OGK-2 GROUP

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

31 December 2021
Saint-Petersburg

Translation from the Russian original

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Notes to Consolidated Financial Statements

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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) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 2021, 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.

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Estimation of allowance for doubtful debts

We paid special attention for determining the allowance for doubtful debts due to the complex appraisal process requires the management to make significant assumptions.

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

- review of application the "expected credit losses" model in relation to Group accounts receivable;
- review of aggregation the trade receivables based on the general credit risk characteristics, type of debt and terms of delay;
- review of calculation of expected rates of losses for accounts receivables based on historical data;
- review of the completeness and correctness of disclosures in notes to the consolidated financial statements.

As a result of the conducted procedures, we did not find any significant inconsistencies

The results of applying the expected credit loss 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 impairment test was significant to our audit due to impairment test procedure 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 analysing 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, and checking sufficiency of disclosures related to impairment of property, plant and equipment in notes to the consolidated financial statements. During our audit, we engaged an expert to assist us in evaluating the assumptions and methodology used by the Group to conduct the test.

As a result of the conducted procedures, we did not find any significant inconsistencies.

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

Other Information

The management company LLC Gazprom Energoholding (management) is responsible for the other information. The other information comprises the information included in the annual report and issuer's report for 2021, but does not include the consolidated financial statements and our auditor's report thereon. The annual report and issuer's report for 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 report for 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

The management company LLC Gazprom Energoholding 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:

a) 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.

b) 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.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

d) 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.

e) 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.

f) 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.

The Engagement Partner on the audit resulting in this independent auditor's report, principal registration number of the entry in the State Register of Auditors and Audit Organisations 22006037171, acting on behalf of the audit organisation under the Power of Attorney No. 76-01/2021-Ю dated 29 September 2021

Andrey Borisovich Baliakin

Audit organisation:
Unicon Joint Stock Company
Suite 50, Office I, 3rd Floor, Section 11, Block 1, Bldg. 125, Warshavskoye Shosse, Moscow, 117587, Russia
Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: 12006020340

4 March 2022

OGK-2 Group
Consolidated Statement of Financial Position as at 31 December 2021
(in millions of Russian rubles)

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	6	147,745	160,851
Intangible assets	7	338	376
Investments in associates	8	20,434	20,824
Accounts receivable and prepayments	9	365	440
Deferred tax assets	10	3	3
Other non-current assets	16	490	470
Total non-current assets		**169,375**	**182,964**
Current assets			
Inventories	12	10,047	14,248
Accounts receivable and prepayments	9	11,419	11,934
Income tax receivable		14	13
Cash and cash equivalents	13	70	7
Financial assets	11	19,209	15,265
Total current assets		**40,759**	**41,467**
TOTAL ASSETS		**210,134**	**224,431**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	40,057	40,057
Share premium	14	26,846	26,846
Retained earnings and other reserves		75,877	77,726
Equity attributable to the shareholders of JSC "OGK-2"		**142,780**	**144,629**
Non-controlling interest		16	16
Total equity and reserves		**142,796**	**144,645**
Non-current liabilities			
Loans and borrowings	15	36,273	38,877
Employee benefit liabilities	16	1,512	1,893
Accounts payable and other liabilities	17	4,351	7,094
Lease liabilities		1,520	478
Provisions	18	1,469	1,640
Deferred income tax liabilities	10	8,320	11,372
Total non-current liabilities		**53,445**	**61,354**
Current liabilities			
Loans and borrowings	15	275	6,065
Accounts payable and other liabilities	17	10,412	10,852
Current income tax payable		186	688
Other taxes payable	19	2,783	620
Lease liabilities		148	207
Provisions	18	89	-
Total current liabilities		**13,893**	**18,432**
Total liabilities		**67,338**	**79,786**
TOTAL EQUITY AND LIABILITIES		**210,134**	**224,431**

Managing Director A.V. Semikolenov

Chief Accountant L.V. Klishch

4 March 2022

The accompanying notes on pages 12 to 51 are an integral part of these consolidated financial statements.

OGK-2 Group
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021
(in millions of Russian rubles unless noted otherwise)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Revenues	20	141,574	120,687
Operating expenses	21	(134,050)	(101,501)
Reversal of impairment loss / (impairment loss) on financial assets		179	(802)
Operating profit		**7,703**	**18,384**
Finance income	22	1,284	896
Finance expenses	22	(2,981)	(2,942)
Share of (loss) / profit of associates	8	(390)	824
Profit before income tax		**5,616**	**17,162**
Income tax expense	10	(1,181)	(3,897)
Profit for the year		**4,435**	**13,265**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss, net of tax:			
Remeasurements of defined benefit pension plans	10, 16	342	49
Other comprehensive income for the year		**342**	**49**
Total comprehensive income for the year		**4,777**	**13,314**
Profit for the year attributable to:			
Shareholders of JSC «OGK-2»		4,435	13,264
Non-controlling interest		-	1
Total comprehensive income for the year attributable to:			
Shareholders of JSC «OGK-2»		4,777	13,313
Non-controlling interest		-	1
Earnings per ordinary share attributable to the shareholders of JSC «OGK-2» – basic and diluted (in Russian rubles)	23	**0.04**	**0.12**

Managing Director — A.V. Semikolenov

Chief Accountant — L.V. Klishch

4 March 2022

OGK-2 Group
Consolidated Statement of Cash Flows for the year ended 31 December 2021
(in millions of Russian rubles)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**5,616**	**17,162**
Adjustments to reconcile profit before income tax:			
Depreciation and amortisation	21	13,114	13,185
(Reversal of impairment loss) / impairment loss on financial assets		(179)	802
Impairment loss on non-financial assets	21	18,726	2,437
Share of loss / (profit) of associates	8	390	(824)
Loss / (gain) on disposal of property, plant and equipment, other non-current assets and assets held for sale	21	385	(4,223)
Non-state pensions	21	8	(89)
Finance income	22	(1,284)	(896)
Finance expenses	22	2,981	2,942
Change in provisions		(27)	368
Other non-cash items		(109)	919
Operating cash flows before working capital changes		**39,621**	**31,783**
Working capital changes:			
Change in accounts receivable and prepayments		157	(542)
Change in inventories		(63)	(85)
Change in accounts payable and other liabilities		(1,613)	(4,008)
Change in other taxes payable		2,163	(1,684)
Change in employee benefit liabilities		(115)	(59)
Working capital changes		**529**	**(6,378)**
Income tax paid		(4,786)	(4,194)
Interest paid		(2,305)	(2,342)
Net cash from operating activities		**33,059**	**18,869**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment, intangible assets and other non-current assets		(14,832)	(6,910)
Proceeds from sale of property, plant and equipment and other non-current assets		16	9,694
Loans issued		(3,965)	(5,507)
Proceeds from loans issued		26	-
Interest received		885	490
Dividends received		4	24
Business acquisition of subsidiaries, net of cash acquired		-	(2,784)
Net cash used in investing activities		**(17,866)**	**(4,993)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from loans and borrowings		-	32,043
Repayment of loans and borrowings		(8,321)	(39,788)
Repayment of lease liabilities	6	(204)	(228)
Dividend paid to shareholders of JSC "OGK-2"		(6,605)	(5,988)
Net cash used in financing activities		**(15,130)**	**(13,961)**
Net increase / (decrease) in cash and cash equivalents		**63**	**(85)**
Cash and cash equivalents at the beginning of the year	13	**7**	**92**
Cash and cash equivalents at the end of the year	13	**70**	**7**

Managing Director A.V. Semikolenov

Chief Accountant L.V. Klishch

4 March 2022

OGK-2 Group
Consolidated Statement of Changes in Equity for the year ended 31 December 2021
(in millions of Russian rubles)

		Equity attributable to the shareholders of JSC "OGK-2"					
	Notes	Share capital	Share premium	Retained earnings and other reserves	Total	Non-controlling interest	Total equity
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	10, 16	-	-	49	49	-	49
Total comprehensive income for the year		-	-	*13,313*	*13,313*	*1*	*13,314*
Transactions with shareholders recognized directly in equity:							
Dividends declared	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**
At 1 January 2021		**40,057**	**26,846**	**77,726**	**144,629**	**16**	**144,645**
Profit for the year		-	-	4,435	4,435	-	4,435
Other comprehensive income:							
Remeasurements of defined benefit pension plans, net of tax	10, 16	-	-	342	342	-	342
Total comprehensive income for the year		-	-	*4,777*	*4,777*	-	*4,777*
Transactions with shareholders recognized directly in equity:							
Dividends declared	14	-	-	(6,632)	(6,632)	-	(6,632)
Restoration of unclaimed dividends		-	-	6	6	-	6
At 31 December 2021		**40,057**	**26,846**	**75,877**	**142,780**	**16**	**142,796**

Managing Director — A.V. Semikolenov

Chief Accountant — L.V. Klishch

4 March 2022

(in millions of Russian rubles unless noted otherwise)

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 power and capacity, 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, Cherepovetskaya GRES, Groznenskaya TES, Adlerskaya TES, Svobodnenskaya TES.

The act of Krasnoyarskaya GRES-2 branch liquidation was recorded in the Uniform Government Register of Legal Entities on 05 February 2021.

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"):

		Ownership interest (%)	
Company	**Activities**	**31 December 2021**	**31 December 2020**
«Centr 112» LLC	Fire safety	100%	100%
Limited Liability Company «OGK-Investproject»	Construction	-	100%
LLC Novomichurinskoe ATP	Freight and passenger transportation services	100%	100%
OJSC Novomichurinskoe PPGT	Rail freight	75%	75%

The act of Limited Liability Company «OGK-Investproject»'s liquidation was recorded in the Uniform Government Register of Legal Entities on 15 September 2021.

On 2 February 2022 LLC Novomichurinskoye ATP was renamed into Specialized Transportation of Ryazanskaya GRES LLC.

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

At the date of the consolidated financial statements PJSC "GAZPROM" holds 100% of LLC Gazprom energoholding which owns 99.59% of PJSC Centerenergoholding as at 31 December 2021 (as at 31 December 2020: 99.59%). PJSC Centerenergoholding (immediate parent company) owns 73.42% of the Company's shares as at 31 December 2021 (as at 31 December 2020: 73.42%). Thus, PJSC "GAZPROM" 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 main 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 State represented by the Federal Executive Body for the State Property Management, regulates operations of generating assets of the Group.

As described in Note 24, 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 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. Some restrictive measures were subsequently relaxed but as at 31 December 2021 the level of the spread of coronavirus infection remains high and there is a risk of additional restrictions in subsequent periods, also in connection with the emergence of new varieties of the virus. In 2021, the economy of the Russian Federation showed a positive trend in recovery from the pandemic. This was also facilitated by the recovery of the global economy and higher prices on world commodity markets. 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. The future economic situation in the Russian Federation depends on external factors and measures taken by the Government of the Russian Federation. Its impact on the Group's operations may differ from management's current expectations.

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 (RR) 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 2021, the official exchange rate set by the Central Bank of the Russian Federation was RR 74.2926 per 1 USD (31 December 2020 - RR 73.8757 per 1 USD) and RR 84.0695 per 1 EUR (as at 31 December 2020 - 90.6824 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.

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.

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 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 26).

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 receivables 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.

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. Loan and 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	15-45
Constructions	2-30
Energy machinery and equipment	8-34
Other machinery and equipment	1-24
Other	1-8

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 a lease contract (contains lease signs), including the rights of the Group. 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 the underlying asset becomes available for use. The right-of-use assets are measured at initial cost less accumulated depreciation and accumulated impairment losses and adjusted for remeasurement of the lease liability. The initial cost of the right-of-use assets comprises the amount of the initial measurement of the lease liability, initial direct costs incurred by the lessee; lease payments made at or before the commencement date less 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.

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"). 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.

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 and gains are recognized in profit or loss. Impairment losses (gains) 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 actual acquisition 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. 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.

2.14. 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.

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.

2.15. Employee benefit liabilities

2.15.1. Defined benefit pension plan

The Group has a defined benefit pension 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 plans 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.

2.15.2. 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.

2.16. Financial income and expenses

Finance income includes interest income on invested funds, dividend income, income from discounting financial assets and liabilities. Interest income is recognized in profit or loss when incurred and calculated using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group becomes entitled to receive the related payment.

Finance expenses include interest expense on borrowings, expenses related to discounting of financial assets and liabilities, interest expense on lease liabilities. All borrowing costs are recognized using the effective interest method, except for capitalized costs.

Foreign exchange gains and losses on operating items are shown net as operating expenses, while others are shown gross as finance income and expenses.

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 recognized 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 2021 and 31 December 2020.

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 or after 1 January 2020:

Amendments to *IFRS 16 Leases* (issued in May 2020 and applicable for interim periods beginning 1 June 2021). 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. The new amendment is effective for annual reporting periods beginning on or after 1 April 2021.

Amendments to *IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures* and IFRS 16 Leases - Interest Rate Benchmark Reform – Phase 2 (issued in August 2020 and applicable for annual periods starting on or after 1 January 2021). The amendments provide temporary exemptions applied to address the financial reporting implications when the Interbank Offered Rate (IBOR) is replaced by an alternative substantially risk-free interest rate.

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.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023). The changes clarify how to distinguish changes in accounting estimates from changes in accounting policies.

Amendments to IAS 12 Income Taxes (issued in May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments clarify that the exemption from recognition does not apply to transactions that, upon initial recognition, give rise to the same taxable and deductible temporary differences.

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

Note 3. Critical Judgements, Estimates and Assumptions

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 judgements 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 judgments used in accounting for leases

In calculating the present value of the lease payments the Group uses judgment to determine the incremental borrowing rate if the lease agreement does not include a discount rate. When determining the incremental borrowing rate the Group's management analyzes the availability of borrowings raised for the same term in the same period. In the absence of borrowings with similar characteristics, the discount rate is determined based on the risk-free rate adjusted for the Group's credit risk which is determined on the basis of its quoted bonds.

Estimation of the length of the non-cancellable lease period is a matter of management's judgment that takes into account all relevant facts and circumstances that would cause the Group to have an economic incentive to exercise or not to exercise the option to extend the lease. These facts and circumstances include the need to extend the lease in order to carry out production activities, the duration of construction and operation of facilities on the leased land, the useful lives of the leased facilities, the potential costs of dismantling and relocating the asset.

3.2. 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 21.

Provision for expected credit losses on financial assets. The Provision 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.

3.3. 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.

3.4. 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 16.

3.5. Provisions for taxes. Russian tax legislation is subject to varying interpretations and changes, which can occur frequently (Note 24). 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.

3.6. 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.

3.7. 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 10.

3.8. 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 covered 98.3% of the Group revenue for the year ended 31 December 2021 (98.8% for the year ended 31 December 2020). 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 separatly due to significant decentralization and distances between them, as a result the Group discloses seven reporting segments: Surgutskaya GRES-1, Novocherkasskaya GRES, Kirishskaya GRES, Troitskaya GRES, Stavropolskaya GRES, Ryazanskaya 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 ro. 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.

(in millions of Russian rubles unless noted otherwise)

4.1 Financial results of segments

The segment information for the year ended 31 December 2021 and 31 December 2020 is as follows:

Year ended 31 December 2021	Surgutskaya GRES-1	Novocherkasskaya GRES	Kirishskaya GRES	Troitskaya GRES	
Revenue	23,231	20,401	20,057	17,696	
Depreciation of property, plant, equipment*	440	1,678	1,297	4,032	
Segment operating profit / (loss)*	3,888	(926)	4,891	9,772	
Capital expenditure**	2,888	528	2,983	1,126	
Year ended 31 December 2021	Stavropolskaya GRES	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	**Total operating segments**
Revenue	16,123	13,899	8,976	21,191	**141,574**
Depreciation of property, plant, equipment*	185	692	1,196	1,907	**11,427**
Segment operating profit / (loss)*	306	3,238	5,058	3,330	**29,557**
Capital expenditure**	250	355	72	4,050	**12,252**

Year ended 31 December 2020	Surgutskaya GRES-1	Novocherkasskaya 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	Stavropolskaya GRES	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	**Total operating segments**
Revenue	9,977	10,003	7,090	25,286	**120,687**
Depreciation of property, plant, equipment*	181	755	1,290	1,734	**11,494**
Segment operating profit	63	3,043	1,566	7,801	**26,497**
Capital expenditure**	273	209	126	22,044	**26,130**

* Segment operating profit / (loss) represents segment operating profit / (loss) 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 2021	**Year ended 31 December 2020**
Segment operating profit	29,557	26,497
Adjustments, arised from different accounting policy:	(18,224)	(2,863)
Provision for impairment of trade and other receivables	(359)	353
Depreciation adjustment	544	156
Retirement benefit obligations adjustment	105	148
(Loss) / gain on disposal of assets	(19)	(372)
Impairment loss on property, plant and equipment and other assets (Note 21)	(18,697)	(2,510)
Other adjustments	202	(638)
Unallocated expenses:	(3,630)	(5,250)
Lease	(225)	(196)
Consulting, legal and audit services	(280)	(285)
Provision for impairment of trade and other receivables	126	(1,014)
Employee benefits	(1,090)	(1,085)
Other expenses	(2,161)	(2,670)
Operating profit (IFRS)	**7,703**	**18,384**

(in millions of Russian rubles unless noted otherwise)

Segment's assets are disclosed below:

	Surgutskaya GRES-1	Novocherkasskaya GRES	Kirishskaya GRES	Troitskaya GRES	
31 December 2021	8,388	32,715	23,501	46,657	
	Stavropolskaya GRES	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	**Total assets**
31 December 2021	3,615	12,525	17,805	33,532	**178,738**
	Surgutskaya GRES-1	Novocherkasskaya GRES	Kirishskaya GRES	Troitskaya GRES	
31 December 2020	5,800	34,258	21,748	49,631	
	Stavropolskaya GRES	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	**Total assets**
31 December 2020	3,355	12,688	19,020	32,858	**179,358**

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

	31 December 2021	**31 December 2020**
Total assets for segments	178,738	179,358
Unallocated assets	51,311	47,148
Adjustments, arised from different accounting policy:	(19,915)	(2,075)
Property, plant and equipment adjustment	(20,166)	(2,764)
Deposits for pensions (Note 16)	490	470
Discounting of accounts receivable and prepayments	(118)	(197)
Discounting of accounts payable and other liabilities	(54)	(266)
Impairment of accounts receivable and prepayments	(501)	(142)
Investments in associates (Note 8)	434	824
Total assets (IFRS)	**210,134**	**224,431**

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 revenue under commission agreements with JSC FSC with the revenue exceeding 10% of the Group`s revenue for the year ended 31 December 2021 and amounting to RR 61,317 million (for the year ended 31 December 2020 the revenue of the customer (JSC FSC) exceeded 10% of the Group`s revenue and amounted to RR 42,401 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.

(in millions of Russian rubles unless noted otherwise)

(a) GAZPROM Group and its associates

Significant transactions with Gazprom Group for the year ended 31 December 2021 and 31 December 2020 and significant balances with these organizations as at 31 December 2021 and as at 31 December 2020 are presented below:

Revenues

	Year ended 31 December 2021	Year ended 31 December 2020
Electricity and capacity	3,588	3,232
Heating	7	4
Other	1,464	444
Total revenues	**5,059**	**3,680**

Operating expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Fuel	42,503	29,223
Repairs, technical and service and maintenance	3,135	2,956
Lease	1,770	4,241
Transport	749	790
Other operating expenses	2,185	2,171
Total operating expenses	**50,342**	**39,381**

Finance income and expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Finance income		
Interest income on bank deposits and current bank account balances	2	2
Effect of discounting of financial Instruments	3	219
Interest income on loans issued	1,176	548
Total finance income	**1,181**	**769**
Finance expenses		
Interest expense on loans and borrowings	(417)	(1,697)
Effect of discounting of financial instruments	(540)	(65)
Interest expense on lease liabilities	(15)	(32)
Total finance expenses	**(972)**	**(1,794)**

Balances

	31 December 2021	31 December 2020
Short-term financial assets (Note 11)	19,209	15,265
Short-term accounts receivable and prepayments, gross	1,113	1,375
Total assets	**20,322**	**16,640**
Non-current loans and borrowings	5,734	6,834
Current loans and borrowings	125	840
Long-term accounts payable and other liabilities	4,141	6,943
Short-term accounts payable and other liabilities	5,709	6,029
Long-term lease liabilities	791	56
Short-term lease liabilities	134	200
Total liabilities	**16,634**	**20,902**

(in millions of Russian rubles unless noted otherwise)

Purchase of non-current and current assets

	Year ended 31 December 2021	Year ended 31 December 2020
Acquisition of property, plant and equipment	3,756	10,829
Purchases of inventories and other assets	203	1,637
Total	**3,959**	**12,466**

For the year ended 31 December 2021 dividends declared ant paid directly to the parent company PJSC Centerenergoholding amounted to RR 3,069 million (for the year ended 31 December 2020: RR 2,783 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 2021 and significant balances with these organizations as at 31 December 2021 are presented below:

Revenues

	Year ended 31 December 2021	Year ended 31 December 2020
Electricity and capacity	38,022	27,020
Heating	476	710
Other revenues	400	415
Total revenues	**38,898**	**28,145**

Operating expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Electricity market administration fees (Note 21)	2,265	2,347
Security and fire safety	464	455
Electricity and capacity	193	98
Other operating expenses	410	364
Total operating expenses	**3,332**	**3,264**

Finance income and expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Finance expenses		
Interest expense on loans and borrowings	-	(185)
Interest expense on lease liabilities	(64)	(56)
Total finance expenses	**(64)**	**(241)**

Balances

	31 December 2021	31 December 2020
Long-term accounts receivable and prepayments, gross	-	473
Allowance for expected credit losses of long-term trade receivables	-	(361)
Short-term accounts receivable and prepayments, gross	13,331	12,054
Allowance for expected credit losses of short-term accounts receivable	(9,644)	(8,914)
Total assets	**3,687**	**3,252**
Short-term accounts payable and other liabilities	530	397
Long-term lease liabilities	696	371
Total liabilities	**1,226**	**768**

(in millions of Russian rubles unless noted otherwise)

Purchase of non-current and current assets

	Year ended 31 December 2021	Year ended 31 December 2020
Acquisition of property, plant and equipment	108	2
Total	**108**	**2**

Other transactions

	Year ended 31 December 2021	Year ended 31 December 2020
Impairment loss on financial assets	369	693

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 2021	Year ended 31 December 2020
Sales of electricity and capacity	61,317	42,401
Purchases of electricity and capacity	8 765	7,198

Balances

	31 December 2021	31 December 2020
Short-term accounts receivable and prepayments, gross	3,136	2,071
Allowance for expected credit losses of short-term accounts receivable	(23)	(7)
Total assets	**3,113**	**2,064**
Short-term accounts payable and other liabilities	432	394
Total liabilities	**432**	**394**

(c) Key management remuneration

Short-term remuneration for the services of key management personnel 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 and consisted of monthly salaries, bonuses, taxes charged on them and other obligatory payments to the respective budgets.

	Year ended 31 December 2021	Year ended 31 December 2020
Remuneration and bonuses	103	107
Social contributions	10	10
Total	**113**	**117**

As at 31 December 2021 liabilities to key management personnel amounted to RR 1 million (as at 31 December 2020: RR 1 million)

The remuneration of the management company LLC Gazprom Energoholding was RR 134 million for the year ended 31 December 2021 (for the year ended 31 December 2020: RR 135 million).

(d) The amount of unrecognized contractual liabilities for the construction of property, plant and equipment

	31 December 2021	31 December 2020
GAZPROM Group and its associates	12,651	11,405
Other state-controlled entities	-	1
Total	**12,651**	**11,406**

(in millions of Russian rubles unless noted otherwise)

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 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	-	(3)	(65)	(155)	(251)	(88)	(320)	(882)
Reclassification	(40)	(1,897)	2,084	566	(867)	154	-	-
Change in terms (estimates) and termination of lease agreements	72	-	-	-	-	-	-	72
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**
As at 1 January 2021	**2,434**	**62,339**	**44,119**	**110,715**	**57,296**	**4,261**	**5,817**	**286,981**
Additions	24	-	-	-	35	118	17,890	18,067
Disposals		(831)	(366)	(4,501)	(251)	(83)	(92)	(6,124)
Reclassification	-	(26)	(1)	-	27	-	-	-
Change in terms (estimates) and termination of lease agreements	263	-	-	-	-	-	-	263
Transfer	-	321	852	6,296	1,709	289	(9,467)	-
As at 31 December 2021	**2,721**	**61,803**	**44,604**	**112,510**	**58,816**	**4,585**	**14,148**	**299,187**
Accumulated depreciation and impairment								
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	-	1	62	153	189	87	18	510
Reclassification	15	349	(524)	(214)	396	(22)	-	-
Charge of impairment	(12)	(932)	(458)	(860)	(127)	(48)	(73)	(2,510)
Change in terms (estimates) and termination of lease agreements	4	-	-	-	-	-	-	4
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)**
As at 1 January 2021	**(611)**	**(25,360)**	**(19,253)**	**(50,819)**	**(27,091)**	**(2,519)**	**(477)**	**(126,130)**
Charge for the period	(328)	(1,483)	(1,669)	(5,850)	(3,128)	(413)	-	(12,871)
Disposals	-	828	216	3,983	235	75	5	5,342
Reclassification	-	14	-	-	(14)	-	-	-
Charge of impairment	(49)	(6,020)	(4,324)	(10,422)	(5,010)	(183)	(793)	(26,801)
Reversal of impairment	17	2,063	1,172	3,403	978	143	328	8,104
Change in terms (estimates) and termination of lease agreements	914	-	-	-	-	-	-	914
Transfer of impairment	-	(5)	(57)	(12)	(63)	(5)	142	-
As at 31 December 2021	**(57)**	**(29,963)**	**(23,915)**	**(59,717)**	**(34,093)**	**(2,902)**	**(795)**	**(151,442)**
Net book value								
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**
As at 1 January 2021	**1,823**	**36,979**	**24,866**	**59,896**	**30,205**	**1,742**	**5,340**	**160,851**
As at 31 December 2021	**2,664**	**31,840**	**20,689**	**52,793**	**24,723**	**1,683**	**13,353**	**147,745**

For the year ended 31 December 2021 and 31 December 2020 the Group did not capitalize borrowing costs related to the acquisition and construction of assets.

(in millions of Russian rubles unless noted otherwise)

As at 31 December 2021 property, plant and equipment of the Group are pledged as securities in the amount of RR 1,980 million (as at 31 December 2020: RR 4,843 million).

Right-of-use assets

	Production buildings	Constructions	Other machinery and equipment	Other	Total
Cost					
As at 1 January 2020	**581**	**1,342**	**40**	**366**	**2,329**
Additions as a result of new lease agreements	-	-	-	73	73
Change in terms (estimates) and termination of lease agreements	92	-	-	(20)	72
Reclassification	-	-	(40)	-	(40)
As at 31 December 2020	**673**	**1,342**	**-**	**419**	**2,434**
As at 1 January 2021	**673**	**1,342**	**-**	**419**	**2,434**
Additions as a result of new lease agreements	18	3	-	3	24
Change in terms (estimates) and termination of lease agreements	271	(289)	-	281	263
As at 31 December 2021	**962**	**1,056**	**-**	**703**	**2,721**
Accumulated depreciation and impairment					
As at 1 January 2020	**(176)**	**-**	**(13)**	**(41)**	**(230)**
Charge for the period	(237)	(137)	(2)	(12)	(388)
Charge of impairment	-	-	-	(12)	(12)
Change in terms (estimates) and termination of lease agreements	1	-	-	3	4
Reclassification	-	-	15	-	15
As at 31 December 2020	**(412)**	**(137)**	**-**	**(62)**	**(611)**
As at 1 January 20201	**(412)**	**(137)**	**-**	**(62)**	**(611)**
Charge for the period	(175)	(152)	-	(1)	(328)
Charge of impairment	(6)	-	-	(43)	(49)
Reversal of impairment	-	-	-	17	17
Change in terms (estimates) and termination of lease agreements	587	289	-	38	914
As at 31 December 2021	**(6)**	**-**	**-**	**(51)**	**(57)**
Net book value					
As at 1 January 2020	**405**	**1,342**	**27**	**325**	**2,099**
As at 31 December 2020	**261**	**1,205**	**-**	**357**	**1,823**
As at 1 January 2021	**261**	**1,205**	**-**	**357**	**1,823**
As at 31 December 2021	**956**	**1,056**	**-**	**652**	**2,664**

Total cash outflow for leases for the year ended 31 December 2021 is RR 286 million, including interest paid on lease liabilities - RR 82 million, repayment of lease liabilities - RR 204 million, (for the year ended 31 December 2020: total cash outflow for leases - RR 318 million, including interest paid on lease liabilities - RR 90 million, repayment of lease liabilities - RR 228 million).

Impairment

As at 31 December 2021 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 (Note 1) was considered as separate cash-generating unit.

As a result of the impairment test for the year ended 31 December 2021 the Group recognized an impairment loss in the net amount of RR 18,697 million, including: an impairment loss in the amount of RR 26,801 million and reversed impairment loss in the amount of RR 8,104 million. For the year ended 31 December 2020 an impairment loss of RR 2,510 million was recognized. The main reasons of the impairment and reversal of impairment are updating forecast of the operating and capital expenditure, changes of the macro parameters, used in the model.

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.

(in millions of Russian rubles unless noted otherwise)

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

Indicator	31 December 2021	31 December 2020
Growth rate, %	2.95%	2.88%
Forecast period, years	4	4
Discount rate, %	10.35%	9.19%

Note 7. Intangible assets

	SAP software	Other software	Other	Total
Cost				
As at 1 January 2020	**615**	**452**	**96**	**1,163**
Additions	-	168	10	178
Disposals	-	(133)	-	(133)
As at 31 December 2020	**615**	**487**	**106**	**1,208**
as at 1 January 2021	**615**	**487**	**106**	**1,208**
Additions	-	177	46	223
Disposals	(12)	(293)	(15)	(320)
As at 31 December 2021	**603**	**371**	**137**	**1,111**
Accumulated depreciation				
As at 1 January 2020	**(385)**	**(300)**	**(36)**	**(721)**
Additions	(62)	(165)	(12)	(239)
Disposals	-	128	-	128
As at 31 December 2020	**(447)**	**(337)**	**(48)**	**(832)**
As at 1 January 2021	**(447)**	**(337)**	**(48)**	**(832)**
Additions	(61)	(173)	(14)	(248)
Disposals	10	289	8	307
As at 31 December 2021	**(498)**	**(221)**	**(54)**	**(773)**
Net book value				
As at 1 January 2020	**230**	**152**	**60**	**442**
As at 31 December 2020	**168**	**150**	**58**	**376**
As at 1 January 2021	**168**	**150**	**58**	**376**
As at 31 December 2021	**105**	**150**	**83**	**338**

Note 8. Investments in associates

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

			Cost of investment as at 31 December		Ownership interest as at 31 December	
		Nature of business	**2021**	**2020**	**2021**	**2020**
LLC GEH Industrial Assets and its subsidiaries	Associate	Development and production of energy-saving turbocompressor and gas pumping equipment	20,434	20,824	37.168%	37.168%
Total			**20,434**	**20,824**	-	-

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

	LLC GEH Industrial Assets
Year ended 31 December 2021	
Balance as at 1 January	**20,824**
Share of losses of associates	(390)
Balance as at 31 December	**20,434**

	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**

(in millions of Russian rubles unless noted otherwise)

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 2021

	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/ (loss)
LLC GEH Industrial Assets and its subsidiaries	38,610	48,660	6,606	29,183	24,372	(1,050)
Total	**38,610**	**48,660**	**6,606**	**29,183**	**24,372**	**(1,050)**

31 December 2020

	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/ (loss)
LLC GEH Industrial Assets and its subsidiaries	11,695	32,819	2,199	14,783	14,749	2,173
Total	**11,695**	**32,819**	**2,199**	**14,783**	**14,749**	**2,173**

Note 9. Accounts receivable and prepayments

	31 December 2021	31 December 2020
Long-term accounts receivable		
Promissory notes	338	309
Trade receivables	3	114
Other receivables	8	11
Total financial accounts receivable	**349**	**434**
Input VAT	15	4
Advances to suppliers and prepaid expenses	1	2
Total non-financial accounts receivable	**16**	**6**
Total long-term accounts receivable and prepayments	**365**	**440**
Short-term accounts receivable		
Trade receivables	10,565	10,475
Other receivables	174	306
Promissory notes	-	1
Total financial accounts receivable	**10,739**	**10,782**
Advances to suppliers and prepaid expenses	641	1,080
Input VAT	28	32
Prepaid other taxes, except for income tax	11	40
Total non-financial accounts receivable	**680**	**1,152**
Total short-term accounts receivable and prepayments	**11,419**	**11,934**

Trade receivables are presented net of allowance for expected credit losses of RR 11,393 million and RR 11,240 million as at 31 December 2021 as at 31 December 2020, respectively.

Other receivables and promissory notes are presented net of allowance for expected credit losses of RR 5,912 million and RR 6,922 million as at 31 December 2021 as at 31 December 2020, 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 0 million as at 31 December 2021 (as at 31 December 2020: RR 361 million).

The Group's exposure to credit and foreign exchange risks in relation to trade and other receivables is disclosed in Note 25.

(in millions of Russian rubles unless noted otherwise)

Note 10. Income tax

Income tax charge components

Income tax rate for the Group is 20%.

	Year ended 31 December 2021	Year ended 31 December 2020
Current income tax expense		
Current income tax charge	(4,260)	(4,693)
Charge refund of income tax for prior periods	(22)	(43)
Deferred income tax income		
Occurrence and recovery of temporary difference	3,101	839
Total income tax expense	**(1,181)**	**(3,897)**

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

	Year ended 31 December 2021	Year ended 31 December 2020
Profit before income tax	**5,616**	**17,162**
Theoretical tax charge at the tax rate of 20%	(1,123)	(3,432)
Non-deductible/non-taxable differences	(36)	(465)
Charge refund of income tax for prior periods	(22)	-
Income tax expense	**(1,181)**	**(3,897)**

Tax effect of items in other comprehensive income

	Year ended 31 December 2021			Year ended 31 December 2020		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Remeasurement of defined benefit employee liability (Note 16)	391	(49)	342	55	(6)	49
Total	**391**	**(49)**	**342**	**55**	**(6)**	**49**

Deferred income tax

Recognized deferred income tax assets and liabilities:

Change in deferred income tax for the year ended 31 December 2021:

	Assets		Liabilities		Net value	
	31 December		31 December		31 December	
	2021	2020	2021	2020	2021	2020
Property, plant and equipment	-	-	(9,236)	(12,131)	(9,236)	(12,131)
Intangible assets	-	-	(16)	(11)	(16)	(11)
Inventories	-	71	(47)	-	(47)	71
Accounts receivable and prepayments	245	125	-	-	245	125
Accounts payable and other liabilities	-	-	(17)	(63)	(17)	(63)
Lease liabilities	334	140	-	-	334	140
Employee benefit liabilities	122	163	-	-	122	163
Provisions	312	328	-	-	312	328
Unused tax losses	79	91	-	-	79	91
Other	5	12	(98)	(94)	(93)	(82)
Set off	**(1,094)**	**(927)**	**1,094**	**927**	**-**	**-**
Total	**3**	**3**	**(8,320)**	**(11,372)**	**(8,317)**	**(11,369)**

(in millions of Russian rubles unless noted otherwise)

The tax effect of taxable and deductible temporary differences for the nine months ended 31 December 2021 and for the nine months ended 31 December 2020 is presented in the table below:

Year ended 31 December 2021	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	(12,131)	2,895	-	(9,236)
Intangible assets	(11)	(5)	-	(16)
Inventories	71	(118)	-	(47)
Accounts receivable and prepayments	125	120	-	245
Accounts payable and other liabilities	(63)	46	-	(17)
Lease liabilities	140	194	-	334
Employee benefit liabilities	163	8	(49)	122
Provisions	328	(16)	-	312
Unused tax losses	91	(12)	-	79
Other	(82)	(11)	-	(93)
Total	**(11,369)**	**3,101**	**(49)**	**(8,317)**

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)**

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 2021	31 December 2020
Deferred income tax assets	3	3
Deferred income tax liabilities	(8,320)	(11,372)
Deferred income tax liabilities, net	**(8,317)**	**(11,369)**

Note 11. Financial assets

	31 December 2021	31 December 2020
Loans issued	19,209	14,975
Equity securities at fair value through profit or loss	-	290
Total short-term financial assets	**19,209**	**15,265**

As at 31 December 2020 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 2021 and 31 December 2020.

The Group's exposure to credit, foreign exchange and interest rate risks related to financial assets is disclosed in Note 25.

(in millions of Russian rubles unless noted otherwise)

Note 12. Inventories

	31 December 2021	31 December 2020
Fuel	4,179	4,638
Spare parts	3,746	7,879
Materials and supplies	2,122	1,731
Total	**10,047**	**14,248**

As at 31 December 2021 the write-down of the inventory to net realizable value is RR 176 million (as at 31 December 2020: RR 160 million).

The Group does not have pledged inventories as at 31 December 2021 and as at 31 December 2020.

Note 13. Cash and cash equivalents

	Currency	31 December 2021	31 December 2020
Current bank accounts	RR	53	7
Bank deposits with maturity of three months or less	RR	17	-
Total		**70**	**7**

Information about the financial risks to which the Group is exposed is disclosed in Note 25.

Note 14. Equity

Share capital and share premium

As at 31 December 2021 and as at 31 December 2020 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 2021 and 31 December 2020 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 18 June 2021, the Annual General Meeting of Shareholders of the Company made a decision to pay dividends based on the results of operations for 2020. The amount of dividends declared was RR 0.0600458012915 per share, the total amount of dividends amounted to RR 6,632 million.

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.

Note 15. Loans and borrowings

	31 December 2021	31 December 2020
Long-term loans and borrowings		
Bonds	30,539	32,043
Other loans	5,734	6,834
Total long-term loans and borrowings	**36,273**	**38,877**
Short-term loans and borrowings and current portion of long-term loans and borrowings		
Current portion of long-term bonds	150	5,225
Current portion of other long-term loans	125	840
Total short-term loans and borrowings and current portion of long-term loans and borrowings	**275**	**6,065**

(in millions of Russian rubles unless noted otherwise)

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

	Effective interest rate	Maturity date	31 December 2021	31 December 2020
Bonds				
Bond loan 003P-01	7.50%	2022, 2023	25,523	27,049
Bond loan 002P-01	5.75%	2022, 2023	5,134	5,133
Bond loan 001P-03R	6.95%	2022, 2023	32	5,086
Other loans				
MOSENERGO	9.75%	2022, 2023-2025	5,859	7,674
Total			**36,548**	**44,942**

The Group has no collateral on loans and borrowings as at 31 December 2021 (as at 31 December 2020: none).

As at 31 December 2021 and 31 December 2020 borrowings are denominated in Russian Rubles.

As at 31 December 2021 and 31 December 2020 the Group was in compliance with the financial covenants related to loans and borrowings.

The Group's exposure to liquidity risk related to loans and borrowings is disclosed in Note 25.

Note 16. 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.

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 490 million as at 31 December 2021 (as at 31 December 2020: RR 470 million).

	31 December 2021	31 December 2020
Net present value of defined benefit liabilities	1,128	1,446
Net present value of other long-term employee benefit liabilities	384	447
Total net present value of employee benefit liabilities	**1,512**	**1,893**

(in millions of Russian rubles unless noted otherwise)

(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	Change in net present value of employee
At 1 January 2021	**1,446**	**447**	**1,893**
Current service cost	59	30	89
Past service cost	(3)	-	(3)
Interest expense	89	26	115
Remeasurements:			
Gain from change in financial actuarial assumptions	(328)	(59)	(387)
Experience adjustment of gains	(63)	(19)	(82)
Benefits paid	(72)	(41)	(113)
At 31 December 2021	**1,128**	**384**	**1,512**

	Change in net present value of defined benefit liabilities	Change in net present value of other long-term employee benefit	Change in net present value of employee
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 actuarial assumptions	17	2	19
Gain from change in financial actuarial assumptions	(39)	(7)	(46)
Experience adjustment of (gains) / losses	(33)	2	(31)
Benefits paid	(89)	(44)	(133)
At 31 December 2020	**1,446**	**447**	**1,893**

(b) Expenses / (income) recognized in profit or loss

	Year ended 31 December 2021	Year ended 31 December 2020
Current service cost	89	90
Past service cost	(3)	(176)
Interest expense (Note 22)	115	123
Remeasurements on present value of other long-term employee benefit obligation	(78)	(3)
Total	**123**	**34**

(c) Expenses / (income) recognized in other comprehensive income

	Year ended 31 December 2021	Year ended 31 December 2020
Loss from change in demographic actuarial assumptions	-	17
Loss from change in financial actuarial assumptions	(328)	(39)
Experience gains	(63)	(33)
Total	**(391)**	**(55)**

(in millions of Russian rubles unless noted otherwise)

(d) The actuarial assumptions

The key actuarial assumptions for valuation dates:

	31 December 2021	31 December 2020
Discount rate	8.4%	6.5%
Future financial support benefits increases	3.7%	3.9%
Future salary increases	5.3%	5.5%
Social fund contribution rate	31.0%	28.0%
Staff turnover	3.9%	3.9%
Mortality (employees)	Russia mortality table, 2018 adjusted 60% (to level 40%)	Russia mortality table, 2018 adjusted 60% (to level 40%)
Mortality (pensioners)	Russia mortality table, 2018 adjusted 30% (to level 70%)	Russia mortality table, 2018 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 12 years.

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

	Change in assumption	Impact on defined benefit liability 31 December 2021	Impact on defined benefit liability 31 December 2020
Discount rate	Increase / decrease by 1 pp	Decrease / increase by 10.5%	Decrease / increase by 12.1%
Future salary increases	Increase / decrease by 1 pp	Increase / decrease by 9.5%	Increase / decrease by 10.8%
Future financial support benefits increases (inflation)	Increase / decrease by 1 pp	Increase / decrease by 1.3%	Increase / decrease by 1.4%
Effective social fund contribution rate	Increase / decrease by 1 pp	Increase / decrease by 0.4%	Increase / decrease by 0.2%
Staff turnover	Increase / decrease by 10%	Decrease / increase by 1.5%	Decrease / increase by 1.7%
Mortality level (employees)	Increase / decrease by 10%	Decrease / increase by 0.7%	Decrease / increase by 0.8%
Mortality level (pensioners)	Increase / decrease by 10%	Decrease / increase by 1.9%	Decrease / increase by 2.4%

The above sensitivity analyses are based on a change in an actuarial assumption while holding all other actuarial 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.

(in millions of Russian rubles unless noted otherwise)

Note 17. Accounts payable and other liabilities

	31 December 2021	31 December 2020
Long-term accounts payable		
Accounts payable for acquisition of property, plant and equipment	4,215	6,044
Trade payables	-	905
Other payables	-	1
Total financial accounts payable	**4,215**	**6,950**
Other payables	136	144
Total non-financial accounts payable	**136**	**144**
Total long-term accounts payable and other liabilities	**4,351**	**7,094**
Short-term accounts payable		
Trade payables	5,365	5,472
Accounts payable for acquisition of property, plant and equipment	3,592	3,720
Other payables	662	855
Total financial accounts payable	**9,619**	**10,047**
Contract liabilities from contracts with customers	15	13
Other payables	778	792
Total non-financial accounts payable	**793**	**805**
Total short-term accounts payable and other liabilities	**10,412**	**10,852**

Information about the Group's exposure to foreign exchange and liquidity risk in terms of trade and other financial payables is disclosed in Note 25.

Note 18. Provisions

Non-current and current 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 an increase in the discount rate from 5.64% to 8.44% as at 31 December 2020 and 31 December 2021, respectively, as well as a change in the average annual inflation rate from 3.83% to 4.16% as at 31 December 2020 and 31 December 2021, respectively.

	31 December 2021	31 December 2020
Balance as at 1 January	**1,640**	**1,171**
Non-current portion as at 1 January	**1,640**	**1,171**
Accrued during the year	-	368
Unwinding of the present value discount (Note 22)	93	70
Changes in assumptions used to create a provisions	(175)	31
Balance as at 31 December	**1,558**	**1,640**
Current portion of non-current provisions	89	-
Non-current portion as at 31 December	**1,469**	**1,640**

Note 19. Other taxes payable

	31 December 2021	31 December 2020
Value added tax	2,078	35
Property tax	295	180
Social tax	315	309
Other taxes	95	96
Total	**2,783**	**620**

(in millions of Russian rubles unless noted otherwise)

Note 20. Revenues

	Year ended 31 December 2021	Year ended 31 December 2020
Electricity and capacity	134,472	114,250
Heating	4,668	4,972
Other revenues	2,434	1,465
Total revenues	**141,574**	**120,687**

Note 21. Operating expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Fuel	65,039	50,763
Impairment loss on non-financial assets	18,726	2,437
Amortisation and depreciation	13,114	13,185
Electricity and capacity	9,133	7,371
Employee benefits	8,984	9,485
Repairs, technical and service maintenance	3,941	3,908
Other materials and supplies	3,151	3,063
Taxes other than income tax	2,634	2,447
Electricity market administration fees	2,265	2,347
Lease	1,794	4,578
Transport	931	923
Security and fire safety	746	713
Loss / (gain) on disposal of property, plant, equipment, other non-current assets and assets held for sale	385	(4,223)
Consulting, legal and audit services	374	377
Cleaning and maintenance of territories	262	279
Insurance, except for VHI	226	233
Exchange rate differences	(121)	429
Other operating expenses	2,466	3,186
Total operating expenses	**134,050**	**101,501**

Lease expense for year ended 31 December 2021 includes expense relating to variable rental payments in the amount of RR 1,770 million and expense relating to short-term leases in the amount of RR 0 million (for the year ended 31 December 2020: variable rental payments in the amount of RR 4,240 million and short-term leases in the amount of RR 338 million). The cash outflow from such leases, not included in the calculation of the right-of-use assets, approximates the expense.

Impairment loss on non-financial assets includes the following:

	Year ended 31 December 2021	Year ended 31 December 2020
Impairment loss on property, plant and equipment and other assets (Note 6)	18,697	2,510
Charge/(Reversal) of impairment of inventories	29	(73)
Total	**18,726**	**2,437**

Employee benefits expenses comprise the following expenses:

	Year ended 31 December 2021	Year ended 31 December 2020
Remuneration of staff	6,631	7,097
Social funds contribution	1,967	2,097
Voluntary health insurance	60	77
Non-state pensions (Note 16)	8	(89)
Other expenses	318	303
Employee benefits	**8,984**	**9,485**

Note 22. Finance income and expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Finance income		
Interest income on loans issued	1,176	548
Effect of discounting of financial Instruments	82	284
Interest income on bank deposits and current bank account balances	3	3
Other finance income	23	61
Total finance income	**1,284**	**896**
Finance expenses		
Interest expense on borrowings	(2,150)	(2,477)
Effect of discounting of financial instruments	(541)	(182)
Interest expense on employee benefit liabilities (Note16)	(115)	(123)
Interest expense on lease liabilities	(82)	(90)
Unwinding of the present value discount – provision for ash dump (Note 18)	(93)	(70)
Total finance expenses	**(2,981)**	**(2,942)**
Total net finance expenses	**(1,697)**	**(2,046)**

Note 23. 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. The calculation of earnings per share is presented in the table below.

	Year ended 31 December 2021	Year ended 31 December 2020
Outstanding shares (thousands of pcs)	110,441,161	110,441,161
Weighted average number of ordinary shares issued (thousands of pcs)	110,441,161	110,441,161
Profit attributable to the shareholders of JSC "OGK-2" (in millions of RR)	4,435	13,264
Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in RR)	**0.04**	**0.12**

As at 31 December 2021 and 31 December 2020 there were no financial instruments with dilutive effect.

Note 24. 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 2021 the Group has unrecognized contractual capital commitments (including VAT) in the amount of RR 30,851 million (as at 31 December 2020: RR 27,812 million, including VAT).

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 25. 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.

25.1. 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.

(in millions of Russian rubles unless noted otherwise)

(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 2021	31 December 2020
Accounts receivable (Note 9)	11,088	11,216
Cash and cash equivalents (Note 13)	70	7
Loans issued (Note 11)	19,209	14,975
Total maximum exposure to credit risk	**30,367**	**26,198**

(b) Receivables and loans issued

The credit quality of the loans issued is high. It is confirmed by the absence of accounts receivables overdue and the fulfillment of the borrowers contractual obligations.

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 2021	31 December 2020
Electricity and capacity	9,710	9,796
Heating	519	503
Other	859	917
Total	**11,088**	**11,216**

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	
	2021	2020	2021	2020	2021	2020
Not overdue	10,116	10,859	(185)	(616)	9,931	10,243
Overdue up to 180 days	1,671	988	(602)	(193)	1,069	795
Overdue from 181 to 365 days	169	736	(81)	(563)	88	173
Overdue more than 1 year	16,437	16,795	(16,437)	(16,790)	-	5
Total	**28,393**	**29,378**	**(17,305)**	**(18,162)**	**11,088**	**11,216**

(in millions of Russian rubles unless noted otherwise)

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

	31 December 2021	31 December 2020
Balance as at 1 January	**18,162**	**17,548**
Accrual	1,047	1,677
Reversal	(1,226)	(875)
Write-off of accounts receivable against allowance	(678)	(188)
Balance as at 31 December	**17,305**	**18,162**

(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.

25.2. Market risk

25.2.1. 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.

25.2.2. 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 and interest-bearing deposits. 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's significant interest-bearing assets and liabilities are disclosed in Notes 9, 11, 13, 15, 17.

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 2021	**31 December 2020**
Fixed rate instruments		
Financial assets (Note 9)	349	434
Financial liabilities (Note 15,17)	(9,381)	(24,843)
Total	**(9 032)**	**(24,409)**
Variable rate instruments		
Financial assets (Note 11)	19,209	14,975
Financial liabilities (Note 15)	(31,382)	(27,049)
Total	**(12,173)**	**(12,074)**

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. Therefore, no changes in interest rates at the reporting date would have affected the profit or loss for the period.

(in millions of Russian rubles unless noted otherwise)

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

An increase in the interest rate by 100 basis points would result in a decrease in the Group's profit for the year ended 31 December 2021 by approximately RR 223 million (for the year ended 31 December 2020: by RR 240 million). This analysis was carried out on the assumption that all other variables, in particular foreign exchange rates, remain unchanged.

25.3. 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 2021 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							
Loans and borrowings (Note 15)	36,548	40,615	1,379	1,380	33,131	4,725	-
Lease liabilities	1,668	3,560	149	146	295	881	2,089
Accounts payable (Note 17)	13,834	14,620	7,350	2,412	2,455	2,403	-
Total	**52,050**	**58,795**	**8,878**	**3,938**	**35,881**	**8,009**	**2,089**

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							
Loans and 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 17)	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 Group's financial liabilities shown in the table are carried at amortized cost.

(in millions of Russian rubles unless noted otherwise)

25.4. 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 2021 and the year ended 31 December 2020 is presented below:

	Loans and borrowings	Dividends payable	Lease liabilities	Total
As at 1 January 2021	**44,942**	**36**	**685**	**45,663**
Cash flows from financing activities				
Repayment of loans and borrowings	(8,321)	-	-	(8,321)
Dividends paid	-	(6,605)	-	(6,605)
Repayment of lease liabilities	-	-	(204)	(204)
Cash flows from financing activities	**(8,321)**	**(6,605)**	**(204)**	**(15,130)**
Interest paid	(2,223)	-	(82)	(2,305)
Total cash flows from other activities	**(2,223)**	**-**	**(82)**	**(2,305)**
Other changes				
Interest accrued	2,150	-	82	2,232
Dividends	-	6,626	-	6,626
Conclusion of new lease agreements	-	-	24	24
Other changes	-	(5)	1,163	1,158
Total other changes	**2,150**	**6,621**	**1,269**	**10,040**
As at 31 December 2021	**36,548**	**52**	**1,668**	**38,268**

	Loans and borrowings	Dividends payable	Lease liabilities	Total
As at 1 January 2020	**52,631**	**21**	**782**	**53,434**
Cash flows from financing activities				
Proceeds from loans and borrowings	32,043	-	-	32,043
Repayment of loans and 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**

(in millions of Russian rubles unless noted otherwise)

25.5. 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 2021 and 31 December 2020, the companies of the Group have 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 loans and borrowings, long-term loans and 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 2021 and 31 December 2020 is shown in the table below.

	31 December 2021	**31 December 2020**
Total debt (Note 15)	36,548	44,942
Less cash and cash equivalents (Note 12)	(70)	(7)
Net debt	**36,478**	**44,935**
Operating profit	7,703	18,384
Amortisation and depreciation (Note 21)	13,114	13,185
Impairment loss on non-financial assets (Note 21)	18,726	2,437
EBITDA	**39,543**	**34,006**
Net debt/EBITDA	***0.92***	***1.32***

Note 26. Fair value of financial instruments

There was no change in the fair value measurement methods attributed to Level 2 and Level 3 and transfers between levels for year ended 31 December 2021 and for year ended 31 December 2020.

Note 27. Events after the reporting period

In February 2022, the United States of America, the European Union and some other countries imposed additional sanctions against Russia. These circumstances led to the devaluation of the Russian ruble, increased volatility in financial markets, and also significantly increased the level of economic uncertainty in the conditions of business in Russia. At the moment, the Group's Management is analyzing the current economic conditions and their possible impact on the Group's activities. At the time of signing of this report, according to the estimates of the Group's Management, the described circumstances do not question the ability of the Group to continue as a going concern. The management of the Group considers these events as non-adjusting events after the reporting date.

The Group has no 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 2021.

Managing Director — A.V. Semikolenov

Chief Accountant — L.V. Klishch

4 March 2022