

# **Grid Company Group**

**Consolidated Financial Statements  
in accordance with International Financial Reporting Standards  
Financial Statements and  
Independent Auditor's Report**

**31 December 2020**

## CONTENTS

### INDEPENDENT AUDITOR'S REPORT

### CONSOLIDATED FINANCIAL STATEMENTS

|                                                                               |   |
|-------------------------------------------------------------------------------|---|
| Consolidated Statement of Financial Position .....                            | 1 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income ..... | 2 |
| Consolidated Statement of Cash Flows .....                                    | 3 |
| Consolidated Statement of Changes in Equity .....                             | 4 |

#### Notes to the Consolidated Financial Statements:

|                                                                                      |    |
|--------------------------------------------------------------------------------------|----|
| 1. Grid Company Group and its Operations .....                                       | 5  |
| 2. Operating Environment of the Group .....                                          | 5  |
| 3. Summary of Significant Accounting Policies .....                                  | 6  |
| 4. Critical Accounting Estimates and Judgements in Applying Accounting Policies..... | 18 |
| 5. Adoption of New or Revised Standards and Interpretations.....                     | 19 |
| 6. New Accounting Pronouncements.....                                                | 21 |
| 7. Transactions and Balances with Related Parties.....                               | 24 |
| 8. Property, Plant and Equipment .....                                               | 25 |
| 9. Intangible Assets.....                                                            | 28 |
| 10. Right-of-use Assets and Lease Liabilities.....                                   | 29 |
| 11. Subsidiaries and Associates .....                                                | 30 |
| 12. Investments in Equity Securities.....                                            | 31 |
| 13. Other Non-current Assets .....                                                   | 31 |
| 14. Inventory.....                                                                   | 32 |
| 15. Trade and Other Receivables.....                                                 | 32 |
| 16. Short-term Investments.....                                                      | 33 |
| 17. Cash and Cash Equivalents.....                                                   | 33 |
| 18. Equity .....                                                                     | 33 |
| 19. Income Tax .....                                                                 | 34 |
| 20. Advances from Customers.....                                                     | 35 |
| 21. Employee Benefit Obligations.....                                                | 36 |
| 22. Trade and other Payables .....                                                   | 38 |
| 23. Other Taxes Payable .....                                                        | 38 |
| 24. Revenue .....                                                                    | 39 |
| 25. Other Operating Income .....                                                     | 39 |
| 26. Operating Expenses .....                                                         | 39 |
| 27. Finance Income.....                                                              | 40 |
| 28. Finance Expenses.....                                                            | 40 |
| 29. Contingencies and Commitments .....                                              | 40 |
| 30. Financial Risk Management .....                                                  | 41 |
| 31. Fair Value of Financial Instruments .....                                        | 46 |
| 32. Events after the Reporting Date .....                                            | 46 |



## Independent Auditor's Report

To the Shareholders and Board of Directors of Joint Stock Company Grid Company:

---

### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Joint stock company Grid Company (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

---

### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

---

### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

29 April 2021

Moscow, Russian Federation

*AO PricewaterhouseCoopers Audit*



*G. N. Nizamieva*

G. N. Nizamieva, certified auditor (licence No. 01-001513), AO PricewaterhouseCoopers Audit

Audited entity: Joint Stock Company Grid Company

Record made in the Unified State Register of Legal Entities on  
11 October 2002 under State Registration Number 1021602830930

Taxpayer Identification Number 1655049111

420094, Russian Federation, Republic of Tatarstan, Kazan,  
Bondarenko str., bld. 3

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber  
on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on  
22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association  
«Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors  
and Audit Organizations – 12006020338

**Grid Company Group**  
**Consolidated Statement of Financial Position**  
(in thousands of Russian Roubles)

|                                                                      | Note | 31 December<br>2020 | 31 December<br>2019 |
|----------------------------------------------------------------------|------|---------------------|---------------------|
| <b>ASSETS</b>                                                        |      |                     |                     |
| <b>Non-current assets</b>                                            |      |                     |                     |
| Property, plant and equipment                                        | 8    | 64,349,991          | 60,810,349          |
| Intangible assets                                                    | 9    | 887,493             | 673,468             |
| Right-of-use assets                                                  | 10   | 4,720,890           | 4,056,913           |
| Investments in equity securities                                     | 12   | 141,923             | 196,555             |
| Investments in associates                                            |      | 4,673               | -                   |
| Other non-current assets                                             | 13   | 2,541,399           | 1,171,538           |
| <b>Total non-current assets</b>                                      |      | <b>72,646,369</b>   | <b>66,908,823</b>   |
| <b>Current assets</b>                                                |      |                     |                     |
| Property, plant and equipment held for sale                          |      | 8,111               | 3,292               |
| Inventories                                                          | 14   | 261,236             | 284,223             |
| Trade and other receivables                                          | 15   | 1,753,487           | 1,674,113           |
| Income tax prepayment                                                |      | 188,379             | 71,883              |
| Short-term investments                                               | 16   | 1,391,601           | 2,990,915           |
| Cash and cash equivalents                                            | 17   | 620,008             | 2,426,300           |
| <b>Total current assets</b>                                          |      | <b>4,222,822</b>    | <b>7,450,726</b>    |
| <b>TOTAL ASSETS</b>                                                  |      | <b>76,869,191</b>   | <b>74,359,549</b>   |
| <b>EQUITY AND LIABILITIES</b>                                        |      |                     |                     |
| <b>Equity</b>                                                        |      |                     |                     |
| Share capital                                                        | 18   | 7,932,212           | 7,932,212           |
| Share premium                                                        | 18   | 3,227,680           | 3,227,680           |
| Accumulated loss as a result of revaluation of net pension liability | 21   | (82,049)            | (91,326)            |
| Revaluation reserve for investments in equity securities             | 12   | (104,785)           | (61,079)            |
| Retained earnings                                                    |      | 49,210,303          | 48,862,851          |
| <b>Equity attributable to the Group's shareholders</b>               |      | <b>60,183,361</b>   | <b>59,870,338</b>   |
| <b>TOTAL EQUITY</b>                                                  |      | <b>60,183,361</b>   | <b>59,870,338</b>   |
| <b>Non-current liabilities</b>                                       |      |                     |                     |
| Deferred income tax liabilities                                      | 19   | 5,333,554           | 5,003,162           |
| Lease liabilities                                                    | 10   | 3,668,421           | 3,041,127           |
| Provisions for legal and other claims                                | 29   | 1,110,358           | -                   |
| Advances from customers                                              | 20   | 406,398             | 70,633              |
| Employee benefit obligations                                         | 21   | 715,928             | 712,632             |
| <b>Total non-current liabilities</b>                                 |      | <b>11,234,659</b>   | <b>8,827,554</b>    |
| <b>Current liabilities</b>                                           |      |                     |                     |
| Trade and other payables                                             | 22   | 3,082,539           | 2,804,485           |
| Prepayment for share issues                                          | 18   | 634,426             | -                   |
| Advances from customers                                              | 20   | 458,109             | 368,537             |
| Provisions for legal and other claims                                | 29   | 196,504             | 930,129             |
| Lease liabilities                                                    | 10   | 828,295             | 715,970             |
| Other taxes payable                                                  | 23   | 251,298             | 842,513             |
| Income tax payable                                                   |      | -                   | 23                  |
| <b>Total current liabilities</b>                                     |      | <b>5,451,171</b>    | <b>5,661,657</b>    |
| <b>TOTAL LIABILITIES</b>                                             |      | <b>16,685,830</b>   | <b>14,489,211</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                  |      | <b>76,869,191</b>   | <b>74,359,549</b>   |

Approved and signed:

General Director



I. Sh. Fardiev

Deputy General Director for Finance



N. A. Bomonina

29 April 2021

**Grid Company Group**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
(in thousands of Russian Roubles)

|                                                                                                                                                                                           | <b>Note</b> | <b>2020</b>      | <b>2019</b>      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------------------|------------------|
| Revenue                                                                                                                                                                                   | 24          | 24,100,340       | 25,050,344       |
| Other operating expenses                                                                                                                                                                  | 25          | 171,987          | 59,940           |
| Operating expenses (net) before impairment of property, plant and equipment, gain/(loss) on disposal of property, plant and equipment and accrual of allowance for expected credit losses | 26          | (20,464,545)     | (20,537,700)     |
| Accrual of ECL allowance                                                                                                                                                                  | 15          | (32,918)         | (14,220)         |
| Recognition of impairment of property, plant and equipment and right-of-use assets                                                                                                        | 8, 10       | (2,561,457)      | (2,470,148)      |
| Gain/(loss) on disposal of property, plant and equipment                                                                                                                                  |             | 13,984           | (212,272)        |
| <b>Profit from operating activities</b>                                                                                                                                                   |             | <b>1,227,391</b> | <b>1,875,944</b> |
| Finance income                                                                                                                                                                            | 27          | 265,448          | 425,198          |
| Finance expenses                                                                                                                                                                          | 28          | (358,327)        | (311,071)        |
| Share in results of associates                                                                                                                                                            |             | (227)            | -                |
| <b>Profit before tax</b>                                                                                                                                                                  |             | <b>1,134,285</b> | <b>1,990,071</b> |
| Income tax expense                                                                                                                                                                        | 19          | (786,833)        | (651,970)        |
| <b>Profit for the year</b>                                                                                                                                                                |             | <b>347,452</b>   | <b>1,338,101</b> |
| <b>Other comprehensive income/(loss)</b>                                                                                                                                                  |             |                  |                  |
| <i>Items that will not be subsequently reclassified to profit or loss</i>                                                                                                                 |             |                  |                  |
| Revaluation of net defined benefit liability                                                                                                                                              | 21          | 9,277            | (52,276)         |
| Changes in fair value of investments in equity securities                                                                                                                                 | 12          | (54,632)         | 47,350           |
| Income tax recorded directly in other comprehensive income                                                                                                                                | 19          | 10,926           | (9,470)          |
| <b>Total items that will not be subsequently reclassified to profit or loss</b>                                                                                                           |             | <b>(34,429)</b>  | <b>(14,396)</b>  |
| <b>Other comprehensive loss for the reporting year</b>                                                                                                                                    |             | <b>(34,429)</b>  | <b>(14,396)</b>  |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                                                                                                                                            |             | <b>313,023</b>   | <b>1,323,705</b> |

The accompanying notes 1 to 32 are an integral part of these consolidated financial statements.

**Grid Company Group**  
**Consolidated Statement of Cash Flows**  
(in thousands of Russian Roubles)

|                                                                                                          | Note      | 2020               | 2019               |
|----------------------------------------------------------------------------------------------------------|-----------|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                              |           |                    |                    |
| <b>Profit before tax</b>                                                                                 |           | <b>1,134,285</b>   | <b>1,990,071</b>   |
| Adjustments to:                                                                                          |           |                    |                    |
| Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets | 26        | 3,664,036          | 3,691,951          |
| Increase in allowance for expected credit losses                                                         | 15        | 32,918             | 14,220             |
| Increase of provision for legal and other claims                                                         | 26, 29    | 616,207            | 444,840            |
| Deferred employee benefit compensation                                                                   |           | 11,661             | 11,265             |
| Finance income                                                                                           | 27        | (265,448)          | (425,198)          |
| Finance expenses                                                                                         | 28        | 358,327            | 311,071            |
| (Gain)/loss on disposal of property, plant and equipment                                                 |           | (13,984)           | 212,272            |
| Loss from associates that are accounted for using the equity method                                      |           | 227                | -                  |
| Recognition of impairment of property, plant and equipment and right-of-use assets                       | 8, 10     | 2,561,457          | 2,470,148          |
| Free-of-charge additions to property, plant and equipment                                                |           | (120,463)          | -                  |
| Other non-cash transactions                                                                              |           | (4,074)            | (5,152)            |
| <b>Operating cash flow before changes in working capital and provisions</b>                              |           | <b>7,975,149</b>   | <b>8,715,488</b>   |
| Changes in working capital:                                                                              |           |                    |                    |
| Decrease in inventories                                                                                  |           | 89,251             | 83,037             |
| Increase in trade and other receivables                                                                  |           | (129,299)          | (33,095)           |
| Increase/(decrease) in advances received                                                                 |           | 425,736            | (139,326)          |
| (Decrease)/increase in trade and other payables                                                          |           | (194,439)          | 197,743            |
| Decrease in provisions                                                                                   |           | (239,474)          | (27,357)           |
| (Decrease)/increase in taxes payable other than income tax                                               |           | (523,844)          | 119,825            |
| Increase of other non-current liabilities                                                                |           | 12,572             | 63,546             |
| <b>Cash flows from operating activities before income tax</b>                                            |           | <b>7,415,652</b>   | <b>8,979,861</b>   |
| Income tax paid in cash                                                                                  |           | (634,764)          | (641,375)          |
| <b>Net cash flows from operating activities</b>                                                          |           | <b>6,780,888</b>   | <b>8,338,486</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                              |           |                    |                    |
| Proceeds from sale of property, plant and equipment and intangible assets                                |           | 37,265             | 25,269             |
| Interest received                                                                                        |           | 319,812            | 362,988            |
| Purchases of property, plant and equipment and intangible assets                                         |           | (10,305,243)       | (8,337,222)        |
| Purchases of investments in associates                                                                   |           | (2,280)            | -                  |
| Bank deposits placement                                                                                  |           | (1,878,250)        | (3,622,210)        |
| Repayment of bank deposits                                                                               |           | 3,421,660          | 2,200,550          |
| <b>Net cash used in investing activities</b>                                                             |           | <b>(8,407,036)</b> | <b>(9,370,625)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                              |           |                    |                    |
| Proceeds from share issue/ prepayment for shares                                                         | 18        | 634,426            | 651,355            |
| Lease payments                                                                                           | 10        | (456,243)          | (339,640)          |
| Interest on lease                                                                                        | 10        | (358,327)          | (305,083)          |
| Dividends paid to the shareholders                                                                       | 18        | -                  | (93,615)           |
| <b>Net cash flows used in financing activities</b>                                                       |           | <b>(180,144)</b>   | <b>(86,983)</b>    |
| <b>Decrease in cash and cash equivalents</b>                                                             |           | <b>(1,806,292)</b> | <b>(1,119,122)</b> |
| Cash and cash equivalents at the beginning of the year                                                   | 17        | 2,426,300          | 3,545,422          |
| <b>Cash and cash equivalents at the end of the year</b>                                                  | <b>17</b> | <b>620,008</b>     | <b>2,426,300</b>   |

The accompanying notes 1 to 32 are an integral part of these consolidated financial statements.

**Grid Company Group**  
**Consolidated Statement of Changes in Equity**  
(in thousands of Russian Roubles)

|                                                           | Note | Equity attributable to the Group's shareholders |                  |                                                                      |                                                          |                   | Total             |
|-----------------------------------------------------------|------|-------------------------------------------------|------------------|----------------------------------------------------------------------|----------------------------------------------------------|-------------------|-------------------|
|                                                           |      | Share capital                                   | Share premium    | Accumulated loss as a result of revaluation of net pension liability | Revaluation reserve for investments in equity securities | Retained earnings |                   |
| <b>At 1 January 2019</b>                                  |      | <b>7,670,678</b>                                | <b>1,961,854</b> | <b>(39,050)</b>                                                      | <b>(98,959)</b>                                          | <b>47,619,428</b> | <b>57,113,951</b> |
| Issue of shares                                           |      | 261,534                                         | 1,265,826        | -                                                                    | -                                                        | -                 | 1,527,360         |
| Profit for the year                                       |      | -                                               | -                | -                                                                    | -                                                        | 1,338,101         | 1,338,101         |
| <b>Other comprehensive income/(loss) for the year</b>     |      |                                                 |                  |                                                                      |                                                          |                   |                   |
| Changes in fair value of investments in equity securities |      | -                                               | -                | -                                                                    | 37,880                                                   | -                 | 37,880            |
| Revaluation of net defined benefit liability              | 21   | -                                               | -                | (52,276)                                                             | -                                                        | -                 | (52,276)          |
| <b>Total comprehensive income for the year</b>            |      | <b>-</b>                                        | <b>-</b>         | <b>(52,276)</b>                                                      | <b>37,880</b>                                            | <b>1,338,101</b>  | <b>1,323,705</b>  |
| Dividends                                                 | 18   | -                                               | -                | -                                                                    | -                                                        | (94,678)          | (94,678)          |
| <b>At 31 December 2019</b>                                |      | <b>7,932,212</b>                                | <b>3,227,680</b> | <b>(91,326)</b>                                                      | <b>(61,079)</b>                                          | <b>48,862,851</b> | <b>59,870,338</b> |
| <b>At 1 January 2020</b>                                  |      | <b>7,932,212</b>                                | <b>3,227,680</b> | <b>(91,326)</b>                                                      | <b>(61,079)</b>                                          | <b>48,862,851</b> | <b>59,870,338</b> |
| Issue of shares                                           |      | -                                               | -                | -                                                                    | -                                                        | -                 | -                 |
| Profit for the year                                       |      | -                                               | -                | -                                                                    | -                                                        | 347,452           | 347,452           |
| <b>Other comprehensive income/(loss) for the year</b>     |      |                                                 |                  |                                                                      |                                                          |                   |                   |
| Changes in fair value of investments in equity securities |      | -                                               | -                | -                                                                    | (43,706)                                                 | -                 | (43,706)          |
| Revaluation of net defined benefit liability              | 21   | -                                               | -                | 9,277                                                                | -                                                        | -                 | 9,277             |
| <b>Total comprehensive income for the year</b>            |      | <b>-</b>                                        | <b>-</b>         | <b>9,277</b>                                                         | <b>(43,706)</b>                                          | <b>347,452</b>    | <b>313,023</b>    |
| <b>At 31 December 2020</b>                                |      | <b>7,932,212</b>                                | <b>3,227,680</b> | <b>(82,049)</b>                                                      | <b>(104,785)</b>                                         | <b>49,210,303</b> | <b>60,183,361</b> |

The accompanying notes 1 to 32 are an integral part of these consolidated financial statements.

## **Grid Company Group**

### **Notes to the Consolidated Financial Statements for the year ended 31 December 2020**

(in thousands of Russian Roubles)

---

#### **1. Grid Company Group and its Operations**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2020 for AO Grid Company (the “Company”) and its subsidiary CHOU DPO “Centre of works under voltage” (jointly referred to as the “Group”).

AO Grid Company was established on 11 December 2001 in accordance with the framework for Russian energy systems restructuring approved by Resolution of the Russian government No. 526 of 11 July 2001 “On Restructuring of the Russian Energy Industry”, and pursuant to Decree of the President of the Republic of Tatarstan No. UP-673 of 8 August 2001 “On Further Measures to Restructure the Energy Industry of the Republic of Tatarstan”.

The Company's principal activities are energy transmission and connection of consumers to the electric grid facilities in the Republic of Tatarstan. The Company is a territorial grid company which owns electricity grids of all voltage levels: from 0.4 kV to 500 kV.

From the date of its establishment and until 1 July 2009, the Company had been a subsidiary of OAO Tatenergo, a vertically integrated holding company, involved in generating, transmission, distribution and sale of electricity and heat within the Republic of Tatarstan. On 1 July 2009, OAO Grid Company and OAO Tatenergo were restructured. As a result, the Company became an independent entity with the Republic of Tatarstan represented by the Ministry of Land and Property Relations being its major shareholder.

At 31 December 2020, the Company has eleven branches located in the Republic of Tatarstan: Almetyevsk Grids, Bugulma Grids, Buinsk Grids, Elabuga Grids, Kazan Grids, Naberezhniye Chelni Grids, Nizhnekamsk Grids, Privolzhskie Grids, Chistopol Grids, Administration of construction projects and Administration of consumer services (at 31 December 2019: eleven branches).

As of 31 December 2020 and 31 December 2019, the Company exercises control over the activities of the subsidiary CHOU DPO “Centre for work under voltage”, which operates in Russian Federation, the Republic of Tatarstan, Zainsk. The subsidiary's main activity is the provision of services of additional professional education under the programmes of training, professional retraining and advanced training of personnel of electric power enterprises.

The Company's registered address is: 420094 Russian Federation, the Republic of Tatarstan, Kazan, Bondarenko str., 3.

#### **2. Operating Environment of the Group**

The Group carries out its operations in the Republic of Tatarstan of the Russian Federation. Therefore, the economy and financial markets of the Russian Federation, which displays certain characteristics of emerging markets, have an impact on the Group's business. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and possible varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension and international sanctions against certain Russian companies and individuals.

Further, on 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, Russian authorities have taken a range of measures to curb the spread and mitigate the impact of COVID-19, such as bans and restrictions on movement, self-isolation, and restrictions on commercial activities, including the closure of businesses. These measures, in particular, have significantly limited economic activity in Russia and have already had and may still have a negative impact on the business, market participants, customers of the Group, as well as on the Russian and global economy for an indefinite period of time.

Such business environment, which is attributable, in particular, to the effects of COVID-19, had a negative impact on the Group's operations and financial position. Based on 2020 results, productive supply decreased by 1,321.6m kWh, or 5.2% as compared to 2019. The decline is mainly attributed to lower energy consumption in the region resulting in the reduction of revenue from electricity transmission by RR 960,498 thousand (or 3.9%) against 2019. The Company is systemically important electric grid entity securing uninterrupted electricity supply to consumers in the Republic of Tatarstan; therefore, the Company continued operating during the whole period of restrictions introduced in the region due to the worsening epidemiological situation.

## **Grid Company Group**

### **Notes to the Consolidated Financial Statements for the year ended 31 December 2020**

(in thousands of Russian Roubles)

---

## **2. Operating Environment of the Group (Continued)**

Management takes all available steps to mitigate the adverse effect on the Group's operations, including:

- interaction with the federal and regional authorities to contain the outbreak of COVID-19 and implement measures to ensure security, protection of life and health of its employees and counterparties;
- activities to secure reliable energy supply and implement priority investment projects;
- monitoring projected and actual data on the effect of the pandemic on the electricity sector, the operations of the Group and its counterparties;
- timely development and implementation of measures to neutralise potential negative consequences of the pandemic, securing financial stability.

However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

### ***Relations with the government and their impact on the Group's operations***

At 31 December 2020 and 31 December 2019, the Group is controlled by the Government of the Republic of Tatarstan. At 31 December 2020 and 31 December 2019, the Company's share capital had the following structure:

74.43% – owned by the Republic of Tatarstan, represented by the Ministry of Land and Property Relations;

12.69% – Joint Stock Commercial Bank “Ak Bars” (a public joint stock company);

6.57% – State Unitary Enterprise of the Republic of Tatarstan “Electric Networks”

6.31% – Other legal entities each holding less than 5% voting shares.

AO Tatenergosbyt (a state-owned company) is the Group's major customer for electricity transmission services (Note 7). In addition, the Government significantly influences certain Group's service and materials providers (Note 7).

The government also directly affects the Group's operations via regulation over electricity transmission and connection tariffs by the Federal Antimonopoly Service and the Tatarstan State Tariff Committee. The Company's tariffs are determined under regulations for electricity transmission, connection of power receivers to the power grids and under regulations applicable to natural monopolies.

The Company's investment programs are approved and controlled by the authorised executive body of the Republic of Tatarstan represented by the Ministry of Industry and Trade of the Republic of Tatarstan.

## **3. Summary of Significant Accounting Policies**

### ***Basis of preparation***

These consolidated financial statements have been prepared in accordance with IFRS under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented in the consolidated financial statements, unless otherwise stated.

The Group companies maintain their own books of accounts and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation (“RAR”). The accompanying consolidated financial statements are based on the statutory records, which were adjusted and reclassified for the purpose of fair presentation in accordance with IFRS.

### ***Functional and reporting currency***

The national currency of the Russian Federation is the Russian Rouble (“RR”), which is the functional currency of the Group companies and the currency in which these consolidated financial statements are presented. All financial information presented in RR has been rounded to the nearest thousand.

**3. Summary of Significant Accounting Policies (Continued)**

***Consolidated financial statements***

Subsidiaries are those investees that the Group controls because the Group:

- (a) has power to direct the relevant activities of the investees that significantly affect their returns,
- (b) has exposure, or rights, to variable returns from its involvement with the investees, and
- (c) has the ability to use its power over the investees to affect the amount of the 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 a 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 the majority of the 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 protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or that apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to include subsidiaries in the consolidated financial statements. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated, unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

***Investments in associates***

Investments in associates are accounted for using the equity method of accounting based on the percentage of the Group's ownership in the charter capital of the associate and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of associates are recognised as follows: (a) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (b) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (c) 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 result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

***Financial instruments – key measurement terms***

*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 best evidence of fair value is the price in an active market. A financial instrument is regarded as quoted in an active market if the transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

### **3. Summary of Significant Accounting Policies (Continued)**

#### ***Financial instruments – key measurement terms (continued)***

Valuation methods such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of assets and liabilities for which external market pricing information is not available. The Group applies methods of fair value measurement which are the most acceptable in current conditions and uses the observable inputs as much as possible.

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- (a) level one measurements are analysed at quoted market prices (unadjusted) in active markets for identical assets or liabilities,
- (b) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- (c) level three measurements are valuations that are not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

*Transaction costs* are incremental costs that are attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

*Amortised cost* is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related assets and liabilities in the consolidated statement of financial position.

*The effective interest method* is a method of allocating and recognising interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest in each reporting period (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or a financial liability to the amortised cost of the financial asset (excluding its adjustment for the ECL allowance) or to the amortised cost of the financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

#### ***Classification of financial assets***

Financial assets of the Group are classified into the following categories:

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

The classification depends on (a) the Group's business model for managing the related assets portfolio and (b) the cash flow characteristics of the asset.

**3. Summary of Significant Accounting Policies (Continued)**

***Classification of financial assets (continued)***

- a) The business model reflects how the Group manages its financial assets in order to generate cash flows:
- If the Group's objective is to hold the assets to collect the contractual cash flows that represent solely payments of principal and interest, the financial assets are classified as measured at amortised cost;
  - If the Group's objective is to hold assets to collect both the contractual cash flows and the cash flows arising from the sale of assets and the cash flows are solely payments of principal and interest, in which case the financial assets are classified as measured at fair value through other comprehensive income;
  - If the financial assets do not fall under any of the above categories, they are classified as other business models and measured at fair value through profit or loss.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets' performance is assessed.

(b) For determining the cash flow characteristics of the asset, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed at initial recognition of a financial asset and it is not subsequently reassessed.

***Financial assets – reclassification***

Financial assets are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

***Financial assets – initial recognition and subsequent measurement***

Financial assets at fair value through profit or loss (FVTPL) are initially recognised at fair value. All other financial assets are initially recognised at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same financial instrument or by a valuation technique whose inputs include only data from observable markets.

An expected credit loss allowance is recognised for financial assets measured at amortised cost, resulting in an immediate accounting loss at initial recognition.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to purchase or sell a financial asset. All other purchases are recognised when the Group becomes a party to the contractual provisions of the instrument.

Dividends on equity financial assets measured at fair value through other comprehensive income ("FVOCI") are recognised in profit or loss for the year when the Group's right to receive payment is established and it is probable that the dividends will be collected.

Income and expenses attributable to financial assets measured at fair value through other comprehensive income are recognised in other comprehensive income and are not subsequently transferred to profit or loss.

Interest income on financial assets at amortised cost is included into finance income using the effective interest rate method. A gain or loss on derecognition of a financial asset is recognised directly in profit or loss.

### **3. Summary of Significant Accounting Policies (Continued)**

#### ***Financial assets impairment – ECL allowance***

Under IFRS 9 “Financial Instruments”, the Group recognises an ECL allowance for financial assets measured at AC.

The Group applies two approaches to ECL measurement: the general model and the simplified model.

The simplified model provides for recognition of allowance for expected credit losses in the amount equal to the lifetime ECL for the financial asset. The model is applied to trade and other receivables, contract assets and lease receivables.

For other financial assets the Company applies the general model which provides for the recognition of allowance for expected credit losses based on changes in the credit quality of the financial instrument since initial recognition:

- if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group estimates the loss allowance in the amount equal to 12-month expected credit losses;
- if the credit risk on a financial instrument has increased significantly since initial recognition, the Group estimates the loss allowance in the amount equal to lifetime expected credit losses;
- if the significant increase in credit risk (“SICR”) that was previously recognised is no longer supported at the current reporting date, the Group again estimates the loss allowance in the amount equal to 12-month expected credit losses.

The Group’s assessment of whether there has been a significant increase in credit risk (“SICR”) since initial recognition is based on the change in the risk of default for the financial instrument rather than on the change in the expected credit losses.

The Group measures ECL and recognises an allowance for credit losses at each reporting date. The measurement of ECL reflects: (a) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (b) time value of money and (c) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The allowance for expected credit losses is recognised in profit or loss. If in a subsequent period, the amount of the loss allowance for expected credit losses decreases and the decrease can be related objectively to an event occurring after the allowance for expected credit losses was recognised, the previously recognised loss is reversed through profit or loss. The carrying value of financial assets at the date of the ECL allowance reversal may not exceed the amortised cost that would have been recorded if no impairment had been recognised.

#### ***Financial assets – write-off***

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may also write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

#### ***Financial assets – derecognition***

The Group derecognises financial assets when (a) they are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

#### ***Classification of financial liabilities***

Financial liabilities are classified as subsequently measured at AC, except for financial liabilities at FVTPL: this classification is applied to derivatives and other financial liabilities designated as such at initial recognition.

The Group has no financial liabilities at fair value through profit or loss.

**3. Summary of Significant Accounting Policies (Continued)**

***Initial recognition and subsequent measurement of financial liabilities***

Financial liabilities that are subsequently measured at amortised cost, including trade and other payables and lease obligations, are initially recognised at their fair value, net of transaction costs, and are subsequently stated at amortised cost using the effective interest method.

***Financial liabilities – derecognition***

The Group derecognises financial liabilities when they are extinguished (i. e. when the obligation specified in the contract is discharged, cancelled or expires).

***Financial assets at amortised cost***

***Cash and cash equivalents***

Cash comprises cash on hand and cash deposited on demand at banks. Cash equivalents comprise current, highly liquid investments that are readily convertible into cash and have a maturity of three months or less from the date of acquisition and are subject to insignificant changes in value.

Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

***Loans issued and trade and other receivables***

Loans issued and trade and other receivables are initially recognised at the fair value taking into account the market rate of interest for similar borrowers at the date of origination of the receivables and are subsequently carried at amortised cost using the effective interest method less ECL allowance. Receivables are recorded inclusive of value added tax.

***Financial assets at fair value through other comprehensive income***

***Investments in equity securities***

Equity securities that are not quoted in an active market are recorded at fair value that is determined based on the comparative approach using market multipliers for similar banks.

***Financial liabilities at amortised cost***

***Trade and other payables***

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method. Trade and other payables are recorded inclusive of value added tax.

***Offsetting***

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off must not be contingent on a future event and must be legally enforceable in all of the following circumstances: (a) in the normal course of business, (b) in the event of default and (c) in the event of insolvency or bankruptcy.

***Share capital***

Ordinary shares are classified as share capital and are recorded at their par value. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

**3. Summary of Significant Accounting Policies (Continued)**

***Dividends***

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared and approved by shareholders before or on the reporting date. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

***Provisions for legal and other claims***

Provisions for legal and other claims are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The Group's uncertain tax positions are reassessed by management at the end of each reporting period, and 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 legislation that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on similar issues. Provisions for uncertain tax positions are recognised based on the best estimates by the Group's management of the expenditure required to settle the obligations at the end of the reporting period.

***Value-added tax***

Output value added tax related to sales is payable to tax authorities on the earlier of: (a) collection of advances from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. The ECL allowance is recorded for the gross amount of the debtor, including VAT.

***Other taxes***

Obligations on payment of mandatory charges and levies, such as taxes other than income tax and duties, are recorded upon occurrence of an obligating event resulting in the obligation to make such payments in accordance with the law, even if the calculation of such mandatory payments is based on the data from the period preceding the period for which they are due. If a mandatory payment is made prior to occurrence of an obligating event, it is recognised as prepayment.

***Property, plant and equipment***

Except as noted below, all property plant and equipment are stated at cost less accumulated depreciation and accrued impairment losses where required. The cost of property, plant and equipment held by the Group at 1 January 2011, the date of transition to IFRS, was determined by reference to its fair value. The fair value represented the assets' deemed cost and was the basis for charging depreciation on such property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to the Group and the value of these costs can be measured reliably.

The costs of repair and maintenance are expensed as incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Property, plant and equipment include assets under construction for future use as property, plant and equipment.

Gains and losses on disposals are determined by comparing proceeds from the sale with carrying amount and are recognised in profit or loss for the year.

**Grid Company Group****Notes to the Consolidated Financial Statements for the year ended 31 December 2020**

(in thousands of Russian Roubles)

**3. Summary of Significant Accounting Policies (Continued)*****Property, plant and equipment (continued)***

*Depreciation of property, plant and equipment.* Depreciation on items of property, plant and equipment is accrued using the straight-line method to allocate their cost to their residual values over their estimated useful lives: Land plots are not depreciated. The useful lives of assets by class of property, plant and equipment are as follows:

| <b>Type of facility</b>                   | <b>Useful life (in years)</b> |
|-------------------------------------------|-------------------------------|
| Buildings and installations               | 10 – 50                       |
| Electric power transmission grids         | 15 – 50                       |
| Transformers and transforming substations | 15 – 30                       |
| IT measurement equipment                  | 2 – 30                        |
| Other                                     | 2 – 30                        |

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each balance sheet date.

***Right-of-use assets***

The Group recognises right-of-use assets at the commencement date. Right-of-use asset arising under lease agreements are measured at original cost less accumulated amortisation and impairment losses. The cost of the right-of-use assets includes the following:

- the initial measurement amount of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred;
- costs to restore the asset to the condition required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain that it will obtain the title to the leased asset, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use assets are tested for impairment.

The average useful lives of right-of-use assets are presented as follows:

| <b>Type of right-of-use assets</b>        | <b>Useful life (in years)</b> |
|-------------------------------------------|-------------------------------|
| Land                                      | 2 – 50                        |
| Buildings and installations               | 10 – 50                       |
| Electric power transmission grids         | 15 – 50                       |
| Transformers and transforming substations | 15 – 30                       |
| IT measurement equipment                  | 16                            |
| Other                                     | 2 – 30                        |

As a rule, options to extend and to terminate the lease are provided for in lease agreements. These options are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The options to extend are not included in the lease term unless it is reasonably certain that the lease will be extended.

**3. Summary of Significant Accounting Policies (Continued)*****Lease liabilities***

At the lease commencement date the Group recognises a lease liability in the amount equal to the present value of lease payments to be made during the lease term. Lease payments include:

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable under residual value guarantees,
- exercise price of a purchase option, provided that the Group is reasonably certain to exercise that option;
- lease payments to be made under reasonably certain extension options if the lease is reasonably certain to be extended.

The lease payments are discounted using the interest rate implicit in the lease. If this rate is not easily determinable, which is generally the case with the Group's existing lease contracts, the Group applies the incremental borrowing rate, i.e. the rate that the Group would pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset with a cost similar to the cost of the right-of-use asset in a similar economic environment.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, or when the lease term is changed, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments under contracts on the lease of land plots from the government and municipal authorities are based on their cadastral value and are variable but do not depend on an index or a rate; therefore, they are recognised within lease costs in the period in which the event triggering the payment takes place.

***Short-term lease and lease of low value assets***

The Group uses a practical expedient to leases for which the lease term ends within 12 months and which do not have the option to extend the lease. The Group also applies the practical expedient to leases for which the value of underlying asset is below RR 300 thousand. Lease payments under short-term leases and lease of low value assets are expensed on a straight-line basis over the lease term and are recorded as lease expenses in the profit or loss.

***Intangible assets***

The carrying amount of intangible assets is based on the cost of their acquisition less accumulated amortisation. The Group's intangible assets primarily include software and R&D deliverables related to designing and testing new or enhanced methods and technologies used in production and purchased from third parties. All existing intangible assets have definite useful lives. Amortisation is accrued on a straight-line basis over the estimated useful lives of intangible assets from the date when they are available for use. Amortisation charges for the period are included within the current period expenses.

The following useful lives are established for intangible assets:

| <b>Asset</b>                                           | <b>Useful life (in years)</b> |
|--------------------------------------------------------|-------------------------------|
| Software products                                      | 3 – 15                        |
| Research and development, purchased from third parties | 4 – 5                         |

Development costs that are directly associated with identifiable software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding these costs is probable. Costs associated with computer software maintenance are expensed when incurred.

**3. Summary of Significant Accounting Policies (Continued)*****Impairment of non-financial assets***

At the end of each reporting period the Group's management assesses whether there is any indication of impairment of property, plant and equipment, right-of-use assets and intangible assets. If the Group identifies at least one such indication that their carrying amount may not be recoverable, management of the Group estimates the recoverable amount of property, plant and equipment, right-of-use assets and intangible assets, which is determined as the higher of: 1) the assets' fair value less costs to sell and 2) its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). The carrying amount of assets is reduced to the recoverable amount and the impairment loss is recognised in the profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a positive change in the estimates used to determine the recoverable amount of property, plant and equipment, right-of-use assets and intangible assets.

Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

***Non-current assets held for sale***

Non-current assets are classified as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction and not from its continued use. Non-current assets are classified as 'non-current assets held for sale' when all of the following conditions are met:

- a) the assets are available for immediate sale in their present condition;
- b) the Group's management approved and initiated an active programme to locate a buyer;
- c) the assets are actively marketed for a sale at a reasonable price;
- d) the sale is expected within one year;
- e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment loss arising when the asset's carrying amount is written down to its fair value less transaction costs is recognised in the profit or loss for the year.

Non-current assets classified as held for sale are not depreciated.

***Advances issued***

Prepayments are carried at cost less provision for impairment. Advances paid are classified as non-current when goods or services relating to these advances are expected to be obtained after one year, or when these advances relate to an asset which will itself be classified as non-current upon initial recognition. Advances paid to acquire an asset are included in its carrying amount once the Group obtains control over this asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other advances paid are charged to profit or loss when goods or services relating to the prepayments are received. If there is an indication that assets, goods or services relating to advances paid will not be received, the carrying value of the advances is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year. Advances paid are recognised in the consolidated statement of financial position net of VAT on advances paid.

***Inventories***

Inventories are recorded at the lower of cost and net realisable value. When inventories are disposed of in the normal course of the Group's business they are measured at FIFO, if they are disposed otherwise they are measured using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost to sell.

### **3. Summary of Significant Accounting Policies (Continued)**

#### ***Income tax***

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating costs.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for consolidated financial statements purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

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

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.

#### ***Advances from customers***

Advances received from customers are recorded in the consolidated financial statements at cost. Advances received are classified as non-current when services relating to the advances are expected to be obtained after one year. Advances from customers are recognised in the consolidated statement of financial position net of VAT on advances received.

#### ***Post-employment benefits and other social obligations***

The Group finances post-employment benefits plans in terms of employees who have less than ten years left to be awarded with their labour old-age pension under the Russian law. The programme is based on a defined benefit plan and allows employees to contribute a part of their salaries to the pension fund. The Group make additional payments of their own depending on the staff grade. The plan is managed by a non-state pension fund.

In the normal course of business, the Group contributes to the Russian Federation State Pension Plan on behalf of its employees. Mandatory contributions to the State Pension Plan and under the additional retirement insurance plan are expensed when incurred.

The Group also provides a number of post-employment and other long-term benefits which are defined benefit in nature. The programmes represent defined benefit plans. The plan covers most of the Group's employees and the closed group of pensioners retired before 1 January 2006. For current employees the Group provides lump sum payments upon retirement and jubilee payments at certain age or upon completion of a certain number of years of service.

The pensioners retired before 1 January 2006 receive regular life financial support. In addition, the Group makes annual payments to all retired employees for the International Day for Elderly People, compensates the expenses on SPA resort treatment and pays other benefits. All the benefits are fully unfunded. Expenses related to provision of post-employment and other long-term benefits are included in operating expenses in the consolidated statement of profit or loss and other comprehensive income.

### **3. Summary of Significant Accounting Policies (Continued)**

#### ***Post-employment benefits and other social obligations (Continued)***

The liability recognised in the consolidated statement of financial position in respect of the defined benefit pension plans is the net value of liabilities under the plans - the present value of liabilities at the reporting date less any unrecognised past service cost. The defined benefit obligation is calculated using the projected unit credit method. The net value of defined benefit obligations is determined through the discounting of the estimated future cash outflow using interest rates on government bonds of the Russian Federation which are denominated in the pension benefits currency and have a maturity term approximating the settlement terms of the related obligations.

Revaluation of net defined benefit liability is recognised immediately in other comprehensive income.

Payroll and current leave liabilities are recognised in the consolidated statement of profit or loss and other comprehensive income on an undiscounted basis as the employee's services are provided.

#### ***Environmental liabilities***

Liabilities for environmental remediation are recorded where there is a present obligation, reliable estimates can be made, and related expenses are probable.

#### ***Revenue recognition***

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised services or goods to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised net of value added tax.

The Group identifies the following performance obligations: rendering of electricity transmission services; rendering of services to connect the customers to the electricity grid network; other revenue.

The Group recognises revenue from rendering of electricity transmission services over time. Revenue from services is recognised in the reporting period in which they are rendered, based on the actual amount of services provided by the end of the reporting period.

Revenue from rendering of services to connect the customers to the electricity grid network and other revenue are recognised at a point in time. Revenue from rendering of services to connect the customers to the electricity grid network represents a non-refundable fee for connecting the customer to the electricity grid network. The terms, conditions and size of the fee are defined individually and do not depend on revenue from transmission services.

The Group provides services under fixed-price contracts. The customer pays the fixed amount based on a payment schedule. Contracts on provision of services to connect customers to the electricity grid network generally require prepayments.

Contracts for all types of revenue do not include a significant financing component as the payment dates agreed with the parties to the contracts do not provide a significant benefit from financing to customers and the Group. As a consequence, the Group does not adjust revenue for the time value of money.

*Contract assets.* A contract asset is the consideration to which the Group is entitled in exchange for the transfer of goods or services to the customer when this right is depended on fulfilment of certain conditions other than the expiration period of time.

*Trade receivables.* Receivables represent the Group's right to unconditional consideration, i.e. only the passage of time is required before the payment of that consideration is due.

*Contract liabilities.* A contract liability is the Group's obligation to transfer goods or services to the customer for which the Group received a consideration from the customer. Contract liabilities are recognised as revenue when the Group has performed its contractual obligations. The Group's contract liabilities are recorded in line "Advances from customers" of the consolidated statement of financial position. Advances received from customers mainly represent deferred income for future services to connect the customers to the electricity grid infrastructure and are recognised at the nominal value, net of VAT.

### **3. Summary of Significant Accounting Policies (Continued)**

#### ***Operating lease***

When the Group leases out its assets under an operating lease, which does not transfer substantially all the risks and rewards incidental to ownership to the lessee, the lease payments receivable are recognised as lease income on a straight-line basis over the lease term.

#### ***Finance income and expenses***

Finance income includes interest income on investments, interest income on loans issued, the effect from discounting financial instruments and interest income on cash and cash equivalents. Finance costs include interest expense under lease, effect of discounting financial instruments.

Interest income and expenses are recognised in profit and loss when incurred in the amount calculated using the effective interest rate method.

#### ***Changes in comparative information***

In the reporting year the Group changed the presentation of certain items of the consolidated statement of financial position and the statement of profit or loss and other comprehensive income, this resulted in the changed comparative information.

### **4. Critical Accounting Estimates and Judgements in Applying Accounting Policies**

The Group makes estimates and assumptions that affect the carrying amounts of assets and liabilities recognised in these consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and assumptions are continually critically evaluated and are based on management's experience and other factors, including expectations of future events which are believed to be reasonable under the circumstances. The Group's management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

Judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

#### ***Useful lives of property, plant and equipment***

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. In determining the useful life of an asset, management considers its expected usage, estimated technical obsolescence, physical wear and tear and the physical environment and use of the asset. Changes in any of these assumptions may result in adjustments for future depreciation rates. Additional information is disclosed in Note 8.

Management regularly reviews the useful lives of property, plant and equipment based on standard useful lives of typical property, plant and equipment. Standard useful lives of typical property, plant and equipment are determined based on the useful lives set out in the regulatory and technical documentation and the expert evaluation based on the experience in operating similar PP&E assets constructed or upgraded using advanced technological solutions. The effect of any changes in estimate is accounted for on a prospective basis.

#### ***Lease liabilities***

When recognising lease obligations for energy-service contracts classified as lease agreements in accordance with IFRS 16 "Leases", the Group applies the judgement that the electricity purchase rate to compensate for losses and the electricity transmission rate based on which payments under these contracts are determined represent the rate as set out in paragraph 27 (b) and 28 of IFRS 16.

#### **4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)**

##### ***Lease term***

The Group determines the lease term as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option. The Group uses judgement in assessing whether it is reasonable to exercise an option to extend a lease, considers all relevant facts and circumstances that create an economic incentive for the Group to exercise the option to extend the lease.

##### ***Post-employment benefit obligations***

Employee benefit plan liabilities are estimated using actuarial techniques and assumptions. Actuarial results may differ from the estimates, and the Group estimates can be revised in the future.

The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of corporate bonds of the Russian Federation that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 21.

##### ***Impairment of property, plant and equipment and right-of-use assets***

If any indication of impairment exists the Group tests property, plant and equipment and right-of-use assets for their impairment for each cash-generating unit. Electricity transmission activities of the Group are defined as a cash-generating unit. The recoverable amount of the cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of assumptions as further detailed in Note 8.

##### ***Provisions for legal and other claims***

The assessment of the time-limit for execution and the value of the estimated obligations for legal and other claims is associated with a high degree of uncertainty. The Group uses professional judgement to assess the likelihood of an event that will require the outflow of resources, estimates of the due dates and the value of estimated obligations. Additional information is disclosed in Note 29.

#### **5. Adoption of New or Revised Standards and Interpretations**

The following revised standards, amendments and interpretations became effective for the Group from 1 January 2020, but did not have any material effect on the consolidated financial statements of the Group:

***COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020)*** The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease.

***Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)***. The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions (in particular, the definition of a liability) and guidance and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

**5. Adoption of New or Revised Standards and Interpretations (Continued)**

**Definition of a business – Amendments to IFRS 3 “Business Combinations” (issued on 22 October 2018 and effective for acquisitions from the beginning of the annual reporting period that starts on or after 1 January 2020).**

The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term ‘outputs’ is narrowed to focus on goods or services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired operations and assets. An entity can apply a ‘concentration test’. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

**Definition of Material – Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).** The amendments clarify the definition of materiality and the application of this definition through providing the guidance regarding the definition that was previously provided in other IFRS standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of materiality is consistent across all IFRS Standards.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

**Interest Rate Benchmark Reform – Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosure” (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).**

The amendments were triggered by replacement of interest rate benchmarks such as LIBOR and other interbank offered rates (‘IBORs’). The amendments provide a temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be ‘highly probable’. Where these cash flows depend on an IBOR, the exemption provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking projection in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39.

IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the exemption applies from the moment when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in the consolidated statement of profit or loss and other comprehensive income under both IAS 39 and IFRS 9. The amendments set out triggers determining when the exemption will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and managing the transition process.

## **6. New Accounting Pronouncements**

The following new standards, interpretations and amendments thereto have been issued that are mandatory for annual periods beginning on or after 1 January 2021, and which the Group has not early adopted:

***IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).*** IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The new standard is not expected to have any material impact on the Group’s consolidated financial statements.

***Classification of Liabilities as Current and Non-Current – Amendments to IAS 1 “(Presentation of Financial Statements)” (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).*** These narrow scope amendments clarify that liabilities are classified as current or non-current depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to postpone their settlement for at least 12 months. The standard guidance no longer contains a requirement that such right should be unconditional. Management’s expectations on whether they will subsequently use the right to defer settlement does not impact classification of liabilities. The right to postpone settlement of liabilities exists only if the entity complies with all applicable covenants at the end of the period. The liability is classified as current if the covenant is violated as or before the reporting date even if at the end of the reporting period the creditor releases the entity from the obligation to comply with such covenant.

At the same time, the liability is classified as a non-current if the loan agreement covenant is violated only after the reporting date. In addition, the amendments include clarify requirements to the classification of debt which an entity may repay by converting it into entity’s equity. “Repayment” is determined as termination of the liability through settlements in the form of cash, other resources embodying economic benefits or the entity’s instruments. There is an exception in relation for convertible instruments that may be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument being and a separate component of a combined financial instrument. The amendments are not expected to have any material impact on the Group’s consolidated financial statements.

***Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 “Presentation of Financial Statements” (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).*** The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The amendments are not expected to have any impact on the Group’s consolidated financial statements.

***“Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” – Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the International Accounting Standard Board).*** These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The amendments are not expected to have any impact on the Group’s consolidated financial statements.

**6. New Accounting Pronouncements (Continued)**

*Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16 “Property, plant and equipment”, IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and IFRS 3 “Business Combinations”, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1 “Presentation of Financial Statements”, IFRS 9 “Financial Instruments”, IFRS 16 “Leases” and IAS 41 “Agriculture” (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).* The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment to IAS 37 clarifies the meaning of ‘costs to fulfil a contract’. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test. Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements.

The reason for the amendment is to remove any potential confusion about the treatment of lease incentives. IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent’s consolidated financial statements, based on the parent’s date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS.

The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The amendments are not expected to have any impact on the Group’s consolidated financial statements.

*Amendments to IFRS 17 “Insurance Contracts” and IFRS 4 “Insurance Contracts” (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).* The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- *Effective date:* The effective date of IFRS 17 (revised) has been postponed by two years. The standard should apply to annual reporting periods beginning on or after 1 January 2023. The fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.

**6. New Accounting Pronouncements (Continued)**

- *Expected recovery of insurance acquisition cash flows:* An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the consolidated financial statements.
- *Contractual service margin attributable to investment services:* Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an ‘investment-return service’ under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- *Reinsurance contracts held – recovery of losses:* When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- *Other adjustments:* Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the consolidated statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments. The amendments are not expected to have any impact on the Group’s consolidated financial statements.

***Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosure”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases” (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).*** The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- *Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform:* For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- *End date for Phase 1 relief for non contractually specified risk components in hedging relationships:* The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non- contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- *Additional temporary exceptions from applying specific hedge accounting requirements:* The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

## Grid Company Group

### Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(in thousands of Russian Roubles)

#### 6. New Accounting Pronouncements (Continued)

- Additional IFRS 7 disclosures related to IBOR reform:* The amendments require disclosure of: how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and a description of any changes to the risk management strategy as a result of IBOR reform. According to the Group's management, the new amendments are not expected to materially affect its consolidated financial statements.

***Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).*** IAS 1 was amended to include requirements for the entities to make material disclosures on its accounting policies instead of significant accounting policies.

Amendments include a definition of material disclosure of accounting policies. The amendments also clarify that disclosure of accounting policies is expected to be material if the users of financial statements will not be able to understand other material information in the financial statements without such information. The amendments include examples of accounting policies disclosure which is likely to be deemed material for the entity's financial statements. IAS 1 also clarifies that the entity is not required to disclose non-material information on the accounting policies. However, if such information is disclosed, it should not complicate the understanding of material information on the accounting policies. For supporting this amendment, changes were also made to IFRS Practice Statement 2: Making Materiality Judgements, which includes guidance on applying the concept of materiality to the disclosure of accounting policies. According to the Group's management, the new amendments are not expected to materially affect its consolidated financial statements.

***Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": "Definition of Accounting Estimates" (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).*** Amendment to IAS 8 clarifies that the entities should distinguish between changes in accounting policies and changes in estimates. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

#### 7. Transactions and Balances with Related Parties

The Republic of Tatarstan owns the majority of the Company's shares and is the controlling party of the Company.

In the course of their business, the Group companies operate with other companies, on which the Republic of Tatarstan or Russian Federation have significant influence or control, including industrial undertakings, financial institutions and various governmental agencies. Related party transactions are mainly based on regulated tariffs. The Group has part of its deposits opened with government related banks and at effective market rates.

The following services represent a majority of the Group's transactions with these entities in 2020 and 2019:

|                                                                     | 2020              | 2019              |
|---------------------------------------------------------------------|-------------------|-------------------|
| <b>Services provided by the Group</b>                               | <b>19,011,089</b> | <b>20,065,115</b> |
| Electricity transmission                                            | 18,934,285        | 19,940,065        |
| Repair and maintenance of power supply items                        | 76,804            | 78,132            |
| Connection services                                                 | -                 | 46,918            |
| <b>Finance income</b>                                               | <b>135,573</b>    | <b>271,944</b>    |
| Interest income on bank deposits and settlement accounts            | 135,573           | 271,944           |
| <b>Purchases of property, plant and equipment and other assets</b>  | <b>1,204,748</b>  | <b>2,184,765</b>  |
| Recognition of right-of-use assets                                  | 910,674           | 1,837,241         |
| Purchase of property, plant and equipment and intangible assets     | 218,478           | 274,770           |
| Purchase of inventories                                             | 75,596            | 72,754            |
| <b>Expenses incurred by the Group</b>                               | <b>3,237,532</b>  | <b>3,345,992</b>  |
| Services by allied grid companies                                   | 1,681,992         | 1,871,627         |
| Social expenditures and charity                                     | 705,771           | 687,131           |
| Electricity transmission through Unified National Electric Grid     | 599,710           | 492,738           |
| Electricity consumed in production                                  | 90,702            | 94,343            |
| Payments for housing construction under a social mortgage programme | 88,651            | 88,651            |
| Purchase of trip vouchers                                           | 22,378            | 71,316            |
| Communication services                                              | 44,654            | 43,546            |
| Accrual/(Recovery) of provision for expected credit losses          | 3,674             | (3,360)           |

## Grid Company Group

### Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(in thousands of Russian Roubles)

#### 7. Transactions and Balances with Related Parties (Continued)

Balances on the above transactions are as follows:

|                                                            | 31 December<br>2020 | 31 December<br>2019 |
|------------------------------------------------------------|---------------------|---------------------|
| Trade and other accounts receivables                       | 1,461,509           | 1,348,927           |
| Allowance for expected credit losses of account receivable | (6,106)             | (2,432)             |
| Bank deposits                                              | 387,663             | 1,481,254           |
| Cash and cash equivalents                                  | 549                 | 2,323,254           |
| Trade and other payables                                   | 471,309             | 358,607             |
| Prepayment of share issues                                 | 634,426             | -                   |
| Lease liabilities                                          | 2,513,017           | 1,837,241           |

Transactions with the Republic of Tatarstan and Russian Federation also include tax settlements disclosed in Notes 19 and 23. The Group makes contributions to a non-state pension fund which is controlled by the Russian Federation. Transactions with a non-state pension fund are disclosed in Note 21.

#### Remuneration to the key management personnel

Remuneration is paid to key management personnel of the Group for their services and is comprised of a contractual salary and performance bonuses, which are dependent on the results for the period according to the Russian statutory financial statements. During the reporting periods, the following remuneration was allocated:

|                                                  | 2020           | 2019           |
|--------------------------------------------------|----------------|----------------|
| Salaries and bonuses                             | 107,719        | 101,043        |
| State pension and social security costs          | 18,494         | 17,533         |
| Retirement benefits and other long-term benefits | 729            | 1,735          |
| Defined contribution plans                       | 640            | 709            |
| <b>Total</b>                                     | <b>127,582</b> | <b>121,020</b> |

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

#### 8. Property, Plant and Equipment

|                                                | Land            | Buildings<br>and<br>installations | Electric<br>power<br>transmission<br>grids | Transformers and<br>transforming<br>substations | IT<br>measure-<br>ment<br>equipment | Other              | Construc-<br>tion in<br>progress | Total               |
|------------------------------------------------|-----------------|-----------------------------------|--------------------------------------------|-------------------------------------------------|-------------------------------------|--------------------|----------------------------------|---------------------|
| <b>For 2020:</b>                               |                 |                                   |                                            |                                                 |                                     |                    |                                  |                     |
| <b>Cost</b>                                    |                 |                                   |                                            |                                                 |                                     |                    |                                  |                     |
| <b>At 31 December 2019</b>                     | <b>218,322</b>  | <b>11,344,699</b>                 | <b>54,294,411</b>                          | <b>35,679,927</b>                               | <b>4,205,590</b>                    | <b>2,293,256</b>   | <b>545,822</b>                   | <b>108,582,027</b>  |
| Reclassification between PP&E categories       | -               | 25,254                            | -                                          | (3,272)                                         | 3,218                               | (25,200)           | -                                | -                   |
| Additions                                      | 469             | 8,874                             | 272,383                                    | 138,292                                         | 11,378                              | 30,678             | 8,760,865                        | 9,222,939           |
| Transfer to/new PP&E items                     | 337             | 1,332,642                         | 3,371,823                                  | 2,323,939                                       | 1,499,786                           | 98,932             | (8,627,459)                      | -                   |
| Disposals                                      | (524)           | (17,274)                          | (107,281)                                  | (66,035)                                        | (52,483)                            | (9,116)            | (3,308)                          | (256,021)           |
| Transfer to assets held for sale               | -               | (16,458)                          | -                                          | -                                               | -                                   | (8)                | -                                | (16,466)            |
| <b>At 31 December 2020</b>                     | <b>218,604</b>  | <b>12,677,737</b>                 | <b>57,831,336</b>                          | <b>38,072,851</b>                               | <b>5,667,489</b>                    | <b>2,388,542</b>   | <b>675,920</b>                   | <b>117,532,479</b>  |
| <b>Accumulated depreciation and impairment</b> |                 |                                   |                                            |                                                 |                                     |                    |                                  |                     |
| <b>At 31 December 2019</b>                     | <b>(70,796)</b> | <b>(4,653,264)</b>                | <b>(23,256,182)</b>                        | <b>(16,482,192)</b>                             | <b>(2,030,090)</b>                  | <b>(1,184,665)</b> | <b>(94,489)</b>                  | <b>(47,771,678)</b> |
| Reclassification between PP&E categories       | -               | (6,786)                           | -                                          | 1,463                                           | (1,318)                             | 6,641              | -                                | -                   |
| Depreciation charge                            | -               | (264,929)                         | (1,523,171)                                | (1,078,988)                                     | (244,332)                           | (98,907)           | -                                | (3,210,327)         |
| Written-off on disposal                        | 180             | 12,541                            | 67,283                                     | 51,167                                          | 36,672                              | 9,705              | -                                | 177,548             |
| Transfer to assets held for sale               | -               | 8,349                             | -                                          | -                                               | -                                   | 6                  | -                                | 8,355               |
| Transfer to/new items to PP&E                  | -               | (18,278)                          | (4,985)                                    | (16,435)                                        | (2,410)                             | (139)              | 42,247                           | -                   |
| Recognition of impairment                      | (5,291)         | (277,580)                         | (1,183,964)                                | (734,668)                                       | (122,494)                           | (40,087)           | (22,302)                         | (2,386,386)         |
| <b>At 31 December 2020</b>                     | <b>(75,907)</b> | <b>(5,199,947)</b>                | <b>(25,901,019)</b>                        | <b>(18,259,653)</b>                             | <b>(2,363,972)</b>                  | <b>(1,307,446)</b> | <b>(74,544)</b>                  | <b>(53,182,488)</b> |
| <b>Net book value</b>                          |                 |                                   |                                            |                                                 |                                     |                    |                                  |                     |
| <b>At 31 December 2019</b>                     | <b>147,526</b>  | <b>6,691,435</b>                  | <b>31,038,229</b>                          | <b>19,197,735</b>                               | <b>2,175,500</b>                    | <b>1,108,591</b>   | <b>451,333</b>                   | <b>60,810,349</b>   |
| <b>At 31 December 2020</b>                     | <b>142,697</b>  | <b>7,477,790</b>                  | <b>31,930,317</b>                          | <b>19,813,198</b>                               | <b>3,303,517</b>                    | <b>1,081,096</b>   | <b>601,376</b>                   | <b>64,349,991</b>   |

## Grid Company Group

### Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(in thousands of Russian Roubles)

#### 8. Property, Plant and Equipment (Continued)

|                                                | Land            | Buildings and installations | Electric power transmission grids | Transformers and transforming substations | IT measurement equipment | Other              | Construction in progress | Total               |
|------------------------------------------------|-----------------|-----------------------------|-----------------------------------|-------------------------------------------|--------------------------|--------------------|--------------------------|---------------------|
| <b>For 2019:</b>                               |                 |                             |                                   |                                           |                          |                    |                          |                     |
| <b>Cost</b>                                    |                 |                             |                                   |                                           |                          |                    |                          |                     |
| <b>At 31 December 2018</b>                     | <b>216,784</b>  | <b>10,386,343</b>           | <b>50,835,314</b>                 | <b>33,696,662</b>                         | <b>3,656,672</b>         | <b>2,114,444</b>   | <b>1,228,265</b>         | <b>102,134,484</b>  |
| Reclassification to right-of-use assets        | -               | -                           | -                                 | (481,187)                                 | (44,207)                 | -                  | -                        | (525,394)           |
| Reclassification between PP&E categories       | -               | 14,180                      | (16,371)                          | (1,044)                                   | 1,194                    | 2,060              | -                        | 19                  |
| Additions                                      | 6,101           | 5,074                       | 194,867                           | 56,697                                    | 32,079                   | 136,636            | 7,256,326                | 7,687,780           |
| Transfer to/new PP&E items                     | -               | 1,151,833                   | 3,443,567                         | 2,584,305                                 | 580,582                  | 55,665             | (7,815,952)              | -                   |
| Disposals                                      | (4,561)         | (212,731)                   | (154,984)                         | (175,506)                                 | (20,729)                 | (15,550)           | (122,817)                | (706,878)           |
| Transfer to assets held for sale               | (2)             | -                           | (7,982)                           | -                                         | -                        | -                  | -                        | (7,984)             |
| <b>At 31 December 2019</b>                     | <b>218,322</b>  | <b>11,344,699</b>           | <b>54,294,411</b>                 | <b>35,679,927</b>                         | <b>4,205,591</b>         | <b>2,293,255</b>   | <b>545,822</b>           | <b>108,582,027</b>  |
| <b>Accumulated depreciation and impairment</b> |                 |                             |                                   |                                           |                          |                    |                          |                     |
| <b>At 31 December 2018</b>                     | <b>(66,681)</b> | <b>(4,230,684)</b>          | <b>(20,541,280)</b>               | <b>(14,780,865)</b>                       | <b>(1,697,167)</b>       | <b>(1,017,725)</b> | <b>(77,302)</b>          | <b>(42,411,704)</b> |
| Reclassification to right-of-use assets        | -               | -                           | -                                 | 24,408                                    | 3,203                    | -                  | -                        | 27,611              |
| Reclassification between PP&E categories       | -               | (10,906)                    | 4,648                             | 7,292                                     | (840)                    | (213)              | -                        | (19)                |
| Depreciation charge                            | -               | (278,227)                   | (1,638,603)                       | (1,108,674)                               | (266,082)                | (138,082)          | -                        | (3,429,668)         |
| Written-off on disposal                        | 1,502           | 121,363                     | 96,299                            | 106,697                                   | 13,638                   | 13,572             | -                        | 353,071             |
| Transfer to assets held for sale               | 1               | -                           | 4,691                             | -                                         | -                        | -                  | -                        | 4,692               |
| Recognition of impairment                      | (5,618)         | (254,810)                   | (1,181,937)                       | (731,050)                                 | (82,843)                 | (42,216)           | (17,187)                 | (2,315,661)         |
| <b>At 31 December 2019</b>                     | <b>(70,796)</b> | <b>(4,653,264)</b>          | <b>(23,256,182)</b>               | <b>(16,482,192)</b>                       | <b>(2,030,091)</b>       | <b>(1,184,664)</b> | <b>(94,489)</b>          | <b>(47,771,678)</b> |
| <b>Net book value</b>                          |                 |                             |                                   |                                           |                          |                    |                          |                     |
| <b>At 31 December 2018</b>                     | <b>150,103</b>  | <b>6,155,659</b>            | <b>30,294,034</b>                 | <b>18,915,797</b>                         | <b>1,959,505</b>         | <b>1,096,719</b>   | <b>1,150,963</b>         | <b>59,722,780</b>   |
| <b>At 31 December 2019</b>                     | <b>147,526</b>  | <b>6,691,435</b>            | <b>31,038,229</b>                 | <b>19,197,735</b>                         | <b>2,175,500</b>         | <b>1,108,591</b>   | <b>451,333</b>           | <b>60,810,349</b>   |

At 31 December 2020 and 31 December 2019, construction in progress was primarily represented by projects for the construction of new and reconstruction of existing PP&E assets aimed at ensuring reliable and uninterrupted power supply to consumers. The most significant commissioning of fixed assets in 2020 is associated with the reconstruction of the 220 kV Zelenodolskaya PS in the amount of RR 616,205 thousand (in 2019: RR 1,292,290 thousand), the construction of an industrial building of an administrative building with the reconstruction of the power grid complex of the 110 kV Chistopolskaya PS in the amount of RR 595,375 thousand (in 2019: RR 470,122 thousand) and the construction of the 110 kV substation Verkhniy Uslon in the amount of RR 364,573 thousand.

Other property, plant and equipment include motor vehicles, computer equipment, office fixtures and other equipment.

At 31 December 2020, property, plant and equipment include assets, which are fully depreciated but still in use, with historical cost of RR 3,352,752 thousand (at 31 December 2019: RR 3,122,442 thousand).

Had the useful life of property, plant and equipment been 10% shorter or longer than the Group management's estimates, the depreciation charge for the year ended 31 December 2020 would have been RR 358,538 thousand higher or RR 295,004 thousand lower, respectively (31 December 2019: RR 370,860 thousand higher or RR 286,583 thousand lower, respectively).

#### **Recoverable amount of property, plant and equipment and right-of-use assets**

The Russian government policy has been aimed at controlling the electricity tariff growth which evidences that there are objective indicators of the impairment of the Group's assets. At 31 December 2020 and 31 December 2019, the Group performed an impairment test of its property, plant and equipment and right-of-use assets to determine their recoverable amount.

At 31 December 2020, the carrying value of property, plant and equipment and right-of-use assets was RR 69,070,882 thousand (at 31 December 2019: RR 64,867,262 thousand). The recoverable amount of the PP&E and right-of-use assets (value in use) was calculated using the discounted cash flow method. This method allows determining future net cash flows to be generated by these property plant and equipment and right-of-use assets in the process of their operation until retirement.

## Grid Company Group

### Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(in thousands of Russian Roubles)

#### 8. Property, Plant and Equipment (Continued)

##### *Recoverable amount of property, plant and equipment and right-of-use assets (continued)*

The following inputs and assumptions were used for establishing the recoverable amount of the property, plant and equipment and right-of-use assets:

| Inputs and assumptions used for the impairment testing purposes | Year ended<br>31 December 2020                                                                                                                                                                                                                                                                                                        | Year ended<br>31 December 2019                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Forecast period                                                 | 7 years (from 2021 to 2027)                                                                                                                                                                                                                                                                                                           | 7 years (from 2020 to 2026)                                                                                                                                                                                                                                                                 |
| Discount rate before taxes (WACC-based)                         | 13.01%                                                                                                                                                                                                                                                                                                                                | 13.27%                                                                                                                                                                                                                                                                                      |
| Forecast electricity transmission tariffs                       | For 2021 – in accordance with the tariff decision of the regulator. Starting from 2022 – based on the method of long-term indexation of the required gross revenue, applicable at the reporting date                                                                                                                                  | For 2020 – in accordance with the tariff decision of the regulator. Starting from 2021 – based on the method of long-term indexation of the required gross revenue, applicable at the reporting date                                                                                        |
| Productive supply                                               | In 2021 – based on the consolidated forecast of electricity and capacity production and supply balance approved by the Russian Federal Anti-Monopoly Service for the Republic of Tatarstan for 2020, and using the electricity consumption growth index of 100.7% in 2022, 101.5% in 2023 and 101.6% for each year starting from 2024 | In 2020 – based on the consolidated forecast of electricity and capacity production and supply balance approved by the Russian Federal Anti-Monopoly Service for the Republic of Tatarstan for 2020. Starting from 2021 – using the electricity consumption growth index of 101.0% per year |
| Losses                                                          | The volume of losses for 2021 was adopted on the basis of the approved Consolidated Forecast Balance (Order of the FAS Russia dated November 26, 2020 No. 1164/20-DSP), from 2022 it corresponds with the dynamics of changes in the volume of productive supply                                                                      | Determined based on actual losses by level of voltage for 2019 as applied to the estimated input in the Company's grid.                                                                                                                                                                     |
| Projected loss value                                            | For 2021 – 2027 it was adopted based on the forecast of the Company at an unregulated price in the wholesale electricity and capacity market                                                                                                                                                                                          | For 2020 – 2026 it was adopted based on the forecast of the Company at an unregulated price in the wholesale electricity and capacity market                                                                                                                                                |
| Projected capital expenditures                                  | For 2021–2024 – based on 2020–2024 investment programme items approved by the Ministry of Energy and Trade of the Republic of Tatarstan;<br>In 2025-2027 – based on management's assessment of the required capital expenditures for maintenance of existing PP&E                                                                     | For 2020–2024 – based on 2020–2024 investment programme items approved by the Ministry of Energy and Trade of the Republic of Tatarstan;<br>In 2025-2026 – based on management's assessment of the required capital expenditures for maintenance of existing PP&E                           |
| Working capital needs                                           | Set at – 6.02% of the necessary gross revenue, based on the analysis of the Group's actual working capital requirements                                                                                                                                                                                                               | Set at – 5.74% of the necessary gross revenue, based on the analysis of the Group's actual working capital requirements                                                                                                                                                                     |
| Growth interest rate after the forecast period                  | 4% (as per a long-term CPI forecast published by Global Insight)                                                                                                                                                                                                                                                                      | 4.19% (as per a long-term CPI forecast published by Global Insight)                                                                                                                                                                                                                         |

\* Management believes that a forecast period of more than five years is more reliable as cash flows are not expected to stabilize within five years.

As a result of the testing performed at 31 December 2020, the Group recognised net decrease in the carrying value of property, plant and equipment and right-of-use assets in the amount of RR 2,561,457 thousand (at 31 December 2019, the Group recognised a net decrease in the carrying value of property, plant and equipment in the amount of RR 2,470,148 thousand). The decrease in the recoverable amount of the Group's PP&E and right-of-use assets as at 31 December 2020, is due to the fact that the established tariffs do not fully reimburse the capital costs incurred.

The most sensitive indicators in determining the recoverable amount of PP&E assets and right-of-use assets are the discount rate and the growth rate in the post-forecast period. Had the discount rate been 1.0% higher, the carrying value of property, plant and equipment and right-of-use assets would have decreased by RR 7,354,718 thousand (at 31 December 2019: RR 7,245,589 thousand). Had the discount rate been 1.0% lower, the carrying value of property, plant and equipment and right-of-use assets would have increased by RR 9,719,487 thousand (at 31 December 2019: RR 9,597,048 thousand).

**Grid Company Group****Notes to the Consolidated Financial Statements for the year ended 31 December 2020**

(in thousands of Russian Roubles)

**8. Property, Plant and Equipment (Continued)*****Recoverable amount of property, plant and equipment and right-of-use assets (continued)***

Had the growth interest rate in the post-forecast period been 1.0% higher, the carrying value of property, plant and equipment and right-of-use assets would have increased by RR 6,793,416 thousand (at 31 December 2019: RR 6,808,743 thousand). Had the growth interest rate in the post-forecast period been 1.0% lower, the carrying value of property, plant and equipment and right-of-use assets would have decreased by RR 5,110,260 thousand (at 31 December 2019: RR 5,132,923 thousand).

**9. Intangible Assets**

| <b>Cost</b>                               | <b>Software products</b> | <b>Research and development</b> | <b>Total</b>     |
|-------------------------------------------|--------------------------|---------------------------------|------------------|
| At 31 December 2019                       | 699,848                  | 147,745                         | 847,593          |
| Additions                                 | 275,035                  | 12,926                          | 287,961          |
| Disposals                                 | (1,680)                  | (9,397)                         | (11,077)         |
| <b>At 31 December 2020</b>                | <b>973,203</b>           | <b>151,274</b>                  | <b>1,124,477</b> |
| <b>Accumulated amortisation</b>           |                          |                                 |                  |
| At 31 December 2019                       | (97,307)                 | (76,818)                        | (174,125)        |
| Charge for the period                     | (51,752)                 | (16,516)                        | (68,268)         |
| Disposals                                 | 3,331                    | 2,078                           | 5,409            |
| <b>At 31 December 2020</b>                | <b>(145,728)</b>         | <b>(91,256)</b>                 | <b>(236,984)</b> |
| <b>Net book value at 31 December 2019</b> | <b>602,541</b>           | <b>70,927</b>                   | <b>673,468</b>   |
| <b>Net book value at 31 December 2020</b> | <b>827,475</b>           | <b>60,018</b>                   | <b>887,493</b>   |

| <b>Cost</b>                               | <b>Software products</b> | <b>Research and development</b> | <b>Total</b>     |
|-------------------------------------------|--------------------------|---------------------------------|------------------|
| At 31 December 2018                       | 353,600                  | 120,124                         | 473,724          |
| Additions                                 | 381,099                  | 27,621                          | 408,720          |
| Disposals                                 | (34,851)                 | -                               | (34,851)         |
| <b>At 31 December 2019</b>                | <b>699,848</b>           | <b>147,745</b>                  | <b>847,593</b>   |
| <b>Accumulated amortisation</b>           |                          |                                 |                  |
| At 31 December 2018                       | (96,436)                 | (63,845)                        | (160,281)        |
| Charge for the period                     | (16,396)                 | (12,973)                        | (29,369)         |
| Disposals                                 | 15,525                   | -                               | 15,525           |
| <b>At 31 December 2019</b>                | <b>(97,307)</b>          | <b>(76,818)</b>                 | <b>(174,125)</b> |
| <b>Net book value at 31 December 2018</b> | <b>257,164</b>           | <b>56,279</b>                   | <b>313,443</b>   |
| <b>Net book value at 31 December 2019</b> | <b>602,541</b>           | <b>70,927</b>                   | <b>673,468</b>   |

Intangible assets primarily include purchased software and intangible assets representing research and development materials (design documentation, methods and technologies used in production) purchased from third parties.

## Grid Company Group

### Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(in thousands of Russian Roubles)

#### 10. Right-of-use Assets and Lease Liabilities

|                                                | Land            | Buildings and installations | Electric power transmission grids | Transformers and transforming substations | IT measurement equipment | Other           | Total              |
|------------------------------------------------|-----------------|-----------------------------|-----------------------------------|-------------------------------------------|--------------------------|-----------------|--------------------|
| <b>For 2020:</b>                               |                 |                             |                                   |                                           |                          |                 |                    |
| <b>Cost</b>                                    |                 |                             |                                   |                                           |                          |                 |                    |
| <b>At 31 December 2019</b>                     | <b>48,568</b>   | <b>149,083</b>              | <b>246,604</b>                    | <b>481,187</b>                            | <b>3,507,809</b>         | <b>45,281</b>   | <b>4,478,532</b>   |
| Additions                                      | 23,493          | 71,528                      | 15,351                            | 210,465                                   | -                        | 993             | 321,830            |
| Changes in lease terms                         | 36,148          | 181,365                     | 748,749                           | -                                         | -                        | 2,940           | 969,202            |
| Disposals                                      | (128)           | -                           | -                                 | -                                         | -                        | -               | (128)              |
| <b>At 31 December 2020</b>                     | <b>108,081</b>  | <b>401,976</b>              | <b>1,010,704</b>                  | <b>691,652</b>                            | <b>3,507,809</b>         | <b>49,214</b>   | <b>5,769,436</b>   |
| <b>Accumulated depreciation and impairment</b> |                 |                             |                                   |                                           |                          |                 |                    |
| <b>At 31 December 2019</b>                     | <b>(7,922)</b>  | <b>(21,825)</b>             | <b>(46,556)</b>                   | <b>(58,985)</b>                           | <b>(277,953)</b>         | <b>(8,378)</b>  | <b>(421,619)</b>   |
| Changes in lease terms                         | (8,219)         | (19,849)                    | (66,915)                          | -                                         | -                        | -               | (94,983)           |
| Depreciation charge                            | (7,482)         | (26,670)                    | (40,134)                          | (59,587)                                  | (219,238)                | (3,770)         | (356,881)          |
| Disposals                                      | 8               | -                           | -                                 | -                                         | -                        | -               | 8                  |
| Recognition of impairment                      | (3,020)         | (11,930)                    | (30,649)                          | (20,492)                                  | (107,655)                | (1,325)         | (175,071)          |
| <b>At 31 December 2020</b>                     | <b>(26,635)</b> | <b>(80,274)</b>             | <b>(184,254)</b>                  | <b>(139,064)</b>                          | <b>(604,846)</b>         | <b>(13,473)</b> | <b>(1,048,546)</b> |
| <b>Net book value</b>                          |                 |                             |                                   |                                           |                          |                 |                    |
| <b>At 31 December 2019</b>                     | <b>40,646</b>   | <b>127,258</b>              | <b>200,048</b>                    | <b>422,202</b>                            | <b>3,229,856</b>         | <b>36,903</b>   | <b>4,056,913</b>   |
| <b>At 31 December 2020</b>                     | <b>81,446</b>   | <b>321,702</b>              | <b>826,450</b>                    | <b>552,588</b>                            | <b>2,902,963</b>         | <b>35,741</b>   | <b>4,720,890</b>   |

|                                            | Land           | Buildings and installations | Electric power transmission grids | Transformers and transforming substations | IT measurement equipment | Other          | Total            |
|--------------------------------------------|----------------|-----------------------------|-----------------------------------|-------------------------------------------|--------------------------|----------------|------------------|
| <b>For 2019:</b>                           |                |                             |                                   |                                           |                          |                |                  |
| <b>Cost</b>                                |                |                             |                                   |                                           |                          |                |                  |
| <b>At 1 January 2019</b>                   | <b>45,487</b>  | <b>107,048</b>              | <b>246,604</b>                    | <b>481,187</b>                            | <b>-</b>                 | <b>44,810</b>  | <b>925,136</b>   |
| Additions                                  | 3,081          | 42,035                      | -                                 | -                                         | 3,507,809                | 471            | 3,553,396        |
| <b>At 31 December 2019</b>                 | <b>48,568</b>  | <b>149,083</b>              | <b>246,604</b>                    | <b>481,187</b>                            | <b>3,507,809</b>         | <b>45,281</b>  | <b>4,478,532</b> |
| <b>Accumulated depreciation impairment</b> |                |                             |                                   |                                           |                          |                |                  |
| <b>At 1 January 2019</b>                   | <b>-</b>       | <b>-</b>                    | <b>-</b>                          | <b>(24,408)</b>                           | <b>-</b>                 | <b>(3,203)</b> | <b>(27,611)</b>  |
| Depreciation charge                        | (6,374)        | (16,979)                    | (38,938)                          | (18,500)                                  | (154,960)                | (3,770)        | (239,521)        |
| Recognition of impairment                  | (1,548)        | (4,846)                     | (7,618)                           | (16,077)                                  | (122,993)                | (1,405)        | (154,487)        |
| <b>At 31 December 2019</b>                 | <b>(7,922)</b> | <b>(21,825)</b>             | <b>(46,556)</b>                   | <b>(58,985)</b>                           | <b>(277,953)</b>         | <b>(8,378)</b> | <b>(421,619)</b> |
| <b>Net book value</b>                      |                |                             |                                   |                                           |                          |                |                  |
| <b>At 1 January 2019</b>                   | <b>45,487</b>  | <b>107,048</b>              | <b>246,604</b>                    | <b>456,779</b>                            | <b>-</b>                 | <b>41,607</b>  | <b>897,525</b>   |
| <b>At 31 December 2019</b>                 | <b>40,646</b>  | <b>127,258</b>              | <b>200,048</b>                    | <b>422,202</b>                            | <b>3,229,856</b>         | <b>36,903</b>  | <b>4,056,913</b> |

In 2019 the Group recognized the right-of-use assets in the amount of RR 3,507,809 in accordance with IFRS 16 under energy-service contracts concluded with the companies of PAO "Rostelecom" and OOO "Smartenergo" for the installation of 120,000 points of smart metering for electricity in order to reduce electricity losses and increase productive supply.

To recognise lease liabilities in 2020 and 2019, the Group used the lessee's weighted average incremental borrowing rate, determined at the date of entering the lease agreement.

**Grid Company Group****Notes to the Consolidated Financial Statements for the year ended 31 December 2020**

(in thousands of Russian Roubles)

**10. Right-of-use Assets and Lease Liabilities (Continued)**

Reconciliation of changes in liabilities and cash flows from operations is presented below:

|                                                                  | 31 December<br>2020 | 31 December<br>2019 |
|------------------------------------------------------------------|---------------------|---------------------|
| <b>Lease liabilities at the beginning of the period</b>          | <b>3,757,097</b>    | <b>603,341</b>      |
| Lease liabilities under new contracts                            | 321,830             | 3,553,396           |
| Revaluation of liabilities as a result of changes in lease terms | 874,032             | -                   |
| <b>Changes related to cash flows from operations</b>             |                     |                     |
| Settlement of liabilities and interest under lease agreements    | (814,570)           | (644,723)           |
| Payments in prior periods                                        | -                   | (60,000)            |
| <b>Total changes related to cash flows from operations</b>       | <b>(814,570)</b>    | <b>(704,723)</b>    |
| <b>Other changes</b>                                             |                     |                     |
| Interest expenses                                                | 358,327             | 305,083             |
| <b>Total other changes</b>                                       | <b>358,327</b>      | <b>305,083</b>      |
| <b>Lease liabilities at the end of the period</b>                | <b>4,496,716</b>    | <b>3,757,097</b>    |

Interest expenses included in finance costs in 2020 amounted to RR 358,327 thousand (in 2019: RR 305,083 thousand).

As at 31 December 2020, the Group revalued the lease liability and the value of the right-of-use assets in connection with the revision of the expected lease terms of the assets, taking into account the option to extend and terminate the lease.

If the expected lease term of the assets was 10% less or 10% more, the amount of the lease liability and the value of the right-of-use assets as at 31 December 2020 would be RR 28,445 thousand less (as at 31 December 2019: RR 23,766 thousand) or RR 22,525 thousand more, respectively (as at 31 December 2019: RR 18,820 thousand).

The Group leases land plots, as well as movable and immovable property owned by local governments and other enterprises and institutions, under operating leases. Lease agreements are concluded for fixed periods, but may provide for the possibility of extending the lease agreement.

The future (undiscounted) cash flows that are expected to be paid by the Group over the lease term were not included in the lease liability because they included variable lease payments under land leases that depend on the cadastral value:

|                    | 31 December<br>2020 | 31 December<br>2019 |
|--------------------|---------------------|---------------------|
| Less than one year | 6,457               | 7,717               |
| One to five years  | 22,557              | 28,148              |
| Over five years    | 171,030             | 226,535             |
| <b>Total</b>       | <b>200,044</b>      | <b>262,400</b>      |

Had the cadastral value of land plots grown by 10% under such contracts, the total lease payments would have grown by RR 20,004 thousand at 31 December 2020 (at 31 December 2019 - RR 26,240 thousand).

**11. Subsidiaries and Associates**

The table below includes information about the companies that are under control or significant influence of AO Grid Company:

| Company                                  | Principal activity                            | Type       | Ownership interest at<br>31 December 2020, % | Ownership interest at<br>31 December 2019, % |
|------------------------------------------|-----------------------------------------------|------------|----------------------------------------------|----------------------------------------------|
| CHOU DPO "Centre for work under voltage" | Additional professional education activities  | subsidiary | 100.00                                       | 100.00                                       |
| OOO «Telecomenergo»                      | Telecommunications based on wire technologies | associate  | 49.00                                        | -                                            |

On 16 July 2020, AO Grid Company jointly with OOO «TTK-Digital» and AO «Svyazinvestneftekhim» established OOO «Telecomenergo» for implementing joint investment projects in wireless telecommunications.

## Grid Company Group

### Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(in thousands of Russian Roubles)

#### 12. Investments in Equity Securities

|              | At 31 December 2020 |                | At 31 December 2019 |                |
|--------------|---------------------|----------------|---------------------|----------------|
|              | Ownership %         | Carrying value | Ownership %         | Carrying value |
| PAO Akibank  | 8.24%               | 141,923        | 8.24%               | 196,555        |
| <b>Total</b> |                     | <b>141,923</b> |                     | <b>196,555</b> |

At 31 December 2020 and 31 December 2019, the Group's investments in the shares of PAO Akibank were carried at fair value determined based on the comparative approach using market multipliers for similar banks, since PAO Akibank's shares are not quoted at the exchange, and public sources do not contain any information on the price of recent trading transactions with the shares. In 2020, the Group recognised a RR 54,632 thousand decrease in the fair value of investments in PAO Akibank, which was recognised within other comprehensive income for the year ended 31 December 2020 (2019: a RR 47,350 thousand increase in the fair value of investments). A revaluation provision of RR 104,785 thousand (at 31 December 2019: RR 61,079 thousand) for investments in equity securities, including deferred taxes, was recognised in the consolidated statement of financial position.

Had the market multiplier for the carrying value or equity of PAO Akibank at 31 December 2020 been 10% higher or 10% lower than the Group management's estimates, the fair value of investments in the shares of PAO Akibank for the year ended 31 December 2020 would have been RR 14,192 thousand higher or lower, respectively (31 December 2019: RR 19,656 thousand higher or lower, respectively).

#### 13. Other Non-current Assets

|                                                               | At 31 December 2020 | At 31 December 2019 |
|---------------------------------------------------------------|---------------------|---------------------|
| Long-term other receivables                                   | 15,766              | 37,516              |
| ECL allowance for other accounts receivable                   | -                   | (34)                |
| Long-term loans issued                                        | 6,680               | 5,314               |
| Long-term trade receivables                                   | 1,313               | 1,437               |
| ECL allowance for trade receivables                           | (3)                 | (1)                 |
| <b>Total financial assets within other non-current assets</b> | <b>23,756</b>       | <b>44,232</b>       |
| Advances to construction companies and suppliers of PP&E      | 2,493,101           | 1,103,866           |
| Deferred employee benefits                                    | 24,542              | 23,440              |
| <b>Total</b>                                                  | <b>2,541,399</b>    | <b>1,171,538</b>    |

Long-term loans represent loans issued to employees. The Group provides interest-bearing long-term loans to its employees on the terms of full or partial or write-off of the debt if the employee is employed by the company until the expiration of the loan agreement. These loans to be written off against the Group's funds are classified as deferred employee benefits. Long-term loans issued to the employees are secured by third party guarantees. At 31 December 2020, the guarantee amount in accordance with the terms of the agreement is RR 50,132 thousand (31 December 2019: RR 43,262 thousand).

At 31 December 2020, advances paid to construction companies and suppliers of property, plant and equipment are attributable to: RR 385,149 thousand – to the contract with OOO SVSESS for the construction of 35 kV indoor switchgear, including reconstruction of 220 kV switchgear at 500 kV substation in Bugulma, RR 351,984 thousand – to the contract with OOO UK KER Holding for the construction and reconstruction of a complex of 110-220 kV facilities in Nizhnekamsky energy district.

At 31 December 2019, advances paid to construction companies and suppliers of property, plant and equipment are attributable to: RR 331,531 thousand – to the contract with OOO UK KER-Holding for the construction of 220 kV Zelenodolskaya, RR 175,396 thousand – to the contract with OOO Opora Plus for the construction of the 110 kV Substation Verkhniy Uslon with the reconstruction of the 35 kV OHTL Kuralovo-Pechishchi, which is part of the Energy Industrial Technological Complex No. 1 of the Verkhneuslonsky District, the 35 kV OHTL Matyushino-Pechishchi with access to the 110 kV Substation Verkhniy Uslon.

At 31 December 2020, repayment of advances paid to construction companies and suppliers of property, plant and equipment is secured by bank guarantees issued for RR 1,223,324 thousand (31 December 2019: RR 936,222 thousand).

## Grid Company Group

### Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(in thousands of Russian Roubles)

#### 14. Inventory

|                         | At 31 December<br>2020 | At 31 December<br>2019 |
|-------------------------|------------------------|------------------------|
| Raw and other materials | 150,631                | 176,050                |
| Work clothes in use     | 100,461                | 107,264                |
| Other                   | 10,144                 | 909                    |
| <b>Total</b>            | <b>261,236</b>         | <b>284,223</b>         |

The cost of inventories recognised over the reporting period represents as expenses on raw materials and other materials is RR 763,926 thousand (2019: RR 849,061 thousand) (Note 26).

At 31 December 2020 and 31 December 2019, none of the Group's inventories were under pledge.

#### 15. Trade and Other Receivables

|                                                                  | At 31 December<br>2020 | At 31 December<br>2019 |
|------------------------------------------------------------------|------------------------|------------------------|
| Trade accounts receivable                                        | 1,710,693              | 1,552,251              |
| ECL allowance for trade receivables                              | (62,861)               | (14,994)               |
| Other accounts receivable                                        | 59,214                 | 104,074                |
| ECL allowance for other accounts receivable                      | (23,999)               | (39,890)               |
| Short-term loans issued                                          | 3,902                  | 3,296                  |
| <b>Total financial assets within trade and other receivables</b> | <b>1,686,949</b>       | <b>1,604,737</b>       |
| Prepayments to suppliers                                         | 48,292                 | 39,117                 |
| Deferred employee benefits (current portion)                     | 13,470                 | 12,002                 |
| Taxes prepaid                                                    | 4,645                  | 18,145                 |
| VAT recoverable                                                  | 131                    | 112                    |
| <b>Total</b>                                                     | <b>1,753,487</b>       | <b>1,674,113</b>       |

Short-term loans issued include current portion of loans issued to employees.

The Group applies two approaches to assessment of its credit risk expose with respect to ECL under IFRS 9: a general model and a simplified model. Note 30 provides information about inputs, assessment criteria and assumptions used for ECL calculation purposes.

Management believes that the Group will be able to settle its receivables through direct collection of cash and, therefore, the carrying amounts of these receivables approximate their fair values.

Movements in allowance for expected credit losses are as follows:

|                                      | Trade receivables | Other receivables | Total         |
|--------------------------------------|-------------------|-------------------|---------------|
| <b>Balance at 1 January 2020</b>     | <b>14,995</b>     | <b>39,924</b>     | <b>54,919</b> |
| Accrued ECL allowance                | 58,580            | 10,684            | 69,264        |
| Amounts written off as uncollectable | (193)             | (781)             | (974)         |
| Released ECL allowance               | (10,518)          | (25,828)          | (36,346)      |
| <b>Balance at 31 December 2020</b>   | <b>62,864</b>     | <b>23,999</b>     | <b>86,863</b> |

|                                      | Trade receivables | Other receivables | Total         |
|--------------------------------------|-------------------|-------------------|---------------|
| <b>Balance at 1 January 2019</b>     | <b>18,379</b>     | <b>35,132</b>     | <b>53,511</b> |
| Accrued ECL allowance                | 4,951             | 19,058            | 24,009        |
| Amounts written off as uncollectable | (3,394)           | (9,418)           | (12,812)      |
| Released ECL allowance               | (4,941)           | (4,848)           | (9,789)       |
| <b>Balance at 31 December 2019</b>   | <b>14,995</b>     | <b>39,924</b>     | <b>54,919</b> |

**Grid Company Group**
**Notes to the Consolidated Financial Statements for the year ended 31 December 2020**

(in thousands of Russian Roubles)

**16. Short-term Investments**

| Rating        | Rating agency | At 31 December 2020 |                | At 31 December 2019 |                |
|---------------|---------------|---------------------|----------------|---------------------|----------------|
|               |               | Rate, %             | Carrying value | Rate, %             | Carrying value |
| Bank deposits |               |                     |                |                     |                |
| BB            | ACRA          | 4.65                | 1,003,939      | -                   | -              |
| Ba1           | Moody's       | 4.95                | 387,662        | 7.85                | 750,063        |
| Ba3           | Moody's       | -                   | -              | 7.6                 | 731,191        |
| BB-           | ACRA          | -                   | -              | 7.5–7.75            | 1,509,661      |
| Total         |               |                     | 1,391,601      |                     | 2,990,915      |

Bank deposits are for a term of up to one year and are fixed rate deposits.

**17. Cash and Cash Equivalents**

| Rating                                     | Rating agency | At 31 December 2020 | At 31 December 2019 |
|--------------------------------------------|---------------|---------------------|---------------------|
| <b>Cash at bank and in hand</b>            |               |                     |                     |
| BB                                         | ACRA          | 576,396             | -                   |
| Baa3                                       | Moody's       | 497                 | 403                 |
| Ba3                                        | Moody's       | 41                  | 149                 |
| B1                                         | Moody's       | 7                   | 12                  |
| Ba1                                        | Moody's       | 6                   | 36                  |
| Ba2                                        | Moody's       | 4                   | -                   |
| BB-                                        | ACRA          | -                   | 73,942              |
| BBB+                                       | ACRA          | -                   | 3                   |
| <b>Total cash at bank and cash in hand</b> |               | <b>576,951</b>      | <b>74,545</b>       |
| <b>Cash equivalents</b>                    |               |                     |                     |
| BB                                         | ACRA          | 43,057              | -                   |
| Baa3                                       | Moody's       | -                   | 1,819,066           |
| Ba1                                        | Moody's       | -                   | 503,618             |
| BB-                                        | ACRA          | -                   | 29,071              |
| <b>Total cash equivalents</b>              |               | <b>43,057</b>       | <b>2,351,755</b>    |
| <b>Total cash and cash equivalents</b>     |               | <b>620,008</b>      | <b>2,426,300</b>    |

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents. Cash equivalents represent deposits with maturities less than three months.

**18. Equity**
**Share capital**

|                 | Number of shares issued, set out in the Charter and fully paid, items |                       | Share capital       |                     |
|-----------------|-----------------------------------------------------------------------|-----------------------|---------------------|---------------------|
|                 | At 31 December 2020                                                   | At 31 December 2019   | At 31 December 2020 | At 31 December 2019 |
| Ordinary shares | 14,405,345,396                                                        | 14,405,345,396        | 7,932,212           | 7,932,212           |
| <b>Total</b>    | <b>14,405,345,396</b>                                                 | <b>14,405,345,396</b> | <b>7,932,212</b>    | <b>7,932,212</b>    |

Share capital consists of 14,405,345,396 ordinary shares with a par value of RR 0.5 per share. Share capital was adjusted for the effects of inflation that existed in Russia up to the end of 2002. The Company has the right to issue, in addition to the outstanding shares, 1,000,000,000 ordinary registered uncertified shares which provide the same rights as the placed ordinary registered uncertified shares.

In 2019, the charter capital amount was increased by RR 261,534 thousand based on the report on the results of the additional issue of ordinary registered shares registered by the Bank of Russia on 30 December 2019.

**Grid Company Group****Notes to the Consolidated Financial Statements for the year ended 31 December 2020**

(in thousands of Russian Roubles)

**18. Equity (continued)**

**Additional issue of shares.** On 22 September 2020, the extraordinary general shareholder's meeting adopted a resolution to increase the Company's share capital by placement through private subscription of additional 830,000,000 ordinary shares with a par value of RR 3.64 per share. On 10 November 2020, the Bank of Russia completed the state registration of additional issue of the Company's ordinary shares. At 31 December 2020, 75,050,220 ordinary shares of additional issue have been prepaid by Non-Profit "The President's State Housing Fund of the Republic of Tatarstan", 90,832,966 ordinary shares of additional issue have been prepaid by the State Unitary Enterprise of the Republic of Tatarstan "Electric Grids" and 8,409,646 ordinary shares of additional issue have been prepaid by PAO Tatneft named after V.D. Shashin. This additional issue will be placed on 10 November 2021. Changes related to the increase in the authorized capital, in accordance with the procedure established by law, will be made to the Articles of Association based on the results of the placement of an additional issue of ordinary registered shares and the registration of a report on the results of the issue.

**Dividends.** In accordance with Russian legislation, the Company distributes net profit as dividends on the basis of financial statements prepared in accordance with Russian Accounting Rules. Net statutory profit of the Company as reported in the published statutory financial statements for the year ended 31 December 2020 was RR 264,744 thousand (for the year ended 31 December 2019: RR 1,896,809 thousand). The General Meeting of the Company's shareholders held on 15 July 2020 decided not to pay (not to declare) dividends on ordinary shares based on the 2019 results.

**19. Income Tax**

The Group's income tax expense is as follows:

|                             | 2020           | 2019           |
|-----------------------------|----------------|----------------|
| Current income tax expense  | 445,515        | 619,056        |
| Deferred income tax expense | 341,318        | 32,914         |
| <b>Income tax expense</b>   | <b>786,833</b> | <b>651,970</b> |

The following table presents a reconciliation of the theoretical income tax charge to the amount of actual income tax expense recorded in the consolidated statement of profit or loss and other comprehensive income:

|                                                                                  | 2020             | 2019             |
|----------------------------------------------------------------------------------|------------------|------------------|
| <b>Profit before tax</b>                                                         | <b>1,134,285</b> | <b>1,990,071</b> |
| Theoretical income tax expense at the rate of 20%                                | 226,857          | 398,014          |
| Tax effect of income and expenses which are not assessable for taxation purposes | 557,856          | 264,537          |
| Tax effect of other comprehensive income items                                   | 1,855            | (10,455)         |
| Other                                                                            | 265              | (126)            |
| <b>Total income tax expense</b>                                                  | <b>786,833</b>   | <b>651,970</b>   |

Net deferred tax liabilities are attributable to the following:

|                                            | 31 December<br>2020 | 31 December<br>2019 |
|--------------------------------------------|---------------------|---------------------|
| Deferred income tax assets                 | (1,237,955)         | (1,186,402)         |
| Deferred income tax liabilities            | 6,571,509           | 6,189,564           |
| <b>Net deferred income tax liabilities</b> | <b>5,333,554</b>    | <b>5,003,162</b>    |

Differences between IFRS statutory tax regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for consolidated financial statements purposes and their tax bases. The tax effect of the movements in these temporary differences for the reporting period is detailed below and is recorded at the rate of 20% (2019: 20 %).

**Grid Company Group**
**Notes to the Consolidated Financial Statements for the year ended 31 December 2020**

(in thousands of Russian Roubles)

**19. Income Tax (continued)**

The deferred tax balances relate to the following assets and liabilities:

|                                       | At<br>31 December<br>2019 | Recognised<br>in profit or<br>loss | Recognised<br>within other<br>comprehensive<br>income | At<br>31 December<br>2020 |
|---------------------------------------|---------------------------|------------------------------------|-------------------------------------------------------|---------------------------|
| <b>Deferred tax liabilities</b>       |                           |                                    |                                                       |                           |
| Property, plant and equipment         | 5,345,499                 | 247,072                            | -                                                     | 5,592,571                 |
| Right-of-use assets                   | 811,383                   | 132,795                            | -                                                     | 944,178                   |
| Intangible assets                     | 11,293                    | 1,293                              | -                                                     | 12,586                    |
| Inventories                           | 21,389                    | 785                                | -                                                     | 22,174                    |
| Trade and other receivables           | -                         | -                                  | -                                                     | -                         |
| <b>Total deferred tax liabilities</b> | <b>6,189,564</b>          | <b>381,945</b>                     | <b>-</b>                                              | <b>6,571,509</b>          |
| <b>Deferred tax assets</b>            |                           |                                    |                                                       |                           |
| Investments in equity securities      | (18,360)                  | (44)                               | (10,926)                                              | (29,330)                  |
| Other non-current assets              | (27,122)                  | 12,533                             | -                                                     | (14,589)                  |
| Trade and other receivables           | (16,836)                  | (38,618)                           | -                                                     | (55,454)                  |
| Cash and cash equivalents             | (25)                      | 21                                 | -                                                     | (4)                       |
| Lease liabilities                     | (751,418)                 | (147,925)                          | -                                                     | (899,343)                 |
| Advances from customers               | (12,422)                  | 12,422                             | -                                                     | -                         |
| Employee benefit obligations          | (39,167)                  | (307)                              | -                                                     | (39,474)                  |
| Provisions for legal and other claims | (186,026)                 | 181,649                            | -                                                     | (4,377)                   |
| Trade and other payables              | (135,026)                 | (60,358)                           | -                                                     | (195,384)                 |
| <b>Total deferred tax assets</b>      | <b>(1,186,402)</b>        | <b>(40,627)</b>                    | <b>(10,926)</b>                                       | <b>(1,237,955)</b>        |
| <b>Deferred tax liabilities, net</b>  | <b>5,003,162</b>          | <b>341,318</b>                     | <b>(10,926)</b>                                       | <b>5,333,554</b>          |

|                                       | At<br>31 December<br>2018 | Effect of<br>adopting<br>IFRS 16 | Recognised<br>in profit or<br>loss | Recognised<br>within other<br>comprehensive<br>income | At<br>31 December<br>2019 |
|---------------------------------------|---------------------------|----------------------------------|------------------------------------|-------------------------------------------------------|---------------------------|
| <b>Deferred tax liabilities</b>       |                           |                                  |                                    |                                                       |                           |
| Property, plant and equipment         | 5,337,196                 | (99,557)                         | 107,860                            | -                                                     | 5,345,499                 |
| Right-of-use assets                   | -                         | 179,505                          | 631,878                            | -                                                     | 811,383                   |
| Intangible assets                     | 12,917                    | -                                | (1,624)                            | -                                                     | 11,293                    |
| Inventories                           | 24,706                    | -                                | (3,317)                            | -                                                     | 21,389                    |
| Trade and other receivables           | 3,651                     | -                                | (3,651)                            | -                                                     | -                         |
| <b>Total deferred tax liabilities</b> | <b>5,378,470</b>          | <b>79,948</b>                    | <b>731,146</b>                     | <b>-</b>                                              | <b>6,189,564</b>          |
| <b>Deferred tax assets</b>            |                           |                                  |                                    |                                                       |                           |
| Investments in equity securities      | (27,830)                  | -                                | -                                  | 9,470                                                 | (18,360)                  |
| Other non-current assets              | (38,835)                  | -                                | 11,713                             | -                                                     | (27,122)                  |
| Trade and other receivables           | -                         | -                                | (16,836)                           | -                                                     | (16,836)                  |
| Cash and cash equivalents             | (32)                      | -                                | 7                                  | -                                                     | (25)                      |
| Lease liabilities                     | (33,994)                  | (86,673)                         | (630,751)                          | -                                                     | (751,418)                 |
| Advances from customers               | (18,530)                  | -                                | 6,108                              | -                                                     | (12,422)                  |
| Employee benefit obligations          | (33,504)                  | -                                | (5,663)                            | -                                                     | (39,167)                  |
| Provisions for legal and other claims | (102,529)                 | -                                | (83,497)                           | -                                                     | (186,026)                 |
| Trade and other payables              | (155,713)                 | -                                | 20,687                             | -                                                     | (135,026)                 |
| <b>Total deferred tax assets</b>      | <b>(410,967)</b>          | <b>(86,673)</b>                  | <b>(698,232)</b>                   | <b>9,470</b>                                          | <b>(1,186,402)</b>        |
| <b>Deferred tax liabilities, net</b>  | <b>4,967,503</b>          | <b>(6,725)</b>                   | <b>32,914</b>                      | <b>9,470</b>                                          | <b>5,003,162</b>          |

**20. Advances from Customers**

|                                                                  | 31 December<br>2020 | At 31 December<br>2019 |
|------------------------------------------------------------------|---------------------|------------------------|
| Advances received under connection contracts                     | 406,398             | 70,633                 |
| <b>Total long-term advances received</b>                         | <b>406,398</b>      | <b>70,633</b>          |
| Advances received under connection contracts                     | 272,151             | 335,114                |
| Advances received under contracts for the sale of other services | 178,074             | 29,047                 |
| Advances received under assets purchase-and-sale contracts       | 6,490               | 2,237                  |
| Advances received under electric-power transmission contracts    | 1,394               | 2,139                  |
| <b>Total short-term advances received</b>                        | <b>458,109</b>      | <b>368,537</b>         |

**Grid Company Group****Notes to the Consolidated Financial Statements for the year ended 31 December 2020**

(in thousands of Russian Roubles)

**20. Advances from Customers (continued)**

Advances received under connection contracts, contracts for the sale of other services and electric-power transmission contracts represent obligations under contracts with customers in accordance with IFRS 15 "Revenue from contracts with customers".

At 1 January 2020, revenue of RR 283,446 thousand was recognised for short-term obligations under contracts with customers in the current reporting period. At 1 January 2019, revenue of RR 490,908 thousand was recognised for short-term obligations under contracts with customers, in the current reporting period 2019: RR 358,515 thousand.

**21. Employee Benefit Obligations*****Defined contribution plans***

The Group finances post-employment benefits plans in terms of employees who have less than ten years left to be awarded with their labour old-age pension under the Russian law. The programme is based on a defined benefit plan and allows employees to contribute a part of their salaries to the pension fund. The Group makes its own additional payments depending on the staff grade. The plan is managed by a non-state pension fund. The 2020 costs related to the plan made RR 16,072 thousand (2019: RR 17,302 thousand).

The Group makes social insurance contributions under the Russian legislation. The 2020 costs associated with the social insurance contributions made RR 1,619,604 thousand (2019: RR 1,592,074 thousand).

***Defined benefit plans***

The Group employees are covered by defined benefit pension plans with employee benefits being paid to retiring employees. The amount of benefits depends on a participant's past service and the tariff at the time of retirement. In addition to the defined benefit plan the Group makes quarterly payments to its pensioners and yearly payments in connection with the International Day for Elderly People, and it compensates costs of sanatorium-resort therapy and pays other benefits. Plus, there are seniority and jubilee payments the size of which also depends on the length of service and the tariff. All the payments are regulated by the collective employment agreement that is approved for a three-year period. The Group's policy with regard to defined benefit plans does not provide for accumulation of assets to cover its pension obligations.

The Group's pension and other employee obligations and actuarial assumptions used in their determination are presented below.

Changes in the present value of liabilities under defined benefit plans of the Group are as follows:

|                                                              | <b>Pension liabilities</b> |                | <b>Other liabilities</b> |                |
|--------------------------------------------------------------|----------------------------|----------------|--------------------------|----------------|
|                                                              | <b>2020</b>                | <b>2019</b>    | <b>2020</b>              | <b>2019</b>    |
| Net liabilities at the beginning of the year                 | 422,542                    | 349,022        | 290,091                  | 247,789        |
| Current service cost                                         | 16,319                     | 18,268         | 18,066                   | 19,321         |
| Interest expense                                             | 27,087                     | 29,635         | 18,460                   | 21,650         |
| Revaluation of net liabilities                               | (9,277)                    | 52,276         | (12,547)                 | 19,586         |
| Actuarial losses/(gains) – experience                        | 25,412                     | (27,958)       | 20,795                   | (26,144)       |
| Actuarial (gains)/ losses – changes in financial assumptions | (30,304)                   | 85,674         | (32,595)                 | 51,065         |
| Actuarial gains – changes in demographic assumptions         | (4,385)                    | (5,440)        | (747)                    | (5,335)        |
| Pensions /benefits paid                                      | (27,196)                   | (26,659)       | (27,617)                 | (18,256)       |
| <b>Net liabilities at the end of the year</b>                | <b>429,475</b>             | <b>422,542</b> | <b>286,453</b>           | <b>290,090</b> |

**Grid Company Group**  
**Notes to the Consolidated Financial Statements for the year ended 31 December 2020**  
(in thousands of Russian Roubles)

**21. Employee Benefit Obligations (continued)**

**Defined benefit plans (continued)**

Amounts recognised in the consolidated statement of profit or loss within payroll costs are presented below:

|                                                              | <b>Pension liabilities</b> |               | <b>Other liabilities</b> |               |
|--------------------------------------------------------------|----------------------------|---------------|--------------------------|---------------|
|                                                              | <b>2020</b>                | <b>2019</b>   | <b>2020</b>              | <b>2019</b>   |
| Current service cost                                         | 16,319                     | 18,268        | 18,066                   | 19,321        |
| Interest expense                                             | 27,087                     | 29,635        | 18,460                   | 21,650        |
| Revaluation of net liabilities                               | -                          | -             | (12,547)                 | 19,586        |
| Actuarial losses/(gains) – experience                        | -                          | -             | 20,795                   | (26,144)      |
| Actuarial (gains)/ losses – changes in financial assumptions | -                          | -             | (32,595)                 | 51,065        |
| Actuarial gains – changes in demographic assumptions         | -                          | -             | (747)                    | (5,335)       |
| <b>(Income)/ Expense recognised within profit and loss</b>   | <b>43,406</b>              | <b>47,903</b> | <b>23,979</b>            | <b>60,557</b> |

Amounts recognised within other comprehensive income:

|                                                              | <b>Pension liabilities</b> |               | <b>Other liabilities</b> |             |
|--------------------------------------------------------------|----------------------------|---------------|--------------------------|-------------|
|                                                              | <b>2020</b>                | <b>2019</b>   | <b>2020</b>              | <b>2019</b> |
| Revaluation of net liabilities                               | (9,277)                    | 52,276        | -                        | -           |
| Actuarial losses/(gains) – experience                        | 25,412                     | (27,958)      | -                        | -           |
| Actuarial (gains)/ losses – changes in financial assumptions | (30,304)                   | 85,674        | -                        | -           |
| Actuarial gains – changes in demographic assumptions         | (4,385)                    | (5,440)       | -                        | -           |
| <b>Expense recognised within other comprehensive income</b>  | <b>(9,277)</b>             | <b>52,276</b> | <b>-</b>                 | <b>-</b>    |

Defined benefit plan obligations recorded in the consolidated statement of financial position are as follows:

|                                 | <b>Pension liabilities</b> |                            | <b>Other liabilities</b>   |                            |
|---------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                 | <b>At 31 December 2020</b> | <b>At 31 December 2019</b> | <b>At 31 December 2020</b> | <b>At 31 December 2019</b> |
| Present value of liabilities    | 429,475                    | 422,542                    | 286,453                    | 290,090                    |
| <b>Net value of liabilities</b> | <b>429,475</b>             | <b>422,542</b>             | <b>286,453</b>             | <b>290,090</b>             |

Principal actuarial assumptions are presented below:

Financial assumptions:

|                                | <b>At 31 December 2020, %</b> | <b>At 31 December 2019, %</b> |
|--------------------------------|-------------------------------|-------------------------------|
| Discount rate                  | 6.46                          | 6.58                          |
| Salary growth rate             | 3.71                          | 5.00                          |
| Flat-rate benefit growth rates | 4.43                          | 4.52                          |

Financial actuarial assumptions were based on market projections at the end of the reporting period as related to the period when the calculation of obligations should be made.

Demographic assumptions:

|                                  | <b>At 31 December 2020</b> | <b>At 31 December 2019</b> |
|----------------------------------|----------------------------|----------------------------|
| Mortality table                  | 2018                       | 2018                       |
| Average staff turnover, males    | 4.27%                      | 4.16%                      |
| Average staff turnover, females  | 3.71%                      | 3.75%                      |
| Average term to maturity (years) | 10                         | 11                         |

**Grid Company Group**  
**Notes to the Consolidated Financial Statements for the year ended 31 December 2020**  
(in thousands of Russian Roubles)

**21. Employee Benefit Obligations (continued)**

**Defined benefit plans (continued)**

Average length of life, years:

|                         | At 31 December<br>2020 | At 31 December<br>2019 |
|-------------------------|------------------------|------------------------|
| Males, 60 years of age  | 16                     | 16                     |
| Female, 55 years of age | 27                     | 27                     |

Due to the existing post-employment benefit obligations, the Group is exposed to various risks. The most significant risks are described below:

- 1) Interest rate risk. Lower yields on government bonds will lead to an increase in obligations on post-employment benefits.
- 2) Inflation risk. As a part of the Group's pension liabilities is adjusted based on the consumer price index, the pension plan is exposed to the inflation risk. Higher inflation will lead to an increase in post-employment benefit obligations.

Sensitivity of pension and other long-term liabilities to changes in fundamental actuarial assumptions at 31 December 2020 and 31 December 2019 is shown below:

|                                 |                        | At 31 December 2020           |                              | At 31 December 2019           |                              |
|---------------------------------|------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|
|                                 | Changes in assumptions | Change in pension liabilities | Changes in other liabilities | Change in pension liabilities | Changes in other liabilities |
|                                 | + 1%                   | (38,733)                      | (23,401)                     | (40,423)                      | (25,003)                     |
| Discount rate                   | - 1 %                  | 45,816                        | 27,015                       | 48,142                        | 29,052                       |
|                                 | + 1%                   | 25,774                        | 27,500                       | 28,744                        | 29,224                       |
| Future salary growth            | - 1 %                  | (22,061)                      | (24,195)                     | (24,447)                      | (25,578)                     |
|                                 | + 1%                   | 35,377                        | -                            | 37,498                        | -                            |
| Future flat-rate benefit growth | - 1 %                  | (30,726)                      | -                            | (32,325)                      | -                            |
|                                 | + 1%                   | (35,044)                      | (25,914)                     | (37,814)                      | (27,706)                     |
| Average staff turnover          | - 1 %                  | 42,038                        | 29,750                       | 45,656                        | 32,044                       |
|                                 | + 10%                  | (11,405)                      | (2,886)                      | (11,478)                      | (3,069)                      |
| Mortality rate                  | - 10 %                 | 12,177                        | 2,931                        | 12,236                        | 3,119                        |

The Group's best estimate of the pension plan contributions to be made in 2021 is RR 41,163 thousand.

**22. Trade and other Payables**

|                                                                        | At 31 December<br>2020 | 31 December<br>2019 |
|------------------------------------------------------------------------|------------------------|---------------------|
| Payables to contractors and suppliers of property, plant and equipment | 1,084,440              | 473,979             |
| Payables to other suppliers and contractors                            | 1,080,360              | 1,097,515           |
| Other accounts payable                                                 | 9,348                  | 45,400              |
| <b>Total financial liabilities within trade and other payables</b>     | <b>2,174,148</b>       | <b>1,616,894</b>    |
| Short-term employee benefit payables and other accruals                | 908,307                | 717,447             |
| Payroll payable                                                        | 84                     | 470,144             |
| <b>Total</b>                                                           | <b>3,082,539</b>       | <b>2,804,485</b>    |

**23. Other Taxes Payable**

|                         | At 31 December<br>2020 | 31 December<br>2019 |
|-------------------------|------------------------|---------------------|
| Value-added tax         | 160,116                | 494,600             |
| Property tax            | 72,162                 | 74,213              |
| Land tax                | 16,104                 | 16,338              |
| Insurance contributions | 772                    | 173,291             |
| Personal income tax     | 16                     | 82,871              |
| Other taxes             | 2,128                  | 1,200               |
| <b>Total</b>            | <b>251,298</b>         | <b>842,513</b>      |

**Grid Company Group****Notes to the Consolidated Financial Statements for the year ended 31 December 2020**

(in thousands of Russian Roubles)

**24. Revenue**

The following table summarises the revenue by types:

|                                                          | 2020              | 2019              |
|----------------------------------------------------------|-------------------|-------------------|
| <b>Revenue from contracts with customers, including:</b> | <b>24,049,539</b> | <b>25,003,141</b> |
| Electricity transmission                                 | 23,493,862        | 24,454,360        |
| Connection services                                      | 382,092           | 412,661           |
| Other revenue                                            | 173,585           | 136,120           |
| Lease income                                             | 50,801            | 47,203            |
| <b>Total</b>                                             | <b>24,100,340</b> | <b>25,050,344</b> |

Timing of revenue recognition under contracts with customers is as follows:

|                                                    | 2020              | 2019              |
|----------------------------------------------------|-------------------|-------------------|
| Connection services                                | 382,092           | 412,661           |
| Other revenue                                      | 173,585           | 136,120           |
| <b>Total revenue recognised at a point in time</b> | <b>555,677</b>    | <b>548,781</b>    |
| Electricity transmission                           | 23,493,862        | 24,454,360        |
| <b>Total revenue recognised over time</b>          | <b>23,493,862</b> | <b>24,454,360</b> |
| <b>Total revenue from contracts with customers</b> | <b>24,049,539</b> | <b>25,003,141</b> |

**25. Other Operating Income**

|                                                           | 2020           | 2019          |
|-----------------------------------------------------------|----------------|---------------|
| Free-of-charge additions to property, plant and equipment | 120,463        | -             |
| Penalties, late payment interest and fines claimed        | 31,543         | 29,589        |
| Release of provision for legal and other claims           | 3,104          | 8,141         |
| Payables write-off                                        | 1,908          | 5,014         |
| Other operating income                                    | 14,969         | 17,196        |
| <b>Total</b>                                              | <b>171,987</b> | <b>59,940</b> |

**26. Operating Expenses**

|                                                                       | 2020              | 2019              |
|-----------------------------------------------------------------------|-------------------|-------------------|
| Payroll, employee benefits and payroll taxes                          | 7,296,086         | 7,094,686         |
| Depreciation of property, plant and equipment and right-of-use assets | 3,664,036         | 3,691,951         |
| Services by allied grid companies                                     | 2,325,258         | 2,543,726         |
| Repairs and maintenance                                               | 1,745,369         | 1,900,456         |
| Motor transportation services                                         | 1,118,744         | 1,169,193         |
| Expenses on raw materials and supplies                                | 763,926           | 849,061           |
| Social expenditures and charity                                       | 729,154           | 711,473           |
| Provisions for legal and other claims, accrued                        | 619,311           | 452,981           |
| Electricity transmission through Unified National Electric Grid       | 599,710           | 492,738           |
| Property tax                                                          | 288,207           | 291,719           |
| Expenses on security, including fire safety                           | 278,893           | 267,823           |
| Information services                                                  | 186,343           | 134,538           |
| Communication services                                                | 105,832           | 106,345           |
| Electricity consumed in production                                    | 97,170            | 100,094           |
| Payments for housing construction under a social mortgage programme   | 88,651            | 88,651            |
| Land tax                                                              | 64,471            | 65,455            |
| Expenses for property rights registration and cadastral registration  | 36,029            | 45,009            |
| Expenses on personnel training and development                        | 26,163            | 80,741            |
| Foundation settlement monitoring services                             | 18,442            | 25,625            |
| Rental services                                                       | 13,179            | 27,247            |
| Other expenses                                                        | 399,571           | 398,188           |
| <b>Total</b>                                                          | <b>20,464,545</b> | <b>20,537,700</b> |

The Group recognises revenue from electricity transmission and expenses on compensation of losses under the contract with the guaranteeing supplier on a net basis. The compensation of losses for 2020 of RR 4,019,025 thousand (for 2019: RR 3,940,363 thousand) due to the guaranteeing supplier is allocated to decrease the revenue from electricity transmission services for the same period.

**Grid Company Group**  
**Notes to the Consolidated Financial Statements for the year ended 31 December 2020**  
(in thousands of Russian Roubles)

**27. Finance Income**

|                                                          | <b>2020</b>    | <b>2019</b>    |
|----------------------------------------------------------|----------------|----------------|
| Interest income on bank deposits and settlement accounts | 257,123        | 417,853        |
| Interest income on loans issued                          | 8,325          | 7,345          |
| <b>Total</b>                                             | <b>265,448</b> | <b>425,198</b> |

Discounting of loans gives rise to expense. Subsequent to the initial recognition, the discount is amortised over the period of repayment as finance income.

**28. Finance Expenses**

|                                                        | <b>2020</b>    | <b>2019</b>    |
|--------------------------------------------------------|----------------|----------------|
| Interest expense on lease                              | 358,327        | 305,083        |
| Interest expense from discounted financial instruments | -              | 5,988          |
| <b>Total</b>                                           | <b>358,327</b> | <b>311,071</b> |

**29. Contingencies and Commitments**

***Capital commitments***

At 31 December 2020, future capital expenditures under existing contracts totalled RR 11,401,101 thousand (at 31 December 2019: RR 13,441,586 thousand). Expected capital expenditures primarily relate to construction and reconstruction of transmission lines and substations and IT measurement equipment.

***Insurance***

The Group ensures certain assets, civil responsibility and other insurable risks. Accordingly, the Group may be exposed to those risks for which it does not have insurance.

***Legal risks***

Judicial practice is of great importance in the modern system of law enforcement in the Russian Federation and has an impact on the Group's activities. Being an integral part of an increasingly complex legal system, judicial practice has been constantly expanding and undergoing changes.

***Legal proceedings***

The Group has been and continues to be the subject of legal proceedings, and the Group's management believe that no material losses will be incurred in respect of any of the claims in excess of provisions which have been made in these consolidated financial statements.

At 31 December 2020, the Group made provisions totalling RR 21,885 thousand (31 December 2019: RR 29,662 thousand) for potential litigations and other legal claims resulting primarily from uncertainties in the interpretation of applicable law excluding tax requirements. For the year ended 31 December 2020, the Group used provisions totalling RR 5,998 thousand to settle liabilities recognised as a result of litigations (for the year ended 31 December 2019: RR 27,357 thousand).

***Tax contingencies***

Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax noncompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review were made. Under certain circumstances reviews may cover longer periods.

**29. Contingencies and Commitments (Continued)*****Tax contingencies (continued)***

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides for the possibility of additional tax assessments for controlled transactions (transactions between related parties and certain transactions between unrelated parties), provided that the transaction price is not arm's-length. The Group's management has implemented internal controls to be in compliance with the new transfer pricing legislation.

Management believes that its interpretation of the relevant legislation is appropriate, and the Group's tax, currency and customs positions will be sustained at 31 December 2020.

At 31 December 2019 the Group made a provision of RR 1,284,977 thousand (31 December 2019: RR 900,467 thousand) for potential tax claims resulting mainly from different approaches to classification of movable and immovable property when calculating the property tax. Since the utilisation date of the estimated tax liability is significantly deferred, at 31 December 2020, the corresponding liability is estimated at the discounted value: the increment of the discounted value for the year ended 31 December 2020 was RR 28,245 thousand, the effect from change in discount rate was RR 13,971 thousand. For the year ended 31 December 2020, the Group declared provisions for tax claims of RR 617,986 thousand (for the year ended 31 December 2019: RR 452,992 thousand) and used provisions totalling RR 233,476 thousand to settle liabilities under claims from the tax authorities (for the year ended 31 December 2019: no provisions were used).

***Environmental matters***

The Group and its predecessor companies have operated in the electric power industry in the Russian Federation for many years. The environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group entities periodically evaluate their obligations under the environmental regulations.

Potential liabilities which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be reliably estimated, but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

**30. Financial Risk Management**

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of the Group's internal policies and procedures, in order to minimise these risks.

***Credit risk***

The Group takes on exposure to credit risk, which is the risk that the other party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products or services on credit terms, or deferred payments, and other transactions with counterparties giving rise to financial assets.

Financial assets which potentially subject the Group to credit risk, consist primarily of trade receivables, short-term investments, cash and cash equivalents.

Although collectability of receivables can be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the allowance for expected credit loss already recorded.

The Group applies two approaches to assessment of its credit risk exposure with respect to ECL under IFRS 9: a general model and a simplified model. The simplified model is applied to trade receivables, contract assets and lease receivables, while the general model is applied to other financial assets in accordance with the rules described in Note 3.

**30. Financial Risk Management (Continued)*****Credit Risk (continued)***

In the absence of an independent evaluation of counterparties' solvency, for the purpose of reducing its credit risk, the Group evaluates its counterparties' solvency at the stage of signing the agreement, taking into account its financial position and credit history. The solvency of current counterparties is evaluated taking into account their past experience and other factors. The Group does not apply any forecasts of future conditions, as its receivables are mostly short-term.

For the purpose of evaluating the credit risk, receivables and other financial assets are split into following groups:

Group 1 – new and existing counterparties without any outstanding payments;

Group 2 – current counterparties with identified cases of overdue payments within the recent 12 months;

Group 3 – current counterparties which cases of delay in payments of more than 12 months have been identified, or whose financial condition has signs of bankruptcy, the solvency has been lost.

At 31 December 2020 and 31 December 2019, receivables and other financial assets are mostly included in Group 1.

In respect of each financial asset, the Group also analyses whether there are any signs of increased credit risk and probability of default.

For purposes of measuring PD in financial instruments, the Group's management defines default as a situation when the exposure meets one or more of the following criteria:

- the counterparty is more than 12 months days past due on its contractual payments;
- analysis of the counterparty's financial position shows evidence of insolvency indicators;
- the counterparty is declared bankrupt or proceedings on deeming the counterparty insolvent are initiated;
- international/national rating agencies assign a default rating to the counterparty.

If at least one of the above criteria is met by a financial asset, the allowance for expected credit losses is set up for the total amount outstanding at the reporting date.

The Group regularly monitors existing receivables and is successfully engaged in claims to collect past due receivables.

Receivables past due for more than 12 months are split into groups by overdue period, and proportions of expected loss are defined for each of them based on assessment of credit risk according to previous experience.

The level of expected loss under the general model is provided below:

| <b>Overdue status of receivables</b> | <b>31 December 2020</b>          |                              |                                             |
|--------------------------------------|----------------------------------|------------------------------|---------------------------------------------|
|                                      | <b>Expected credit losses, %</b> | <b>Amount of receivables</b> | <b>Allowance for expected credit losses</b> |
| Current                              | 11.6%                            | 68,218                       | 7,912                                       |
| Up to 1 month                        | 64.9%                            | 1,483                        | 962                                         |
| 1 to 3 months                        | 78.6%                            | 1,008                        | 792                                         |
| 3 to 6 months                        | 81.1%                            | 1,672                        | 1,357                                       |
| 6 to 9 months                        | 81.9%                            | 825                          | 676                                         |
| 9 to 12 months                       | 82.0%                            | 312                          | 256                                         |
| Over 12 months                       | 100%                             | 9,922                        | 9,922                                       |
| Individually impaired                | 100%                             | 2,122                        | 2,122                                       |
| <b>Total</b>                         |                                  | <b>85,562</b>                | <b>23,999</b>                               |

**Grid Company Group****Notes to the Consolidated Financial Statements for the year ended 31 December 2020**

(in thousands of Russian Roubles)

**30. Financial Risk Management (Continued)***Credit Risk (continued)*

| 31 December 2019      |                           |                       |                                      |
|-----------------------|---------------------------|-----------------------|--------------------------------------|
| Age of receivables    | Expected credit losses, % | Amount of receivables | Allowance for expected credit losses |
| Current               | 4.0%                      | 113,955               | 4,604                                |
| Up to 1 month         | 81.7%                     | 1,472                 | 1,202                                |
| 1 to 3 months         | 87.9%                     | 2,286                 | 2,009                                |
| 3 to 6 months         | 89.5%                     | 2,151                 | 1,926                                |
| 6 to 9 months         | 93.8%                     | 682                   | 640                                  |
| 9 to 12 months        | 94.5%                     | 2,024                 | 1,913                                |
| Over 12 months        | 100%                      | 26,892                | 26,892                               |
| Individually impaired | 100%                      | 738                   | 738                                  |
| <b>Total</b>          |                           | <b>150,200</b>        | <b>39,924</b>                        |

The level of expected loss under the simplified model is provided below:

| 31 December 2020      |                           |                       |                                      |
|-----------------------|---------------------------|-----------------------|--------------------------------------|
| Age of receivables    | Expected credit losses, % | Amount of receivables | Allowance for expected credit losses |
| Current               | 0.2%                      | 1 632 843             | 3,948                                |
| Up to 1 month         | 22.0%                     | 21,442                | 4,723                                |
| 1 to 3 months         | 51.1%                     | 1,429                 | 730                                  |
| 3 to 6 months         | 55.1%                     | 4,398                 | 2,425                                |
| 6 to 9 months         | 58.1%                     | 892                   | 518                                  |
| 9 to 12 months        | 58.4%                     | 1,159                 | 677                                  |
| Over 12 months        | 100%                      | 1,913                 | 1,913                                |
| Individually impaired | 100%                      | 47,930                | 47,930                               |
| <b>Total</b>          |                           | <b>1,712 006</b>      | <b>62,864</b>                        |

| 31 December 2019      |                           |                       |                                      |
|-----------------------|---------------------------|-----------------------|--------------------------------------|
| Age of receivables    | Expected credit losses, % | Amount of receivables | Allowance for expected credit losses |
| Current               | 0.1%                      | 1,522,745             | 1,370                                |
| Up to 1 month         | 0.2%                      | 13,998                | 31                                   |
| 1 to 3 months         | 0.7%                      | 1,758                 | 12                                   |
| 3 to 6 months         | 65.3%                     | 3,097                 | 2,022                                |
| 6 to 9 months         | 73.9%                     | 1,910                 | 1,412                                |
| 9 to 12 months        | 79.2%                     | 154                   | 122                                  |
| Over 12 months        | 100%                      | 9,633                 | 9,633                                |
| Individually impaired | 100%                      | 393                   | 393                                  |
| <b>Total</b>          |                           | <b>1,553 688</b>      | <b>14,995</b>                        |

The Company places its cash with banks that are considered to have minimal risk of default. The Group's management approves deposit banks as well as rules for placing cash, including making cash deposits. The Group performs regular review of financial institutions and monitors their ratings assigned by independent agencies. For banks with credit rating below investment grade, the Group's management performs monthly monitoring procedures to establish their compliance with CB RF's ratios and reviews changes in their financial performance.

The Group has not set up any allowance for expected credit losses related to cash and cash equivalents and bank deposits, as based on the investment level credit rating, such financial assets are not impaired, and fair value of cash and cash equivalents and bank deposits is not significantly different from their carrying amount. Allowance for expected credit losses in respect of these financial assets is not material for the purpose of these consolidated financial statements. The aggregate data on placement of cash and cash equivalents and bank deposits as at the end of the reporting period are provided in Notes 16 and 17.

**Grid Company Group**  
**Notes to the Consolidated Financial Statements for the year ended 31 December 2020**  
(in thousands of Russian Roubles)

**30. Financial Risk Management (Continued)**

***Credit Risk (continued)***

The Group's maximum exposure to credit risk by class of assets approximates the carrying value of each financial asset at the reporting date.

|                             | At 31 December<br>2020 | At 31 December<br>2019 |
|-----------------------------|------------------------|------------------------|
| Cash and cash equivalents   | 620,008                | 2,426,300              |
| Trade and other receivables | 1,686,949              | 1,604,737              |
| Short-term investments      | 1,391,601              | 2,990,915              |
| Other non-current assets    | 23,756                 | 44,232                 |
| <b>Total</b>                | <b>3,722,314</b>       | <b>7,066,184</b>       |

**Concentration of credit risk.** The Group is exposed to concentration of credit risk. At 31 December 2020 and at 31 December 2019, the Group has a sole counterparty represented by AO Tatenergosbyt which is an ensured electricity supplier in the Republic of Tatarstan. Its share in total trade and other receivables at 31 December 2020 was 83% (31 December 2019: 81%). At 31 December 2020, these receivables totalled RR 1,398,891 thousand (at 31 December 2019: RR 1,296,399 thousand).

**Other price risk.** The Group assesses the price risk related to equity securities as remote due to the fact that the Group's investments are carried at fair value determined using the comparative approach.

**Liquidity risk.** The liquidity risk is related to potential inability of the Group to fulfil its payment obligations in due time. Liquidity risk management implies maintaining sufficient level of cash, ensuring reliable access to credit resources and ability to manage the market position. The table below presents analysis of financial obligations of the Group by maturity dates. The amount of liability represents undiscounted amount of contractual cash flows.

|                            | Carrying<br>amount | Total<br>undiscounted<br>contractual<br>amount of<br>cash flows | Due for repayment     |                   |                |                  |                  |
|----------------------------|--------------------|-----------------------------------------------------------------|-----------------------|-------------------|----------------|------------------|------------------|
|                            |                    |                                                                 | Less than<br>6 months | 6 to 12<br>months | 1 to 2 years   | 2 to 5 years     | Over<br>5 years  |
| <b>At 31 December 2020</b> |                    |                                                                 |                       |                   |                |                  |                  |
| Lease liabilities          | 4,496,716          | 7,732,000                                                       | 508,905               | 348,322           | 898,989        | 2,770,003        | 3,205,781        |
| Trade and other payables   | 2,174,148          | 2,174,148                                                       | 2,008,451             | 164,745           | 159            | 793              | -                |
| <b>Total</b>               | <b>6,670,864</b>   | <b>9,906,148</b>                                                | <b>2,517,356</b>      | <b>513,067</b>    | <b>899,148</b> | <b>2,770,796</b> | <b>3,205,781</b> |
| <b>At 31 December 2019</b> |                    |                                                                 |                       |                   |                |                  |                  |
| Lease liabilities          | 3,757,097          | 5,116,408                                                       | 449,536               | 298,443           | 785,075        | 2,601,967        | 981,387          |
| Trade and other payables   | 1,616,894          | 1,625,473                                                       | 1,618,984             | 4,232             | 1,640          | 617              | -                |
| <b>Total</b>               | <b>5,373,991</b>   | <b>6,741,881</b>                                                | <b>2,068,520</b>      | <b>302,675</b>    | <b>786,715</b> | <b>2,602,584</b> | <b>981,387</b>   |

***Currency risk***

The Group is not exposed to the currency risk as the Group has no assets and liabilities denominated in foreign currency. The Group transmits electricity at fixed rates in Russian Roubles in Russia. The extent of exchange rates' impact on the Group's financial position, liquidity, financial sources and performance is insignificant as the Group has no plans to operate in foreign markets. Therefore, the effect of exchange rates fluctuations on the financial results of the Group are deemed immaterial.

***Interest rate risk***

The Group's operating income and cash flows are substantially independent of changes in market interest rates. The Group did not have any floating rate borrowings. Interest rates on lease contracts are also fixed. The Group is exposed to fair value interest rate risk through market value fluctuations of interest-bearing financial liabilities.

**Grid Company Group****Notes to the Consolidated Financial Statements for the year ended 31 December 2020**

(in thousands of Russian Roubles)

**30. Financial Risk Management (Continued)****Capital management**

Equity is the key element of capital, in management's opinion. Capital management of the Group is aimed at retaining ability of the Group to continue its operations as a going concern ensuring profit to shareholders, accommodating the interest of parties and maintaining the optimal capital structure which allows minimising capital costs.

The capital structure of the Group can be maintained and adjusted by issuing shares, raising credits and loans, selling non-core assets and revising the investment plans.

At the Group level monitoring of the capital structure is performed by determining the leverage level which is the ratio of net debt to equity. In its turn, the net debt is determined as the difference between total borrowings and cash and cash equivalents. Total equity is determined by summing up share capital and net debt.

The level of financial leverage at 31 December 2020 and 31 December 2019 is presented below:

|                                                | At 31 December<br>2020 | At 31 December<br>2019 |
|------------------------------------------------|------------------------|------------------------|
| Trade and other payables and lease liabilities | 6,670,864              | 5,373,991              |
| Less: Cash and cash equivalents                | (620,008)              | (2,426,300)            |
| Net debt                                       | 6,050,856              | 2,947,691              |
| Equity                                         | 60,183,361             | 59,870,338             |
| <b>Total equity</b>                            | <b>66,234,217</b>      | <b>62,818,029</b>      |
| Share of borrowings in the capital structure   | 9.1%                   | 4.7%                   |
| Share of equity in the capital structure       | 90.9%                  | 95.3%                  |
| Debt/equity ratio                              | 0.101                  | 0.049                  |

**Key categories of financial instruments**

Information on financial instruments in terms of measurement categories is presented below:

| At 31 December 2020                                               | Financial assets<br>at amortised cost | Financial assets at<br>FVOCI | Financial<br>liabilities at<br>amortised cost | Total            |
|-------------------------------------------------------------------|---------------------------------------|------------------------------|-----------------------------------------------|------------------|
| <b>Assets as per consolidated statement of financial position</b> |                                       |                              |                                               |                  |
| Investments in equity securities                                  | -                                     | 141,923                      | -                                             | 141,923          |
| Other non-current assets                                          | 23,756                                | -                            | -                                             | 23,756           |
| Trade and other receivables                                       | 1,686,949                             | -                            | -                                             | 1,686,949        |
| Short-term investments                                            | 1,391,601                             | -                            | -                                             | 1,391,601        |
| Cash and cash equivalents                                         | 620,008                               | -                            | -                                             | 620,008          |
| <b>Total financial assets</b>                                     | <b>3,722,314</b>                      | <b>141,923</b>               | <b>-</b>                                      | <b>3,864,237</b> |

|                                                                        |          |          |                  |                  |
|------------------------------------------------------------------------|----------|----------|------------------|------------------|
| <b>Liabilities as per consolidated statement of financial position</b> |          |          |                  |                  |
| Lease liabilities                                                      | -        | -        | 4,496,716        | 4,496,716        |
| Trade and other payables                                               | -        | -        | 2,174,148        | 2,174,148        |
| <b>Total financial liabilities</b>                                     | <b>-</b> | <b>-</b> | <b>6,670,864</b> | <b>6,670,864</b> |

| At 31 December 2019                                               | Financial assets<br>at amortised cost | Financial assets at<br>FVOCI | Financial<br>liabilities at<br>amortised cost | Total            |
|-------------------------------------------------------------------|---------------------------------------|------------------------------|-----------------------------------------------|------------------|
| <b>Assets as per consolidated statement of financial position</b> |                                       |                              |                                               |                  |
| Investments in equity securities                                  | -                                     | 196,555                      | -                                             | 196,555          |
| Other non-current assets                                          | 44,232                                | -                            | -                                             | 44,232           |
| Trade and other receivables                                       | 1,604,737                             | -                            | -                                             | 1,604,737        |
| Short-term investments                                            | 2,990,915                             | -                            | -                                             | 2,990,915        |
| Cash and cash equivalents                                         | 2,426,300                             | -                            | -                                             | 2,426,300        |
| <b>Total financial assets</b>                                     | <b>7 066 184</b>                      | <b>196,555</b>               | <b>-</b>                                      | <b>7,262,739</b> |

|                                                                        |          |          |                  |                  |
|------------------------------------------------------------------------|----------|----------|------------------|------------------|
| <b>Liabilities as per consolidated statement of financial position</b> |          |          |                  |                  |
| Lease liabilities                                                      | -        | -        | 3,757,097        | 3,757,097        |
| Trade and other payables                                               | -        | -        | 1,616,894        | 1,616,894        |
| <b>Total financial liabilities</b>                                     | <b>-</b> | <b>-</b> | <b>5,373,991</b> | <b>5,373,991</b> |

## Grid Company Group

### Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(in thousands of Russian Roubles)

#### 31. Fair Value of Financial Instruments

When classifying financial instruments within a specific fair value hierarchy, management uses judgement. The fair value calculation procedure is described in Note 3.

**Financial assets recognised at fair value.** Investments in equity securities are recorded in the consolidated financial position at their fair value and relate to Level 2 of the fair value hierarchy (Note 12).

At the reporting date, the Group financial assets and liabilities which are not measured at fair value, but for which fair value disclosure is required. They relate to Level 2 and 3 of the fair value hierarchy.

With regard to such assets and liabilities, the Group management believes that their fair value approximate their carrying value. Presented below are the fair values of assets and liabilities that are not measured at fair value. Cash and cash equivalents are not recorded in the table below as their present value reasonably approximates their fair value due to their short-term nature or revision of discount rates in favour of current market rates.

|                                    | At 31 December 2020 |                  |                  | At 31 December 2019 |                  |                  |
|------------------------------------|---------------------|------------------|------------------|---------------------|------------------|------------------|
|                                    | Level 1             | Level 2          | Level 3          | Level 1             | Level 2          | Level 3          |
| Trade and other receivables        | -                   | -                | 1,700,123        | -                   | -                | 1,640,359        |
| Short-term investments             | -                   | 1,391,601        | -                | -                   | 2,990,915        | -                |
| Loans issued                       | -                   | 10,582           | -                | -                   | 8,610            | -                |
| <b>Total financial assets</b>      | -                   | <b>1,402,183</b> | <b>1,700,123</b> | -                   | <b>2,999,525</b> | <b>1,640,359</b> |
| Lease liabilities                  | -                   | 4,496,716        | -                | -                   | 3,757,097        | -                |
| Trade and other payables           | -                   | 2,174,148        | -                | -                   | 1,616,894        | -                |
| <b>Total financial liabilities</b> | -                   | <b>6,670,864</b> | -                | -                   | <b>5,373,991</b> | -                |

**Financial assets recognised at amortised cost.** The estimated fair value of fixed interest rate financial instruments is based on estimated future cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

**Financial liabilities carried at amortised cost.** Fair values of liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

#### 32. Events after the Reporting Date

**Additional issue of shares.** In March 2021, 57,495,255 ordinary shares of additional issue were prepaid by the State Unitary Enterprise of the Republic of Tatarstan “Electric Grids”.