

Report on Review of Interim Financial Information  
***Public Joint Stock Company Rostelecom  
and its subsidiaries***  
for the six-month period ended 30 June 2021

*August 2021*

**Report on Review of Interim Financial Information  
of Public Joint Stock Company Rostelecom  
and its subsidiaries**

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## Report on Review of Interim Financial Information

To the Shareholders of Public Joint Stock Company Rostelecom  
Board of directors of Public Joint Stock Company Rostelecom

### Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Public Joint Stock Company Rostelecom and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2021 and the interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management of Public Joint Stock Company Rostelecom is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.



N.G. Starygina  
Partner  
Ernst & Young LLC

4 August 2021

### **Details of the entity**

Name: Public Joint Stock Company Rostelecom  
Record made in the State Register of Legal Entities on 9 September 2002, State Registration Number 1027700198767.  
Address: Russia 191002, St-Petersburg, ul. Dostoevskogo, 15.

### **Details of the auditor**

Name: Ernst & Young LLC  
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.  
Address: Russia 115035, Moscow, Sadovnicheskaya nab., 77, bld. 1.  
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".  
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

# PJSC Rostelecom

## Interim condensed consolidated statement of financial position

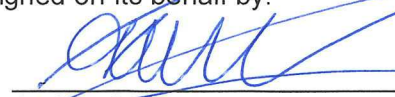
(In millions of Russian roubles unless otherwise stated)

	Notes	30 June 2021 (unaudited)	31 December 2020 (restated)*
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	579,121	575,357
Goodwill and other intangible assets	6	143,393	141,361
Right of use assets	7	114,170	95,733
Trade and other accounts receivable	11	6,122	6,317
Investments in associates and joint ventures		10,577	10,896
Other financial assets	11	796	815
Other non-current assets		15,444	12,975
Deferred tax assets		8,504	8,970
Contract assets	8	759	972
Contract costs	9	16,390	16,326
<b>Total non-current assets</b>		<b>895,276</b>	<b>869,722</b>
<b>Current assets</b>			
Inventories		11,648	10,792
Contract assets	8	11,262	6,710
Contract costs	9	725	674
Trade and other accounts receivable	11	62,016	50,154
Prepayments		7,785	8,953
Prepaid income tax		1,220	1,377
Other financial assets	11	13,613	11,482
Other current assets		7,530	7,892
Cash and cash equivalents	11	23,530	31,215
Asset classified as held for sale		599	831
<b>Total current assets</b>		<b>139,928</b>	<b>130,080</b>
<b>Total assets</b>		<b>1,035,204</b>	<b>999,802</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Group</b>			
Share capital	10	95	95
Treasury shares		(14,722)	(14,374)
Retained earnings and other reserves		200,333	194,425
<b>Total equity attributable to equity holders of the Group</b>		<b>185,706</b>	<b>180,146</b>
Non-controlling interests		38,169	37,563
<b>Total equity</b>		<b>223,875</b>	<b>217,709</b>
<b>Non-current liabilities</b>			
Loans and borrowings	11, 12	336,925	372,406
Lease liabilities	7, 11	105,184	86,392
Employee benefits		6,934	6,670
Deferred tax liabilities		42,624	41,502
Accounts payable and accrued expenses		891	1,580
Contract liabilities		12,936	15,811
Provisions		5,463	5,848
Other financial liabilities		10,926	10,912
Other non-current liabilities		38,440	32,831
<b>Total non-current liabilities</b>		<b>560,323</b>	<b>573,952</b>
<b>Current liabilities</b>			
Loans and borrowings	11, 12	69,937	32,535
Lease liabilities	7, 11	18,946	17,399
Accounts payable and accrued expenses		98,434	96,022
Income tax payable		1,890	3,023
Contract liabilities		29,220	34,680
Provisions		12,038	9,413
Other financial liabilities	11	1,263	1,914
Other current liabilities		19,278	13,155
<b>Total current liabilities</b>		<b>251,006</b>	<b>208,141</b>
<b>Total liabilities</b>		<b>811,329</b>	<b>782,093</b>
<b>Total equity and liabilities</b>		<b>1,035,204</b>	<b>999,802</b>

\* See note 3.3.

These interim condensed consolidated financial statements were approved by management of PJSC Rostelecom on 4 August 2021 and were signed on its behalf by:

  
 President  
 Oseevskiy M.E.

  
 CEO – Senior Vice President  
 Anokhin S.N.

The accompanying notes on pages 11-41 form an integral part of the unaudited interim condensed consolidated financial statements.

PJSC Rostelecom

Interim condensed consolidated statement of profit or loss and  
other comprehensive income

(In millions of Russian roubles unless otherwise stated)

		Six-month period ended 30 June (unaudited)	
	Notes	2021	2020 (restated)*
<b>Revenue</b>	13	<b>270,547</b>	<b>248,892</b>
<b>Operating expenses</b>			
Wages, salaries, other benefits and payroll taxes		(66,366)	(64,257)
Depreciation, amortization and impairment losses		(64,646)	(55,205)
Interconnection charges		(47,090)	(44,949)
Materials, utilities, repairs and maintenance		(19,560)	(17,740)
Gain on disposal of property, plant and equipment, intangible assets and assets held for sale		5,178	2,305
Impairment loss of financial assets measured at amortized cost		(87)	(2,466)
Other operating income		9,271	10,312
Other operating expenses		(42,777)	(38,644)
<b>Total operating expenses, net</b>		<b>(226,077)</b>	<b>(210,644)</b>
<b>Operating profit</b>		<b>44,470</b>	<b>38,248</b>
Share of net (loss)/profit of associates and joint ventures		(108)	309
Finance income		1,013	1,096
Finance costs		(17,860)	(19,359)
Other investing gain, net		1,779	449
Foreign exchange gain/(loss), net		52	(1,121)
<b>Profit before income tax</b>		<b>29,346</b>	<b>19,622</b>
Income tax expense		(6,362)	(4,520)
<b>Profit for the period</b>		<b>22,984</b>	<b>15,102</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		35	237
<b>Other comprehensive income for the period, net of tax</b>		<b>35</b>	<b>237</b>
<b>Total comprehensive income for the period</b>		<b>23,019</b>	<b>15,339</b>
<b>Profit attributable to:</b>			
Equity holders of the Group		22,335	14,616
Non-controlling interests		649	486
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Group		22,370	14,853
Non-controlling interests		649	486
Earnings per share attributable to equity holders of the Group – basic (in roubles)		6.67	5.00
Earnings per share attributable to equity holders of the Group – diluted (in roubles)		6.56	4.96

\* See note 3.3.

The accompanying notes on pages 11-41 form an integral part of the unaudited interim condensed consolidated financial statements.

PJSC Rostelecom

Interim condensed consolidated statement of cash flows

(In millions of Russian roubles unless otherwise stated)

	Notes	Six-month period ended 30 June (unaudited)	
		2021	2020 (restated)*
<b>Cash flows from operating activities</b>			
<b>Profit before tax</b>		<b>29,346</b>	<b>19,622</b>
<i>Adjustments to reconcile profit before tax to cash generated from operations</i>			
Depreciation, amortization and impairment losses		64,646	55,205
Gain on disposal of property, plant and equipment, intangible assets and assets held for sale		(5,178)	(2,305)
Impairment loss of financial assets measured at amortized cost		87	2,466
Share of net (loss)/profit of associates and joint ventures		108	(309)
Finance income		(1,013)	(1,096)
Finance costs excluding finance costs on employee benefit obligations		17,843	19,336
Other investing gain, net		(1,779)	(449)
Foreign exchange (gain)/loss, net		(52)	1,121
Share-based motivation program	17	1,576	1,813
Increase in accounts receivable and contract assets		(13,614)	(14,419)
Increase in employee benefits		264	398
Increase in inventories		(853)	(923)
Decrease in accounts payable, provisions and accrued expenses		(7,461)	(15,550)
Increase in contract costs, prepayments and other assets		(4,118)	(7,403)
Decrease in other liabilities		(2,106)	(4,130)
<b>Cash generated from operations before income tax and interest paid</b>		<b>77,696</b>	<b>53,377</b>
Interest paid		(17,883)	(17,635)
Income tax refund		42	7
Income tax paid		(5,783)	(4,068)
<b>Net cash from operating activities</b>		<b>54,072</b>	<b>31,681</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(61,475)	(53,600)
Proceeds from sale of property, plant and equipment, intangible assets and assets held for sale		5,882	2,977
Acquisition of financial assets		(8,152)	(3,501)
Proceeds from disposals of financial assets		6,361	1,748
Interest received		684	351
Subsidy from Government		4,059	2,667
Dividends received		414	159
Purchase of subsidiaries and business, net of cash acquired	4, 3.5	(945)	(114,810)
Distribution received from joint venture		399	—
Proceeds from disposal of subsidiaries, net of cash disposed		47	(74)
Acquisition of equity accounted investees		(176)	(25)
<b>Net cash used in investing activities</b>		<b>(52,902)</b>	<b>(164,108)</b>

The accompanying notes on pages 11-41 form an integral part of the unaudited interim condensed consolidated financial statements.

PJSC Rostelecom

Interim condensed consolidated statement of cash flows (continued)

		Six-month period ended 30 June (unaudited)	
	Notes	2021	2020 (restated)*
<b>Cash flows from financing activities</b>			
Issue of share capital		–	66,000
Purchase of treasury shares		(1,404)	–
Proceeds from bank and corporate loans	12	289,698	501,818
Repayment of bank and corporate loans	12	(285,855)	(457,976)
Proceeds from bonds	12	–	40,000
Repayment of bonds	12	(1,945)	(1,861)
Repayment of vendor financing payable	12	–	(2)
Proceeds from other non-current financing liabilities		–	(7)
Repayment of lease liabilities		(8,331)	(6,338)
Acquisition of non-controlling interests	4	–	(20)
Unclaimed dividends to shareholders of the Group	12	70	–
Dividends paid to non-controlling shareholders of subsidiaries	12	(1,011)	(270)
<b>Net cash (used in) / from financing activities</b>		<b>(8,778)</b>	<b>141,344</b>
Effect of exchange rate changes on cash and cash equivalents		(77)	(357)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(7,685)</b>	<b>8,560</b>
Cash and cash equivalents at beginning of the period		31,215	19,955
<b>Cash and cash equivalents at the end of the period</b>		<b>23,530</b>	<b>28,515</b>

\* See note 3.3.

The accompanying notes on pages 11-41 form an integral part of the unaudited interim condensed consolidated financial statements.



PJSC Rostelecom

Interim condensed consolidated statement of changes in equity

(In millions of Russian roubles unless otherwise stated)

	Attributable to equity holders of the Group										
	Share capital	Share premium	Business combination under common control	Translation of foreign operations	Treasury shares	Other capital reserves	Remeasurements of defined benefit pension plans	Retained earnings	Total equity attributable to shareholders of the Group	Non-controlling interests	Total equity
Balances at 1 January 2021 (audited)	95	65,999	(75,326)	1,153	(14,374)	3,639	6,157	192,803	180,146	37,563	217,709
Profit for the period (unaudited)	–	–	–	–	–	–	–	22,335	22,335	649	22,984
Exchange differences on translation foreign operations	–	–	–	35	–	–	–	–	35	–	35
Total other comprehensive income/(loss), net of tax (unaudited)	–	–	–	35	–	–	–	–	35	–	35
Total comprehensive income/(loss) for the year (unaudited)	–	–	–	35	–	–	–	22,335	22,370	649	23,019
Transactions with shareholders, recorded directly in equity (unaudited)											
Dividends to shareholders of the Company (Note 10)	–	–	–	–	–	–	–	(16,907)	(16,907)	–	(16,907)
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(367)	(367)
Purchase of treasury shares	–	–	–	–	(1,404)	–	–	–	(1,404)	–	(1,404)
Non-controlling interests in acquired subsidiaries (Note 4)	–	–	–	–	–	–	–	–	–	251	251
Disposal of non-controlling interest without change in control (Note 4)	–	–	–	–	–	–	–	(74)	(74)	74	–
Employee benefits within share based employee motivation program (Note 17)	–	–	–	–	1,056	916	–	(396)	1,576	–	1,576
Other changes in equity	–	–	–	–	–	–	–	(1)	(1)	(1)	(2)
Total transactions with shareholders (unaudited)	–	–	–	–	(348)	916	–	(17,378)	(16,810)	(43)	(16,853)
Balances at 30 June 2021 (unaudited)	95	65,999	(75,326)	1,188	(14,722)	4,555	6,157	197,760	185,706	38,169	223,875

The accompanying notes on pages 11-41 form an integral part of the unaudited interim condensed consolidated financial statements.

PJSC Rostelecom

Interim condensed consolidated statement of changes in equity (continued)

	Attributable to equity holders of the Group										
	Share capital	Share premium	Business combination under common control	Translation of foreign operations	Treasury shares	Other capital reserves	Remeasurements of defined benefit pension plans	Retained earnings	Total equity attributable to shareholders of the Group	Non-controlling interests	Total equity
Balances at 1 January 2020 (audited)	93	–	65,831	972	(53,391)	4,005	6,140	185,835	209,485	4,585	214,070
Profit for the period (unaudited)	–	–	–	–	–	–	–	14,616	14,616	486	15,102
Exchange differences on translation foreign operations	–	–	–	237	–	–	–	–	237	–	237
Total other comprehensive income, net of tax (unaudited)	–	–	–	237	–	–	–	–	237	–	237
Total comprehensive income for the year (unaudited)	–	–	–	237	–	–	–	14,616	14,853	486	15,339
Transactions with shareholders, recorded directly in equity (unaudited)											
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(175)	(175)
Employee benefits within share based employee motivation program (Note 17)	–	–	–	–	5,905	(2,411)	–	(2,673)	821	–	821
Acquisition T2RTK Holding under common control (Note 3.5)	2	65,999	(141,157)	–	33,112	–	–	–	(42,044)	–	(42,044)
Other changes in equity	–	–	–	–	–	–	–	1	1	–	1
Total transactions with shareholders (unaudited)	2	65,999	(141,157)	–	39,017	(2,411)	–	(2,672)	(41,222)	(175)	(41,397)
Balances at 30 June 2020 (restated)*	95	65,999	(75,326)	1,209	(14,374)	1,594	6,140	197,779	183,116	4,896	188,012

\* See note 3.3.

# PJSC Rostelecom

## Notes to the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2021

*(In millions of Russian roubles unless otherwise stated)*

### 1. Reporting entity

The accompanying interim condensed consolidated financial statements are of PJSC Rostelecom ("Rostelecom" or the "Company"), and its subsidiaries (together the "Group"), which are incorporated in the Russian Federation ("Russia").

The registered address of the Company is Russian Federation, St. Petersburg, Dostoevsky street, 15. Since February 2016 the headquarters are located in the Russian Federation, Moscow at Goncharnaya street, 30.

Rostelecom was established as an open joint stock company on 23 September 1993 in accordance with the Directive of the State Committee on the Management of State Property of Russia No. 1507-r, dated 27 August 1993. As at 30 June 2021, the Russian Federation, represented by the Federal Property Management Agency together with VEB.RF and VTB, controls the Company by holding of 50% plus one share of the Company's voting ordinary shares (31 December 2020: 50% plus one share).

Rostelecom is Russia's largest provider of digital services and solutions with presence in all market segments, and passing through millions of Russian households, governmental and private organizations.

### 2. Operating environment of the Group

#### COVID-19 outbreak

The COVID-19 pandemic and the risk of similar virus outbreaks in the future are driving public demand for changes to the existing way of life, established social and economic processes, and business operations. These changes are predicated on the need for a fast, massive transition to online communications and remote and isolated working. These transformations can enhance the role of digital and IT companies in the economy while providing an impetus to technology development and evolution of telecoms networks and data processing and storage infrastructure that are capable of absorbing an explosive growth in data traffic, supporting adequate network throughput and stable network connection as well as, most importantly, offering a wide range of highly valued digital services to households, businesses and governments.

As of 30 June 2021, the Group's management estimated the possible effects of coronavirus. The Group's managements did not observe any particular material adverse impacts to the Group's business, financial condition, and results of operations. From the beginning of the outbreak the Group has taken necessary measures to avoid direct impact of the pandemic on its operations with a special focus on protection of the health of employees and customers and uninterrupted business processes. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances. The management of the Group continues to monitor the coronavirus situation and will react to mitigate any potential significant impacts on the operations and financial position of the Group.

Notes to the unaudited interim condensed consolidated financial statements  
(continued)

*(In millions of Russian roubles unless otherwise stated)*

**3. Basis of preparation and changes to the Group's accounting policies**

**3.1 Basis of preparation**

The interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020. The management of the Group believes that the notes to the interim condensed consolidated financial statements are sufficient to provide an explanation of events and transactions to enable users to understand the significant changes in financial position and performance of the Group since year end. In the opinion of the Group's management, the business is not subject to significant seasonal fluctuations.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to the recoverability and depreciable lives of property, plant and equipment, intangible assets, fair values of assets and liabilities acquired in business combinations, post-employment benefits, allowance for expected credit loss, and deferred taxation. Actual results could differ from these estimates.

The functional currency of the Company and majority of the Company's subsidiaries and the reporting currency for the accompanying interim condensed consolidated financial statements is the Russian rouble.

The interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared based on going concern assumption, which suggests that the Group will continue its operations in the foreseeable future.

**3.2 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Notes to the unaudited interim condensed consolidated financial statements  
(continued)

*(In millions of Russian roubles unless otherwise stated)*

**3. Basis of preparation and changes to the Group's accounting policies (continued)**

**3.2 New standards, interpretations and amendments adopted by the Group (continued)**

*Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments complement Interest Benchmark Reform and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. The amendments in this phase 2 relate to:

- ▶ Changes to contractual cash flows: an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- ▶ Hedge accounting: an entity will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria;
- ▶ Disclosures: an entity will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The amendment is effective for interim and annual reporting periods on or after 1 January 2021 with earlier application permitted.

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

**3.3 Changes to 2020 financial statements**

The comparative information as at 31 December 2020 and for six-month period 2020 was restated as a result of the completion the valuation of acquired net assets as at 30 June 2021, with obtained control over them in 2020 (refer to note 3.3.1) and changes in the accounting policy due to adoption of the IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements and certain reclassifications (refer to note 3.3.2).

# PJSC Rostelecom

## Notes to the unaudited interim condensed consolidated financial statements (continued)

(In millions of Russian roubles unless otherwise stated)

### 3. Basis of preparation and changes to the Group's accounting policies (continued)

#### 3.3 Changes to 2020 financial statements (continued)

The following tables illustrates the effects of applying on consolidated statement of financial position as at 31 December 2020 and consolidated statement of profit or loss and other comprehensive income for six-month period 2020:

	31 December 2020		
	As previously reported	Changes in provisional value of subsidiaries (3.3.1)	Restated
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	575,356	1	575,357
Goodwill and other intangible assets	141,321	40	141,361
Right of use assets	95,733	—	95,733
Trade and other accounts receivable	6,317	—	6,317
Investments in associates and joint ventures	10,896	—	10,896
Other financial assets	815	—	815
Other non-current assets	12,975	—	12,975
Deferred tax assets	8,970	—	8,970
Contract assets	972	—	972
Contract costs	16,326	—	16,326
<b>Total non-current assets</b>	<b>869,681</b>	<b>41</b>	<b>869,722</b>
<b>Current assets</b>			
Inventories	10,792	—	10,792
Contract assets	6,710	—	6,710
Contract costs	674	—	674
Trade and other accounts receivable	50,154	—	50,154
Prepayments	8,953	—	8,953
Prepaid income tax	1,377	—	1,377
Other financial assets	11,482	—	11,482
Other current assets	7,892	—	7,892
Cash and cash equivalents	31,215	—	31,215
Asset classified as held for sale	831	—	831
<b>Total current assets</b>	<b>130,080</b>	<b>—</b>	<b>130,080</b>
<b>Total assets</b>	<b>999,761</b>	<b>41</b>	<b>999,802</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Group</b>			
Share capital	95	—	95
Treasury shares	(14,374)	—	(14,374)
Retained earnings and other reserves	194,409	16	194,425
<b>Total equity attributable to equity holders of the Group</b>	<b>180,130</b>	<b>16</b>	<b>180,146</b>
Non-controlling interests	37,546	17	37,563
<b>Total equity</b>	<b>217,676</b>	<b>33</b>	<b>217,709</b>
<b>Non-current liabilities</b>			
Loans and borrowings	372,406	—	372,406
Lease liabilities	86,392	—	86,392
Employee benefits	6,670	—	6,670
Deferred tax liabilities	41,494	8	41,502
Accounts payable and accrued expenses	1,580	—	1,580
Contract liabilities	15,811	—	15,811
Provisions	5,848	—	5,848
Other financial liabilities	10,912	—	10,912
Other non-current liabilities	32,831	—	32,831
<b>Total non-current liabilities</b>	<b>573,944</b>	<b>8</b>	<b>573,952</b>
<b>Current liabilities</b>			
Loans and borrowings	32,535	—	32,535
Lease liabilities	17,399	—	17,399
Accounts payable and accrued expenses	96,022	—	96,022
Income tax payable	3,023	—	3,023
Contract liabilities	34,680	—	34,680
Provisions	9,413	—	9,413
Other financial liabilities	1,914	—	1,914
Other current liabilities	13,155	—	13,155
<b>Total current liabilities</b>	<b>208,141</b>	<b>—</b>	<b>208,141</b>
<b>Total liabilities</b>	<b>782,085</b>	<b>8</b>	<b>782,093</b>
<b>Total equity and liabilities</b>	<b>999,761</b>	<b>41</b>	<b>999,802</b>

## PJSC Rostelecom

Notes to the unaudited interim condensed consolidated financial statements  
(continued)*(In millions of Russian roubles unless otherwise stated)***3. Basis of preparation and changes to the Group's accounting policies (continued)****3.3 Changes to 2020 financial statements (continued)**

	Six-month period ended 30 June 2020 (unaudited)			
	As previously reported	Reclassifi- cations*	Accounting policy changes (3.3.2)	Restated
Revenue	248,892	–	–	248,892
Operating expenses				
Wages, salaries, other benefits and payroll taxes	(64,257)	–	–	(64,257)
Depreciation, amortization and impairment losses	(55,949)	–	744	(55,205)
Interconnection charges	(44,628)	(321)	–	(44,949)
Materials, utilities, repairs and maintenance	(18,114)	374	–	(17,740)
Gain on disposal of property, plant and equipment and intangible assets	2,305	–	–	2,305
Impairment loss of financial assets measured at amortized cost	(2,466)	–	–	(2,466)
Other operating income	10,312	–	–	10,312
Other operating expenses	(38,591)	(53)	–	(38,644)
Total operating expenses, net	(211,388)	–	744	(210,644)
Operating profit	37,504	–	744	38,248
Share of net (loss)/profit of associates and joint ventures	309	–	–	309
Finance income	–	1,096	–	1,096
Finance costs	(18,213)	–	(1,146)	(19,359)
Other investing gain, net	1,545	(1,096)	–	449
Foreign exchange (loss)/gain, net	(1,074)	–	(47)	(1,121)
Profit before income tax	20,071	–	(449)	19,622
Income tax expense	(4,628)	–	108	(4,520)
Profit for the period	15,443	–	(341)	15,102
Other comprehensive income				
Other comprehensive income to be reclassified to profit in subsequent periods				
Exchange differences on translation of foreign operations	237	–	–	237
Other comprehensive income for the period, net of tax	237	–	–	237
Total comprehensive income for the period	15,680	–	(341)	15,339

\* In 2021 the Group changed the presentation of its consolidated statement of profit and loss as the new presentation provides information that is more relevant to users of the Group's consolidated financial statements. Therefore, the Group made certain reclassifications in the statement of profit or loss for six months ended 30 June 2020 for comparative purposes.

Consolidated statement of cash flow for six-month period 2020 was restated as a result of changes in the accounting policy due to adoption of the IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements. As a result of applying agenda decision the Group provided reclass of leasing cash outflow from financial to operational activity in amount 1,146.

# PJSC Rostelecom

## Notes to the unaudited interim condensed consolidated financial statements (continued)

*(In millions of Russian roubles unless otherwise stated)*

### 3. Basis of preparation and changes to the Group's accounting policies (continued)

#### 3.3 Changes to 2020 financial statements (continued)

##### 3.3.1 Changes in provisional value of subsidiaries

On 15 July 2020 the Group acquired control over LLC Forkam. The subsidiary of the Group JSC Netris has signed an agreement to acquire 51% of LLC Forkam.

On 5 August 2020 the Group acquired control over LLC Fastech. The subsidiary of the Group JSC Netris has signed an agreement to acquire 51% of LLC Fastech.

On 30 June 2021 the Group completed the valuation of above-mentioned subsidiaries' acquired net assets using the acquisition method. As a result, the 2020 comparative information was restated to reflect the adjustment to the provisional amounts.

The table below shows the adjustments made to consolidated statement of financial position as at 31 December 2020:

	<b>Total changes in provisional value of subsidiaries</b>	<b>Changes in provisional value of LLC Fastech</b>	<b>Changes in provisional value of LLC Forkam</b>
Property, plant and equipment	1	4	(3)
Goodwill	(3)	—	(3)
Intangible assets (except Goodwill)	43	34	9
Non-controlling interests	17	14	3
Deferred tax liabilities	8	8	—
Retained earnings	16	16	—

There are no material changes in depreciation expenses made to consolidated statement of profit or loss and other comprehensive income.

##### 3.3.2 Accounting policy changes

Certain amounts in the interim consolidated financial statement of profit or loss and other comprehensive income for the period ended 30 June 2020 were restated to reflect the effect of changes in the accounting policy as a result of adoption of the IFRIC agenda decision, as described below.

##### *The previous accounting policy of the Group*

In determining lease term, the Group considered only contractual termination penalties to assess whether the cancellable or renewable leases are enforceable beyond the initial non-cancellable periods for the following types of lease agreements:

- ▶ Less than 12-months lease contracts with no contractual options to extend;
- ▶ Cancellable leases with indefinite lease term.



# PJSC Rostelecom

## Notes to the unaudited interim condensed consolidated financial statements (continued)

*(In millions of Russian roubles unless otherwise stated)*

### 3. Basis of preparation and changes to the Group's accounting policies (continued)

#### 3.3 Changes to 2020 financial statements (continued)

##### *The current accounting policy of the Group*

In determining lease term, the Group considered all relevant facts and circumstances that create an economic incentive for the lessee but not only contractual termination penalties, in assessing whether the Group is reasonably certain to extend (or not to terminate) a lease.

This includes, for example, significant leasehold improvements undertaken (or expected to be undertaken) over the term of the contract that are expected to have significant economic benefit for the Group when an option to extend or terminate the lease becomes exercisable, estimated remaining periods of expected utility of the telecom equipment, technology development and also the Group's strategy and historical experience.

As a result of these changes in accounting policy the Group reassessed the lease terms of contracts with renewal and termination options. For less than 12 months lease contracts of the Group the agenda decision's adoption resulted in increase in the lease terms generally by 2 to 10 years.

#### 3.4 Changes in accounting estimates

In determining the lease term, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee but not only contractual termination penalties, in assessing whether the Group is reasonably certain to extend (or not to terminate) a lease.

This includes, for example, significant leasehold improvements undertaken (or expected to be undertaken) over the term of the contract that are expected to have significant economic benefit for the Group when an option to extend or terminate the lease becomes exercisable, estimated remaining periods of expected utility of the telecom equipment, technology development and also the Group's strategy and historical experience.

As a result of changes in the above facts and circumstances, namely as a result of an increase in the planning horizon and the approval of a new strategy in May 2021 the Group reassessed the lease terms of contracts with renewal and termination options. The impact is presented in the table below.

	<b>Increase/ (decrease) in assets and liabilities</b>
Right of use assets	14,154
Non-current lease liabilities	14,814
Deferred tax liabilities	(20)
Current lease liabilities	(561)

## PJSC Rostelecom

### Notes to the unaudited interim condensed consolidated financial statements (continued)

*(In millions of Russian roubles unless otherwise stated)*

#### **3. Basis of preparation and changes to the Group's accounting policies (continued)**

##### **3.5 Business combination under common control – T2RTK Holding acquisition**

In February 2020 the Group acquired additional 55% stake in T2RTK Holding LLC (Tele2 Russia) which was previously accounted for as associate. As a result, the Group obtained control over Tele2 Russia with increasing its ownership from 45% to 100%. Total consideration at fair value to be paid by the Group for the stake comprised RUB 132 billion. Part of the total consideration in the amount of RUB 108,045 was paid in cash and included in cash flows from investing activities as purchase of subsidiaries and business.

The acquisition was made through a series of linked transactions as described below:

- ▶ The Group paid 42,000 cash for 17.5% stake in Tele2 Russia;
- ▶ The Company issued 708,082,975 additional ordinary shares through a private placement offering to VTB Bank for total amount of 66,000 at a price of RUB 93.21 per share. The proceeds from the placement were used to acquire 27.5% stake in Tele2 Russia;
- ▶ The Company exchanged its 10% own treasury shares held by its own subsidiary MOBITEL for 10% stake in Tele2 Russia. Fair value of exchanged Rostelecom ordinary shares comprised 24,000.

As parties of the deal are controlled by the Russian Federation the Group applied the pooling of interests method with respect to this acquisition and presented its consolidated financial statements as if the transfer of the controlling interest in T2RTK Holding LLC had occurred from the beginning of the earliest period presented, regardless of the actual date of the combination.

The assets and liabilities of T2RTK Holding LLC transferred under common control are recorded at the carrying amounts of the predecessor. No new goodwill is recognised as a result of the combination. Difference between the carrying value of net assets acquired and consideration paid was recognised within equity. The components of equity of the acquired entities are added to retained earnings of the Group, except that any share premium of the acquired entities is recognised as Business combination under common control.

#### **4. Business combinations**

##### **2021 transactions**

###### *LLC Digital Energy*

On 23 March 2021, the Group through its subsidiary LLC Interaction Network Center (effective share 55.23%) and LLC "KNS Group" ("KNS Group"), the seller, entered into the agreement to increase share capital of the indirect subsidiary of the Group LLC Cloud Platform (the Group's nominal ownership interest of 51% and effective Group's ownership interest of 28.17%). In accordance with the agreement KNS Group contributed a 100% controlling stake in its subsidiary LLC Digital Energy into share capital of LLC Cloud Platform. As a result of this transaction, the Group obtained the control over LLC Digital Energy. The effective ownership interest of the Group in LLC Digital Energy comprised 28.17%. The Group contributed its 100% controlling stake in the Group's whole subsidiary Tionix into share capital of LLC Cloud Platform. The Group's effective share interest decreased to 28.17%. The consideration of 74 transferred by the Group for acquisition of LLC Digital Energy represents fair value of the exchanged non-controlling interest in the Group's subsidiary Tionix.

# PJSC Rostelecom

## Notes to the unaudited interim condensed consolidated financial statements (continued)

*(In millions of Russian roubles unless otherwise stated)*

### 4. Business combinations (continued)

#### 2021 transactions (continued)

The provisional value of the identifiable assets and liabilities of LLC Digital Energy as at the date of acquisition were:

	<b>LLC Digital Energy</b>
<b>Provisional value of identifiable assets and liabilities</b>	
Intangible assets	158
Property, plant and equipment	36
Inventories	2
Trade and other accounts receivable	11
Cash and cash equivalents	7
Accounts payable and accrued expenses	(7)
<b>Total identifiable net assets at fair value</b>	<b>207</b>
Goodwill arising on acquisition	16
<b>Non-controlling interests</b>	<b>149</b>
<b>Purchase consideration transferred</b>	<b>74</b>
Net cash acquired with the subsidiary (included in cash flows from investing activities)	7
Cash paid	—
<b>Net cash flow on acquisition</b>	<b>7</b>

The goodwill of 16 comprises the value of expected synergies and other benefits from combining the assets and activities of the LLC Digital Energy with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The non-controlling interests is 71.83%. The Group has elected to measure the non-controlling interests at the proportionate share of the value of net identifiable assets acquired

From the date of acquisition until 30 June 2021 LLC Digital Energy has contributed 4 to net profit of the Group and 25 to revenue. If the combination had taken place at the beginning of 2021, net profit of the Group would not have been changed and revenue would have been 270,547. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2021.

During six months ended 30 June 2021 the Group acquired the business which are individually immaterial. Goodwill in the amount 24 arose as a result of acquisition.

During six months ended 30 June 2021 the Group paid the deferred consideration for businesses acquired before 2020 and in the second part of 2020 in the amount 386 (CJSC Synterra Media, Alliance Telecom and others).

# PJSC Rostelecom

## Notes to the unaudited interim condensed consolidated financial statements (continued)

(In millions of Russian roubles unless otherwise stated)

### 4. Business combinations (continued)

#### 2020 transactions

##### LLC Nauchno-proizvodstvennaya firma Berkut

On 18 February 2020 the Group obtained the control over LLC Nauchno-proizvodstvennaya firma Berkut. The subsidiary of the Group LLC T2RTK Holding has signed an agreement to acquire 100% of LLC Nauchno-proizvodstvennaya firma Berkut for the consideration in the amount 3,500. Part of the consideration in the amount 3,400 was paid by cash. The rest of the consideration in the amount 100 will be paid by cash during one-year period.

LLC Nauchno-proizvodstvennaya firma Berkut develops billing systems for mobile operators along with consulting and support services for these systems. The acquisition will enable the Group to accelerate the launch of new products.

The effective share of the Group in LLC Nauchno-proizvodstvennaya firma Berkut as of 30 June 2020 is 100%.

The acquisition has been accounted using the acquisition method.

The fair value of the identifiable assets and liabilities of LLC Nauchno-proizvodstvennaya firma Berkut as at the date of acquisition were:

	LLC Nauchno-proizvodstvennaya firma Berkut
<b>Fair value of identifiable assets and liabilities</b>	
Intangible assets	974
Property, plant and equipment	94
Right of use assets	110
Inventories	237
Trade and other accounts receivable	229
Cash and cash equivalents	240
Deferred tax liabilities	(268)
Lease liabilities	(110)
Accounts payable and accrued expenses	(311)
<b>Total identifiable net assets at fair value</b>	<b>1,195</b>
Goodwill arising on acquisition	2,305
<b>Purchase consideration transferred (paid in cash)</b>	<b>3,400</b>
<b>Deferred consideration paid in 2021</b>	<b>25</b>
<b>Deferred consideration to be paid</b>	<b>75</b>
Net cash acquired with the subsidiary (included in cash flows from investing activities)	240
Cash paid	(3,400)
<b>Net cash flow on acquisition</b>	<b>(3,160)</b>

# PJSC Rostelecom

## Notes to the unaudited interim condensed consolidated financial statements (continued)

*(In millions of Russian roubles unless otherwise stated)*

### **4. Business combinations (continued)**

#### **2020 transactions (continued)**

The goodwill of 2,305 comprises the value of expected synergies and other benefits from combining the assets and activities of the LLC Nauchno-proizvodstvennaya firma Berkut with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition until 30 June 2020 LLC Nauchno-proizvodstvennaya firma Berkut has contributed 18 to net profit of the Group and 507 to revenue. If the combination had taken place at the beginning of 2020, net profit of the Group would have been 15,034 and revenue would have been 248,901. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2020.

#### *LLC RDP.RU*

On 5 March 2020 the Group increased its stake and acquired a control in LLC RDP.RU. The subsidiary of the Company PJSC Bashinformsvyaz has signed an agreement to acquire 59.99% of LLC RDP.RU for cash consideration in the amount 1,186. Part of the consideration in the amount 593 was paid by cash. The consideration in the amount 336 was paid by cash during second part of 2020, the rest of the consideration in the amount 257 was paid by cash during six months ended 30 June 2021.

On 22 July 2020 the subsidiary of the Group PJSC Bashinformsvyaz has signed an agreement to acquire the remaining 25.01% in LLC RDP.RU for cash consideration in the amount 494. Part of the consideration in the amount 247 was paid by cash during second part of 2020. The rest of the consideration in the amount 247 was paid by cash during six months ended 30 June 2021.

The remeasurement of the Group's previously held 15% interest in LLC RDP.RU to the acquisition-date fair value resulted in a gain of 213 which has been recognised in other investing and financial gains in the interim condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2020.

LLC RDP.RU develops the innovative software and hardware systems for high quality processing of network traffic.

The effective share of the Group in LLC RDP.RU at of 31 December 2020 is 96.33%.

The acquisition has been accounted for using the acquisition method.

# PJSC Rostelecom

## Notes to the unaudited interim condensed consolidated financial statements (continued)

*(In millions of Russian roubles unless otherwise stated)*

### 4. Business combinations (continued)

#### 2020 transactions (continued)

The fair value of the identifiable assets and liabilities of LLC RDP.RU as at the date of acquisition were:

	<b>LLC RDP.RU</b>
<b>Fair value of identifiable assets and liabilities</b>	
Intangible assets	1,599
Property, plant and equipment	9
Inventories	58
Trade and other accounts receivable	44
Cash and cash equivalents	22
Deferred tax liabilities	(290)
Accounts payable and accrued expenses	(17)
<b>Total identifiable net assets at fair value</b>	<b>1,425</b>
Goodwill arising on acquisition	578
<b>Non-controlling interests</b>	<b>53</b>
<b>Settlement of the pre-existing relationship</b>	<b>(26)</b>
Previously held interest at the acquisition-date fair value	296
<b>Purchase consideration transferred (paid in cash)</b>	<b>1,176</b>
<b>Deferred consideration paid in 2021</b>	<b>504</b>
Net cash acquired with the subsidiary (included in cash flows from investing activities)	22
Cash paid	(1,176)
<b>Net cash flow on acquisition</b>	<b>(1,154)</b>

The goodwill of 578 comprises the value of expected synergies and other benefits from combining the assets and activities of the LLC RDP.RU with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The non-controlling interests is 3.67%. The Group has elected to measure the non-controlling interests at the proportionate share of the value of net identifiable assets acquired.

From the date of acquisition until 30 June 2020 LLC RDP.RU has contributed 22 to net profit of the Group and 137 to revenue. If the combination had taken place at the beginning of 2020, net profit of the Group would have been 15,115 and revenue would have been 248,915. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2020.

#### LLC ATK

On 12 March 2020 the Group acquired control over LLC ATK. The subsidiary of the Company PJSC Bashinformsvyaz has signed an agreement to acquire 99.99% of LLC ATK for cash consideration in the amount 732. Part of the consideration in the amount 647 was paid by cash. The rest of the consideration in the amount 85 will be paid by cash during one year period.

Notes to the unaudited interim condensed consolidated financial statements  
(continued)*(In millions of Russian roubles unless otherwise stated)***4. Business combinations (continued)****2020 transactions (continued)**

LLC ATK provides Internet access and TV services to individual customers and corporate clients at the territory of Arkhangelsk and Novodvinsk. The company operates its own communications line serving 134,600 households in the cities of Arkhangelsk and Novodvinsk.

The effective share of the Group in LLC ATK as of 30 June 2020 is 96.33%.

The acquisition has been accounted using the acquisition method.

The fair value of the identifiable assets and liabilities of LLC ATK as at the date of acquisition were:

	<b>LLC ATK</b>
<b>Fair value of identifiable assets and liabilities</b>	
Property, plant and equipment	129
Right of use assets	27
Intangible assets	91
Deferred tax assets	4
Inventories	10
Trade and other accounts receivable	59
Assets held for sale	29
Other financial assets	51
Cash and cash equivalents	26
Lease liabilities	(15)
Loans	(180)
Accounts payable and accrued expenses	(71)
<b>Total identifiable net assets at provisional value</b>	<b>160</b>
Goodwill arising on acquisition	577
<b>Non-controlling interests</b>	<b>6</b>
<b>Purchase consideration transferred (paid in cash)</b>	<b>647</b>
<b>Deferred consideration paid in 2021</b>	<b>37</b>
<b>Deferred consideration</b>	<b>47</b>
Net cash acquired with the subsidiary (included in cash flows from investing activities)	26
Cash paid	(647)
<b>Net cash flow on acquisition</b>	<b>(621)</b>

The goodwill of 577 comprises the value of expected synergies and other benefits from combining the assets and activities of the LLC ATK with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The non-controlling interests is 3.67%. The Group has elected to measure the non-controlling interests at the proportionate share of the value of net identifiable assets acquired.

From the date of acquisition until 30 June 2020 LLC ATK has contributed 6 to net profit of the Group and 118 to revenue. If the combination had taken place at the beginning of 2020, net profit of the Group would have been 15,103 and revenue would have been 248,952. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2020.

# PJSC Rostelecom

## Notes to the unaudited interim condensed consolidated financial statements (continued)

*(In millions of Russian roubles unless otherwise stated)*

### 4. Business combinations (continued)

#### 2020 transactions (continued)

##### LLC VoiceLink

On 22 May 2020 the Group acquired control over LLC VoiceLink. The subsidiary of the Company PJSC Bashinformsvyaz has signed an agreement to acquire 51% of LLC VoiceLink Communication for the consideration in the amount 500. Total amount of the consideration was paid by cash.

LLC VoiceLink builds telecommunication and information systems and systems of security, provides consulting and support services for these systems.

The effective share of the Group in LLC VoiceLink as of 30 June 2020 is 49.13%.

The acquisition has been accounted using the acquisition method.

The fair value of the identifiable assets and liabilities of LLC VoiceLink as at the date of acquisition were:

	<b>LLC VoiceLink</b>
<b>Fair value of identifiable assets and liabilities</b>	
Property, plant and equipment	10
Intangible assets	162
Inventories	36
Trade and other accounts receivable	139
Cash and cash equivalents	61
Deferred tax liabilities	(30)
Accounts payable and accrued expenses	(236)
<b>Total identifiable net assets at fair value</b>	<b>142</b>
Liability under the call option agreements	72
Purchase consideration transferred (paid in cash)	500
<b>Goodwill arising on acquisition</b>	<b>430</b>
Net cash acquired with the subsidiary (included in cash flows from investing activities)	61
Cash paid	(500)
<b>Net cash flow on acquisition</b>	<b>(439)</b>

The goodwill of 430 comprises the value of expected synergies and other benefits from combining the assets and activities of the LLC VoiceLink with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The non-controlling interests is 50.87%. The Group has elected to measure the non-controlling interests at the proportionate share of the value of net identifiable assets acquired.

From the date of acquisition until 30 June 2020 LLC VoiceLink has contributed 5 to net profit of the Group and 51 to revenue. If the combination had taken place at the beginning of 2020, net profit of the Group would have been 15,132 and revenue would have been 249,102. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2020.



Notes to the unaudited interim condensed consolidated financial statements  
(continued)

*(In millions of Russian roubles unless otherwise stated)*

**4. Business combinations (continued)**

**2020 transactions (continued)**

During six months ended 30 June 2020 the Group acquired the business which are individually immaterial. Property, plant and equipment in the amount 529 and intangible assets in the amount 637 were purchased as part of business combination for the consideration in the amount 1,166. Part of the consideration in the amount 1,043 was paid by cash. The deferred consideration on these acquisitions as of 30 June 2020 is 123. No goodwill arose on acquisition. During six months ended 30 June 2020 the Group paid the deferred consideration for individually immaterial businesses acquired in 2019 in the amount 324.

During six months ended 30 June 2020 the Group paid the deferred consideration for businesses acquired in the second part of 2019 in the amount 607 (SumTel, Alliance-telecom, LLC Prometey, DartIT, JSC Nauchno-proizvodstvennoe obединenie SAM and Infolink).

**5. Property, plant and equipment and asset classified as held for sale**

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with a cost of 44,020 (six months ended 30 June 2020: 40,159), excluding 36 of property, plant and equipment of acquired subsidiaries (six months ended 30 June 2020: 771) (refer to Note 4).

Property, plant and equipment with a net book value of 405 were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: 298), resulting in a net gain on disposal of 3,269 (six months ended 30 June 2020: 1,197).

Assets held for sale with a net book value of 465 were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: 173), resulting in a net gain on disposal of 1,917 (six months ended 30 June 2020: 1,111).

Interest amounting to 428 and 492 was capitalized in property, plant and equipment for the six months ended 30 June 2021 and 2020, respectively. The capitalization rates used to determine the amount of borrowing costs eligible for capitalization for the six months ended 30 June 2021 and 2020 were 5.56% and 7.27%, respectively.

Property, plant and equipment with a carrying value of 2 and 3 were pledged in relation to loan agreements entered into by the Group as of 30 June 2021 and 31 December 2020, respectively.

Property, plant and equipment comprise of owned assets.

**Impairment testing**

The management of the Group analysed external and internal sources of information including the present and future impact of COVID-19 pandemic on the Group itself and on the macro economic environment and did not observe any particular material adverse impacts to the Group's business, financial condition, and results of operations.

During the six months ended 30 June 2021 the Group did not identify triggers of impairment for all CGUs, except for Aist Group. According to these the Group reviewed for this CGUs the cash flow projections and performed an impairment test.

Notes to the unaudited interim condensed consolidated financial statements  
(continued)

*(In millions of Russian roubles unless otherwise stated)*

**5. Property, plant and equipment and asset classified as held for sale (continued)**

As a result of impairment testing the Group recognised an impairment loss of property, plant and equipment in the amount of 169 related to Aist Group.

**6. Goodwill and other intangible assets**

During the six months ended 30 June 2021, the Group acquired assets with a cost of 11,741 (six months ended 30 June 2020: 8,440), excluding 198 of intangible assets and goodwill of acquired subsidiaries (six months ended 30 June 2020: 7,353) (refer to Note 4).

Intangible assets with a net book value of 146 were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: 3), resulting in a net loss on disposal of 8 (six months ended 30 June 2020: 3).

Interest amounting to 74 and 112 was capitalized in intangible assets for the six months ended 30 June 2021 and 2020, respectively.

**7. Rights of use assets and lease liabilities**

During the six months ended 30 June 2021, the Group recognised right of use assets in amount 29,716 (six months ended 30 June 2020: 17,793) excluding 0 of assets of acquired subsidiaries (six months ended 30 June 2020: 137) (refer to Note 4).

Amortization expense for the six months ended 30 June 2021 amounting to 10,817 (six months ended 30 June 2020: 8,935).

Interest expense for the six months ended 30 June 2021 amounted to 4,906 (six months ended 30 June 2020: 2,826).

For the six months ended 30 June 2021 the profit from sale of assets with leaseback is 927 loss from leaseback operations is 88 (six months ended 30 June 2020: 74 and 6 accordingly).

**8. Contract assets**

Contract assets relate to receivables that have conditional rights to receive consideration.

As at 30 June 2021 the Group has non-current contract assets of 759 with allowance for expected credit losses of 44 (as at 31 December 2020: 972 and 45 respectively). As at 30 June 2021 the Group has current contract assets of 11,262 with allowance for expected credit losses of 1,534 (as at 31 December 2020: 6,710 and 1,528 respectively).

# PJSC Rostelecom

## Notes to the unaudited interim condensed consolidated financial statements (continued)

*(In millions of Russian roubles unless otherwise stated)*

### 9. Contract costs

Contract costs include costs to obtain contract: incremental cost of obtaining the contract (SAC) and cost to fulfill contract: the cost of customer-premises equipment (CPE). Cost to obtain contracts represent incremental commission fees paid to agent as a result of obtaining contracts with customers and additional payments to employees who are engaged in functions of obtaining contracts. Cost to fulfill contract represents capitalized costs incurred in related to customer premises equipment that is used to fulfil contracts for Broadband Internet and TV services.

During the six months ended 30 June 2021, the Group capitalized contract costs in amount 5,645 (six months ended 30 June 2020: 5,936).

Amortization expense for the six months ended 30 June 2021 amounting to 5,531 (six months ended 30 June 2020: 5,437).

### 10. Shareholders' equity

#### Share capital

As at 30 June 2021 and 31 December 2020 the issued share capital of the Company was as follows:

Type of shares	Number of shares issued	Total par value	Carrying value
Ordinary shares, RUB 0.0025 par value	3,282,997,929	8.207	71
Preferred shares, RUB 0.0025 par value	209,565,147	0.524	24
<b>Total</b>	<b>3,492,563,076</b>	<b>8.731</b>	<b>95</b>

#### Dividends

According to the charter of the Company a preferred share carries dividend amounting to the highest of 10% of the net income after taxation of the Company as reported in the Russian statutory accounts divided by 25% of total number of shares and the dividend paid on one ordinary share.

On 19 April 2021 the Board of Directors approved a new dividend policy of the Company for 2021-2023 according to which the Company will strive to pay dividends at least 5 rubles per ordinary share and at least 5% more per share than in the previous reporting year.

According to dividend policy for 2018-2020 the Company pays dividends as a percentage of Free Cash Flow (hereinafter FCF, net cash from operating activities, reduced by the cash paid for acquisition of fixed assets and intangible assets, and increased by the proceeds from the sale of fixed assets and intangible assets, and increased by interest received, and increased by subsidy from Government). The payable dividend amount shall not be less than the level recommended by Rosimuschestvo for companies with state ownership interest.

# PJSC Rostelecom

## Notes to the unaudited interim condensed consolidated financial statements (continued)

*(In millions of Russian roubles unless otherwise stated)*

### 10. Shareholders' equity (continued)

#### Dividends (continued)

In June 2021 the General Meeting of Shareholders approved the dividends for the year ended 31 December 2020 in the amount of 5 roubles per ordinary share and 5 roubles per preference share.

Category of shares	Number of shares	Dividends per share, roubles	Total sum of dividends, mln. roubles
<b>Declared and approved for 2020 (not paid as at 30 June 2021)</b>			
Preference shares	209,565,147	5.0	<b>1,048</b>
Ordinary shares	3,282,997,929	5.0	<b>16,415</b>
<b>Total</b>	<b>3,492,563,076</b>		<b>17,463</b>

The difference between the dividends declared and the dividends presented in the consolidated statement of changes in equity is for the account of dividends on treasury shares held by the subsidiaries of the Company.

As of 30 June 2020, the dividends for the year ended 31 December 2019 was not approved.

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## Notes to the unaudited interim condensed consolidated financial statements (continued)

*(In millions of Russian roubles unless otherwise stated)*

### 11. Financial instruments

The Group's principal financial instruments comprise cash and cash equivalents, investments, bank loans, bonds and promissory notes issued and leases liabilities. These instruments serve to finance the Group's operations and capital expenditures; its corporate financial transactions such as share repurchase and acquisition strategy; place available funds in course of cash management. Other financial assets and liabilities such as trade receivables and trade payables arise directly from the Group's operations.

The following table presents the carrying amounts of financial assets and liabilities as at 30 June 2021 and 31 December 2020 under IFRS 9:

Classes	Measurement categories	30 June 2021 (unaudited)	31 December 2020
Cash and cash equivalents	Assets at amortized cost	23,530	31,215
Trade and other receivables	Assets at amortized cost	68,138	56,471
Investments in equity instruments	Financial assets at fair value through profit and loss	175	163
Loans	Assets at amortized cost	3,611	2,164
Debt trading securities	Financial assets at fair value through profit and loss	9,855	9,970
Non-hedge derivatives	Financial assets at fair value through profit and loss	768	—
<b>Total financial assets</b>		<b>106,077</b>	<b>99,983</b>
Bank and corporate loans	Liabilities at amortized cost	281,147	277,245
Bonds	Liabilities at amortized cost	125,629	127,610
Promissory notes	Liabilities at amortized cost	1	1
Vendor financing	Liabilities at amortized cost	—	—
Lease liabilities	Liabilities at amortized cost	124,130	103,791
Other borrowings	Liabilities at amortized cost	85	85
Trade and other payables	Liabilities at amortized cost	81,779	96,353
Other financial liabilities	Liabilities at amortized cost	10,926	10,912
Other financial liabilities	Financial liabilities at fair value through profit and loss	1,236	1,236
Non-hedge derivatives	Financial liabilities at fair value through profit and loss	27	678
<b>Total financial liabilities</b>		<b>624,960</b>	<b>617,911</b>

The fair value of cash and cash equivalents, current trade and other receivables, trade and other accounts payables, other current financial assets and liabilities approximate their carrying amount largely due to the short-term maturity of these instruments. The fair value of non-current trade and other receivables approximate their discounted carrying amount due to similar market and discounting rates.

The fair value of long-term debt investments and non-current accounts payable correspond to the present values of the payments related to the assets and liabilities, taking into account the current interest rate parameters that reflect market-based changes to terms and conditions and expectations.

Notes to the unaudited interim condensed consolidated financial statements  
(continued)*(In millions of Russian roubles unless otherwise stated)***11. Financial instruments (continued)**

The table below represents book and fair value of financial instruments:

Classes	Level	Book value 30 June 2021 (unaudited)	Fair value 30 June 2021 (unaudited)	Book value 31 December 2020	Fair value 31 December 2020
<b>Assets for which fair values are disclosed</b>					
Trade and other receivables	Level 3	68,138	68,138	56,471	56,471
Loans	Level 3	3,611	3,611	2,164	2,164
<b>Assets measured at fair value</b>					
Investments in equity instruments	Level 3	175	175	163	163
Debt trading securities	Level 1	9,855	9,855	9,970	9,970
Non-hedge derivatives	Level 2	768	768	—	—
<b>Total financial assets</b>		<b>82,547</b>	<b>82,547</b>	<b>68,768</b>	<b>68,768</b>
<b>Liabilities for which fair values are disclosed</b>					
Bank and corporate loans	Level 3	281,147	277,347	277,245	273,787
Bonds	Level 1	125,629	125,658	127,610	131,846
Promissory notes	Level 3	1	1	1	1
Other borrowings	Level 3	85	85	85	85
Trade and other payables	Level 3	81,779	81,779	96,353	96,353
Other financial liabilities	Level 3	10,926	10,926	10,911	10,911
<b>Liabilities measured at fair value</b>					
Other financial liabilities	Level 3	1,236	1,236	1,236	1,236
Non-hedge derivatives	Level 2	27	27	678	678
<b>Total financial liabilities</b>		<b>500,830</b>	<b>497,059</b>	<b>514,119</b>	<b>514,897</b>

The different levels have been defined as follows:

- ▶ Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ▶ Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- ▶ Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six-month period ended 30 June 2021 and twelve months 31 December 2020.

Level 1 financial assets include quoted on MOEX debt trading securities of NPF Alliance.

Level 2 financial liabilities include interest rate swap and foreign currency forward contracts.

Level 3 financial assets include investments in equity investments.

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Notes to the unaudited interim condensed consolidated financial statements  
(continued)

(In millions of Russian roubles unless otherwise stated)

## 12. Borrowings

Borrowings as at 30 June 2021 and 31 December 2020 were as follows:

	30 June 2021 (unaudited)	31 December 2020
<b>Long-term borrowings</b>		
<i>Non-current portion of long-term borrowings</i>		
Bank and corporate loans	248,593	249,006
Bonds	88,331	123,399
Promissory notes	1	1
<b>Total non-current portion of long-term borrowings</b>	<b>336,925</b>	<b>372,406</b>
<i>Current portion of long-term borrowings</i>		
Bank and corporate loans	2,366	3,502
Bonds	27,224	2,266
Restructured customer payments	85	85
<b>Total current portion of long-term borrowings</b>	<b>29,675</b>	<b>5,853</b>
<b>Total long-term borrowings</b>	<b>366,600</b>	<b>378,259</b>
<b>Short-term borrowings</b>		
Bank and corporate loans	30,188	24,737
Bonds	10,074	1,945
<b>Total short-term borrowings</b>	<b>40,262</b>	<b>26,682</b>
Current portion of long-term borrowings	29,675	5,853
<b>Total current borrowings</b>	<b>69,937</b>	<b>32,535</b>
<b>Total borrowings</b>	<b>406,862</b>	<b>404,941</b>

The tables below represent changes in liabilities arising from financing activities for the six months ended 30 June 2021 and 2020:

	1 January 2021	Cash flows	Other	30 June 2021
Bank and corporate loans	277,245	3,843	59	281,147
Bonds	127,610	(1,945)	(36)	125,629
Promissory notes	1	—	—	1
Dividends payable	1,249	(941)	17,238	17,546
Other	85	—	—	85
<b>Total liabilities from financing activities</b>	<b>406,190</b>	<b>957</b>	<b>17,261</b>	<b>424,408</b>

	1 January 2020	Cash flows	Acquisition from new subsidiaries	Other	30 June 2020
Bank and corporate loans	282,812	43,842	195	(46)	326,803
Bonds	78,925	38,139	—	804	117,868
Promissory notes	9	—	—	(9)	—
Vendor financing	17	(2)	—	(15)	—
Dividends payable	366	(270)	408	40	544
Other	85	—	—	—	85
<b>Total liabilities from financing activities</b>	<b>362,214</b>	<b>81,709</b>	<b>603</b>	<b>774</b>	<b>445,300</b>

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Notes to the unaudited interim condensed consolidated financial statements  
(continued)

(In millions of Russian roubles unless otherwise stated)

### 13. Revenue

Revenue comprised the following for the six months ended 30 June 2021 and 2020:

	Six-month period ended 30 June	
	2021 (unaudited)	2020 (unaudited)
Mobile	94,007	83,871
Broadband Internet	47,840	44,187
Digital services	32,040	27,533
TV services	19,871	18,774
Wholesale services	37,596	35,993
Fixed Telephony	25,001	27,864
Other services	14,192	10,670
<b>Total revenue</b>	<b>270,547</b>	<b>248,892</b>

Set out below, is the disaggregation of the Group's rental income included in each these lines above respectively, for the period ended 30 June 2021 and 2020 accordingly:

	Six-month period ended 30 June	
	2021 (unaudited)	2020 (unaudited)*
Wholesale Services	2,377	2,342
Other services	2,278	1,976
Digital services	2,074	1,658
<b>Total rental income</b>	<b>6,729</b>	<b>5,976</b>

\* The comparative information is restated. The Company made certain reclassification from revenue from contract with customers to rental income. These are no impact on the consolidated statement of profit or loss and other comprehensive income.

For the period ended 30 June 2021 and 2020 the Group generated revenue by the following major customer groups:

	Six-month period ended 30 June	
	2021 (unaudited)	2020 (unaudited)
Residential customers	134,468	126,527
Corporate/governmental customers	93,334	81,438
Interconnected operators	40,570	39,029
Other	2,175	1,898
<b>Total revenue</b>	<b>270,547</b>	<b>248,892</b>



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## Notes to the unaudited interim condensed consolidated financial statements (continued)

(In millions of Russian roubles unless otherwise stated)

### 13. Revenue (continued)

Set out below is the disaggregation of the Group's revenue from contracts with customers for the period ended 30 June 2021 and 2020 accordingly:

30 June 2021 (unaudited)	B2C	B2B	B2G	B2O	Digital clusters	Mobile segment	Other segments	Elimina- tions and other adjust- ments	Total segments
Mobile	1,326	835	233	1	4	94,913	—	(3,305)	<b>94,007</b>
Broadband Internet	32,372	7,737	6,845	3	39	—	862	(18)	<b>47,840</b>
Digital services	1,352	2,883	3,131	719	25,108	178	2,489	(5,893)	<b>29,967</b>
TV services	19,191	675	47	—	—	—	—	(42)	<b>19,871</b>
Wholesale services	34	5,199	11,704	24,492	585	—	961	(7,757)	<b>35,218</b>
Fixed Telephony	14,680	4,739	5,328	254	1	—	—	(1)	<b>25,001</b>
Other services	720	2,312	1,050	217	2,976	3,495	3,569	(2,425)	<b>11,914</b>
<b>Total revenue from contracts with customers</b>	<b>69,675</b>	<b>24,380</b>	<b>28,338</b>	<b>25,686</b>	<b>28,713</b>	<b>98,586</b>	<b>7,881</b>	<b>(19,441)</b>	<b>263,818</b>
At a point in time	1,915	1,221	663	3	1,488	11,069	2,586	(1,707)	<b>17,238</b>
Over time	67,760	23,159	27,675	25,683	27,225	87,517	5,295	(17,734)	<b>246,580</b>
<b>Total revenue from contracts with customers</b>	<b>69,675</b>	<b>24,380</b>	<b>28,338</b>	<b>25,686</b>	<b>28,713</b>	<b>98,586</b>	<b>7,881</b>	<b>(19,441)</b>	<b>263,818</b>

B2C – Residential customers, B2B – Corporate customers, B2G – Governmental customers, B2O – Interconnected operators.

30 June 2020 (unaudited)*	B2C	B2B	B2G	B2O	Digital clusters	Mobile segment	Other segments	Elimina- tions and other adjust- ments	Total segments
Mobile	961	600	75	1	1	84,914	32	(2,684)	<b>83,900</b>
Broadband Internet	30,969	6,968	5,253	5	59	—	994	(32)	<b>44,216</b>
Digital services	793	2,894	2,490	252	23,995	164	2,012	(6,775)	<b>25,825</b>
TV services	18,396	266	64	—	—	—	42	(12)	<b>18,756</b>
wholesale services	58	4,972	11,714	22,813	476	—	1,020	(7,377)	<b>33,676</b>
Fixed Telephony	16,810	5,213	5,533	268	1	—	8	(1)	<b>27,832</b>
Other services	793	1,071	1,199	228	1,809	2,646	4,008	(3,043)	<b>8,711</b>
<b>Total revenue from contracts with customers</b>	<b>68,780</b>	<b>21,984</b>	<b>26,328</b>	<b>23,567</b>	<b>26,341</b>	<b>87,724</b>	<b>8,116</b>	<b>(19,924)</b>	<b>242,916</b>
At a point in time	1,230	1,098	631	4	882	9,058	2,801	(2,547)	<b>13,157</b>
Over time	67,550	20,886	25,697	23,563	25,459	78,666	5,315	(17,377)	<b>229,759</b>
<b>Total revenue from contracts with customers</b>	<b>68,780</b>	<b>21,984</b>	<b>26,328</b>	<b>23,567</b>	<b>26,341</b>	<b>87,724</b>	<b>8,116</b>	<b>(19,924)</b>	<b>242,916</b>

B2C – Residential customers, B2B – Corporate customers, B2G – Governmental customers, B2O – Interconnected operators.

\* The comparative information is restated. The Company made certain reclassification from revenue from contract with customers to rental income. These are no impact on the consolidated statement of profit or loss and other comprehensive income.

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## Notes to the unaudited interim condensed consolidated financial statements (continued)

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### 14. Segment information

The Management Board of Rostelecom has been determined as the Group's Chief Operating Decision-Maker (CODM).

In April 2021, the Group announced the new strategy for years 2021-2025. Accordingly, the Group introduced a segment-cluster development model, with a strong focus also on client-orientation and operational efficiency. Traditional customer segments will be complemented by separate high-growth clusters. These changes led to the changes in management responsibilities' composition as of 1 January 2021. Due to this change, the structure and presentation of information for CODM have been changed. This led to a change in the Group's operating segments, which are now presented in the following: Residential customers (B2C), Corporate customers (B2B), Governmental customers (B2G), Interconnected operators (B2O), Digital clusters, Mobile segment and other segments which presented by some of subsidiaries of the Group

CODM of the Group assesses the performance of the operating segments based on the IFRS data on consolidated basis. A measure of segment profit or loss reported to the management of the company is operating income before depreciation, amortization, long-term employee motivation program expenses (OIBDA) and non-state pension fund program.

Segment assets are not included in the measures used for allocating resources and assessing segment performance and not analyzed by CODM.

The tables below illustrate financial information of the reportable segments reviewed by management for the period ended 30 June 2021 and 2020. Comparative segment information for the period ended 30 June 2020 was restated in these interim financial statements to conform the current period presentation.

The following table illustrates information about reportable segment revenue and OIBDA for the period ended 30 June 2021:

2021	B2C	B2B	B2G	B2O	Digital clusters	Mobile segment	Other segments	Eliminations and other adjustments	Total segments
Revenue	69,676	24,809	28,765	27,893	31,733	98,743	9,736	(20,808)	270,547
OIBDA	20,504	7,105	13,356	8,040	8,089	43,876	11,648	(1,243)	111,375

The following table illustrates reconciliation of reportable segment OIBDA to profit before income tax for the period ended 30 June 2021:

OIBDA of reportable segments	100,970
OIBDA of other segments	10,405
Adjustments	
Depreciation, amortisation and impairment losses	(64,646)
Share of profit/(loss) in equity accounted investees	(108)
Finance costs, finance income and other investing gain	(15,068)
Foreign exchange loss, net	52
Share-based remuneration and non-state pension fund program	(2,259)
Profit before income tax	29,346

# PJSC Rostelecom

## Notes to the unaudited interim condensed consolidated financial statements (continued)

(In millions of Russian roubles unless otherwise stated)

### 14. Segment information (continued)

The following table illustrates information about reportable segment revenue and OIBDA for the period ended 30 June 2020:

2020	B2C	B2B	B2G	B2O	Digital clusters	Mobile segment	Other segments	Eliminations and other adjustments	Total segments
<b>Revenue</b>	68,784	22,440	26,761	25,673	29,206	87,877	10,010	(21,859)	<b>248,892</b>
<b>OIBDA</b>	17,083	5,140	10,695	6,646	11,373	36,639	9,505	(1,199)	<b>95,882</b>

The following table illustrates reconciliation of reportable segment OIBDA to profit before income tax for the period ended 30 June 2020:

<b>OIBDA of reportable segments</b>	<b>87,576</b>
<b>OIBDA of other segments</b>	<b>8,306</b>
<i>Adjustments</i>	
Depreciation, amortisation and impairment losses	(55,205)
Share of profit (loss) in equity accounted investees	309
Finance costs, finance income and other investing gain	(17,814)
Foreign exchange loss, net	(1,121)
Share-based remuneration and non-state pension fund program	(2,429)
<b>Profit before income tax</b>	<b>19,622</b>

### 15. Related party transactions

#### (a) The Government as a shareholder

As indicated in Note 1, the Government of the Russian Federation controls the Company by indirect holding of 50% plus one share (as at 31 December 2020: 50% plus one share) of the Company's ordinary shares through Vnesheconombank, the Group VTB and Federal Agency of State properties management. It is a matter of the Government policy to retain a controlling stake in sectors of the economy, such as telecommunications, that it views as strategic.

#### (b) Interest of the Government in the telecommunications sector in the Russian Federation and the protection of that interest

Effective telecommunications and data transmission are of great importance to Russia for various reasons, including economic, social, strategic and national security considerations. The Government has exercised and may be expected to exercise significant influence over the operations of the telecommunications sector and consequently, the Group. The Government, acting through the Federal Tariff Service and the Federal Telecommunications Agency, has the general authority to regulate certain tariffs. In addition to the regulation of tariffs, the telecommunication legislation requires the Group and other operators to make certain revenue-based payments to the Universal communication services fund, which is controlled by the Federal Telecommunications Agency. Moreover, the Ministry of Digital Development, Communications and Mass Media of the Russian Federation has control over the licensing of providers of telecommunications services.

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Notes to the unaudited interim condensed consolidated financial statements  
(continued)

(In millions of Russian roubles unless otherwise stated)

**15. Related party transactions (continued)**

**(c) Transactions with entities with significant influence over the Group**

The Group is involved in various transactions with the Group VTB, which obtained a significant influence as a result of additional share issue in favor of the Group VTB in February 2020. A summary of these transactions is as follows:

	<b>Six-month period ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Revenue	1,981	597
Purchase of telecommunication services	(2)	—
Other operating expenses	(286)	(88)
Finance costs	(4,867)	(4,625)
Financial income and other investing gain, net	1,431	4
Purchase of right of use assets	(4,115)	(572)

The amounts of assets and liabilities due from these entities were as follows:

	<b>30 June 2021</b>	<b>31 December 2020</b>
Trade and other accounts receivable	949	762
Allowance for expected credit loss	(1)	(1)
Other financial assets	2,630	255
Cash and cash equivalents	3,871	2,565
Accounts payable and accrued expenses	(9,936)	(3,032)
Lease liabilities	(10,427)	(7,188)
Loans and borrowings	(147,789)	(146,350)
Other financial liabilities	(10,467)	(11,129)

**(d) Associates and joint ventures**

The Group is involved in various telecommunication services with entities in which it has investments, including associates and joint ventures over which it exerts significant influence. A summary of these transactions is as follows:

	<b>Six-month period ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Revenue	540	325
Purchase of telecommunication services	(862)	(549)
Purchase of other services	(1,015)	(385)
Purchase of property, plant and equipment and intangible assets	(1,923)	(372)
Cost of sales of customer-premises equipment	(2)	(284)
Gain on disposal of property, plant and equipment	—	34
Impairment of financial assets	(202)	(355)
Dividend income	283	159
Interest income	14	109
Finance costs	(155)	(3)
Purchase of right of use assets	(246)	(2,763)

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Notes to the unaudited interim condensed consolidated financial statements  
(continued)

*(In millions of Russian roubles unless otherwise stated)*

**15. Related party transactions (continued)**

**(d) Associates and joint ventures (continued)**

The amounts of assets and liabilities due from these entities were as follows:

	<b>30 June 2021</b>	<b>31 December 2020</b>
Trade and other accounts receivable	2,919	1,554
Allowance for expected credit loss	(106)	(119)
Other financial assets	435	387
Accounts payable and accrued expenses	(2,345)	(2,313)
Lease liabilities	(3,225)	(3,209)
Loans and borrowings	(1,683)	(2,939)

**(e) Transactions with other government-related entities**

The Group is involved in various transactions with other government-related entities.

A summary of significant transactions is as follows:

	<b>Six-month period ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Revenue	55,266	50,669
Purchase of telecommunication services	(2,018)	(2,159)
Materials, utilities, repairs and maintenance	(1,987)	(2,063)
Gain on disposal of property, plant and equipment and intangible assets	—	(44)
Impairment loss of financial assets measured at amortized cost	(34)	21
Other operating income	5,958	7,216
Other operating expenses	(6,367)	(5,418)
Finance costs	(2,942)	(3,559)
Financial income and other investing gain, net	90	53
Purchase of right of use assets	(1,258)	(8,763)

The amounts of assets and liabilities due from these entities were as follows:

	<b>30 June 2021</b>	<b>31 December 2020</b>
Trade and other accounts receivable	24,720	17,785
Contract assets	11,959	6,797
Other financial assets	—	953
Cash and cash equivalents	17,300	26,001
Loans and borrowings	(83,145)	(78,606)
Accounts payable and accrued expenses	(1,403)	(3,454)
Lease liabilities	(14,206)	(14,523)
Contract liabilities	(16,467)	(23,553)
Other financial liabilities	(475)	(461)

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### Notes to the unaudited interim condensed consolidated financial statements (continued)

*(In millions of Russian roubles unless otherwise stated)*

#### **15. Related party transactions (continued)**

##### **(e) Transactions with other government-related entities (continued)**

Under *The Decree of the Government of the Russian Federation* No. 437-r dated 26 March 2014 Rostelecom has the responsibility for the provision of universal communication services starting from 1 April 2014. In May of 2014 the Federal Communications Agency and Rostelecom signed a contract for the provision of universal communication services for 10 years and the total amount of financial support of 118,161 (a new agreement was signed in 2021), within the framework of which Rostelecom is implementing a project aimed at eliminating the "digital divide". In 2021, DS No. 14 was concluded on the succession of rights and obligations by the Ministry of Digital Development, Communications and Mass Media of the Russian Federation in connection with the abolition of the Federal Communications Agency. The total volume of income recognised by the Company under this contract for six months ended 30 June 2021 amounted to: 5,941 (six months ended 30 June 2020: 7,202).

During the six months ended 30 June 2021 the Group recognised revenue related to a significant projects with the Ministry of Digital Development, Communications and Mass Media of the Russian Federation:

- ▶ Under the contract to operate the infrastructure of e-government in the amount of 2,278 (six months ended 30 June 2020: 2,183);
- ▶ Under the contracts of socially significant objects to the Internet in the amount of 340 (six months ended 30 June 2020: 1,603).

##### **(f) Remuneration of key management personnel**

The key management personnel for the purpose of these interim condensed consolidated financial statements comprises Management Board's members, the Board of Directors' members and Vice-Presidents.

Remuneration to the key management personnel for the six months ended 30 June 2021 amounted to 843 (six months ended 30 June 2020: 796). Remuneration includes salaries, bonuses, payments for participation in the work of management bodies and other short-term benefits.

In 2020 the Board of Directors of the Company approved a new long-term motivation program for the period 2020-2022. The amount of expenses related to key management personnel for the six months ended 30 June 2021 is 717 (six months ended 30 June 2020: 611).

For the six months ended 30 June 2021 the Group made a contribution of 25 to the non-state pension fund (six months ended 30 June 2020: 21) for its key management personnel.

The remuneration amounts are stated exclusive of social taxes.

Notes to the unaudited interim condensed consolidated financial statements  
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*(In millions of Russian roubles unless otherwise stated)*

## **16. Commitments and contingencies**

### **Legal proceedings**

The Group is subject to a number of proceedings arising in the course of the normal conduct of its business. There were no changes in contingencies since the date of issuance of the condensed consolidated financial statements of the Group as of and for the six months ended 30 June 2021.

Management believes that the ultimate resolution of these matters will not have a material adverse effect on the results of operations or the financial position of the Company or the Group.

### **Taxation**

Russian tax, currency and customs legislation is subject to varying interpretations and changes occurring frequently. The management's interpretation of the provisions of the law as applied to the operations and activities of the Group may be challenged by the relevant regional or federal authorities.

From 2019 VAT rate is increased from 18% to 20%. Foreign suppliers of electronic services must register in Russian tax authorities to pay VAT.

As of 30 June 2020, the Group's management estimated the possible effects of additional taxes before fines and interest on these condensed consolidated financial statements, if the authorities were successful in enforcing different interpretations being taken by them.

Transfer pricing legislation effective in the Russian Federation from 1 January 2012 allows to tax authorities to control prices set up in transactions between related parties and impose additional tax liabilities to in case transfer price deviates from market level.

The transfer pricing rules specify an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

The transfer pricing rules primarily apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code. In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold of RUB 1 billion.

Since practice of applying the transfer pricing rules by the tax authorities and courts is not widely developed, it is difficult to predict the effect of the transfer pricing rules on these consolidated financial statements.

Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained upon examination. Management of the Group believes that it has adequately provided for tax liabilities in the consolidated statements of financial position as at 30 June 2021 and 31 December 2020. However, the general risk remains that relevant authorities could take different position with regard to interpretative issues and the effect could be significant.

Notes to the unaudited interim condensed consolidated financial statements  
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*(In millions of Russian roubles unless otherwise stated)*

**16. Commitments and contingencies (continued)**

**Capital commitments**

As of 30 June 2021 and of 31 December 2020, contractual commitments, including VAT, of the Group for the acquisition of property, plant and equipment amounted to 41,910 and 37,967 respectively.

**17. Share-based payments**

**Share-based program (ordinary shares) for 2020-2022**

In June 2020 the Board of Directors approved the employee motivation program for 2020-2022. The program replaced the long-term management motivation program for 2017-2019, which was approved in July 2017 and expired in 2019.

The duration of the program is 3 cycles: 1 cycle – 2020 (reporting year of the first cycle) and 2021, 2 cycle – 2021 (reporting year of the second cycle) and 2022, 3 cycle – 2022 (reporting year of the third cycle) and 2023.

The program uses the following key performance indicators: Free Cash Flow (FCF), net profit and Return on Invested Capital (ROIC).

To facilitate this program, the Company also used a closed unit shares investment fund (RTK-Razvitie).

Total amounts 1,667 and 1,809 as expense (including related social and personal income taxes gross-up in the amount of 409 and 428 correspondently) related to the Company's contribution motivation program were recognised in wages, salaries, other benefits and payroll taxes in the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months period ended 30 June 2021 and 30 June 2020 respectively.

During the six months period ended 30 June 2021 the Group granted rights for 16,421,639 shares at a price 95.93 per share in the amount 1,575.

During the six months period ended 30 June 2020 the Group granted rights for 19,368,880 shares at a price 79.72 per share in the amount 1,544.

During the period ended 30 June 2021 the program participants exercised their rights for the 8,124,464 shares at a price 79.72 per share in the amount 648 in according to share-based program started in 2020.

During the period ended 30 June 2021 the program participants exercised their rights for the 137,227 shares at a price 87.01 per share in the amount 12 in according to old share-based program started in 2014.

During the period ended 30 June 2020 the program participants exercised their rights for the 45,342,745 shares at a price 71.29 per share in the amount 3,232.



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Notes to the unaudited interim condensed consolidated financial statements  
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*(In millions of Russian roubles unless otherwise stated)*

**17. Share-based payments (continued)**

**Share-based program (ordinary shares) for 2020-2022 (continued)**

Share options outstanding balances at the end of reporting period were as follows:

<b>Number of shares</b>	<b>Exercise price, RUB</b>
68,963	87.01
389,446	64.02
338,983	71.29
36,782,491	79.72
16,421,639	95.93

**18. Subsequent events**

In July 2021 the Group placed its non-documentary interest-bearing non-convertible bonds series 002P-06R, registration number 4B02-06-00124-A-002P of 23 July 2021 in the amount of 15 million units, with a nominal value of 1,000 roubles each, the volume at a nominal value of 15 billion roubles. Bonds were placed at a coupon rate of 7.7% per annum and maturity of 5 years.

In July 2021 the motivation program participants exercised their rights for the 35,182,369 shares at a price 79.72 per share and in total amount 2,805.