



**HMS Hydraulic Machines & Systems Group plc**

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

**31 December 2021**

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Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of HMS Hydraulic Machines & Systems Group plc and its subsidiaries (the "Group") as of 31 December 2021, and the consolidated results of its operations, cash flows and changes in shareholders' equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRSs;
- maintaining statutory accounting records in compliance with legislation and accounting standards effective in the countries, where the Group's entities operate;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by management on 28 April 2022:

**On behalf of the Management:**



Artem V. Molchanov  
Director



Kirill V. Molchanov  
Director

28 April 2022

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of HMS Hydraulic Machines & Systems Group Plc

#### Qualified Opinion

We have audited the consolidated financial statements of HMS Hydraulic Machines & Systems Group Plc (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### Basis for Qualified Opinion

The Group has a component located in Ukraine. Due to the ongoing military conflict in Ukraine, we were unable to complete our audit procedures in respect of this component and, therefore, unable to obtain appropriate sufficient audit evidence regarding financial information of this component. As at 31 December 2021, the Group's consolidated financial statements include property plant and equipment of RR 1,169,347 thousand, deferred income tax asset of RR 252,630 thousand, inventories of RR 1,474,539 thousand, trade and other receivables and other financial assets of 1,777,370 thousand, cash and cash equivalents of RR 337,400 thousand, trade and other payables of RR 1,782,454 thousand in respect of this Ukrainian component. For the year ended 31 December 2021, the Group's revenues from external customers of RR 2,327,561 thousand, cost of sales of RR 3,643,564 thousand and general and administrative expenses of RR 364,305 thousand resulted from consolidation of this Ukrainian component.

Consequently, we were unable to determine whether any adjustments to these amounts, and the respective notes to the consolidated financial statements were necessary.

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<i>Revenue and profit recognition on construction contracts</i>	
<p>The Group enters into construction projects, design and engineering projects and certain other long-term contracts. The recognition of revenue and profit on those contracts in accordance with IFRS 15 “Revenue from contracts with customers” is based on the stage of completion of contract activity, which is assessed by reference to the proportion of contract costs incurred for the work performed at the reporting date relative to the estimated total costs of the contract at completion. As disclosed in Note 23 “Revenue” of the consolidated financial statements, during 2021 the Group recognised revenue from construction contracts in the amount of RR 32,772,551 thousand, being 57% of the total Group’s revenue.</p> <p>Recognition of revenue and profit on construction contracts is considered a key audit matter for our audit of the Group’s consolidated financial statements because of the significance of judgments and estimates applied by management in assessing the costs to complete, stage of completion, variations to the contracts requested by customers and the factual or future possible claims against the Group for delays in deliveries.</p> <p>Refer to Note 3 “Summary of significant accounting policies” as well as Note 4 “Critical accounting estimates and judgements in applying accounting policies” of the accompanying consolidated financial statements for further details.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>• obtaining an understanding of key controls around the processes of budgeting and accounting for construction contracts, as well as</li><li>• assessing whether the accounting policies, methods of accounting and amounts recognised in the consolidated financial statements were in line with IFRS 15.</li></ul> <p>We performed detailed procedures in respect of individually significant contracts, including:</p> <ul style="list-style-type: none"><li>• inquiries of the individual project managers and directors on status of the projects;</li><li>• examination of selected signed contracts; and</li><li>• tracing a sample of costs incurred to supporting documentation.</li></ul> <p>We also:</p> <ul style="list-style-type: none"><li>• challenged management’s assumptions related to the stage of completion of a project and estimates of project costs to complete by inquiring and reviewing the correspondence files with customers related to construction contracts;</li><li>• considered the accuracy and consistency of relevant estimates made in previous years;</li><li>• tested, on a sample basis, the accuracy of assumptions regarding future contract costs by examining contracts with suppliers and contractors, where available;</li><li>• assessed the adequacy of estimates in respect of factual or anticipated customer claims with reference to contractual delivery schedules; and</li><li>• tested the appropriateness of the related disclosures provided in the consolidated financial statements.</li></ul>

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**Why the matter was determined to be a key audit matter****How the matter was addressed in the audit**

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*Impairment testing of goodwill*

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The carrying amount of goodwill was RR 3,159,502 thousand as at 31 December 2021.

We consider goodwill impairment testing a key audit matter for our audit of the Group's consolidated financial statements due to materiality of respective goodwill balance as well as high degree of subjectivity of assumptions used by the Group's management and the high degree of estimation uncertainty inherent in the impairment tests, such as operating cash flow projections, discount and long-term growth rates and other assumptions applied to each CGU.

Refer to the Note 9 "Goodwill" as well as Note 4 "Critical accounting estimates and judgements in applying accounting policies" of the accompanying consolidated financial statements for further details.

Our procedures included the following:

- obtaining an understanding of key controls around the impairment review processes;
  - analysing the projected future cash flows, understanding variances between the forecast and actual results for the year ended 31 December 2021 and comparing the forecast performance to the Board approved long-term plans;
  - comparing forecasted revenues for the year ending 31 December 2022 to actual performance up to the date of this report, reviewing existing backlog (including revenues already contracted but not earned) and analysing respective variances;
  - assessing appropriateness, with the assistance of our internal valuation specialists, of the discount rates applied, forecasted revenue growth rates and inflation rates embedded in cash flow forecasts and comparing the long-term growth rates for each cash generating unit to economic forecasts;
  - assessing appropriateness of sensitivities applied by management to the impairment testing models and whether the scenarios reflect reasonably possible changes in key assumptions. We performed additional sensitivity analysis based on our understanding of the future prospects to identify whether these scenarios could give rise to further impairment;
  - assessing the integrity of the impairment model; and
  - verifying the completeness and accuracy of the disclosures in the consolidated financial statements with the requirements of accounting standards in respect of impairment testing and disclosure of the key judgements applied by management in the cash flow forecasts and impairment review.
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**Why the matter was determined to be a key audit matter****How the matter was addressed in the audit**

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*Impact of events after the year end on the operating environment of the Group*

As disclosed in Notes 2 and 36 of the consolidated financial statements, the developments in Ukraine led to additional sanctions being imposed on certain Russian institutions, companies and individuals by the United States, the United Kingdom, the European Union and other countries, subsequent to the year ended 31 December 2021. This has led to significant market volatility, disruption in the supply chains, increase in interest rates and significantly increased the level of economic uncertainty that required management to update its assessment of appropriateness to apply the going concern basis. We consider this area to be a key audit matter due to increased level of management judgement required in projecting the Group's future liquidity needs and its ability to satisfy them.

Our audit procedures included:

- challenging management's assessment of the potential risks and uncertainties relevant to the Group as a result of the additional sanctions imposed subsequent to the year ended 31 December 2021 and impact on the operating environment of the Group;
  - challenging management's assessment of compliance with sanctions in the light of the effect on the the going concern period cash flow forecasts;
  - assessing for reasonableness the assumptions applied in the going concern period cash flow forecasts for a period of 12 months from the reporting date through evaluating the potential impact on the operations, cash and facilities available to the Group, the repayment terms and covenants and the ability to draw down further on the existing facilities;
  - considering management's relevant expertise and challenged whether the Group's mitigating actions are reasonable and within the Group's control; and
  - testing the completeness and accuracy of the related disclosures provided in the consolidated financial statements.
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**Other matter – Restriction on Use**

The accompanying consolidated financial statements of the Group have not been prepared in accordance with IFRS as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113. As such, these financial statements are not the statutory financial statements of the Group and are not intended for the purposes of filing with the Cyprus Registrar of Companies.

**Other Information**

Management is responsible for the other information. The other information comprises the Annual report for 2021, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual report for 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Nikolay Grigoriev

(ORNZ № 21906101605),

Engagement partner,

Acting based on the power of attorney issued by the General Director on 24.09.2020 authorizing to sign off the audit report on behalf of AO "Deloitte & Touche CIS" (ORNZ № 12006020384)

28 April 2022



	Note	31 December 2021	31 December 2020
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Property, plant and equipment	7	14,045,362	14,684,279
Other intangible assets	8	1,429,904	1,743,399
Goodwill	9	3,159,502	3,255,984
Right-of-use assets	10	414,861	183,211
Investments in associates		95,358	94,307
Deferred income tax assets	22	827,200	786,455
Other long-term assets		21,606	42,252
Investment property		140,598	176,833
<b>Total non-current assets</b>		<b>20,134,391</b>	<b>20,966,720</b>
<b>Current assets:</b>			
Inventories	12	9,067,145	8,847,749
Trade and other receivables and other financial assets	13	17,050,792	15,598,766
Contract assets	23	9,718,947	6,201,354
Current income tax receivable		72,588	94,972
Cash and cash equivalents	11	8,771,642	10,360,588
<b>Total current assets</b>		<b>44,681,114</b>	<b>41,103,429</b>
<b>TOTAL ASSETS</b>		<b>64,815,505</b>	<b>62,070,149</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	20	48,329	48,329
Share premium	20	3,523,535	3,523,535
Treasury shares	20	(93,775)	(33,055)
Other reserves		129,392	129,392
Currency translation reserve		566,766	646,427
Retained earnings		5,856,944	5,510,974
<b>Equity attributable to the shareholders of the Company</b>		<b>10,031,191</b>	<b>9,825,602</b>
<b>Non-controlling interests</b>		<b>3,699,312</b>	<b>3,518,674</b>
<b>TOTAL EQUITY</b>		<b>13,730,503</b>	<b>13,344,276</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities:</b>			
Long-term borrowings	14	21,649,561	20,452,736
Deferred income tax liability	22	1,445,176	1,421,489
Retirement benefit obligations	15	612,140	646,213
Provisions for liabilities and charges	19	316,506	228,199
Lease liabilities	10	346,376	153,048
Other long-term payables	18	228,282	230,581
<b>Total non-current liabilities</b>		<b>24,598,041</b>	<b>23,132,266</b>
<b>Current liabilities:</b>			
Trade and other payables	16	21,729,699	17,969,950
Contract liabilities	23	2,323,511	4,304,845
Short-term borrowings	14	611,966	1,548,574
Provisions for liabilities and charges	19	599,184	589,762
Retirement benefit obligations	15	73,582	77,859
Lease liabilities	10	59,928	20,440
Current income tax payable		240,953	134,080
Other taxes payable	17	848,138	948,097
<b>Total current liabilities</b>		<b>26,486,961</b>	<b>25,593,607</b>
<b>TOTAL LIABILITIES</b>		<b>51,085,002</b>	<b>48,725,873</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>64,815,505</b>	<b>62,070,149</b>

Approved for issue and signed on behalf of the Board of Directors on 28 April 2022.

  
Artem V. Molchanov  
Director

  
Kirill V. Molchanov  
Director

**HMS Hydraulic Machines & Systems Group plc**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**for the year ended 31 December 2021**  
*(in thousands of Russian Roubles, unless otherwise stated)*



	<b>Note</b>	<b>2021</b>	<b>2020</b>
Revenue	32	57,159,315	46,476,487
Cost of sales	24	(45,736,646)	(37,071,430)
<b>Gross profit</b>		<b>11,422,669</b>	<b>9,405,057</b>
Distribution and transportation expenses	25	(1,798,784)	(1,985,928)
General and administrative expenses	26	(5,704,013)	(5,242,566)
Other operating expenses, net	27	(110,916)	(412,472)
Impairment of goodwill	9	-	(425,668)
<b>Operating profit</b>		<b>3,808,956</b>	<b>1,338,423</b>
Finance income	28	181,591	251,571
Finance costs	29	(1,976,275)	(1,926,310)
Share of results of associates		(470)	(161)
<b>Profit/(loss) before income tax</b>		<b>2,013,802</b>	<b>(336,477)</b>
Income tax expense	22	(772,783)	(479,814)
<b>Profit/(loss) for the year</b>		<b>1,241,019</b>	<b>(816,291)</b>
<b>Profit/(loss) attributable to:</b>			
Shareholders of the Company		1,032,202	(971,996)
Non-controlling interests		208,817	155,705
<b>Profit/(loss) for the year</b>		<b>1,241,019</b>	<b>(816,291)</b>
<b>Other comprehensive (loss)/income:</b>			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Remeasurement of post-employment benefit obligations		49,232	(5,321)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		(71,684)	693,105
Currency translation differences of associates		1,521	(21)
<b>Other comprehensive (loss)/income for the year</b>		<b>(20,931)</b>	<b>687,763</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>1,220,088</b>	<b>(128,528)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Shareholders of the Company		981,741	(288,238)
Non-controlling interests		238,347	159,710
<b>Total comprehensive income/(loss) for the year</b>		<b>1,220,088</b>	<b>(128,528)</b>
<b>Basic and diluted profit/(loss) per ordinary share for profit/(loss) attributable to the ordinary shareholders (RR per share)</b>	<b>20</b>	<b>8.90</b>	<b>(8.50)</b>

	Note	2021	2020
<b>Cash flows from operating activities</b>			
Profit/(loss) before income tax		2,013,802	(336,477)
Adjustments for:			
Depreciation and amortisation	24-27	2,424,217	2,451,191
Gain from disposal of property, plant and equipment and intangible assets	27	(84,044)	(1,821)
Finance income	28	(181,591)	(251,571)
Finance costs	29	1,976,275	1,926,310
Change in retirement benefits obligations	15	36,821	82,075
Change in warranty provision	24	112,329	136,752
Change in expected credit losses allowances for financial assets and allowance for impairment of non-financial assets	26	50,299	104,002
Change in allowance for obsolete inventories	24	146,044	10,598
Change in provision for legal claims	27	58,846	83,987
Share-based compensation	21	25,000	58,921
Foreign exchange (gain)/loss, net	27	(76,165)	73,534
Amortisation of government grants	24	(37,528)	(36,048)
Impairment of taxes		-	10,418
Impairment of goodwill	9	-	425,668
Impairment of property, plant and equipment	7	-	13,936
Change in provision for tax risks, other than income tax	26	15,667	9,898
Share of results of associates		470	161
<b>Operating cash flows before working capital changes</b>		<b>6,480,442</b>	<b>4,761,534</b>
Increase in inventories		(325,574)	(869,830)
(Increase)/decrease in trade and other receivables		(1,281,589)	2,967,741
(Increase)/decrease in contract assets		(3,506,361)	1,916,049
Increase/(decrease) in accounts payable and accrued liabilities		3,397,639	(3,361,448)
(Decrease)/increase in contract liabilities		(1,947,373)	2,056,816
Decrease in taxes payable		(101,761)	(683,045)
<b>Cash from operations</b>		<b>2,715,423</b>	<b>6,787,817</b>
Income tax paid		(644,282)	(820,008)
Interest paid		(1,952,685)	(1,887,821)
Interest received		178,458	259,533
<b>Net cash from operating activities</b>		<b>296,914</b>	<b>4,339,521</b>
<b>Cash flows from investing activities</b>			
Repayment of loans advanced		5,172	6,953
Loans advanced		(39,879)	(20,203)
Proceeds from sale of property, plant and equipment and intangible assets, net		140,659	55,948
Purchase of property, plant and equipment, net of VAT		(1,075,212)	(937,132)
Acquisition of intangible assets, net of VAT		(309,217)	(454,417)
Repayment of contingent consideration liability		-	(33,000)
<b>Net cash used in investing activities</b>		<b>(1,278,477)</b>	<b>(1,381,851)</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(13,534,754)	(11,478,749)
Proceeds from borrowings		13,820,510	9,127,605
Proceeds from government grant		-	28,092
Repayment of the lease liabilities principal		(24,852)	(35,905)
Buy back of issued shares	20	(60,720)	(1,705)
Dividends related to Long-term Incentive Program	21	-	(5,660)
Dividends paid to non-controlling shareholders of subsidiaries		(56,909)	(55,162)
Dividends paid to the shareholders of the Company	20	(740,432)	(391,942)
<b>Net cash used in financing activities</b>		<b>(597,157)</b>	<b>(2,813,426)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,578,720)</b>	<b>144,244</b>
<b>Effect of exchange rate changes on cash and cash equivalents and effect of translation to presentation currency</b>			
		(10,226)	296,076
<b>Effect of changes in expected credit losses allowance for cash and cash equivalents</b>		-	(31,850)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>10,360,588</b>	<b>9,952,118</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>8,771,642</b>	<b>10,360,588</b>

**HMS Hydraulic Machines & Systems Group plc**  
**Consolidated Statement of Changes in Equity for the year ended 31 December 2021**  
*(in thousands of Russian Roubles, unless otherwise stated)*



	Note	Equity attributable to the shareholders of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Other reserves	Currency translation reserve	Retained earnings		
<b>Balance at 31 December 2019</b>		<b>48,329</b>	<b>3,523,535</b>	<b>(319,475)</b>	<b>62,716</b>	<b>(44,878)</b>	<b>7,029,094</b>	<b>10,299,321</b>	<b>13,869,274</b>
(Loss)/profit for the year		-	-	-	-	-	(971,996)	155,705	(816,291)
<b>Other comprehensive income/(loss)</b>									
Remeasurement of post-employment benefit obligations	15	-	-	-	-	-	(7,547)	2,226	(5,321)
Currency translation differences		-	-	-	-	691,326	-	1,779	693,105
Currency translation differences of associates		-	-	-	-	(21)	-	-	(21)
<b>Total comprehensive income/(loss) for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>691,305</b>	<b>(979,543)</b>	<b>159,710</b>	<b>(128,528)</b>
Buy back of issued shares	20	-	-	(1,705)	-	-	-	-	(1,705)
Share-based compensation	21	-	-	-	-	-	53,261	-	53,261
Transfer of GDRs under Long-term Incentive Program	20,21	-	-	288,125	66,676	-	(354,801)	-	-
Dividends declared by the Group's subsidiaries		-	-	-	-	-	-	(56,084)	(56,084)
Dividends declared to the shareholders of the Company	20	-	-	-	-	-	(391,942)	-	(391,942)
Effect of the Group restructuring on non-controlling interest	6	-	-	-	-	-	154,905	(154,905)	-
<b>Total transactions with owners, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>286,420</b>	<b>66,676</b>	<b>-</b>	<b>(538,577)</b>	<b>(210,989)</b>	<b>(396,470)</b>
<b>Balance at 31 December 2020</b>		<b>48,329</b>	<b>3,523,535</b>	<b>(33,055)</b>	<b>129,392</b>	<b>646,427</b>	<b>5,510,974</b>	<b>3,518,674</b>	<b>13,344,276</b>
Profit for the year		-	-	-	-	-	1,032,202	208,817	1,241,019
<b>Other comprehensive income/(loss)</b>									
Remeasurement of post-employment benefit obligations	15	-	-	-	-	-	29,200	20,032	49,232
Currency translation differences		-	-	-	-	(81,182)	-	9,498	(71,684)
Currency translation differences of associates		-	-	-	-	1,521	-	-	1,521
<b>Total comprehensive income/(loss) for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(79,661)</b>	<b>1,061,402</b>	<b>238,347</b>	<b>1,220,088</b>
Buy back of issued shares	20	-	-	(60,720)	-	-	-	-	(60,720)
Share-based compensation	21	-	-	-	-	-	25,000	-	25,000
Dividends declared by the Group's subsidiaries		-	-	-	-	-	-	(57,709)	(57,709)
Dividends declared to the shareholders of the Company	20	-	-	-	-	-	(740,432)	-	(740,432)
<b>Total transactions with owners, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>(60,720)</b>	<b>-</b>	<b>-</b>	<b>(715,432)</b>	<b>(57,709)</b>	<b>(833,861)</b>
<b>Balance at 31 December 2021</b>		<b>48,329</b>	<b>3,523,535</b>	<b>(93,775)</b>	<b>129,392</b>	<b>566,766</b>	<b>5,856,944</b>	<b>3,699,312</b>	<b>13,730,503</b>

The accompanying notes on pages 12 to 56 are an integral part of these consolidated financial statements.

## 1 General Information

HMS Hydraulic Machines & Systems Group plc (the “Company”) was incorporated in Cyprus on 27 April 2010. The Company’s registered office is at 5 Alkaiou, 2404, Nicosia, Cyprus.

The principal business activities of the Company and its subsidiaries (the “Group”) are the manufacture and repair of a wide range of pumps and pumping units, compressors, modular equipment, including oil and gas equipment, engineering and construction services mainly for oil and gas companies. These products and services are sold both in the Russian Federation and abroad. The Group’s manufacturing facilities are primarily located in Orel, Tomsk, Ulyanovsk, Tumen regions and the Republic of Tatarstan of the Russian Federation, Sumy in Ukraine, Minsk and Bobruisk in Belorussia, Goessnitz (Thuringia) in Germany.

For the year ended 31 December 2021, the average number of employees of the Group was 12,419 (2020: 13,053).

Global depository receipts (“GDRs”) of the Company are listed on the London Stock Exchange since February 2011, as well as on the Moscow Exchange since May 2021.

At 31 December 2021 and 2020, H.M.S. Technologies Ltd., the ultimate controlling parent of the Company, held 71.51% of the Company’s shares, including shares in the form of GDRs. Since 6 March 2019, HMS Holding JSC, a newly incorporated Russian entity, 100% subsidiary of H.M.S. Technologies Ltd., became the immediate parent of the Company, holding 71.51% of the Company’s shares, as a result of ownership structure change. The Company does not have an ultimate controlling party above H.M.S. Technologies Ltd.

## 2 Operating Environment of the Group

**Operating environment.** Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March-April 2020, oil prices dropped significantly, which resulted in immediate weakening of Russian Rouble against major currencies.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets.

The Russian economic environment was further negatively impacted by the escalation of the conflict between Russia and Ukraine from late February 2022, as further described in Note 36. The management is taking necessary measures to ensure sustainability of the Group’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results. The Group continues to monitor the situation and implement a set of measures to minimize the impact of possible risks on the Group’s operations and financial position.

**COVID-19 pandemic.** Starting from early 2020, a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. The Group in 2020 was experiencing postponement of tenders and general decline in demand along with price pressures as a result of COVID-19 spread. However, 2021 saw strong business performance supported by solid signed new contracts and servicing backlog, which resulted in generating higher revenue compared to that of 2020.

## 3 Summary of Significant Accounting Policies

**Basis of preparation.** These consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) under the historical cost convention as modified by initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented.

These consolidated financial statements have not been prepared in accordance with IFRS as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113. As such, these financial statements are not the statutory financial statements of the Group and are not intended for the purposes of filing with the Cyprus Registrar of Companies.



### **3 Summary of Significant Accounting Policies (continued)**

**Consolidated financial statements.** These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Non-controlling interests.** Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent.

Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

**Changes in the Group's ownership interests in existing subsidiaries.** Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

### **3 Summary of Significant Accounting Policies (continued)**

**Business combinations.** Acquisitions of subsidiaries are accounted for using the acquisition method (other than those acquired from parties under common control). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

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

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

When an acquisition does not meet the definition of a business, the Group allocates the cost of such acquisition between the individual identifiable assets and liabilities acquired based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

An indemnification asset, equivalent to the fair value of the indemnified liabilities, is included in net assets acquired in the business combination if the selling shareholders of the acquiree agreed to compensate possible claims or contingencies. Subsequent measurement of the indemnification asset and contingent liability does not have impact on future earnings, unless the indemnification asset becomes impaired.

**Goodwill.** Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.



### **3 Summary of Significant Accounting Policies (continued)**

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units ("CGUs"), or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Associates.** An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

**Functional and presentation currency.** Functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currencies of the Group's subsidiaries and associates are Russian Roubles ("RR"), Ukrainian Hryvnas ("UAH"), Belorussian Roubles ("BYN") and Euro ("EUR"); and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles.

Monetary assets and liabilities, denominated in foreign currencies, are translated into the subsidiary's functional currency at the official exchange rate of the country in which the subsidiary operates at the respective transaction or statement of financial position date. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each subsidiary's functional currency at year-end official exchange rates are recognised in profit or loss.

Monetary assets and liabilities of each subsidiary are translated into the Group's presentation currency at the official exchange rate of the Central Bank of the Russian Federation at the respective statement of financial position date.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### 3 Summary of Significant Accounting Policies (continued)

At 31 December 2021 and 2020, the principal rates of exchange used for translating foreign currency balances were:

	31 December 2021	31 December 2020	Average rates for the year ended 31 December:	
			2021	2020
1 USD = RR	74.2926	73.8757	73.6685	72.3230
1 EUR = RR	84.0695	90.6824	87.0861	82.8358
1 UAH = RR	2.7258	2.6174	2.7037	2.6728
1 BYN = RR	29.1458	28.6018	29.0332	29.5712

**Current and non-current assets and liabilities.** The classification of an asset or liability related to settlements with suppliers and customers as a current or non-current asset or liability in general depends on whether the item is related to serial production or subject to long-term construction contracts. In case of serial production, an asset or liability is classified as a non-current asset or liability when the item is realised or settled respectively after twelve months from the reporting date, and as current asset or liability when the item is realised or settled respectively within twelve months of the reporting date. In the case of construction contracts, an asset or liability is classified as non-current when the item is realised or settled respectively beyond the Group's normal operating cycle; and as a current asset or liability when the item is realised or settled in the Group's normal operating cycle. Generally, a contract asset is reclassified to trade receivables within twelve months from recognition; further these receivables are paid over twelve-month period.

**Property, plant and equipment.** Property, plant and equipment are stated at historic acquisition or construction cost less accumulated depreciation and provision for impairment, where required.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the recoverable amount. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

**Depreciation.** Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Years
Buildings	2-80
Plant and equipment	5-30
Transport	5-15
Other	3-7

Land and construction in progress are not depreciated.

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

**Investment property.** Investment property is held to earn future rentals or for capital appreciation. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at historical cost less accumulated depreciation. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognised.

**Other intangible assets.** The Group's intangible assets other than goodwill primarily include computer software, customer relationships and order backlog, trademarks, project documentation, development costs and patents. Intangible assets have definite useful lives and are measured at cost less accumulated amortisation and impairment loss.

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

### 3 Summary of Significant Accounting Policies (continued)

**Research and development costs.** Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit, and amortisation is recognised in cost of sales.

Intangible assets are amortised using the straight-line method over their useful lives, with the exception of customer relationships and order backlog, which are amortised as the economic benefits from these assets are consumed by the Group. Estimated useful lives of the Group's intangible assets are as follows:

	<b>Years</b>
Project documentation, development costs and patents	5-10
Licenses and certificates	2-10
Software licenses and websites	1-10
Customer relationships and order backlog	5-10
Trademarks	6-19

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

**Right-of-use assets and lease liabilities.** Right-of-use assets and lease liabilities are recognised if the Group has the right to control the use of the leased asset for a period of time in exchange for consideration, except for short-term leases (with lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as operating expense on a straight-line basis over the term of the lease.

At the commencement date, assets and liabilities arising from a lease are initially measured on a present value basis using the interest rate implicit in the lease, or if that rate cannot be readily determined, incremental borrowing rate.

After the commencement date of the lease, the Group measures the right-of-use asset using the accounting model at cost less accumulated depreciation and accumulated impairment losses adjusted for the revaluation of the lease liability. The Group measures lease liability at cost by increasing the carrying amount by interest accrued and reducing the carrying amount by the lease payments made taking into account revaluation or modification of lease agreements. The interest on the lease liability is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

According to the terms of the lease contracts the right-of-use assets are leased for the followings periods:

	<b>Years</b>
Land	2-10
Buildings	5-10
Plant and equipment	3-16
Other	2-8

**Financial instruments – key measurement terms.** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). No transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 34.

### **3 Summary of Significant Accounting Policies (continued)**

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

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

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

**Financial assets.** The Group classifies financial assets in the following measurement categories:

- those to be measured subsequently at amortised cost,
- those to be measured at fair value through profit or loss (FVTPL),
- those to be measured at fair value through other comprehensive income (FVTOCI).

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. If a hybrid contract contains a host that is a financial asset, the classification requirements apply to the entire hybrid contract. Financial assets are classified as at amortised cost only if both of the following criteria are met: the asset is held within a business model with the objective of collecting the contractual cash flows, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group's loans, trade and other financial receivables, contract assets and cash and cash equivalents, are classified at amortised cost. The Group does not have financial assets classified as FVTOCI.

*Contract assets, trade and other receivables.* For contract assets and trade receivables the Group applies a simplified approach in calculating expected credit losses (ECL). Therefore, the Group recognises a loss allowance based on lifetime ECL at each reporting date.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The carrying amount of the asset is reduced through the use of an ECL allowance account, and the amount of the loss is recognised in profit or loss within 'general and administrative expenses'.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. For internal credit risk management purposes the Management considers the following events indicating that financial assets that meet either of the following criteria are generally not recoverable:

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group);
- failure to make contractual payments for a period of greater than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group may write off financial assets that are still subject to enforcement activity when it seeks to recover amounts that are contractually due but there is no reasonable expectation of recovery.

If ECL allowance was recognised, uncollectible contract asset or trade receivable are written off against the ECL allowance account. Subsequent recoveries of amounts previously written off are credited against 'general and administrative expenses' in profit or loss.

### **3 Summary of Significant Accounting Policies (continued)**

**Cash and cash equivalents.** Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less or deposits with original maturity of more than three months which could be withdrawn on demand. Restricted balances are excluded from cash and cash equivalents. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the statement of financial position date are included in other non-current assets.

The Group recognises 12-month ECL for cash and cash equivalents. The low credit risk exemption has been applied to cash and cash equivalents which are held with banks with investment grade ratings (BBB or above) and are short-term in nature. The carrying amount of cash and cash equivalents is reduced through the use of an ECL allowance account, and the amount of the loss is recognised in profit or loss within 'general and administrative expenses'.

**Derecognition of financial assets.** The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale. On derecognition of financial assets measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**Financial liabilities.** Financial liabilities of the Group consist of trade and other payables, borrowings and lease liabilities.

Financial liabilities that are not (a) contingent consideration of an acquirer in a business combination, (b) held-for-trading, or (c) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method. At the reporting date, the Group had only financial liabilities classified as those to be measured at amortised cost.

**Trade and other payables.** Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Borrowings.** Borrowings are carried at amortised cost using the effective interest method.

**Capitalisation of borrowing costs.** Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

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

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

**Derecognition of financial liabilities.** The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**Inventories.** Inventories are stated at the lower of cost and net realisable value. Cost of inventory is determined using the weighted average method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

**Advances issued.** Advances issued are carried at cost less allowance for impairment. If there is an indication that the assets, goods or services relating to an advance issued will not be received, the carrying value of the advance issued is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

**Income taxes.** The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income, primarily the Russian Federation. The income tax charge/credit comprises current tax and deferred tax and is recognised in the profit or loss unless it relates to transactions that are recognised, in the same or a different period, directly in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.



### **3 Summary of Significant Accounting Policies (continued)**

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the statement of financial position date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

**Value added tax (VAT).** Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount receivable, including VAT.

**Government grants.** Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight line basis over the expected lives of the related assets. Government grants relating to costs are deferred and recognised in profit or loss for the year over the period necessary to match them with the costs that they are intended to compensate.

**Provisions for liabilities and charges.** Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

**Uncertain tax positions.** Management assesses, based on its interpretation of the relevant tax legislation, whether it is probable that certain tax positions taken by the Group would not be sustained, if challenged by the tax authorities. The assessment is based on the interpretation of tax law that has been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liability for penalties, interest and taxes other than on income is recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

**Post-employment and other long-term employee benefits.** Group companies operate unfunded post-employment benefits plans and also provide other long-term benefits to employees. Typically, defined benefit plans define an amount of benefit that an employee will receive on retirement or on other certain events, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the statement of financial position date. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Russian government bonds that have terms to maturity approximating to the terms of the related liability.

Remeasurements of defined benefit obligations are actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions. Actuarial gains and losses resulting from increases or decreases in the present value of the defined benefit obligation in respect of post-employment payments are charged or credited to equity in other comprehensive income. Remeasurements of the defined benefit obligation related to other long-term employee benefits are recognised in profit and loss in the period in which they arise.

Past service costs are recognised immediately in profit and loss.

### **3 Summary of Significant Accounting Policies (continued)**

**Short-term employee benefits.** Wages, salaries, contributions to the state pension, medical and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group and are included within labour costs in operating expenses.

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation for which the Group has no realistic alternative but to make the payment and a reliable estimate of the obligation can be made.

**Share capital.** Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented as a share premium in equity.

**Treasury shares.** Where the Group companies purchase the Company's GDRs, the consideration paid including any attributable transaction costs is deducted from total equity as treasury shares until they are re-sold. Where such GDRs are subsequently sold, any consideration received net of income taxes is included in equity. The cost of re-sold treasury shares is calculated using the weighted average cost method. Income/loss from re-sale of treasury shares is recorded within other reserves.

**Dividends.** Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

**Share-based payments.** Equity-settled share based payments to employees are measured at the fair value of the equity instruments at the grant date, excluding the impact of any non-market vesting conditions. The attainment of any service and non-market performance vesting conditions are included in assumptions about the number of shares that the employee will ultimately receive.

When dividends are paid to the employees in respect of the share awards not yet vested, such awards are valued as if no dividends were paid on the underlying shares during the vesting period. As a result, the grant date valuation is not reduced by the present value of the dividends expected to be paid during the vesting period. Dividends payable or paid to the holders of not yet vested share awards are recognised in equity for those awards which are expected to vest and are expensed for those awards which are not expected to vest.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained earnings.

Upon the transfer of the vested shares (GDRs) to the Participants, the difference between weighted average cost of treasury shares (GDRs) disposed of and the fair value of the respective award is included in other reserves.

**Contract asset and liability.** Contract asset is the amount for which the Group has an unconditional right to consideration in respect of unbilled revenue recognised at the balance sheet date and comprises costs incurred plus attributable margin. Revenue from construction contracts only lead to recognition of contract assets.

Contract liability represents the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer. For any individual contract, either a contract asset or a contract liability is presented on a net basis.

**Performance obligations.** Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

### **3 Summary of Significant Accounting Policies (continued)**

**Transaction price.** At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices.

**Revenue and profit recognition.** Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer. The accounting treatment differs depending on whether control passes at a specific point in time or over time.

The Group recognises over time revenue from construction projects, as the Group's performance creates or enhances an asset that the customer controls as the asset is constructed, and revenue from design and engineering services and certain long-term construction-type production contracts, as the Group generally creates an asset that has no alternative use and is legally entitled to payment for performance completed to date. These contracts with customers are typically accounted for as one performance obligation. Progress is measured by reference to the cost incurred on the contract to date compared to the contract's total costs forecast (the input method).

Revenue from sale of goods is recognised at a point of time, when control over the goods is transferred to the customer, normally when the goods are shipped and the risks, rewards and legal title are passed.

**Earnings per share.** Earnings per share are determined by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of participating shares outstanding during the reporting year.

**Offsetting.** Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Segment reporting.** Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments with revenue, result or assets exceeding ten percent of the respective total amount for all segments are reported separately.

### **4 Critical Accounting Estimates and Judgments in Applying Accounting Policies**

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

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

#### *(a) Assessment of construction revenue and receivables related to construction contracts*

The Group recognises revenue from construction projects, design and engineering projects and certain other long-term contracts over time, using the input method. The use of this method requires the Group to estimate revenue based on proportion of costs incurred to total expected cost. If circumstances arise that may change the original estimates of revenues, costs, or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. For the year ended 31 December 2021, the Group recognised revenue from such contracts in amount of RR 32,772,551 (2020: RR 21,666,020) (Note 23).

In addition, receivables and contract assets related to construction contracts and certain other contracts, under which the revenue is recognised over time, are subject to credit risk. In other words, although some revenue continues to be contractually bound, the customer can still be unable to pay in time. Where revenue has been validly recognised on a contract, but an uncertainty subsequently arises about the recoverability of the related amount due from the customer, any allowance against the amount due is recognised as an expense.



#### **4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)**

##### *(b) Provisions for claims received and legal proceedings*

During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, resolution of current legal proceedings or other claims outstanding as well as potential claims which may rise from current or completed contracts would not have a material adverse effect on the result of operations or financial position of the Group. There are no probable or possible legal risks which have not been recorded or disclosed in these consolidated financial statements. Refer to Note 19 and 31.

##### *(c) Estimated impairment of property, plant and equipment and goodwill*

At 31 December 2021, the Group performed an analysis to determine whether there were any indicators of impairment of its cash generating units ("CGU") as well as performed mandatory annual impairment testing for the CGUs containing goodwill.

The recoverable amount of each CGU containing goodwill was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering the period of 5 to 10 years. In preparing budgets, management considers past performance as well as its projections on the respective CGU's future development and performance, including synergy effects. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGUs.

The Group performed an impairment test of the assets of remaining CGUs demonstrating indicators of impairment, determining the fair value less cost to sell, calculated by reference to the market of relevant assets, as the recoverable amount of these CGUs.

As a result of this analysis and testing, the Group concluded that no impairment charge was required at 31 December 2021 and for the year then ended. At 31 December 2020 and for the year then ended, the Group recognised impairment charge in relation to goodwill related to CGU TMCP in amount of RR 425,668 (Note 9) and impairment of the property, plant and equipment of Bobruisk Machine Building Plant OJSC in amount of RR 13,936 (Note 7).

##### *(d) Tax legislation*

Tax, currency and customs legislation of those jurisdictions, where the Group companies operate, is subject to varying interpretations. Refer to Note 31.

##### *(e) Deferred income tax asset recognition*

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

#### **5 New Standards, Amendments and Interpretations**

The following standards and amendments to the standards were adopted by the Group from 1 January 2021:

- Amendments to IFRS 16, COVID-19 – Related Rent Concessions;
- Amendments to IFRS 7, IFRS 9, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform – Phase II. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (e.g. LIBOR, EURIBOR) is replaced with an alternative nearly risk-free interest rate. The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. The Group intends to use the practical expedient in future periods if it becomes applicable;
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9.

The adoption of such standards and amendments did not have a material impact on the Group's consolidated financial statements.

## 5 New Standards, Amendments and Interpretations (continued)

**New standards, amendments and interpretations.** The following new standards, amendments and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2022 and which the Group has not early adopted:

<b>Standards, amendments and interpretations</b>	<b>Effective for annual periods beginning on or after</b>
<i>Amendments to IFRS 16, COVID-19 – Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
<i>Amendments to IFRS 3, Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to IAS 16, Property, Plant and Equipment: Proceeds Before Intended Use</i>	1 January 2022
<i>Amendments to IAS 37, Onerous Contracts – Costs of Fulfilling a Contract</i>	1 January 2022
<i>Annual improvements to IFRS Standards 2018-2020</i>	1 January 2022
<i>IFRS 17, Insurance contracts</i>	1 January 2023
<i>Amendments to IAS 1 on classification of liabilities as current or non-current</i>	1 January 2023
<i>Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting policies</i>	1 January 2023
<i>Amendments to IAS 8, Definition of Accounting Estimates</i>	1 January 2023
<i>Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
<i>Amendments to IFRS 17, Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>	1 January 2023
<i>Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	date to be determined by the IASB

The impact of adoption of the pronouncements listed above on the consolidated financial statements of future periods is currently being assessed by management of the Group.

## 6 Subsidiaries

At 31 December 2021 and 2020, HMS Hydraulic Machines & Systems Group plc, parent company of the Group, held directly a 100% share in HMS Group JSC, a company registered in Russia and controlling directly or indirectly all other subsidiaries of the Group.

Details of the Group's material subsidiaries at 31 December 2021 and 31 December 2020 are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of effective ownership interest held by the Group at 31 December, %	
			2021	2020
<b>Segment “Industrial pumps”</b>				
HMS Livhydomash JSC	Manufacture of pumps	Russia	100.00	100.00
Livnynasos JSC	Manufacture of pumps	Russia	100.00	100.00
NASOENERGOMASH				
Sumy JSC	Manufacture of pumps	Ukraine	90.61	90.61
HYDROMASHSERVICE JSC	Trading company	Russia	100.00	100.00
Plant Promburvod OJSC	Manufacture of pumps	Belorussia	51.38	51.38
Bobruisk Machine Building Plant OJSC	Manufacture of pumps	Belorussia	56.95	56.95
Dimitrovgradkhimmash JSC	Manufacture of pumps and oil & gas equipment	Russia	51.00	51.00
Apollo Goessnitz GmbH	Manufacture of pumps	Germany	100.00	100.00
	Manufacture of pumps and provision of repair services			
Nizhnevartovskkremservis JSC		Russia	100.00	100.00
<b>Segment “Oil and gas equipment and projects”</b>				
HMS Neftemash JSC	Manufacture of oil and gas equipment	Russia	100.00	100.00
	Manufacture of oil and gas equipment			
Sibneftemash JSC		Russia	98.60	98.60
Giprotyumenneftegaz PJSC	Engineering services	Russia	45.34	45.34
Institute Rostovskiy Vodokanalproekt JSC	Engineering services	Russia	85.70	85.70
	Manufacture of oil and gas equipment			
EPF “SIBNA” Inc. JSC		Russia	94.29	94.29
<b>Segment “Compressors”</b>				
Kazankompressormash JSC	Manufacture of compressors	Russia	89.86	89.86
CIPS LLC	Project engineering	Russia	100.00	100.00
NIITurbokompressor named after V.B.Shnepp JSC	Development of project documentation	Russia	98.39	98.39
<b>Segment “Construction”</b>				
Tomskgazstroy PJSC	Construction services	Russia	93.49	93.49

In December 2020, 100% shares of CIPS LLC were transferred between subsidiaries of the Group. As result of this transaction, the Group's effective ownership interest in CIPS LLC increased from 89.86% to 100%, and the Group recognised a respective decrease in non-controlling interest in amount of RR 154,905. This transaction was presented as the effect of the Group restructuring on non-controlling interest in the consolidated statement of changes in equity.

## 6 Subsidiaries (continued)

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

	Place of incorporation and operation	Proportion of non-controlling interest, %	Proportion of non-controlling interest's voting rights held, %	Profit/(loss) attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
<b>Year ended 31 December 2021</b>						
<b>Segment "Industrial pumps"</b>						
NASOENERGOMASH Sumy JSC	Ukraine	9.39	9.39	(52,055)	184,225	-
Plant Promburvod OJSC	Belorussia	48.62	48.62	7,304	157,193	915
Bobruisk Machine Building Plant OJSC	Belorussia	43.05	43.05	(123,318)	(503,151)	-
Dimitrovgradkhimmash JSC	Russia	49.00	49.00	158,420	1,763,546	51,110
<b>Segment "Oil and gas equipment and projects"</b>						
Giprotyumenneftegaz PJSC	Russia	54.66	48.99	120,029	1,452,272	4,884
<b>Segment "Compressors"</b>						
Kazankompressormash JSC	Russia	10.14	5.73	98,292	659,851	-
Other subsidiaries with insignificant non-controlling interests	-	-	-	145	(14,624)	-
<b>Year ended 31 December 2020</b>						
<b>Segment "Industrial pumps"</b>						
NASOENERGOMASH Sumy JSC	Ukraine	9.39	9.39	(15,230)	221,969	-
Plant Promburvod OJSC	Belorussia	48.62	48.62	17,630	147,874	197
Bobruisk Machine Building Plant OJSC	Belorussia	43.05	43.05	(84,365)	(372,259)	-
Dimitrovgradkhimmash JSC	Russia	49.00	49.00	174,797	1,640,911	50,135
<b>Segment "Oil and gas equipment and projects"</b>						
Giprotyumenneftegaz PJSC	Russia	54.66	48.99	29,363	1,333,873	4,830
<b>Segment "Compressors"</b>						
Kazankompressormash JSC	Russia	10.14	5.73	64,352	561,074	-
Other subsidiaries with insignificant non-controlling interests	-	-	-	(30,842)	(14,768)	-

At 31 December 2021 and 2020, the summarised financial information about financial position of these subsidiaries, presented before inter-company eliminations and consolidation adjustments, including goodwill on acquisitions, was as follows:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities
<b>Balance at 31 December 2021</b>				
<b>Segment "Industrial pumps"</b>				
NASOENERGOMASH Sumy JSC	4,694,755	1,622,032	(3,937,691)	(417,891)
Plant Promburvod OJSC	253,209	127,721	(51,165)	(6,431)
Bobruisk Machine Building Plant OJSC	209,345	168,218	(233,771)	(1,312,594)
Dimitrovgradkhimmash JSC	3,152,134	1,006,091	(394,384)	(164,767)
<b>Segment "Oil and gas equipment and projects"</b>				
Giprotyumenneftegaz PJSC	2,724,453	1,251,181	(1,111,756)	(207,022)
<b>Segment "Compressors"</b>				
Kazankompressormash JSC	15,702,596	5,360,499	(11,868,743)	(2,685,111)
<b>Balance at 31 December 2020</b>				
<b>Segment "Industrial pumps"</b>				
NASOENERGOMASH Sumy JSC	4,786,456	1,602,204	(3,312,908)	(712,735)
Plant Promburvod OJSC	201,635	149,907	(37,546)	(9,832)
Bobruisk Machine Building Plant OJSC	196,943	302,892	(126,815)	(1,237,765)
Dimitrovgradkhimmash JSC	2,839,968	1,054,469	(346,056)	(199,581)
<b>Segment "Oil and gas equipment and projects"</b>				
Giprotyumenneftegaz PJSC	2,854,253	835,045	(1,038,200)	(210,843)
<b>Segment "Compressors"</b>				
Kazankompressormash JSC	12,440,702	5,474,866	(9,948,242)	(2,432,474)

## 6 Subsidiaries (continued)

The summarised financial information about transactions and cash flows for the years ended 31 December 2021 and 2020 of these subsidiaries before inter-company eliminations was as follows:

	Revenue	Profit/ (loss)	Total compre- hensive income/ (loss)*	Net cash inflow/ (outflow) from operating activities	Net cash inflow/ (outflow) from investing activities	Net cash inflow/ (outflow) from financing activities
<b>Year ended 31 December 2021</b>						
<b>Segment "Industrial pumps"</b>						
NASOENERGOMASH Sumy JSC	3,528,264	(554,163)	(401,815)	365,507	(328,821)	33,977
Plant Promburvod OJSC	490,723	15,024	20,930	(5,923)	8,333	(2,265)
Bobruisk Machine Building Plant OJSC	407,084	(286,464)	(304,057)	(55,993)	(17,315)	70,376
Dimitrovgradkhimmash JSC	3,205,500	323,306	355,255	522,754	(90,526)	(104,650)
<b>Segment "Oil and gas equipment and projects"</b>						
Giprotyumenneftegaz PJSC	3,004,202	219,587	226,507	54,102	(144,742)	(9,473)
<b>Segment "Compressors"</b>						
Kazankompressormash JSC	18,790,453	969,622	974,392	(2,246,338)	(315,005)	15,668
<b>Year ended 31 December 2020</b>						
<b>Segment "Industrial pumps"</b>						
NASOENERGOMASH Sumy JSC	3,656,095	(162,137)	(214,282)	(339,191)	(182,188)	470,106
Plant Promburvod OJSC	425,211	36,263	27,320	53,258	(26,732)	(591)
Bobruisk Machine Building Plant OJSC	495,083	(195,977)	(170,117)	(38,561)	(6,535)	50,389
Dimitrovgradkhimmash JSC	3,150,324	356,729	355,808	600,968	(46,428)	(102,657)
<b>Segment "Oil and gas equipment and projects"</b>						
Giprotyumenneftegaz PJSC	2,489,081	53,718	59,536	236,815	(91,912)	(9,420)
<b>Segment "Compressors"</b>						
Kazankompressormash JSC	13,974,503	1,194,903	1,188,574	2,496,808	697,888	(891,908)
CIPS LLC	4,442,707	(50,022)	(50,022)	2,254,917	(135,163)	(558,283)

\* Total comprehensive income/(loss) includes profit/(loss) for the year and amounts of change in cumulative currency translation reserve and remeasurements of post-employment benefit obligations.

## 7 Property, Plant and Equipment

Property, plant and equipment and related accumulated depreciation consist of the following:

	Land	Buildings	Plant and equipment	Transport	Other	Construction in progress	Total
<b>Cost</b>							
<b>Balance at 1 January 2020</b>	<b>1,543,729</b>	<b>10,755,331</b>	<b>11,301,370</b>	<b>340,389</b>	<b>1,452,342</b>	<b>577,691</b>	<b>25,970,852</b>
Additions	-	29,304	467,676	17,803	108,306	209,444	832,533
Reclassification from intangible assets	-	-	-	-	-	65,294	65,294
Transfers	-	25,159	190,960	-	6,907	(223,026)	-
Disposals	(4,789)	(114,495)	(128,751)	(25,762)	(29,861)	(2,326)	(305,984)
Translation to presentation currency	9,538	86,403	79,826	(381)	74,163	16	249,565
<b>Balance at 31 December 2020</b>	<b>1,548,478</b>	<b>10,781,702</b>	<b>11,911,081</b>	<b>332,049</b>	<b>1,611,857</b>	<b>627,093</b>	<b>26,812,260</b>
Additions	-	66,239	797,953	12,680	116,013	77,006	1,069,891
Reclassification from intangible assets	-	-	14,630	-	-	-	14,630
Transfers	-	114,581	239,507	-	6,344	(360,432)	-
Disposals	(316)	(19,168)	(194,149)	(7,825)	(33,354)	(1,060)	(255,872)
Translation to presentation currency	(2,120)	670	42,388	1,120	(12,179)	1,490	31,369
<b>Balance at 31 December 2021</b>	<b>1,546,042</b>	<b>10,944,024</b>	<b>12,811,410</b>	<b>338,024</b>	<b>1,688,681</b>	<b>344,097</b>	<b>27,672,278</b>
<b>Accumulated depreciation and impairment</b>							
<b>Balance at 1 January 2020</b>	<b>(7,993)</b>	<b>(3,254,742)</b>	<b>(5,923,421)</b>	<b>(234,674)</b>	<b>(1,007,695)</b>	<b>(9,751)</b>	<b>(10,438,276)</b>
Eliminated on disposals	-	39,788	106,751	25,752	29,207	-	201,498
Depreciation expense	-	(400,652)	(1,137,699)	(30,499)	(183,319)	-	(1,752,169)
Impairment charge	-	(66)	(12,751)	-	(1,119)	-	(13,936)
Translation to presentation currency	-	(32,611)	(43,454)	346	(49,379)	-	(125,098)
<b>Balance at 31 December 2020</b>	<b>(7,993)</b>	<b>(3,648,283)</b>	<b>(7,010,574)</b>	<b>(239,075)</b>	<b>(1,212,305)</b>	<b>(9,751)</b>	<b>(12,127,981)</b>
Eliminated on disposals	-	13,951	159,855	7,825	33,163	-	214,794
Depreciation expense	-	(400,485)	(1,098,052)	(28,050)	(176,117)	-	(1,702,704)
Translation to presentation currency	-	1,263	(20,069)	(808)	8,589	-	(11,025)
<b>Balance at 31 December 2021</b>	<b>(7,993)</b>	<b>(4,033,554)</b>	<b>(7,968,840)</b>	<b>(260,108)</b>	<b>(1,346,670)</b>	<b>(9,751)</b>	<b>(13,626,916)</b>
<b>Carrying amount</b>							
<b>Carrying amount at 1 January 2020</b>	<b>1,535,736</b>	<b>7,500,589</b>	<b>5,377,949</b>	<b>105,715</b>	<b>444,647</b>	<b>567,940</b>	<b>15,532,576</b>
<b>Carrying amount at 31 December 2020</b>	<b>1,540,485</b>	<b>7,133,419</b>	<b>4,900,507</b>	<b>92,974</b>	<b>399,552</b>	<b>617,342</b>	<b>14,684,279</b>
<b>Carrying amount at 31 December 2021</b>	<b>1,538,049</b>	<b>6,910,470</b>	<b>4,842,570</b>	<b>77,916</b>	<b>342,011</b>	<b>334,346</b>	<b>14,045,362</b>

At 31 December 2021, RR 186,218 of the Group's property, plant and equipment had been pledged (31 December 2020: RR 133,655), including RR 37,413 related to borrowings (31 December 2020: RR 40,356) (Note 14) and RR 148,805 related to bank guarantees (31 December 2020: RR 93,299).

Construction-in-progress includes advances for capital expenditures for a total of RR 122,389 at 31 December 2021 (31 December 2020: RR 174,232).

At 31 December 2021, the Group had contractual commitments for the purchase of components for construction of property, plant and equipment for RR 108,260 (31 December 2020: RR 291,039).

At 31 December 2021 and for the years then ended, the Group concluded that no impairment charge was required. At 31 December 2020 and for the year then ended, the Group recognised an impairment of property, plant and equipment in amount of RR 13,936 (Note 4).

## 8 Other Intangible Assets

	Project documen- tation, development costs and patents	Customer relationships and order backlog	Software licenses and websites	Trademarks	Licenses and certificates	Total
<b>Cost</b>						
<b>Balance at 1 January 2020</b>	<b>898,768</b>	<b>1,700,059</b>	<b>441,070</b>	<b>43,406</b>	<b>38,334</b>	<b>3,121,637</b>
Additions	209,944	-	217,233	-	26,875	454,052
Reclassification to property, plant and equipment	(65,294)	-	-	-	-	(65,294)
Disposals	(74,135)	(181,900)	(213,658)	-	(7,940)	(477,633)
Translation to presentation currency	(269)	101,751	7,005	-	(17)	108,470
<b>Balance at 31 December 2020</b>	<b>969,014</b>	<b>1,619,910</b>	<b>451,650</b>	<b>43,406</b>	<b>57,252</b>	<b>3,141,232</b>
Additions	53,982	-	312,920	-	21,724	388,626
Reclassification to property, plant and equipment	(14,630)	-	-	-	-	(14,630)
Disposals	(13,564)	-	(224,757)	-	(7,822)	(246,143)
Translation to presentation currency	7,214	(31,565)	2,847	-	12	(21,492)
<b>Balance at 31 December 2021</b>	<b>1,002,016</b>	<b>1,588,345</b>	<b>542,660</b>	<b>43,406</b>	<b>71,166</b>	<b>3,247,593</b>
<b>Accumulated amortisation and impairment</b>						
<b>Balance at 1 January 2020</b>	<b>(158,803)</b>	<b>(671,721)</b>	<b>(254,394)</b>	<b>(20,594)</b>	<b>(14,479)</b>	<b>(1,119,991)</b>
Eliminated on disposals	68,587	181,900	213,658	-	7,940	472,085
Amortisation expense	(129,609)	(298,411)	(223,329)	(2,199)	(13,346)	(666,894)
Translation to presentation currency	961	(79,015)	(4,987)	-	8	(83,033)
<b>Balance at 31 December 2020</b>	<b>(218,864)</b>	<b>(867,247)</b>	<b>(269,052)</b>	<b>(22,793)</b>	<b>(19,877)</b>	<b>(1,397,833)</b>
Eliminated on disposals	13,544	-	224,757	-	7,822	246,123
Amortisation expense	(158,302)	(278,386)	(231,577)	(2,199)	(17,032)	(687,496)
Translation to presentation currency	(4,307)	27,937	(2,100)	-	(13)	21,517
<b>Balance at 31 December 2021</b>	<b>(367,929)</b>	<b>(1,117,696)</b>	<b>(277,972)</b>	<b>(24,992)</b>	<b>(29,100)</b>	<b>(1,817,689)</b>
<b>Carrying amount</b>						
<b>Carrying amount at 1 January 2020</b>	<b>739,965</b>	<b>1,028,338</b>	<b>186,676</b>	<b>22,812</b>	<b>23,855</b>	<b>2,001,646</b>
<b>Carrying amount at 31 December 2020</b>	<b>750,150</b>	<b>752,663</b>	<b>182,598</b>	<b>20,613</b>	<b>37,375</b>	<b>1,743,399</b>
<b>Carrying amount at 31 December 2021</b>	<b>634,087</b>	<b>470,649</b>	<b>264,688</b>	<b>18,414</b>	<b>42,066</b>	<b>1,429,904</b>

## 9 Goodwill

Movements in goodwill and the composition of the goodwill balance are as follows:

	2021	2020
<b>Carrying amount at 1 January</b>	<b>3,255,984</b>	<b>3,370,275</b>
Impairment loss	-	(425,668)
Effect of translation to presentation currency related to Apollo Goessnitz GmbH	(96,482)	311,377
<b>Carrying amount at 31 December</b>	<b>3,159,502</b>	<b>3,255,984</b>

Goodwill is allocated to CGUs, which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment for segment reporting purposes, as follows:

	31 December 2021	31 December 2020
Kazankompressormash JSC	1,239,809	1,239,809
Apollo Goessnitz GmbH	1,226,574	1,323,056
Sibneftemash JSC	511,784	511,784
EPF "SIBNA" Inc. JSC	117,308	117,308
Dimitrovgradkhimmash JSC	64,027	64,027
<b>Total carrying amount of goodwill</b>	<b>3,159,502</b>	<b>3,255,984</b>



## 9 Goodwill (continued)

For the purpose of impairment testing, the recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period from five to ten years. A period of more than five years is used if it is considered that the fifth year of a forecast is not indicative of expected long-term future performance of a CGU as operations may not have reached maturity, which may be the case in developing markets such as the Russian Federation or/and when the Group's formal long-term strategy for the CGU covers longer period. Cash flows beyond this period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates. Management determined budgeted revenue increase rates, operating margin rates and working capital turnover period based on past performance as well as on its projections on the respective CGU's future development and performance, including synergy effects. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

Assumptions used for value-in-use calculations are summarised in the table below:

	31 December 2021	31 December 2020
<i>For Apollo Goessnitz GmbH CGU:</i>		
Forecast period	8 years	8 years
Growth rate beyond forecast period	2.5%	2.1%
Pre-tax discount rate	11.3%	12.1%
<i>For other CGUs:</i>		
Forecast period	10 years	10 years
Growth rate beyond forecast period	4.0%	4.0%
Pre-tax discount rate	16.1%	13.8%

Based on the results of impairment tests, the Group did not recognise any impairment of goodwill at 31 December 2021 and for the year then ended. Management believes that any reasonably possible change in key assumptions would not lead to a material impairment charge, with the exception described below.

Value-in-use calculation for Sibneftemash JSC is mostly sensitive to operational EBITDA margin, which was budgeted at the level of 9-14% for 2022-2031. The DCF model leads to potential impairment if EBITDA margin in each year is 15% lower than the respective budgeted level

At 31 December 2020, the Group fully impaired goodwill relating to CGU TMCP, part of reportable segment "Oil and gas equipment and projects". The impairment charge of RR 425,668 was primarily driven by the changes of the future growth and profitability assumptions, influenced by COVID-19 pandemic and general uncertainties on the oil and gas market, which limited the possibility for TMCP to benefit from synergies with other Group companies.

Other non-current assets of the CGU TMCP include property, plant and equipment with a carrying value of RR 642,155 at 31 December 2020, which is supported by valuation made by independent appraiser in 2019. Management believes there have been no any significant changes in assumptions, which may require the additional impairment charge in relation to these assets, apart from the respective accumulated depreciation for the period from acquisition of TMCP to the reporting date.



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

	Land	Buildings	Plant and equipment	Other	Total
<b>Cost</b>					
<b>Balance at 1 January 2020</b>	<b>13,936</b>	<b>62,113</b>	<b>120,219</b>	<b>16,548</b>	<b>212,816</b>
Additions	21,073	2,827	1,062	-	24,962
Termination of lease agreements	(4,773)	-	(21,727)	(20,899)	(47,399)
Translation to presentation currency	28	126	23,177	4,351	27,682
<b>Balance at 31 December 2020</b>	<b>30,264</b>	<b>65,066</b>	<b>122,731</b>	<b>-</b>	<b>218,061</b>
Additions	27	206,563	50,734	-	257,324
Translation to presentation currency	1,253	2,695	(6,154)	-	(2,206)
<b>Balance at 31 December 2021</b>	<b>31,544</b>	<b>274,324</b>	<b>167,311</b>	<b>-</b>	<b>473,179</b>
<b>Accumulated depreciation and impairment</b>					
<b>Balance at 1 January 2020</b>	<b>(4,266)</b>	<b>(5,668)</b>	<b>(20,078)</b>	<b>(8,190)</b>	<b>(38,202)</b>
Eliminated on termination of lease agreements	4,773	-	11,727	14,521	31,021
Depreciation expense	(3,283)	(6,080)	(9,412)	(3,553)	(22,328)
Translation to presentation currency	59	115	(2,737)	(2,778)	(5,341)
<b>Balance at 31 December 2020</b>	<b>(2,717)</b>	<b>(11,633)</b>	<b>(20,500)</b>	<b>-</b>	<b>(34,850)</b>
Depreciation expense	(3,110)	(9,352)	(11,688)	-	(24,150)
Translation to presentation currency	(138)	(535)	1,355	-	682
<b>Balance at 31 December 2021</b>	<b>(5,965)</b>	<b>(21,520)</b>	<b>(30,833)</b>	<b>-</b>	<b>(58,318)</b>
<b>Carrying amount</b>					
<b>Carrying amount at 1 January 2020</b>	<b>9,670</b>	<b>56,445</b>	<b>100,141</b>	<b>8,358</b>	<b>174,614</b>
<b>Carrying amount at 31 December 2020</b>	<b>27,547</b>	<b>53,433</b>	<b>102,231</b>	<b>-</b>	<b>183,211</b>
<b>Carrying amount at 31 December 2021</b>	<b>25,579</b>	<b>252,804</b>	<b>136,478</b>	<b>-</b>	<b>414,861</b>

At 31 December 2021 and 2020, lease liabilities were as follows:

	31 December 2021	31 December 2020
Current lease liabilities	59,928	20,440
Non-current lease liabilities	346,376	153,048
<b>Total lease liabilities</b>	<b>406,304</b>	<b>173,488</b>

At 31 December 2021 and 2020, lease liabilities were measured on a present value basis using the interest rates implicit in the lease agreements, except to certain lease agreements for which the lessee's incremental borrowing rate was used.

For the year ended 31 December 2021, lease expenses for short-term leases and leases of low-value assets in amount of RR 150,378 (2020: RR 181,338) (Notes 24, 25, 26) were recognised in the consolidated statement of profit or loss and other comprehensive income and were not included in the measurement of lease liabilities.

For the year ended 31 December 2021, total cash outflows for leases contracts recognised as right-of-use assets amounted to RR 45,146, of which RR 20,294 was included in interest paid (2020: RR 53,222, of which RR 17,317 was included in interest paid).

## 11 Cash and Cash Equivalents

	31 December 2021	31 December 2020
Cash on hand	1,415	1,627
RR denominated balances with banks	2,522,684	3,281,688
Foreign currency denominated balances with banks	426,087	564,406
RR denominated bank deposits	5,648,990	6,538,608
Foreign currency denominated bank deposits	169,467	2,019
Other cash equivalents	2,999	4,090
Less: ECL allowance for cash and cash equivalents	-	(31,850)
<b>Total cash and cash equivalents</b>	<b>8,771,642</b>	<b>10,360,588</b>

## 11 Cash and Cash Equivalents (continued)

At 31 December 2021, the closing balance of short-term deposits denominated in foreign currencies comprised UAH-denominated deposit of RR 169,030 (31 December 2020: RR 17) and BYN-denominated deposit of RR 437 (31 December 2020: RR 2,002).

## 12 Inventories

	31 December 2021	31 December 2020
Raw materials and supplies	4,298,638	4,062,030
Work in progress	3,335,261	3,077,177
Finished goods and goods for resale	1,433,246	1,708,542
<b>Total inventories</b>	<b>9,067,145</b>	<b>8,847,749</b>

Inventories are presented net of allowance for obsolescence in amount of RR 937,338 at 31 December 2021 (31 December 2020: RR 794,011).

At 31 December 2021, inventories of RR 588,309 had been pledged (31 December 2020: RR 647,349), including RR 550,039 related to borrowings (31 December 2020: RR 609,079) (Note 14) and RR 38,270 related to bank guarantees (31 December 2020: RR 38,270). The cost of inventories recognised as expense during the period and included in cost of sales is disclosed in Note 24.

## 13 Trade and Other Receivables and Other Financial Assets

	31 December 2021	31 December 2020
Trade receivables	13,809,909	12,492,813
Less: ECL allowance	(355,415)	(382,310)
Short-term loans issued	49,669	34,108
Bank promissory notes receivable	-	4,000
Bank deposits	71,365	6,353
Other receivables	278,328	207,599
Less: ECL allowance	(63,608)	(34,404)
<b>Financial assets, net</b>	<b>13,790,248</b>	<b>12,328,159</b>
Prepayments and advances to suppliers and subcontractors	2,895,231	2,911,384
Less: allowance for impairment of advances to suppliers and subcontractors	(49,819)	(38,545)
VAT receivable	409,130	377,990
Other taxes receivable	6,002	19,778
<b>Non-financial assets, net</b>	<b>3,260,544</b>	<b>3,270,607</b>
<b>Total trade and other receivables and other financial assets</b>	<b>17,050,792</b>	<b>15,598,766</b>

The VAT receivable balance comprises VAT related to export sales which is expected to be offset against VAT payable after appropriate confirmation is received from the tax authorities subsequent to the reporting date. Settlement of VAT receivables and payables is normally executed on net basis.

At 31 December 2021, the closing balance of bank deposits comprised EUR-denominated deposits of RR 29,590, USD-denominated deposit of RR 22,280 and UAH-denominated deposits of RR 19,495. At 31 December 2020, the closing balance of bank deposits comprised EUR-denominated deposit of RR 6,350 and UAH-denominated deposit of RR 3.

At 31 December 2021, trade receivables arising from certain sales contracts in the amount of RR 882,538 (31 December 2020: RR 1,089,538) were pledged as collateral for certain borrowings (Note 14).

### 13 Trade and Other Receivables and Other Financial Assets (continued)

Movements in the ECL allowance and allowance for impairment of non-financial assets within trade and other receivables and other financial assets are presented below:

	<b>ECL allowance for trade receivables</b>	<b>ECL allowance for other financial receivables</b>	<b>Allowance for impairment of non-financial assets</b>
<b>At 1 January 2020</b>	<b>344,383</b>	<b>57,578</b>	<b>34,500</b>
Increase/(decrease) in allowance	74,626	(17,936)	4,417
Receivables written off during the year as uncollectible	(38,682)	(7,373)	(377)
Effect of translation to presentation currency	1,919	15	5
Foreign currency translation differences	64	2,120	-
<b>At 31 December 2020</b>	<b>382,310</b>	<b>34,404</b>	<b>38,545</b>
Increase/(decrease) in allowance	53,390	(692)	16,475
Reclassification from other category of ECL allowance	-	31,850	-
Receivables written off during the year as uncollectible	(78,517)	(1,342)	(5,236)
Effect of translation to presentation currency	(805)	110	35
Foreign currency translation differences	(963)	(722)	-
<b>At 31 December 2021</b>	<b>355,415</b>	<b>63,608</b>	<b>49,819</b>

The creation and release of ECL allowance for trade and other receivables and other financial assets and allowance for impairment of non-financial assets have been included in 'general and administrative expenses' (Note 26). Amounts charged to the ECL allowance for trade and other receivables and other financial assets and allowance for impairment of non-financial assets are generally written off when there is no expectation of recovering additional cash.

Information related to aging of financial assets with the corresponding ECL allowance is disclosed in Note 33.

The carrying amounts of the Group's financial assets within trade and other receivables and other financial assets are denominated in the following currencies:

	<b>31 December 2021</b>	<b>31 December 2020</b>
RR	10,983,899	9,885,918
UAH	1,232,767	1,243,114
EUR	1,131,113	948,757
GBP	269,475	-
USD	92,145	127,606
BYN	49,167	45,753
KZT	30,431	49,064
Other currencies	1,251	27,947
<b>Financial assets, net</b>	<b>13,790,248</b>	<b>12,328,159</b>

## 14 Borrowings

	Interest rate	Denomi- nated in	31 December 2021	31 December 2020
<b>Long-term unsecured loans and bonds:</b>				
	CBR Key Rate <sup>(1)</sup> +2.75% to			
Unsecured bank loans	11.55%	RR	15,664,882	14,205,483
Bonds 2	7.95%	RR	2,993,506	2,989,796
Bonds 1	8.15%	RR	2,991,173	2,985,409
	EURIBOR+3.00%-			
Unsecured bank loans	EURIBOR+3.45%	EUR	252,209	453,413
			<b>21,901,770</b>	<b>20,634,101</b>
Less: current portion of long-term borrowings			(252,209)	(181,365)
<b>Total long-term borrowings</b>			<b>21,649,561</b>	<b>20,452,736</b>
<b>Short-term unsecured loans:</b>				
Unsecured bank loans	CBR Key Rate <sup>(1)</sup> +2.75%	RR	-	1,000,000
			-	<b>1,000,000</b>
<b>Short-term secured bank loans:</b>				
Secured loans	3.00%	EUR	168,139	181,365
Secured loans	11.00% to 15.33%	BYN	3,497	2,860
			<b>171,636</b>	<b>184,225</b>
Current portion of long-term borrowings			252,209	181,365
Interest payable			188,121	182,984
<b>Total short-term borrowings</b>			<b>611,966</b>	<b>1,548,574</b>

<sup>(1)</sup> Key rate of the Central Bank of the Russian Federation (CBR Key Rate).

The Group's borrowings are denominated in the following currencies:

	31 December 2021	31 December 2020
RR	21,835,953	21,363,533
EUR	422,028	634,899
BYN	3,546	2,878
<b>Total borrowings</b>	<b>22,261,527</b>	<b>22,001,310</b>

**Bonds 1.** In July 2020, HYDROMASHSERVICE JSC, the Group's subsidiary, issued RR 3.0 billion of bonds. The maturity of the bonds is 10 years with a 3-year put option and semi-annual coupon periods. Coupon rate of 8.15% is set for the first 6 coupon periods. Subsequent coupon rates are to be determined in July 2023. HMS Group JSC, HMS Neftemash JSC and Sibneftemash JSC issued guarantees in respect of these bonds.

**Bonds 2.** In October 2020, HYDROMASHSERVICE JSC, the Group's subsidiary, issued RR 3.0 billion of bonds. The maturity of the bonds is 10 years with a 3-year put option and semi-annual coupon periods. Coupon rate of 7.95% is set for the first 6 coupon periods. Subsequent coupon rates are to be determined in September 2023. HMS Group JSC, HMS Neftemash JSC and Sibneftemash JSC issued guarantees in respect of these bonds.

**Assets pledged.** At 31 December 2021, the Group pledged property, plant and equipment and inventories in total amount of RR 37,413 and RR 550,039 (31 December 2020: RR 40,356 and RR 609,079), respectively.

At 31 December 2021 and 2020, the Group also pledged deposits and its rights under some sales contracts with customers as the security for certain borrowings. At 31 December 2021, the Group recognised deposits and trade receivables under these sales contracts in amount of RR 5,885 and RR 882,538 (31 December 2020: RR 6,348 and RR 1,089,538), respectively.

## 15 Retirement Benefit Obligations

Entities within the Group provide post-employment and other long-term payments of a defined benefit nature to their employees. These defined benefit plans maintained by each entity separately include lump sum upon retirement, in case of disability, death or attaining jubilee age as well as financial support after retirement. All plans are completely unfunded, i.e. provided on pay-as-you-go basis.

The liability arising from these plans was calculated by an external actuary in accordance with benefit formula based on individual census data using the Projected Unit Credit Method. Assumptions were determined based on market conditions as at the statement of financial position dates.

## 15 Retirement Benefit Obligations (continued)

The following assumptions were used for the actuarial assessment at 31 December 2021 and 2020:

	Russia and Belorussia		Ukraine	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Discount rate	8.4%	6.0%	9.6%	9.1%
Inflation	4.5%	3.8%	5.5%	5.0%
Expected annual increase in salaries	5.5%	4.8%	7.5%	7.0%
Mortality tables	Russian Federation, 2014	Russian Federation, 2014	Russian Federation, 2014	Russian Federation, 2014

The following amounts were recognised in profit or loss:

	2021	2020
Service cost	(7,359)	23,189
<i>Current service cost</i>	38,973	34,931
<i>Gain from curtailment of plans and past service cost, net</i>	(46,332)	(11,742)
Interest expense	51,295	52,714
Net actuarial (gain)/loss on other long-term employment benefit obligations	(7,115)	6,172
<b>Net periodic benefit expense</b>	<b>36,821</b>	<b>82,075</b>

Changes in the present value of the Group's pension benefit obligation are as follows:

	Post-employment payments	Other long-term payments	Total
<b>Present value of defined benefit obligations at 1 January 2020</b>	<b>610,647</b>	<b>63,495</b>	<b>674,142</b>
Current service cost	28,408	6,523	34,931
Interest expense	49,353	3,361	52,714
Gain from curtailment of plans and past service cost, net	(11,742)	-	(11,742)
Benefits paid	(35,015)	(5,040)	(40,055)
Effect of translation to presentation currency	2,589	-	2,589
Remeasurements, including:	5,321	6,172	11,493
<i>actuarial loss from changes in demographic assumptions</i>	6,136	5,946	12,082
<i>actuarial loss from changes in financial assumptions*</i>	37,909	1,227	39,136
<i>experience gain</i>	(38,724)	(1,001)	(39,725)
<b>Present value of defined benefit obligations at 31 December 2020</b>	<b>649,561</b>	<b>74,511</b>	<b>724,072</b>
Current service cost	32,920	6,053	38,973
Interest expense	47,532	3,763	51,295
Gain from curtailment of plans and past service cost, net	(39,415)	(6,917)	(46,332)
Benefits paid	(32,891)	(4,607)	(37,498)
Effect of translation to presentation currency	11,559	-	11,559
Remeasurements, including:	(49,232)	(7,115)	(56,347)
<i>actuarial gain from changes in financial assumptions*</i>	(55,452)	(6,420)	(61,872)
<i>experience loss/(gain)</i>	6,220	(695)	5,525
<b>Present value of defined benefit obligations at 31 December 2021</b>	<b>620,034</b>	<b>65,688</b>	<b>685,722</b>

\* Actuarial gain/loss from changes in financial assumptions is mainly attributable to the changes in discount rates used.

Short-term and long-term classification was determined based on discounted value of future obligation which is payable within 12 months from the statement of financial position date:

	31 December 2021	31 December 2020
Short-term	73,582	77,859
Long-term	612,140	646,213
<b>Present value of defined benefit obligations at the end of the year</b>	<b>685,722</b>	<b>724,072</b>

## 15 Retirement Benefit Obligations (continued)

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

	Change in assumption	31 December 2021	
		Impact on defined benefit obligation: Increase/(decrease)	
		Increase in assumption	Decrease in assumption
Discount rate	1.0%	(61,592)	70,417
Inflation	1.0%	34,347	(27,287)
Expected annual increase in salaries	1.0%	31,375	(26,472)

  

	Change in assumption	31 December 2020	
		Impact on defined benefit obligation: Increase/(decrease)	
		Increase in assumption	Decrease in assumption
Discount rate	1.0%	(66,708)	80,454
Inflation	1.0%	40,988	(35,202)
Expected annual increase in salaries	1.0%	27,722	(24,306)

The above sensitivity analysis is based on a change in each assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method) has been applied as when calculating the post-employment benefit obligation recognised in the consolidated statement of financial position.

The weighted average duration of the defined benefit obligations was 8 years at 31 December 2021 and 2020.

The contributions under voluntary defined benefit pension programs in 2022 are expected to be approximately RR 73,582.

## 16 Trade and Other Payables

	31 December 2021	31 December 2020
Trade payables	16,549,168	13,760,707
Other payables	580,253	170,691
<b>Financial trade and other payables</b>	<b>17,129,421</b>	<b>13,931,398</b>
Advances from customers	3,207,051	2,925,155
Wages and salaries payable	1,393,227	1,113,397
<b>Other non-financial payables</b>	<b>4,600,278</b>	<b>4,038,552</b>
<b>Total trade and other payables</b>	<b>21,729,699</b>	<b>17,969,950</b>

## 17 Other Taxes Payable

	31 December 2021	31 December 2020
VAT	439,812	592,894
Social funds contribution	277,072	198,738
Personal income tax	94,576	70,387
Property tax	19,595	21,498
Land tax	11,017	11,045
Transport tax	1,086	3,195
Withholding tax provision, related to acquisition of subsidiary	-	45,827
Other taxes	4,980	4,513
<b>Total other taxes payable</b>	<b>848,138</b>	<b>948,097</b>



## 18 Other Long-term Payables

	31 December 2021	31 December 2020
Deferred income related to Government grant 1	44,628	59,504
Deferred income related to Government grant 2	75,171	96,254
Deferred income related to Government grant 3	61,283	62,418
Other deferred income	1,191	1,666
<b>Long-term deferred income</b>	<b>182,273</b>	<b>219,842</b>
Other liabilities	46,009	10,739
<b>Total other long-term payables</b>	<b>228,282</b>	<b>230,581</b>

*Government grant 1.* During the year ended 31 December 2013, the Group's subsidiary HMS Neftemash JSC obtained the right to receive government subsidies in the amount of RR 150,000 for executing a project relating to the development of high-tech equipment for metering of extracted oil and gas at the oilfields. The project is being implemented together with Tyumen State University. Under the grant, during 2013-2015, HMS Neftemash JSC received funds in amount of RR 150,000 from the Federal budget for realisation of this project; additionally, own funds were invested by the Group in amount of RR 150,000. At 31 December 2021, under this project, the long-term liability in amount of RR 44,628 (31 December 2020: RR 59,504) and other short-term payables in amount of RR 14,876 (31 December 2020: RR 14,876) were recognised as deferred income.

*Government grant 2.* During the year ended 31 December 2016, the Group's subsidiary Sibneftemash JSC obtained the right to receive government subsidies in the amount of RR 170,000. Such subsidies are provided for the development of technology and process equipment system for thermochemical treatment of oil-and-gas-bearing formations in order to increase the production of raw hydrocarbons and provide environmental improvement at the fields as a replacement of the import technology of hydraulic fracturing with proppant – gel agents. Under the grant, during 2016-2018, Sibneftemash JSC received funds in amount of RR 170,000 from the Federal budget for realisation of this project; additionally, own funds were invested by the Group in amount of RR 200,204. At 31 December 2021, under this project, the long-term liability in amount of RR 75,171 (31 December 2020: RR 96,254) and other short-term payables in amount of RR 25,129 (31 December 2020: RR 24,432) were recognised as deferred income. The grant is subject to certain conditions set for the period till 2023. At each reporting date, management assesses whether there is a reasonable assurance that the Group is able to comply with the required conditions. At 31 December 2021, management believes that the Group will be able to comply with the conditions stipulated by the agreement.

*Government grant 3.* During the year ended 31 December 2019, the Group's subsidiary HMS Neftemash JSC obtained the right to receive government subsidies in the amount of RR 68,092 for executing a project relating to the development of intelligent mobile secondary reference metrology complex, which will allow to reduce costs of hydrocarbons' extraction. The project is being implemented together with Tyumen State University. Under the grant, during 2019-2020, HMS Neftemash JSC received funds in amount of RR 68,092 for realisation of this project; additionally, own funds were invested by the Group in amount of RR 80,851. At 31 December 2021, under this project, the long-term liability in amount of RR 61,283 (31 December 2020: RR 62,418) and other short-term payables in amount of RR 6,809 (31 December 2020: RR 5,674) were recognised as deferred income. The grant is subject to certain conditions set for the period till 2023 inclusive, including amounts of own investments and volume of production produced by the results of development. At 31 December 2021, management believes that the Group will be able to comply with the conditions stipulated by the agreement.

## 19 Provisions for Liabilities and Charges

	Warranty provision	Provision for legal claims	Provision for tax risks
<b>At 1 January 2020</b>	<b>461,797</b>	<b>243,062</b>	-
Additional provisions	550,383	103,646	9,898
Unused amounts reversed	(99,027)	(19,659)	-
Provision used during the period	(334,733)	(98,167)	-
Effect of translation to presentation currency	598	163	-
<b>At 31 December 2020</b>	<b>579,018</b>	<b>229,045</b>	<b>9,898</b>
Additional provisions	660,949	84,116	15,667
Unused amounts reversed	(152,030)	(25,270)	-
Provision used during the period	(396,590)	(80,232)	(9,898)
Effect of translation to presentation currency	837	180	-
<b>At 31 December 2021</b>	<b>692,184</b>	<b>207,839</b>	<b>15,667</b>

## 19 Provisions for Liabilities and Charges (continued)

**Warranty provision.** The Group provides warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision has been recognised at the year-end for expected warranty claims based on past experience of the level of repairs and returns. At 31 December 2021, the closing balance of the warranty provision comprised a short-term portion of RR 375,678 and a long-term portion of RR 316,506 (31 December 2020: RR 350,819 and RR 228,199, respectively).

**Provision for legal claims.** Provision for legal claims was accrued in accordance with the management position related to claims received from the counterparties of the Group's subsidiaries. In the opinion of management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the accrued amounts.

**Provision for tax risks.** Provision for tax risks was accrued in accordance with decision of the tax authorities which were received by Group's subsidiary as a result of field tax inspections for prior periods.

## 20 Share Capital, Other Equity Items and Earnings per Share

**Share capital and share premium.** Below are the details of share issues of the Company:

Date of transaction	Quantity of shares issued	Par value, EUR	Share capital, RR thousand	Share premium, RR thousand	Treasury shares, RR thousand
<b>At 1 January 2020</b>	<b>117,163,427</b>	<b>0.01</b>	<b>48,329</b>	<b>3,523,535</b>	<b>(319,475)</b>
Movements during 2020	-	-	-	-	286,420
<b>At 31 December 2020</b>	<b>117,163,427</b>	<b>0.01</b>	<b>48,329</b>	<b>3,523,535</b>	<b>(33,055)</b>
Movements during 2021	-	-	-	-	(60,720)
<b>At 31 December 2021</b>	<b>117,163,427</b>	<b>0.01</b>	<b>48,329</b>	<b>3,523,535</b>	<b>(93,775)</b>

At 31 December 2021 and 2020, the Company's issued share capital consisted of 117,163,427 ordinary shares with par value of EUR 0.01, which are fully paid, and the Company's authorised share capital consisted of 120,705,882 ordinary shares.

**Treasury shares.** During 2021, 176,000 GDRs of the Company representing 0.75% of its issued share capital were bought back by a wholly-owned subsidiary of the Group for a total consideration of RR 60,720.

During 2020, 5,554 GDRs of the Company representing 0.02% of its issued share capital were bought back by a wholly-owned subsidiary of the Group for a total consideration of RR 1,705.

In May-December 2020, 713,158 GDRs of the Company representing 3.04% of its issued share capital with the total cost of RR 288,125 were transferred to the participants under the Long-term Incentive Program (Note 21).

At 31 December 2021, the Company, via a wholly-owned subsidiary, is holding 257,960 (31 December 2020: 81,960) of its own GDRs with the total cost of RR 93,775 (31 December 2020: RR 33,055). The voting and dividend rights of these GDRs are suspended.

**Dividends.** In December 2021, an interim dividend in respect of the profit for the nine months ended 30 September 2021 of 2.14 Russian Roubles per ordinary share amounting to a total dividend of RR 247,969 was approved by the Board of Directors of the Company. This dividend was paid in December 2021.

At the Annual General Meeting in June 2021, the Company's shareholders approved the final dividend in respect of the year ended 31 December 2020 of 4.25 Russian Roubles per ordinary share amounting to a total dividend of RR 492,463. This dividend was paid in July 2021.

At the Annual General Meeting in June 2020, the Company's shareholders approved the final dividend in respect of the year ended 31 December 2019 of 3.41 Russian Roubles per ordinary share amounting to a total dividend of RR 391,942. This dividend was paid in June 2020.

**Earnings per share.** The Company has no dilutive or antidilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share. Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, which includes the effect of treasury shares.



## 20 Share Capital, Other Equity Items and Earnings per Share (continued)

For the years ended 31 December 2021 and 2020, profit/(loss) per share are calculated as follows:

	2021	2020
Profit/(loss) for the year attributable to ordinary shareholders	1,032,202	(971,996)
Weighted average number of ordinary shares outstanding (thousands)	116,028	114,417
<b>Basic and diluted profit/(loss) per ordinary share (expressed in RR per share)</b>	<b>8.90</b>	<b>(8.50)</b>

## 21 Share-based Payments

**LTIP 2016-2018.** In March 2016, the Board of Directors of the Company approved a Long-term Incentive Program (the "Program") for the Group's key executives. The Program stipulated three awards based on results for 2016, 2017 and 2018. Each of the three awards was to be transferred to the participants in the form of the Company's GDRs following the respective 3-year service period of the award. GDRs for this Program were derived from GDRs owned and bought by the Group. The Participants of the Program were also entitled to dividends for not yet vested share awards.

The Group accounted for this Program as an equity-settled share-based payment transaction under IFRS 2, Share-based Payments, during 2016-2020. The fair value of share awards was determined with a reference of the market price of the Company's GDRs at the respective grant date. By 31 December 2020, the Group transferred the awarded GDRs to the participants of the Program.

For the year ended 31 December 2020, the Group recognised share-based compensation expense of RR 67,727 in general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income, including the allocation of fair value of GDRs calculated at grant date to the reporting period of RR 58,921 and the respective personal income tax effect of RR 8,806. The Group also recognised related social security contributions expense of RR 10,362.

For the year ended 31 December 2020, dividends accrued to the Participants of the Program for the share awards not yet vested amounted to RR 5,660 and were recorded as a deduction of retained earnings. As a result, total effect of the Program on retained earnings for the year amounted to RR 53,261.

**LTIP 2019-2021.** In December 2018, the Board of Directors of the Company approved a new Long-term Incentive Program (the "New Program") for the Group's key executives. Under the conditions of the New Program, GDRs of the Company will be granted to the participants based on the Group's profit attributable to shareholders of the Company in the years 2019 to 2021. The list of participants of each tranche as well as share of each participant in the total package is to be approved by the Group's Board of Directors. The transfer of GDRs to the participants will happen over 2022-2024, if participants are still employed by the Group. GDRs for this New Program will come from GDRs owned and bought by the Company.

The Participants of the New Program are also entitled to dividends for not yet vested share awards.

As the Group obtained a loss attributable to shareholders of the Company for the years ended 31 December 2019 and 2020, the Group did not recognise any share-based compensation expense in respect of Awards 2019 and 2020.

For the year ended 31 December 2021, the Group recognised share-based compensation expense of RR 28,736 in general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income, including the allocation of fair value of GDRs calculated at grant date to the reporting period of RR 25,000 and the respective personal income tax effect of RR 3,736. The Group also recognised related social security contributions expense of RR 4,397.

## 22 Income Taxes

Income tax expense for the year ended 31 December 2021 and 2020 included:

	2021	2020
Current tax	774,890	856,032
<i>In respect of the current period</i>	796,393	826,527
<i>In respect of prior years</i>	(21,503)	29,505
Deferred tax	(2,107)	(376,218)
<b>Total income tax expense</b>	<b>772,783</b>	<b>479,814</b>

## 22 Income Taxes (continued)

Income/(loss) before tax for financial reporting purposes is reconciled with the income tax expense as follows:

	2021	2020
<b>Profit/(loss) before income tax</b>	<b>2,013,802</b>	<b>(336,477)</b>
Estimated tax charge at applicable tax rates of 20% (2020: 20%)	(402,760)	67,295
<i>Tax effect of items which are not deductible or assessable for taxation purposes:</i>		
Effect of income tax reliefs	22,056	(6,104)
Current tax in respect of prior years*	21,503	(29,505)
Dividend withholding tax provision	12,500	(20,000)
Utilisation of previously unrecognised tax losses	11,980	16,309
Impairment of previously recognised deferred tax assets	(120,517)	(125,593)
Tax losses for which no deferred income tax asset was recognised	(102,969)	(107,874)
Effect of the difference in tax rates in countries other than the Russian Federation	(60,625)	(24,426)
Change in retirement benefits obligations, social expenditures and charity non-deductible for tax purposes	(31,743)	(21,511)
Effect of tax on intragroup dividends received	(10,939)	(30,621)
Impairment of goodwill	-	(85,134)
Share-based compensation expense	-	(34,221)
Other non-deductible expenses not subject to tax	(111,269)	(78,429)
<b>Total income tax expense</b>	<b>(772,783)</b>	<b>(479,814)</b>

\* The amount includes RR 16,108, relating to certain tax decision, which the management challenged in the District Administrative Court in Sumy. During 2021, the Group won the respective legal proceeding.

Differences between IFRS and local tax legislation give rise to temporary differences between the carrying value of assets and liabilities for financial reporting purposes and for tax purposes. The tax effect of these temporary differences is recorded at the rate of 20% (Russian tax legislation), 18% (Ukrainian tax legislation), 18% (Belorussian tax legislation), 29.65% (German tax legislation) and 12.5% (Cypriot tax legislation), accordingly.

Withholding tax is applied to dividends distributed to the Company by its Russian subsidiaries at the rate of 5% on gross dividends declared; such tax is withheld at source by the respective subsidiary and is paid to the Russian tax authorities at the same time when the payment of dividend is effected.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The gross movement on the deferred income tax account is as follows:

	1 January 2021	Credited/ (charged) to profit or loss	Impairment of previously recognised deferred tax assets	Translation to presentation currency	31 December 2021
<b>Deferred tax liabilities</b>					
Property, plant and equipment	(1,094,080)	90,025	(65,412)	4,102	(1,065,365)
Intangible assets	(292,205)	56,269	(3,165)	1,863	(237,238)
Right-of-use assets	(22,842)	(40,374)	-	1,451	(61,765)
Trade and other receivables, other financial assets and contract assets	-	(629,648)	(46,743)	(31)	(676,422)
Trade and other payables and contract liabilities	(1,517,851)	392,971	-	2,143	(1,122,737)
Other taxes payable	-	(67,265)	-	2,729	(64,536)
Long-term borrowings	(4,959)	1,895	-	-	(3,064)
Withholding tax provision	(25,000)	12,500	-	-	(12,500)
	<b>(2,956,937)</b>	<b>(183,627)</b>	<b>(115,320)</b>	<b>12,257</b>	<b>(3,243,627)</b>
<b>Deferred tax assets</b>					
Inventories	1,118,122	550,843	(4,007)	(1,050)	1,663,908
Trade and other receivables, other financial assets and contract assets	400,225	(400,225)	-	-	-
Cash and cash equivalents	4,486	173	-	-	4,659
Other long-term assets	1,028	921	-	-	1,949
Share of results of associates	12,202	36	-	-	12,238
Other long-term payables	1,921	53,494	-	-	55,415
Long-term provisions for liabilities and charges	51,729	(855)	-	1,979	52,853
Loss carried forward	578,204	14,995	-	1,520	594,719
Other taxes payable	4,566	(4,566)	-	-	-
Lease liabilities	4,221	39,104	-	(286)	43,039
Short-term provisions for liabilities and charges	145,199	52,331	(1,190)	531	196,871
	<b>2,321,903</b>	<b>306,251</b>	<b>(5,197)</b>	<b>2,694</b>	<b>2,625,651</b>
<b>Total net deferred tax liability</b>	<b>(635,034)</b>	<b>122,624</b>	<b>(120,517)</b>	<b>14,951</b>	<b>(617,976)</b>

## 22 Income Taxes (continued)

	1 January 2020	Credited/ (charged) to profit or loss	Impairment of previously recognised deferred tax assets	Translation to presentation currency	31 December 2020
<b>Deferred tax liabilities</b>					
Property, plant and equipment	(1,192,005)	60,733	47,858	(10,666)	(1,094,080)
Intangible assets	(341,203)	55,626	220	(6,848)	(292,205)
Right-of-use assets	(22,204)	5,731	-	(6,369)	(22,842)
Trade and other receivables, other financial assets and contract assets	(513,138)	513,138	-	-	-
Short-term borrowings	(95)	95	-	-	-
Trade and other payables and contract liabilities	(149,478)	(1,364,574)	-	(3,799)	(1,517,851)
Long-term borrowings	-	(4,959)	-	-	(4,959)
Withholding tax provision	(5,000)	(20,000)	-	-	(25,000)
	<b>(2,223,123)</b>	<b>(754,210)</b>	<b>48,078</b>	<b>(27,682)</b>	<b>(2,956,937)</b>
<b>Deferred tax assets</b>					
Inventories	524,389	592,772	(7,686)	8,647	1,118,122
Trade and other receivables, other financial assets and contract assets	-	402,481	1,462	(3,718)	400,225
Cash and cash equivalents	13	4,473	-	-	4,486
Other long-term assets	3,385	(2,441)	-	84	1,028
Share of results of associates	12,166	36	-	-	12,202
Other long-term payables	4,441	(2,520)	-	-	1,921
Long-term provisions for liabilities and charges	57,300	(5,507)	-	(64)	51,729
Loss carried forward	446,070	287,984	(155,089)	(761)	578,204
Other taxes payable	7,864	(3,298)	-	-	4,566
Lease liabilities	4,713	(1,573)	-	1,081	4,221
Short-term provisions for liabilities and charges	173,999	(16,356)	(12,388)	(56)	145,199
	<b>1,234,340</b>	<b>1,256,051</b>	<b>(173,701)</b>	<b>5,213</b>	<b>2,321,903</b>
<b>Total net deferred tax liability</b>	<b>(988,783)</b>	<b>501,841</b>	<b>(125,623)</b>	<b>(22,469)</b>	<b>(635,034)</b>

At 31 December 2021, the Group has not recognised a deferred tax liability in respect of temporary differences of RR 15,701,890 (31 December 2020: RR 15,641,032) associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

In accordance with tax legislation of Russian Federation taxable profits can be reduced in the amount of tax losses carried forward for relief during unlimited period of time, at the same time in 2021 to 2024 tax losses carried forward cannot exceed 50 percent of taxable profits. During the reporting period, the Group utilised its deferred tax asset in relation to loss carried forward from the previous years in amount of RR 47,031 (2020: RR 8,253) and recognised deferred tax asset in the amount of RR 63,546 on the loss incurred by its certain subsidiaries in 2021 (2020: RR 295,476). At 31 December 2021, the Group's unrecognised deferred tax asset in relation to loss carried forward amounted to RR 537,222 (31 December 2020: RR 482,741).

According to the Tax Code of the Russian Federation tax losses incurred, and current income tax overpaid, by a Group company may not be offset against current tax liabilities and taxable income of any other Group companies. Therefore, deferred tax assets and deferred tax liabilities of the Group companies may not be offset. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

## 23 Revenue

Disaggregation of the Group's revenue for the years ended 31 December 2021 and 2020, which is consistent with the revenue by segment disclosure, is disclosed in Note 32.

During 2021, the Group recognised revenue over time in amount of RR 32,772,551 (2020: RR 21,666,020), the remaining revenue was recognised at a point of time (Note 4, 32).

Contract assets increased in 2021, primarily as a result of high stage of completion of the large projects. Contract liabilities decreased in 2021 primarily due to the settlements of advances consideration received from customers under construction contracts in previous year.

The Group's revenue recognised for the year ended 31 December 2021 includes RR 4,175,360 (2020: RR 1,862,127) that was included in the opening contract liabilities.

## 24 Cost of Sales

	2021	2020
Materials and components	30,022,713	23,760,241
Labour costs	6,003,885	5,386,366
Construction, design and engineering and other services of subcontractors	3,643,338	2,557,447
Depreciation and amortisation	2,087,107	2,121,747
Social taxes	1,669,276	1,519,381
Utilities	507,720	466,649
Change in allowance for obsolete inventories	146,044	10,598
Change in warranty provision	112,329	136,752
Lease expense	65,223	66,667
Change in retirement benefits obligations	34,755	67,994
Change in work in progress and finished goods	(14,264)	(552,666)
Amortisation of government grants	(37,528)	(36,048)
Other expenses	1,496,048	1,566,302
<b>Total cost of sales</b>	<b>45,736,646</b>	<b>37,071,430</b>

## 25 Distribution and Transportation Expenses

	2021	2020
Labour costs	661,513	599,191
Transportation expenses	493,264	687,607
Social taxes	159,354	142,174
Agency services	93,784	99,683
Lease expense	65,286	61,194
Products certification	45,260	34,154
Material expenses	42,259	41,474
Insurance*	38,773	103,623
Advertising	29,729	46,754
Depreciation and amortisation	26,197	26,165
Entertaining costs and business trip expenses	26,073	19,430
Telecommunication services	16,844	15,614
Customs duties	5,951	7,636
Change in retirement benefits obligations	949	1,966
Other expenses	93,548	99,263
<b>Total distribution and transportation expenses</b>	<b>1,798,784</b>	<b>1,985,928</b>

\* Including reversal of insurance expenses of RR 30,473 accrued in 2020.

## 26 General and Administrative Expenses

	2021	2020
Labour costs	3,088,486	2,700,006
Social taxes	687,343	586,753
Bank services	342,336	362,793
Depreciation and amortisation	292,161	294,621
Taxes and duties	251,838	207,875
Consulting and other professional fees	112,032	128,760
Security	103,795	78,958
Insurance	85,928	84,889
Stationary and office maintenance	82,157	82,036
Property, plant and equipment repair and maintenance	80,264	78,898
Entertaining costs and business trip expenses	72,446	38,454
Change in ECL allowance for trade and other receivables and other financial assets and allowance for impairment of non-financial assets	50,299	72,152
Auditors' remuneration	48,522	41,520
Telecommunications services	27,966	26,875
Lease expense	19,869	53,477
Training and recruitment	17,088	13,889
Change in provision for tax risks, other than income tax	15,667	9,898
Change in retirement benefits obligations	1,117	12,115
Change in ECL allowance for cash and cash equivalents	-	31,850
Other expenses	324,699	336,747
<b>Total general and administrative expenses</b>	<b>5,704,013</b>	<b>5,242,566</b>

## 26 General and Administrative Expenses (continued)

The auditors' remuneration stated above includes fees for the audit of the Group's consolidated financial statements in amount of RR 28,464 (2020: RR 21,518), fees for statutory audit services of the Group parent and subsidiaries in amount of RR 11,187 (2020: RR 12,035) and fees for other assurance services in amount of RR 8,871 (2020: RR 7,967) charged by the Group's audit firm and by the auditors of the subsidiaries of the Group.

Consulting and other professional fees include tax services charged by the Group's audit firm in amount of RR 279 (2020: RR 227) and other consultancy services charged by the Group's audit firm and by the auditors of the subsidiaries of the Group in amount of RR 4,082 for the year ended 31 December 2021 (2020: RR 5,458).

## 27 Other Operating Expenses, net

	2021	2020
Charity, social expenditures	192,141	98,014
Change in provision for legal claims	58,846	83,987
Depreciation of social assets	18,752	8,658
Loss on purchase/sale of foreign currency, net	7,294	20,933
Gain from disposal of property, plant and equipment and intangible assets	(84,044)	(1,821)
Foreign exchange (gain)/loss, net	(76,165)	73,534
Fines and late payment interest under contracts, net	(11,486)	73,420
Impairment of property, plant and equipment	-	13,936
Impairment of taxes receivable	-	10,418
Other expenses, net	5,578	31,393
<b>Total other operating expenses, net</b>	<b>110,916</b>	<b>412,472</b>

## 28 Finance Income

	2021	2020
Interest income	181,214	248,454
Foreign exchange gain from deposits, net	377	3,117
<b>Total finance income</b>	<b>181,591</b>	<b>251,571</b>

## 29 Finance Costs

	2021	2020
Interest expense	1,891,150	1,848,057
Interest expense on lease liabilities	20,294	17,317
Foreign exchange loss from borrowings, net	-	368
Other finance costs	64,831	60,568
<b>Total finance costs</b>	<b>1,976,275</b>	<b>1,926,310</b>

## 30 Balances and Transactions with Related Parties

Parties are generally considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties may not and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The table below contains the disclosure by group of related parties with which the Company entered into significant transactions or has significant balances outstanding.

Joint venture category of related parties includes a trading company registered in Kazakhstan. For the year ended 31 December 2021 and 2020 its financial result was not material for the application of equity accounting.

Other category of related parties comprises individuals who are the ultimate owners of shares in the Company, who are also key management of the Group, and other key managers as well as the companies controlled by those individuals.



### 30 Balances and Transactions with Related Parties (continued)

Balances with related parties	31 December 2021			31 December 2020		
	Associate	Joint Venture	Other	Associate	Joint Venture	Other
Loans issued	-	-	17,500	-	-	20,000
Accounts receivable	486	29,102	728,187	19	48,323	607,207
Less: ECL allowance for accounts receivable	-	-	(8,990)	-	-	(8,773)
Accounts payable	(10,097)	(876)	(997,099)	(4,156)	(876)	(1,245,525)
Lease liabilities	(95,193)	-	-	(90,164)	-	-

All monetary balances outstanding are expected to be settled in cash. Neither party issued guaranties to secure accounts receivable or payable.

Transactions with related parties	2021			2020		
	Associate	Joint Venture	Other	Associate	Joint Venture	Other
Sales of goods and finished products	172	12,268	29,471	168	368,469	227,742
Purchase of intangible assets	(36,646)	-	(14)	(26,011)	-	-
Purchase of materials and components	-	-	(34,698)	-	-	(458,620)
Development costs expensed	(27,887)	-	-	(38,075)	-	-
Purchase of services	(10,374)	-	(8,636)	(8,128)	(46)	(3,294)
Interest expenses on lease liabilities	(13,689)	-	-	(13,610)	-	-
Other income	2,234	-	2,393	1,329	-	3,267

At 31 December 2021 and 2020, the Group owned a 47.69% interest in its associate VNIIAEN OJSC, located in Ukraine. VNIIAEN OJSC is a research and development centre, which specialises in pumping equipment for the nuclear power generation and oil transportation industries.

During 2021, the Group bought back 176,000 GDRs for a total consideration of RR 60,720 from a member of key management (Note 20).

#### Key management compensation

Key management compensation amounted to RR 494,525 for the year ended 31 December 2021 and included fees and other short-term benefits such as salaries and bonuses paid to management as set forth in labour contracts concluded annually of RR 465,789 as well as share-based compensation of RR 28,736. Included in these amounts are emoluments paid to the Company's Directors by the Company totalling RR 46,450 and emoluments paid to the Company's Directors by subsidiaries in their executive capacity totalling RR 125,158 for the year ended 31 December 2021, including share-based compensation of RR 7,264.

Key management compensation amounted to RR 470,893 for the year ended 31 December 2020 and included fees and other short-term benefits such as salaries and bonuses paid to management as set forth in labour contracts concluded annually of RR 403,166 as well as share-based compensation of RR 67,727. Included in these amounts are emoluments paid to the Company's Directors by the Company totalling RR 43,130 and emoluments paid to the Company's Directors by subsidiaries in their executive capacity totalling RR 98,691 for the year ended 31 December 2020, including share-based compensation of RR 12,313.

For the year ended 31 December 2021, dividends of RR 49,515 were accrued and paid by the Group's subsidiary to the holder of non-controlling interest who is a member of key management (2020: RR 48,576).

### 31 Contingencies and Commitments

#### (i) Legal proceeding

The Group is involved in various claims and legal proceedings arising in the ordinary course of business. At 31 December 2021, management concluded that possible risk related with various claims and legal proceedings amounted to RR 175,017 (31 December 2020: RR 139,296). All probable legal risks are provided for (Note 19).

#### (ii) Tax legislation

Russian and Ukrainian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group companies may be challenged by the state authorities.



### **31 Contingencies and Commitments (continued)**

The Russian and Ukrainian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

The Group includes companies incorporated outside of Russia. Tax liabilities of the Group are determined on the assumptions that these companies are not subject to Russian profits tax because they do not have a permanent establishment in Russia.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not at arm's length. Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Management believes that it has adequately provided for tax liabilities in the accompanying consolidated financial statements. At 31 December 2020, the Group accrued uncertain income tax positions as a component of income tax payable of RR 29,712. At 31 December 2021, RR 16,108 of this accrued payable was reversed (Note 22) and the remaining amount was settled.

#### *(iii) Environmental matters*

The enforcement of environmental regulation in the Russian Federation and Ukraine is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

#### *(iv) Insurance policies*

The Russian and Ukrainian insurance services market is evolving. Part of the Group's production facilities are adequately covered by insurance. The Group has not adequately insured business interruption, third party liability for damage to property and environment resulting from accidents involving the Group's property or connected with its operations. Until the Group ensures adequate insurance coverage there is a risk that losses incurred or property damage inflicted by the Group may have a significant effect on the Group's financial position and operations.

#### *(v) Contractual commitments*

In the normal course of business, the Group has entered in the long-term purchase contract for development engineering services with an associate of the Group. At 31 December 2021, commitments for purchase of the services amounted to RR 172,469 (31 December 2020: RR 31,998).

At 31 December 2021, the Group had contractual commitments for the purchase of components for construction of property, plant and equipment for RR 108,260 (31 December 2020: RR 291,039).

At 31 December 2021, the Group has contractual commitments related to the obtained government grants. Management believes that the Group will be able to comply with all conditions stipulated by these agreements. Also refer to Note 18.

#### *(vi) Loan covenants*

Under the terms of its loan agreements, the Group is required to comply with a number of covenants, including Net debt/EBITDA (earnings before interest, taxes, depreciation, and amortisation) ratio and certain other requirements. At 31 December 2021 and 2020, the Group was in compliance with all its loan covenants.

## 32 Segment Information

Management has determined the operating segments based on the management reports, which are primarily derived from unaudited and not reviewed IFRS financial statements. The management reports are reviewed by the chief operating decision-maker (CODM), and are used to make strategic decisions. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director of the Company. The following criteria have been used for determining the operating segments and assigning the Group subsidiaries to particular segment:

- Business activities of companies;
- Organisational structure of companies;
- Nature of production processes;
- Manufactured and sold products;
- Specific characteristics of buyers/customers.

The **first** operating segment “**Industrial pumps**” includes following significant subsidiaries:

	31 December 2021	31 December 2020
1	HMS Livhydmash JSC	HMS Livhydmash JSC
2	Livnynasos JSC	Livnynasos JSC
3	NASOENERGOMASH Sumy JSC	NASOENERGOMASH Sumy JSC
4	HYDROMASHSERVICE JSC	HYDROMASHSERVICE JSC
5	Plant Promburvod OJSC	Plant Promburvod OJSC
6	Bobruisk Machine Building Plant OJSC	Bobruisk Machine Building Plant OJSC
7	Dimitrovgradkhimmash JSC	Dimitrovgradkhimmash JSC
8	Apollo Goessnitz GmbH	Apollo Goessnitz GmbH
9	Nizhnevartovskremservis JSC	Nizhnevartovskremservis JSC

The **second** operating segment “**Oil and gas equipment and projects**” includes:

1	HMS Neftemash JSC	HMS Neftemash JSC
2	Sibneftemash JSC	Sibneftemash JSC
3	EPF “SIBNA” Inc. JSC	EPF “SIBNA” Inc. JSC
4	Giprotyumenneftegaz PJSC	Giprotyumenneftegaz PJSC
5	Institute Rostovskiy Vodokanalproekt JSC	Institute Rostovskiy Vodokanalproekt JSC

The **third** operating segment “**Compressors**” includes:

1	Kazankompressormash JSC	Kazankompressormash JSC
	NIITurbokompressor named after	NIITurbokompressor named after
2	V.B.Shnepp JSC	V.B.Shnepp JSC
3	CIPS LLC	CIPS LLC

The **fourth** operating segment “**Construction**” includes Tomskgazstroy PJSC.

The table below contains **other** companies that did not fall under the above listed operating segments and do not meet the quantitative thresholds for separate disclosure.

1	HMS Group Management LLC	HMS Group Management LLC
2	HMS Group JSC	HMS Group JSC
3	HMS Hydraulic Machines & Systems Group plc	HMS Hydraulic Machines & Systems Group plc
4	H.M.S. FINANCE LIMITED	H.M.S. FINANCE LIMITED
5	H.M.S. CAPITAL LIMITED	H.M.S. CAPITAL LIMITED
6	CMPC LLC	CMPC LLC
7	HMS New Urengoy-Property LLC	HMS New Urengoy-Property LLC
8	HMS Tyumen-Property LLC	HMS Tyumen-Property LLC

Geographically, management considers non-current assets by their location and revenue based on the location of the Group's customers.

The reportable operating segments derive their revenue primarily from the manufacture and sale of industrial pumps, oil and gas equipment, compressors, oil and gas construction and the other products and services.

Sales between segments are carried out at the arm's length. The revenue from external parties reported to management is measured in a manner consistent with that in the consolidated statement of profit or loss.

Management of the Group assesses the performance of operating segments based on a measure of Adjusted EBITDA, which is derived from the management report.

## 32 Segment Information (continued)

For this purpose, Adjusted EBITDA is defined as operating profit/(loss) adjusted for other operating income/expenses, depreciation and amortisation, amortisation of government grants, impairment of assets, excess of fair value of net assets acquired over the cost of acquisition, defined benefits scheme expenses, allowances and provisions (including allowance for obsolete inventory, ECL allowance for trade and other receivables, cash and cash equivalents and other financial assets and allowance for impairment of non-financial assets, unused vacation provision, warranty provision, provision for legal claims, tax provision and other provisions). This measurement basis, therefore, excludes the effects of a number of non-recurring income and expenses on the results of the operating segments.

The segment information provided to the CODM for the reportable segments is reconciled to corresponding amounts reported in the Group's consolidated financial statements prepared in accordance with IFRS.

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2021 is as follows:

Disclosures by segments	Industrial pumps	Oil and gas equipment and projects	Compressors	Construction	Other companies	Intersegment transactions	Total
External revenue	19,587,406	18,011,735	18,652,738	898,048	9,388	-	57,159,315
Intersegment revenue	363,129	413,505	1,238,385	-	1,596,337	-	3,611,356
Adjusted EBITDA	2,454,540	1,817,979	2,537,082	51,328	(141,709)	3,569	6,722,789

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2020 is as follows:

Disclosures by segments	Industrial pumps	Oil and gas equipment and projects	Compressors	Construction	Other companies	Intersegment transactions	Total
External revenue	20,121,091	10,748,183	14,896,874	701,053	9,286	-	46,476,487
Intersegment revenue	135,259	536,210	50,473	16,487	1,353,806	-	2,092,235
Adjusted EBITDA	2,931,462	241,344	1,938,726	(62,955)	(106,353)	5,177	4,947,401

A reconciliation of financial information analysed by the CODM to the corresponding information presented in these consolidated financial statements is presented below:

	2021						
	Industrial pumps	Oil and gas equipment and projects	Compressors	Construction	Other companies	Intersegment transactions	Total
Adjusted EBITDA	2,454,540	1,817,979	2,537,082	51,328	(141,709)	3,569	6,722,789
Depreciation and amortisation	(1,058,695)	(457,482)	(792,858)	(24,121)	(91,061)	-	(2,424,217)
Non-monetary items <sup>(1)</sup>	(244,058)	(95,035)	(157,001)	15,924	(13,655)	-	(493,825)
Amortisation of government grants (Note 24)	-	37,528	-	-	-	-	37,528
Other operating (expenses)/income, net <sup>(2)</sup>	15,430	67,974	(61,312)	42,712	(93,659)	(4,464)	(33,319)
Operating profit/(loss), IFRS	1,167,217	1,370,964	1,525,911	85,843	(340,084)	(895)	3,808,956
Finance income							181,591
Finance costs							(1,976,275)
Share of results of associates							(470)
Profit before income tax, IFRS							2,013,802

<sup>(1)</sup> Non-monetary items consist of defined benefits scheme expenses, allowances and provisions (allowance for obsolete inventories, ECL allowance for trade and other receivables, cash and cash equivalents and other financial assets and allowance for impairment of non-financial assets, unused vacation provision, warranty provision, provision for legal claims, tax provision and other provisions).

<sup>(2)</sup> Other operating (expenses)/income, net include other operating income and expenses as per Note 27, excluding depreciation of social assets and provision for legal claims.

## 32 Segment Information (continued)

	2020						
	Industrial pumps	Oil and gas equipment and projects	Compressors	Construction	Other companies	Intersegment transactions	Total
<b>Adjusted EBITDA</b>	<b>2,931,462</b>	<b>241,344</b>	<b>1,938,726</b>	<b>(62,955)</b>	<b>(106,353)</b>	<b>5,177</b>	<b>4,947,401</b>
Depreciation and amortisation	(1,118,540)	(474,596)	(763,493)	(32,288)	(62,274)	-	(2,451,191)
Non-monetary items <sup>(1)</sup>	(151,027)	(13,897)	(241,484)	(35,461)	(6,470)	-	(448,339)
Amortisation of government grants (Note 24)	-	36,048	-	-	-	-	36,048
Impairment of goodwill (Note 9)	-	(425,668)	-	-	-	-	(425,668)
Other operating (expenses)/ income, net <sup>(2)</sup>	(177,846)	(65,674)	(51,745)	596	(17,259)	(7,900)	(319,828)
<b>Operating profit/(loss), IFRS</b>	<b>1,484,049</b>	<b>(702,443)</b>	<b>882,004</b>	<b>(130,108)</b>	<b>(192,356)</b>	<b>(2,723)</b>	<b>1,338,423</b>
Finance income							251,571
Finance costs							(1,926,310)
Share of results of associates							(161)
<b>Loss before income tax, IFRS</b>							<b>(336,477)</b>

<sup>(1)</sup> Non-monetary items consist of defined benefits scheme expenses, allowances and provisions (allowance for obsolete inventories, ECL allowance for trade and other receivables, cash and cash equivalents and other financial assets and allowance for impairment of non-financial assets, unused vacation provision, warranty provision, provision for legal claims, tax provision and other provisions).

<sup>(2)</sup> Other operating (expenses)/income, net include other operating income and expenses as per Note 27, excluding depreciation of social assets and provision for legal claims.

The analysis of concentration risk in 2021 is presented in the table below:

	2021					
Revenue by major customers	Industrial pumps	Oil and gas equipment and projects	Compressors	EPC	All other segments	Total
Total revenue,	19,587,406	18,011,735	18,652,738	898,048	9,388	57,159,315
Including						
Gazprom komplektatsiya LLC	-	6,345,537	5,461,911	-	-	11,807,448
Others (each<10% of total revenue)	19,587,406	11,666,198	13,190,827	898,048	9,388	45,351,867

In 2020 revenue from any single customer didn't exceed 10% of the Group's consolidated revenue. The management believes that the Group's sales are not subject to concentration risk.

The Group subsidiaries carry out trade and commercial activities in the CIS countries, European and Asian countries, which management assesses by location (the country) of the external customers of products and services based on accounting records used to prepare IFRS financial statements:

	Consolidated revenue for 2021	Consolidated revenue for 2020	Non-current assets at 31 December 2021 <sup>(1)</sup>	Non-current assets at 31 December 2020 <sup>(1)</sup>
<b>Total revenue/ non-current assets</b>	<b>57,159,315</b>	<b>46,476,487</b>	<b>19,190,227</b>	<b>20,043,706</b>
Including				
Russia	52,208,577	40,765,946	15,702,590	16,281,399
Germany	676,231	937,331	1,822,397	1,999,208
Iran	609,686	310,058	-	-
Kazakhstan	582,615	673,771	-	-
Italy	553,618	1,518	-	-
Belarus	524,203	445,748	295,909	318,759
India	383,376	577,933	-	-
Ukraine	359,539	1,068,019	1,369,331	1,444,340
Iraq	223,025	419,850	-	-
Azerbaijan	180,251	302,726	-	-
Others	858,194	973,587	-	-

<sup>(1)</sup> Non-current assets include goodwill, other intangible assets, property, plant and equipment, right-of-use assets and investment property.

## 33 Financial Risk Management

### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's finance department. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units.

### 33 Financial Risk Management (continued)

#### (a) Market risk

##### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro and RR. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and investments in foreign operations.

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2021 and 2020. In this table, financial instruments are only considered sensitive to foreign exchange rates where they are not in the functional currency of the entity that holds them:

	31 December 2021			31 December 2020		
	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position
USD	648,493	(501,793)	146,700	1,038,512	(335,917)	702,595
EUR	1,806,522	(1,286,048)	520,474	1,827,996	(1,692,511)	135,485
GBP	269,475	(474,415)	(204,940)	220,994	(320,884)	(99,890)
RR	820,959	(1,882,210)	(1,061,251)	429,331	(1,691,743)	(1,262,412)

At 31 December 2021, if RR had strengthened/weakened by 20% against the US dollar with all other variables held constant, profit for the year would have been RR 23,472 lower/higher (31 December 2020: loss for the year would have been RR 112,415 higher/lower), mainly as a result of foreign exchange losses/gains on translation of US dollar denominated trade receivables and contract assets.

At 31 December 2021, if RR had strengthened/weakened by 20% against the Euro with all other variables held constant, profit for the year would have been RR 83,276 lower/higher (31 December 2020: loss for the year would have been RR 21,678 higher/lower), mainly as a result of foreign exchange losses/gains on translation of Euro denominated trade receivables and contract assets.

At 31 December 2021, if RR had strengthened/weakened by 20% against the British pound with all other variables held constant, profit for the year would have been RR 32,790 higher/lower (31 December 2020: loss for the year would have been RR 15,982 lower/higher), mainly as a result of foreign exchange gains/losses on translation of British pound denominated trade payables.

Certain Group subsidiaries with functional currencies other than Russian rouble hold RR-denominated financial assets and liabilities. At 31 December 2021, if respective functional currencies of such subsidiaries had strengthened/weakened by 20% against the RR with all other variables held constant, profit for the year would have been RR 169,800 higher/lower (31 December 2020: loss for the year would have been RR 201,986 lower/higher), mainly as a result of foreign exchange gains/losses on translation of RR denominated borrowings.

The Group does not have formal arrangements, including any hedging contracts, to mitigate foreign exchange risks of the Group's operations. However, management monitors net monetary position of the Group's financial assets and liabilities denominated in foreign currency on a regular basis.

##### (ii) Interest rate risk

Interest rate risk arises from movements in interest rates which could affect the Group's financial results or the value of the Group's equity. Monitoring of current market interest rates and analysis of the Group's interest-bearing position is performed by the Group's finance department as a part of interest rate risk management procedures. Monitoring is performed taking into consideration refinancing, renewal of existing positions and alternative financing.

The sales revenue and operating cash flow of the Group mainly do not depend on the change of market interest rates. The Group is exposed to the interest rate risk due to fluctuations of interest rates on bank loans (Note 14). The Group does not have significant interest-bearing assets.

At 31 December 2021, if interest rates at that date had been 100 basis points higher/lower with all other variables held constant, profit before income tax for the year would have been RR 151,077 lower/higher (31 December 2020: loss before income tax for the year would have been RR 148,621 higher/lower), as a result of higher/lower interest expense on variable interest liabilities.

### 33 Financial Risk Management (continued)

#### (b) Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets which consist principally of trade receivables, contract assets, cash and bank deposits. The maximum exposure to credit risk of the financial assets is limited to their carrying amounts and presented in the table below:

	31 December 2021	31 December 2020
<b>Trade and other receivables</b>		
- Trade receivables	13,454,494	12,110,503
- Other financial receivables	357,095	259,675
<b>Contract assets</b>	9,718,947	6,201,354
<b>Cash and cash equivalents (Note 11)</b>		
- Bank balances	8,770,227	10,358,961
- Cash on hand	1,415	1,627
<b>Total on-balance sheet exposure</b>	<b>32,302,178</b>	<b>28,932,120</b>
<b>Total maximum exposure to credit risk before ECL allowance</b>	<b>32,740,592</b>	<b>29,418,083</b>

**Cash and cash equivalents.** Cash and cash equivalents are placed in major multinational and Russian banks with independent credit ratings. The banks are assessed to ensure exposure to credit risk is limited to an acceptable level.

At 31 December 2021, the Group assessed credit risk for bank balances and concluded that effect was not material to the financial statement. At 31 December 2020, ECL allowance for cash and cash equivalents was accrued in amount of RR 31,850.

At 31 December 2021, the carrying amount of cash and cash equivalents less ECL allowance was RR 8,771,642 (31 December 2020: RR 10,360,588).

The Group assesses credit quality of banks based on the credit ratings of the banks' long term deposits.

Agency	Rating	31 December 2021	31 December 2020
Moody's <sup>(1)</sup>	Ba1 – B2	8,004,747	6,548,658
ACRA <sup>(5)</sup>	B- – BB+	319,012	235,503
S&P's <sup>(3)</sup>	BBB+ – B-	208,118	1,254,766
ACRA <sup>(5)</sup>	A+	62,579	-
Expert RA <sup>(4)</sup>	AAA – A+	61,478	158,956
Fitch <sup>(2)</sup>	AA- – A	7,172	24,193
Fitch <sup>(2)</sup>	BBB- – B-	-	1,565,341
Expert RA <sup>(4)</sup>	B – B-	-	400,379
S&P's <sup>(3)</sup>	AA- – A	-	71,420
Other <sup>(6)</sup>	-	107,121	131,595
<b>Total cash and cash equivalents before ECL allowance</b>		<b>8,770,227</b>	<b>10,390,811</b>

<sup>(1)</sup> International rating agency Moody's Investor Service.

<sup>(2)</sup> International rating agency Fitch.

<sup>(3)</sup> International rating agency Standard & Poor's.

<sup>(4)</sup> National Russian rating agency Expert RA.

<sup>(5)</sup> National Russian rating agency ACRA.

<sup>(6)</sup> At 31 December 2021, other item includes cash which was placed in Russian Treasury departments and the Central Bank of the Russian Federation in amount of RR 95,576 (31 December 2020: RR 122,386).

**Trade and other financial receivables, contract assets.** The Group assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The credit quality of each new customer is analysed before the Group provides it with the terms of goods supply and payments. The credit quality of the Group's significant customers is monitored on an ongoing basis.

Most of the Group's sales are made to government customers and non-governmental industry majors, for which credit risk is assessed as extremely low. However, the Group is exposed to the risk of payment defaults of small and medium-sized companies. To minimize credit risk, the Group monitors the recoverability of these debtors by analyzing ageing of receivables by type of customers and their respective prior payment history. Also, the Group performs the analysis of macroeconomic factors affecting the ability of the customers to settle the receivable balances and considers forward looking information associated with the industry and economic environment the customers operate.



### 33 Financial Risk Management (continued)

An analysis of credit quality of trade and other accounts receivable is as follows:

	31 December 2021		31 December 2020	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
<b>Gross carrying amount:</b>	<b>13,809,909</b>	<b>420,703</b>	<b>12,492,813</b>	<b>294,079</b>
- not overdue	11,472,614	262,796	9,195,262	186,148
- past due less than 60 days	597,326	26,078	968,913	29,251
- past due 61 to 180 days	859,481	85,493	702,094	8,307
- past due 181 to 365 days	179,227	1,897	543,696	1,754
- past due over 365 days	701,261	44,439	1,082,848	68,619
<b>ECL allowance:</b>	<b>(355,415)</b>	<b>(63,608)</b>	<b>(382,310)</b>	<b>(34,404)</b>
- not overdue	(51,571)	(10,586)	(22,332)	(2,986)
- past due less than 60 days	(11,796)	-	(427)	(1)
- past due 61 to 180 days	(6,243)	(31,850)	-	(3)
- past due 181 to 365 days	(66,284)	(177)	(21,474)	(37)
- past due over 365 days	(219,521)	(20,995)	(338,077)	(31,377)
<b>Total</b>	<b>13,454,494</b>	<b>357,095</b>	<b>12,110,503</b>	<b>259,675</b>

At 31 December 2021, ECL allowance was accrued in relation to the contract assets in amount of RR 19,391 (31 December 2020: RR 37,399). At 31 December 2021, the carrying amount of the contract assets less ECL allowance was RR 9,718,947 (31 December 2020: RR 6,201,354).

The amount exposed to credit risk relating to financial receivables (the carrying amount of trade and other accounts receivable less ECL allowance) at 31 December 2021 was RR 13,811,589 (31 December 2020: RR 12,370,178).

There was no significant deterioration in the credit quality of trade and other accounts receivable due to COVID-19 pandemic. Uncertainties due to COVID-19 pandemic may exist in the future, and as a result, actual losses may differ from expected credit losses on accounts receivable.

#### Credit risk concentration

Date	Number of counterparties with aggregated receivables balances above RR 50,000	Aggregate amount of receivables balances	% of the amount of trade and other receivables
At 31 December 2021	45	11,206,649	81%
At 31 December 2020	45	10,007,199	81%

Cash from these counterparties is collected according to the contractual terms during the reporting and subsequent periods, and management does not expect any losses from non-performance of their liabilities by these counterparties.

At 31 December 2021 and 2020, there was one group of customers (forming a single group) with a receivables' balance exceeding 10% of the Group's monetary assets as of these dates.

#### (c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's finance department is responsible for the management of liquidity risk, including funding, settlements, related processes and policies. The operational, capital, tax and other requirements and obligations of the Group are considered in the management of liquidity risk. Management utilises cash flow forecasts and other financial information to manage liquidity risk.

The tables below give information on the contractual repayment dates of the Group's financial liabilities with regard to expected cash flows at 31 December 2021 and 2020:

Statement of financial position item	Carrying amount at 31 December 2021	Cash flows under the contract			
		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bonds <sup>(1)</sup>	6,158,690	483,000	6,306,346	-	-
Bank loans <sup>(1)</sup>	16,102,837	2,313,765	5,620,817	12,312,759	-
Trade accounts payable	16,549,168	16,549,168	-	-	-
Lease liabilities <sup>(1)</sup>	406,304	97,339	96,330	268,959	85,100
Other financial payables	580,253	580,253	-	-	-

### 33 Financial Risk Management (continued)

Statement of financial position item	Carrying amount at 31 December 2020	Cash flows under the contract			
		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bonds <sup>(1)</sup>	6,147,893	483,000	483,000	6,306,345	-
Bank loans <sup>(1)</sup>	15,853,417	2,771,359	13,944,030	1,261,373	-
Trade accounts payable	13,760,707	13,760,707	-	-	-
Lease liabilities <sup>(1)</sup>	173,488	38,119	37,575	103,476	88,320
Other financial payables	170,691	170,691	-	-	-

<sup>(1)</sup> As the amounts included in the table are the contractual undiscounted cash flows, including future interest, these amounts will not reconcile to the amounts disclosed on the statement of financial position for borrowings and lease liabilities. Maturity classification of the bonds was based on a 3-year put option.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the consolidated statement of financial position date.

At 31 December 2021, the Group had unutilised uncommitted credit lines in amount of RR 10,629,026 (31 December 2020: RR 8,000,176).

The Group did not exceed the credit limits of any of the banks during the reporting period. The management of the Group does not see any credit risks that could arise as a result of financial transactions (as well as any threat of discontinued operation) of these banks.

**Liquidity ratio.** The Group's approach to managing liquidity is to ensure, to the extent possible, that the Group maintains, at all times, sufficient liquidity for settling its liabilities in due time avoiding unacceptable losses or risks of damaging Group reputation. The Group's strategy is to maintain the liquidity ratio at or above 1.50.

	31 December 2021	31 December 2020
Liquidity ratio	1.69	1.61
Current assets	44,681,114	41,103,429
Current liabilities	26,486,961	25,593,607

To manage the targeted liquidity ratio the Group where possible transfers its short-term loans and borrowings to long-term ones.

**Management of capital.** The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group pursues a policy of ensuring a sustainable level of capital that allows the Group to maintain the trust of the investors, creditors and the market, and secure future business development. The Group strives to maintain a balance between the potential increase of revenues, which could be achieved with higher level of borrowings, and the advantages and safety, which the sustainable equity position gives.

The Group controls capital by calculating a gearing ratio. This ratio is calculated as the net debt divided by total capital. The net debt includes all of the long-term and short-term borrowings and lease liabilities carried on the Group's consolidated statement of financial position less the cash and cash equivalents. The capital is calculated as the sum of equity attributable to the shareholders of the Company and non-controlling shareholders in the consolidated statement of financial position. In 2021 and 2020, the Group's strategy has been to maintain the gearing ratio at a level not exceeding 200%.

### 33 Financial Risk Management (continued)

At the end of the reporting period the gearing ratio was as follows:

	31 December 2021	31 December 2020
Long-term borrowings	21,649,561	20,452,736
Short-term borrowings	611,966	1,548,574
Lease liabilities	406,304	173,488
<b>Total debt</b>	<b>22,667,831</b>	<b>22,174,798</b>
Cash and cash equivalents	(8,771,642)	(10,360,588)
<b>Net debt</b>	<b>13,896,189</b>	<b>11,814,210</b>
Equity attributable to the shareholders of the Company	10,031,191	9,825,602
Non-controlling interests	3,699,312	3,518,674
<b>Total capital</b>	<b>13,730,503</b>	<b>13,344,276</b>
<b>Gearing ratio</b>	<b>101%</b>	<b>89%</b>

### 34 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between knowledgeable willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sales transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

**Financial assets carried at amortised cost.** The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. The carrying amounts of trade receivables and loans issued approximate their fair values. Their fair values are within Level 2 of the fair value hierarchy.

Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

**Liabilities carried at amortised cost.** The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of issued bonds is based on quoted market prices (Level 1 of the fair value hierarchy). At 31 December 2021, the fair value of bonds was RR 179,979 lower than their carrying amounts (31 December 2020: the fair value of bonds was RR 208,395 higher than their carrying amounts). The fair value of borrowings was based on Level 2 inputs. At 31 December 2021, the fair value of borrowings was RR 601,088 higher than their carrying amounts (31 December 2020: the fair value of borrowings was RR 317,379 higher than their carrying amounts). Carrying amounts of other liabilities carried at amortised cost approximate their fair values.

### 35 Reconciliation of liabilities arising from financing activities

The movements in the Group's liabilities arising from financing activities are as follows:

	Borrowings	Dividends declared to the shareholders of the Company	Dividends declared by the Group's subsidiaries	Lease liabilities	Total liabilities from financing activities
<b>Opening amount at 1 January 2020</b>	<b>24,160,451</b>	<b>-</b>	<b>5,103</b>	<b>160,601</b>	<b>24,326,155</b>
<b>Cash flows:</b>					
Repayment of borrowings, net	(2,351,144)	-	-	-	(2,351,144)
Repayment of interest, net of factoring interest payments	(1,819,504)	-	-	(17,317)	(1,836,821)
Dividends paid to the shareholders of the Company	-	(391,942)	-	-	(391,942)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	(55,162)	-	(55,162)
Lease payments	-	-	-	(35,905)	(35,905)
<b>Non-cash changes:</b>					
Interest expense (Note 29)	1,848,057	-	-	-	1,848,057
Currency translation differences	163,917	-	(33)	19,057	182,941
Foreign exchange loss from borrowings, net (Note 29)	368	-	-	-	368
Dividends declared to the shareholders of the Company	-	391,942	-	-	391,942
Dividends declared to non-controlling shareholders of subsidiaries	-	-	56,084	-	56,084
Non-cash additions	-	-	-	29,735	29,735
Interest expenses on lease liabilities	-	-	-	17,317	17,317
Other	(835)	-	(726)	-	(1,561)
<b>Closing amount at 31 December 2020</b>	<b>22,001,310</b>	<b>-</b>	<b>5,266</b>	<b>173,488</b>	<b>22,180,064</b>
<b>Cash flows:</b>					
Proceeds from borrowings, net	285,756	-	-	-	285,756
Repayment of interest, net of factoring interest payments	(1,876,800)	-	-	(20,294)	(1,897,094)
Dividends paid to the shareholders of the Company	-	(740,432)	-	-	(740,432)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	(56,909)	-	(56,909)
Lease payments	-	-	-	(24,852)	(24,852)
<b>Non-cash changes:</b>					
Interest expense (Note 29)	1,891,150	-	-	-	1,891,150
Currency translation differences	(40,173)	-	34	345	(39,794)
Dividends declared to the shareholders of the Company	-	740,432	-	-	740,432
Dividends declared to non-controlling shareholders of subsidiaries	-	-	57,709	-	57,709
Non-cash additions	-	-	-	257,323	257,323
Interest expenses on lease liabilities	-	-	-	20,294	20,294
Other	284	-	(680)	-	(396)
<b>Closing amount at 31 December 2021</b>	<b>22,261,527</b>	<b>-</b>	<b>5,420</b>	<b>406,304</b>	<b>22,673,251</b>

### 36 Subsequent Events

**Impact of the conflict in Ukraine.** Since the end of 2021, the geopolitical situation has worsened due to the development of the conflict between Russia and Ukraine, which resulted in the special military operations of Russian forces in Ukraine beginning in the end of February 2022. Since the end of February 2022 and up to the date of these consolidated financial statements are authorised for issue, the European Union, the United States of America and a number of other countries have imposed additional sanctions against Russian governmental bodies, corporate entities and individuals. Such sanctions include, amongst other, prohibitions for EU and US citizens and entities to enter into certain transactions with sanctioned entities and individuals, asset freeze, restrictions or prohibitions on import of certain commodities from Russia, limitations on access of Russian entities to international capital markets and prohibitions of export of certain technologies and equipment to Russia.

Russian government introduced a number of counter-measures that included tightening of capital and exchange control, increase in Central Bank base rate, export bans and other restrictions.

All these sanctions, as well as countersanctions, imposed by the Russian Federation, led to increased volatility of financial and commodity markets and significantly increased the level of economic uncertainty in the Russian business environment.

These events had limited the ability of Russian entities of the Group to transfer funds to the Company starting from March 2022. Though the Group has not been directly materially affected by sectoral sanctions and technology restrictions, the Group customers include Russian oil and gas producers that are or will be affected by commodity bans, which may lead those companies to significantly decrease their capital investment spent. Management of the Group believes that in short to medium term revenues of the Group will not be materially affected as such decrease could be compensated by investment projects taken over by the Group as a result of foreign contractors reducing their presence in Russia.

## **36 Subsequent Events (continued)**

On 3 March 2022, the London Stock Exchange has suspended the admission to trading of the Company's GDRs.

Additionally to the above, the increase of Central Bank base rate has influenced the Group's floating-rate borrowings portfolio, which is further discussed below in Borrowings paragraph.

One of the Group's subsidiaries is located in Sumy, Ukraine, and specialises in pumps manufacturing for oil and gas, thermal and nuclear power, water supply and utilities. For the year ended 31 December 2021, the revenue of this subsidiary approximated 6% of consolidated revenue of the Group (for the year ended 31 December 2020: 8% of consolidated revenue of the Group). The plant was temporarily closed-down since the end of February 2022. In the beginning of April 2022, the plant began limited activities and now is gradually resuming its operations. However, at the date these consolidated financial statements are authorised for issue, there is a significant level of uncertainty related to further operations of the company. The level of such uncertainty might grow with the development of Ukrainian legislation, aimed against Russian business.

The Group regards these events as non-adjusting events after the reporting period. Management believes it is taking appropriate measures to support the sustainability of the Group's business during the current difficult conditions. In doing so, management continues to pursue the high standards of corporate governance, co-operation with counterparties and employees, and thoroughly monitors that the Group's activities fully comply with applicable laws and regulations.

The Management continues to adopt the going concern basis in preparing these consolidated financial statements because the majority of the Group's revenue is derived from production and deliveries within the Russian Federation. Further, the Group has sufficient liquidity to meet its short-term obligations and insignificant exposure to foreign currency as the majority of its revenue and expenses are denominated and settled in Russian Roubles and the majority of its financial assets and liabilities are denominated in Russian Roubles. Most part of the Group's borrowings are at fixed rates. The Group developed a stress scenario of the possible impact of the current operating environment on the Group's business, including the analysis of possible deviations in execution of large contracts, included in the Group's budget for 2022, as well as assessment of probability of reduction in revenues on recurring business, the analysis of factual liquidity and debt position of the Group at the date of issuance of these consolidated financial statements, its future expected cash inflows and outflows and the consideration of debt covenants. The scenario demonstrated the Group's ability to continue as a going concern.

A number of Group entities incorporated in Russia are transacting with entities sanctioned by the EU, US or other countries in the normal course of business. Management of the Group believes that such transactions comply with applicable laws and regulations.

Additional sanctions and restrictions on the business activity of Russian legal entities and individuals, as well as counter measures from Russian authorities might be introduced, the full range and possible consequences of which cannot be assessed. Management is closely monitoring the situation and is ready to act depending on the developments.

**Board of Directors and the Board committees changes.** In March 2022, following changes in the Board of Directors and the Board committees were approved:

- reduction of the quantitative representation of the Company's Board of Directors from nine to seven Directors;
- election of Nikolai N. Yamburenko as the chairman of the strategy and investments committee, and confirmation of membership in the strategy and investments committee of Vladimir V. Lukyanenko and Yury N. Skrynnik;
- election of Mr. Vladimir V. Lukyanenko as the chairman of the audit committee, and confirmation of Mr. Nikolai N. Yamburenko as a member of the audit committee;
- election of Mr. Nikolai N. Yamburenko as the chairman of the remuneration committee, and confirmation of membership in the remuneration committee of Mr. Vladimir V. Lukyanenko.

**Borrowings.** In January 2022, the Group refinanced EUR-denominated short-term loan in amount of RR 252,209 (Note 14), shifting the payments from 2022 to 2025.

In February 2022, the Central Bank of the Russian Federation raised the key interest rate to 20% per annum and subsequently decreased it to 17% per annum. In March 2022, based on the Federal Law № 71-FZ dated 26 March 2022, the Group fixed for the three months the interest rates of its total RR-denominated floating rate borrowing portfolio in amount of RR 3.9 billion at 12.5%, 13.5% and 16.5% per annum for the April, May and June 2022, respectively.

In addition to that, in April 2022, the Group signed preferential credit facility agreements in the total amount of RR 4.9 billion at 11% per annum with 1-year maturity for financing its operational needs.

**Acquisition of non-controlling interests.** Subsequent to the statement of financial position date, Kazankompressormash JSC, the Group's subsidiary, acquired from third parties 2% of its own shares for RR 45,968 paid in cash. The voting and dividend rights of these shares are suspended.

### **36 Subsequent Events (continued)**

**Sale of share in subsidiary.** Subsequent to the statement of financial position date, the Group sold its 25% share in CIPS LLC for a cash consideration of RR 190,000.