



OGK-2 GROUP

**CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS (IFRS)
(WITH INDEPENDENT AUDITOR'S REPORT)**

**31 December 2020
Saint-Petersburg**

Translation from the Russian original

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Translation from the Russian original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JSC "OGK-2"

Opinion

We have audited the consolidated financial statements of JSC "OGK-2" (the Company) (OGRN 1052600002180, Solnechnodolsk Village, Izobilnensky District, Stavropolsky Region, 356126) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements for the year ended 31 December 2020, which comprise a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended 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 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. 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.

Estimation of allowance for doubtful debts

We paid special attention for determining the allowance for doubtful debts because the appraisal process is a complex process that involves management's use of significant judgments.

Our audit procedures for management estimates in respect of accounts receivable impairment have included:

- review of the application of the “expected credit losses” model in relation of the Group's accounts receivable;
- review of the aggregation of the trade receivables based on the general credit risk characteristics, type of debt and terms of delay;
- review of the calculation of the expected rates of losses for accounts receivable based on the historical data.

The results of applying the “expected credit lossess” model for the Group's receivables are presented in Note 9 to the consolidated financial statements.

Assessment of impairment of property, plant and equipment

At each reporting date, the Group checks for signs of impairment of property, plant and equipment and, if necessary, conducts appropriate testing. This annual impairment test was significant to our audit because the impairment test is a complex process that involves management's use of significant judgments and is based on assumptions that are influenced by projected future market and economic conditions that are inherently are indeterminate.

Our audit procedures included checking the initial data for the test and analysis of cash flows, to which the results of the impairment test are the most sensitive and which have the most significant effect on determining the recoverable amount of property, plant and equipment.

The results of the impairment test and the key assumptions used are presented in Note 6 to the consolidated financial statements.

Other Information

Managing Director of the Company (management) is responsible for the other information. The other information comprises the information included in the Annual report and Issuer's quarterly report for the 1st quarter of 2021, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report and Issuer's quarterly report for the 1st quarter of 2021 are expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual report and Issuer's quarterly report for the 1st quarter of 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of *Management and Those Charged with Governance* for the Consolidated Financial Statements

Managing Director of the Company 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.

Those charged with governance 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 those charged with governance 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 those charged with governance 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, related safeguards.

Translation from the Russian original

From the matters communicated with those charged with governance, 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 translation is true and correct.

Signed by:

The engagement partner on the audit resulting
in this independent auditor's report is



A.B. Baliakin

Audit company:

BDO Unicon Aktsionernoe Obshchestvo

Main State Registration Number: 1037739271701

Suite 50, Office I, 3rd Floor, Section 11, Block 1, Bldg. 125, Warshavskoye Shosse, Moscow, 117587, Russia

Member of the Self-regulatory organization of auditors Association "Sodruzhestvo"

Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: 12006020340

5 March 2021

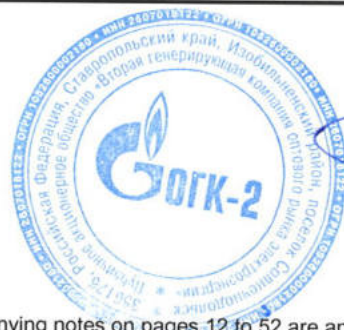
OGK-2 Group
Consolidated Statement of Financial Position as at 31 December 2020
(in millions of Russian Roubles)



	Notes	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	6	160,851	162,476
Intangible assets	7	376	442
Investments in associates	11	20,824	20,000
Accounts receivable and prepayments	9	440	563
Deferred tax assets	20	3	466
Other non-current assets	19	470	507
Total non-current assets		182,964	184,454
Current assets			
Inventories	12	14,248	13,486
Accounts receivable and prepayments	9	11,934	12,459
Income tax receivable		13	9
Cash and cash equivalents	13	7	92
Financial assets	10	15,265	9,722
		41,467	35,768
Assets held for sale	8	-	5,681
Total current assets		41,467	41,449
TOTAL ASSETS		224,431	225,903
EQUITY AND LIABILITIES			
Equity			
Share capital	14	40,057	40,057
Share premium	14	26,846	26,846
Retained earnings and other reserves		77,726	70,423
Equity attributable to the shareholders of JSC "OGK-2"		144,629	137,326
Non-controlling interest		16	15
Total equity and reserves		144,645	137,341
Non-current liabilities			
Borrowings	15	38,877	33,246
Employee benefit liabilities	19	1,893	2,047
Accounts payable and other liabilities	16	7,094	1,613
Lease liabilities		478	597
Provisions	18	1,640	1,171
Deferred income tax liabilities	20	11,372	12,668
Total non-current liabilities		61,354	51,342
Current liabilities			
Borrowings	15	6,065	19,385
Accounts payable and other liabilities	16	10,852	15,205
Current income tax payable		688	141
Other taxes payable	17	620	2,304
Lease liabilities		207	185
Total current liabilities		18,432	37,220
Total liabilities		79,786	88,562
TOTAL EQUITY AND LIABILITIES		224,431	225,903

Managing Director

Chief Accountant



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A.V. Semikolenov

L.V. Klishch

5 March 2021

The accompanying notes on pages 12 to 52 are an integral part of these consolidated financial statements.

OGK-2 Group
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020
(in millions of Russian Roubles)



	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Revenues	21	120,687	134,579
Operating expenses	22	(101,501)	(116,285)
Impairment loss on financial assets		(802)	(456)
Operating profit		18,384	17,838
Finance income	23	896	1,122
Finance expenses	23	(2,942)	(3,906)
Share of profit of associates	11	824	-
Profit before income tax		17,162	15,054
Income tax expense	20	(3,897)	(3,029)
Profit for the year		13,265	12,025
Other comprehensive income / (expense):			
<i>Items that will not be reclassified subsequently to profit or loss, net of tax:</i>			
Remeasurements of defined benefit pension plans	19, 20	49	(271)
Total comprehensive income for the year		13,314	11,754
Profit for the year attributable to:			
Shareholders of JSC «OGK-2»		13,264	12,022
Non-controlling interest		1	3
Total comprehensive income for the year attributable to:			
Shareholders of JSC «OGK-2»		13,313	11,751
Non-controlling interest		1	3
Earnings per ordinary share attributable to the shareholders of JSC «OGK-2» – basic and diluted (in Russian Roubles)			
	24	0.12	0.11

Managing Director

Chief Accountant



A.V. Semikolenov

L.V. Klishch

5 March 2021

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		17,162	15,054
Adjustments to reconcile profit before income tax:			
Depreciation and amortisation	22	13,185	13,365
Impairment loss on financial assets		802	456
Impairment loss on non-financial assets	6, 22	2,437	4,321
Share of profit of associates	11	(824)	-
(Gain) / loss on disposal of property, plant and equipment, other non-current assets and assets held for sale	22	(4,223)	202
Non-state pensions	22	(89)	134
Finance income	23	(896)	(1,122)
Finance expenses	23	2,942	3,906
Change in provisions		368	(78)
Other non-cash items		919	(13)
Operating cash flows before working capital changes		31,783	36,225
Working capital changes:			
Change in accounts receivable and prepayments		(542)	(672)
Change in inventories		(85)	(1,794)
Change in accounts payable and other liabilities		(4,008)	2,337
Change in other taxes payable		(1,684)	(611)
Change in employee benefit liabilities		(59)	(128)
Working capital changes		(6,378)	(868)
Income tax paid		(4,194)	(3,406)
Interest paid		(2,342)	(4,066)
Net cash from operating activities		18,869	27,885
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment, intangible assets and other non-current assets		(6,910)	(9,092)
Proceeds from sale of property, plant and equipment and other non-current assets		9,694	10
Loans issued		(5,507)	(12,199)
Proceeds from loans issued		-	2,852
Capitalised interest paid		-	(368)
Interest received		490	1,074
Dividends received		24	-
Business acquisition of subsidiaries, net of cash acquired		(2,784)	(1,061)
Increase in deposits		-	(3,000)
Proceeds from deposits		-	6,000
Investment in associate		-	(20,000)
Net cash used in investing activities		(4,993)	(35,784)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		32,043	36,050
Repayment of borrowings		(39,788)	(30,463)
Repayment of lease liabilities		(228)	(178)
Dividend paid to shareholders of JSC "OGK-2"		(5,988)	(3,886)
Net cash (used in) / from financing activities		(13,961)	1,523
Effect of exchange rate changes on cash and cash equivalents		-	(110)
Net decrease in cash and cash equivalents		(85)	(6,486)
Cash and cash equivalents at the beginning of the year	13	92	6,578
Cash and cash equivalents at the end of the year	13	7	92

Managing Director

Chief Accountant




A.V. Semikolenov

L.V. Klishch

5 March 2021

Equity attributable to the shareholders of JSC "OGK-2"

	Notes	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	Total	Non-controlling interest	Total equity
At 1 January 2019		40,057	(3,707)	28,379	62,587	127,316	-	127,316
Profit for the year		-	-	-	12,022	12,022	3	12,025
Other comprehensive expense:								
Remeasurements of defined benefit pension plans, net of tax	19, 20	-	-	-	(271)	(271)	-	(271)
Total comprehensive income for the year		-	-	-	11,751	11,751	3	11,754
Transactions with shareholders recognized directly in equity:								
Dividends	14	-	-	-	(3,901)	(3,901)	-	(3,901)
Restoration of unclaimed dividends		-	-	-	2	2	-	2
Acquisition of businesses under common control		-	-	-	(16)	(16)	12	(4)
Transfer of treasury shares	14	-	3,707	(1,533)	-	2,174	-	2,174
At 31 December 2019		40,057	-	26,846	70,423	137,326	15	137,341
At 1 January 2020		40,057	-	26,846	70,423	137,326	15	137,341
Profit for the year		-	-	-	13,264	13,264	1	13,265
Other comprehensive income:								
Remeasurements of defined benefit pension plans, net of tax	19, 20	-	-	-	49	49	-	49
Total comprehensive income for the year		-	-	-	13,313	13,313	1	13,314
Transactions with shareholders recognized directly in equity:								
Dividends	14	-	-	-	(6,013)	(6,013)	-	(6,013)
Restoration of unclaimed dividends		-	-	-	3	3	-	3
At 31 December 2020		40,057	-	26,846	77,726	144,629	16	144,645

Managing Director

Chief Accountant




A.V. Semikolenov

L.V. Klishch

5 March 2021

Note 1. General information

1.1. Organisation and operations

Public Joint Stock Company "The Second Generating Company of the Wholesale Electric Power Market" (JSC "OGK-2", or the "Company") was registered on 9 March 2005 and operates in the Russian Federation.

The primary activities of the Company are generation and sale of electric and heat power. The Company consists of the following power stations (plants): Troitskaya GRES, Stavropolskaya GRES, Pskovskaya GRES, Serovskaya GRES, Surgutskaya GRES-1, Kirishskaya GRES, Ryazanskaya GRES, Novochercasskaya GRES, Krasnoyarskaya GRES-2, Cherepovetskaya GRES, Groznenskaya TES, Adlerskaya TES, Svobodnenskaya TES.

The Company is registered by the Izobilnensk District Inspectorate of the Federal Ministry of Taxation of Stavropol Region.

The Company's office is located at 66-1, lit. A, Peterburgskoye Highway, Saint Petersburg, 196140, the Russian Federation.

JSC "OGK-2" and its following subsidiaries form the OGK-2 Group (the "Group"):

Company	Activities	Ownership interest (%)	
		31 December 2020	31 December 2019
«Centr 112» LLC	Fire safety	100%	100%
Limited Liability Company «OGK-Investproject»	Construction	100%	100%
	Freight and passenger transportation services		
LLC Novomichurinskoe ATP		100%	100%
OJSC Novomichurinskoe PPGT	Rail freight	75%	75%

As at 31 December 2020 there are no significant restrictions on the ability to gain access to the assets of subsidiaries or use them to settle the obligations of subsidiaries.

1.2. Relations with the Government and influence on the Group activities

At the date of the consolidated financial statements the Russian Federation owns (both directly and indirectly) over 50% in PJSC "GAZPROM", which holds 100% of LLC Gazprom energoholding. LLC Gazprom energoholding owns 99.59% of PJSC Centerenergoholding as at 31 December 2020 (as at 31 December 2019: 99.59%). PJSC Centerenergoholding (immediate parent company) owns 73.42% of the Company's shares as at 31 December 2020 (as at 31 December 2019: 73.42%). Thus, PJSC "GAZPROM" is the parent company of the Group and the Russian Federation is the ultimate controlling party of the Group.

The Group's customer base includes a large number of entities controlled by or related to the State. The list of the Group's major fuel suppliers includes subsidiaries of PJSC "GAZPROM". The State also controls a number of suppliers of the Group.

The government of the Russian Federation directly affects the Group's operations through regulations of wholesale sales of electricity (capacity) and retail sales of heat exercised by the Federal Antimonopoly Service ("FAS") and the tariffs regulation executive authorities. JSC System Operator of the United Power System ("SO UPS"), which is controlled by the Russian Federation represented by the Federal Executive Body for the State Property Management, regulates operations of generating assets of the Group.

As described in Note 25, the government's economic, social and other policies could have material effects on the operations of the Group.

1.3. Operating environment in the Russian Federation

The Russian Federation displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Fluctuations in oil prices, continuing political tensions in the region, as well as international sanctions against some Russian organizations and citizens have had and can continue to affect the economy of the Russian Federation.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

The coronavirus pandemic (COVID-19), which occurred in 2020, has had a significant negative impact on the world economy. Restrictive measures taken to curb the spread of coronavirus infection have reduced the economic activity of electricity market participants. The scale and duration of these events remain uncertain and affect the Group's financial position and results of operations.

The Group's management believes that it is taking all necessary measures to support the sustainability and development of the Group's business in the current environment. In the process of spreading the pandemic, the company took prompt preventive measures to prevent the spread of coronavirus infection at the Group's facilities, thus it was possible to exclude the impact of the spread of the virus on the stability of the group's technological and functional processes. Currently, the Group's management is taking measures to optimize fixed costs and reallocate expenses for the company's investment program.

Note 2. Summary of significant accounting policies

2.1. Basis of preparation of the financial statements

These consolidated financial statements have been prepared in accordance with IFRS, including all IFRS adopted and effective in the reporting period and interpretations of the International Financial Reporting Standards Committee, and fully comply with them.

The consolidated financial statements are prepared on the historical cost basis, except for: certain financial instruments carried at fair value and non-current assets held for sale.

The accounting policies used in preparing these consolidated financial statements are presented below.

2.2. General provisions

2.2.1. Functional and presentation currency

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

2.2.2. Foreign currency transactions

The Group's monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Russian rubles at official exchange rates at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Transactions in foreign currencies are accounted for at the exchange rates prevailing at the dates of the transactions. Gains or losses arising from the settlement of such transactions and from the balance sheet date from the translation of monetary assets and liabilities denominated in foreign currencies are reflected in the consolidated statement of comprehensive income in profit or loss.

As at 31 December 2020, the official exchange rate set by the Central Bank of the Russian Federation was RR 73.8757 per 1 USD (31 December 2019 - RR 61.9057 per 1 USD) and RR 90.6824 per 1 EUR (as at 31 December 2019 - 69.3406 RR per 1 euro).

2.3. Consolidation

2.3.1. Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and those entities whose operations are controlled by the Company. Subsidiaries are those entities that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. In some cases, the accounting policies of subsidiaries are changed to bring them in line with the Group's accounting policies.

Upon loss of control over a subsidiary, the Group derecognises its assets and liabilities, as well as the related non-controlling interests and other components of equity. Any difference, positive or negative, resulting from the loss of control is recognized in profit or loss for the period. In addition, all amounts previously recognized in other comprehensive income are transferred to profit or loss.

If the Group retains a part of the investment in a former subsidiary, then such interest is measured at fair value at the date when control is lost. Subsequently, this share is accounted for as an investment in an associate (using the equity method) or a financial asset at fair value through profit or loss or a financial asset at fair value through other comprehensive income.

2.3.2. Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method and are recognised initially at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the period as share of income (loss) of associates, the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of profit of associates. When the Group's share of losses of associates accounted for using the equity method exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

2.3.3. Business combinations

Business combinations are accounted for using the acquisition method. The consideration given for the acquired entity is measured at the fair value of the assets transferred, equity interests issued and liabilities incurred, including the fair value of assets and liabilities arising from contingent consideration agreements, but excluding acquisition-related costs such as payment for consulting services, legal services, valuation services and similar professional services. Transaction costs incurred in issuing equity instruments are deducted from equity; transaction costs incurred in connection with the issuance of debt securities as part of a business combination are deducted from their carrying amount, and all other transaction costs associated with the acquisition are expensed.

The consideration paid in a business combination is measured at fair value, which is calculated as the sum of the fair values of assets transferred by the Group at the acquisition date, liabilities assumed by the Group to the former owners of the acquired business, and equity securities issued by the Group in exchange for gaining control over the acquired business.

Identifiable assets acquired and liabilities assumed, other than those acquired from parties under common control, are recognized at fair value at the acquisition date.

Non-controlling interests, which represent the current ownership interest and entitle the holder to a pro rata share of net assets in the event of liquidation, are initially measured in proportion to the share of net assets of the acquired entity attributable to the non-controlling interests. The Group assesses the non-controlling interest, which is the current ownership interest and gives the holder the right to a pro rata share of net assets in the event of liquidation, individually for each transaction in proportion to the non-controlling interest in net assets of the acquired entity. Non-controlling interest represents the portion of the net results of operations and equity of a subsidiary attributable to an interest not directly or indirectly owned by the Company. Non-controlling interests form a separate component of the Group's equity.

2.3.4. Transactions eliminated on consolidation

Intercompany balances and transactions and any unrealized gains arising from intercompany transactions, are eliminated in preparing these consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3.5. Transfers of businesses from parties under common control.

Acquisition of subsidiaries from entities under common control is accounted for using the predecessor (transferring party) valuation method. The consolidated financial statements include the results of the acquired entity from the date of acquisition. Comparative amounts are not restated. The assets and liabilities of a subsidiary transferred between entities under common control are carried at the carrying amount in the financial statements of the transferor. The predecessor entity is considered to be the highest reporting entity at which the financial statements of the subsidiary, prepared in accordance with IFRS, were consolidated. If such consolidated statements are not available, the book values of assets and liabilities from the financial statements of the subsidiary are used. Any difference between the carrying amount of net assets and the amount of consideration paid is accounted for in the consolidated financial statements as an adjustment in equity.

2.4. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contract that determines the terms of the related financial instrument.

Except for trade receivables that do not have a significant financing component and are determined at the transaction price in accordance with IFRS 15 Revenue from Contracts with Customers, on initial recognition the Group measures the financial asset or financial liability at fair value, adjusted by transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets and liabilities is determined as follows:

Financial instruments included in Level 1. The fair value of financial instruments traded in active markets is determined based on quoted market prices at the close of trade to the reporting date.

Financial instruments included in Level 2. The fair value of financial instruments that are not traded in active markets is determined using various valuation techniques, mainly based on a market or income approach, in particular using the present value of cash flows approach. These valuation techniques make the most of observable market prices, where available, and the least reliance on assumptions specific to the Group. If all material inputs to the measurement of a financial instrument at fair value are based on observable market prices, that instrument is included in Level 2.

Financial instruments included in Level 3. If one or more of the significant inputs used in the model to measure the fair value of an instrument are not based on observable market prices, that instrument is included in Level 3.

For the purpose of fair value disclosure, the Group has classified financial instruments based on the appropriate level of the fair value hierarchy as described above (Note 27).

2.4.1. Classification of financial assets

The Group classifies financial assets into three measurement categories: those measured subsequently at amortised cost, those measured subsequently at fair value with changes recognised in other comprehensive income, and those measured subsequently at fair value with changes recognised in profit or loss.

Classification of financial assets depends on the business-model used by the Group for management of financial assets and contractual cash flows.

Financial assets, measured subsequently at amortised cost. Such category of financial assets includes assets held to obtain contractual cash flows and it is expected that they will result in cash flows being solely payments of principal and interest. This category of financial assets of the Group includes loans issued, receivables, deposits, cash and cash equivalents.

Loans issued and receivables include financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans issued and receivables are measured at amortized cost using the effective interest method.

Cash and cash equivalents include cash on hand and in banks, and highly liquid financial assets with an original maturity of three months or less.

Amortized cost represents the amount at which a financial instrument was measured at initial recognition, less principal payments, decreased or increased by the accrued interest, and for financial assets, less losses from impairment (direct or through the use of an allowance account). Accrued interest includes amortization of transaction costs deferred at initial recognition and any premium or discount to the redemption amount using the effective interest method. Accrued interest income and accrued interest expense, including accrued coupon income and amortized discount or premium (including deferred fees, if any), are not shown separately but are included in the carrying amounts of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the appropriate period to ensure a constant interest rate in each period (effective interest rate) over the carrying amount of the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial instrument. The effective interest rate is used to discount the cash flows of floating rate instruments until the next interest rate change date, excluding premiums or discounts that reflect the credit spread at the floating rate specified for the instrument or other variable factors that are determined independently of market value. Such premiums or discounts are amortized over the entire expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial assets measured subsequently at fair value with changes recognised in other comprehensive income. Such category of financial assets includes debt-type assets held within business models whose objective is achieved by both collecting contractual cash flows and selling financial assets and it is expected that they will result in cash flows being solely payments of principal and interest. Gains or losses related to this category of financial assets are recognized in other comprehensive income, except for impairment gains or losses, interest income and foreign exchange differences, which are recognized in profit or loss. When a financial asset is disposed of, accumulated gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss in the consolidated statement of comprehensive income. Interest income from these financial assets is calculated using the effective interest method and is included in finance income.

The Group's management may make an unchanged decision to recognize changes in the fair value of equity instruments in other comprehensive income if the instrument is not held for trading. Other comprehensive income / loss from changes in the fair value of such instruments cannot be subsequently reclassified to profit or loss in the consolidated statement of comprehensive income.

Financial assets measured subsequently at fair value through profit or loss. Financial assets that do not qualify for recognition as financial assets carried at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

These financial assets include some equity instruments for which the Group has not decided to recognize changes in fair value through other comprehensive income.

2.4.2. Impairment of financial assets

The Group applies the expected credit loss model to financial assets measured at amortised cost or at fair value through other comprehensive income, except for investments in equity instruments, and to contract assets.

The allowance for expected credit losses for a financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition.

If at the reporting date the credit risk on a financial asset has not increased significantly since initial recognition, the allowance for expected credit losses for that financial asset is measured at an amount equal to 12-month expected credit losses.

For trade receivable of the Group a simplified approach is applied which assumes always measuring the loss allowance at an amount equal to lifetime expected credit losses. To estimate expected credit losses trade receivables are grouped based on characteristics of total credit risk, the type of receivables and default period. The Group calculates expected rates of credit losses for accounts receivables based on historic data that assume reasonable approximation of rates for actual losses taking into account external factors and projected values.

The Group calculates expected credit losses in a manner that reflects:

an unbiased and probability-weighted amount determined by analyzing the range of possible outcomes;

time value of money;

reasonable and supportable information about past events, current conditions and forecast future economic conditions available at the reporting date without undue cost.

2.4.3. Classification of financial liabilities

The Group classifies financial liabilities as subsequently measured at amortized cost or fair value. The Group's financial liabilities include trade and other payables, loans and borrowings, and lease liabilities.

If a financial liability is replaced by another liability to the same creditor on substantially different terms, or the terms of the existing liability change materially, the exchange or change is accounted for as writing off the original liability and recognizing a new liability. Differences in the carrying amount are recognized in the consolidated statement of comprehensive income.

2.4.4. Derecognition of financial instruments

The Group derecognises a financial asset when, and only when, the contractual rights to the cash flows from that financial asset expire, or when the financial asset and substantially all of the risks and rewards of ownership of the financial asset have been transferred.

The Group derecognises a financial liability when and only when it is extinguished, i.e. when the obligation stipulated by the contract is fulfilled, canceled or terminated after the expiration of the term.

If an existing financial liability is replaced by another liability to the same creditor on substantially different terms, or the terms of the existing liability change materially, the exchange or change is accounted for as writing off the original liability and recognizing a new liability. Differences in the carrying amount are recognized in the consolidated statement of comprehensive income.

2.5. Property, plant and equipment

2.5.1. Recognition and measurement

Property, plant and equipment and construction in progress are stated at cost of acquisition or construction, less accumulated depreciation and accumulated impairment losses, where applicable.

The cost of acquisition includes all costs directly attributable to the acquisition of the related asset. The cost of self-erected (built) assets includes material costs, direct labor costs, all other costs directly related to bringing the assets into working condition for their intended use, as well as the costs of dismantling and moving assets and restoration the area they occupy. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Repair and maintenance costs are charged to the current expense. Costs to replace major assemblies or components of property, plant and equipment are capitalized and the replaced part is derecognized. The initial cost of the asset includes the costs of earmarked and non-earmarked borrowings raised to finance the construction of qualifying assets.

Social items are not recognized as property, plant and equipment as they do not generate future economic benefits for the Group. The costs of meeting the Group's social obligations are expensed as incurred.

In the event that an item of property, plant and equipment consists of several components with different useful lives, such components are accounted for as separate items (essential components of items) of property, plant and equipment.

2.5.2. Borrowing costs capitalisation

Borrowing costs related to the acquisition or construction of items of property, plant and equipment are capitalized in the cost of the related item if it takes a substantial period of time to complete construction of the item and prepare it for its intended use or sale.

The commencement date for capitalization occurs when (a) the Group incurs expenses related to the qualifying asset; (b) it incurs borrowing costs; and (c) actions are taken to prepare the asset for its intended use or sale.

Capitalization of borrowing costs continues until the date when the assets are substantially ready for use or sale.

For borrowings raised specifically to obtain a qualifying asset, the amount capitalized is determined as the amount of the actual costs incurred on these borrowings during the period, less investment income from the temporary investment of these borrowed funds.

For borrowings raised for general purposes and used, inter alia, to obtain a qualifying asset, capitalized costs are calculated based on the Group's average financing cost, calculated excluding borrowings raised specifically to obtain a qualifying asset (weighted average interest expense is applied to the cost of qualifying assets). If the estimated amount of capitalized costs exceeds actual borrowing costs, then actual borrowing costs incurred during the period are capitalized, less any investment income from the temporary investment of those borrowed funds.

2.5.3. Subsequent costs

The cost of replacing each item of property, plant and equipment is recognized in the carrying amount of that item if it is probable that future economic benefits will flow to the Group from continued use of the item and its cost can be measured reliably. The carrying amount of the replaced item is derecognised. Expenses for routine maintenance and repair of items of property, plant and equipment are recognized in profit or loss as incurred.

2.5.4. Depreciation of property, plant and equipment

Depreciation of items of property, plant and equipment is accrued on a straight-line basis and recognized in profit or loss over the estimated useful life of each item of property, plant and equipment. Depreciation starts from the moment the item is ready for operation. Reviews of the methods of depreciation, useful lives and residual values are performed at each reporting date.

Land and construction in progress are not depreciated.

The estimated useful lives (in years) by groups of property, plant and equipment are presented below:

Groups of property, plant and equipment	
Production buildings	16-46
Constructions	3-31
Energy machinery and equipment	9-35
Other machinery and equipment	1-25

2.5.5. Reclassification to investment property

When the designation of a property changes from owner-occupied to investment property, the property is remeasured at fair value and reclassified to investment property. Any revaluation gain is recognized in profit or loss for the period to the extent that reverses the previously recognized impairment loss for the property, the remainder of which is recognized in the revaluation reserve directly in other comprehensive income. Any revaluation loss is recognized in the revaluation reserve directly in other comprehensive income to the extent that reverses the previously recognized revaluation gain on the property, the remainder of the loss is recognized immediately in profit or loss.

2.6. Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. In other words, the Group determines whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a common approach to recognition and measurement of all lease agreements, except for short-term leases that have a lease term of 12 months or less and for leases for which the underlying asset is of low value. Short-term leases and leases for which the underlying asset is of low value are recognized as an expense on a straight-line basis over the lease term.

2.6.1. Right-of-use assets

The Group recognises right-of-use assets at the commencement date, i.e. the date on which a lessor makes an underlying asset available for use by the Group. The right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The cost of the right-of-use assets comprises the amount of the initial measurement of the lease liability, any initial direct costs incurred by the lessee; any lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are depreciated using the straight-line method to the earlier of the end of the lease term or the end of the useful life of the right-of-use asset. Depreciation of right-of-use assets is included in operating expenses under the item Depreciation and amortization.

The Group presents right-of-use assets within property, plant and equipment.

2.6.2. Lease liabilities

At the lease commencement date, the Group recognizes lease liabilities which are measured at the present value of the lease payments that are not paid at that date. The lease payments include fixed payments (including in-substance fixed), variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees, less any lease incentives receivable. Variable lease payments that do not depend on an index or a rate are recognized as expenses (except when incurred for producing inventories) in the period in which an event or condition occurs that leads to such payments.

To measure the present value of the lease payments the Group uses incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease cannot be readily determined. After the lease commencement date, the lease liabilities are increased to reflect interest and are reduced to reflect the lease payments made. Moreover, the Group remeasures the carrying amount of lease liabilities to reflect lease modifications, changes in the lease term, changes in future lease payments (e.g., a change in an index or a rate used to determine those payments) or changes in the assessment of an option to purchase the underlying asset. Interest expense on leases is recognized within finance expenses.

2.7. Intangible assets

Intangible assets are stated at cost, less accumulated amortization and impairment losses, where applicable. The Group's intangible assets have definite useful lives and primarily include capitalized expenses for the acquisition of computer software and licenses. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, except for goodwill, from the date they are ready for use. The useful life of software products ranges from 1 to 10 years. Acquired computer software licenses are capitalized at the cost of acquiring and bringing them into use.

2.8. Equity

2.8.1. Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the income earned from the issue, net of tax. Any excess of the fair value of the consideration received over the par value of shares issued is recognized as share premium in equity.

2.8.2. Treasury shares

Treasury shares line in the consolidated statement of financial position reflects the fair value of the consideration paid by the parent of the Group in exchange for the acquisition of treasury shares, which it continues to hold as at the reporting date for one purpose or another. At the same time, the value of treasury shares is increased by the amount of costs directly related to the repurchase.

The consideration received on the subsequent sale, in the event of a negative or positive result from the transaction, as well as the cancellation of treasury shares, is subject to recognition directly within equity, taking into account the existing requirements of Russian legislation in relation to the items of equity.

Until the sale of treasury shares, fluctuations in their market value are not reflected in the consolidated financial statements.

2.8.3. Dividends

Dividends are recognized as a liability and deducted from equity in the period when they were recommended by the Board of Directors and approved by the General Meeting of Shareholders.

2.9. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to identify any indications that they may be impaired. If any such indication exists, the recoverable amount of the related asset is estimated.

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.

In calculating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the impact of changes in the value of money over time and the risks specific to the asset. For the purposes of impairment testing, assets are grouped into the smallest group within which cash flows are generated from the continued use of these assets, and these flows are largely independent of the cash flows from other assets or groups of assets ("a cash-generating unit").

To calculate the recoverable amount for a specific group of assets, the Group uses the fair value method based on alternative use.

An impairment loss is recognized if the carrying amount of the asset or the cash-generating unit to which the asset belongs is higher than its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses on cash-generating units are attributed on a pro-rata basis to the deduction of the carrying amount of the assets in the relevant unit (group of units).

2.10. Inventories

Inventories are recorded at the lower of cost or net realizable value. The actual acquisition cost includes the costs associated with the acquisition of inventory, their production and processing, as well as other costs aimed at bringing the inventory to a state of readiness for use and delivery to the point of use. With regard to stocks of own production and work in progress, the actual cost also includes the corresponding share of overheads, calculated based on the standard production volume with normal utilization of the production capacity of the enterprise. Inventories are written off at a weighted average cost.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs to sell.

An allowance for inventory obsolescence is created in the amount of potential losses from the write-off of obsolete and low-turnover inventories, taking into account the expected life of such inventory and the future selling price.

2.11. Prepayments

Prepayments are recognized in the consolidated financial statements at cost less allowance for impairment losses. The prepayment is classified as non-current if the expected date of receipt of the goods or services related to it exceeds one year, or if the prepayment relates to an asset that will be accounted for as non-current on initial recognition, and the amount of the prepayment for the acquisition of the asset is included in its carrying the cost when the Group gains control over the asset and it is probable that the future economic benefits associated with it will flow to the Group. If there is an indication that the assets, goods or services related to the prepayment will not be received, the carrying amount of the prepayment is reduced and the corresponding impairment loss is recognized in profit or loss for the reporting period.

Advances paid to construction contractors and suppliers of property, plant and equipment are recorded as property, plant and equipment in the consolidated statement of financial position, net of VAT. VAT on prepayments to construction contractors and suppliers of property, plant and equipment is included in the book value of non-current assets, in the line Accounts receivable and prepayments, if the expected period of tax reimbursement exceeds one year. If the period of VAT refund on prepayments does not exceed one year, VAT is recorded in accounts receivable as part of current assets. Other prepayments are set off upon receipt of goods or services related to them. If there is an indication that assets, goods or services related to the prepayment will not be received, the carrying amount of the prepayment is subject to write-down and a corresponding impairment loss is recognized in the consolidated statement of comprehensive income.

2.12. Assets held for sale

Non-current assets and disposal groups (which may include non-current and short-term assets) are reported in the consolidated statement of financial position as "Non-current assets held for sale" if their carrying amount is recovered principally through sale (including loss of control for the subsidiary that owns the assets) within 12 months after the reporting date.

Non-current assets or disposal groups that are classified as held for sale in the consolidated statement of financial position in the reporting period are not reclassified or changed in the comparative data of the consolidated statement of financial position to be consistent with the classification at the end of the reporting period.

A disposal group is a group of assets (current and non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly related to those assets that will be transferred as a result of that transaction. Goodwill is accounted for in a disposal group if the disposal group is a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or received more than 12 months after the reporting date. If it becomes necessary to change the classification, such a change is made for both the short-term and long-term part of the asset.

Held-for-sale disposal groups are generally measured at the lesser of the carrying amount and fair value less costs to sell. Property, plant and equipment, investment property and intangible assets held for sale are not depreciated.

Reclassified long-term financial instruments, deferred taxes and investment properties carried at fair value are not subject to write-down to the lower of their carrying amount and fair value less costs to sell. Liabilities directly attributable to the disposal group transferred on disposal are reclassified and presented on a separate line in the consolidated statement of financial position.

2.13. Government subsidies

Subsidies are provided by the state authorities of the Krasnodar Territory, Chelyabinsk and Pskov Regions in order to compensate for losses incurred by the Group as a result of the supply of heat to the population at regulated preferential tariffs, and are recognized in profit or loss in the period to which they are related under the line Revenue.

Subsidies related to the reimbursement of expensed expenses are recognized in other operating income on a gross basis.

2.14. Provisions

Provisions are recognized in the Group's consolidated statement of financial position when the Group has a legal or constructive obligation as a result of an event occurring before the end of the reporting period, it is probable that the fulfillment of this obligation will result in a cash outflow and the cost of its implementation can be reliably estimated. If the effect of the time value of money is material, the provision is determined by discounting expected cash flows at a pre-tax rate that reflects current market assessments of the impact of changes in the value of money over time and the risks inherent in the liability.

The Group has environmental remediation liabilities related to the restoration of the ash disposal area that is not suitable for further use after it is completely filled, including the dismantling of the ash disposal facilities.

Environmental remediation liabilities are recognized when a legal or contingent obligation exists at the reporting date as a result of an event that has already occurred, payment is probable, and the amount of the liability can be determined.

Changes in the estimate of the existing remediation liability arise from changes in the estimated timing or amount of costs, or from changes in discount rates and inflation. These changes result in an adjustment to the value of the related asset in the current period. If the decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in profit or loss.

2.15. Revenue

Revenue from contracts with customers is measured at the fair value of the consideration received or receivable. Revenue is recognized when (or as) an entity satisfies a performance obligation by transferring a promised good or service (ie an asset) to a customer. An asset is transferred when (or as) the acquirer gains control of that asset. The timing of the transfer of control varies depending on the terms of the contract with the acquirer.

Revenues from the sale of electricity, capacity and heat are recognized when they are delivered to consumers.

Certain groups of the population receive government subsidies based on specific conditions (for example, disability, war veteran status, etc.), which are provided in the form of a reduction in the amount of payment for heat energy that the Group charges directly to the consumer. The Group receives compensatory payments from the relevant municipal authorities. Revenue in such cases is recognized based on the total amount that will be received from both the customer and government agencies.

Revenue from contracts for services and work is recognized in profit or loss to the extent that it relates to the completed stage of services and work under the contract at the reporting date. The stage of completion is defined as the proportion of contract costs incurred in connection with the completion of services and works completed at the reporting date in the total planned contract cost.

Rental income is recognized on a straight-line basis over the term of the lease in profit or loss.

Revenue from the sale of goods other than electricity and heat is recognized on delivery.

The usual terms of settlements with customers imply payment upon delivery.

A receivable is recognized when the amount of consideration that is unconditional (that is, the moment when such consideration becomes payable is conditional only on the passage of time) becomes payable by the customer. Accounting policies for financial assets are given in section 2.4.

2.16. Employee benefit liabilities

2.16.1. Defined contribution pension plan

Under a defined contribution plan the Group pays fixed contributions to an external entity and has no legal or constructive obligation to make further payments if the fund's assets are insufficient to pay employees' entitlements to post-employment benefits.

2.16.2. Defined benefit pension plan

The Group has a defined benefit pension plan, which is other than a defined contribution plan. A defined benefit plan determines the amount of retirement benefit that an employee will receive upon or after retirement, which usually depends on one or more factors, such as age, length of service and salary level.

The amount recognized as a liability for a defined benefit plan is the present value of the liability at the end of the reporting period, less the fair value of the existing plan assets. A qualified actuary performs the appropriate calculation annually using the projected unit credit method.

The Group's net defined benefit pension plan obligation is calculated by estimating the amount of future benefits employees have acquired for service in the current and prior periods using interest rates on government bonds denominated in the same currency in which payments will be made and that have maturities that approximate the terms of the related pension obligations.

Actuarial gains and losses from post-employment benefit plans arising in the reporting period as a result of experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

The current service cost, interest expense, past service cost, and the effect of any sequestration or final settlement of the program are recognized in profit or loss.

2.16.3. Other long-term employee benefit liabilities

The Group's net liability for long-term employee benefits other than retirement benefits represents the amount of future benefits that employees have earned in the current and prior reporting periods. These future benefits are discounted to determine their present value with the fair value of any related assets being deducted. The discount rate is the rate of return at the reporting date for government bonds with maturity dates approximating the terms of the Group's liabilities. Calculations are made using the projected unit credit method. Any actuarial gains or losses on other long-term employee benefit plans are recognized in profit or loss in the reporting period in which they arise.

2.17. Segment reporting

Operating segments are presented in the consolidated financial statements in a format consistent with the internal reporting requirements provided to the chief operating decision maker. The chief operating decision maker responsible for making operating decisions, which allocates resources and evaluates the performance of the operating segments, is the Board of Directors and the Managing Director, who make strategic decisions. Segments with revenues, profits or assets of 10% or more of all segments are reported separately.

2.18. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss, except for that part related to transactions recognized directly in other comprehensive income, in which case it is also recognized in other comprehensive income.

Current tax is the amount expected to be paid to the tax authorities (recovered from the tax authorities) in respect of taxable profit or loss for the current period, after adjusting the amount of the prior income tax liability.

Deferred income tax is accrued on a balance sheet basis in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

In accordance with the exemption for initial recognition, deferred taxes are not recognized for temporary differences arising on initial recognition of an asset or a liability in a transaction other than a business combination, if this does not affect accounting or taxable profit. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill and investments in subsidiaries, associates and joint ventures when it is highly probable that these temporary differences will not be recovered in the foreseeable future.

The carrying amount of deferred tax is calculated using tax rates that are enacted or substantively enacted at the end of the reporting period and which are expected to apply to the period when temporary differences reverse or tax losses are carried forward.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

2.19. Uncertain tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes, except for income tax, are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

2.20. Earnings per share

The Group presents basic and diluted earnings / (loss) per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of JSC OGK-2 by the weighted average number of ordinary shares outstanding during the period. Diluted earnings (loss) per

share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares which include convertible debt and share options granted to employees. The Group has no potential ordinary shares as at 31 December 2020 and 31 December 2019.

2.21. Application of interpretations and amendments to IFRS's

The following clarifications and amendments to the current International Financial Reporting Standards became effective on 1 January 2020:

Amendments to *IFRS 3 Business Combinations* (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020). The changes clarify the definition of a business and make it easier to assess whether an acquired set of activities and assets is a group of assets or a business.

Amendments to *IAS 1 Presentation of Financial Statements* and *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* (issued in October 2018 and are applied for annual periods beginning on or after 1 January 2020). The amendments clarify and harmonize the definition of the term "materiality" as well as provide recommendations for improving consistency in its application when mentioned in IFRS standards.

Amendments to *IFRS 16 Leases* (issued in May 2020 and applicable for interim periods beginning 1 June 2020). The changes allow lessees, as a practical expedient, not to assess whether specific rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications, and instead treat these rent concessions as if they were not lease modifications. The amendment does not affect lessors.

Amendments to *IFRS 9 Financial Instruments*, *IAS 39 Financial Instruments: Recognition and Measurement* and *IFRS 7 Financial Instruments: Disclosures* (issued in September 2019 and applicable for interim periods starting 1 January 2020). The changes affect the interest rate benchmark reform.

New revision of the *Conceptual Framework for Financial Reporting* (issued in March 2018 and mandatory for companies to use since the report for 2020). In particular, it introduces new definitions of assets and liabilities, refines definitions of income and expenses, and clarifies some important concepts.

The Group reviewed these interpretations and amendments to standards in preparing the consolidated financial statements. The clarifications and amendments to standards did not have a significant impact on the Group's consolidated financial statements.

2.22. Changes to existing Standards that are not yet effective and have not been early adopted by the Group

A number of amendments to the standards are effective for annual periods beginning on or after 1 January 2022. In particular, the Group has not early adopted the following amendments to standards:

Amendments to *IAS 1 Presentation of Financial Statements* (issued in January 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments specify the requirements for classifying liabilities as current or non-current.

Amendment to *IFRS 9 Financial Instruments* (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendments to *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendments clarify what costs are included in the estimate of the costs of fulfilling contract obligations in order to identify it as onerous.

Amendment to *IAS 16 Property, Plant and Equipment* (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment prohibits entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced during the period when the asset was prepared for its intended use. Instead, such sales and related costs are recognized in profit or loss.

Amendments to *IFRS 3 Business Combinations* (issued in May 2020 and applicable for annual periods beginning on or after 1 January 2022) update a reference to the *Conceptual Framework for Financial Reporting* issued in 2018 to define what constitutes an asset or liability in a business combination, and add a new exemption for liabilities and contingent liabilities.

The Group is currently assessing how these changes will affect its financial position and results of operations.

Note 3. Critical Judgements and Estimates

In the preparation of the consolidated financial statements the management uses a number of estimates and assumptions that may affect the measurement of assets and liabilities, as well as the information in the notes to these consolidated financial statements. Management also makes certain judgments in applying accounting policies. Such estimates and judgments are constantly reviewed based on historical data and other information, including forecasts and expectations regarding future events which appear to be reasonable under the given circumstances. Actual results may differ from these estimates and management may revise their estimates in the future, either positively or negatively, depending on the effect they have, taking into account the facts surrounding each estimate.

The following are assumptions that could have the most significant effect on the amounts reported in the consolidated financial statements, as well as estimates that could lead to significant changes in the carrying amounts of assets and liabilities within the next financial year.

3.1. Significant assumptions used to determine the amount of provisions

Impairment of property, plant and equipment. At each reporting date the Group's management assesses whether there is any indication of impairment of property, plant and equipment.

Forecasting cash flows when testing for possible impairment requires the use of a number of significant assumptions and estimates in relation to indicators such as sales of electricity and capacity, prices for electricity and heat energy and capacity, capital expenditures, as well as macroeconomic indicators such as inflation and the discount rate. In addition, assumptions are applied in identifying the cash generating units that are tested for impairment.

The effects of these assumptions are reflected in Notes 6 and 22.

Allowance for expected credit losses on financial assets. The allowance for expected credit losses on financial assets is based on management's estimates of expected credit losses based on the entire life of the receivables and other financial assets. If there is a significant decrease in the solvency of a large consumer or the scale of actual non-payment exceeds the forecast, then actual results may differ from the estimates.

The effects of these assumptions are presented in Note 9.

3.2. Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of professional judgment by management based on experience with similar assets. In determining the useful lives of assets, management takes into account the following factors: the nature of the expected use, assessment of technological obsolescence, physical wear and tear and the operating environment of the assets. Changes to each of these conditions or estimates may result in an adjustment to future depreciation rates.

These estimates may have an impact on the book value of property, plant and equipment and depreciation expenses for the period. The effect of the most important accounting estimates used is presented in Note 6, useful lives are presented in Note 2.5.4.

3.3. Employee benefit liabilities. The Group uses an actuarial valuation technique to measure the present value of post-employment benefit obligations and the associated current service cost of employees. This measurement uses demographic assumptions about the future characteristics of current and former employees eligible for benefits, as well as financial assumptions. The effect of significant accounting estimates used is presented in Note 19.

3.4. Provisions for taxes. Russian tax legislation is subject to varying interpretations and changes, which can occur frequently (Note 25). In cases where, in the opinion of the Group's management, it is probable that the tax authorities may disagree with its interpretation of applicable law and the Group's position regarding the correctness of the calculation and payment of taxes, a corresponding provision is made in the consolidated financial statements.

3.5. Environment restoration provision. At each reporting date management reviews the Group's asset retirement obligations which are environmental remediation liabilities and adjusts them to their current best estimates in accordance with IFRIC 1 Changes in Existing Decommissioning, Remediation Liabilities natural resources and other similar obligations. The amount of liabilities recognized is the best estimate of the expenditures required to settle the present obligation at the reporting date based on the requirements of the current legislation of the country where the respective operating assets are located. In calculating the best estimate of a liability the inevitable risks and uncertainties surrounding many events and circumstances are taken into account. Predicting future environmental remediation costs requires significant judgment. Future events that may affect the amount of expenses required to settle obligations are taken into account when calculating the amount of the obligation when there is a sufficient objective evidence that these events occur. The effect of significant accounting estimates and assumptions made is presented in Note 18.

3.6. Deferred tax asset recognition. The recognized deferred tax asset represents the amount of income taxes that can be offset against future income taxes and is reflected in the consolidated statement of financial position. A deferred tax asset is recognized only if it is probable that the related tax benefit will be utilized. The effect of this accounting estimate and judgment is presented in Note 20.

Measurement of the fair value of assets and liabilities.

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. In determining the fair value of assets and liabilities, the Group makes maximum use of observable inputs. Fair value results are allocated to levels of the fair value hierarchy depending on the inputs used in the measurement.

The classification of financial instruments to a particular fair value level is described in Note 2.4.

Note 4. Segment information

The Board of Directors and Managing Director (hereafter referred to as the "Management") is the Chief operating decision-maker, which reviews the Group's internal management report in order to assess performance of the Group and allocate resources. Primary activity of the Group is production of electric and heat power and capacity which covers 98.8% of the Group revenue for the year ended 31 December 2020 (98.9% for the year ended 31 December 2019). The Group operates in the Russian Federation.

The technology of electricity and heat production does not allow segregation of electricity and heat segments. The Company's branches are managed separately due to significant decentralization and distances between them, as a result the Group discloses seven reporting segments: Surgutskaya GRES-1, Novochoerkasskaya GRES, Kirishskaya GRES, Troitskaya GRES, Ryazanskaya GRES, Cherepovetskaya GRES, Serovskaya GRES. All reporting segments are located on the territory of the Russian Federation. In the process of evaluation of segments, results and allocation of economic resources of the Group the Management uses financial information provided below prepared in accordance with RAR. The differences between the above-mentioned financial indicators analyzed by the Management and IFRS financial information are caused by different approaches applied in IFRS and RAR. The main differences relate to the respective carrying values of the value of property, plant and equipment. The Group does not have inter-segment revenue.

4.1 Financial results of segments

The segment information for the year ended 31 December 2020 and 31 December 2019 is as follows:

Year ended 31 December 2020	Surgutskaya GRES-1	Novochoerkasskaya GRES	Kirishskaya GRES	Troitskaya GRES	
Revenue	20,444	17,407	16,884	13,596	
Depreciation of property, plant, equipment*	472	1,711	1,151	4,200	
Segment operating profit*	2,805	570	5,358	5,291	
Capital expenditure**	561	892	1,448	577	
Year ended 31 December 2020	Ryazanskaya GRES	Cherepovetskaya GRES	Serovskaya GRES	Other operating segments	Total operating segments
Revenue	10,003	8,433	7,090	26,830	120,687
Depreciation of property, plant, equipment*	755	1,091	1,290	824	11,494
Segment operating profit*	3,043	1,914	1,566	5,950	26,497
Capital expenditure**	209	11,581	126	10,736	26,130

Year ended 31 December 2019	Surgutskaya GRES-1	Novocherkasskaya GRES	Kirishskaya GRES	Troitskaya GRES	
Revenue	23,316	19,080	22,510	13,229	
Depreciation of property, plant, equipment*	480	1,688	1,426	3,934	
Segment operating profit*	3,752	1,787	5,967	4,059	
Capital expenditure**	827	464	1,493	680	
Year ended 31 December 2019	Ryazanskaya GRES	Cherepovetskaya GRES	Serovskaya GRES	Other operating segments	Total operating segments
Revenue	10,516	9,212	6,994	29,722	134,579
Depreciation of property, plant, equipment*	773	301	1,331	1,933	11,866
Segment operating profit	3,504	2,113	2,329	1,968	25,479
Capital expenditure**	263	145	76	3,452	7,400

* Segment operating profit represents segment operating profit under RAR. Depreciation of property, plant, equipment represents segment depreciation of property, plant, equipment under RAR.

**Capital expenditure represents additions to property, plant and equipment under RAR, including advances to construction companies and suppliers of property, plant and equipment.

A reconciliation of management financial information prepared in accordance with RAR to the consolidated financial statements prepared in accordance with IFRS is provided below:

	Year ended 31 December 2020	Year ended 31 December 2019
Segment operating profit	26,497	25,479
Adjustments, arising from different accounting policy:	(2,863)	(3,868)
Provision for impairment of trade and other receivables	353	(167)
Depreciation adjustment	156	(882)
Retirement benefit obligations adjustment	148	(6)
(Loss) / gain on disposal of assets	(372)	246
Impairment loss on property, plant and equipment and other assets (Note 22)	(2,510)	(4,321)
Other adjustments	(638)	1,262
Unallocated expenses:	(5,250)	(3,773)
Lease	(196)	(197)
Consulting, legal and audit services	(285)	(303)
Provision for impairment of trade and other receivables	(1,014)	(233)
Employee benefits	(1,085)	(1,028)
Other expenses	(2,670)	(2,012)
Operating profit (IFRS)	18,384	17,838

Segment's assets are disclosed below:

	Surgutskaya GRES-1	Novocherkasskaya GRES	Kirishskaya GRES	Troitskaya GRES	
31 December 2020	5,800	34,258	21,748	49,631	
	Ryazanskaya GRES	Cherepovetskaya GRES	Serovskaya GRES	Other operating segments	Total assets
31 December 2020	12,688	16,081	19,020	20,132	179,358
	Surgutskaya GRES-1	Novocherkasskaya GRES	Kirishskaya GRES	Troitskaya GRES	
31 December 2019	5,978	35,500	20,516	53,611	
	Ryazanskaya GRES	Cherepovetskaya GRES	Serovskaya GRES	Other operating segments	Total assets
31 December 2019	13,372	6,232	20,337	26,550	182,096

A reconciliation of management financial information to the consolidated financial statements prepared in accordance with IFRS is provided below:

	31 December 2020	31 December 2019
Total assets for segments	179,358	182,096
Unallocated assets	47,148	42,393
Adjustments, arising from different accounting policy:		
Property, plant and equipment adjustment	(2,075)	1,414
Deposits for pensions (Note 19)	(2,764)	1,970
Discounting of accounts receivable and prepayments	470	507
Discounting of accounts payable and other liabilities	(197)	(173)
Impairment of accounts receivable and prepayments	(266)	(393)
Investments in associates (Note 11)	(142)	(497)
	824	-
Total assets (IFRS)	224,431	225,903

The unallocated assets are the assets which cannot be directly related to the certain operating segment and are also out of the operating segment control for decision making purposes. These assets include intangible assets, short-term and long-term trade receivables (which mainly presented by receivables for sales of electricity and power on the wholesale electric power market), cash in bank, deposits, inventories and items of property, plant and equipment which are subject to the headquarters control.

Management of the Group does not review the information in respect of operating segment's liabilities in order to make a decision about allocation of resources, because of centralisation of significant part of payment transactions.

4.2 Core customers

The revenue presented within segments includes the customer (JSC FSC) with the revenue exceeding 10% of the Group's revenue for the year ended 31 December 2020 and amounting to RR 42,401 million (for the year ended 31 December 2019 the revenue of the customer (JSC FSC) exceeded 10% of the Group's revenue and amounted to RR 55,129 million).

Note 5. Related Parties

In the consolidated financial statements a related party is a person or entity that has control or significant influence over the reporting entity as determined in IAS 24 Related parties.

Transactions with related parties have been made mostly on the same terms and conditions as similar operations with the parties external to the Group. Prices for natural gas and capacity are based on tariffs set by FAS and also based on competitive take-off on the wholesale electricity (capacity) market. Loans and borrowings are received at market rates. Bank deposits are invested at market rates.

PJSC "GAZPROM" is the ultimate parent company of the Group. The Russian Federation is the ultimate controlling party of the Group.

a) GAZPROM Group and its associates

Significant transactions with Gazprom Group for the year ended 31 December 2020 and significant balances with these organizations as at 31 December 2020 are presented below:

Revenues

	Year ended 31 December 2020	Year ended 31 December 2019
Electricity and capacity	3,232	4,053
Heating	4	4
Other	444	505
Total	3,680	4,562

Operating expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Fuel	29,223	34,804
Lease	4,241	4,599
Repairs and maintenance	2,956	3,086
Transport	790	795
Exchange rate differences	428	(288)
Other operating expenses	1,743	1,491
Total operating expenses	39,381	44,487

Finance income and expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Finance income		
Interest income on bank deposits and current bank account balances	2	144
Effect of discounting of financial Instruments	219	-
Interest income on loans issued	548	19
Total finance income	769	163
Finance expenses		
Interest expense on borrowings	1,697	1,866
Effect of discounting of financial instruments	65	118
Interest expense on lease liabilities	32	54
Total finance expenses	1,794	2,038

Balances

	31 December 2020	31 December 2019
Short-term financial assets (Note 10)	15,265	9,722
Long-term accounts receivable and prepayments, gross	-	86
Short-term accounts receivable and prepayments, gross	1,375	1,837
Total assets	16,640	11,645
Non-current borrowings	6,834	28,246
Current borrowings	840	186
Long-term accounts payable and other liabilities	6,943	1,296
Short-term accounts payable and other liabilities	6,029	9,522
Long-term lease liabilities	56	229
Short-term lease liabilities	200	170
Total liabilities	20,902	39,649

Purchase of non-current and current assets

	Year ended 31 December 2020	Year ended 31 December 2019
Acquisition of property, plant and equipment including capitalized borrowing costs from related parties	10,829	3,045
Purchases of materials	-	128
	1,637	824
Total	12,466	3,869

For the year ended 31 December 2020 dividends declared to the parent company PJSC Centerenergoholding amounted to RR 4,414 million (for the year ended 31 December 2019: RR 2,983 million).

b) Operations with state-controlled entities

The information presented below does not include transactions and balances with Gazprom Group and its associates, as this information is disclosed in Note 5 (a).

Significant transactions with the state-controlled entities for the year ended 31 December 2020 and significant balances with these organizations as at 31 December 2020 are presented below:

Revenues

	Year ended 31 December 2020	Year ended 31 December 2019
Electricity and capacity	27,020	28,087
Heating	710	1,003
Other revenues	415	419
Total	28,145	29,509

Operating expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Electricity market administration fees (Note 22)	2,347	2,160
Security and fire safety	455	422
Electricity and capacity	98	263
Other operating expenses	364	555
Total operating expenses	3,264	3,400

Finance income and expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Finance income		
Interest income on bank deposits and current bank account balances	-	554
Total finance income	-	554
Finance expenses		
Interest expense on borrowings	185	1,179
Interest expense on lease liabilities	56	51
Total finance expenses	241	1,230

Balances

	31 December 2020	31 December 2019
Long-term accounts receivable and prepayments, gross	473	72
Allowance for expected credit losses of long-term trade receivables	(361)	(14)
Short-term accounts receivable and prepayments, gross	12,054	12,330
Allowance for expected credit losses of short-term accounts receivable	(8,914)	(8,568)
Total assets	3,252	3,820
Short-term accounts payable and other liabilities	397	948
Long-term lease liabilities	371	341
Current borrowings	-	17,423
Total liabilities	768	18,712

Purchase of non-current and current assets

	Year ended 31 December 2020	Year ended 31 December 2019
Acquisition of property, plant and equipment	2	1,506
including capitalized borrowing costs from related parties	-	158
Purchases of materials	28	947
Total purchase of non-current and current assets	30	2,453

Other transactions

	Year ended 31 December 2020	Year ended 31 December 2019
Impairment loss on financial assets	693	772

Some of the transactions on the wholesale electricity and capacity market are conducted through commission agreements with Joint-stock company Financial Settling Center (JSC FSC). Current financial settlement system of JSC FSC does not provide the final counterparty with automated information about transactions and settlement balances with end consumers. Government-related entities, GAZPROM Group and its subsidiaries may also act as counterparties.

The Group had the following significant operations with JSC FSC:

Revenue and operating expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Sales of electricity and capacity	42,401	55,129
Purchases of electricity and capacity	7,198	8,662

Balances

	31 December 2020	31 December 2019
Short-term accounts receivable and prepayments, gross	2,071	1,812
Allowance for expected credit losses of short-term accounts receivable	(7)	(17)
Short-term accounts payable and other liabilities	394	451

c) Other related parties

Transactions with other related parties represent transactions with the non-state pension funds ("NPF"). For the year ended 31 December 2020 the Group made contributions of RR 74 million to JSC "NPF "Otkrytie" and JSC "NPF "GAZFOND" (for the year ended 31 December 2019: RR 78 million).

d) Key management remuneration

Short-term remuneration includes remuneration to members of the Board of Directors for the performance of their duties in these positions and participation in meetings of the Board of Directors.

	Year ended 31 December 2020	Year ended 31 December 2019
Board of Directors membership remuneration	39	47

The remuneration of the management company LLC Gazprom Energoholding was RR 135 million for the year ended 31 December 2020 (for the year ended 31 December 2019: RR 140 million).

e) Capital commitments

	31 December 2020	31 December 2019
GAZPROM Group and its associates	11,405	10,021
Other state-controlled entities	1	6
Total	11,406	10,027

Note 6. Property, plant and equipment

Changes in the carrying amount of property, plant and equipment are presented below:

	Right-of-use assets	Production buildings	Construc- tions	Energy machinery and equipment	Other machinery and equipment	Other	Construc- tion in progress	Total
Cost								
As at 1 January 2019	1,249	61,392	37,902	108,825	52,487	3,573	14,113	279,541
Additions	1,132	13	142	-	76	67	6,389	7,819
Disposals	-	(37)	(186)	(438)	(716)	(36)	(46)	(1,459)
Changes in terms of lease agreements	(47)	-	-	-	-	-	-	(47)
Transfer	-	3,669	2,924	1,355	6,260	331	(14,539)	-
Transfer from / (to) other balance sheet accounts	(5)	(4,823)	(1,556)	(3,537)	(1,182)	(243)	(851)	(12,197)
As at 31 December 2019	2,329	60,214	39,226	106,205	56,925	3,692	5,066	273,657
As at 1 January 2020	2,329	60,214	39,226	106,205	56,925	3,692	5,066	273,657
Additions	73	3,853	2,089	2,814	189	212	4,904	14,134
Disposals	(11)	(3)	(65)	(155)	(251)	(88)	(320)	(893)
Reclassification	(40)	(1,897)	2,084	566	(867)	154	-	-
Changes in terms of lease agreements	83	-	-	-	-	-	-	83
Transfer	-	172	785	1,285	1 300	291	(3,833)	-
As at 31 December 2020	2,434	62,339	44,119	110,715	57,296	4,261	5,817	286,981
Accumulated depreciation and impairment								
As at 1 January 2019	(9)	(24,478)	(16,280)	(38,729)	(20,286)	(1,965)	(91)	(101,838)
Charge for the period	(209)	(1,447)	(1,458)	(5,849)	(3,897)	(324)	-	(13,184)
Disposals	-	20	75	409	649	36	2	1,191
Charge of impairment	(13)	(820)	(413)	(2,032)	(478)	(69)	(487)	(4,312)
Reversal of impairment	-	-	-	-	-	-	26	26
Transfer from / (to) other balance sheet accounts	1	3,287	1,138	1,811	535	164	-	6,936
As at 31 December 2019	(230)	(23,438)	(16,938)	(44,390)	(23,477)	(2,158)	(550)	(111,181)
As at 1 January 2020	(230)	(23,438)	(16,938)	(44,390)	(23,477)	(2,158)	(550)	(111,181)
Charge for the period	(388)	(1,336)	(1,373)	(5,501)	(3,977)	(378)	-	(12,953)
Disposals	4	1	62	153	189	87	18	514
Reclassification	15	349	(524)	(214)	396	(22)	-	-
Charge of impairment	(12)	(932)	(458)	(860)	(127)	(48)	(73)	(2,510)
Transfer of impairment	-	(4)	(22)	(7)	(95)	-	128	-
As at 31 December 2020	(611)	(25,360)	(19,253)	(50,819)	(27,091)	(2,519)	(477)	(126,130)
Net book value								
As at 1 January 2019	1,240	36,914	21,622	70,096	32,201	1,608	14,022	177,703
As at 31 December 2019	2,099	36,776	22,288	61,815	33,448	1,534	4,516	162,476
As at 1 January 2020	2,099	36,776	22,288	61,815	33,448	1,534	4,516	162,476
As at 31 December 2020	1,823	36,979	24,866	59,896	30,205	1,742	5,340	160,851

For the year ended 31 December 2020 the Group did not capitalize borrowing costs (for the year ended 31 December 2019 the Group capitalized borrowing costs attributable to the acquisition, construction or production of an asset in the amount of RR 342 million with an average capitalisation rate of 7.70%).

As at 31 December 2020 property, plant and equipment of the Group are pledged as securities in the amount of RR 4,843 million (as at 31 December 2019: no property, plant and equipment pledged as securities).

Right-of-use assets

	Production buildings	Construction:	Other machinery and equipment	Other	Total
Cost					
as at 1 January 2019	590	212	40	407	1,249
Additions as a result of new leases	-	1,130	-	2	1,132
Effect of leases modification	(9)	-	-	(38)	(47)
Transfer from / (to) other balance sheet accounts	-	-	-	(5)	(5)
as at 31 December 2019	581	1,342	40	366	2,329
as at 1 January 2020	581	1,342	40	366	2,329
Additions as a result of new leases	-	-	-	73	73
Effect of leases modification	93	-	-	(10)	83
Termination of lease agreements	(1)	-	-	(10)	(11)
Reclassification	-	-	(40)	-	(40)
as at 31 December 2020	673	1,342	-	419	2,434
Accumulated depreciation and impairment					
as at 1 January 2019	-	-	(9)	-	(9)
Charge for the period	(176)	-	(4)	(29)	(209)
Charge of impairment	-	-	-	(13)	(13)
Transfer from / (to) other balance sheet accounts	-	-	-	1	1
as at 31 December 2019	(176)	-	(13)	(41)	(230)
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Charge for the period	(237)	(137)	(2)	(12)	(388)
Charge of impairment	-	-	-	(12)	(12)
Termination of lease agreements	1	-	-	3	4
Reclassification	-	-	15	-	15
as at 31 December 2020	(412)	(137)	-	(62)	(611)
Net book value					
As at 1 January 2019	590	212	31	407	1,240
As at 31 December 2019	405	1,342	27	325	2,099
As at 1 January 2020	405	1,342	27	325	2,099
As at 31 December 2020	261	1,205	-	357	1,823

Total cash outflow for leases for the year ended 31 December 2020 is RR 318 million, including interest paid on lease liabilities - RR 90 million, repayment of lease liabilities - RR 228 million, (for the year ended 31 December 2019: total cash outflow for leases - RR 283 million, including interest paid on lease liabilities - RR 105 million, repayment of lease liabilities - RR 178 million).

Impairment

As at 31 December 2020 the Group conducted the test for the economic impairment of property, plant and equipment at the level of cash-generating units. Each power station of the Group was considered as separate cash-generating unit: Surgutskaya GRES-1, Novochercasskaya GRES, Kirishskaya GRES, Troitskaya GRES, Ryazanskaya GRES, Cherepovetskaya GRES, Serovskaya GRES, each of which is a separate reportable segment and Stavropolskaya GRES, Pskovskaya GRES, Adlerskaya TES, which are included in other operating segments of the Group (Note 4).

As a result of the impairment test for the year ended 31 December 2020 the Group recognized an impairment loss in the amount of RR 2,510 million (including RR 1,969 million for Adlerskaya TES, RR 541 million for Surgutskaya GRES-1). For the year ended 31 December 2019 an impairment loss of RR 4,312 million was recognized (including RR 4,142 million for Kirishskaya GRES, RR 170 million for Cherepovetskaya GRES) and an impairment loss of RR 26 million was reversed (for Pskovskaya GRES).

The recoverable amount of each cash-generating unit was determined based on value in use. Value in use was determined using discounted cash-flows method. The present value of the future cash flows of each cash-generating unit was calculated based on the projected future net cash flows using the following assumptions.

Information about the key assumptions used for the impairment test is presented below:

Indicator	31 December 2020	31 December 2019
Discount rate, %	9.19%	10.45%

Note 7. Intangible assets

	Software	Other	Total
Cost			
as at 1 January 2019	862	658	1,520
Additions	-	141	141
Disposals	(247)	(251)	(498)
as at 31 December 2019	615	548	1,163
as at 1 January 2020	615	548	1,163
Additions	-	178	178
Disposals	-	(133)	(133)
as at 31 December 2020	615	593	1,208
Accumulated depreciation			
as at 1 January 2019	(571)	(333)	(904)
Charge for the period	(61)	(168)	(229)
Disposals	247	165	412
as at 31 December 2019	(385)	(336)	(721)
as at 1 January 2020	(385)	(336)	(721)
Charge for the period	(62)	(177)	(239)
Disposals	-	128	128
as at 31 December 2020	(447)	(385)	(832)
Net book value			
as at 1 January 2019	291	325	616
as at 31 December 2019	230	212	442
as at 1 January 2020	230	212	442
as at 31 December 2020	168	208	376

Note 8. Assets held for sale

On 9 December 2019, the Board of Directors made a decision on disposal of assets of the power station Krasnoyarskaya GRES-2, located in Zelenogorsk, Krasnoyarsk Territory. On 31 December 2019, an agreement on sale and purchase of property of Krasnoyarskaya GRES-2 was concluded with JSC Yenisei TSK (TSG-13). Assets of Krasnoyarskaya GRES-2 were classified as held for sale in the consolidated statement of financial position as at 31 December 2019 at their carrying amount. The assets were sold in 2020, the selling price was RR 10,130 million (excluding VAT).

	31 December 2020	31 December 2019
Property, plant and equipment	-	5,261
Inventories	-	420
Total	-	5,681

Note 9. Accounts receivable and prepayments

	31 December 2020	31 December 2019
Short-term accounts receivable		
Trade receivables	10,475	10,506
Other receivables	306	265
Promissory notes	1	2
Total financial accounts receivable	10,782	10,773
Advances to suppliers and prepaid expenses	1,080	1,621
Input VAT	32	47
Prepaid other taxes, except for income tax	40	18
Total non-financial accounts receivable	1,152	1,686
Total short-term accounts receivable and prepayments	11,934	12,459
Long-term accounts receivable		
Trade receivables	114	4
Promissory notes	309	283
Other receivables	11	51
Total financial accounts receivable	434	338
Advances to suppliers and prepaid expenses	2	92
Input VAT	4	133
Total non-financial accounts receivable	6	225
Total long-term accounts receivable and prepayments	440	563

Trade receivables are presented net of allowance for expected credit losses of RR 11,240 million and RR 10,746 million as at 31 December 2020 as at 31 December 2019, respectively.

Other receivables are presented net of allowance for expected credit losses of RR 6,921 million and RR 6,801 million as at 31 December 2020 as at 31 December 2019, respectively.

The abovementioned allowances mainly relate to short-term receivables and prepayments, except for the allowance for long-term trade receivables in the amount of RR 361 million as at 31 December 2020 (as at 31 December 2019: RR 14 million).

The Group's exposure to credit and foreign exchange risks in relation to trade and other receivables is disclosed in Note 26.

Note 10. Financial assets

	31 December 2020	31 December 2019
Loans issued	14,975	9,408
Equity securities at fair value through profit or loss	290	314
Total short-term financial assets	15,265	9,722

As at 31 December 2020 and 31 December 2019 equity securities at fair value through profit or loss include shares of MOSENERGO.

There is no allowance for impairment of financial assets as at 31 December 2020 and 31 December 2019.

The Group's exposure to credit, foreign exchange and interest rate risks related to financial assets is disclosed in Note 26.

Note 11. Investments in associates

On 27 December 2019 the Group acquired 38% share in LLC GEH Industrial Assets for RR 20,000 million with payment in cash. This investment is accounted for as an investment in an associate of the Group using the equity method as at 31 December 2020.

The table below summarizes information about the Group's investments in associates:

		Nature of business	Cost of investment as at 31 December		Ownership interest as at 31 December	
			2020	2019	2020	2019
LLC GEH Industrial Assets	Associate	Development and production of energy-saving turbocompressor and gas pumping equipment	20,824	20,000	37%	38%
Total			20,824	20,000	-	-

Change in value of an investment in an associate is presented below.

LLC GEH Industrial Assets	
Year ended 31 December 2020	
Balance as at 1 January	20,000
Share of profit of associates	824
Balance as at 31 December	20,824
LLC GEH Industrial Assets	
Year ended 31 December 2019	
Balance as at 1 January	-
Contribution of the Group to associates during the period	20,000
Balance as at 31 December	20,000

Information about the Group's interest in the associate and summarized information about its financial performance, including the total amount of assets, liabilities, revenues, profit and loss, is presented below:

31 December 2020

	Country of incorporation	Assets	Liabilities	Revenue	Profit/(loss)	Ownership interest
LLC GEH Industrial Assets and its subsidiaries	Russian Federation	44,514	16,982	14,749	2,173	37%
Total		44,514	16,982	14,749	2,173	-

31 December 2019

	Country of incorporation	Assets	Liabilities	Revenue	Profit/(loss)	Ownership interest
LLC GEH Industrial Assets and its subsidiaries	Russian Federation	36,023	11,303	-	54	38%
Total		36,023	11,303	-	54	-

Note 12. Inventories

	31 December 2020	31 December 2019
Spare parts	7,879	6,478
Fuel supplies	4,638	5,363
Materials and supplies	1,731	1,645
Total	14,248	13,486

Inventories are presented net of allowance for obsolescence of RR 160 million and RR 233 million as at 31 December 2020 and 31 December 2019, respectively.

The Group does not have pledged inventories.

Note 13. Cash and cash equivalents

	Currency	31 December 2020	31 December 2019
Current bank accounts	RR	7	48
Deposits with maturity of three months or less	RR	-	44
Total		7	92

Information about the financial risks to which the Group is exposed is disclosed in Note 26.

Note 14. Equity***Share capital and share premium***

As at 31 December 2020 and as at 31 December 2019 total number of issued ordinary registered shares is 110,441,160,870 shares with nominal value of one share of RR 0.3627. All issued ordinary shares are fully paid.

As at 31 December 2020 and 31 December 2019 the number of authorised for issue but not issued ordinary registered shares is 58,886,766,090 shares.

Share premium in the amount of RR 26,846 million represents the excess of cash received from the issue of share capital over its par value in the amount of RR 28,379 million and a negative result from the subsequent sale of treasury shares in the amount of RR 1,533 million.

Dividends

On 24 June 2020, the Annual General Meeting of Shareholders of the Company made a decision to pay dividends based on the results of operations for 2019. The amount of dividends declared was RR 0.0544445744 per share, the total amount of dividends amounted to RR 6,013 million.

On 11 June 2019, the Annual General Meeting of Shareholders of the Company made a decision to pay dividends based on the results of operations for 2018. The amount of dividends declared was RR 0.036784587 per share, the total amount of dividends amounted to RR 3,901 million.

Treasury shares

Treasury shares were sold in full in 2019.

Note 15. Borrowings

	31 December 2020	31 December 2019
Short-term borrowings		
Current portion of long-term bonds	5,225	1,776
Current portion of other long-term loans	840	186
Current portion of long-term bank loans	-	9,117
Bank loans	-	8,306
Total short-term borrowings	6,065	19,385
Long-term borrowings		
Bank loans	-	19,450
Other loans	6,834	8,796
Bonds	32,043	5,000
Total long-term borrowings	38,877	33,246

The conditions of borrowings not repaid at the reporting date are indicated below:

	Currency	Effective interest rate as at 31 December 2020	Maturity date as at 31 December 2020	31 December 2020	31 December 2019
Bank loans					
Bank GPB (JSC)	RR	-	-	-	19,450
Sberbank	RR	-	-	-	17,423
Bonds					
Bond loan 001P-03R	RR	7.12%	2020, 2021	5,086	5,080
Bond loan 001P-01R	RR	-	2020	-	1,151
Bond loan 001P-02R	RR	-	2020	-	545
Bond loan 002P-01	RR	5.75%	2021, 2023	5,133	-
Bond loan 003P-01	RR	4.25%	2021, 2023	27,049	-
Other loans					
MOSENERGO	RR	6.50%	2020, 2025	7,674	8,982
Total				44,942	52,631

The Group has no collateral on borrowings as at 31 December 2020 (as at 31 December 2019: none).

As at 31 December 2020 and 31 December 2019 the Group was in compliance with the financial covenants related to borrowings.

The Group's exposure to liquidity risk related to borrowings is disclosed in Note 26.

Note 16. Accounts payable and other liabilities

	31 December 2020	31 December 2019
Short-term accounts payable		
Trade payables	5,472	9,308
Accounts payable for acquisition of property, plant and equipment	3,720	811
Other payables	855	4,258
Total financial accounts payable	10,047	14,377
Contract liabilities from contracts with customers	13	15
Other payables	792	813
Total non-financial accounts payable	805	828
Total short-term accounts payable and other liabilities	10,852	15,205
Long-term accounts payable		
Trade payables	905	1,296
Accounts payable for acquisition of property, plant and equipment	6,044	311
Other payables	1	6
Total financial accounts payable	6,950	1,613
Other payables	144	-
Total non-financial accounts payable	144	-
Total long-term accounts payable and other liabilities	7,094	1,613

Information about the Group's exposure to foreign exchange and liquidity risk in terms of trade and other financial payables is disclosed in Note 26.

Note 17. Other taxes payable

	31 December 2020	31 December 2019
Value added tax	35	1,614
Property tax	180	268
Social tax	309	321
Other taxes	96	101
Total	620	2,304

Note 18. Provisions

Long-term provisions are represented by the environmental remediation liability related to the restoration of the ash disposal area in the Republic of Kazakhstan and in Sverdlovsk region of the Russian Federation. The provision changed mainly due to a recognition of the provision in the amount of RR 368 million for the restoration of an ash disposal area in Sverdlovsk region and also due to a decrease in the discount rate from 6.21% to 5.64% as at 31 December 2019 and 31 December 2020, respectively, as well as a change in the average annual inflation rate from 4.03% to 3.83% as of 31 December 2019 and 31 December 2020, respectively.

	31 December 2020	31 December 2019
Balance as at 1 January	1,171	1,031
Less current portion	-	(72)
Non-current portion as at 1 January	1,171	959
Accrued during the year	368	-
Unwinding of the present value discount (Note 23)	70	90
Changes in assumptions used to create a provision	31	129
Utilisation of provision for environmental and pollution expenditure	-	(79)
Balance as at 31 December	1,640	1,171
Non-current portion as at 31 December	1,640	1,171

Note 19. Employee benefit liabilities

The Group applies a post-employment and other benefit system, which is accounted for in the consolidated financial statements as a defined benefit plan in accordance with IAS 19 Employee Benefits. Pension benefits are provided to most of the Group's employees. The corporate pension plan provides for old age and disability pensions. Pension benefits include payments made to non-state pension funds and payments made by the Group in connection with the retirement of employees when they reach retirement age.

Additionally the Company provides financial support payments of a defined benefit nature to its former employees, who have reached the retirement age, provides benefits in case of death, retirement of employees and jubilee benefits. Such benefits are paid either to those who qualify for the occupational pension plan and those who do not.

In addition, the Group provides financial support in the form of defined payments to former employees, both eligible and not eligible for an old-age or disability pension from the company.

Due to the post-employment program the Company pays contributions to non-state pension funds (NPF), which are accumulated on pension accounts, which were opened under NPF contracts. In accordance with the terms of the treaty there is a possibility to abrogate a contract and receive the redemption amount of the depositor. In that way NPF funds do not meet the plan assets criteria. So they are recognized as a separate asset of the Group. The amount of that asset equals RR 470 million as at 31 December 2020 (as at 31 December 2019: RR 507 million).

	31 December 2020	31 December 2019
Net present value of defined benefit obligation	1,446	1,593
Net present value of other long-term employee benefit obligation	447	454
Total net present value of employee benefit liabilities	1,893	2,047

a) Changes in net present value of employee benefit liabilities

	Change in net present value of defined benefit liabilities	Change in net present value of other long-term employee benefit liabilities	Change in net present value of employee benefit liabilities
At 1 January 2020	1,593	454	2,047
Current service cost	59	31	90
Past service cost	(158)	(18)	(176)
Interest expense	96	27	123
Remeasurements:			
Loss from change in demographic assumptions	17	2	19
Gain from change in financial assumptions	(39)	(7)	(46)
Experience (gains) / losses	(33)	2	(31)
Benefits paid	(89)	(44)	(133)
At 31 December 2020	1,446	447	1,893
At 1 January 2019	1,224	376	1,600
Current service cost	45	26	71
Interest expense	100	30	130
Remeasurements:			
Gain from change in demographic assumptions	(9)	(3)	(12)
Loss from change in financial assumptions	319	58	377
Experience (gains) / losses	(4)	8	4
Benefits paid	(82)	(41)	(123)
At 31 December 2019	1,593	454	2,047

b) Expenses recognized in profit or loss

	Year ended 31 December 2020	Year ended 31 December 2019
Service cost	(86)	71
Remeasurements on present value of other long-term employee benefit obligation	(3)	63
Interest expense (Note 23)	123	130
Total	34	264

c) Expenses recognized in other comprehensive income

	Year ended 31 December 2020	Year ended 31 December 2019
Loss/(gain) from change in demographic assumptions	17	(9)
(Gain)/loss from change in financial assumptions	(39)	319
Experience gains	(33)	(4)
Total	(55)	306

d) The actuarial assumptions

The key actuarial assumptions for valuation dates:

	31 December 2020	31 December 2019
Discount rate	6.5%	6.4%
Future financial support benefits increases	3.9%	4.0%
Future salary increases	5.5%	5.6%
Social fund contribution rate	28.0%	28.0%
Staff turnover	3.9%	3.9%
Mortality (employees)	Russia mortality table, 2018 adjusted 60% (to level 40%)	Russia mortality table, 2013 adjusted 60% (to level 40%)
Mortality (pensioners)	Russia mortality table, 2018 adjusted 30% (to level 70%)	Russia mortality table, 2013 adjusted 30% (to level 70%)

Financial actuarial assumptions are based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled. The average period over which the Group obligations are to be settled is 13 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit liability 31 December 2020	Impact on defined benefit liability 31 December 2019
Discount rate	Increase / decrease by 1 pp	Decrease / increase by 12.1%	Decrease / increase by 11.8%
Future salary increases	Increase / decrease by 1 pp	Increase / decrease by 10.8%	Increase / decrease by 10.5%
Future financial support benefits increases (inflation)	Increase / decrease by 1 pp	Increase / decrease by 1.4%	Increase / decrease by 1.4%
Effective social fund contribution rate	Increase / decrease by 1 pp	Increase / decrease by 0.2%	Increase / decrease by 0.17%
Staff turnover	Increase / decrease by 10%	Decrease / increase by 1.7%	Decrease / increase by 1.59%
Mortality level (employees)	Increase / decrease by 10%	Decrease / increase by 0.8%	Decrease / increase by 0.8%
Mortality level (pensioners)	Increase / decrease by 10%	Decrease / increase by 2.4%	Decrease / increase by 2.4%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

Note 20. Income tax

Income tax charge components

Income tax rate for the Group is 20%.

	Year ended 31 December 2020	Year ended 31 December 2019
Current income tax expense		
Current income tax charge for the period	(4,693)	(3,473)
(Charge) / refund of income tax for prior periods	(43)	55
Deferred income tax expense		
Occurrence and recovery of temporary difference	839	389
Total income tax expense	(3,897)	(3,029)

Profit before tax recognized in the consolidated financial statements is related to income tax as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Profit before income tax	17,162	15,054
Theoretical tax charge at the tax rate of 20%	(3,432)	(3,011)
Non-deductible / non-taxable differences	(465)	(140)
Refund of income tax for prior periods	-	122
Income tax expense	(3,897)	(3,029)

Tax effect of items in other comprehensive income

	Year ended 31 December 2020			Year ended 31 December 2019		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Remeasurement of defined benefit employee liability (Note 19)	55	(6)	49	(306)	35	(271)
Total	55	(6)	49	(306)	35	(271)

Deferred income tax

Recognized deferred income tax assets and liabilities:

Change in deferred income tax for the year ended 31 December 2020:

	Assets		Liabilities		Net value	
	31 December 2020	2019	31 December 2020	2019	31 December 2020	2019
Property, plant and equipment	-	-	(12,131)	(13,045)	(12,131)	(13,045)
Intangible assets	-	-	(11)	(8)	(11)	(8)
Inventories	71	191	-	-	71	191
Assets held for sale	-	-	-	(407)	-	(407)
Accounts receivable and prepayments	125	-	-	(93)	125	(93)
Accounts payable and other liabilities	-	77	(63)	-	(63)	77
Lease liabilities	140	158	-	-	140	158
Employee benefit liabilities	163	183	-	-	163	183
Provisions	328	234	-	-	328	234
Unused tax losses	91	611	-	-	91	611
Other	12	-	(94)	(103)	(82)	(103)
Set off	(927)	(988)	927	988	-	-
Total	3	466	(11,372)	(12,668)	(11,369)	(12,202)

The tax effect of taxable and deductible temporary differences for the nine months ended 31 December 2020 and for the nine months ended 31 December 2019 is presented in the table below:

Year ended 31 December 2020	1 January	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December
Property, plant and equipment	(13,045)	914	-	(12,131)
Intangible assets	(8)	(3)	-	(11)
Inventories	191	(120)	-	71
Assets held for sale	(407)	407	-	-
Accounts receivable and prepayments	(93)	218	-	125
Accounts payable and other liabilities	77	(140)	-	(63)
Lease liabilities	158	(18)	-	140
Employee benefit liabilities	183	(14)	(6)	163
Provisions	234	94	-	328
Unused tax losses	611	(520)	-	91
Other	(103)	21	-	(82)
Total	(12,202)	839	(6)	(11,369)

Year ended 31 December 2019	1 January	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	Effect of the acquisition of subsidiaries	Effect of the initial application of new standards	31 December
Property, plant and equipment	(13,544)	698	-	-	(199)	(13,045)
Intangible assets	(8)	-	-	-	-	(8)
Inventories	105	86	-	-	-	191
Assets held for sale	-	(407)	-	-	-	(407)
Accounts receivable and prepayments	(129)	36	-	-	-	(93)
Accounts payable and other liabilities	208	(132)	-	1	-	77
Lease liabilities	5	(46)	-	-	199	158
Employee benefit liabilities	141	7	35	-	-	183
Provisions	206	28	-	-	-	234
Unused tax losses	485	120	-	6	-	611
Other	(102)	(1)	-	-	-	(103)
Total	(12,633)	389	35	7	-	(12,202)

The tax effect of changes in these temporary differences is determined at the statutory rate of 20%.

Some deferred tax assets and liabilities have been set off in accordance with the Group's accounting policies. The following is the amount of deferred tax (after offset) reflected in the consolidated statement of financial position:

	31 December 2020	31 December 2019
Deferred income tax assets	3	466
Deferred income tax liabilities	(11,372)	(12,668)
Deferred income tax liabilities, net	(11,369)	(12,202)

Note 21. Revenues

	Year ended 31 December 2020	Year ended 31 December 2019
Electricity and capacity	114,250	127,755
Heating	4,972	5,323
Other revenues	1,465	1,501
Total	120,687	134,579

Other revenues include income from operating leases for the year ended 31 December 2020 in the amount of RR 106 million, including income from subleasing of right-of-use assets in the amount of RR 13 million (for the year ended 31 December 2019: RR 123 million, including income from subleasing of right-of-use assets in the amount of RR 3 million).

Note 22. Operating expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Fuel	50,763	58,620
Amortisation and depreciation	13,185	13,365
Employee benefits	9,485	9,375
Electricity and capacity	7,371	9,105
Lease	4,578	4,617
Repairs and maintenance	3,908	3,920
Other materials and supplies	3,063	3,046
Taxes other than income tax	2,447	2,993
Impairment loss on non-financial assets	2,437	4,321
Electricity market administration fees	2,347	2,160
Transport	923	909
Security and fire safety	713	609
Exchange rate differences	429	(246)
Consulting, legal and audit services	377	401
Cleaning and maintenance of territories	279	262
Insurance, except for VHI	233	220
(Gain) / loss on disposal of property, plant, equipment, other non-current assets and assets held for sale	(4,223)	202
Other expenses	3,186	2,406
Total operating expenses	101,501	116,285

Lease expense for year ended 31 December 2020 includes expense relating to variable rental payments in the amount of RR 4,240 million and expense relating to short-term leases in the amount of RR 338 million (for the year ended 31 December 2019: variable rental payments in the amount of RR 4,598 million and short-term leases in the amount of RR 19 million).

The Group took advantage of the practical expedient and reflected the discounts on leases related to the COVID 19 pandemic as a decrease in variable rental costs of RR 31 million for the year ended 31 December 2020.

Impairment loss on non-financial assets includes the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Impairment loss on property, plant and equipment and other assets	2,510	4,286
(Reversal)/charge of allowance for inventory obsolescence	(73)	35
Total	2,437	4,321

Employee benefits expenses comprise the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Salaries and wages	7,097	6,894
Social funds contribution	2,097	2,032
Voluntary health insurance	77	105
Non-state pensions (Note 19)	(89)	134
Other expenses	303	210
Employee benefits	9,485	9,375

Note 23. Finance income and expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Finance income		
Interest income on loans issued	548	19
Effect of discounting of financial Instruments	284	57
Interest income on bank deposits and current bank account balances	3	1,046
Other finance income	61	-
Total finance income	896	1,122
Finance expenses		
Interest expense on borrowings	2,477	3,798
Effect of discounting of financial instruments	182	126
Interest expense on employee benefit liabilities	123	130
Interest expense on lease liabilities	90	105
Unwinding of the present value discount – provision for ash dump	70	90
Less capitalized interest on borrowings related to qualifying assets	-	(343)
Total net finance expenses	2,942	3,906

Note 24. Basic and diluted earnings per share attributable to the shareholders of JSC "OGK-2"

Earnings per share attributable to the shareholders of JSC "OGK-2" was calculated by dividing the profit of shareholders of JSC "OGK-2" for the reporting period by the weighted average number of shares placed excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares. The calculation of earnings per share is presented in the table below.

	Year ended 31 December 2020	Year ended 31 December 2019
Outstanding shares – weighted average number (thousands of pcs)	110,441,161	110,441,161
Treasury shares (thousands of pcs)	-	(2,858,234)
Weighted average number of ordinary shares issued (thousands of pcs)	110,441,161	107,582,927
Profit attributable to the shareholders of JSC "OGK-2" (in millions of RR)	13,264	12,022
Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in RR)	0.12	0.11

As at 31 December 2020 and 31 December 2019 there were no financial instruments with dilutive effect.

Note 25. Commitments and Contingencies

Political environment. The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in Russian Federation.

Legal proceedings. The Group is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the position of the Group.

Tax contingency. The taxation system in the Russian Federation is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear and contradictory, which is subject to varying interpretation by various tax authorities. Checks and investigations into the correctness of tax calculations are carried out by several regulatory bodies that have the power to impose fines and charge interest. The correctness of the calculation of taxes in the reporting period can be verified within three subsequent calendar years, however, under certain circumstances, this period may increase. Recently, the practice in the Russian Federation is such that the tax authorities have become increasingly

tough in interpreting the requirements for compliance with tax legislation, seeking to identify cases of obtaining unjustified tax benefits.

These circumstances lead to the fact that tax risks in the Russian Federation are much higher than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretation of these provisions by the relevant authorities may be different and, if they can prove the correctness of their position, this could have a significant impact on the consolidated financial statements.

Insurance. The insurance market in the Russian Federation is in its infancy, and many forms of insurance used in other countries of the world are not yet available. Management believes that the Group has adequate insurance coverage for its main production assets. The Group does not have full coverage for business interruptions and third party liability. Until the Group obtains adequate insurance coverage, there is a risk that business interruptions and liabilities to third parties could have a material adverse effect on the Group's operations and financial position.

Capital commitments. As at 31 December 2020 the Group has unrecognized contractual capital commitments (including VAT) in the amount of RR 27,812 million (as at 31 December 2019: RR 15,178 million).

Environmental matters. The Group's entities have been operating in the electricity sector in the Russian Federation for many years. The legislation on environmental protection in the Russian Federation is at the stage of development, and the relevant measures of state bodies are constantly being reviewed. The Group periodically evaluates its environmental obligations.

The Group owns ash dumps on the territory of the Republic of Kazakhstan and the Russian Federation, and is subject to the environmental regulations in respect of the usage of the ash dumps. As such, the Group periodically evaluates its obligations under Kazakhstan and Russian Federation environmental regulations and accrues the respective provision (Note 18).

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental remediation in excess of those amounts for which the provision has been recognised by the Group in these consolidated financial statements.

Note 26. Financial risk factors

The Group is exposed to a variety of risks, including market risk related to foreign exchange and interest rate risks, credit risk and liquidity risk.

The Group's overall approach to financial risk management takes into account the low level of predictability of financial markets and is aimed both at reducing the probability of risk occurrence and at minimizing potential negative consequences for the Group's financial position.

Risk management is carried out centrally at the Group level, as well as at the level of subsidiaries in accordance with the adopted local regulations of LLC Gazprom energoholding and its subsidiaries.

26.1. Credit risk

Credit risk is the risk that the Group will incur financial loss as a result of default by a buyer or counterparty to a financial instrument of its contractual obligations.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, and open credit position with the Group's counterparties, including outstanding receivables and commitments.

The Group's main financial instrument exposed to credit risk is accounts receivable. The Group's management periodically assesses the credit risk of receivables taking into account the financial position of customers, their credit history and other factors.

(a) Exposure to credit risk

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

	31 December 2020	31 December 2019
Accounts receivable (Note 9)	11,216	11,111
Cash and cash equivalents (Note 13)	7	92
Loans issued (Note 10)	14,975	9,408
Total maximum exposure to credit risk	26,198	20,611

(b) Receivables and loans issued

The Group's exposure to credit risk mainly depends on the individual characteristics of each customer. Geographically, credit risk is concentrated in the Russian Federation, as most of the sales take place in this region. The Group assesses the creditworthiness of customers based on internal and external information on financial condition, reputation, past settlement experience.

The existing accounts receivable are constantly monitored in terms of turnover indicators, maturity dates, and measures are taken on a regular basis to collect it in a timely manner.

The Group's Management believes that the Group's operations are independent of any particular customer. For customers of electricity under regulated contracts, in the "day-ahead" market and in the balancing market, there are standard contract terms. Special contract terms are stipulated by Russian electricity legislation for organizations that cannot be restricted or denied in the supply of electricity and heat, as this can lead to accidents and other negative consequences (hospitals, schools, etc.).

Debtors within the two main classes of receivables - electricity and heat - are generally homogeneous in terms of their credit quality and concentration of credit risk.

Management believes that the amount of the allowance for expected credit losses on trade and other receivables reported in the consolidated financial statements is sufficient to cover the Group's credit risk in relation to this type of financial assets.

The Group is working to minimize the number of contracts concluded with advance payment terms; if it is necessary to make advance payments, it requests bank guarantees from counterparties for the return of advances.

The maximum exposure to credit risk for receivables by type of revenue at the reporting date was as follows:

	31 December 2020	31 December 2019
Electricity and capacity	9,796	9,807
Heating	503	575
Other	917	729
Total	11,216	11,111

Allowance for expected credit losses on receivables is calculated by groups of counterparties based on the maturity of payments. As at the reporting date the age distribution of receivables is as follows:

	Nominal value		Allowance for expected credit losses		Nominal value net of allowance for expected credit losses	
	31 December		31 December		31 December	
	2020	2020	2020	2019	2020	2019
Not overdue	10,859	9,098	(616)	(113)	10,243	8,985
Overdue up to 180 days	988	2,047	(193)	(675)	795	1,372
Overdue from 181 to 365 days	736	1,584	(563)	(952)	173	632
Overdue more than 1 year	16,795	15,930	(16,790)	(15,808)	5	122
Total	29,378	28,659	(18,162)	(17,548)	11,216	11,111

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

	31 December 2020	31 December 2019
Balance as at 1 January	17,548	17,455
Accrual	1,677	2,043
Reversal	(875)	(1,587)
Write-off of accounts receivable against allowance	(188)	(363)
Balance as at 31 December	18,162	17,548

(c) Cash and bank deposits

All bank balances and deposits are not past due or impaired. Cash and cash equivalents are deposited with banks that have minimal risk of default.

26.2. Market risk

26.2.1. Currency risk

Electricity and heat produced by the Group is sold on the domestic market of the Russian Federation with prices fixed in the currency of the Russian Federation. The financial position of the Group, its liquidity, sources of funding, and its results of operations do not materially depend on changes in foreign exchange rates.

26.2.2. Interest rate risk

Fluctuations in market interest rates have an impact on the Group's financial position and cash flows. The Group is primarily exposed to the risk of changes in interest rates on long-term loans and borrowings. Loans and borrowings at variable interest rates expose the Group to the risk that changes in interest rates will affect its cash flows. Loans and borrowings with a fixed interest rate expose the Group to the risk of the impact of changes in interest rates on fair value.

The Group analyses current interest rates, and based on the results of such analysis, when raising a new loan, the Group's management decides which loans - at fixed or floating interest rates - are more beneficial for the period of their raising.

At the reporting date, the structure of the Group's interest-bearing financial instruments grouped by type of interest rate was as follows:

	Carrying value	
	31 December 2020	31 December 2019
Fixed rate instruments		
Financial liabilities	(17,893)	(29,879)
Total	(17,893)	(29,879)
Variable rate instruments		
Financial assets	14,975	9,408
Financial liabilities	(27,049)	(22,752)
Total	(12,074)	(13,344)

Sensitivity analysis of the fair value of financial instruments with a fixed interest rate

The Group does not account for financial assets and liabilities with a fixed rate of interest in the manner prescribed for instruments measured at fair value through profit or loss for the period; and does not designate derivatives (interest rate swaps) as hedging instruments under the fair value hedge accounting model. Therefore, no changes in interest rates at the reporting date would have affected the profit or loss for the period.

Sensitivity analysis of cash flows for financial instruments with a variable interest rate

An increase (decrease) / in the interest rate by 100 basis points would result in a (decrease) / increase in the Group's profit for the year ended 31 December 2020 by approximately RR 240 million (for the year ended 31 December 2019: by RUB 28 million). This analysis was carried out on the assumption that all other variables, in particular foreign exchange rates, remain unchanged.

26.3. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they fall due. Liquidity risk management includes maintaining a certain level of cash adequacy and lending opportunities. Due to the dynamic nature of the Group's activities, the management maintains a flexible strategy in attracting financial resources, while maintaining the ability to access allocated credit lines.

Risk management is carried out at three levels. The long-term risk management strategy is integrated into the overall financial model of the Group. In the medium term, monitoring is carried out within the framework of quarterly and monthly planning of the Group's budgets. Actions in the short term include planning daily receipts and payments of PJSC OGK-2 and monitoring their implementation. In addition, the liquidity management system also involves the preparation of monthly, quarterly and annual cash budgets and the comparison of the actual amounts with the planned ones, including the necessary explanation of any detected deviations.

The contractual maturity of financial liabilities, including the estimated interest payments, as at 31 December 2020 is presented below:

	Carrying value	Contractual value	0-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities							
Borrowings (Note 15)	44,942	49,576	6,768	941	1 881	39,986	-
Lease liabilities	685	2,281	142	137	104	168	1,730
Accounts payable (Note 16)	16,997	18,324	4,961	5,227	3,351	4,785	-
Total	62,624	70,181	11,871	6,305	5,336	44,939	1,730

The contractual maturity of financial liabilities, including the estimated interest payments, as at 31 December 2019 is presented below:

	Carrying value	Contractual value	0-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities							
Borrowings (Note 15)	52,631	59,974	10,779	11,269	8,907	26,547	2,472
Lease liabilities	782	2,827	142	135	254	244	2,052
Accounts payable (Note 16)	15,990	16,407	10,717	3,870	1,086	729	5
Total	69,403	79,208	21,638	15,274	10,247	27,520	4,529

The Group's financial liabilities shown in the table are carried at amortized cost.

26.4. Reconciliation of liabilities arising from financing activities

A reconciliation of changes in liabilities arising from the financing activities of the Group for the year ended 31 December 2020 and the year ended 31 December 2019 is presented below:

	Borrowings	Dividends payable	Lease liabilities	Total
As at 31 December 2019	52,631	21	782	53,434
Cash flows from financing activities				
Proceeds from borrowings	32,043	-	-	32,043
Repayment of borrowings	(39,788)	-	-	(39,788)
Dividends paid	-	(5,988)	-	(5,988)
Repayment of lease liabilities	-	-	(228)	(228)
Cash flows from financing activities	(7,745)	(5,988)	(228)	(13,961)
Interest paid	(2,252)	-	(90)	(2,342)
Total cash flows from other activities	(2,252)	-	(90)	(2,342)
Other changes				
Interest accrued	2,308	-	90	2,398
Dividends	-	6,010	-	6,010
Conclusion of new lease agreements	-	-	73	73
Other changes	-	(7)	58	51
Total other changes	2,308	6,003	221	8,532
As at 31 December 2020	44,942	36	685	45,663

	Borrowings	Dividends payable	Lease liabilities	Total
As at 31 December 2018	47,071	12	-	47,083
Effect of the application of new standards	(23)	-	1,017	994
As at 1 January 2019 (restated)	47,048	12	1,017	48,077
Cash flows from financing activities				
Proceeds from borrowings	36,050	-	-	36,050
Repayment of borrowings	(30,463)	-	-	(30,463)
Dividends paid	-	(3,886)	-	(3,886)
Repayment of lease liabilities	-	-	(178)	(178)
Cash flows from financing activities	5,587	(3,886)	(178)	1,523
Interest paid	(3,053)	-	(105)	(3,158)
Capitalized interest paid	(368)	-	-	(368)
Total cash flows from other activities	(3,421)	-	(105)	(3,526)
Other changes				
Interest accrued	3,417	-	105	3,522
Dividends	-	3,899	-	3,899
Conclusion of new lease agreements	-	-	2	2
Other changes	-	(4)	(59)	(63)
Total other changes	3,417	3,895	48	7,360
As at 31 December 2019	52,631	21	782	53,434

26.5. Capital risk management

The following capital requirements have been established for joint stock companies by the legislation of Russian Federation:

- Share capital cannot be lower than RR 100 thousand;
- If the share capital of the entity is greater than statutory net assets of the entity, such entity must make a decision on the decrease of its share capital to the value not exceeding its net assets or liquidation value;
- If the minimum allowed share capital is greater than statutory net assets of the entity, such entity is subject to liquidation.

As at 31 December 2020 and 31 December 2019, the Group has been in compliance with the above share capital requirements.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure, making adjustments in the light of changes in economic conditions. To maintain and regulate the capital structure, the Group can raise new and repay existing loans and borrowings, sell non-core assets.

During the year the Group did not change its approach to capital management.

The Group monitors capital based on the ratio of net debt to EBITDA. The amount of net debt is calculated as the total amount of borrowings (short-term borrowings, long-term borrowings) less cash and cash equivalents, short-term deposits with the possibility of early withdrawal and long-term deposits with the possibility of early withdrawal.

EBITDA is calculated as the sum of operating profit, amortization and depreciation, and impairment losses on non-financial assets less gains on reversal of impairment losses on non-financial assets.

Net debt to EBITDA as at 31 December 2020 and 31 December 2019 is shown in the table below.

	31 December 2020	31 December 2019
Total debt (Note 15)	44,942	52,631
Less cash and cash equivalents (Note 13)	(7)	(92)
Net debt	44,935	52,539
Revenues (Note 21)	120,687	134,579
Operating expenses (Note 22)	(101,501)	(116,285)
Amortisation and depreciation (Note 22)	13,185	13,365
Impairment loss on non-financial assets (Note 22)	2,437	4,321
EBITDA	34,808	35,980
Net debt/EBITDA	1.29	1.46

Note 27. Fair value of financial instruments

There was no change in the fair value measurement methods attributed to Level 2 and Level 3, there were no transfers between levels for year ended 31 December 2020 (31 December 2019: there was no change, there were no transfers).

As at 31 December 2020 and 31 December 2019 the Group had the following assets that are measured at fair value:

	Notes	Level 1	Level 2	Level 3	Total
31 December 2020					
Financial assets at fair value					
Equity securities measured at fair value through profit or loss	10	290	-	-	290
Total financial assets		290	-	-	290
	Notes	Level 1	Level 2	Level 3	Total
31 December 2019					
Financial assets at fair value					
Equity securities measured at fair value through profit or loss	10	314	-	-	314
Total financial assets		314	-	-	314

The estimated fair value of financial assets and liabilities not carried at fair value in the consolidated statement of financial position approximates to their carrying amounts as at 31 December 2020 and 31 December 2019.

Note 28. Events after the reporting period

In February 2021, the Company redeemed early liabilities under loan agreements with MOSENERGO for a total amount of RR 1,817 million. The Company has no other significant events that have had or may have an impact on the financial position, cash flows or results of operations of the Group that occurred between the reporting date and the date of signing the consolidated financial statements of the Group for the year ended 31 December 2020.

Managing Director

Chief Accountant



A.V. Semikolenov

L.V. Klishch

5 March 2021