ФБК

PJSC MIPC

IFRS Consolidated Financial Statements with Independent Auditor's Report

31 December 2020

Moscow | 2021

Contents

ФБК

Independent Auditor's Report

To the Shareholders of Public Joint Stock Company "Moscow Integrated Power Company"

Opinion

We have audited the accompanying consolidated financial statements of Public Joint Stock Company "Moscow Integrated Power Company" and its subsidiaries (hereinafter – the Group), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statements of comprehensive income, of cash flows and of changes in equity for the year ended 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards (hereinafter – IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter – ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Rules of Independence of the Auditors and Audit Organizations and the Code of Professional Ethics of the Auditors, which are in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment

Due to the material carrying amount of property, plant and equipment, continuing volatility of macroeconomic parameters, the impact of the spread of coronavirus as well as high level of subjectivity of the underlying assumptions, judgments and estimates made by the management to conduct the impairment analysis, we consider this area to be one of the most significant audit areas.

We assessed significant assumptions underlying the impairment test procedures in respect of various cash-generating units. The significant assumptions, in particular, included determining discount rate, as well as estimating volumes of sales. This analysis revealed that the significant assumptions applied by the Group's management in calculating the recoverable amount of the assets as at the end of the reporting period are within the acceptable range and correspond to the current economic environment.

Information about the non-current assets and the conducted impairment test is disclosed in Note 8 "Property, plant and equipment" to the consolidated financial statements.

Allowance for expected credit losses

One of high-risk audit areas is the evaluation of sufficiency of allowance for expected credit losses. This matter is one of most significance in our audit in view of continuing volatility of macroeconomic parameters, the impact of the spread of coronavirus as well as the need to apply professional judgements and estimates to assess the allowance for expected credit losses.

We analysed the method applied to assess the allowance for expected credit losses, which included, inter alia, the use of provision matrix. We analysed judgements and estimates applied by the Group's management to assess the allowance on an individual and collective basis. We focused on critical assessment of information used by the Group to assess the risk of a default based on input data about defaults and information about current conditions and forecasts of future economic conditions.

Based on the results of the audit procedures we believe that the significant assumptions applied by the Group's management to assess the allowance for expected credit losses are acceptable and are well in line with the current expectations of possible credit losses.

Information about the accounts receivable and the allowance for expected credit losses is disclosed in Note 11 "Accounts receivable and prepayments" and Note 12 "Financial assets" to the consolidated financial statements.

ФБК

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report of PJSC "MIPC" for 2020 and the Quarterly issuer's report of PJSC "MIPC" for the first quarter of 2021, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report of PJSC "MIPC" for 2020 and the Quarterly issuer's report of PJSC "MIPC" for the first quarter of 2021 are expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual report of PJSC "MIPC" for 2020 and the Quarterly issuer's report of PJSC "MIPC" for the first quarter of 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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 judgement and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

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

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

ФБК

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Engagement partner on the audit resulting in this independent auditor's report	K.S. Shirikova, FCCA (audit qualification certificate 01-000712)

Date of Independent Auditor's Report
9 March 2021

Audited entity	Auditor
Name:	**Name:**
Public Joint Stock Company "Moscow Integrated Power Company" (PJSC "MIPC").	FBK, LLC.
Address of the legal entity within its location:	**Address of the legal entity within its location:**
101/3 Vernadskogo Pr., Moscow, 119526, Russian Federation.	44/1 Myasnitskaya St, Bldg 2AB, Moscow, 101990, Russian Federation.
State registration:	**State registration:**
Registered by the Moscow Inter-District Inspectorate of the Ministry of Taxes and Duties of the Russian Federation No. 46 on 16 December 2004, certificate: series 77 No. 006387601.	Registered by the Moscow Registration Chamber on 15 November 1993, registration number 484.583.
The registration entry was made in the Uniform State Register of Legal Entities on 16 December 2004 under primary state registration number 1047796974092.	The registration entry was made in the Unified State Register of Legal Entities on 24 July 2002 under primary state registration number 1027700058286.
	Membership in a self-regulatory organization of auditors:
	Member of the Self-regulatory organization of auditors Association "Sodruzhestvo".
	Primary number of registration entry in the register of auditors and audit organizations of the self-regulatory organization of auditors 11506030481.

PJSC MIPC
Consolidated Statement of Financial Position as at 31 December 2020
(in millions of Russian Rubles)

	Note	31 December 2020	31 December 2019 (restated)	31 December 2018 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	8	220,310	205,040	184,036
Intangible assets	9	1,509	2,012	1,759
Accounts receivable and prepayments	11	8,297	6,829	2,609
Deferred tax assets	21	2,106	1,620	2,097
Financial assets	12	874	864	741
Total non-current assets		**233,096**	**216,365**	**191,242**
Current assets				
Inventories	13	1,076	1,005	940
Accounts receivable and prepayments	11	39,977	40,889	43,871
Income tax receivable		6	581	78
Cash and cash equivalents	14	358	922	4,850
Financial assets	12	14,466	5,152	353
Total current assets		**55,883**	**48,549**	**50,092**
Non-current assets held for sale	10	121	214	159
Total current assets		**56,004**	**48,763**	**50,251**
Total assets		**289,100**	**265,128**	**241,493**
EQUITY AND LIABILITIES				
Equity				
Share capital	15	25,628	25,628	24,947
Share premium	15	139,680	139,680	139,102
Treasury shares	15	(16,971)	(16,971)	(16,964)
Accumulated income / (loss) and other reserves		8,163	(3,281)	(13,645)
Equity attributable to the shareholders of PJSC MIPC		**156,500**	**145,056**	**133,440**
Non-controlling interest		192	285	60
Total equity and reserves		**156,692**	**145,341**	**133,500**
Non-current liabilities				
Borrowings	16	21,585	16,244	8,930
Provisions for post-employment benefits	20	197	218	215
Accounts payable and other liabilities	17	6,687	7,133	4,918
Lease liabilities		6,097	6,566	-
Deferred tax liabilities	21	9,127	8,693	8,899
Total non-current liabilities		**43,693**	**38,854**	**22,962**
Current liabilities				
Borrowings	16	10,396	11,445	16,981
Accounts payable and others liabilities	17	75,552	66 156	66 008
Income tax payable		134	3	455
Other taxes payable	18	1,069	1 155	1 257
Lease liabilities		819	1,999	-
Provisions	19	745	175	330
Total current liabilities		**88,715**	**80,933**	**85,031**
Total liabilities		**132,408**	**119,787**	**107,993**
Total equity and liabilities		**289,100**	**265,128**	**241,493**

Deputy Managing Director — Director for Economy and Finance N.V. Bondal

Chief Accountant M.V. Sviridenko

9 March 2021

PJSC MIPC

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2020

(in millions of Russian Rubles)

	Note	For the year ended 31 December 2020	For the year ended 31 December 2019
Revenue	22	156,132	159,378
Operating expenses	23	(140,071)	(146,032)
(Impairment loss) / reversal of impairment loss on financial assets		(3,252)	882
Profit from operating activities		**12,809**	**14,228**
Finance income	24	471	523
Finance expense	24	(1,014)	(2,002)
Profit before tax		**12,266**	**12,749**
Income tax expense	21	(915)	(1,601)
Profit for the period		**11,351**	**11,148**
Comprehensive income for the period		**11,351**	**11,148**
Profit / (loss) for the period attributable to:			
Shareholders of PJSC MIPC		11,444	10,940
Non-controlling interest		(93)	208
Comprehensive income / (loss) for the period attributable to:			
Shareholders of PJSC MIPC		11,444	10,940
Non-controlling interest		(93)	208
Basic and diluted earnings per share attributable to the shareholders of PJSC MIPC (in Russian Rubles)	25	**49.1**	**48.1**

Deputy Managing Director - Director for Economy and Finance — N.V. Bondal

Chief Accountant — M.V. Sviridenko

9 March 2021

PJSC MIPC

Consolidated Statement of Cash Flows for the Year Ended 31 December 2020

(in millions of Russian Rubles)

	Note	For the year ended 31 December 2020	For the year ended 31 December 2019 (restated)
Cash flows from operating activities			
Profit before tax		**12,266**	**12,749**
Adjustments to the profit before tax			
Amortisation and depreciation	23	17,450	16,174
Impairment loss / (reversal of impairment loss) on financial assets		3,252	(882)
Impairment loss on non-financial assets	23	510	4,534
Gain on disposal of property, plant and equipment and other non-current assets	23	(5,767)	(7,476)
Finance income	24	(471)	(523)
Finance expense	24	1,014	2,002
Change in provisions		570	30
Loss on disposal of subsidiaries		-	365
Cash flows from operating activities before changes in working capital		**28,824**	**26,973**
Changes in working capital			
Change in accounts receivable and prepayments		(1,333)	4,693
Change in inventories		(57)	204
Change in accounts payable and other liabilities		4,835	903
Change in other taxes payable		(87)	(138)
Changes in provisions for post-employment benefits		(21)	3
Changes in working capital		**3,337**	**5,665**
Income tax paid		(262)	(2,005)
Interest paid	27	(827)	(1,044)
Net cash flows from operating activities		**31,072**	**29,589**
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets and other non-current assets		(28,035)	(31,990)
Proceeds from disposal of property, plant and equipment and other non-current assets		4,170	4,438
Loans issued		(9,235)	(5,150)
Interest paid and capitalised	27	(1,847)	(1,743)
Interest received		329	369
Acquisition of subsidiaries including cash acquired		-	45
Disposal of subsidiaries, net of cash disposed		-	(225)
Net cash flows used in investing activities		**(34,618)**	**(34,256)**
Cash flows from financing activities			
Proceeds from borrowings	27	15,328	26,459
Repayment of borrowings	27	(11,176)	(24,601)
Repayment of lease liabilities	27	(1,170)	(1,119)
Net cash flows from financing activities		**2,982**	**739**
Decrease in cash and cash equivalents		**(564)**	**(3,928)**
Cash and cash equivalents at the beginning of the period	14	922	4,850
Cash and cash equivalents at the end of the period	14	**358**	**922**

Deputy Managing Director - Director for Economy and Finance N.V. Bondal

Chief Accountant M.V. Sviridenko

9 March 2021

PJSC MIPC
Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020
(in million of Russian Rubles)

	Note	Equity, attributable to the shareholders of PJSC MIPC						
		Share capital	Share premium	Treasury shares	Accumulated profit / (loss) and other reserves	Total	Non-controlling interest	Total equity
Balance as at 1 January 2019		**24,947**	**139,102**	**(16,964)**	**(13,645)**	**133,440**	**60**	**133,500**
Effect of initial application of new standards, net of income tax		-	-	-	(854)	(854)	(235)	(1,089)
Adjusted balance as at 1 January 2019		**24,947**	**139,102**	**(16,964)**	**(14,499)**	**132,586**	**(175)**	**132,411**
Profit for the period		-	-	-	10,940	10,940	208	11,148
Comprehensive income for the period		-	-	-	**10,940**	**10,940**	**208**	**11,148**
Transactions with the shareholders presented directly in equity								
Issue of ordinary shares		681	578	-	-	**1,259**	-	**1,259**
Treasury shares		-	-	(7)	-	**(7)**	-	**(7)**
Shareholders contribution		-	-	-	277	**277**	-	**277**
Effect of acquisitions under common control		-	-	-	1	**1**	-	**1**
Change of non-controlling interest in subsidiaries		-	-	-	-	-	252	**252**
Balance as at 31 December 2019		**25,628**	**139,680**	**(16,971)**	**(3,281)**	**145,056**	**285**	**145,341**
Balance as at 1 January 2020		**25,628**	**139,680**	**(16,971)**	**(3,281)**	**145,056**	**285**	**145,341**
Profit / (loss) for the period		-	-	-	11,444	11,444	(93)	11,351
Comprehensive income / (loss) for the period		-	-	-	11,444	11,444	(93)	11,351
Balance as at 31 December 2020		**25,628**	**139,680**	**(16,971)**	**8,163**	**156,500**	**192**	**156,692**

Deputy Managing Director - Director for Economy and Finance N.V. Bondal

Chief Accountant M.V. Sviridenko

9 March 2021

(in millions of Russian Rubles)

1 The Group and its operations

1.1 Organisational structure and operations

Public Joint Stock Company "Moscow Integrated Power Company" (the "Company" or PJSC MIPC) and its subsidiaries (the "Group") are involved in generation, purchase and distribution of heat energy in the form of heating and hot water to commercial organisations and for domestic needs of residents in Moscow and the Moscow region.

PJSC MIPC is an operator of the most long-distance heating system in the world: the Company is operating more than 16.7 thousand kilometers of heating networks, including about 8.4 thousand kilometers of magistral heating networks and 8.3 thousand kilometers of distributing heating networks. PJSC MIPC maintains 135 energy stations with total heat capacity of 3.3 thousand Gkal/h. The Company also operates above 10 thousand heating units.

The Company continuously supplies heat to 12 million of Moscow residents.

The Group's production assets are located in Moscow. The Company's registered address is: 119526, the Russian Federation, Moscow, Prospekt Vernadskogo, building 101, housing 3, floor 20, office 2017.

Group formation

As at 31 December 2020 and as at 31 December 2019 LLC Gazprom energoholding was the immediate parent company of the Group (the "Parent company") with the actual ownership percentage of LLC Gazprom energoholding amounted to 99.45%. The Group's immediate parent company does not issue consolidated financial statements for public use.

The Group's consolidated financial statements reflect the results of PJSC MIPC and its subsidiaries.

Subsidiary	Nature of business	Interest held	
		31 December 2020	31 December 2019
JSC MIPC Registration systems	Energy distribution services	100.00	100.00
LLC MIPC-Finance	Operations on securities market	100.00	100.00
LLC Tsentr technologicheskih prisoedineniy MIPC	Connection to networks of engineering and technical support	100.00	100.00
LLC Tsentr upravleniya nedvizhimostiu	Intermediary services in buying, selling and renting real estate	100.00	100.00
LLC TSK Mosenergo	Production, transmission and distribution of steam and hot water (heat energy)	74.64	74.64
LLC TSK MIPC	Production, transmission and distribution of steam and hot water (heat energy)	-	100.00

On 9 April 2020 Open joint stock company "Mosgorenergo" was renamed to Joint Stock Company "MIPC Registration systems".

On 7 July 2020 the activity of LLC TSK MIPC was terminated by liquidation of the company.

As of 31 December 2020 there are no significant restrictions in getting access to the subsidiary's assets or using them for settling the subsidiary's obligations.

The Group helds no preference shares.

1.2 Relationship with the Government and influence on the Group activities

At the date of consolidated financial statements the Russian Federation owned (both directly and indirectly) over 50% in PJSC Gazprom which is the 100% parent company of LLC Gazprom energoholding. Thus, PJSC Gazprom is the Group's ultimate parent company and the Russian Federation is the Group's ultimate controlling party.

The Government of the Russian Federation directly affects the Group's operations through regulations of heat energy market, wholesale and retail sales of electricity, effected by the Federal Antymonopoly Service, the Department of Economic Policy and Development of Moscow, the Committee on prices and tariffs of the Moscow region. The Government's economic, social and other policies could substantially affect the Group's operations.

The Group's customer base includes a large number of entities controlled by or related to the Government. The Government also controls a number of the Group's suppliers. Detailed information about operations with related parties is provided in Note 7.

1.3 Terms of business in the Russian Federation

The economy of the Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation of the Russian Federation continues to develop and are a subject to varying interpretations. Fluctuations in oil prices, continuing political tensions in the region, as well as international sanctions against some Russian organisations and citizens have had and can continue to affect the economy of the Russian Federation.

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

The coronavirus pandemic (COVID-19), which occurred in the first quarter of 2020, has had a significant negative impact on the world economy. The scale and duration of these events remain uncertain and may affect the Group's financial position and results of operations.

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

At present, it is not possible to reliably estimate the duration and extent of the impact of the pandemic on the Group's financial position and results of operations in subsequent reporting periods. The future economic situation in the Russian Federation depends on external factors and measures taken by the Government of the Russian Federation. Its impact on the Group's operations may differ from management's current expectations.

1.4 Seasonal nature of activities

The time of year and weather conditions influence the demand for heat energy. The main volume of income from the sale of heat energy falls from October to March. The seasonal nature of the heat energy production has the corresponding effect on the purchase of heat energy, fuel consumption and other resources. The seasonal nature of the activity does not affect the Group's recognition of income or expenses.

2 Basic principles of preparation of financial statements

2.1 Basis of preparation of financial statements

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

In order to comply with the accounting policies of the parent company, some comparative data in the consolidated financial statements as at 31 December 2019 were aligned with the current year's disclosures (Note 4).

The accounting policies used in the preparation of these consolidated financial statements are described below.

2.2 Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for financial assets classified as financial assets measured at fair value through profit or loss and non-current assets held for sale.

2.3 Functional and presentation currency

The national currency of the Russian Federation is the Russian Ruble (RUB), which is the Company’s functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest million unless otherwise stated.

3 Significant accounting policies

The accounting policies described below have been applied consistently to all reporting periods presented in these consolidated financial statements and have been applied consistently by all Group’s entities.

3.1 Basis of consolidation

(i) Subsidiaries

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

- has the power to control significant operations which has a considerable impact on the investee's returns;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to affect those returns through its power over the investee.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee.

Subsidiaries are consolidated from the date on which control is obtained by the Group (acquisition date) and are deconsolidated from the date on which control ceases. The accounting policies of subsidiaries have been changed when it was necessary to align them with the accounting policies adopted by the Group.

The Group measures non-controlling interest, that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation, on a transaction-by-transaction basis at the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests, which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

The losses attributable to the non-controlling interest in a subsidiary are fully charged to the non-controlling interest account, even if this results in a debit balance (deficit) on this account.

(ii) Loss of control

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

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

(iii) Investments in associates (equity accounted investees)

Associates are those entities over which financial and operating policy the Group has significant influence but does not control them. An investment in an associate are accounted for using the equity method. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align their accounting policies with those of the Group. When the Group's share of losses exceeds its interest in the associate, the Group's interest (including all long-term investments) is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations to make or already made payments on behalf of the investee.

(iv) Transactions eliminated on consolidation

Intercompany transactions and balances as well as any unrealised gains or losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with investees which are accounted for using the equity method, are eliminated in proportion to the Group's share in such objects. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment of the underlying asset.

3.2 Business combinations of entities under common control

A business combination involving businesses under common control is a business combination in which all of the combining businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

For transactions between the Group and entities under common control of a single owner, the application of IFRS 3 Business Combinations is not required.

The Group recognises such transactions at the carrying amount of acquired assets and liabilities reflected in the consolidated financial statements of the immediate parent company for the parties involved in the transaction and under its common control. Any difference between the carrying amount of net assets, including the amount of goodwill generated by the predecessor organisation (transferring party), and the amount of the consideration paid is recognised in the consolidated financial statements in equity.

The consolidated financial statements include the results of an acquired company from the date of acquisition.

3.3 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date when the fair value was determined. Foreign exchange differences arising from translation are recognised in profit or loss.

3.4 Financial instruments

Financial assets and financial liabilities admit when the Group becomes party to the contractual provisions of the instrument.

The Group does not use derivative financial instruments in its operating activities.

The Group's non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, borrowings, trade and other payables and lease liabilities.

Non-derivative financial instruments (financial assets and liabilities) are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability. Subsequent to initial recognition, non-derivative financial instruments are measured in accordance with the methods described below.

The classification of financial instruments to a particular category occurs at their initial recognition on the basis of the entity's business-model for managing financial assets and financial liabilities and characteristics of the financial instrument associated with the contractual cash flows.

Financial assets measured at amortised cost. Financial asset is classified as measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost is the amount at which the financial instrument is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for the financial assets, adjusted for any estimated loss allowance.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Loans and receivables classified as financial assets measured at amortised cost include financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, and those that the Group classified upon initial recognition as financial assets measured at fair value through profit or loss.

Cash and cash equivalents classified as financial assets measured at amortised cost include cash in hand and in bank accounts, deposits with banks with original maturities of three months or less, and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management policy are included in cash and cash equivalents for the purpose of the consolidated statement of cash flows. The Group presents interest accrued on bank accounts balances as cash flows from operating activities in the consolidated statement of cash flows.

Financial assets measured at fair value through other comprehensive income. Financial asset is classified as measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. When the financial asset is derecognised the cumulative gain or loss that was recognised in other comprehensive income is transferred from equity to profit or loss of the period as a reclassification adjustment.

For the purpose of the above classification the principal is the fair value of the financial asset at initial recognition. The interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

Financial assets measured at fair value through profit or loss. Financial asset is classified as measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Irrespective of the described above conditions, an entity may at its sole discretion, at initial recognition, classify a financial asset as measured at fair value through profit or loss or other comprehensive income without the right of subsequent reclassification, if it eliminates or significantly reduce a measurement or recognition inconsistency (“accounting mismatch”).

The Group recognises the disposal of a financial asset only in the event of termination of the rights for cash flows under the relevant contract or if the financial asset and the related risks and rewards are transferred to another entity. If the Group retains substantially all the risks and rewards of ownership of the transferred financial asset, it continues to recognise the financial asset. On derecognition of a financial asset in its entirety the difference between its carrying amount measured at the date of derecognition and consideration received (including any new asset obtained less any new liability assumed) shall be recognised in profit or loss. The Group derecognises financial liabilities only when they are paid, cancelled or expired.

Financial liabilities include mainly trade and other accounts payable, lease liabilities, borrowings payable and are classified as measured subsequently at amortised cost by using the effective interest method**.**

If a financial liability is replaced by another liability to the same lender on substantially different terms, or the terms of an existing liability are substantially changed, such an exchange or change is accounted for as a write-off of the original liability and the recognition of a new liability. Differences in carrying amounts are recognized in the consolidated statement of comprehensive income.

The Group classifies accounts payable as financial and non-financial. Non-financial liabilities include obligations under contracts with customers, which are advances received, and other payables that are not expected to be paid in cash. All other types of accounts payable relate to financial liabilities.

3.5 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to an issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Treasury shares

When equity is repurchased, the amount of the consideration paid which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings or from accumulated losses.

3.6 Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment and construction in progress are recognised at cost of actual acquisition or construction less accumulated depreciation and impairment losses. In the case of impairment, the carrying amount is reduced to its recoverable amount, the difference is recognised as an expense (impairment loss) in the consolidated statement of comprehensive income and included in accumulated depreciation and impairment. Impairment loss on property, plant and equipment recognised in prior periods is reversed if there has been a positive change in the estimates used to determine the asset’s recoverable amount.

The cost of acquired assets includes costs that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use, as well as the costs of dismantling and removing the assets and restoring the site on which they were located. Purchased software being integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised as part of the cost of that asset only if asset takes a substantial period to get ready for its intended use or sale.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs, and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

For funds, borrowed specifically for the purpose of obtaining a qualifying asset, amount of costs eligible for capitalisation is determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. For funds, borrowed for general purposes and used also for obtaining a qualifying asset, borrowing costs eligible for capitalisation are calculated at the Group's average funding cost, determined with the exception of borrowings obtained specifically for obtaining a qualifying asset (the weighted average interest cost applied to the expenditures on the qualifying assets). If calculated amount of costs eligible for capitalisation exceed actual borrowing costs, the actual borrowing costs incurred during the period are capitalised less any investment income on the temporary investment of those borrowings.

If an item of property, plant and equipment includes separate components with different useful lives, each component is accounted as a separate item (significant component) of property, plant and equipment.

Gain and loss on disposal of an item of property, plant and equipment are recognised in profit or loss for the period.

The Group's property, plant and equipment may be liquidated by the construction company at its own expense if they prevent the construction works in Moscow. As compensation the construction company should depending on the contractual terms either build new assets at its own expense and transfer them to the Group in substitution of the liquidated ones, or pay the losses to the Group by cash. Assets received as a compensation are accounted for at fair value. Compensation received in cash is recognised as advances received in the consolidated statement of financial position upon receipt. Gain on liquidation and the cost of the liquidated item of property, plant and equipment are recognised in the consolidated statement of comprehensive income at the moment of liquidation.

(ii) Subsequent costs

The cost of replacing a significant component of an item of property, plant and equipment increases the carrying amount of the item if it is probable that the future economic benefits will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day maintenance of property, plant and equipment are recognised in profit or loss for the period as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Depreciation of an asset commences when the asset is ready for use.

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

- Buildings and facilities 5-80 years
- Heating networks 5-80 years
- Machinery and equipment 1-32 years
- Transport and other 2-30 years

Depreciation methods, estimated useful lives and residual values are reviewed at each reporting date.

3.7 Right-of-use asset

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date, the date on which the asset is available for use.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and are subsequently valued at amortized cost with recognition of the interest expenses as part of the financial expenses of the consolidated statement of comprehensive income.

Lease payments shall be discounted using the interest rate of additional borrowing by the Group, which is the rate at which, at the date of commencement of the lease relationship, the Group could raise, for a similar period and with a similar security, the loan necessary to obtain a right-of-use asset with a similar value under similar economic conditions.

The Group does not recognize the right-of-use asset and lease liability for short-term leases that do not exceed 12 months and for low-value leased assets.

Right-of-use assets are initially valued at acquisition cost and amortized on a straight-line basis until an earlier date, the end of useful life of the asset of a right-of-use asset or the end of lease date. Depreciation of right-of-use assets is reflected in the "Amortisation and depreciation" of operating expenses.

3.8 Intangible assets

The Group's intangible assets include mainly software, which was acquired as separate assets.

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates. All other costs, including costs of internally generated goodwill, are recognised in profit or loss as incurred.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, except for goodwill, from the date when they are ready for use.

The estimated useful lives of software for the current and comparative periods vary from one to ten years.

Amortisation methods, estimated useful lives and residual values are reviewed at each reporting date.

3.9 Impairment

(i) Financial assets

Loss allowance for expected credit losses of the financial instrument is measured at each reporting date in the amount equal to the lifetime expected credit losses if there have been significant increase in credit risk of the financial instrument since its initial recognition, whether assessed on an individual or collective basis, considering all reasonable and supportable information, including that which is forward-looking. In respect of trade receivables with or without financial component loss allowance for expected credit losses is always measured in the amount equal to the lifetime expected credit losses.

In respect of a financial asset measured at amortised cost the amount of impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the expected future cash flows discounted at the original effective interest rate.

Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The amount of credit losses represents the present value of all cash shortfalls. As expected credit losses model considers the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due. For the purposes of financial assets' credit risk management, the Group determines a default as a customer's violation of its obligation of debt repayment within the terms provided by the contract.

Expected credit losses are measured in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money;
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For the purposes of calculating expected credit losses for accounts receivables the Group used the loss allowance matrix based on the number of days of delay of trade receivables and customer groups.

The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with the expected credit losses model is recognised in profit or loss as an impairment gain or loss.

If a financial asset is classified by the entity as measured at fair value through other comprehensive income, loss allowance for such financial asset is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

(ii) Non-financial assets

The carrying amounts of the Group's property, plant and equipment are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

To determine the amount of impairment, assets are grouped in the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets which cannot be tested individually, are grouped into the smallest group of assets that generates cash inflows from continuing use of respective assets that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss reversal of the carrying amount of an asset should not exceed the carrying amount that would be established (less depreciation) if no impairment loss would have been recognised in the previous periods. Impairment loss reversal is recognised in profit or loss.

3.10 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes purchase costs, cost of production or conversion and other costs incurred in bringing them to their existing location and condition. Regarding the inventories of own production and work in progress, the cost includes an appropriate share of production overheads based on the entity’s normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.11 Employee benefits

Wages payable to employees for the services rendered during the current period are recognised as expenses of the current period.

Social benefits

In accordance with the social policy PJSC MIPC is obliged to make one-time financial assistance payment to retired employees based on their length of service in the Company. Employee benefit obligations are measured at present value.

3.12 Provisions

Provisions are recognised if the Group has a present legal or constructive obligation as a result of past events occurred until the reporting date, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.13 Revenue

Revenue from contracts with customers includes the sale of heat energy in the form of heating and hot water, its transmission and other related services, and represents the fair value of the consideration received or receivable, net of value added tax (VAT).

Revenues from heat energy sales are calculated monthly based on:

- volume of heat consumed on the basis of the data from metering units, installed at the consumers’ buildings or at heat distribution units, based on the contractual heat load of the consumer; and
- tariffs, approved by the Department of Economic Policy and Development of Moscow, the Committee on prices and tariffs of the Moscow region.

Revenue from contracts with customers other than heat energy sales is measured at fair value of the consideration received. Revenue is recognised when (or as) the entity satisfies a performance obligation by transfer of the promised good or service (i.e. the asset) to the customer. The asset is transferred when (or as) the customer obtains control over such an asset. The moment of transfer of risks and rewards varies depending on the specific terms of the sale contract.

In case if certain groups of customers receive state subsidies under specific conditions (for example, disability, veteran status, etc.) that are provided in the form of the reduced payment for heat, which the Group collects directly from the customer and the Group receives compensation payments from the relevant municipal authorities, then in such cases revenue is recognised based on the total amount that will be received from both the customer and government agencies.

Accounts receivable are recognized when the amount of the consideration that is unconditional (i.e., the occurrence of the moment when such consideration becomes payable is determined only by the passage of time) becomes payable by the buyer. Accounting policies for financial assets are discussed in section 3.4.

3.14 Government subsidies

Subsidies provided by the Moscow Government to compensate the Group for the losses incurred as a result of selling heat to population at regulated reduced tariffs, are recognised in profit or loss in the period in which they were incurred.

Subsidies received before the related period are recognised as advances received on subsidies.

3.15 Finance income and expense

Financial income includes interest income on financial assets at amortized cost, income from participation in other organizations, as well as profit from changes in the fair value of financial assets. Interest income is recognised in the consolidated statement of other comprehensive income as accrued, using the effective interest method. Dividend income is recognised in profit or loss on the date when the Group's right to receive payment is established.

Finance expense includes interest expenses on borrowings and lease liabilities, amortisation of discount on long-term accounts payable and any loss from changes of fair value of financial assets. All borrowing costs except for those capitalised are recognised in profit or loss for the period using the effective interest method.

3.16 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss for the period except to the extent that it relates to items recognised in other comprehensive income, in this case it is recognised in the consolidated statement of changes in equity.

Current tax is an amount expected to be paid to, or recovered from tax authorities, in respect of taxable profits or losses for the year, using tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable in respect of previous years.

Deferred tax is recognised as liability using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- differences arising at the initial recognition of assets or liabilities in a transaction other than a business combination and that affects neither accounting nor taxable profit or loss;
- differences related to investments in subsidiaries and associates to the extent that it is probable that they will not be reversed in the foreseeable future.

Moreover deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). The Group's management analyses on a regular basis the operating results of all operating segments for which discrete financial information is available, in order to make decisions about resources allocation between the segments and assessment of their financial performance (Note 6).

Due to the fact that the management making operational decisions does not analyse assets and liabilities for each reportable segment, the Group does not disclose information on assets and liabilities by segments.

3.18 Earnings per share

The Group presents basic and diluted earnings / (loss) per share data for its ordinary shares. Basic earnings / (loss) per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period. Diluted earnings / (loss) per share are determined by adjusting profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees. There were no dilutive instruments as at 31 December 2019 and 31 December 2020.

3.19 Application of Interpretations and Amendments to existing Standards

The following amendments to current IFRSs became effective for the periods beginning on or after 1 January 2020:

- The amendments to IFRS 3 Business Combinations (issued in October 2018 and apply for annual reporting periods beginning on or after 1 January 2020). The changes clarify the definition of a business and simplify the assessment of whether the acquired combination of activities and assets is an asset group or a business.
- The amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued in October 2018 and apply for annual reporting periods beginning on or after January 2020 or after this date). The amendments clarify and bring into line the definition of the term “materiality”, as well as provide recommendations for improving the consistency in its application when referenced in IFRS.
- The amendments to IFRS 16 Leases (issued in May 2020 and effective for interim reporting periods beginning on or after 1 June 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors.
- The amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (issued in September 2019 and effective for annual reporting periods beginning on or after 1 January 2020). The amendments affect Interest Rate Benchmark Reform.
- New revision of the Financial Reporting Framework (issued in March 2018 and mandatory for annual reporting periods beginning on or after 1 January 2020). In particular, new definitions of assets and liabilities and refined definitions of income and expenditure are being introduced, and some important concepts are being explained.

The Group has reviewed these amendments to standards for the preparation of the consolidated financial statements. The amendments to standards have no significant impact on the Group’s consolidated financial statements

3.20 Amendments to existing Standards that are not yet effective and have not been early adopted by the Group

Certain amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2021. In particular, the Group has not early adopted the amendments:

- The amendments to IAS 1 Presentation of Financial Statements (issued in January 2020 and effective for annual reporting periods beginning on or after 1 January 2023). Amendments clarify the criteria for classifying obligations as short-term or long-term.
- The amendments to IFRS 9 Financial Instruments (issued in May 2020 and effective for annual reporting periods beginning on or after 1 January 2022). The amendments clarify which fees included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (issued in May 2020 and effective for annual reporting periods beginning on or after 1 January 2022). The amendments specify which costs are included in determining the cost of fulfilling a contract for assessing whether the contract is onerous.
- The amendments to IAS 16 Property, Plant and Equipment (issued in May 2020 and effective for annual reporting periods beginning on or after 1 January 2022). The amendments prohibit deducting from the cost of property, plant and equipment amounts received from selling items produced while the asset is preparing for its intended use. Instead, such sales proceeds and related cost are recognised in profit or loss.
- The amendments to IFRS 3 (issued in May 2020 and applicable for annual reporting periods beginning on or after 1 January 2022) updates the reference to the 2018 Financial Reporting Framework to determine what constitutes an asset or liability when the business is merged and adds a new exception to liabilities and contingent liabilities.
- The amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts, IFRS 16 Leases (issued in August 2020 and effective for annual periods beginning on or after 1 January 2021). The amendments are related to the Interest Rate Benchmark Reform..

The Group is currently assessing the impact of the amendments on its financial position and results of operations.

4 Adjustments of comparative information

Consolidated statement of financial position

In order to comply with the accounting policies of the parent company LLC Gazprom energoholding, the amounts in the column “31 December 2019” and “31 December 2018” of the consolidated statement of financial position as of 31 December 2020 were adjusted as follows:

- Advances for capital construction were reclassified to the line item “Property, plant and equipment” from the line item “Advances for capital construction” in the amount of RUB 2,018 million and RUB 2,661 million as of 31 December 2019 and 31 December 2018, respectively;

(in millions of Russian Rubles)

- VAT on capital construction was reclassified to the long-term line item “Accounts receivable and prepayments” from the short-term line item “Accounts receivable and prepayments” in the amount of RUB 25 million as of 31 December 2019 and 31 December 2018, respectively;
- Subsidies receivable and other current assets were reclassified to the line item “Accounts receivable and prepayments” from the line item “Subsidies receivable” and “Other current assets” in the amount of RUB 690 million and RUB 263 million and in the amount of RUB 61 million and RUB 76 million as of 31 December 2019 and 31 December 2018, respectively;
- Interest receivable was reclassified to the line item “Financial assets” from the line item “Accounts receivable and prepayments” in the amount of RUB 2 million as of 31 December 2019;
- Lease liabilities were separated to the line item “Lease liabilities” from the line item “Accounts payable and other liabilities” in the amount of RUB 6,566 million in long-term liabilities and RUB 1,999 million in short-term liabilities as of 31 December 2019;
- Other taxes payable were separated to the line item “Other taxes payable” from the line item “Accounts payable and other liabilities” in the amount of RUB 1,155 million and RUB 1,257 million as of 31 December 2019 and 31 December 2018, respectively;
- Provisions were separated to the line item “Provisions” from the line item “Accounts payable and other liabilities” in the amount of RUB 175 million and RUB 330 million as of 31 December 2019 and 31 December 2018, respectively;
- Advances received on subsidies were reclassified to the line item “Accounts payable and other liabilities” from the line item “Advances received on subsidies” in the amount of RUB 23 million and RUB 30 million as of 31 December 2019 and 31 December 2018, respectively, and Deferred income from the line item “Deferred income” in the amount of RUB 1,419 million and RUB 67 million as of 31 December 2019 and 31 December 2018, respectively.

These changes in the Group's accounting policies provide reliable and more relevant information. The revised classification of these assets and liabilities allows for a more structured disclosure of information about them in accordance with the economic content, which increases the supporting value of the information.

The effect of the changes in the consolidated statement of financial position as of 31 December 2019 and 31 December 2018 is set out below.

	31 December 2019			31 December 2018		
	Amount before adjusments	**Adjust-ments**	**Amount after adjustments**	**Amount before adjusments**	**Adjust-ments**	**Amount after adjustments**
Assets						
Non-current assets						
Property, plant and equipment	203,022	2,018	205,040	181,375	2,661	184,036
Advances for capital construction	2,018	(2,018)	-	2,661	(2,661)	-
Intangible assets	2,012	-	2,012	1,759	-	1,759
Accounts receivable and prepayments	6,804	25	6,829	2,584	25	2,609
Deferred tax assets	1,620	-	1,620	2,097	-	2,097
Financial assets	864	-	864	741	-	741
Total non-current assets	**216,340**	**25**	**216,365**	**191,217**	**25**	**191,242**
Current assets						
Inventories	1,005	-	1,005	940	-	940
Accounts receivable and prepayments	40,165	724	40,889	43,557	314	43,871
Subsidies receivable	690	(690)	-	263	(263)	-
Income tax receivable	581	-	581	78	-	78
Cash and cash equivalents	922	-	922	4,850	-	4,850
Financial assets	5,150	2	5,152	353	-	353
Other current assets	61	(61)	-	76	(76)	-
Total current assets	**48,574**	**(25)**	**48,549**	**50,117**	**(25)**	**50,092**
Assets held for sale	214	-	214	159	-	159
Total current assets	**48,788**	**(25)**	**48,763**	**50,276**	**(25)**	**50,251**
Total assets	**265,128**	**-**	**265,128**	**241,493**	**-**	**241,493**
EQUITY AND LIABILITIES						
Equity						
Share capital	25,628	-	25,628	24,947	-	24,947
Share premium	139,680	-	139,680	139,102	-	139,102
Treasury shares	(16,971)	-	(16,971)	(16,964)	-	(16,964)
Accumulated profit / (loss) and other reserves	(3,281)	-	(3,281)	(13,645)	-	(13,645)

(in millions of Russian Rubles)

Equity attributable to the shareholders of PJSC MIPC	**145,056**	-	**145,056**	**133,440**	-	**133,440**
Non-controlling interest	285	-	285	60	-	60
Total equity	**145,341**	-	**145,341**	**133,500**	-	**133,500**
Non-current liabilities						
Borrowings	16,244	-	16,244	8,930	-	8,930
Provisions for post-employment benefits	218	-	218	215	-	215
Accounts payable and other liabilities	13,699	(6,566)	7,133	4,918	-	4,918
Lease liabilities	-	6,566	6,566	-	-	-
Deferred tax liabilities	8,693	-	8,693	8,899	-	8,899
Total non-current liabilities	**38,854**	-	**38,854**	**22,962**	-	**22,962**
Current liabilities						
Borrowings	11,445	-	11,445	16,981	-	16,981
Accounts payable and other liabilities	68,043	(1,887)	66,156	67,498	(1,490)	66,008
Income tax payable	3	-	3	455	-	455
Other taxes payable	-	1,155	1,155	-	1,257	1,257
Lease liabilities	-	1,999	1,999	-	-	-
Deferred income	1,419	(1,419)	-	67	(67)	-
Advances received on subsidies	23	(23)	-	30	(30)	-
Provisions	-	175	175	-	330	330
Total current liabilities	**80,933**	-	**80,933**	**85,031**	-	**85,031**
Total liabilities	**119,787**	-	**119,787**	**107,993**	-	**107,993**
Total equity and liabilities	**265,128**	-	**265,128**	**241,493**	-	**241,493**

Consolidated statement of cash flows

In order to comply with the accounting policies of the parent company LLC Gazprom energoholding the disclosure for the column “For the year ended 31 December 2019” of the condensed interim consolidated statement of cash flows for the year ended 31 December 2019 was adjusted as follows:

- Reversal of impairment loss of financial assets was partially reclassified from "Reversal of impairment loss of financial assets" to "Impairment loss of non-financial assets" in the amount of RUB 77 million;
- Finance income and expenses were separated from the line item “Net finance expense / (income)” to two line items “Finance income” in the amount of RUB 523 million and “Finance expense” in the amount of RUB 2,002 million;
- Change in other taxes payable (other than income tax) was separated from the line item “Change in accounts payable and other liabilities” to the separate line item “Change in other taxes payable” in the amount of RUB 138 million;
- Change in subsidies was reclassified to the line item “Change in trade and other receivables” from the line item “Change in subsidies” in the amount of RUB 434 million;
- Change in deferred income was reclassified to the line item “Change in trade and other payables” from the line item “Change in deferred income” in the amount of RUB 1,352 million;
- Purchase of intangible assets was reclassified to the line item “Purchase of property, plant and equipment and intangible assets” from the line item “Purchase of intangible assets” in the amount of RUB 1,065 million;
- Interest received was reclassified to the line item “Interest received” in cash flows used in investing activities from the line item “Interest received” in cash flows from operating activities in the amount of RUB 264 million.

The effect of the changes in consolidated statement of cash flows for the year ended 31 December 2019 is set out below.

	Amount before adjusments	Adjustments	Amount after adjustments
Cash flows from operating activities			
Profit before tax	**12,749**	-	**12,749**
Adjustments to the profit before tax:			
Amortisation and depreciation	16,174	-	16,174
Impairment loss on financial assets	(959)	77	(882)
Impairment loss on non-financial assets	4,611	(77)	4,534
Gain on disposal of property, plant and equipment and other assets	(7,476)	-	(7,476)
Net finance expense / (income)	1,479	(1,479)	-
Finance income	-	(523)	(523)
Finance expense	-	2,002	2,002
Change in provisions	30	-	30
Loss on disposal of subsidiaries	365	-	365
Cash flows from operating activities before changes in working capital	**26,973**	-	**26,973**
Changes in working capital:			
Change in accounts receivable and prepayments	5,127	(434)	4,693
Change in inventories	204	-	204
Change in accounts payable and other liabilities	(587)	1,490	903

(in millions of Russian Rubles)

Change in other taxes payable	-	(138)	(138)
Changes in provision for post-employment benefits	3	-	3
Changes in subsidies receivable	(434)	434	-
Change in deferred income	1,352	(1,352)	-
Effect of working capital changes	**5,665**	**-**	**5,665**
Income tax paid	(2,005)	-	(2,005)
Interest paid	(1,044)	-	(1,044)
Interest received	264	(264)	-
Net cash flows from operating activities	**29,853**	**(264)**	**29,589**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	(30,925)	(1,065)	(31,990)
Purchase of intangible assets	(1,065)	1,065	-
Proceeds from disposal of property, plant and equipment and other assets	4,438	-	4,438
Loans issued	(5,150)	-	(5,150)
Interest paid and capitalised	(1,743)	-	(1,743)
Interest received	105	264	369
Acquisition of subsidiaries including cash acquired	45	-	45
Disposal of subsidiaries, net of cash disposed	(225)	-	(225)
Net cash flows used in investing activities	**(34,520)**	**264**	**(34,256)**
Cash flows from financing activities			
Proceeds from borrowings	26,459	-	26,459
Repayment of borrowings	(24,601)	-	(24,601)
Repayment of lease liabilities	(1,119)	-	(1,119)
Net cash flows from financing activities	**739**	**-**	**739**
Decrease in cash and cash equivalents	**(3,928)**	**-**	**(3,928)**
Cash and cash equivalents at the beginning of the period	4,850	-	4,850
Cash and cash equivalents at the end of the period	**922**	**-**	**922**

Adjustments of comparative information in related parties transactions

The Group clarified the affiliation of a number of organizations to the categories of related parties. In order to provide reliable information on transactions with state-controlled entities and Gazprom Group entities, the comparable data in Note 6 has been adjusted.

The Group adjusted the disclosure of short-term remuneration for the services of key management personnel, excluding the remuneration of senior managers and leaving only the remuneration of members of the Board of Directors, since the main governing body responsible for making operational decisions, planning, managing and controlling the Group's activities is the Board of Directors.

5 Use of critical judgments, estimates and assumptions

The preparation of consolidated financial statements requires management to make estimates and assumptions that may affect the reported amount of assets and liabilities as well as information in notes to the consolidated financial statements. Management also makes certain judgements in the process of applying the accounting policies. These estimates and judgements are continually analysed based on historical experience and other information, including forecasts and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from specified estimates, and management’s estimates can be revised in the future, either negatively or positively, depending upon the outcome of changes in expectations based on the facts surrounding each estimate.

Judgements that may have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause significant adjustments to the carrying amount of assets and liabilities within the next financial year are reported below.

5.1 Professional judgments, estimates and assumptions

(i) *Impairment allowance for property, plant and equipment.* The Group assesses whether there is any indication that property, plant and equipment are impaired, if at least one such impairment indicator identified, the management assesses the recoverable amount, which is determined as the higher of the two values: net selling price of an asset or its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in the profit or loss and included in accumulated depreciation and impairment. An impairment loss recognised for property, plant and equipment in prior years is reversed if there has been a positive change in the estimates used to determine the assets recoverable amount. The effect of applying such accounting estimate and judgment is included in Note 8.

(ii) *Useful lives of property, plant and equipment.* The estimation of useful life for an item of property, plant and equipment is subject to management judgment based on experience with similar assets. In determining the useful life of an asset, management considers the following factors: the nature of expected use, estimated technical obsolescence, the physical wear and tear and the operating environment of assets. Changes in any of these conditions or estimates

(in millions of Russian Rubles)

may result in adjustments to future depreciation rates.These estimates may have an impact on the book value of property, plant and equipment and depreciation for the period. The effect of significant accounting estimates made is presented in Note 8.

(iii) *Loss allowance for expected credit losses of accounts receivable.* Allowance for expected credit losses of accounts receivable is based on the Group's management's assessment of expected credit losses forthe accounts receivable lifetime. If there is a significant decrease in a major customer's creditworthiness or actual defaults exceeds the forecast, the actual results may differ from the estimates. The effect of applying such accounting estimate and judgment is presented in Note 27.

(iv) *Valuation of right-of-use assets and lease liabilities*. For indefinite term leases, the Group evaluates the term of the contract as equal to the useful life of non-current assets located on the leased area and physically related to the leased area. The same useful life is applied to determine the rate of depreciation of right-of-use assets.

The present value of the rental payment is determined using the discount rate, which is the rate of non-cash government bond yields, taking into account the risk premium adjusted by the correction factor, which takes into account the actual assessment of the credit rating based of the Group based on past experience of borrowing. The effect of this accounting valuation and judgment is presented in Note 27.

(v) *Recognition of deferred tax asset.* The recognised deferred tax asset represents the amount of income tax which could be offset against future income taxes and is recorded in the consolidated statement of financial position. Deferred tax asset is recognised only if the related tax benefit is highly probable. The effect of applying such accounting estimate and judgment is presented in Note 21.

The management has prepared these consolidated financial statements on the going concern basis. This management's judgement is based on a review of the Group's financial position, current plans, financial results, as well as on an analysis of the impact of the financial markets conditions on the Group's operations.

6 Segment information

Segment information for the year ended 31 December 2020 and the year ended 31 December 2019 is presented below:

	Note	Heat energy	Connection to the heating system	Other segments	Total by segments	Inter-group operations	Total
For the year ended 31 December 2020							
Revenue		**144,590**	**10,054**	**5,269**	**159,913**	**(3,781)**	**156,132**
External revenue	22	142,397	9,652	4,083	156,132	-	156,132
Intergroup revenue		2,193	402	1,186	3,781	(3,781)	-
Financial result by segments		**2,394**	**8,715**	**(3,595)**	**7,514**	**-**	**7,514**
Amortisation and depreciation	23	(17,068)	(54)	(328)	(17,450)	-	(17,450)
Impairment loss on accounts receivable		(1,550)	(248)	(1,485)	(3,283)	-	(3,283)
For the year ended 31 December 2019							
Revenue		**144,883**	**10,231**	**8,466**	**163,580**	**(4,202)**	**159,378**
External revenue	22	143,106	9,829	6,443	159,378	-	159,378
Intergroup revenue		1,777	402	2,023	4,202	(4,202)	-
Financial result by segments		**689**	**9,548**	**(2,655)**	**7,582**	**-**	**7,582**
Amortisation and depreciation	23	(15,912)	(19)	(243)	(16,174)	-	(16,174)
Reversal of impairment loss / impairment (loss) on accounts receivable		800	398	(456)	742	-	742

Revenue of "Heat energy" segment includes revenue from heat energy sales and hot water supply services, revenue of "Connection to the heating system" segment corresponds to the revenue from connection services to heat and hot water supply system, other types of revenue comprise the revenue of other segments.

(in millions of Russian Rubles)

Presented below is presentation of the financial result for reportable segments to profit before tax in the consolidated statement of comprehensive income:

	Note	For the year ended 31 December 2020	For the year ended 31 December 2019
Financial result for reportable segments		11,109	10,237
Financial result for other segments		(3,595)	(2,655)
Financial result by segments		**7,514**	**7,582**
Net finance (expense) / income	24	(543)	(1,479)
Loss on disposal of a subsidiaries	23	-	(365)
Compensation of losses from liquidation of property	23	5,295	7,011
Profit before tax		**12,266**	**12,749**

7 Related parties

In these consolidated financial statements, related parties are defined as parties that have the ability to control or exercise significant influence over the other party's operational and financial decisions, as defined in IAS 24 Related Party Disclosures.

PJSC Gazprom is the ultimate parent company of PJSC MIPC. The Government of the Russian Federation is the Group's ultimate controlling party.

a) Transactions with Gazprom Group and its associates

The information on significant operations with Gazprom Group and its associates as well as outstanding balances of these transactions for the year ended 31 December 2020 and 31 December 2019 is presented below:

Revenue

	For the year ended 31 December 2020	For the year ended 31 December 2019
Revenue from heat energy transmission services	447	514
Revenue from heat energy sales	159	164
Revenue from hot water supply services	9	10
Other revenue	996	3,283
Total	**1,611**	**3,971**

Operating expenses

	For the year ended 31 December 2020	For the year ended 31 December 2019
Purchased heat energy	74,398	73,296
Fuel expenses	6,084	6,758
Repair and maintenance	1,511	935
Water expenses	1,077	1,111
Software and maintenance	316	359
Rent	285	69
Production services	214	234
Professional and consulting services	131	165
Communication services	85	82
Electricity and capacity	44	50
Security services	28	6
Bank services	4	-
Gain on disposal of property, plant and equipment and other assets	(1)	-
Other expenses / (income)	643	(1,886)
Total	**84,819**	**81,179**

Finance income and expense

	For the year ended 31 December 2020	For the year ended 31 December 2019
Finance income		
Interest income on loans issued	312	3
Effect of discounting financial instruments	46	-
Lease interest income	9	13
Income from participation in other organisations	4	-

(in millions of Russian Rubles)

Interest income on bank deposits and cash balances on current accounts	2	14
Total finance income	**373**	**30**
Finance expense		
Lease interest expense	(407)	(491)
Interest expense on borrowings	(406)	(222)
Effect of discounting financial instruments	-	(887)
Other finance expense	(11)	(20)
Total finance expense	**(824)**	**(1,620)**

Outstanding balances

	Outstanding balances as at 31 December 2020	Outstanding balances as at 31 December 2019
Short-term financial assets	14,466	5,152
Long-term accounts receivable and prepayments, gross	38	46
Short-term accounts receivable and prepayments, gross	116	225
Cash and cash equivalents	32	55
Total assets	**14,652**	**5,478**
Long-term borrowings	2,239	1,275
Short-term borrowings	6	10,007
Long-term accounts payable and other liabilities	3	771
Short-term accounts payable and other liabilities	30,804	26,503
Long-term lease liabilities	3,721	3,994
Short-term lease liabilities	483	1,046
Total liabilities	**37,256**	**43,596**

Acquisition and construction of non-current and current assets

	For the year ended 31 December 2020	For the year ended 31 December 2019
Purchase of property, plant and equipment	8,990	8,189
Including capitalised interest expenses on borrowings	*336*	*76*
Purchase of inventories and other assets	562	821
Total	**9,552**	**9,010**

Other transactions

	For the year ended 31 December 2020	For the year ended 31 December 2019
Reversal of impairment on financial assets	-	8

b) Transactions with other state-controlled entities

Information below excludes transactions and outstanding balances with Gazprom Group and its associates as disclosed in Note 7 (a).

The significant Group's transactions during year ended 31 December 2020 and balances outstanding as of 31 December 2020 with other state-controlled entities are detailed below:

Revenue

	For the year ended 31 December 2020	For the year ended 31 December 2019
Revenue from heat energy sales	65,723	65,815
Revenue from hot water supply services	25,081	25,351
Revenue from connection services to heat and hot water supply system	2,775	2,310
Revenue from transfer of water	2,160	2,140
Other revenue	405	324
Total	**96,144**	**95,940**

Operating expenses

	For the year ended 31 December 2020	For the year ended 31 December 2019
Water expenses	7,144	7,125
Measurement units maintenance expenses	2,645	2,954
Production services	2,301	2,277

(in millions of Russian Rubles)

Electricity and capacity	939	932
Purchased heat energy	880	921
Fuel expenses	95	94
Security services	19	19
Communication services	14	9
Bank services	10	399
Rent	6	-
Repair and maintenance	5	7
Professional and consulting services	3	24
Income from disposal of property, plant and equipment and other assets	(4,780)	(6,047)
Other (income) / expenses	(2,172)	1,854
Total	**7,109**	**10,568**

Finance income and expense

	For the year ended 31 December 2020	For the year ended 31 December 2019
Finance income		
Interest income on bank deposits and cash balances on current accounts	3	119
Total finance income	**3**	**119**
Finance expense		
Effect of discounting financial instruments	(203)	-
Lease interest expense	(180)	(188)
Interest expense on borrowings	(51)	(1,208)
Total finance expense	**(434)**	**(1,396)**

Outstanding balances

	Outstanding balances as at 31 December 2020	Outstanding balances as at 31 December 2019
Short-term financial assets	370	370
Long-term accounts receivable and prepayments, gross	8,118	5,950
Short-term accounts receivable and prepayments,gross	31,138	31,995
Allowance for expected credit loss and for impairment loss on short-term financial assets	(370)	(370)
Allowance for expected credit loss and for impairment loss on long-term receivables and prepayments	(502)	(1)
Allowance for expected credit loss impairment loss and for impairment loss on short-term receivables and prepayments	(6,029)	(6,632)
Cash and cash equivalents	66	412
Total assets	**32,791**	**31,724**
Short-term borrowings	4,371	-
Long-term borrowings	-	1,175
Long-term accounts payable and other liabilities	3,463	3,251
Short-term accounts payable and other liabilities	19,173	13,773
Long-term lease liabilities	1,348	1,201
Short-term lease liabilities	39	415
Provisions	223	104
Total liabilities	**28,617**	**19,919**

Acquisition and construction of non-current and current assets

	For the year ended 31 December 2020	For the year ended 31 December 2019
Purchase of property, plant and equipment	2,300	2,104
Including capitalised interest expenses on borrowings	*51*	*1,234*
Purchase of inventories and other assets	5	6
Total	2,305	2,110

Other transactions

	For the year ended 31 December 2020	For the year ended 31 December 2019
Reversal of impairment on financial assets	144	2,241

(in millions of Russian Rubles)

c) Transactions with JSC FSC

Some of the transactions on the wholesale electricity and capacity market OREM are conducted through commission agreements with JSC FSC. Current financial system of JSC FSC does not provide the final counterparty with automated information about transactions and outstanding balances with the ultimate consumers. State-controlled entities and Gazprom Group and its associates may also act as counterparties..

The details of main transactions between the Group and JSC FSC are presented below:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Revenue from the provision of other works and services	2	3
Purchased electricity and capacity	(201)	(262)

Outstanding balances

	Outstanding balances as at 31 December 2020	Outstanding balances as at 31 December 2019
Short-term payables and other liabilities	8	8
Total liabilities	**8**	**8**

d) Transactions with key management personnel

Short-term remuneration for the services of key management personnel includes remuneration to members of the Board of Directors for the performance of their duties in these positions and participation in meetings of the Board of Directors, and consisted of monthly salaries, bonuses, taxes accrued on them and other mandatory payments to the relevant budgets, medical insurance costs.

	For the year ended 31 December 2020	For the year ended 31 December 2019
Wages and bonuses	52	39
Social contributions	11	6
Remuneration for membership in the Board of Directors	6	6
Total	**69**	**51**

	Outstanding balances as at 31 December 2020	Outstanding balances as at 31 December 2019
Wages payable	1	1
Total	**1**	**1**

The management fee to LLC Gazprom energoholding for the year ended 31 December 2020 amounted to RUB 121 million (for the year ended 31 December 2019: RUB 126 million).

e) The amount of unrecognized contractual obligations for capital investments

	Outstanding balances as at 31 December 2020	Outstanding balances as at 31 December 2019
Gazprom Group and its associates	13,403	12,654
Other state-controlled entities	137	309
Total	**13,540**	**12,963**

(in millions of Russian Rubles)

8 Property, plant and equipment

	Right-of-use asset	Heating networks	Building and facilities	Machinery and equipment	Transport and other	Construction in progress	Total
Book value							
Balance as at 1 January 2019	**-**	**243,512**	**26,401**	**46,464**	**8,236**	**39,886**	**364,499**
Initial recognition as at 1 January 2019	9,930	-	-	-	-	-	9,930
Additions	672	97	-	2	9	36,558	37,338
Disposals	(181)	(3,565)	(1,962)	(1,241)	(202)	(1,206)	(8,357)
Acquisition of subsidiaries	-	-	-	10	8	-	18
Disposal of subsidiaries	-	(22)	-	(15)	(8)	(17)	(62)
Change in lease agreements terms	(881)	-	-	-	-	-	(881)
Transfers	-	36,378	471	2,264	521	(39,634)	-
Transfer from (to) other accounts	-	(3)	(140)	(11)	(56)	-	(210)
Balance as at 31 December 2019	**9,540**	**276,397**	**24,770**	**47,473**	**8,508**	**35,587**	**402,275**
Balance as at 1 January 2020	**9,540**	**276,397**	**24,770**	**47,473**	**8,508**	**35,587**	**402,275**
Additions	58	-	64	31	-	32,830	32,983
Disposals	(1,757)	(1,466)	(268)	(585)	(798)	(229)	(5,103)
Change in lease agreements terms	369	-	-	-	-	-	369
Transfers	-	25,935	799	4,367	392	(31,493)	-
Transfer from (to) other accounts		(7)	(22)	(12)	88	-	47
Balance as at 31 December 2020	**8,210**	**300,859**	**25,343**	**51,274**	**8,190**	**36,695**	**430,571**
Balance as at 1 January 2019	**-**	**(127,501)**	**(11,823)**	**(28,641)**	**(5,496)**	**(7,002)**	**(180,463)**
Initial recognition as at 1 January 2019	(1,361)	-	-	-	-	-	(1,361)
Depreciation charge	(1,340)	(9,188)	(646)	(3,269)	(921)	-	(15,364)
Disposals	93	1,161	602	1,583	198	637	4,274
Acquisition of subsidiaries	-	-	-	(6)	(7)	-	(13)
Disposal of subsidiaries	-	-	-	7	8	-	15
Charge for impairment allowance	(487)	(9,924)	(656)	(1,025)	(107)	(1,621)	(13,820)
Transfer of impairment loss	-	(1,504)	(93)	(327)	(35)	1,959	-
Impairment loss reversal	459	6,536	619	849	464	489	9,416
Transfer from (to) other accounts	-	1	22	5	53	-	81
Balance as at 31 December 2019	**(2,636)**	**(140,419)**	**(11,975)**	**(30,824)**	**(5,843)**	**(5,538)**	**(197,235)**
Balance as at 1 January 2020	**(2,636)**	**(140,419)**	**(11,975)**	**(30,824)**	**(5,843)**	**(5,538)**	**(197,235)**
Depreciation charge	(1,216)	(10,971)	(296)	(3,296)	(751)	-	(16,530)
Disposals	1,279	1,242	265	549	476	192	4,003
Charge for impairment allowance	(40)	(5,165)	(1,405)	(524)	(18)	(4,247)	(11,399)
Transfer of impairment loss	-	(1,156)	(43)	(253)	(104)	1,556	-
Impairment loss reversal	40	7,779	1,791	874	63	388	10,935
Transfer from (to) other accounts	-	6	25	8	(74)	-	(35)
Balance as at 31 December 2020	**(2,573)**	**(148,684)**	**(11,638)**	**(33,466)**	**(6,251)**	**(7,649)**	**(210,261)**
Net book value							
Balance as at 1 January 2019	**-**	**116,011**	**14,578**	**17,823**	**2,740**	**32,884**	**184,036**
Balance as at 31 December 2019	**6,904**	**135,978**	**12,795**	**16,649**	**2,665**	**30,049**	**205,040**
Balance as at 1 January 2020	**6,904**	**135,978**	**12,795**	**16,649**	**2,665**	**30,049**	**205,040**
Balance as at 31 December 2020	**5,637**	**152,175**	**13,705**	**17,808**	**1,939**	**29,046**	**220,310**

Capitalised borrowing costs for the year ended 31 December 2020 amounted to RUB 1,971 million (for the year ended 31 December 2019: RUB 1,998 million) with the capitalisation rate 6.7% (for the year ended 31 December 2019: 7.9%). The capitalisation rate represents the weighted average rate of borrowings raised.

Property, plant and equipment are not pledged as collateral.

(in millions of Russian Rubles)

Right-of-use assets

	Heating networks	Building and facilities	Machinery and equipment	Transport and other	Total
Book value					
Balance as at 1 January 2019	**-**	**-**	**-**	**-**	**-**
Initial recognition as at 1 January 2019	230	7,669	916	1,115	9,930
Additions	27	10	-	635	672
Disposals	(49)	(58)	-	(74)	(181)
Change in lease agreements terms	270	(553)	(693)	95	(881)
Balance as at 31 December 2019	**478**	**7,068**	**223**	**1,771**	**9,540**
Balance as at 1 January 2020	**478**	**7,068**	**223**	**1,771**	**9,540**
Additions	-	9	-	49	58
Disposals	-	(1,160)	(223)	(374)	(1,757)
Change in lease agreements terms	140	146	7	76	369
Balance as at 31 December 2020	**618**	**6,063**	**7**	**1,522**	**8,210**
Accumulated depreciation and impairment					
Balance as at 1 January 2019	**-**	**-**	**-**	**-**	**-**
Initial recognition as at 1 January 2019	(154)	(1,124)	-	(83)	(1,361)
Depreciation charge	(129)	(708)	(112)	(391)	(1,340)
Disposals	39	12	-	42	93
Charge for impairment allowance	(201)	(123)	-	(163)	(487)
Impairment loss reversal	29	385	-	45	459
Balance as at 31 December 2019	**(416)**	**(1,558)**	**(112)**	**(550)**	**(2,636)**
Balance as at 1 January 2020	**(416)**	**(1,558)**	**(112)**	**(550)**	**(2,636)**
Depreciation charge	(147)	(796)	-	(273)	(1,216)
Disposals	-	840	111	328	1,279
Charge for impairment allowance	(4)	(10)	-	(26)	(40)
Impairment loss reversal	25	1	-	14	40
Balance as at 31 December 2020	**(542)**	**(1,523)**	**(1)**	**(507)**	**(2,573)**
Net book value					
Balance as at 1 January 2019	**-**	**-**	**-**	**-**	**-**
Balance as at 31 December 2019	**62**	**5,510**	**111**	**1,221**	**6,904**
Balance as at 1 January 2020	**62**	**5,510**	**111**	**1,221**	**6,904**
Balance as at 31 December 2020	**76**	**4,540**	**6**	**1,015**	**5,637**

The total cash outflow under lease agreements for the year ended 31 December 2020 amounted to RUB 1,927 million, of which RUB 757 million accounted for interest expenses and RUB 1,170 million to pay off the principal amount of the debt (for the year ended 31 December 2019 - RUB 843 million and RUB 1,119 million, respectively). Short-term lease expenses and expenses related to variable lease payments that are not included in lease liabilities are recognized as operating expenses in the consolidated statement of comprehensive income. The cash outflow from such contracts does not differ significantly from the amount of expenses.

Impairment of property, plant and equipment

As at 31 December 2020 the Group determined the recoverable amount of its property, plant and equipment, construction in progress and right-of0use assets. As a result of valuation the impairment loss in the amount of RUB 11,399 million was accrued and the impairment loss in the amount of RUB 10,935 million for previously impaired items was reversed. The result of the Group's impairment test of property, plant and equipment, construction in progress and right-of-use assets is impairment loss in the amount of RUB 464 million.

The following assumptions were used in determining the recoverable amount of property, plant and equipment as at 31 December 2020:

- cash flows are projected based on the actual experience and operational results for the previous years, and the Groups business plan for 2021;
- for the purposes of the analysis 64 CGU have been considered as at 31 December 2020 (as at 31 December 2019: 69 CGU): these CGU were allocated at the level of each production chain from the source to the customer;
- discount rate reflects all relevant risks. As at 31 December 2020 the discount rate amounted to 9.82% (as at 31 December 2019: 10.47%).

With the increase/decrease in the discount rate of 0.5% the amount of impairment loss as at 31 December 2020 would increase/decrease by RUB 5,145 million.

(in millions of Russian Rubles)

9 Intangible assets

	Software	Other	Total
Book value			
Balance as at 1 January 2019	**8,262**	**24**	**8,286**
Acquisitions	1,052	12	1,064
Disposals	(3,944)	-	(3,944)
Balance as at 31 December 2019	**5,370**	**36**	**5,406**
Balance as at 1 January 2020			
Acquisitions	523	-	523
Disposals	(1,160)	-	(1,160)
Balance as at 31 December 2020	**4,733**	**36**	**4,769**
Accumulated amortization			
Balance as at 1 January 2019	**(6,523)**	**(4)**	**(6,527)**
Amortisation charge	(805)	(6)	(811)
Disposals	3,944	-	3,944
Balance as at 31 December 2019	**(3,384)**	**(10)**	**(3,394)**
Balance as at 1 January 2020			
Amortisation charge	(910)	(10)	(920)
Disposals	1,054	-	1,054
Balance as at 31 December 2020	**(3,240)**	**(20)**	**(3,260)**
Net book value			
Balance as at 1 January 2019	**1,739**	**20**	**1,759**
Balance as at 31 December 2019	**1,986**	**26**	**2,012**
Balance as at 1 January 2020	**1,986**	**26**	**2,012**
Balance as at 31 December 2020	**1,493**	**16**	**1,509**

10 Assets classified as held for sale

As at 31 December 2020 the Group was in the process of disposing of non-core assets in the amount of RUB 121 million (as at 31 December 2019: RUB 214 million). The Group plans to sell these assets during 2021.

Assets held for sale are presented in the consolidated statement of financial position at 31 December 2020 at their carrying amounts and consist of property, plant and equipment.

11 Accounts receivable and prepayments

	31 December 2020	31 December 2019
Short-term accounts receivable		
Trade receivables	26,366	27,617
Subsidies receivable	1,294	2,066
Other receivables	2,613	2,676
Total financial accounts receivable	**30,273**	**32,359**
Other receivables	9,164	8,287
Advances to suppliers and prepaid expenses	58	45
VAT receivable	102	109
Tax prepayments other than income tax	380	89
Total non-financial accounts receivable	**9,704**	**8,530**
Total short-term accounts receivable and prepayments	**39,977**	**40,889**
Long-term accounts receivable		
Trade receivables	762	78
Total financial accounts receivable	**762**	**78**
Other receivables	7,460	6,697
Advances to suppliers and prepaid expenses	20	29
VAT receivable	55	25
Total non-financial accounts receivable	**7,535**	**6,751**
Total long-term accounts receivable and prepayments	**8,297**	**6,829**

(in millions of Russian Rubles)

Trade receivables are presented net of allowance for expected credit losses in the amount of RUB 16,513 million and RUB 14,914 million, as at 31 December 2020 and 31 December 2019, respectively.

Other receivables are presented net of allowance for expected credit losses in the amount of RUB 1,628 million and RUB 318 million, as at 31 December 2020 and 31 December 2019, respectively.

Other non-financial receivables are presented net of provision for impairment in the amount of RUB 373 million and RUB 341 million, as at 31 December 2020 and 31 December 2019, respectively.

Prepayments to suppliers and prepaid expenses are presented net of provision for impairment in the amount of RUB 9 million and RUB 8 million, as at 31 December 2020 and 31 December 2019, respectively.

These provisions mainly relate to short-term receivables and prepayments, except for the provision for trade receivables in the amount of RUB 502 million, which was formed for long-term trade receivables as at 31 December 2020 (RUB 1 million as at 31 December 2019).

Information on the Group's exposure to credit risk, as well as on impairment losses related to receivables, is disclosed in Note 27.

12 Financial assets

	31 December 2020	31 December 2019
Equity securities measured at fair value through profit or loss	874	864
Total long-term financial assets	**874**	**864**
Loans issued (including %)	14,466	5,152
Total short-term financial assets	**14,466**	**5,152**

The Group owns 55.78% of shares of Mutual Investment Fund Perlovsky and is entitled to receive a cash corresponding to this share from the mutual investment fund, without control over the assets of the fund. Assets of Mutual Investment Fund Perlovsky are operated by an independent management company. Investments in Mutual Investment Fund Perlovsky are classified by the Group as financial assets measured at fair value through profit or loss.

Increase in fair value of financial assets measured through profit or loss for the year ended 31 December 2020 amounted to RUB 10 million due to increase of Mutual Investment Fund Perlovsky net assets and was recognised in profit or loss (for the year ended 31 December 2019: loss in the amount of RUB 123 million).

As at 31 December 2020 short-term financial assets include a loan with a variable interest rate issued to PJSC Gazprom in the amount of RUB 14,466 million, organized as part intra-group financing (cash pooling) of PJSC Gazprom (as at 31 December 2019: RUB 5,152 million).

The Group’s exposure to credit risk and interest risks related to financial assets are disclosed in Note 27.

13 Inventories

	31 December 2020	31 December 2019
Materials and supplies	439	449
Spare parts	260	241
Other inventories	377	315
Total	**1,076**	**1,005**

Allowance for impairment of inventories amounted to RUB 232 million as at 31 December 2020 (as at 31 December 2019: RUB 226 million).

The Group’s inventories are not pledged as collateral as at 31 December 2020 and 31 December 2019.

14 Cash and cash equivalents

	31 December 2020	31 December 2019
Bank balances	331	679
Deposits with maturity of less than three months	27	243
Total	**358**	**922**

(in millions of Russian Rubles)

As at 31 December 2020 restricted cash includes the minimum balance on settlement accounts in the amount of RUB 261 million (as at 31 December 2019: RUB 413 million). As at 31 December 2020 there arrested cash amounted to RUB nil million (as at 31 December 2019: RUB 2 million).

The Group's exposure to financial risks is disclosed in Note 27.

15 Equity

Share capital and share premium

As of 31 December 2020 and 31 December 2019 total number of ordinary shares of RUB 100 par value each amounts to 256,271,317. All issued ordinary shares are fully paid.
As of 31 December 2020 and 31 December 2019 the Group has no authorized shares, additionally authorized for placement, but not placed.
Share premium amounted to RUB 139,680 million includes excess of the cash proceeds from the issue of share capital and excess of the value of property and liabilities received as a result of additional issue of ordinary shares during reorganization over the nominal value of authorized capital.

Treasury shares

As of 31 December 2020 and 31 December 2019 treasury shares comprised 23,298,456 ordinary shares amounted to RUB 16,971 million.

Dividends

In accordance with the legislation of the Russian Federation the distributable reserves of the Company are limited to the retained earnings recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Rules.
According to the decision of the Annual General Meeting of shareholders of PJSC MIPC as at 24 June 2020 dividends on ordinary registered shares of PJSC MIPC for the results of 2019 were not accrued.

16 Borrowings

	Interest rate as at period end, %	Year of maturity	31 December 2020	31 December 2019
Long-term borrowings with fixed interest rate				
Bonds				
Bonds series 001P-01	8.65	2022	4,993	4,993
Bonds series 001P-02	8.45	2021	-	4,988
Bonds series 001P-03	6.80	2022	4,988	4,988
Bonds series 001P-04	5.80	2023	4,993	-
Short-term borrowings with variable interest rate				
Borrowings				
PJSC Mosenergo	4.51	2023	1,275	1,275
PJSC Mosenergo	4.04	2024	965	-
Loans				
PJSC Bank VTB	5.15	2022	4,370	-
PJSC Bank VTB	5.15	2022	1	-
Total long-term borrowings			**21,585**	**16,244**
Short-term borrowings with fixed interest rate				
Short-term part of long-term bonds				
Bonds series 001P-01	8.65	2021	143	140
Bonds series 001P-02	8.45	2021	5,072	80
Bonds series 001P-03	6.80	2021	46	43
Bonds series 001P-04	5.80	2021	129	-
Short-term borrowings with variable interest rate				
Loans				
Bank GPB (JSC)		2020	-	10,000
PJSC Sberbank		2020	-	1,175
JSC Bank Rossiya	5.35	2021	5,000	-
Short-term part of long-term borrowing				
PJSC Mosenergo	4.51	2021	5	7
PJSC Mosenergo	4.04	2021	1	-
Total short-term borrowings			**10,396**	**11,445**
Total			**31,981**	**27,689**

(in millions of Russian Rubles)

All loans and borrowings are denominated in RUB. There is no pledge of property rights under borrowings agreements as at 31 December 2020 (as at 31 December 2019: no pledge).

As at 31 December 2020 and 31 December 2019, the Group met the financial conditions associated with the loans and borrowings.

The Group's exposure to liquidity risks related to loans and borrowings is disclosed in Note 27.

17 Accounts payable and other liabilities

	31 December 2020	31 December 2019
Short-term accounts payable		
Trade payables	30,126	27,058
Payables for the acquisition of property, plant and equipment	8,669	9,413
Other payables	78	7
Total financial accounts payable	**38,873**	**36,478**
Liabilities from contracts with customers	34,641	26,768
Other payables	2,038	2,910
Total non-financial accounts payable	**36,679**	**29,678**
Total short-term accounts payable and other liabilities	**75,552**	**66,156**
Long-term accounts payable		
Payables for the acquisition of property, plant and equipment	3	751
Other payables	-	20
Total financial accounts payable	**3**	**771**
Liabilities from contracts with customers	6,684	6,362
Total non-financial accounts payable	**6,684**	**6,362**
Total long-term accounts payable and other liabilities	**6,687**	**7,133**

The Group's exposure to liquidity in terms of trade and other financial payables is disclosed in Note 27.

18 Other taxes payable

	31 December 2020	31 December 2019
Social contributions	530	471
VAT payable	384	60
Property tax	35	493
Other taxes payable	120	131
Total	**1,069**	**1,155**

19 Provisions

Short-term estimated liabilities primarily relate to litigation and tax disputes. For the year ended 31 December 2020 and for the year ended 31 December 2019, the movement of estimated litigation liabilities was as follows:

	31 December 2020	31 December 2019
Balance as at 1 January	**175**	**329**
Accrual	668	244
Utilisation	(21)	(184)
Reversal	(77)	(214)
Balance as at 31 December	**745**	**175**

20 Provision for employee benefits

On dismissal due to the retirement employees of PJSC MIPC are paid one-time retirement benefit according to length of continuous service. Retirement benefit obligations of the Group as at 31 December 2020 amounted to RUB 197 million (as at 31 December 2019: RUB 218 million).

(in millions of Russian Rubles)

21 Income tax

The Group's applicable tax rate is 20% which represents the Russian corporate income tax.

	For the year ended 31 December 2020	For the year ended 31 December 2019
Current income tax expense		
Current income tax for period	(967)	(1,039)
Over-accrued in prior periods	-	(11)
Deferred income tax expense		
Recognition and reversal of temporary differences	52	(551)
Total	**(915)**	**(1,601)**

Reconciliation of theoretical and actual income tax recognised in profit or loss for the period is presented below:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Profit before tax	**12,266**	**12,749**
Income tax at applicable tax rate of 20%	(2,453)	(2,550)
Non-deductible / non-taxable differences	1,538	960
Over-accrued in prior periods	-	(11)
Total income tax	**(915)**	**(1,601)**

Deferred tax

Recognized deferred tax assets and liabilities.

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

	Assets		Liabilities		Net	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Property, plant and equipment	191	484	(11,787)	(11,248)	(11,596)	(10,764)
Intangible assets	21	9	-	-	21	9
Financial assets	67	20	-	-	67	20
Inventory	9	9	(78)	(121)	(69)	(112)
Accounts receivable and prepayments	1,428	238	(511)	(386)	917	(148)
Borrowings	-	-	(7)	(6)	(7)	(6)
Accounts payable and liabilities	390	319	(14)	(32)	376	287
Lease liabilities	1,333	1,713	-	-	1,333	1,713
Tax loss carried forward	1,681	1,680	-	-	1,681	1,680
Other items	272	258	(16)	(10)	256	248
	5,392	4,730	(12,413)	(11,803)	(7,021)	(7,073)
Net	(3,286)	(3,110)	3,286	3,110	-	-
Total	**2,106**	**1,620**	**(9,127)**	**(8,693)**	**(7,021)**	**(7,073)**

(in millions of Russian Rubles)

Tax effect of temporary differences for the year ended 31 December 2020 and 31 December 2019 is presented in the table below:

	1 January	Recognised in profit or loss	Effect of the initial application of IFRS 16	Effect of acquisitions under common control	31 December
31 December 2020					
Property, plant and equipment	(10,764)	(832)	-	-	(11,596)
Intangible assets	9	12	-	-	21
Financial assets	20	47	-	-	67
Inventory	(112)	43	-	-	(69)
Accounts receivable and prepayments	(148)	1,065	-	-	917
Borrowings	(6)	(1)	-	-	(7)
Accounts payable and liabilities	287	89	-	-	376
Lease liabilities	1,713	(380)			1,333
Tax loss carried forward	1,680	1	-	-	1,681
Other items	248	8	-	-	256
Total	**(7,073)**	**52**	**-**	**-**	**(7,021)**
31 December 2019					
Property, plant and equipment	(9,665)	607	(1 705)	(1)	(10,764)
Intangible assets	16	(7)	-	-	9
Financial assets	4	16	-	-	20
Inventory	(93)	(19)	-	-	(112)
Accounts receivable and prepayments	123	(271)	-	-	(148)
Borrowings	-	(6)	-	-	(6)
Accounts payable and liabilities	356	(69)	-	-	287
Lease liabilities	-	(264)	1 977	-	1,713
Tax loss carried forward	2,276	(604)	-	8	1,680
Other items	181	66	-	1	248
Total	**(6,802)**	**(551)**	**272**	**8**	**(7,073)**

Tax effect of temporary differences resulted is accounted with the application of 20% rate, settled by the legislation of the Russian Federation

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The details of the deferred tax balances (after the offset) presented in the consolidated statement of financial position are as follows:

	31 December 2020	31 December 2019
Deferred tax assets	2,106	1,620
Deferred tax liabilities	(9,127)	(8,693)
Deferred tax liabilities, net	**(7,021)**	**(7,073)**

22 Revenue

	For the year ended 31 December 2020	For the year ended 31 December 2019
Revenue from heat energy sales	107,828	108,281
Revenue from hot water supply services	34,122	34,311
Revenue from connection services to heat and hot water supply system	9,652	9,829
Revenue from transfer of water	2,160	2,140
Revenue from heat energy transmission services	447	514
Other revenue	1,923	4,303
Total	**156,132**	**159,378**

For the year ended 31 December 2020 and 31 December 2019, advances received from customers as at the beginning of the relevant period were recognised as revenue in the amount of RUB 8,031 million and RUB 8,805 million, respectively.

Revenue from services rendered to PJSC Mosenergo, the subsidiary of PJSC Gazprom, for the year ended 31 December 2020 in the amount of RUB 546 million was settled by offset of mutual claims (for the year ended 31 December 2019: RUB 565 million).

(in millions of Russian Rubles)

23 Operating expenses

	For the year ended 31 December 2020	For the year ended 31 December 2019
Purchased heat energy	76,706	75,446
Amortisation and depreciation	17,450	16,174
Staff costs	16,951	16,938
Water expenses	8,280	8,303
Repair and maintenance	6,374	5,438
Fuel	6,208	6,881
Electricity and capacity	5,863	5,815
Measurement units maintenance expenses	2,645	2,955
Production services	2,496	2,628
Taxes other than income tax	2,378	2,627
Security services	844	830
Software and maintenance	737	1,070
Other inventories	678	1,567
Change in provisions	591	30
Impairment loss on non-financial assets	510	4,534
Bank services	394	399
Rent	370	173
Professional and consulting services	338	386
Cleaning and maintenance of territories	272	286
Transportation	213	128
Communication services	140	132
Health and safety expenses	119	59
Public utilities	92	387
Loss on disposal of subsidiaries	-	365
Fines, penalties, penalties for violation of the terms of contracts	(1,888)	(1,414)
Gain on disposal of property, plant and equipment and other non-current assets	(5,767)	(7,476)
Other (income) / expenses, net	(2,923)	1,371
Total	**140,071**	**146,032**

Compensation for losses resulting from the liquidation of property for the year ended 31 December 2020 amounted to RUB 5,295 million (for the year ended 31 December 2019, RUB 7,011 million, respectively).

Lease expenses for the year ended 31 December 2020 include lease expenses with variable lease payments of RUB 70 million and short-term lease expenses of RUB 300 million (for the year ended 31 December 2019 – RUB 71 million and RUB 102 million, respectively).

Line "(Reversal of impairment loss) / impairment loss on non-financial assets" includes the following expenses:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Impairment loss/(reversal of impairment loss) on property, plant and equipment	464	4,404
Impairment loss on non-financial receivables	31	140
Impairment loss on assets classified as held for sale	18	21
Reversal of impairment loss on inventories	(3)	(31)
Total	**510**	**4,534**

Staff costs include the following expenses:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Wages and salaries	11,354	11,283
Social contributions	3,643	3,689
Liabilities for unused vacation and rewards	1,316	1,234
Voluntary health insurance	226	237
Others personnel expenses	412	495
Total	**16,951**	**16,938**

(in millions of Russian Rubles)

24 Finance income and expenses

	For the year ended 31 December 2020	For the year ended 31 December 2019
Finance income		
Interest income on loans issued	313	42
Income from participation in other organisations	67	84
Effect of discounting financial instruments	46	-
Interest income on bank deposits and cash balances on current accounts	26	261
Income from changes in fair value of equity securities measured at fair value through profit or loss	10	123
Lease interest income	9	13
Total finance income	**471**	**523**
Finance expense		
Interest expense on borrowings	(2,040)	(2,191)
Lease interest expense	(731)	(902)
Effect of discounting financial instruments	(203)	(887)
Other finance expense	(11)	(20)
Total finance expense	**(2,985)**	**(4,000)**
Including capitalised interest expenses on borrowings relating to qualifying assets	1,971	1,998
Net finance expense	**(543)**	**(1,479)**

25 Basic and dilute earnings per share attributable to the shareholders of PJSC MIPC

Earnings per share attributable to the shareholders of PJSC MIPC are calculated by dividing the profit of the shareholders of PJSC MIPC for the reporting period by the weighted average number of outstanding shares, less the weighted average number of ordinary shares acquired by the Group and considered its own shares repurchased (Note 15). The calculation of earnings per share is presented in the table below.

	For the year ended 31 December 2020	For the year ended 31 December 2019
Weighted average number of outstanding shares (thousand of pieces)	256,271,317	250,617,377
Weighted average number of treasury shares (thousand of pieces)	(23,298,456)	(23,296,162)
Weighted average number of outstanding shares (thousand of pieces)	**232,972,861**	**227,321,215**
Profit attributable to the shareholders of PJSC MIPC for the period	11,444	10,940
Basic and diluted earnings per share attributable to the shareholders of PJSC MIPC (in Russian Rubles)	**49.1**	**48.1**

There are no instruments with dilutive effect as at 31 December 2020 and 31 December 2019.

26 Commitments and contingencies

The political situation.

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

Legal proceedings

The Group is a party to a number of legal proceedings arising in the ordinary course of business. In the opinion of management, there are no claims or actions currently pending against the Group that, once finalized, could have a material adverse impact on the Group's financial position.

Taxation in the Russian Federation

The tax system of the Russian Federation is characterised by frequent changes in regulations, official interpretations and court decisions which are sometimes not clearly stated and contradict each other, which, in turn, gives way to possibility of multiple interpretations by various tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose fines and penalties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances such reviews may cover longer periods. Based on the recent practice in the Russian Federation, tax authorities take a more rigid position when it comes to interpretation of and compliance with tax legislation aiming at discovery of unjustified tax benefits.

(in millions of Russian Rubles)

These circumstances result in much higher tax risks in the Russian Federation compared to other countries. Based on its understanding of the effective tax legislation, official interpretations and court decisions, the Group's management believe that its tax liabilities are disclosed adequately. However, the interpretations of the relevant authorities could differ from the management's position and in case they are be able to enforce their interpretations, this could have significant effect on these consolidated financial statements.

Capital commitments

As at 31 December 2020, the Group's unrecognized contractual obligations for capital expenditures amounted to RUB 52,958 million, including VAT (31 December 2019: RUB 43,449 million, including VAT).

Environmental liabilities

The Group's management believes that its production technologies are in compliance with all current existing environmental legislation of the Russian Federation. However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those environmental laws and regulations may change. Such change, if it occurs, may require the Group to modernise its technologies to be in compliance with strict standards.

27 Financial risks factors

The Group's operations are exposed to various risks, including market risk related to currency and interest rate risks, interest rate risk, credit risk and liquidity risk. The Group does not use a financial risk hedging policy.

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

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

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations in time. The Group's exposure to credit risk is associated with cash and cash equivalents in bank accounts, unsecured accounts receivable and loans issued.

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

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

Credit risk exposure

The carrying amount of financial assets represents the maximum credit risk to which the Group is exposed. The maximum exposure to credit risk at the reporting date is as follows:

		Carrying amount	
	Note	**31 December 2020**	**31 December 2019**
Accounts receivable and prepayments	11	31,035	32,437
Loans issued	12	14,466	5,152
Cash and cash equivalents	14	331	679
Deposits	14	27	243
Total		**45,859**	**38,511**

Receivables and loans issued

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Geographically credit risk is concentrated in Moscow and Moscow Region. Creditworthiness of existing customers is periodically evaluated based on internal and external information regarding the history of settlements with these customers. The Group constantly analyses accounts receivable turnover ratios, maturity dates and takes appropriate measures on collection of debts due. Approximately 90-95% of the customers are the Group's clients for a period longer than 2-3 years.

In monitoring customer credit risk, customers are grouped according to the accounts receivable type and maturity dates. Accounts receivable are divided into five major groups: current, overdue, long-term, doubtful and bad debts. When the accounts receivable are classified as overdue measures are taken to collect these receivables, including oral and written notifications to a debtor, filing a claim, assessing late payment interest, etc. The Group establishes an allowance for expected credit losses of trade and other receivables and impairment provision for advances issued. The main components of this allowance include a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The estimated amount of loss allowance is determined on the basis of expected credit loss model, weighted by the probability of default and may be adjusted both upwards or downwards. In making such decision the management of the Group analyses the debtors' creditworthiness and dynamics of debt repayment, changes in payment terms, as well as current overall economic conditions and forecast values of macroeconomic indicators.

(in millions of Russian Rubles)

The Group does not have a formal procedure for analysing the creditworthiness of new customers due to the fact that the supply of heat energy is a monopoly service. If the client, that is a commercial enterprise, does not repay the debt on time, the Group sends a notification requiring payment within the next 10 days and, in the event of further non-payment, the Group has the right to terminate services to that customer. Regarding housing organisations and some state-controlled organisations, this right is limited to the termination of hot water supply only, but not heating.

In determining expected credit loss allowance for accounts receivable, the Group's management analyses the possibility of its collection. The allowance is determined based on the past experience and is regularly reviewed considering the facts and circumstances at each reporting date.

The management believes that expected credit loss allowance for trade and other receivables in the consolidated financial statements is sufficient to cover the Group's credit risk in respect of this type of financial assets.

The maximum exposure to credit risk for trade receivables by revenue types at the reporting date is as follows:

	31 December 2020	31 December 2019
Revenue from heat energy sales, hot water supply and transmission services	25,267	25,143
Other revenue	1,861	2,552
Total	**27,128**	**27,695**

The estimated allowance for expected credit losses on receivables and loans issued is calculated for groups of counterparties based on the terms of late payment. As at the reporting date, the distribution of loans and receivables by statute of limitations was as follows:

	Total amount of debt		Amount of estimated allowance for expected credit losses		Amount of debt less estimated allowance for expected credit losses	
	31 December		31 December		31 December	
	2020	2019	2020	2019	2020	2019
Not overdue	30,260	18,075	(945)	(351)	29,315	17,724
0-181 days overdue	7,999	9,463	(1,397)	(905)	6,602	8,558
181-365 days overdue	5,609	6,117	(1,977)	(2,046)	3,632	4,071
Overdue for more than one year	20,144	19,536	(14,192)	(12,300)	5,952	7,236
Total	**64,012**	**53,191**	**(18,511)**	**(15,602)**	**45,501**	**37,589**

During 2020 the movement in the estimated allowance account for expected credit losses on trade and other receivables and loans issued was as follows:

	Trade receivables	Other receivables	Loans issued	Total
Balance as at 1 January 2020	**14,914**	**318**	**370**	**15,602**
Accrual	3,984	1,462	-	5,446
Write-off of receivables against previously accrued allowance	(335)	(8)	-	(343)
Reversal	(2,050)	(144)	-	(2,194)
Balance as at 31 December 2020	**16,513**	**1,628**	**370**	**18,511**

During 2019 the movement in the estimated allowance account for expected credit losses on trade and other receivables and loans issued was as follows:

(in millions of Russian Rubles)

	Trade receivables	Other receivables	Loans issued	Total
Balance as at 1 January 2019	**17,067**	**123**	**-**	**17,190**
Accrual	3,826	283	370	4,479
Write-off of receivables against previously accrued allowance	(705)	(1)	-	(706)
Reversal	(5,274)	(87)	-	(5,361)
Balance as at 31 December 2019	**14,914**	**318**	**370**	**15,602**

Cash and bank deposits

All bank account balances and deposits are not past due or impaired. The Group pursues a policy of cooperation with highly rated banks, which is approved by the Board of Directors of PJSC MIPC.

(b) Market risk

(i) Currency risk

The Group operates in the Russian Federation. Most of the Group's transactions are denominated in RUB.

(ii) Interest rate risk

The Group's profit and operating cash flows are not substantially exposed to the changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the changes of interest rates of the Group's long-term borrowings. Interest rates of most long-term and short-term borrowings are fixed, this information is disclosed in Note 16.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they mature. The Group's approach to liquidity management is to ensure, to the extent possible, that the Group has sufficient liquidity to meet its obligations on time, both under normal and stressful conditions, without incurring unacceptable losses and without jeopardizing the Group's reputation.

The contractual maturities of financial liabilities, including the estimated amounts of interest payments, as at 31 December 2020 are set out below:

	Carrying amount	Contractual cash flows	0-6 months	6-12 months	1-2 years	2-5 years	over 5 years
Non-derivative financial liabilities							
Borrowings (Note 16)	31,981	34,902	6,348	5,703	15,336	7,515	-
Lease liabilities	6,916	14,232	1,041	772	1,299	2,673	8,447
Accounts payable (Note 17)	38,876	41,600	35,535	3,337	2,059	588	81
Total	**77,773**	**90,734**	**42,924**	**9,812**	**18,694**	**10,776**	**8 528**

The contractual maturities of financial liabilities, including the estimated amounts of interest payments, as at 31 December 2019 are set out below:

	Carrying amount	Contractual cash flows	0-6 months	6-12 months	1-2 years	2-3 years	over 5 years
Non-derivative financial liabilities							
Borrowings (Note 16)	27,689	34,858	2,371	10,742	1,277	5,021	15,447
Lease liabilities	8,565	19,652	1,424	1,238	2,198	4,269	10,523
Accounts payable (Note 17)	37,249	39,542	35,618	854	2,698	369	3
Total	**73,503**	**94,052**	**39,413**	**12,834**	**6,173**	**9,659**	**25,973**

All groups of financial liabilities are carried at amortised cost.

(d) Reconciliation of liabilities arising from financing activities

Reconciliation of movements for liabilities arising from financing activities of the Group for the year ended 31 December 2020 and 31 December 2019 is presented in the table below:

(in millions of Russian Rubles)

	Borrowings	Lease liabilities	Total
As at 1 January 2020	**27,689**	**8,565**	**36,254**
Cash flows from financing activities			
Proceeds from borrowings	15,328	-	15,328
Repayment of borrowings	(11,176)	-	(11,176)
Repayment of lease liabilities	-	(1,170)	(1,170)
Total cash flows from financing activities	**4,152**	**(1,170)**	**2 982**
Cash flows from other activities			
Interest paid	(70)	(757)	(827)
Interest paid and capitalized	(1,847)	-	(1,847)
Total cash flows from other activities	**(1,917)**	**(757)**	**(2,674)**
Other changes			
Interest expense accrual	2,041	731	2,772
Effect of modification of lease agreement / changes of estimates	-	(510)	(510)
New lease agreements	-	57	57
Other changes	16	-	16
Total other changes	**2,057**	**278**	**2,335**
As at 31 December 2020	**31,981**	**6,916**	**38,897**
As at 1 January 2019	**25,911**	**-**	**25,911**
Cash flows from financing activities			
Proceeds from borrowings	26,459	-	26,459
Repayment of borrowings	(24,601)	-	(24,601)
Repayment of lease liabilities	-	(1,119)	(1,119)
Total cash flows from financing activities	**1,858**	**(1,119)**	**739**
Cash flows from other activities			
Interest paid	(201)	(843)	(1,044)
Interest paid and capitalised	(1,743)	-	(1,743)
Total cash flows from other activities	**(1,944)**	**(843)**	**(2,787)**
Other changes			
Interest expense accrual	2,192	902	3,094
Effect of modification of lease agreement / changes of estimates	-	9,148	9,148
New lease agreements	-	477	477
Acquisition of subsidiary	1,252	-	1,252
Disposal of subsidiary	(1,566)	-	(1,566)
Other changes	(14)	-	(14)
Total other changes	**1,864**	**10,527**	**12,391**
As at 31 December 2019	**27,689**	**8,565**	**36,254**

(e) Capital management

The following capital requirements for joint stock companies established by the legislation of the RussianFederation:

- share capital cannot be lower than RUB 100,000;
- if the share capital of the entity exceeds the statutory net assets of the entity, such entity must decrease its share capital to the value not exceeding its net assets;
- if the minimum allowed share capital exceeds the statutory net assets of the entity, such entity is subject to liquidation.

As at 31 December 2020 and as at 31 December 2019 the Group was in compliance with the share capital requirements listed above.

The Group manages capital for all Group entities in order to continue as a going concern in the foreseeable future and, at the same time, to maximise profit for shareholders through optimising its gearing ratio.

The Group's capital structure depends on ratio between debt liabilities which include short-term and long-term borrowings, cash and cash equivalents and equity attributable to PJSC MIPC shareholders that includes share capital, retained earnings or accumulated loss and other reserves. There were no changes in the Group's approach to capital management during the reporting period. The Group exercises capital control based on the ratio of net debt to EBITDA. The amount of net debt is calculated as the total amount of borrowed funds (short-term debt on loans and borrowings, long-term debt on loans and borrowings) less cash and cash equivalents, short-term deposits with the possibility of early withdrawal and long-term deposits with the possibility of early withdrawal.

EBITDA is calculated as the sum of operating profit, depreciation and amortisation, and the impairment loss on non-financial assets less the gain on the reversal of the impairment loss on non-financial assets.

The ratio of net debt to EBITDA as at 31 December 2020 and 31 December 2019 is shown in the table below.

(in millions of Russian Rubles)

	31 December 2020	31 December 2019
Borrowings	31,981	27,689
Less: cash and cash equivalents	(358)	(922)
Net debt (cash)	31,623	26,767
EBITDA	**30,769**	**34,936**
Net debt / EBITDA	**103%**	**77%**

28 Fair value of financial instruments

There were no changes in the fair value measurement methods related to Levels 1, 2 and 3 for the year ended 31 December 2020 (31 December 2019: no changes). There were no transfers between levels for the year ended 31 December 2020 (31 December 2019: no transfers).

	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3	Fair value
Financial assets measured at fair value								
Equity securities measured at fair value through profit or loss	-	-	874	874	-	-	864	864
Total financial assets measured at fair value	-	-	874	**874**	-	-	864	**864**

As at 31 December 2020 and 31 December 2019 the estimated fair value of financial assets and liabilities which are not recognised at fair value in the consolidated statement of financial position is reasonable approximation to their carrying amount and is not disclosed.

29 Subsequent events

On 28 January 2021 the Group repaid a loan to JSC Bank Rossiya in the amount of RUB 2,000 million.