

PJSC «Rosseti Centre»

**Interim Condensed Consolidated Financial Statements
as at and for the three months ended 31 March 2022
(unaudited)**

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PJSC «Rosseti Centre»
Interim Condensed Consolidated Statement of profit or loss and other comprehensive income
for the three months ended 31 March 2022
(in thousands of Russian rubles, unless otherwise stated)

	Notes	For three months ended 31 March (unaudited)	
		2022	2021
Revenue	6	29,316,623	27,881,202
Operating expenses	8	(25,039,688)	(24,394,333)
Reversal/(accrual) of allowance for expected credit losses	26	25,442	(8,136)
Other income	7	368,824	438,138
Other expenses	7	(1,125)	(12,009)
Result from operating activities		4,670,076	3,904,862
Finance income	9	324,714	60,275
Finance costs	9	(1,314,698)	(758,342)
Total financial costs		(989,984)	(698,067)
Profit before income tax		3,680,092	3,206,795
Income tax expense	10	(1,011,703)	(780,814)
Profit for the period		2,668,389	2,425,981
Other comprehensive income/(expense)			
<i>Items that will never be reclassified subsequently to profit or loss</i>			
Changes in the fair value of equity investments accounted for at fair value through other comprehensive income	26	(73,920)	9,942
Remeasurements of the defined benefit liability		476,719	340,879
Income tax	10	(53,120)	(40,136)
Total items that will not be reclassified subsequently to profit or loss		349,679	310,685
Other comprehensive income for the period, net of income tax		349,679	310,685
Total comprehensive income for the period		3,018,068	2,736,666
Profit attributable to:			
Equity holders of the Company		2,645,582	2,392,923
Non-controlling interests		22,807	33,058
Total comprehensive income attributable to:			
Equity holders of the Company		2,995,261	2,703,608
Non-controlling interests		22,807	33,058
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	20	0.063	0.057

These consolidated financial statements were approved by management on 26 May 2022 and were signed on its behalf by:

General Director

I.V. Makovskiy



Chief Accountant

L.A. Sklyarova

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

PJSC «Rosseti Centre»
Interim Condensed Consolidated Statement of Financial Position
as at 31 March 2022
(in thousand of Russian rubles, unless otherwise stated)

Notes	31 March 2022 (unaudited)	31 December 2021 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	11 99,309,840	100,269,568
Intangible assets	12 2,383,686	2,345,248
Right-of-use assets	13 6,593,084	6,207,131
Trade and other receivables	15 1,254,381	1,999,730
Assets related to employee benefits plans	542,891	524,376
Other non-current financial assets	14 120,127	194,019
Advances given and other non-current assets	16 3,469	4,077
Total non-current assets	110,207,478	111,544,149
Current assets		
Inventories	3,776,417	3,531,119
Income tax prepayments	13,740	22,038
Trade and other receivables	15 13,202,397	11,871,775
Cash and cash equivalents	17 3,254,120	1,881,546
Advances given and other current assets	16 1,484,171	1,499,084
Total current assets	21,730,845	18,805,562
Total assets	131,938,323	130,349,711
EQUITY AND LIABILITIES		
Equity		
Share capital	19 4,221,794	4,221,794
Reserves	(449,327)	(799,006)
Retained earnings	49,388,881	46,743,299
Total equity attributable to equity holders of the Company	53,161,348	50,166,087
Non-controlling interest	1,078,217	1,055,410
Total equity	54,239,565	51,221,497
Non-current liabilities		
Long-term borrowed funds	21 39,536,163	39,271,378
Long-term trade and other payables	22 327,912	328,812
Long-term advances from customers	24 2,137,415	2,062,791
Employee benefits	2,555,519	2,981,218
Deferred tax liabilities	4,075,097	3,685,504
Total non-current liabilities	48,632,106	48,329,703
Current liabilities		
Short-term borrowed funds and current part of long-term borrowed funds	21 9,953,291	9,735,896
Trade and other payables	22 10,356,407	12,863,392
Tax debts other than income tax	23 3,559,984	2,820,793
Advances from customers	24 2,881,173	2,742,140
Provisions	25 2,005,550	2,327,790
Current income tax liabilities	310,247	308,500
Total current liabilities	29,066,652	30,798,511
Total liabilities	77,698,758	79,128,214
Total equity and liabilities	131,938,323	130,349,711

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PJSC «Rosseti Centre»
Interim Condensed Consolidated Statement of Cash Flows
for the three months ended 31 March 2022
(in thousands of Russian rubles, unless otherwise stated)

	Notes	For three months ended 31 March (unaudited)	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		3,680,092	3,206,795
<i>Adjustments for:</i>			
Depreciation and amortization of property, plant and equipment and intangible assets and right-of-use assets	11,12,13	3,201,756	3,058,257
Finance costs	9	1,314,698	758,342
Finance income	9	(324,714)	(60,275)
(Profit)/loss on disposal of property, plant and equipment		(7,943)	11,821
(Reversal)/accrual of allowance for expected credit losses	26	(25,442)	8,136
Bad debt write-off		2,445	1,077
(Reversal)/accrual of provisions	25	(1,617)	43,403
Other non-cash transactions		(120,802)	15,299
Total impact of adjustments		4,038,381	3,836,060
Change in assets related to employee benefits plans		(18,515)	(85)
Change in employee benefit liabilities		(10,591)	(24,950)
Change in long-term trade and other receivables		950,688	(303,557)
Change in long-term advances given and other non-current assets		608	947
Change in long-term trade and other payables		(5,660)	(9,005)
Change in long-term advances received		74,624	748,912
Cash flows from operating activities before changes in working capital and provisions		8,709,627	7,455,117
<i>Changes in working capital:</i>			
Change in trade and other receivables		(1,280,802)	(1,639,589)
Change in advances given and other assets		14,498	(67,662)
Change in inventories		(247,126)	(239,897)
Change in trade and other payables		224,620	1,710,894
Change in advances received		138,316	(98,172)
Change in provisions		(320,623)	(56,798)
Cash flows from operating activities before income taxes and interest paid		7,238,510	7,063,893
Income tax paid		(672,779)	(690,340)
Interest paid under lease agreement		(148,456)	(83,596)
Interest paid		(886,330)	(355,022)
Net cash flows received from operating activities		5,530,945	5,934,935
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(3,922,541)	(3,554,215)
Proceeds from the sale of property, plant and equipment and intangible assets		34,324	835
Acquisition of subsidiaries, net of cash received	18	(246,591)	-
Interest received		98,741	35,924
Dividends received		-	7,024
Net cash flows used in investing activities		(4,036,067)	(3,510,432)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowed funds		103,088	6,230,000
Repayment of borrowed funds		(29,884)	(6,029,883)
Dividends paid to equity holders of the Company		(1,511)	(69)
Payment of lease liabilities		(193,997)	(44,695)
Net cash flows (used)/received (in)/from financing activities		(122,304)	155,353
Net change in cash and cash equivalents		1,372,574	2,579,856
Cash and cash equivalents at the beginning of period		1,881,546	1,406,311
Cash and cash equivalents at the end of period	17	3,254,120	3,986,167

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

PJSC «Rosseti Centre»
Interim Condensed Consolidated Statement of Changes in Equity
for the three months ended 31 March 2022
(in thousands of Russian rubles, unless otherwise stated)

Notes	Attributable to equity holders of the Company				Non-controlling interest	Total equity
	Share capital	Reserves	Retained earnings	Total		
Balance at 1 January 2022	4,221,794	(799,006)	46,743,299	50,166,087	1,055,410	51,221,497
Profit for the period	-	-	2,645,582	2,645,582	22,807	2,668,389
Other comprehensive income	-	402,799	-	402,799	-	402,799
Related income tax	-	(53,120)	-	(53,120)	-	(53,120)
Total comprehensive income for the period	-	349,679	2,645,582	2,995,261	22,807	3,018,068
Balance at 31 March 2022 (unaudited)	4,221,794	(449,327)	49,388,881	53,161,348	1,078,217	54,239,565
Notes	Attributable to equity holders of the Company				Non-controlling interest	Total equity
	Share capital	Reserves	Retained earnings	Total		
Balance at 1 January 2021	4,221,794	(1,212,174)	43,900,420	46,910,040	955,903	47,865,943
Profit for the period	-	-	2,392,923	2,392,923	33,058	2,425,981
Other comprehensive income	-	350,821	-	350,821	-	350,821
Related income tax	-	(40,136)	-	(40,136)	-	(40,136)
Total comprehensive income for the period	-	310,685	2,392,923	2,703,608	33,058	2,736,666
Balance at 31 March 2021 (unaudited)	4,221,794	(901,489)	46,293,343	49,613,648	988,961	50,602,609

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

1 Background

(a) The Group and its operation

The primary activities of Public Joint-Stock Company “Rosseti Centre” (hereinafter referred to as the PJSC “Rosseti Centre” or the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) are provision of services for transmission and distribution of electricity for power grids, as well as the provision of services for technological connection of consumers to the network, as well as the sale of electricity to the end consumer in a number of regions of the Russian Federation.

The parent company is PJSC “Rosseti”.

The Company was set up on 17 December 2004 based on Resolution no. 154p of 9 December 2004 and pursuant to the Board of Directors’ decision (board of directors’ meeting minutes no. 178 of 1 October 2004) and Management Board decision (Management Board meeting minute no. 1102 of 15 November 2004) of Open Joint-Stock Company RAO “United Energy Systems of Russia” (hereinafter - “RAO UES”). From 07 July 2015, OJSC “IDGC of Centre” is renamed as PJSC “IDGC of Centre” based on the Decision of the Annual General Meeting of Shareholders of OJSC “IDGC of Centre” dated 25 June 2015 (minutes No. 01/15 of 26 June 2015), in order to bring it in line with the legal requirements. From 03 August 2021 PJSC “IDGC of Centre” has been renamed PJSC “Rosseti Centre” based on the decision of the Annual General Meeting of Shareholders of PJSC “IDGC of Centre” held on 31 May 2021 (minutes No. 01/21 of 31 May 2021). The corresponding changes were made to the Company's Charter.

The Company’s registered office is Malaya Ordynka St., 15, Moscow, 119017, Russia.

The Company’s de facto address is Malaya Ordynka St., 15, Moscow, 119017, Russia.

(b) Relations with state

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

As at 31 March 2022, the share of the Russian Federation in the authorized capital of the parent company of PJSC “Rosseti” was 88.04%, including 88.89% of the voting ordinary shares and 7.01% of the preference shares (as at 31 December 2021, the share of the Russian Federation in the authorized capital of the parent company of PJSC “Rosseti” was 88.04%, including 88.89% of the voting ordinary shares and 7.01% of the preference shares).

PJSC “Rosseti”, in its turn, owns 50.23% of the Company’s shares.

The State has a direct influence on the Group's activities through the regulation of tariffs in the electric power industry, approval and control over the implementation of the investment program. The Group's counterparties (consumers of services, suppliers and contractors, others) include a significant number of companies associated with the main shareholder of the parent company.

(c) Russian business environment

The Group operates in the Russian Federation and is therefore exposed to risks related to the state of the economy and financial markets of the Russian Federation. The country's economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory system continues to evolve and is subject to frequent changes, as well as the possibility of different interpretations. The ongoing political tensions, as well as international sanctions against some Russian companies and citizens, continue to have a negative impact on the Russian economy.

1 Background (continued)

In 2020 The World Health Organization has declared the COVID-19 epidemic a global pandemic. In connection with the pandemic, the Russian authorities have taken a number of measures aimed at curbing the spread and mitigating the consequences of COVID-19, such as banning and restricting movement, self-isolation and restricting commercial activities, including the closure of enterprises. Some of the above measures were canceled or relaxed in 2022. The consequences of the COVID-19 epidemic have significantly limited economic activity in Russia and have already had and may still have a negative impact on business, market participants, customers of the Group, as well as on the Russian and global economy for an indefinite period of time.

In February 2022, the aggravation of geopolitical tensions and the conflict related to Ukraine had a negative impact on the economy of the Russian Federation. The European Union, the United States and a number of other countries have imposed new sanctions on a number of Russian state and commercial organizations, including banks, individuals and certain sectors of the economy, as well as restrictions on certain types of transactions. Some international companies have announced the suspension of activities in Russia or the termination of the supply of products to Russia. This led to increased volatility in the stock and currency markets. The ruble exchange rate against foreign currencies has decreased. In March 2022, temporary restrictive economic measures were introduced in the Russian Federation, including, inter alia, a ban on residents providing loans to non-residents in foreign currency, residents crediting foreign currency to their accounts in foreign banks, restrictions on payments on securities to foreign investors, restrictions on transactions with persons of a number of foreign states. These events may have a significant impact on the activities of Russian organizations in various sectors of the economy.

Management continues to monitor and evaluate the impact of these events on the Group's operations. At the time of signing these statements, management estimates that the described circumstances do not call into question the continuity of the Group's activities. The future consequences of the current economic situation are difficult to predict, and management's current expectations and estimates may differ from actual results.

2 Basis of preparation of consolidated financial statements

(a) Statement of compliance

These interim condensed consolidated financial statements for the three months ended 31 March 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting. Selected notes are included to explain events and transactions that are material to the understanding of changes in the Group's financial position and operations since the date of the last annual consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Use of estimates and professional judgments

The key judgments made by management in the preparation of these interim condensed consolidated financial statements regarding the Group's accounting policies and significant sources of estimation uncertainty are consistent with those made in the preparation of the consolidated financial statements for the year ended 31 December 2021 and as at that date.

2 Basis of preparation of consolidated financial statements (continued)

(c) Application of new and revised standards and interpretations

The Group has applied all new amendments to the standards that came into force on 1 January 2022. The impact of the adoption of the new amendments was not significant in relation to these interim condensed consolidated financial statements.

New standards, amendments and clarifications that have been issued but have not yet entered into force at the date of issue of the Group's consolidated financial statements are listed below. The Group intends to adopt the applicable standards and clarifications for use after entry into force, no significant impact on the consolidated financial statements of the Group is expected.

- IFRS 17 “Insurance Contracts” (issued in May 2017 and effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 12 “Income Taxes” – deferred tax on assets and liabilities arising from a single transaction (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)
- Amendments to IFRS (IAS) 1 “Presentation of Financial Statements”, which provides guidance and examples on the application of the concept of materiality to the disclosure of information on accounting policies – effective from 1 January 2023.
- Amendments to IFRS 10 and IAS 28 concerning the sale or deposit of assets between an investor and his associate or joint venture were adopted by the IASB in September 2014, in December 2015 application was postponed until the end of the study on the equity method of accounting.
- Amendments to IFRS (IAS) 1 “Presentation of Financial Statements” – “Classification of liabilities as short-term or long-term”. The amendment becomes effective from January 1, 2024 (taking into account the draft additional amendments issued in November 2021).

3 Significant accounting policies

The key accounting policies and accounting methods used by the Group are consistent with those described in the audited consolidated financial statements for the year ended 31 December 2021.

4 Measurement of fair value

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Group discloses transfers between levels of the fair value hierarchy in the reporting period during which the change takes place.

The point in time at which transfers to and from certain levels are recognized is the date on which the event or change in circumstances that caused the transfer occurs.

5 Information about segments

The Management Board of PJSC “Rosseti Centre” is the supreme body that makes decisions on operating activities.

The primary activities of the Group are provision of services for transmission and distribution of electricity for power grids, as well as the provision of services for technological connection of consumers to the network, as well as the sale of electricity to the end consumer in a number of regions of the Russian Federation. From 2016 and at the date of signing of the interim condensed consolidated financial statements, the division of the Company Tverenergo performs the electricity guarantee supplier function in the territory of Tver Region.

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

EBITDA is used to reflect the results of each reporting segment: profit or loss before interest expense, taxation, depreciation, and net accrual/(recovery) of an impairment loss on property, plant and equipment and right-of-use assets (taking into account current accounting and reporting standards in the Russian Federation). Management believes that the EBITDA calculated in this way is the most indicative indicator for evaluating the performance of the Group's operating segments.

The following reportable segments were identified:

- branch Belgorodenergo, branch Bryanskenergo, branch Voronezhenergo, branch Kostromaenergo, branch Kurskenergo, branch Lipetskenergo, branch Orelenergo, branch Smolenskenergo, branch Tambovenergo, branch Tverenergo, branch Yarenergo
- Other TSS (specialized electric grid subsidiaries)
- Others

The “Others” category includes operations of the executive office and non-core subsidiaries. These operations do not meet the quantitative criteria for allocating them to reportable segments.

Segment indicators are based on management information, which is prepared on the basis of the Russian accounting standards financial statements and may differ those presented in the financial statements prepared in accordance with IFRS. The reconciliation of the indicators in the evaluation to the Management Board and similar indicators in these interim condensed consolidated financial statements includes those reclassifications and adjustments that are necessary for reporting in accordance with IFRS.

5 Information about segments (continued)

(a) Information about reportable segments

As at 31 March 2022 and for the three months ended 31 March 2022:

	Belgorod energo	Bryansk energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	Other TSS	Others	Total
Revenue from external customers	3,675,193	1,122,635	4,597,075	1,585,987	2,241,681	2,724,945	1,363,188	2,271,382	1,771,070	3,185,711	2,951,855	1,695,875	130,026	29,316,623
Inter-segment revenue	-	504,669	28,813	-	-	-	-	-	-	-	2,139	616,441	1,615	1,153,677
Segment revenue	3,675,193	1,627,304	4,625,888	1,585,987	2,241,681	2,724,945	1,363,188	2,271,382	1,771,070	3,185,711	2,953,994	2,312,316	131,641	30,470,300
Including:														
<i>Electricity transmission</i>	3,523,952	1,569,417	4,475,091	1,545,795	2,115,798	2,688,032	1,337,717	2,246,900	1,642,130	2,947,225	2,860,322	2,201,429	-	29,153,808
<i>Technological connection services</i>	40,234	3,016	94,167	14,947	111,851	14,691	17,767	5,874	111,916	38,385	35,626	33,517	-	521,991
<i>Sale of electricity and capacity</i>	-	-	-	-	-	-	-	-	-	177,962	-	-	-	177,962
<i>Other revenue</i>	111,007	54,871	56,630	25,245	14,032	22,222	7,704	18,608	17,024	22,139	58,046	77,370	131,641	616,539
EBITDA	1,203,636	439,724	1,354,823	582,540	565,438	743,410	310,245	580,660	378,342	443,648	745,059	666,133	22,309	8,035,967
Segment assets	25,525,406	5,569,919	19,145,685	8,518,814	8,931,926	13,460,360	4,627,276	8,593,460	5,587,024	9,912,330	15,668,384	15,259,596	10,842,161	151,642,341
Including property, plant and equipment and construction in progress	23,557,803	4,647,714	16,160,227	7,064,694	7,287,105	9,447,393	3,889,460	7,229,121	3,676,715	6,594,030	9,990,285	11,336,715	1,404,705	112,285,967

5 Information about segments (continued)

As at 31 March 2021 and for the three months ended 31 March 2021:

	Belgorod	Bryansk	Voronezh	Kostroma	Kursk	Lipetsk	Orel	Smolensk	Tambov	Tver	Yaroslavl	Other TSS	Total
	energo	energo	energo	energo	energo	energo	energo	energo	energo	energo	energo	Others	
Revenue from external customers	3,534,913	1,023,018	4,261,598	1,535,188	2,065,012	2,538,844	1,318,873	2,213,289	1,591,597	3,173,549	2,959,224	1,534,852	27,881,202
Inter-segment revenue	-	479,673	10,471	-	-	-	-	-	209	-	2,091	586,665	1,080,546
Segment revenue	3,534,913	1,502,691	4,272,069	1,535,188	2,065,012	2,538,844	1,318,873	2,213,289	1,591,806	3,173,549	2,961,315	2,121,517	28,961,748
Including													
Electricity transmission	3,379,653	1,468,733	4,210,763	1,489,422	2,048,181	2,514,613	1,294,122	2,183,797	1,581,423	2,992,430	2,836,425	2,075,569	28,075,131
Technological connection services	18,135	20,709	25,043	10,872	1,489	2,840	14,193	10,449	4,181	3,286	102,616	19,085	232,898
Sale of electricity and capacity	-	-	-	-	-	-	-	-	-	166,218	-	-	166,218
Other revenue	137,125	13,249	36,263	34,894	15,342	21,391	10,558	19,043	6,202	11,615	22,274	26,863	487,501
EBITDA	1,071,486	371,416	964,014	506,771	385,494	649,557	231,477	595,072	247,260	332,955	866,268	489,512	6,844,063
Segment assets	24,479,936	5,492,007	15,947,690	7,669,477	7,839,417	15,367,271	4,344,868	8,122,062	6,579,539	13,196,460	16,575,906	12,493,377	148,819,951
Including property, plant and equipment and construction in progress	22,735,780	4,628,664	13,492,192	6,286,225	6,509,178	12,484,705	3,696,219	6,809,458	4,594,825	10,409,021	10,638,273	9,435,735	111,832,302

5 Information about segments (continued)

(b) The reconciliation of reportable segment EBITDA:

The reconciliation of reportable segment EBITDA:

	For three months ended 31 March	
	2022	2021
EBITDA of reportable segments	8,035,967	6,844,063
Discounting receivables	211,570	4,219
Discounting of financial liabilities	(57,187)	(53,863)
Adjustment for lease	192,564	136,771
Recognition of pension and other long-term liabilities to employees	(51,020)	(24,449)
Adjustment on assets related to employee benefit liability	18,515	85
Re-measurement of financial assets at fair value through other comprehensive income (transfer of revaluation to equity)	73,920	(9,942)
Adjustment of the value of property, plant and equipment	(18,563)	(872)
Other adjustments	(334,408)	20,331
EBITDA	8,071,358	6,916,343
Depreciation and amortization	(3,201,756)	(3,058,257)
Interest expenses on financial liabilities	(1,041,054)	(566,410)
Interest expenses of lease liabilities	(148,456)	(84,881)
Income tax expense	(1,011,703)	(780,814)
Profit for the year per consolidated statement of profit or loss and other comprehensive income	2,668,389	2,425,981

6 Revenue

	For three months ended 31 March	
	2022	2021
Electricity transmission	28,065,621	27,014,313
Technological connection services	521,930	232,747
Sales of electricity and capacity	177,962	166,218
Other revenue	501,962	460,053
Total revenue from contracts with customers	29,267,475	27,873,331
Lease revenue	49,148	7,871
	29,316,623	27,881,202

Other revenue includes mainly technical and maintenance services, diagnostics and testing, construction services, consulting and organizational and technical services.

7 Other income and other expenses

	For three months ended 31 March	
	2022	2021
Income from identified non-contracted electricity consumption	48,436	64,490
Income in the form of fines and penalties on commercial contracts	249,007	184,824
Accounts payable write-off	14,386	3,750
Other income	56,995	185,074
	368,824	438,138

Other expenses include loss on disposal of property, plant and equipment for three months ended 31 March 2022 in the amount of RUB 1,125 thousand (for three months ended 31 March 2021: RUB 12,009 thousand).

8 Operating expenses

	For three months ended 31 March	
	2022	2021
Personnel costs	5,645,183	5,603,844
Depreciation and amortization	3,201,756	3,058,257
<i>Material expenses, including:</i>		
Electricity for compensation of losses	5,956,598	5,644,296
Electricity for sale	153,721	145,719
Purchased electricity and heat power for own needs	215,467	223,087
Other material costs	540,360	491,321
<i>Production work and services, including:</i>		
Electricity transmission services	7,434,793	7,445,752
Repair and maintenance services	76,523	72,774
Other works and industrial services	380,124	356,083
Taxes and levies other income tax	568,748	547,355
Rent	3,365	1,578
Insurance	33,715	32,783
<i>Other third-party services, including:</i>		
Communication services	86,047	79,218
Security services	85,990	82,665
Consulting, legal and audit services	18,813	10,363
Software costs and services	55,334	65,917
Transportation services	2,582	3,320
Other services	134,789	125,408
Provisions	(1,617)	43,403
Expenses recognized in connection with debt settlement for electricity transmission, electricity for resale, purchased electricity to compensate for losses and non-contracted consumption	42,927	-
Other expenses	404,470	361,190
	25,039,688	24,394,333

9 Finance income and costs

	For three months ended 31 March	
	2022	2021
Finance income		
Interest income on bank deposits and balances on bank accounts	98,541	35,254
Interest income on assets related to employee defined benefits plans	14,603	20,802
Other finance income	211,570	4,219
	324,714	60,275
Finance costs		
Interest expenses on financial liabilities measured at amortized cost	(1,041,054)	(566,410)
Interest expenses on lease liabilities	(148,456)	(84,881)
Interest expense on long-term employee benefit liability	(61,611)	(49,399)
Amortization of discount on financial liabilities	(57,187)	(53,863)
Other finance costs	(6,390)	(3,789)
	(1,314,698)	(758,342)

10 Income tax

	For three months ended 31 March	
	2022	2021
Current income tax		
Accrual of current tax	(686,891)	(740,690)
Adjustment of the tax for the previous periods	1,699	28,115
Total	(685,192)	(712,575)
Deferred income tax	(326,511)	(68,239)
Income tax expense	(1,011,703)	(780,814)

In 2022 and 2021, the Group recalculated tax for previous periods and filed revised statements the income tax including the settlement of disputes with contractors in the judicial and pre-trial order for previous periods. As a result, income tax recoverable for previous periods, according to revised tax returns submitted to the tax authorities in 2022, amounted to RUB 1,699 thousand (2021: RUB 28,115 thousand).

10 Income tax (continued)

Income tax recognized in other comprehensive income:

	For three months ended 31 March 2022			For three months ended 31 March 2021		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Financial assets at fair value through other comprehensive income	(73,920)	14,784	(59,136)	9,942	(1,988)	7,954
Remeasurements of the defined benefit liability	476,719	(67,904)	408,815	340,879	(38,148)	302,731
	402,799	(53,120)	349,679	350,821	(40,136)	310,685

As at 31 March 2022 and 31 March 2021 the Group applied the standard rate of corporate profit tax of 20%. This rate has been used in the calculation of deferred tax assets and liabilities.

The profit before taxation is correlated to income tax expenses as follows:

	For three months ended 31 March 2022	For three months ended 31 March 2021
Profit before income tax	3,680,092	3,206,795
Income tax calculated at the applicable tax rate	(736,018)	(641,359)
Tax effect of items not deductible/not taxable for taxation purposes	(277,384)	(167,570)
Adjustments for prior years	1,699	28,115
	(1,011,703)	(780,814)

11 Property, plant and equipment

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction progress	Total
Cost/deemed cost						
At 1 January 2021	47,131,304	78,252,593	44,683,833	30,976,746	5,565,987	206,610,463
Additions	-	-	-	-	2,301,596	2,301,596
Transfer	359,468	561,719	460,077	805,216	(2,186,480)	-
Disposals	(12,055)	(3,052)	(2,387)	(43,605)	(803)	(61,902)
At 31 March 2021	47,478,717	78,811,260	45,141,523	31,738,357	5,680,300	208,850,157
Accumulated depreciation and impairment						
At 1 January 2021	(19,064,802)	(48,009,731)	(23,504,909)	(19,753,592)	(172,234)	(110,505,268)
Transfer to property, plant and equipment (transfer of impairment losses)	(1,753)	(6,003)	(627)	(1,324)	9,707	-
Depreciation charge	(592,533)	(1,094,654)	(580,025)	(598,805)	-	(2,866,017)
Disposals	1,811	2,256	1,615	43,390	-	49,072
At 31 March 2021	(19,657,277)	(49,108,132)	(24,083,946)	(20,310,331)	(162,527)	(113,322,213)
Net book value						
At 1 January 2021	28,066,502	30,242,862	21,178,924	11,223,154	5,393,753	96,105,195
At 31 March 2021	27,821,440	29,703,128	21,057,577	11,428,026	5,517,773	95,527,944

11 Property, plant and equipment (continued)

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction progress	Total
Cost/deemed cost						
At 1 January 2022	50,656,129	82,460,141	47,546,801	37,564,865	5,150,754	223,378,690
Additions	266	-	1,242	-	1,905,119	1,906,627
Acquisition of subsidiaries	44,978	29,545	41,573	13,334	1,060	130,490
Transfer	158,635	403,342	275,486	523,117	(1,360,580)	-
Disposals	(48,732)	(1,595)	(10,378)	(16,745)	(1,721)	(79,171)
At 31 March 2022	50,811,276	82,891,433	47,854,724	38,084,571	5,694,632	225,336,636
Accumulated depreciation and impairment						
At 1 January 2022	(21,819,056)	(52,803,685)	(26,187,286)	(22,168,017)	(131,078)	(123,109,122)
Transfer to property, plant and equipment (transfer of impairment losses)	(2,359)	(3,327)	(134)	(383)	6,203	-
Depreciation charge	(613,262)	(1,059,895)	(608,673)	(673,008)	-	(2,954,838)
Disposals	8,496	453	3,039	25,176	-	37,164
At 31 March 2022	(22,426,181)	(53,866,454)	(26,793,054)	(22,816,232)	(124,875)	(126,026,796)
Net book value						
At 1 January 2022	28,837,073	29,656,456	21,359,515	15,396,848	5,019,676	100,269,568
At 31 March 2022	28,385,095	29,024,979	21,061,670	15,268,339	5,569,757	99,309,840

11 Property, plant and equipment (continued)

As at 31 March 2022 advance payments for property, plant and equipment include in construction in progress in the amount of RUB 38,714 thousand (as at 31 December 2021: RUB 82,584 thousand), also materials for the construction of property, plant and equipment in the amount RUB of 1,272,058 thousand (as at 31 December 2021: RUB 1,187,127 thousand).

For the three months ended 31 March 2022 capitalized interest amount is RUB 49,992 thousand (for the three months ended 31 March 2021: RUB 28,486 thousand), the capitalization rate used to determine the amount of borrowing costs to be capitalized was 8.76-16.20% during the year (for the three months ended 31 March 2021 – 5.52-6.12%).

Depreciation charges were capitalized in the value of capital construction in the amount of RUB 3,867 thousand for the three months ended 31 March 2022 (for the three months ended 31 March 2021: RUB 7,059 thousand).

As at 31 March 2022 fixed assets in the amount of RUB 203,679 at the collateral value under loan agreements are used as collateral in the Group's subsidiaries (as at 31 December 2021: RUB 203,679 thousand).

As at 31 March 2022 the initial cost of fully amortized property plant and equipment was RUB 35,167,971 thousand (as at 31 December 2021: RUB 32,877,395 thousand).

12 Intangible assets

	<u>Software</u>	<u>R&D</u>	<u>Other intangible assets</u>	<u>Total</u>
<i>Initial cost</i>				
At 1 January 2021	2,654,443	38,454	1,333,360	4,026,257
Additions	56,979	-	1,111	58,090
Disposals	-	-	(77)	(77)
At 31 March 2021	2,711,422	38,454	1,334,394	4,084,270
<i>Accumulated amortization and impairment</i>				
At 1 January 2021	(1,307,093)	-	(387,206)	(1,694,299)
Amortization charge	(100,016)	-	(17,465)	(117,481)
At 31 March 2021	(1,407,109)	-	(404,671)	(1,811,780)
<i>Initial cost</i>				
At 1 January 2022	3,099,656	28,794	1,383,864	4,512,314
Additions	43,346	505	-	43,851
Acquisition of subsidiaries	-	-	112,978	112,978
At 31 March 2022	3,143,002	29,299	1,496,842	4,669,143
<i>Accumulated amortization and impairment</i>				
At 1 January 2022	(1,711,866)	-	(455,200)	(2,167,066)
Amortization charge	(98,726)	-	(19,665)	(118,391)
At 31 March 2022	(1,810,592)	-	(474,865)	(2,285,457)
<i>Net book value</i>				
At 1 January 2021	1,347,350	38,454	946,154	2,331,958
At 31 March 2021	1,304,313	38,454	929,723	2,272,490
At 1 January 2022	1,387,790	28,794	928,664	2,345,248
At 31 March 2022	1,332,410	29,299	1,021,977	2,383,686

Amortization of intangible assets for the three months ended 31 March 2022 included in operating expenses in consolidated statement of profit or loss and other comprehensive income is RUB 118,391 thousand (for the three months ended 31 March 2021: RUB 117,481 thousand).

Interest for the three months ended 31 March 2022 and for the three months ended 31 March 2021 was not capitalized as intangible assets.

Other intangible assets include objects of intellectual property R&D results and objects of Service Concession Arrangement.

12 Intangible assets (continued)

Intangible assets in the subgroup “Other intangible assets” the Group included the right to charge users of electricity transmission services under the “Concession agreement regarding the financing creation and operation of electric energy transmission and distribution facilities in the Tambov Region”. This agreement provides for the construction by the Group of facilities for the transmission and distribution of electricity in the Tambov region and the provision of services for the transmission distribution of electricity and technological connection using the facilities of the concession agreement. The ownership of the constructed facilities belongs to the Tambov region and the Group receives the right possession and use of objects for use in the specified activity. The concession agreement was concluded in 2015 for 20 years. A concession agreement may be amended or terminated by agreement of the parties in the manner and in the cases provided for by law upon the expiration of the validity period as well as on the basis of a court decision. The objects of the concession agreement shall be included in the planning document for the privatization of property for a period corresponding to the expiration of the concession agreement. Moreover the Group has a preemptive right to repurchase these objects.

During the period of the Concession Agreement the administration of the Tambov Region may provide the Group with subsidies both in terms of paying remuneration for construction and in compensating for lost revenue from electricity transmission.

The residual value of the intangible assets of the concession agreement as at 31 March 2022 in the amount of RUB 754,898 thousand is reflected in the line “Intangible assets” of the consolidated statement of financial position (in the amount of RUB 768,614 thousand as at 31 December 2021). For the three months ended 31 March 2022 depreciation was accrued on the objects of the concession agreement in the amount of RUB 13,716 thousand (for the three months ended 31 March 2021: RUB 13,716 thousand).

13 Right-of-use assets

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
<i>Initial cost</i>					
At 1 January 2021	2,726,743	191,516	186,151	137,844	3,242,254
Additions	6,565	-	231	246,784	253,580
Change in lease terms	(125,905)	(6,973)	(3,998)	(171)	(137,047)
Disposal or termination of lease agreements	(34,229)	-	(1,374)	-	(35,603)
At 31 March 2021	2,573,174	184,543	181,010	384,457	3,323,184
<i>Accumulated depreciation and impairment</i>					
At 1 January 2021	(226,117)	(59,814)	(41,717)	(17,248)	(344,896)
Depreciation charge	(49,607)	(9,582)	(12,280)	(10,349)	(81,818)
Change in lease terms	107,165	8,868	5,725	252	122,010
Disposal or termination of lease agreements	7,071	-	171	-	7,242
At 31 March 2021	(161,488)	(60,528)	(48,101)	(27,345)	(297,462)
<i>Net book value</i>					
At 1 January 2021	2,500,626	131,702	144,434	120,596	2,897,358
At 31 March 2021	2,411,686	124,015	132,909	357,112	3,025,722

13 Right-of-use assets (continued)

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
<i>Initial cost</i>					
At 1 January 2022	4,031,009	733,808	755,253	1,238,558	6,758,628
Additions	41,656	40,934	46,377	268,110	397,077
Change in lease terms	(75,254)	(91,964)	(5,747)	(128,098)	(301,063)
Disposal or termination of lease agreements	-	-	-	(11,324)	(11,324)
At 31 March 2022	3,997,411	682,778	795,883	1,367,246	6,843,318
<i>Accumulated depreciation and impairment</i>					
At 1 January 2022	(321,151)	(63,512)	(55,656)	(111,178)	(551,497)
Depreciation charge	(75,537)	(20,613)	(20,636)	(15,608)	(132,394)
Change in lease terms	238,655	56,983	48,817	89,057	433,512
Disposal or termination of lease agreements	-	-	-	145	145
At 31 March 2022	(158,033)	(27,142)	(27,475)	(37,584)	(250,234)
<i>Net book value</i>					
At 1 January 2022	3,709,858	670,296	699,597	1,127,380	6,207,131
At 31 March 2022	3,839,378	655,636	768,408	1,329,662	6,593,084

14 Other financial assets

	31 March 2022	31 December 2021
Non-current		
Financial assets at fair value through other comprehensive income	120,127	194,019
	120,127	194,019

Non-current financial assets include shares of Russian companies with a fair value calculated on the basis of published market quotations equal to RUB 120,127 thousand as at 31 March 2022 (as at 31 December 2021: RUB 194,019 thousand).

15 Trade and other receivables

	31 March 2022	31 December 2021
Non-current trade and other account receivable		
Trade receivables	1,022,624	1,756,272
Allowance for expected credit losses on trade receivables	(14,460)	(9,016)
Other receivables	246,217	252,474
	1,254,381	1,999,730
Current trade and other account receivable		
Trade receivables	20,511,292	19,486,901
Allowance for expected credit losses on trade receivables	(8,562,168)	(8,797,026)
Other receivables	3,352,238	3,299,820
Allowance for expected credit losses on other receivables	(2,098,965)	(2,117,920)
	13,202,397	11,871,775

Balance with related parties is disclosed in Note 29.

16 Advances given and other assets

	31 March 2022	31 December 2021
Non-current		
Advances given	3,469	4,077
	3,469	4,077
Current		
Advances given	615,533	637,991
Advances given impairment allowance	(14,446)	(14,446)
VAT recoverable	21,605	21,434
VAT on advances to customers and clients and advances given for the purchase of property plant and equipment	826,621	801,289
Prepaid taxes other than income tax	34,858	52,816
	1,484,171	1,499,084

Balance with related parties is disclosed in Note 29.

17 Cash and cash equivalents

	<u>31 March 2022</u>	<u>31 December 2021</u>
Cash in bank accounts and cash on hand	3,055,210	1,617,933
Cash equivalents	198,910	263,613
	<u>3,254,120</u>	<u>1,881,546</u>

All balance of cash and cash equivalents are denominated in rubles as at 31 March 2022 and 31 December 2021.

Cash equivalents as at 31 March 2022 and 31 December 2021 include short-term investments in bank deposits and promissory notes. They are placed at interest rates of 14.73 % - 18.60% per annum as of 31 March 2022 (6.37 % - 8.15% per annum as of 31 December 2021).

18 Acquisition and disposal of subsidiaries, ownership interests

In the framework of the implementation of the development Strategy of the electric grid complex of the Russian Federation approved by the decree of the Government of the Russian Federation of 03 April 2013 No. 511-R, with the aim of reducing the number of existing territorial grid organizations, the Group acquired:

- 04 February 2022 100% of the ordinary registered non-documentary shares of an electric grid company (hereinafter referred to as the acquired company) for cash as a result of concluding the contract of sale.

On 21 January 2022 the Group concluded an agreement for the purchase and sale of 100% of ordinary registered non-documentary shares of the acquired company. The purchase price is defined as RUB 255,917 thousand and paid in cash.

The Group recorded the acquisition of control over the acquired company using the purchase method in accordance with the requirements of IFRS 3 “Business Combination”.

The results of operations, assets and liabilities of the acquired company are consolidated by the Group from 04 February 2022.

The main activities of the acquired company are the transmission of electricity and technological connection to the power grid in one of the regions of the Russian Federation.

The valuation of the acquiree's identifiable net assets was not completed as of the date of signing of the Group's interim condensed consolidated financial statements. Therefore, the fair value of the identifiable net assets may be subsequently adjusted, with a corresponding adjustment to the acquisition result.

18 Acquisition and disposal of subsidiaries, ownership interests (continued)

The table below sets out the notional cost of the acquiree's identifiable net assets received at the acquisition date:

	Deemed value, thousand rubles
Non-current assets	
Property, plant and equipment	130,490
Deferred tax assets	484
Financial investments	28
Total non-current assets	131,002
Current assets	
Inventories	9,830
Accounts receivable	26,421
Cash and cash equivalents	9,326
Other current assets	385
Total current assets	45,962
Total assets	176,964
Non-current liabilities	
Deferred tax liabilities	10,446
Total non-current liabilities	10,446
Current liabilities	
Accounts payable	23,211
Provisions	368
Total current liabilities	23,579
Total liabilities	34,025
Total identifiable net assets at deemed value	142,939
Consideration transferred	255,917
Goodwill	112,978

Since the value of the consideration transferred exceeds the notional cost of the acquiree's identifiable net assets, the Group recognized goodwill in other intangible assets in the amount of RUB 112,978 thousand in the consolidated statement of financial position.

Since the acquisition date, the revenue of the acquired company, consolidated into the Group's financial statements amounted to RUB 27,873 thousand, profit before tax amounted to RUB 1,818 thousand. If the merger had occurred at the beginning of the year, the Group's revenue from continuing operations would have amounted to RUB 29,331,134 thousand, and the Group's profit from continuing operations before tax would have amounted to RUB 3,680,338 thousand.

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

Net cash received on the acquisition of a subsidiary	9,326
Consideration transferred	(255,917)
Net cash flow	(246,591)

19 Equity

(a) Equity

	Ordinary shares	
	31 March 2022	31 December 2021
Par value (in RUB)	0.10	0.10
On issue at 1 January units	42,217,941,468	42,217,941,468
On issue at the end of the period fully paid units	42,217,941,468	42,217,941,468

20 Earnings per share

The calculation of earnings per share for the three months ended 31 March 2022 and for the three months ended 31 March 2021 is based on earnings attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

The Company has no dilutive financial instruments.

<i>In millions of shares</i>	For three months ended 31 March 2022	For three months ended 31 March 2021
Ordinary shares at 1 January	42,218	42,218
Weighted average number of shares for the reporting period	42,218	42,218
	For three months ended 31 March	
	2022	2021
Weighted average number of ordinary shares outstanding for the reporting period (millions of shares)	42,218	42,218
Earnings for the year attributable to holders of ordinary shares	2,645,582	2,392,923
Earnings per ordinary share (in RUB) – basic and diluted	0.063	0.057

21 Borrowed funds

	<u>31 March 2022</u>	<u>31 December 2021</u>
Non-current liabilities		
Secured loans and borrowings	89,810	120,068
Unsecured loans and borrowings	32,677,048	32,465,133
Unsecured bonds	10,210,788	10,055,702
Lease liabilities	6,511,808	6,366,371
Less: current portion of long-term loans and borrowings	(4,256,233)	(3,647,725)
Less: current portion of long-term bonds	(5,215,581)	(5,063,750)
Less: current portion of long-term lease liabilities	(481,477)	(1,024,421)
	<u>39,536,163</u>	<u>39,271,378</u>
Current liabilities		
Current portion of long-term loans and borrowings	4,256,233	3,647,725
Current portion of long-term bonds	5,215,581	5,063,750
Current portion of long-term lease liabilities	481,477	1,024,421
	<u>9,953,291</u>	<u>9,735,896</u>
Including:		
Debts on interest payable on loans and borrowings	136,249	84,983
Debts on interest payable on bonds	217,200	63,750
	<u>353,449</u>	<u>148,733</u>

All balance of loans and borrowings are denominated in rubles as at 31 March 2022 and 31 December 2021.

For the three months ended 31 March 2022, the Group has attracted the following significant bank loans:

	<u>Year of maturity</u>	<u>Nominal interest rate</u>	<u>Nominal value</u>
Unsecured bank loans	2025	KR+2.80%	103,088
			<u>103,088</u>

During the three months ended 31 March 2022, the Group repaid the following significant Bank loans:

	<u>Nominal value</u>
Bank loans	29,884
	<u>29,884</u>

22 Trade and other payables

	<u>31 March 2022</u>	<u>31 December 2021</u>
Non-current accounts payable		
Trade payables	260,850	258,383
Other payables	67,062	70,429
	<u>327,912</u>	<u>328,812</u>
Current accounts payable		
Trade payables	6,851,401	9,620,579
Other payables and accrued expenses	1,319,618	1,245,931
Payables to employees	2,127,803	1,937,786
Dividends payable	57,585	59,096
	<u>10,356,407</u>	<u>12,863,392</u>

23 Tax liabilities other than income tax

	<u>31 March 2022</u>	<u>31 December 2021</u>
Value-added tax	2,388,552	1,578,833
Property tax	543,301	528,945
Social security contributions	441,843	516,507
Other taxes payable	186,288	196,508
	<u>3,559,984</u>	<u>2,820,793</u>

24 Advances from customers

Advances from customers (contractual obligations) as at 31 March 2022 and 31 December 2021 are reflected including VAT.

	<u>31 March 2022</u>	<u>31 December 2021</u>
Non-current		
Advances for services of technological connection to electric grids	2,058,008	1,975,234
Advances from customers	79,407	87,557
	<u>2,137,415</u>	<u>2,062,791</u>
Current		
Advances for services of technological connection to electric grids	2,045,538	2,007,250
Advances from customers	835,635	734,890
	<u>2,881,173</u>	<u>2,742,140</u>

Balance with related parties is disclosed in Note 29.

25 Provisions

	For three months ended 31 March	
	2022	2021
Balance on 1 January	2,327,790	1,995,276
Accrual (increase) for the period	63,049	59,286
Recovery (decrease) for the period	(64,666)	(15,883)
Use of provisions	(320,623)	(56,798)
Balance on 31 March	2,005,550	1,981,881

Provisions relate mainly to legal proceedings and claims against the Group on ordinary activities.

In the course of its operations, the Group is a party to legal proceedings. For pending litigation, where the Group is the defendant, with a low probability of resolution in favor of the Group, a litigation allowance has been created. Estimated maturity of estimated liabilities for pending litigation is less than 12 months, estimated liabilities for litigation are included in short-term liabilities.

The amount of disagreements on purchased electricity in order to compensate for losses amounted to 3,753,305 thousand RUB as at 31 March 2022 (as at 31 December 2021: RUB 3,827,327 thousand). The Group did not recognize provisions for estimated liabilities at the reporting date for disagreements on purchased electricity in order to compensate for losses, the probability of resolution of which is estimated, taking into account the presence of positive judicial practice and the expected results of an independent examination, in favor of the Group, as high.

The amount of disagreements on the volumes of electricity transmitted and on payment amounted to 4,150,616 thousand RUB as at 31 March 2022 (as at 31 December 2021: RUB 3,888,462 thousand). The Group did not recognize expected credit losses at the reporting date on disagreements on the volumes of electricity transferred and on payment, the probability of resolution of which is estimated, given the presence of positive judicial practice and the expected results of an independent examination, in favor of the Group, as high.

26 Financial risk and capital management

In the normal course of its business the Group is exposed to a variety of financial risks, including but not limited to: market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's financial risk and capital management objectives and policies, as well as the fair value determination process, are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2021.

The Group's management takes operational measures to ensure that the cash (liquidity) received from operating activities is sufficient to finance the investment program and to service the short-term and long-term borrowings available at the reporting date. The Group's management implements measures aimed at optimizing the structure of borrowed capital, ensuring the availability of available credit limits, a reserve of liquidity in the form of bank account balances and short-term financial investments, and monitoring the quality of accepted financial security (bank guarantees).

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

26 Financial risk and capital management (continued)

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

	For three months ended 31 March	
	2022	2021
Balance at 1 January	10,923,962	12,390,051
Increase for the period	109,873	106,186
Amounts of trade and other receivables written off using the allowance for impairment accrued earlier	(223,001)	(27,433)
Reversal of allowance for impairment for the period	(135,315)	(98,050)
Acquisition of subsidiaries	74	-
Balance at 31 March	10,675,593	12,370,754

The amount of free limit on open but unused credit lines of the Group was RUB 66,641,714 thousand at 31 March 2022 (31 December 2021: RUB 66,744,802 thousand). The Group has opportunity to attract additional financing within the corresponding limits including for the purpose of execution of the short-term obligations.

The Group's management believes that the fair value of other financial assets and financial liabilities approximates their carrying value.

For the three months ended 31 March 2022 there were no transfers between levels of the fair value hierarchy.

Reconciliation of the carrying amount of financial assets at fair value through other comprehensive income at the beginning and end of the reporting period is presented in the table below:

	Financial assets at fair value through other comprehensive income
On 1 January 2022	194,019
Change in fair value recognized in other comprehensive income	(73,920)
Acquisition of subsidiaries	28
On 31 March 2022	120,127

27 Capital commitments

As at 31 March 2022, the Group has outstanding commitments under contract for the purchase and construction of property plant and equipment items for RUB 11,652,418 thousand inclusive of VAT (as at 31 December 2021: RUB 10,086,921 thousand inclusive of VAT).

Future lease payments under lease agreements for which the Group has contractual obligations and the lease term has not yet begun at the reporting date amount to RUB 129,338 thousand inclusive of VAT as at 31 March 2022 (as at 31 December 2021: RUB 128,033 thousand).

28 Contingencies

(a) Insurance

The Group has unified requirements in respect of the volume of insurance coverage, reliability of insurance companies and about procedures of insurance protection organization. The Group maintains insurance of assets, civil liability and other insurable risks. The main business assets of the Group have insurance coverage in case of damage or loss assets. However, there are risks of negative impact on the operations and the financial position of the Group in the case of damage caused to third parties and also as a result of damage or loss of assets insurance protection of which is non-existent or not fully implemented.

(b) Taxation contingencies

Russian tax and customs legislation is subject to varying interpretations regarding the operations and activities of the Group. Accordingly, management's interpretation of tax legislation and its formal documentation can be successfully challenged by the relevant regional or federal authorities. Tax administration in Russia is gradually increasing. In particular, the risk of checking the tax aspect of transactions without obvious economic sense or with counterparties that violate tax laws is increasing. Tax audits may cover the three calendar years preceding the year of the decision on the tax audit. Under certain conditions, earlier periods may also be subject to verification.

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

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

With the further development of the practice of applying the rules of taxation the property tax authorities and courts may challenge the criteria for classifying property as movable or immovable things applied by the Group. The Group's management does not exclude the risk of resource outflows and the impact of such developments cannot be reliably assessed.

In the opinion of management, the relevant provisions of the legislation have been interpreted correctly, and the Group's position in terms of compliance with tax legislation can be justified and protected.

(c) Litigations

The Group is a party to a number of litigations (both as a plaintiff and as respondent) arising in the ordinary course of business. In the opinion of Management, there are currently no outstanding claims or other claims that could have a material impact on the Group's results of operations or financial position and would not be recognized or disclosed in the consolidated financial statements.

28 Contingencies (continued)

(d) Environmental matters

The Group has operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation continues to evolve responsibilities of authorized Government bodies to oversee are being reconsidered. Potential environmental liabilities arise from changes in interpretations of existing legislation lawsuits or changes in legislation can be assessed. In the opinion of management under the existing control system and under current legislation there are no probable liabilities that could have a material adverse effect on the financial position results of operations or cash flows of the Group.

29 Related party transactions

(a) Control relationships

Parties are usually considered related if they are under common control or one of the parties has the ability to control the other party or can have a significant influence on its decisions on financial and economic activities or exercise joint control over it. When considering the relationship with each of the possible related parties, the economic content of such relationships is taken into account and not only their legal form.

The related parties of the Group for the year ended 31 March 2022 and 31 March 2021, as well as at 31 December 2021, were the parent company its subsidiaries key management personnel as well as companies related to the main shareholder of the parent company.

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

	Amount of the transaction for three months ended 31 March		Carrying amount	
	2022	2021	31 March 2022	31 December 2021
Revenue net other income finance income				
Parent company				
Other income	195	195	-	-
Entities under common control of the parent company				
Electricity transmission	381,182	340,652	161,982	158,176
Other revenue	190,702	144,380	255,152*	231,723*
Other	-	122,315	-	-

29 Related party transactions (continued)

	Amount of the transaction for three months ended 31 March		Carrying amount	
	2022	2021	31 March 2022	31 December 2021
Operating expenses finance costs				
Parent company				
Expenses for services related to the organization of the functioning and development of the EEC	-	-	-	42,752
Technical supervision services	10,562	10,563	-	-
Other expenses	3,418	3,418	-	-
Entities under common control of the parent company				
Electricity transmission services	4,394,836	4,315,474	886,375	824,702
Other expenses	112,446	35,117	326,724	508,468
Interest expenses on financial liabilities recorded at amortized cost	24,833	5	-	-
Others	-	-	878,000	878,000

* Accounts receivable for other revenue includes an allowance for expected credit losses created for the debt of companies under the general control of the parent company as at 31 March 2022 in the amount of RUB 331,143 thousand (as at 31 December 2021: in the amount of RUB 330,927 thousand).

	Carrying amount	
	31 March 2022	31 December 2021
Parent company		
Borrowed funds	3,902,673	3,845,486
Entities under common control of the parent company		
Advances given	56,389	56,086
Advances received	29,080	62,316
Borrowed funds	1,112,608	1,087,775

The debt to the parent company for the payment of dividends as at 31 March 2022 is absent (as at 31 December 2021: is absent).

(c) Transactions with key management personnel

In order to prepare these consolidated financial statements, the key management personnel are members of the Board of Directors, the management Board, General Directors of subsidiaries and other key management personnel.

Remuneration of key management personnel consists of the salary stipulated in the employment agreement, non-monetary benefits, as well as bonuses determined by the results for the period and other payments. Remuneration or compensation is not paid to members of the Board of Directors who are public servants.

29 Related party transactions (continued)

The amounts of remuneration to key management personnel disclosed in the table represent the current period expenses for key management personnel reflected in employee benefits.

	For three months ended 31 March	
	2022	2021
Short-term employee benefits	80,098	71,172
	80,098	71,172

As at 31 March 2022, the current value of the defined benefit obligation is shown in the consolidated statement of financial position and includes liabilities for key management personnel in the amount RUB 38,312 thousand (as at 31 December 2021: RUB 43,914 thousand).

(d) Transactions with companies related to the main shareholder of the parent company

As part of its current activities, the Group carries out transactions with other companies related to the main shareholder of the parent company. These operations are carried out at regulated tariffs, or at market prices. Attraction and placement of funds in financial organizations associated with the main shareholder of the parent company is carried out at market interest rates. Taxes are calculated and paid in accordance with Russian tax legislation.

Revenue from companies related to the main shareholder of the parent company for the year ended 31 March 2022 constitute 33% (for the year ended 31 March 2021: 32%) of total Group revenues, including 33% (for the year ended 31 March 2021: 31%) of electricity transmission revenues.

Electricity transmission costs and expenses for the purchase of electricity to compensate for technological losses for companies related to the main shareholder of the parent company, including PJSC FGC UES, for the year ended 31 March 2022 constitute 71% (for the year ended 31 March 2021: 72%) of total electricity transmission costs.

As at 31 March 2022 loans from banks related to the main shareholder of the parent company amounted to RUB 27,651,578 thousand (as at 31 December 2021: RUB 27,551,941 thousand).

Interest accrued on loans and borrowings from banks related to the main shareholder of the parent company amounted to 87% of the total amount of accrued interest for the year ended 31 March 2022 (for the year ended 31 March 2021: 63%).

As at 31 March 2022 the balance of cash and cash equivalents placed with banks associated with the main shareholder of the parent company amounted to RUB 3,106,740 thousand (as at 31 December 2021: RUB 452,516 thousand).

As at 31 March 2022 lease arrears for companies related to the main shareholder of the parent company amounted to RUB 5,852,689 thousand, including debt under leasing agreements (as at 31 December 2021 RUB 5,921,288 thousand, including debt under leasing agreements).