komi Republic branch, Novgorod branch, Pskov branch;
- Energy Retail Segment – Pskovenergosbyt;
- Other Segments – other Group companies.

Unallocated items comprise corporate balances of the Company's headquarters, which do not constitute an operating segment under IFRS 8 requirements.

Segment information is based on financial information reported in statutory accounts and can differ significantly from those used in the consolidated financial statements prepared under IFRSs. The reconciliation of reportable segment measurements reported to the Management Board with the similar items in these consolidated financial statements includes those reclassifications and adjustments that are necessary for the financial statements to be presented in accordance with IFRS.

(in thousand of Russian rubles, unless otherwise stated)

(a) Information about reportable segments

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

	Electricity transmission							Energy retail					
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Arkhangelsk branch	Vologda branch	Pskovenergosbyt	Other	Unallocated items	Total
Revenue from external customers	5,744,424	7,183,286	7,335,538	7,373,808	7,423,603	4,160,263	966,332	–	–	8,175,713	14,511	–	48,377,478
Inter-segment revenue	–	–	–	–	–	–	3,748,727	–	–	744,606	690,875	–	5,184,208
Segment revenue	**5,744,424**	**7,183,286**	**7,335,538**	**7,373,808**	**7,423,603**	**4,160,263**	**4,715,059**	–	–	**8,920,319**	**705,386**	–	**53,561,686**
Including													
Electricity transmission	*5,286,906*	*6,671,365*	*7,033,836*	*7,268,005*	*6,997,547*	*4,042,278*	*4,449,964*	–	–	–	–	–	***41,749,901***
Connection services	*69,601*	*407,274*	*134,493*	*17,783*	*349,055*	*32,264*	*190,444*	–	–	–	–	–	***1,200,914***
Resale of electricity	–	–	–	–	–	–	–	–	–	*8,918,854*	–	–	***8,918,854***
Rental income	*14,528*	*20,726*	*152,995*	*7,801*	*19,631*	*9,624*	*23,520*	–	–	–	*36,779*	–	***285,604***
Other revenue	*373,389*	*83,921*	*14,214*	*80,219*	*57,370*	*76,097*	*51,131*	–	–	*1,465*	*668,607*	–	***1,406,413***
Finance income	3,924	4,636	8,896	10,210	4,843	3,842	3,728	–	–	2,226	326	–	**42,631**
Finance costs	(401,070)	–	–	(166,390)	(178,104)	(133,263)	(61,903)	–	–	(11,612)	(5,405)	–	**(957,747)**
Depreciation and amortization	(478,659)	(1,111,717)	(479,514)	(373,445)	(1,132,448)	(615,437)	(511,474)	–	–	(2,429)	(4,259)	(9,207)	**(4,718,589)**
EBITDA	**244,520**	**1,218,702**	**1,007,850**	**207,926**	**792,269**	**(163,267)**	**716,703**	–	–	**379,603**	**27,088**	**9,207**	**4,440,601**
Segment assets	**5,616,703**	**9,790,312**	**4,582,881**	**5,784,037**	**12,947,551**	**6,628,617**	**5,378,773**	–	**7,820**	**1,211,821**	**480,763**	**3 640 452**	**56,069,730**
Including property, plant and equipment and construction in progress	4,307,782	8,709,440	3,717,347	4,413,583	11,869,128	6,029,881	4,870,049	–	–	108,837	44,358	16,109	**44,086,514**
Capital expenditure	453,617	919,034	503,166	299,383	747,182	428,185	753,761	–	–	103,973	30,566	–	**4,238,867**
Segment liabilities	**883,461**	**1,175,769**	**1,010,874**	**1,549,113**	**3,172,698**	**987,793**	**785,521**	**23,455**	**22,292**	**857,234**	**549,716**	**21 452 722**	**32,470,648**

(in thousand of Russian rubles, unless otherwise stated)

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

	Electricity transmission							Energy retail					
	Arkhan-gelsk branch	**Vologda branch**	**Karelian branch**	**Mur-mansk branch**	**Komi Republic branch**	**Novgorod branch**	**Pskov branch**	**Arkhan-gelsk branch**	**Vologda branch**	**Pskov-energo-sbyt**	**Other**	**Unallo-cated items**	**Total**
Revenue from external customers	5,825,208	7,343,140	7,236,998	8,248,282	7,148,585	4,688,557	936,377	–	–	7,821,380	18,507	–	**49,267,034**
Inter-segment revenue	–	–	30	–	–	3	3,703,805	–	–	710,553	456,990	–	**4,871,381**
Segment revenue	**5,825,208**	**7,343,140**	**7,237,028**	**8,248,282**	**7,148,585**	**4,688,560**	**4,640,182**	–	–	**8,531,933**	**475,497**	–	**54,138,415**
Including													
Electricity transmission	*5,275,345*	*6,996,499*	*7,010,789*	*7,531,840*	*7,029,528*	*4,629,112*	*4,457,773*	–	–	–	–	–	***42,930,886***
Connection services	*174,816*	*240,195*	*42,678*	*693,733*	*47,627*	*16,516*	*82,888*	–	–	–	–	–	***1,298,453***
Resale of electricity	–	–	–	–	–	–	–	–	–	*8,530,855*	–	–	***8,530,855***
Rental income	*14,464*	*35,127*	*151,322*	*5,840*	*19,507*	*7,037*	*22,672*	–	–	–	–	–	***255,969***
Other revenue	*360,583*	*71,319*	*32,239*	*16,869*	*51,923*	*35,895*	*76,849*	–	–	*1,078*	*475,497*	–	***1,122,252***
Finance income	5,090	6,495	9,699	6,022	6,294	5,052	4,791	–	–	1,996	76,340	–	**121,779**
Finance costs	(491,089)	(4,550)	(1,973)	(164,030)	(198,866)	(132,419)	(94,361)	–	–	(13,002)	(5,245)	–	**(1,105,535)**
Depreciation and amortization	(477,439)	(1,107,664)	(495,639)	(361,458)	(1,124,732)	(614,651)	(502,627)	–	–	(281)	(2,127)	(9,879)	**(4,696,497)**
EBITDA	**295,655**	**1,643,264**	**1,254,128**	**1,270,913**	**1,026,025**	**397,805**	**687,306**	–	–	**183,145**	**16,798**	**9,879**	**6,784,918**
Segment assets	**5,622,687**	**10,176,350**	**4,580,193**	**5,738,341**	**13,448,664**	**6,989,628**	**5,121,621**	–	**7,173**	**1,035,054**	**133,735**	**2,776,260**	**55,629,706**
Including property, plant and equipment and construction in progress	4,344,473	8,930,845	3,712,153	4,522,915	12,277,604	6,257,492	4,616,555	–	–	7,235	18,050	25,112	**44,712,434**
Capital expenditure	493,939	1,033,271	499,374	567,895	885,984	472,438	532,657	–	–	7,470	3,937	–	**4,496,965**
Segment liabilities	**776,259**	**1,601,510**	**947,991**	**1,042,751**	**2,997,519**	**975,181**	**578,745**	**24,219**	**24,000**	**861,271**	**219,986**	**19,803,133**	**29,852,565**

(in thousand of Russian rubles, unless otherwise stated)

(b) Reconciliation of key segment information reportable to the Management Board of the 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	**53,561,686**	**54,138,415**
Intersegment revenue elimination	(5,184,208)	(4,871,381)
Revenue for which the recognition criteria for IFRS 15 have not been met	(124,615)	(131,526)
Revenues per consolidated statement of profit or loss and other comprehensive income	**48,252,863**	**49,135,508**

Reconciliation of EBITDA for reporting segments:

	Year ended 31 December 2020	Year ended 31 December 2019
EBITDA of reportable segments	**4,440,601**	**6,784,918**
Discounting of financial instruments	149,384	(75)
Adjustment for expected credit loss	159,778	99,906
Adjustment for leases	296,003	152,742
Recognition of post-employment and other long-term employee benefit obligation	78,828	992,765
Adjustment for assets related to employee benefits	(1,439)	(55,892)
Remeasurement of financial assets measured at fair value through other comprehensive income (transfer of remeasurement to equity)	2,796	(2,071)
Valuation adjustment for property, plant and equipment	12,600	374
Revenue for which the recognition criteria for IFRS 15 have not been met	(124,615)	(131,526)
Provisions	616,909	(403,306)
Other adjustments	(86,949)	133,895
EBITDA	**5,543,896**	**7,571,730**
Depreciation and amortization	(4,783,835)	(4,587,332)
Impairment of property, plant and equipment and right-of-use assets	(991,271)	(428,280)
Interest expenses on financial liabilities at amortized cost	(952,342)	(1,100,291)
Interest expenses on lease liabilities	(88,487)	(57,158)
Income tax expense	131,518	(317,950)
Profit/(loss) for the year per consolidated statement of profit or loss and other comprehensive income	**(1,140,521)**	**1,080,719**

The reconciliation of reportable segment total assets:

	Year ended 31 December 2020	Year ended 31 December 2019
Total segment assets	**56,069,730**	**55,629,706**
Intersegment balances	(725,180)	(418,968)
Intersegment financial assets	(20,755)	(21,578)
Valuation adjustment for property, plant and equipment	(2,741,054)	(2,812,981)
Impairment of property, plant and equipment	(2,598,523)	(1,863,192)
Recognition of right-of-use assets	925,493	613,705
Adjustment for inventories valuation	(312,648)	(286,116)
Recognition of assets related to employee benefits	312,721	314,159
Adjustment for expected credit loss	188,261	122,546
Deferred tax assets adjustment	(2,222,237)	(1,779,828)
Discounting of accounts receivable	(17,317)	(24,921)
Other adjustments	(165,472)	(148,719)
Total assets per consolidated statement of financial position	**48,693,019**	**49,323,813**

(in thousand of Russian rubles, unless otherwise stated)

The reconciliation of reportable segment total liabilities:

	Year ended 31 December 2020	Year ended 31 December 2019
Total segment liabilities	**32,470,648**	**29,852,565**
Intersegment balances	(725,180)	(418,968)
Deferred tax liabilities adjustment	(3,292,240)	(1,989,893)
Recognition of pension and other long-term employee benefit obligation	860,491	983,386
Other provisions and accruals	(66,171)	466,491
Recognition of lease liabilities	1,010,389	657,514
Discounting of accounts payable	(165,848)	(24,065)
Other adjustments	16,786	(14,569)
Total liabilities per consolidated statement of financial position	**30,108,875**	**29,512,461**

(c) Major customer

The Group operates in the North-West Region of Russian Federation. The Group does not receive revenue from foreign consumers and does not have non-current assets abroad.

For the years ended 31 December 2020 and 31 December 2019, the Group did not have customers contributing more than 10% of the Group's total revenue.

7. Revenue

	Year ended 31 December 2020	Year ended 31 December 2019
Electricity transmission	37,882,928	39,102,834
Sales of electricity and capacity	8,174,248	7,820,302
Connection services	1,200,914	1,298,453
Other revenue	714,255	662,979
	47,972,345	**48,884,568**
Rental income	280,518	250,940
	48,252,863	**49,135,508**

Other revenues are mainly comprised of revenue from services for repair and maintenance of electricity network equipment.

8. Other income

	Year ended 31 December 2020	Year ended 31 December 2019
Income from identified non-contracted electricity consumption	26,910	23,727
Income from fines and penalties on commercial contracts	418,860	405,565
Insurance reimbursement	32,983	3,511
Accounts payable write-off	3,862	6,251
Other income	83,654	85,531
	566,269	**524,585**

(in thousand of Russian rubles, unless otherwise stated)

9. Other expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Loss on disposal of property, plant and equipment	3,085	–
Write-off of construction in progress	141,128	29,410
Other expenses	4,843	729
	149,056	**30,139**

10. Operating expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Personnel costs	13,177,936	12,624,906
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	4,783,835	4,587,332
Material expenses, including:		
Electricity for compensation of losses	4,744,559	4,685,402
Electricity for sale	4,503,448	4,431,350
Purchased electricity and heat power for own needs	276,068	274,290
Other material costs	2,501,713	2,489,077
Production work and services, including:		
Electricity transmission services	12,860,871	12,408,850
Repair and maintenance services	457,831	727,540
Other production works and services	248,085	259,453
Taxes and charges other than income tax	413,736	417,648
Rent	55,915	30,005
Insurance	58,485	59,771
Other third-party services, including:		
Communication services	124,949	160,182
Security services	285,210	283,740
Consulting, legal and audit services	243,900	196,372
Software costs and servicing	54,568	70,606
Transportation services	138,667	149,255
Other services	714,338	749,757
Provisions	1,055,836	534,463
Other expenses	382,221	663,016
	47,082,171	**45,803,015**

11. Personnel costs

	Year ended 31 December 2020	Year ended 31 December 2019
Wages and salaries	9,868,404	10,065,398
Social security contributions	3,282,689	3,359,650
Losses/(gain) related to defined benefit plan	26,843	(800,142)
	13,177,936	**12,624,906**

The amount of contributions to the defined contribution plan was RUB 13,891 thousand for the year ended 31 December 2020 (for the year ended 31 December 2019: RUB 13,785 thousand).

Remuneration of key management personnel is disclosed in Note 35.

(in thousand of Russian rubles, unless otherwise stated)

12. Finance income and costs

	Year ended 31 December 2020	Year ended 31 December 2019
Finance income		
Interest income on loans, bank deposits, promissory notes and balances in bank accounts	37,226	40,494
Gain on reversal of provision for expected credit losses on financial assets at amortized cost	–	40,939
Dividends receivable	1,185	750
Interest income on assets related to employee benefit obligations	24,118	–
Effect from initial discounting of financial liabilities	144,769	24,522
Amortization of discount on financial assets	7,721	6,581
	215,019	**113,286**
Finance costs		
Interest expenses on financial liabilities measured at amortized cost	952,342	1,100,291
Interest expenses on lease liabilities	88,487	57,158
Impairment loss on financial investments at fair value through profit or loss	72,134	–
Interest expenses on long-term employee benefit obligation	52,019	66,650
Effect from initial discounting of financial assets	120	30,722
Amortization of discount on financial liabilities	2,986	456
	1,168,088	**1,255,277**

13. Income tax

	Year ended 31 December 2020	Year ended 31 December 2019
Current income tax		
Current tax	75,948	614,942
Adjustment of tax for previous periods	(13,182)	(99,830)
Total	**62,766**	**515,112**
Deferred income tax		
Accrual and reversal of temporary differences	(194,284)	(197,162)
Total	**(194,284)**	**(197,162)**
Income tax expense	**(131,518)**	**317,950**

Income tax recognized in other comprehensive income:

	Year ended 31 December 2020			Year ended 31 December 2019		
	Before tax	**Income tax**	**Net of tax**	**Before tax**	**Income tax**	**Net of tax**
Financial assets measured at fair value through other comprehensive income	(1,973)	395	(1,578)	5,386	(1,077)	4,309
Remeasurements of the defined benefit liability	44,068	(8,814)	35,254	(63,682)	12,737	(50,947)
	42,095	**(8,419)**	**33,676**	**(58,296)**	**11,660**	**(46,638)**

In 2020 and 2019, PJSC IDGC of North-West and its subsidiaries applied the standard rate of Russian corporate income tax of 20%. This rate has been used in the calculation of deferred tax assets and liabilities.

(in thousand of Russian rubles, unless otherwise stated)

Profit before tax is reconciled to income tax expenses as follows:

	Year ended 31 December 2020	%	Year ended 31 December 2019	%
Profit before tax	**(1,272,039)**		**1,398,669**	
Income tax at the applicable tax rate 20%	**(254,408)**	**(20)**	**279,734**	**20**
Tax effect on not taxable or non-deductible for tax purposes items	122,890	10	38,216	3
	(131,518)	**(10)**	**317,950**	**23**

14. Property, plant and equipment

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other PPE	Construction in progress	Total
Cost/deemed cost						
At 31 December 2018	**8,456,305**	**37,210,830**	**20,754,031**	**10,349,003**	**3,770,563**	**80,540,732**
Transfer to right-of-use assets	–	–	–	(29,241)	–	**(29,241)**
At 1 January 2019	**8,456,305**	**37,210,830**	**20,754,031**	**10,319,762**	**3,770,563**	**80,511,491**
Reclassification between groups	(7,581)	(3,007)	25	10,563	–	–
Additions	–	–	–	–	4,418,037	**4,418,037**
Transfer	289,929	2,447,177	1,208,066	971,963	(4,917,135)	–
Disposals	(2,928)	(16,694)	(16,534)	(63,431)	(37,582)	**(137,169)**
At 31 December 2019	**8,735,725**	**39,638,306**	**21,945,588**	**11,238,857**	**3,233,883**	**84,792,359**
Accumulated depreciation and impairment						
At 31 December 2018	**(3,514,199)**	**(20,910,040)**	**(9,326,267)**	**(6,294,532)**	**(48,150)**	**(40,093,188)**
Transfer to right-of-use assets	–	–	–	8,285	–	**8,285**
At 1 January 2019	**(3,514,199)**	**(20,910,040)**	**(9,326,267)**	**(6,286,247)**	**(48,150)**	**(40,084,903)**
Reclassification between groups	(2,045)	2,294	87	(336)	–	–
Ttransfer of impairment losses upon commissioning assets into operation	(58)	(380)	(363)	(479)	1,280	–
Depreciation charge	(353,711)	(1,911,630)	(1,167,861)	(890,763)	–	**(4,323,965)**
Impairment	(65,079)	(198,163)	(131,248)	(14)	(32,905)	**(427,409)**
Disposals	2,363	12,847	11,049	53,692	1,284	**81,235**
At 31 December 2019	**(3,932,729)**	**(23,005,072)**	**(10,614,603)**	**(7,124,147)**	**(78,491)**	**(44,755,042)**
Net book value						
At 31 December 2018	**4,942,106**	**16,300,790**	**11,427,764**	**4,054,471**	**3,722,413**	**40,447,544**
Transfer to right-of-use assets	–	–	–	(20,956)	–	**(20,956)**
At 1 January 2019	**4,942,106**	**16,300,790**	**11,427,764**	**4,033,515**	**3,722,413**	**40,426,588**
At 31 December 2019	**4,802,996**	**16,633,234**	**11,330,985**	**4,114,710**	**3,155,392**	**40,037,317**
Cost/deemed cost						
At 1 January 2020	**8,735,725**	**39,638,306**	**21,945,,588**	**11,238,857**	**3,233,,883**	**84,792,359**
Reclassification between groups	2,966	1,947	1,399	(6,312)	–	–
Additions	–	–	–	–	4,197,365	**4,197,365**
Transfer	264,690	2,153,441	985,158	744,475	(4,147,764)	–
Disposals	(3,985)	(7,646)	(5,919)	(76,129)	(193,121)	**(286,800)**
At 31 December 2020	**8,999,396**	**41,786,048**	**22,926,226**	**11,900,891**	**3,090,363**	**88,702,924**
Accumulated depreciation and impairment						
At 1 January 2020	**(3,932,729)**	**(23,005,072)**	**(10,614,603)**	**(7,124,147)**	**(78,491)**	**(44,755,042)**
Reclassification between groups	(544)	635	(327)	236	–	–
Transfer of impairment losses upon commissioning assets into operation	(19)	(6,072)	(544)	(630)	7,265	–
Depreciation charge	(360,851)	(1,903,,076)	(1,188,,098)	(944,306)	–	**(4,396,331)**
Impairment	(74,109)	(565,893)	(290,641)	–	(39,936)	**(970,579)**
Disposals	2,578	6,653	4,269	73,582	18,943	**106,025**
At 31 December 2020	**(4,365,674)**	**(25,472,825)**	**(12,089,944)**	**(7,995,265)**	**(92,219)**	**(50,015,927)**
Net book value						
At 1 January 2020	**4,802,996**	**16,633,234**	**11,330,985**	**4,114,710**	**3,155,392**	**40,037,317**
At 31 December 2020	**4,633,722**	**16,313,223**	**10,836,282**	**3,905,626**	**2,998,144**	**38,686,997**

As at 31 December 2020, construction in progress includes advance payments for property, plant and equipment of RUB 24,028 thousand (31 December 2019: RUB 26,062 thousand) and materials for the fixed assets construction of RUB 852,643 thousand (31 December 2019: RUB 1,089,861 thousand).

Capitalized interest for the year ended 31 December 2020 amounted to RUB 54,971 thousand (for the year ended 31 December 2019: RUB 84,764 thousand), with capitalization rate during the period of 5.52-7.44% (for 2019: 7.08-8.04%).

As at 31 December 2020 and 31 December 2019 there are no property, plant and equipment pledged as collateral for loans and borrowings.

Impairment of property, plant and equipment

Due to the presence of impairment indicators of non-current assets, the Group conducted an impairment test as at 31 December 2020. To do this, the cash flows were analyzed and the estimated recoverable amount was compared with the carrying amount of non-current assets.

A large part of the Group's property, plant and equipment are specialized objects that rarely become objects of purchase and sale on the open market, except in those cases when they are sold as part of existing enterprises. The market for such property, plant and equipment is not active in the Russian Federation and does not provide enough examples of purchase and sale to enable the market approach to determine the fair value of such property, plant and equipment.

As a result, the value in use of property, plant and equipment as at 31 December 2019 was determined using the discounted cash flow method. This method takes into account future net cash flows that will generate these property, plant and equipment in the course of operating activities, as well as on disposal, in order to determine the recoverable amount of these assets.

Cash-generating units ("CGU") are determined by the Group based on the geographical location of its branches and subsidiaries and are the smallest identifiable groups of assets that generate cash inflows regardless of other assets of the Group.

The following basic assumptions were used to estimate the recoverable amount of assets of generating units:

- Forecast cash flows were determined for the period 2021-2025 based on management's best estimate of electricity transmission volumes, operating and capital costs, and tariffs approved by regulatory authorities for 2021.
- The source for the forecast of electricity transmission tariffs for the forecast period are the business plans that are based on tariff models formed taking into account the average annual growth of the tariff for electricity transmission services in accordance with the medium-term forecast of social and economic development of the Russian Federation until 2025 (basic version) dated 1 October 2018. The growth rates of tariffs in 2021-2025 are limited by the growth rate of inflation according to the Ministry of economic development forecast of 4.0%.
- Projected electricity transmission volumes for all generating units was determined based on annual business plans for 2021-2025.
- Projected cash flows were discounted to their present value using a nominal weighted average cost of capital (WACC) of 9.03%.
- The growth rate of net cash flows in the post-forecast period was 4.0%.
- As part of the tariff growth provided for in the model, the Group's management expects to generate the necessary gross revenue, including the necessary amount of adjustments stipulated by law, such as revenue from regulated activities deficit, compensation for actually incurred uncontrolled expenses, savings in electricity losses, deviation of actual tariff calculation parameters from approved ones, etc.

(in thousand of Russian rubles, unless otherwise stated)

The table below shows the values of the management's assumptions for the rate of growth of electricity transmission tariffs as compared to previous year:

	2021	2022	2023	2024	2025
Arkhangelsk branch	4.66%	3,86%	3.31%	3.32%	3.32%
Vologda branch	4.54%	3.69%	3.15%	3.15%	3.15%
Karelian branch	4.81%	4,02%	3,71%	3,90%	3,54%
Murmanskbranch	3.73%	3.44%	3.21%	3.25%	2.49%
Komi Republic branch	0.96%	2.65%	3.10%	3.10%	3.09%
Novgorod branch	1,73%	3,95%	3.15%	3.11%	3.12%
Pskov branch	3.12%	3.50%	3.51%	3.51%	3.52%

Based on the results of testing, as at 31 December 2020, an impairment loss of property, plant and equipment was recognized in the Komi Republic branch in the amount of RUB 130,986 thousand and in the Novgorod branch in the amount of RUB 860,285 thousand.

The sensitivity analysis based on the material assumptions used to compile the impairment models for the EGDS of IDGC of the North-West PJSC (Arkhangelsk, Vologda, Karelian, Murmansk, Novgorod, Pskov branches, as well as the branch in the Komi Republic) as at 31 December 2020 is presented below:

- An increase in the discount rate to 10.03% results in an additional impairment loss for the Novgorod branch in the amount of RUB 923,497 thousand, an additional impairment loss for the branch in the Komi Republic in the amount of RUB 1,327,541 thousand, and an impairment loss for the Vologda branch in the amount of RUB 1,105,486 thousand;
- A 1% reduction in the required gross revenue to the reference value in each period in the Vologda branch results in an impairment loss of RUB 483,691 thousand; in the Komi Republic branch, a 3% reduction results in an additional impairment loss of RUB 3,408,379 thousand;
- An increase in the level of operating expenses to the base value in each period in the Vologda branch by 1% leads to an impairment loss of RUB 448,752 thousand, in the Komi Republic branch by 4% leads to an additional impairment loss of RUB 4,304,026 thousand, in the Novgorod branch by 1% leads to an additional impairment loss of RUB 716,219 thousand;
- A 1% decrease in the growth rate of net cash flow in the post-forecast period results in an additional impairment loss for the Komi Republic branch in the amount of RUB 1,043,879 thousand; an additional impairment loss for the Novgorod branch in the amount of RUB 767,588 thousand; and an impairment loss for the Vologda branch in the amount of RUB 825,733 thousand.

(in thousand of Russian rubles, unless otherwise stated)

15. Intangible assets

	Software	Certificates, licenses and patents	Other intangible assets	Total intangible assets
Initial cost				
At 1 January 2019	**405,663**	**31,602**	**99,323**	**536,588**
Additions	117,078	1,801	14,731	**133,610**
Disposals	(119,860)	(16,034)	–	**(135,894)**
At 31 December 2019	**402,881**	**17,369**	**114,054**	**534,304**
Accumulated amortization and impairment				
At 1 January 2019	**(242,222)**	**(23,632)**	**(2,334)**	**(268,188)**
Amortization charge	(121,449)	(7,142)	(4,180)	**(132,771)**
Disposals	117,574	16,027	–	**133,601**
At 31 December 2019	**(246,097)**	**(14,747)**	**(6,514)**	**(267,358)**
Net book value				
At 1 January 2019	**163,441**	**7,970**	**96,989**	**268,400**
At 31 December 2019	**156,784**	**2,622**	**107,540**	**266,946**
Initial cost				
At 1 January 2020	**402,881**	**17,369**	**114,054**	**534,304**
Reclassification between groups	276	228	(504)	–
Additions	223,038	3,768	55,288	**282,094**
Disposals	(129,947)	(15,484)	(6,396)	**(151,827)**
At 31 December 2020	**496,248**	**5,881**	**162,442**	**664,571**
Accumulated amortization and impairment				
At 1 January 2020	**(246,097)**	**(14,747)**	**(6,514)**	**(267,358)**
Reclassification between groups	(149)	–	149	–
Amortization charge	(135,063)	(3,302)	(9,583)	**(147,948)**
Disposals	128,249	15,466	7,239	**150,954**
At 31 December 2020	**(253,060)**	**(2,583)**	**(8,709)**	**(264,352)**
Net book value				
At 1 January 2020	**156,784**	**2,622**	**107,540**	**266,946**
At 31 December 2020	**243,188**	**3,298**	**153,733**	**400,219**

The amount of amortization of intangible assets included in operating expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 is RUB 147,941 thousand (for the year ended 31 December 2019: RUB 132,761 thousand).

The amount of capitalized amortization of intangible assets is RUB 7 thousand (for the year ended 31 December 2019: RUB 10 thousand).

(in thousand of Russian rubles, unless otherwise stated)

16. Right-of-use assets

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
Initial cost					
At 1 January 2019	**647,210**	**40,031**	**12,490**	**32,248**	**731,979**
Additions	20,229	45,812	2,999	1,814	**70,854**
Modification of lease terms	(23,369)	(316)	(1,936)	200	**(25,421)**
Disposal or termination of lease	(23,788)	(36)	(213)	(712)	**(24,749)**
At 31 December 2019	**620,282**	**85,491**	**13,340**	**33,550**	**752,663**
Accumulated amortization and impairment					
At 1 January 2019	–	–	–	**(8,285)**	**(8,285)**
Amortization charge	(105,538)	(15,772)	(2,311)	(6,984)	**(130,605)**
Impairment	(829)	(3)	(28)	(11)	**(871)**
Disposal or termination of lease	699	–	104	–	**803**
At 31 December 2019	**(105,668)**	**(15,775)**	**(2,235)**	**(15,280)**	**(138,958)**
Net book value					
At 1 January 2019	**647,210**	**40,031**	**12,490**	**23,963**	**723,694**
At 31 December 2019	**514,614**	**69,716**	**11,105**	**18,270**	**613,705**
Initial cost					
At 1 January 2020	**620,282**	**85,491**	**13,340**	**33,550**	**752,663**
Additions	71,663	465,470	7,784	98,733	**643,650**
Modification of lease terms	(43,148)	667	1,035	–	**(41,446)**
Disposal or termination of lease	(32,429)	(130)	(7,003)	(1,325)	**(40,887)**
At 31 December 2020	**616,368**	**551,498**	**15,156**	**130,958**	**1,313,980**
Accumulated amortization and impairment					
At 1 January 2020	**(105,668)**	**(15,775)**	**(2,235)**	**(15,280)**	**(138,958)**
Amortization charge	(106,814)	(107,572)	(3,414)	(26,192)	**(243,992)**
Modification of lease terms	2,293	20	283	190	**2,786**
Impairment	(14,716)	(5,832)	(127)	(17)	**(20,692)**
Disposal or termination of lease	9,683	240	2,028	418	**12,369**
At 31 December 2020	**(215,222)**	**(128,919)**	**(3,465)**	**(40,881)**	**(388,487)**
Net book value					
At 1 January 2020	**514,614**	**69,716**	**11,105**	**18,270**	**613,705**
At 31 December 2020	**401,146**	**422,579**	**11,691**	**90,077**	**925,493**

For the purpose of the impairment test specialized right-of-use assets (including leased land under own and leased specialized facilities) 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 14.

(in thousand of Russian rubles, unless otherwise stated)

17. Financial investments

	31 December 2020	31 December 2019
Non-current		
Financial assets at fair value through other comprehensive income		
investments in quoted equity instruments	12,739	14,607
investments in unquoted equity instruments	1,075	1,180
Financial assets at fair value through profit or loss	463,623	–
Financial assets at amortized cost	–	535,757
	477,437	**551,544**

Financial assets at fair value through other comprehensive income include shares of PJSC "TGC-1" and JSC "FGC UES", as well as other securities the fair value of which amounted to RUB 13,814 thousand as at 31 December 2020 (RUB 15,787 thousand as at 31 December 2019). At the end of each reporting period, the fair value of the shares of PJSC "TGC-1" and JSC "FGC UES" was determined using market quotes (level 1 inputs), fair value of other securities was estimated without the use of observable market data (unobservable inputs – level 3).

For the year ended 31 December 2020 the decrease in the fair value of investments at fair value through other comprehensive income of RUB 1,973 thousand was recognized in other comprehensive income (for the year ended 31 December 2019: an increase in the fair value of financial assets in the amount of RUB 5,386 thousand).

As at 31 December 2020, financial investments measured at fair value through profit or loss include a subordinated deposit to Bank Tavrichesky (PJSC), which the Group placed with the Bank in 2015 as part of the Bank's rehabilitation project. As at 31 December 2020, the nominal amount of the Group's deposit with Bank Tavrichesky (PJSC) was RUB 2,080,000 thousand (as of 31 December 2019: RUB 2,080,000 thousand).

As at 31 December 2019, the Group accounted for a subordinated deposit as part of financial assets measured at amortised cost in the amount of RUB 535,757 thousand.

The rehabilitation procedure in relation to the Bank was started at the beginning of 2015. Major creditors of the Bank: PJSC "Lenenergo" and PJSC "IDGC of North-West" agreed to participate in the reorganization and financial rehabilitation of the Bank, providing co-funding as referred to below. State Corporation "Deposit insurance Agency" (DIA) allocated 28 billion rubles received from the bank of Russia with maturity of 10 years to facilitate the Bank financial restructuring. In accordance with the plan of restructuring part of JSC "IDGC of North-West" deposit (including accrued interest for the use of the deposit) in the Bank was replaced with 20 years deposit with quarterly payment of interest accrued at the rate of 0.51% per annum.

As at 1 January 2020, the Group reclassified this financial instrument as a financial asset at fair value through profit or loss. The fair value of this financial instrument as at 31 December 2020 is determined by discounting cash flows at a rate of 12.44%, reflecting the presence of industry, market, financial and other risks, including the risk of the probability of non-return of financial investments, as at the reporting date.

The fair value revaluation loss recorded in finance costs for 2020 amounted to RUB 72,134 thousand.

Currently, the Bank operates as usual, providing a full range of services to its customers, including timely settlement and payment.

In accordance with IAS 12, the Group formed a deferred tax asset from the provision for impairment of these financial investments. As at 31 December 2020, the value of the deferred tax asset was RUB 323,275 thousand (as at 31 December 2019: RUB 308,849 thousand).

As at 31 December 2020, the deposit carrying amount with an initial maturity of more than three months was RUB 463,623 thousand (as at 31 December 2019: 535,757 thousand rubles).

(in thousand of Russian rubles, unless otherwise stated)

18. Deferred tax assets and liabilities

The differences between IFRS and Russian tax law result in temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for income tax purposes.

(a) Recognized deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Property, plant and equipment	–	–	(2,281,041)	(2,344,010)	(2,281,041)	(2,344,010)
Intangible assets	992	713	–	–	992	713
Right-of-use assets	–	–	(185,078)	(119,719)	(185,078)	(119,719)
Financial assets at amortized cost	–	308,849	–	–	–	308,849
Financial assets at fair value through profit or loss	323,275	–	–	–	323,275	–
Financial assets at fair value through other comprehensive income	–	–	(1,354)	(1,748)	(1,354)	(1,748)
Inventories	64	192	–	–	64	192
Trade and other receivables and prepayments	814,074	835,604	–	–	814,074	835,604
Advances issued and other assets	1,510	10,929	–	–	1,510	10,929
Lease liabilities	203,998	131,690	–	–	203,998	131,690
Provisions	560,895	422,467	–	–	560,895	422,467
Employee benefit liabilities	–	–	(26,656)	(4,739)	(26,656)	(4,739)
Trade and other payables	1,587	–	–	(3,936)	1,587	(3,936)
Other	62,266	52,377	(419)	(421)	61,847	51,956
Tax assets/(liabilities)	**1,968,661**	**1,762,821**	**(2,494,548)**	**(2,474,573)**	**(525,887)**	**(711,752)**
Offset of tax	(1,961,120)	(1,744,288)	1,961,120	1,744,288	–	–
Net tax assets/ (liabilities)	**7,541**	**18,533**	**(533,428)**	**(730,285)**	**(525,887)**	**(711,752)**

(b) Unrecognized deferred tax liabilities

As at 31 December 2020 deferred tax liability in respect of temporary differences arising on investments in subsidiaries in the amount of RUB 49,210 thousand was not recognized (31 December 2019: RUB 48,387 thousand), due to the fact that the Group is able to control the timing of these temporary differences, the realization of which is not expected in the foreseeable future.

(in thousand of Russian rubles, unless otherwise stated)

(c) Movement in temporary differences during the year

	1 January 2020	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2020
Property, plant and equipment	(2,344,010)	62,969	–	(2,281,041)
Intangible assets	713	279	–	992
Right-of-use assets	(119,719)	(65,359)	–	(185,078)
Financial assets at amortized cost	308,849	(308,849)	–	–
Financial assets at fair value through profit or loss	–	323,275	–	323,275
Financial assets at fair value through other comprehensive income	(1,748)	–	395	(1,354)
Inventories	192	(128)	–	64
Trade and other receivables and prepayments	835,604	(21,530)	–	814,074
Advances issued and other assets	10,929	(9,419)	–	1,510
Lease liabilities	131,690	72,308	–	203,998
Provisions	422,467	138,428	–	560,895
Employee benefit liabilities	(4,739)	(13,103)	(8,814)	(26,656)
Trade and other payables	(3,936)	5,523	–	1,587
Other	51,956	9,890	–	61,847
	(711,752)	**194,284**	**(8,419)**	**(525,887)**

	1 January 2019	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2019
Property, plant and equipment	(2,266,751)	(77,259)	–	(2,344,010)
Intangible assets	(844)	1,557	–	713
Right-of-use assets	–	(119,719)	–	(119,719)
Financial assets at amortized cost	317,036	(8,187)	–	308,849
Financial assets at fair value through other comprehensive income	(671)	–	(1,077)	(1,748)
Inventories	(125)	317	–	192
Trade and other receivables and prepayments	511,617	323,987	–	835,604
Advances issued and other assets	22,428	(11,499)		10,929
Lease liabilities	4,467	127,223	–	131,690
Provisions	268,087	154,380	–	422,467
Employee benefit liabilities	132,974	(150,450)	12,737	(4,739)
Trade and other payables	(3,337)	(599)	–	(3,936)
Other	94,545	(42,589)	–	51,956
	(920,574)	**197,162**	**11,660**	**(711,752)**

19. Inventories

	31 December 2020	31 December 2019
Raw materials and supplies	451,962	541,699
Provision for impairment of raw materials and supplies	(7)	(7)
Other inventories	594,033	433,814
Provision for impairment of other inventories	(9,645)	(9,757)
	1,036,343	**965,749**

As at 31 December 2020 and 31 December 2019 the Group did not pledge inventories as collateral under loan or other agreements.

During the year ended 31 December 2020 RUB 2,501,713 thousand were recognized as expenses (during the year ended 31 December 2019: RUB 2,489,077 thousand) within operating expenses as "Other material expenses".

(in thousand of Russian rubles, unless otherwise stated)

20. Trade and other receivables

	31 December 2020	31 December 2019
Non-current trade and other accounts receivable		
Trade receivables	1,285	3,305
Other receivables	111,760	136,816
	113,045	**140,121**
Current trade and other accounts receivable		
Trade receivables	10,856,095	12,631,340
Allowance for expected credit loss on trade receivables	(6,158,985)	(7,701,505)
Other receivables	1,171,707	1,120,943
Allowance for expected credit loss on other receivables	(814,048)	(689,914)
	5,054,769	**5,360,864**

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 32.

Balances with related parties are disclosed in Note 35.

21. Advances issued and other current assets

	31 December 2020	31 December 2019
Non-current		
Advances given	2,752	8,389
VAT on advances received	33,816	63,151
	36,568	**71,540**
Current		
Advances given	211,040	138,312
Advances given impairment provision	(17,510)	(17,510)
VAT recoverable	38,819	6,968
VAT on advances from customers VAT on advances given for acquisition of fixed assets	515,915	556,079
Prepaid taxes, other than income tax	18,159	22,962
	766,423	**706,811**

Information about balances with related parties is disclosed in Note 35.

22. Cash and cash equivalents

	31 December 2020	31 December 2019
Cash at bank and in hand	842,490	232,088
	842,490	**232,088**

	Rating	Rating agency	31 December 2020	31 December 2019
Bank 1	ruAA	Expert RA	2,101	367
Bank 2	ruAAA	Expert RA	–	18,568
Bank 3*	–	–	895	896
Bank 4*	ruAA+	Expert RA	198,715	34,181
Bank 5*	ruAAA	Expert RA	1,418	7,721
Bank 6*	Baa3	Moody's Investors Service	638,660	168,959
Cash in hand		–	701	1,396
			842,490	**232,088**

* Government-related banks.

(in thousand of Russian rubles, unless otherwise stated)

23. Share capital

(a) Share capital

	Ordinary shares	
	31 December 2020	**31 December 2019**
Par value (RUB)	0.1	0.1
On issue at 1 January (shares)	95,785,923,138	95,785,923,138
On issue at end of year, fully paid (shares)	**95,785,923,138**	**95,785,923,138**

(b) Ordinary 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 order determined by the legislation of the Russian Federation and the company Charter, as well as other rights stipulated by the Charter and the legislation of the Russian Federation.

(c) Reserve related to business combination

The Group was formed in 2008 as a result of the combination of a number of businesses under common control. The carrying value of the net assets of the businesses contributed were determined based on as amounts recorded in the IFRS financial statements of the predecessor, rather than the fair values of those net assets. The difference between the value of the share capital issued and the IFRS carrying values of the contributed net assets and non-controlling interests was recorded as a reserve related to business combination within equity.

(d) Dividends

The basis for the distribution of the Company's profit among shareholders in accordance with the legislation of the Russian Federation is the net profit according to the accounting statements prepared in accordance with the accounting and reporting standards in the Russian Federation.

Holders of ordinary shares have the right to vote on all issues on the agenda at the General Meetings of the Company's Shareholders, to receive dividends in accordance with the procedure established by the legislation of the Russian Federation and the Company's Charter, as well as other rights provided for by the Charter and the legislation of the Russian Federation.

At the end of 2019, the amount of declared dividends amounted to RUB 313,451 thousand, of which the amount of interim dividends paid at the end of 9 months of 2019 amounted to RUB 191,570 thousand, and the remaining amount of dividends paid at the end of 2019 amounted to RUB 121,881 thousand.

At the end of 2018, the amount of declared dividends amounted to RUB 381,707 thousand.

As at 31 December 2020, the amount of unclaimed dividends amounted to RUB 1,518 thousand (as at 31 December 2019: RUB 5,058 thousand).

24. Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2020 was based on the loss attributable to ordinary shareholders for 2020 in the amount of RUB 1,140,502 thousand (for 2019: RUB 1,080,736 thousand), and a weighted average number of ordinary shares outstanding of 95,785,923,138 in 2020 (for 2019: 95,785,923,138).

The Company has no dilutive financial instruments.

	Year ended 31 December 2020	**Year ended 31 December 2019**
Weighted average number of ordinary shares outstanding, for the year ended 31 December (shares)	95,785,923,138	95,785,923,138
Profit/(loss) for the year attributable to holders of ordinary shares	(1,140,502)	1,080,736
Earnings per ordinary share (in RUB) – basic	**(0.0119)**	**0.0113**

(in thousand of Russian rubles, unless otherwise stated)

25. Loans and borrowings

	Year ended 31 December 2020	Year ended 31 December 2019
Non-current liabilities		
Unsecured loans and borrowings	11,752,573	12,360,000
Lease liabilities	1,031,123	657,514
Less: current portion of long-term lease liabilities	(262,634)	(213,998)
Less: current portion of long-term loans and borrowings	(4,000,000)	–
	8,521,062	**12,803,516**
Current liabilities		
Unsecured loans and borrowings	3,847,704	2,277,917
Current portion of long-term lease liabilities	262,634	213,998
Current portion of long-term loans and borrowings	4,000,000	–
	8,110,338	**2,491,915**
Including:		
Interests payable on loans and borrowings	25,072	23,801
	25,072	**23,801**

As at 31 December 2020 and 31 December 2019 all balances of loans and borrowings are denominated in rubles.

(in thousand of Russian rubles, unless otherwise stated)

		Effective interest rate		Carrying value	
	Year of maturity	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Unsecured loans and borrowings					
Unsecured bank loans*	2020-2022	–	7.15-7.5%	–	8,270,267
Unsecured bank loans*	2021-2022	Key rate of the Central Bank of the Russian Federation + 1.2% – Key rate of the Central Bank of the Russian Federation + 1.45%	–	5,308,866	–
Unsecured bank loans*	2021	–	Key rate of the Central Bank of the Russian Federation + 1.2%	–	2,004,490
Unsecured bank loans*	2021-2022	5.7-5.75%	–	1,276,393	–
Unsecured bank loans*	2022	–	7.5%	–	2,103,160
Unsecured bank loans	2021	–	7.5%	–	200,000
Unsecured bank loans	2023	5.73%	–	3,200,000	–
Unsecured bank loans	2022	–	7.53%	–	1,060,000
Unsecured bank loans	2021-2023	Key rate of the Central Bank of the Russian Federation + 0% Key rate of the Central Bank of the Russian Federation + 1.28%	–	2,000,000	–
Unsecured bank loans	2021	–	Key rate of the Central Bank of the Russian Federation + 0%	–	1,000,000
Unsecured bank loans*	2021	MosPrime (3M) + 0,5%	–	3,815,018	–
				15,600,277	**14,637,917**
Lease liabilities	2021-2067	4.98-10.14%	6.99-10.14%	**1,031,123**	**657,514**
Total liabilities				**16,631,400**	**15,295,431**

* Loans and borrowings received from state-related companies.

The Group does not use hedging instruments to manage interest rate risk. The Group's exposure to interest rate risk is disclosed in Note 32.

(in thousand of Russian rubles, unless otherwise stated)

26. Changes in liabilities from financing activities

	Loans and borrowings		Interest payable, other than % on lease agreements	Lease liabilities	Dividends payable
	Non-current	Current			
At 1 January 2020	**12,360,000**	**2,254,116**	**23,801**	**657,514**	**198,556**
Changes in cash flows from financing activities					
Receiving borrowings	22,000,000	13,683,180	x	x	x
Repayment borrowings	(22,607,427)	(12,114,664)	x	x	x
Repayment of lease liability	x	x	x	(190,257)	x
Interest paid (operating activities)	x	x	(1,003,881)	(86,861)	x
Dividends paid	x	x	x	x	(309,100)
Total	**(607,427)**	**1,568,516**	**(1,003,881)**	**(277,118)**	**(309,100)**
Non-monetary changes					
Transfer	(4,000,000)	4,000,000	x	x	x
Interests capitalized	x	x	52,811	2,160	x
Interest expense	x	x	952,341	88,487	x
Additions of leases	x	x	x	643,650	x
Dividends accrued	x	x	x	x	121,881
Other changes, net	x	x	x	(83,570)	(1,518)
Total	**(4,000,000)**	**4,000,000**	**1,005,152**	**650,727**	**120,363**
At 31 December 2020	**7,752,573**	**7,822,632**	**25,072**	**1,031,123**	**9,819**

(in thousand of Russian rubles, unless otherwise stated)

	Loans and borrowings		Interest payable, other than % on lease agreements	Lease liabilities	Dividends payable
	Non-current	Current			
At 1 January 2019	**8,500,000**	**6,993,040**	**28,890**	**736,977**	**6,599**
Changes in cash flows from financing activities					
Receiving borrowings	13,100,000	10,995,963	x	x	x
Repayment borrowings	(6,740,000)	(18,234,887)	x	x	x
Repayment of lease liability	x	x	x	(107,118)	x
Interest paid (operating activities)	x	x	(1,190,144)	(46,159)	x
Dividends paid	x	x	x	x	(376,261)
Total	**6,360,000**	**(7,238,924)**	**(1,190,144)**	**(153,277)**	**(376,261)**
Non-monetary changes					
Transfer	(2,500,000)	2,500,000	x	x	x
Interests capitalized	x	x	84,764	x	x
Interest expense	x	x	1,100,291	57,158	x
Additions of leases	x	x	x	70,854	x
Dividends accrued	x	x	x	x	573,277
Other changes, net	–	–	–	(54,198)	(5,059)
Total	**(2,500,000)**	**2,500,000**	**1,185,055**	**73,814**	**568,218**
At 31 December 2019	**12,360,000**	**2,254,116**	**23,801**	**657,514**	**198,556**

(in thousand of Russian rubles, unless otherwise stated)

27. 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
Net post-employment benefits obligation	676,486	803,478
Net other long-term employee benefit obligation	184,005	179,908
Total net obligation	**860,491**	**983,386**

Change in assets related to employee benefit obligations:

	2020	2019
Assets at 1 January	**314,158**	**370,051**
Employer contributions	85,574	128,510
Investment income	24,118	–
Other movements in the accounts	5,772	6,203
Payment of benefits	(116,901)	(190,605)
Assets at 31 December	**312,721**	**314,158**

Assets related to pension plans and defined benefit plans are administered by the non-state pension Fund "OTKRITIE", non-State pension Fund "Professional". These assets are not the defined benefit plans' assets, because under the terms of agreements between the Group and the funds the Group has the right to use the contributions paid under defined benefit plans to fund its defined contribution pension plans or transfer to another fund on the Group's own initiative.

Movements in the present value of defined benefit liabilities:

	Year ended 31 December 2020		Year ended 31 December 2019	
	Post-employment benefits	Other long-term employee benefits	Post-employment benefits	Other long-term employee benefits
Defined benefit plan obligations as at 1 January	**803,478**	**179,908**	**1,775,254**	**137,213**
Current service cost	20,813	16,989	37,016	4,102
Past service cost and curtailment	–	–	(887,101)	–
Interest expense on obligations	41,471	10,548	56,248	10,402
Remeasurement arising from:				
– loss/(gain) from change in demographic actuarial assumptions	–	–	–	–
– loss/(gain) from change in financial actuarial assumptions	10,910	2,901	97,071	27,420
– loss/(gain) from experience adjustment	(54,978)	(13,860)	(33,387)	18,421
Contributions to the plan	(145,208)	(12,481)	(241,623)	(17,650)
Defined benefit plan obligations as at 31 December	**676,486**	**184,005**	**803,478**	**179,908**

In 2019, changes were made to the program of non-state pension provision, which led to a decrease in the amount of obligations under the Support program, namely, employees who did not reach pension status as of 15 August 2019 were excluded from the number of participants. In this regard, the decrease in the amount of obligations under the "Support" pension program caused the sequestration of obligations under employee benefit plans at the end of employment, which led to a decrease in employee benefit expenses recognized in profit or loss by RUB 887,101 thousand.

(in thousand of Russian rubles, unless otherwise stated)

Expenses recognized in profit or loss for the period:

	Year ended 31 December 2020	Year ended 31 December 2019
Employees service cost	37,802	(845,983)
Remeasurement of other long-term employee benefit obligation	(10,959)	45,841
Interest expenses	52,019	66,650
Total (gain)/expenses recognized in profit or loss	**78,862**	**(733,492)**

(Gains)/losses recognized in other comprehensive income for the period:

	Year ended 31 December 2020	Year ended 31 December 2019
Loss/(gain) from change in demographic actuarial assumptions	–	–
(Gain)/loss from change in financial actuarial assumptions	10,910	97,071
(Gain)/loss from experience adjustment	(54,978)	(33,387)
Total (gain)/loss recognized in other comprehensive income	**(44,068)**	**63,684**

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

	2020	2019
Remeasurements at 1 January	**125,306**	**61,622**
Change in re-measurements	(44,068)	63,684
Remeasurements at 31 December	**81,238**	**125,306**

The key actuarial assumptions are as follows:

	31 December 2020	31 December 2019
Financial assumptions		
Discount rate	6.1%	6.3%
Future salary increase	4.5%	4.5%
Inflation rate	4.0%	4.0%
Demographic assumptions		
Expected age of retirement:		
Men	65	65
Women	60	60

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 0.5%	-3.8%
Future salary growth	Increase by 0.5%	1.5%
Future growth of benefits (inflation)	Increase by 0.5%	2.9%
Level of staff movement	Increase by 10%	-1.1%
Mortality level	Increase by 10%	-0.5%

Expected payments under the long-term employee benefit plans in 2021 are RUB 252,608 thousand, including:

- RUB 240,309 thousand under the defined benefit plans, including non-state pension schemes;
- RUB 12,299 thousand under the other long-term employee benefit schemes.

(in thousand of Russian rubles, unless otherwise stated)

28. Trade and other payables

	31 December 2020	31 December 2019
Non-current accounts payable		
Trade payables	5,758	–
Other payables	138,159	291,552
Total financial liabilities	**143,917**	**291,552**
Current accounts payable		
Trade payables	3,258,702	3,406,005
Other payables and accrued expenses	388,094	371,574
Dividends payable	9,819	198,556
Total financial liabilities	**3,656,615**	**3,976,135**
Payables to employees	1,480,710	1,569,886
	5,137,325	**5,546,021**

The Group's exposure to liquidity risk related to payables is disclosed in Note 32.

29. Taxes, other than income tax

	31 December 2020	31 December 2019
Value-added tax	941,344	917,591
Property tax	82,308	92,383
Social security contributions	286,499	231,603
Other taxes payable	114,244	102,864
	1,424,395	**1,344,441**

30. Advances received

	31 December 2020	31 December 2019
Non-current		
Advances for connection services	147,837	285,533
Other advances received	69,305	65,013
	217,142	**350,546**
Current		
Advances for connection services	2,556,625	2,969,948
Other advances received	620,377	640,671
	3,177,002	**3,610,619**

31. Provisions

	Year ended 31 December 2020	Year ended 31 December 2019
Balance at 1 January	**998,058**	**698,268**
Increase for the year	1,130,701	617,062
Decrease due to reversal	(74,865)	(82,599)
Provisions used	(114,980)	(234,673)
Balance at 31 December	**1,938,914**	**998,058**

The provisions were accrued for pending legal cases brought against the Group for ordinary activities, including at 31 December 2020:

- In the amount of RUB 357,733 thousand for LLC "TNS Energo Veliky Novgorod" on the disputed debt for the provision of services for the transmission of electric energy purchased to compensate for losses for the period from September 2016 to December 2017, April 2020, as well as on penalties and fines in respect of debt for compensation of losses;
- In the amount of RUB 287,000 thousand for PJSC Gazprom, the Group has accrued a provision for the payment of a penalty due to late performance of obligations under the technological connection agreement;
- In the amount of RUB 106,937 thousand for LLC "SSK" in relation to the disputed debt for the period 2018-2020;
- In the amount of RUB 1,021,556 thousand the Group has accrued property tax risk for 2016-2020.

The Group expects that legal disputes will be resolved within 12 months after the reporting date.

32. 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, liquidity risk and industry risk.

This note provides information on the Group's exposure to each of these risks, examines the goals, policies, procedures for assessing and managing risks and the information about the Group's capital management. 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 if the buyer or counterparty to a financial instrument fails to meet its contractual obligations in full and on time. 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.

Given the structure of the Group's debtors, the Group's exposure to credit risk mainly depends on the individual characteristics of each counterparty. The Group creates a provision for expected credit losses on trade and other receivables, the estimated amount of which is based on the expected credit loss model, weighted by the probability of default, and can be adjusted either upwards or downwards. To do this, the Group analyzes the creditworthiness of counterparties, the dynamics of debt repayment, changes in payment terms, the availability of third-party guarantees, Bank guarantees, and current economic conditions.

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

Where possible, the Group uses a prepayment system in its relationships with counterparties. As a rule, prepayment for technological connection of consumers to networks is stipulated in the contract. The Group does not require collateral for receivables.

(in thousand of Russian rubles, unless otherwise stated)

In order to effectively manage accounts receivable, the Group monitors changes in the volume of accounts receivable and its structure, identifying current and overdue accounts. In order to minimize credit risk, the Group implements measures aimed at timely fulfilment of contractual obligations by counterparties, reducing and preventing the formation of overdue receivables. Such events include in particular: negotiating with customers, improving the efficiency of the process of formation of volume of services 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, requirements on provision of financial security in the form of independent (Bank) guarantees, guarantees and other forms of securing the performance of obligations.

i. Exposure to credit risk

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

	Carrying amount	
	31 December 2020	31 December 2019
Financial assets at fair value through other comprehensive income	13,814	15,787
Trade and other receivables (less allowance for expected credit loss)	5,167,814	5,500,985
Cash and cash equivalents	842,490	232,088
Financial assets at amortized cost	–	535,757
Financial assets at fair value through profit or loss	463,623	–
	6,487,741	**6,284,617**

At the reporting date the maximum level of credit risk in respect of trade receivables by customer groups was as follows:

	31 December 2020		31 December 2019	
	Gross	Allowance for expected credit loss	Gross	Allowance for expected credit loss
Buyers of electricity sales services	2,657,290	(1,621,603)	2,734,504	(1,824,065)
Buyers of electricity transmission services	7,787,534	(4,309,026)	9,500,112	(5,844,823)
Buyers of services for sale of heat energy	5,767	(5,373)	6,365	(5,938)
Buyers of technological connection services	72,296	(29,730)	162,226	(18,417)
Other buyers	334,493	(193,253)	231,438	(8,262)
	10,857,380	**(6,158,985)**	**12,634,645**	**(7,701,505)**

The Group's ten most significant debtors account for RUB 2,146,814 thousand of the trade receivables carrying amount at 31 December 2020 (at 31 December 2019: RUB 2,369,475 thousand).

ii. Expected credit loss on trade and other receivables

The aging of trade and other receivables is provided below:

	31 December 2020		31 December 2019	
	Gross	Allowance for expected credit loss	Gross	Allowance for expected credit loss
Not past due	3,208,396	(12,105)	3,803,170	(361)
Past due less than 3 months	1,196,483	(243)	1,391,918	(190,003)
Past due more than 3 months and less than 6 months	379,540	(94)	472,235	(159,077)
Past due more than 6 months and less than 1 year	805,150	(482,555)	633,823	(549,189)
Past due more than 1 year	6,551,278	(6,478,036)	7,591,258	(7,492,788)
	12,140,847	**(6,973,033)**	**13,892,404**	**(8,391,418)**

(in thousand of Russian rubles, unless otherwise stated)

The movement of the allowance for expected credit losses on trade and other receivables is as follows:

	2020	2019
At 1 January	**(8,391,419)**	**(8,468,251)**
Increase in provision for the period	(1,115,456)	(1,276,281)
Amounts of trade and other receivables written off against provision	2,333,990	934,830
Reversal of provision for the period	199,852	418,283
Balance at 31 December	**(6,973,033)**	**(8,391,419)**

As at 31 December 2020 and 31 December 2019, the Group has no contractual basis for the offsetting of financial assets and financial liabilities, and the Group's management does not envisage any future offsetting on the basis of additional agreements.

(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. Free funds are invested in the short-term financial instruments such as bank deposits.

The Group's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damaging the Group's reputation. This approach is used to analyse payment dates associated with financial assets, and also to forecast cash flows from operating activities.

As at 31 December 2020, the amount of the free limit on the Group's open but unused credit lines amounted to RUB 26,764,795 thousand (as at 31 December 2019: RUB 21,445,884 thousand). The Group has the opportunity to attract additional financing within the relevant limits, including to ensure the fulfillment of its short-term obligations and in the event of a risk of a working capital deficit, which as at 31 December 2020 amounted to RUB 12,099,837 thousand. (as of 31 December 2019: RUB 7,043,227 thousand).

(in thousand of Russian rubles, unless otherwise stated)

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:

31 December 2020	Carrying amount	Contractual cash flows	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
Loans and borrowings	15,600,277	16,747,255	8,562,284	3,930,706	4,254,265	–	–	–
Lease liabilities	1,031,123	1,739,974	293,760	210,789	207,198	180,663	50,723	796,841
Trade and other payables	5,281,242	5,447,089	5,137,325	23,093	16,318	16,318	16,318	237,717
	21,912,642	**23,934,318**	**13,993,369**	**4,164,588**	**4,477,781**	**196,981**	**67,041**	**1,034,558**

31 December 2019	Carrying amount	Contractual cash flows	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
Loans and borrowings	14,637,917	16,263,504	3,226,164	8,729,604	4,307,736	–	–	–
Lease liabilities	657,514	1,419,170	161,000	152,466	71,489	70,094	43,137	920,984
Trade and other payables	5,837,573	5,861,638	5,546,021	315,617	–	–	–	–
	21,133,004	**23,544,312**	**8,933,185**	**9,197,687**	**4,379,225**	**70,094**	**43,137**	**920,984**

(in thousand of Russian rubles, unless otherwise stated)

(c) Market risk

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

i. Currency risk

The majority of the Group's revenues and expenditures, monetary assets and liabilities are denominated in rubles. Accordingly, Group's financial results are insignificantly impacted by changes in exchange rates.

ii. Interest rate risk

Changes in interest rates affect primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, making a decision about new loans and borrowings, the priority is given to loans and borrowings with fixed interest rates, and as a result, the Group is exposed to interest rate risk to a limited extent.

As a rule, loan agreements entered into by the Group do not contain any charges for the early repayment of loans on the borrower's initiative, which facilitates additional flexibility in relation to optimizing interest rates in the current economic environment.

Fair value sensitivity analysis for financial instruments with fixed interest rate

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

Below is a quantitative analysis of the sensitivity of changes in the interest rate on profit before tax:

	Change in interest rates	Impact on profit before tax
Impact on 2020	+1.50	242,140
	-1.50	(242,140)
Impact on 2019	+1.25	194,446
	-1.25	(194,446)

(d) Fair values and carrying amounts

The fair values and carrying amounts of financial assets and liabilities are as follows:

		31 December 2020		Level of fair value hierarchy		
Financial instruments	**Note**	**Carrying amount**	**Fair value**	**1**	**2**	**3**
Financial assets at fair value through profit or loss						
Long-term bank deposits	17	463,623	463,623	–	–	463,623
Financial assets at amortized cost						
Long-term accounts receivable	20	113,045	106,468	–	–	106,468
Financial assets at fair value through other comprehensive income						
Investments in equity instruments	17	13,814	13,814	12,739	–	1,075
Financial liabilities measured at amortised cost						
Current and non-current loans and borrowings	25	(15,600,277)	(15,284,303)	–	–	(15,284,303)
Non-current accounts payable	28	(143,917)	(157,566)	–	–	(157,566)
		(15,153,712)	**(14,857,964)**	**12,739**	**–**	**(14,870,703)**

(in thousand of Russian rubles, unless otherwise stated)

		31 December 2019		Level of fair value hierarchy		
Financial instruments	**Note**	**Carrying amount**	**Fair value**	**1**	**2**	**3**
Financial assets at amortized cost						
Long-term bank deposits	17	535,757	1,144,751	–	–	1,144,751
Long-term accounts receivable	20	140,121	138,158	–	–	138,158
Financial assets at fair value through other comprehensive income						
Investments in equity instruments	17	15,787	15,787	14,607	–	1,180
Financial liabilities measured at amortised cost						
Current and non-current loans and borrowings	25	(14,637,917)	(14,314,491)	–	–	(14,314,491)
Non-current accounts payable	28	(291,552)	(286,113)	–	–	(286,113)
		(14,237,804)	**(13,302,422)**	**14,607**	**–**	**(13,316,515)**

The interest rate used to discount expected future cash flows on long-term bank deposits for the purpose of determining the disclosed fair value as at 31 December 2020 was 12.44%.

The interest rate used to discount expected future cash flows on long-term accounts receivable for determining the disclosed fair value as at 31 December 2020 was 4.15-4.73% (as at 31 December 2019: 4.95-5.93%).

The interest rate used to discount expected future cash flows on long-term accounts payable for determining the disclosed fair value as at 31 December 2020 was 6.48-7.12% (as at 31 December 2019: 7.95-8.48%).

The interest rate used to discount the expected future cash flows for long-term and short-term loans and borrowings for the purpose of determining the fair value disclosed as at 31 December 2020 was 6.79% (as at 31 December 2019: 8.28%).

During 2020, there were no transfers between the levels of the fair value hierarchy.

The reconciliation of the carrying amounts of financial assets at fair value at the beginning and end of the reporting period is presented in the table below:

	Financial assets at fair value through profit or loss	**Financial assets at fair value through other comprehensive income**
At 1 January 2020	–	**15,787**
Reclassification from financial assets measured at amortised cost	535,757	–
Change in fair value recognized in other comprehensive income	x	(1,973)
Change in fair value recognized in profit or loss	(72,134)	x
Balance at 31 December 2020	**463,623**	**13,814**

(e) Capital management

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

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

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

33. Capital commitments

As at 31 December 2020, the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment items for RUB 3,645,511 thousand, including VAT (as at 31 December 2019: RUB 4,897,014 thousand including VAT).

34. 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, including coverage in case of damage or loss of assets. However, there are risks of negative impact on the operations and 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 legislation allows for different interpretations in relation to the Group's operations and activities. Accordingly, the management's interpretation of the tax legislation and its formal documentation can be successfully challenged by the relevant regional or federal authorities. Tax administration in Russia is gradually being strengthened. In particular, the risk of checking the tax aspect of transactions without obvious economic meaning or with counterparties that violate tax legislation increases. 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 checked.

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

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

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) Legal proceedings

The Group is party to a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business.

In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

(d) Environmental matters

The Group has been operating in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is being reconsidered. Potential liabilities arising as a result of a change in interpretation of existing regulations, civil litigation or changes in legislation cannot be estimated. Under existing legislation, management believes that there are no probable liabilities, which will have a material adverse effect on the Group's financial position, results of operations or cash flows.

(in thousand of Russian rubles, unless otherwise stated)

35. 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 "ROSSETI". The ultimate controlling party is the state represented by the Federal Property Management Agency, which held the majority of the voting rights of PJSC "ROSSETI".

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

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

Revenue, other income, finance income	Amount of transaction for the year ended 31 December		Carrying amount	
	2020	2019	2020	2019
The parent company				
Other revenue	1,230	1,230	–	–
Entities under common control of the parent company				
Connection services	82	–	–	–
Other revenue	54,563	65,088	152,014	116,134
Other operating income	1,181	27,239	33,738	32,396
	57,056	**93,557**	**185,752**	**148,530**

Operating expenses, finance costs	Amount of transaction for the year ended 31 December		Carrying amount	
	2020	2019	2020	2019
The parent company				
Consulting, legal and audit services	126,353	126,353	23,226	23,470
Other production works and services	28,413	28,413	–	–
Interest expenses on financial liabilities measured at amortized cost	13,575	–	15,018	–
Entities under common control of the parent company				
Electricity transmission services	7,049,501	7,442,479	567,970	574,633
Connection services	8,451	540	92	8
Repair and maintenance services	2,060	698	2,038	–
Rent	562	544	335	351
Communication services	23,516	24,953	7,893	2,476
Software and maintenance costs	6,304	–	2,320	–
Expected credit losses	183,080	–	183,080	–
Provisions	(63,288)	22,368	–	133,415
Other expenses	44,077	24,855	102,139	26,819
	7,422,604	**7,671,203**	**904,111**	**761,172**

	Carrying amount	
	2020	2019
The parent company		
Loans and borrowings	(3,800,000)	–
Entities under common control of the parent company		
Advances given	5,258	15,462
Advances received	(2,248)	(2,334)

As at 31 December 2020, there was no liability to the parent company for the payment of dividends (as at 31 December 2019: RUB 106,093 thousand).

(in thousand of Russian rubles, unless otherwise stated)

(c) Transactions with key management personnel

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

The Group has no transactions or outstanding balances with key management personnel and their close family members except their remuneration in the form of salary and bonuses.

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

	Year ended 31 December 2020	Year ended 31 December 2019
Short-term remuneration for employees	301,087	264,308
Post employment benefits and other long-term benefits	6,691	1,959
	307,778	**266,267**

As at 31 December 2020, the present value of liabilities for defined benefit programs recorded in the consolidated statement of financial position includes liabilities to key management personnel in the amount of RUB 905 thousand (31 December 2019: RUB 79 thousand).

(d) Transactions with government-related entities

In the course of its operating activities, the Group is engaged in many transactions with government-related entities. These transactions are carried out in accordance with regulated tariffs or based on market prices. Taxes are calculated and paid in accordance with Russian tax legislation.

Revenues from government-related entities for the year ended 31 December 2020 constitute 26.94% (for the year ended 31 December 2019: 20.38%) of total Group revenues, including 18.73% (for the year ended 31 December 2019: 16.78%) of electricity transmission revenues.

Electricity transmission costs (including compensation of technological losses) for government-related entities for the year ended 31 December 2020 constitute 63.78% (for the year ended 31 December 2019: 68.84%) of total electricity transmission costs.

Interest accrued on loans and borrowings from state-related banks for the year ended 31 December 2020 amounted to 68.14% (for the year ended 31 December 2019: 82%) of total interest accrued.

As at 31 December 2020 cash and cash equivalents held in government-related banks amounted to RUB 839,689 thousand (as at 31 December 2019: RUB 211,756 thousand).

Loans and borrowings received from government-related banks are disclosed in Note 35.

As at 31 December 2020, lease obligations for state-related companies amounted to RUB 696,662 thousand (as at 31 December 2019: RUB 181,176 thousand).

36. Events after the reporting date

No events occurred after 31 December 2020 that could have a material impact on the Group's financial position.