

Public joint stock company Rosseti North-West

**Consolidated financial statements
prepared in accordance with
International Financial Reporting Standards
for the year ended 31 December 2021
and auditor's report**

March 2022

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Independent auditor's report

To Shareholders and Board of Directors of
Public joint stock company
"Rosseti North-West"

Opinion

We have audited the consolidated financial statements of Public joint stock company "Rosseti North-West" and its subsidiaries (the Group), which comprise the consolidated statement of profit or loss and other comprehensive income for 2021, consolidated statement of financial position as at 31 December 2021, and the consolidated statement of cash flows and consolidated statement of changes in equity for 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 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 opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, 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 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. For each matter below, our description of how our audit addressed the matter is provided in that context.



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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the matter

Recognition and measurement of revenue from electricity transmission services

Recognition and measurement of revenue from electricity transmission services was one of the most significant matters for our audit due to certain specifics of the electricity market mechanisms that give rise to the existence of disagreements among electricity supply, utilities, and other companies in relation to the volume and cost of the transmitted electricity. The amount of revenue challenged by counterparties is material to the Group's financial statements. Management's assessment of the probability of settling disputes in the Group's favor is highly subjective. Revenue is recognized when disagreements are to be resolved in favor of the Group with regard to assumptions.

We considered the applied accounting policy with regard to the recognition of revenue from electricity transmission services; examined internal controls over the recognition of this revenue; checked the correctness of the corresponding revenue amounts based on the existing electricity transmission contracts; received, on a selective basis, confirmations of balances of receivables from counterparties; analyzed the results of litigations concerning disputable amounts of services provided, if any; and examined existing procedures to confirm the volume of electricity transmitted with counterparties.

Information on revenue from electricity transmission services is disclosed in Note 7 to the consolidated financial statements.

Allowance for expected credit losses on trade receivables

The matter of creating allowance for expected credit losses on trade receivables is one of the most significant matters for our audit due to the material balances of trade receivables as at 31 December 2021, as well as due to the fact that management's assessment of the possible recoverability of these receivables is based on assumptions, in particular, on the projected solvency of the Group's customers.

We analyzed the adequacy of the Group's accounting policy on the trade receivables with respect to the creation of allowance for expected credit losses on trade receivables, as well as Group's management estimation procedures, including the analysis of repayment of trade receivables, the analysis of maturity and delayed performance of obligations, and the analysis of customers' solvency.

Information on allowance for expected credit losses on trade receivables is disclosed in Notes 20 and 32 to the consolidated financial statements.

We performed audit procedures in respect of the information used by the Group to determine the allowance for expected credit losses on trade receivables, the structure of receivables by age and maturity, and tested the correctness of the charged allowance amounts calculation.



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Key audit matter

How our audit addressed the matter

Recognition, measurement and disclosure of provisions and contingent liabilities

Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims from counterparties (including territorial electric grid and utilities companies) were among the most significant matters for our audit as they require significant judgments of management with respect to material amounts of balances of settlements with counterparties that are challenged in litigations or under the pretrial settlement.

Information on provisions and contingent liabilities is disclosed in Note 31 to the consolidated financial statements.

Audit procedures among others involved analyzing decisions made by courts of different instances; considering the adequacy of management's judgments with regard to assessment of the possibility of an outflow of economic resources due to the dispute settlement; examining the compliance of the prepared documentation with provisions of existing contracts and legislation; and reviewing disclosures on provisions and contingent liabilities in notes to the consolidated financial statements.

Impairment of non-current assets

Due to the existence of the impairment indicators of non-current assets as at 31 December 2021, the Group performed impairment testing. The value-in-use of fixed assets, forming a significant share of the Group's non-current assets, as at 31 December 2021, was determined by the projected cash flow method.

The matter of impairment testing of fixed assets was one of the most significant matters for our audit because the fixed assets balance forms a significant part of the Group's assets at the reporting date, and because management's assessment of the value-in-use is complex and largely subjective and is based on assumptions, in particular, on the projected electricity transmission volumes, transmission fees, as well as operating and capital expenditures that depend on the expected future market or economic conditions in the Russian Federation.

Information on the results of the impairment analysis of non-current assets is disclosed by the Group in Note 14 to the consolidated financial statements.

As part of our audit procedures, we also assessed the assumptions and methodologies applied by the Group, in particular, those relating to projected total revenue from the electricity transmission, fee solutions, operating and capital expenditures, long-term rates of fee growth and discount rates. We tested the incoming data applied in the model and the arithmetic accuracy of the model used to determine the recoverable amount in the impairment test of fixed assets. We engaged valuation specialists to analyze the model used to determine the recoverable amount in the impairment test of fixed assets. We also analyzed the sensitivity of the model to changes in the main indicators of assessment and the Group's disclosures of assumptions on which the results of impairment testing largely depend.



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Other information included in the Annual report

Other information consists of the information included in the Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. 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.

Responsibilities of management and Audit Committee of the Board of Directors for the consolidated financial statements

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

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

Audit Committee of the Board of Directors 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 Audit Committee of the Board of Directors 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 Audit Committee of the Board of Directors 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, actions taken to eliminate threats or safeguards applied.



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From the matters communicated with Audit Committee of the Board of Directors, 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.

The partner in charge of the audit resulting in this independent auditor's report is A.B. Kalmykova.

A.B. Kalmykova,
acting on behalf of Ernst & Young LLC
on the basis of power of attorney dated 1 March 2022,
partner in charge of the audit resulting in this independent auditor's report
(main registration number 21906101970)

15 March 2022

Details of the auditor

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

Details of the audited entity

Name: Public joint stock company "Rosseti North-West"
Record made in the State Register of Legal Entities on 23 December 2004, State Registration Number 1047855175785.
Address: Russia 196247, St. Petersburg, Constitution square, 3, lit A, room 16N.

PJSC Rosseti North-West
Consolidated financial statements for the year ended 31 December 2021
Consolidated Statement of Profit or Loss and Other Comprehensive Income
(in thousand of Russian rubles, unless otherwise stated)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Revenue	7	50,351,512	48,252,863
Operating expenses	10	(48,452,194)	(47,082,171)
Expected credit losses		(199,522)	(915,604)
Impairment of property, plant and equipment and right-of-use assets	14, 16	(2,765,855)	(991,271)
Other income	8	1,283,633	566,269
Other expenses	9	(238,250)	(149,056)
Results from operating activities		(20,676)	(318,970)
Finance income	12	86,519	215,019
Finance costs	12	(1,086,128)	(1,168,088)
Total finance costs		(999,609)	(953,069)
Loss before tax		(1,020,285)	(1,272,039)
Income tax expense	13	137,484	131,518
loss for the period		(882,801)	(1,140,521)
Other comprehensive income/(loss)			
<i>Items that will never be reclassified subsequently to profit or loss</i>			
Change in the fair value of equity investments measured at fair value through other comprehensive income		(1,486)	(1,973)
Remeasurement of the defined benefit liability	27	9,016	44,068
Income tax		(1,506)	(8,419)
Total items that will not be reclassified subsequently to profit or loss		6,024	33,676
Other comprehensive income for the period, net of income tax		6,024	33,676
Total comprehensive loss for the period		(876,777)	(1,106,845)
Loss attributable to:			
Owners of the Company		(882,789)	(1,140,502)
Non-controlling interest		(12)	(19)
Total comprehensive loss attributable to:			
Owners of the Company		(876,765)	(1,106,826)
Non-controlling interest		(12)	(19)
Loss per share			
Basic loss per share (in RUB)	24	(0.0092)	(0.0119)

These consolidated financial statements were approved by management on 15 March 2022 and were signed on its behalf by:

General Director



A.Y. Pidnik

Deputy General Director
for Economy and Finance



L.V. Shadrina

Chief Accountant – Head of
Department of accounting and
tax accounting and reporting



I.G. Zhdanova

PJSC Rosseti North-West
Consolidated financial statements for the year ended 31 December 2021
Consolidated Statement of Financial Position
(in thousand of Russian rubles, unless otherwise stated)

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	14	38,224,015	38,686,997
Intangible assets	15	496,093	400,219
Right-of-use assets	16	995,764	925,493
Trade and other receivables	20	81,750	113,045
Assets related to employee benefits plans	27	278,977	312,721
Other non-current financial assets	17	498,319	477,437
Deferred tax assets	18	2,688	7,541
Advances issued and other non-current assets	21	57,141	36,568
Total non-current assets		40,634,747	40,960,021
Current assets			
Inventories	19	1,136,354	1,036,343
Prepaid income tax		98,282	32,973
Trade and other receivables	20	5,839,195	5,054,769
Cash and cash equivalents	22	866,952	842,490
Advances issued and other current assets	21	1,286,540	766,423
Total current assets		9,227,323	7,732,998
Total assets		49,862,070	48,693,019
EQUITY AND LIABILITIES			
Equity			
Share capital	23	9,578,592	9,578,592
Reserve related to business combination		10,457,284	10,457,284
Other reserves		(52,122)	(58,146)
Accumulated deficit		(2,276,592)	(1,393,803)
Total equity attributable to owners of the Company		17,707,162	18,583,927
Non-controlling interest		205	217
Total equity		17,707,367	18,584,144
Non-current liabilities			
Loans and borrowings	25	12,975,606	8,521,062
Trade and other payables	28	1,652,707	143,917
Advances received	30	368,928	217,142
Employee benefit liabilities	27	851,324	860,491
Deferred tax liabilities	18	144,308	533,428
Total non-current liabilities		15,992,873	10,276,040
Current liabilities			
Loans and borrowings and short-term portion of long-term loans and borrowings	25	2,831,627	8,110,338
Trade and other payables	28	7,296,618	5,137,325
Taxes, other than income tax	29	1,421,682	1,424,395
Advances received	30	2,806,900	3,177,002
Provisions	31	1,792,157	1,938,914
Current income tax liability		12,846	44,861
Total current liabilities		16,161,830	19,832,835
Total liabilities		32,154,703	30,108,875
Total equity and liabilities		49,862,070	48,693,019

PJSC Rosseti North-West
Consolidated financial statements for the year ended 31 December 2021
Consolidated Statement of Cash Flows
(in thousand of Russian rubles, unless otherwise stated)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		(882,801)	(1,140,521)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	10	4,646,426	4,783,835
Impairment of property, plant and equipment and right-of-use assets		2,765,855	991,271
Finance costs	12	1,086,128	1,168,088
Finance income	12	(86,519)	(215,019)
(Gain)/loss on disposal of property, plant and equipment		(8,971)	3,085
Expected credit losses		199,522	915,604
Accounts receivable write-off		14,336	9,671
Accounts payable write-off		(40,119)	(3,862)
Change in provisions		(10,487)	1,055,724
Other non-cash transactions		239,433	(41,160)
Income tax expense	13	(137,484)	(131,518)
Total effect of adjustments		8,668,120	8,535,719
Change in assets related to employee benefit plans		46,256	25,556
Change in employee benefit liabilities		(46,533)	(130,846)
Change in long-term trade and other receivables		31,295	27,076
Change in long-term advances issued and other non-current assets		(20,573)	34,972
Change in long-term trade and other payables		(5,757)	(147,635)
Change in long-term advances received		151,786	(133,404)
Cash flows from operating activities before changes in working capital and provisions		7,941,793	7,070,917
<i>Changes in working capital</i>			
Change in trade and other receivables		(974,861)	(440,814)
Change in advances issued and other assets		(520,117)	(59,612)
Change in inventories		(102,573)	(70,482)
Change in trade and other payables		678,920	(137,313)
Change in advances received		(370)	(433,617)
Use of provision		(150,431)	(114,980)
Cash flows from operating activities before income tax and interest paid		6,502,629	5,814,099
Income tax paid		(343,688)	(372,596)
Interest paid under lease agreements		(75,419)	(86,861)
Interest paid		(1,000,869)	(1,003,881)
Net cash from operating activities		5,082,653	4,350,761

PJSC Rosseti North-West
Consolidated financial statements for the year ended 31 December 2021
Consolidated Statement of Cash Flows (continued)
(in thousand of Russian rubles, unless otherwise stated)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(5,429,008)	(4,244,419)
Proceeds from the sale of property, plant and equipment and intangible assets		12,533	3,917
Interest received		42,841	37,226
Dividends received		1,217	1,185
Net cash used in investing activities		(5,372,417)	(4,202,091)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		23,907,627	35,683,180
Repayment of loans and borrowings		(23,378,628)	(34,722,091)
Dividends paid	23	(197)	(309,100)
Repayment of lease liabilities		(214,576)	(190,257)
Net cash received from/(used in) financing activities		314,226	461,732
Net increase in cash and cash equivalents		24,462	610,402
Cash and cash equivalents at the year beginning	22	842,490	232,088
Cash and cash equivalents at the year end	22	866,952	842,490

PJSC Rosseti North-West
Consolidated financial statements for the year ended 31 December 2021
Consolidated Statement of Changes in Equity
(in thousand of Russian rubles, unless otherwise stated)

Equity attributable to owners of the Company

	Share capital	Reserve related to business combination	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2021	9,578,592	10,457,284	(58,146)	(1,393,803)	18,583,927	217	18,584,144
Loss for the period	-	-	-	(882,789)	(882,789)	(12)	(882,801)
Other comprehensive income	-	-	7,530	-	7,530	-	7,530
Income tax related to other comprehensive income	-	-	(1,506)	-	(1,506)	-	(1,506)
Total comprehensive income/(loss) for the period	-	-	6,024	(882,789)	(876,765)	(12)	(876,777)
Balance at 31 December 2021	9,578,592	10,457,284	(52,122)	(2,276,592)	17,707,162	205	17,707,367

Equity attributable to owners of the Company

	Share capital	Reserve related to business combination	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2020	9,578,592	10,457,284	(91,822)	(132,938)	19,811,116	236	19,811,352
Loss for the period	-	-	-	(1,140,502)	(1,140,502)	(19)	(1,140,521)
Other comprehensive income	-	-	42,095	-	42,095	-	42,095
Income tax related to other comprehensive income	-	-	(8,419)	-	(8,419)	-	(8,419)
Total comprehensive income/(loss) for the period	-	-	33,676	(1,140,502)	(1,106,826)	(19)	(1,106,845)
Dividends to shareholders (Note 23)	-	-	-	(120,363)	(120,363)	-	(120,363)
Balance at 31 December 2020	9,578,592	10,457,284	(58,146)	(1,393,803)	18,583,927	217	18,584,144

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

1. Background

(a) The Group and its operations

The main activity of Public Joint Stock Company Rosseti North-West (hereinafter referred to as PJSC Rosseti North-West or the "Company") and its subsidiaries (hereinafter referred to as the "Group") is the provision of services for the transmission and distribution of electricity through electric networks, the provision of services for the technological connection of consumers to networks, as well as the sale of electricity to the end consumer in the North-Western region of Russia.

The registered office (location) of the Company is 3 Constitution Square, lit. A room 16N, St. Petersburg 196247.

In accordance with the requirements of Chapter 4 of the Civil Code of the Russian Federation, based on the decision of the Annual General Meeting of Shareholders of the Company (Minutes No. 17 on 28 May 2021) in the new edition of the Company's Charter, the name of the Public Joint Stock Company Interregional Distribution Grid Company of the North-West was changed to Public Joint Stock Company Rosseti North-West (abbreviated name of PJSC Rosseti North-West). The new version of the Charter was registered by the Interdistrict Inspectorate of the Federal Tax Service No. 15 in St. Petersburg on 23 August 2021.

The parent company of PJSC Rosseti North-West is PJSC Rosseti.

The structure of the Group is presented in Note 5.

The Group's relationship with other related parties is disclosed in Note 35.

(b) Relations with state

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

As at 31 December 2021, the Russian Government owned 88.04% in the share capital of the parent company PJSC ROSSETI including 88.89% of the voting ordinary shares and 7.01% of the preference shares (as at 31 December 2020: 88.04%, including 88.89% of the voting ordinary shares and 7.01% of the preference shares).

The State influences the Group's operations through representation in the Board of Directors of the parent company, PJSC ROSSETI, regulation of tariffs in the electric power industry, and approval and control over the implementation of the investment program. The counterparties of the Group (consumers of services, suppliers and contractors, etc.) include a large number of enterprises under state control.

(c) The economic environment in which the Group operates

The economy of the Russian Federation exhibits some characteristic features inherent in emerging markets. The country's economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory system continues to evolve and is subject to frequent changes, as well as the possibility of different interpretations. The ongoing political tensions in the region, as well as international sanctions against some Russian companies and citizens, continue to have a negative impact on the Russian economy.

In March 2020, the World Health Organization declared the COVID-19 epidemic a global pandemic. In connection with the pandemic, the Russian authorities have taken a number of measures aimed at curbing the spread and mitigating the consequences of COVID-19, such as banning and restricting movement, self-isolation and restricting commercial activities, including the closure of enterprises.

Some of the above measures were subsequently relaxed, but as of 31 December 2021, the level of infection remained high, the proportion of vaccinated was relatively low and there was a risk that Russian state authorities would impose additional restrictions in subsequent periods, including due to the emergence of new varieties of the virus.

These measures, in particular, have significantly restricted economic activity in Russia and have already had and may still have a negative impact on the Group's business, market participants, customers, as well as on the Russian and global economy for an indefinite period of time. The level of economic activity remains subdued, and the economic recovery is closely linked to the continuing restrictive measures.

The geopolitical situation is highly unstable. In February 2022, the effect of additional restrictions and sanctions against Russian companies and the economy of the Russian Federation as a whole intensified. At the moment, the possible consequences of these events cannot be determined with a sufficient degree of reliability. It is impossible to determine how long the increased volatility will persist and at what level the indicators of the financial and currency markets will eventually stabilize. Sanctions have been imposed on a number of Russian banks by the United States, the United Kingdom and the EU.

The Group continues to monitor and assess the development of the situation, react accordingly:

- carry out measures to ensure reliable energy supply, implement investment projects;
- to work in contact with the authorities at the federal and regional levels, to take all necessary measures to ensure the safety, protection of the life and health of their employees and contractors;
- monitor forecast and actual information on the impact of the current economic situation on the activities of the Group and the main counterparties of the Group;
- adapt the Group's activities to the current economic situation, take measures to ensure the financial stability of the Group.

The future consequences of the current economic situation and the above measures are difficult to predict, and management's current expectations and estimates may differ from actual results.

2. Principles of preparation of consolidated financial statements

(a) Statement of compliance IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Each subsidiary of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Russian Accounting Standards (RAS). The Group's consolidated financial statements are based on the statutory records with adjustments and reclassifications recorded in the consolidated financial statements for the fair presentation in accordance with IFRS.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, except for:

- Investments classified as financial assets measured at fair value through profit and loss;
- Investments classified as financial assets measured at fair value through other comprehensive income.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian ruble (hereinafter – ruble or RUB), which is the Group's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand.

(d) New standards, clarifications, amendments to existing standards

The new amendments, effective for annual reporting periods beginning on 1 January 2022, are listed below. These amendments are not expected to have a material impact on the Group's consolidated financial statements:

- Amendments to IFRS 3 References to Conceptual Frameworks;
- Amendments to IAS 16 Fixed Assets: Receipts before Intended Use;

- Amendments to IAS 37 Onerous Contracts – Contract Execution Costs;
- Amendment to IFRS 1 First Application of International Financial Reporting Standards – a subsidiary applying International Financial Reporting Standards for the first time;
- Amendment to IFRS 9 Financial Instruments - commission fee for the "10% test" in case of derecognition of financial liabilities;
- Amendment to IAS 41 Agriculture - taxation in the assessment of fair value.

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

- IFRS 17 Insurance Contracts (issued in May 2017 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 Income Taxes – deferred tax on assets and liabilities arising from a single transaction (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 1 Presentation of Financial Statements (Accounting Policy) and Practical Guidance 2 Making Judgments on Materiality;
- Amendments to IAS 1 Classification of Liabilities as Short-term or Long-term. In July 2021, the Board tentatively decided to postpone the date of entry into force of the 2020 amendments no earlier than 1 January 2024.

(e) Use of professional judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make a number of professional judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continually reviews estimates and assumptions made based on experience and other factors that have been used to determine the carrying amounts of assets and liabilities. Changes in estimates and assumptions are recognized in the period in which they were made, if the change affects only that period, or are recognized in the period to which the change relates and in subsequent periods if the change affects both this and future periods.

Professional judgements that have the most significant effect on the amounts recognised in these consolidated financial statements and estimates and assumptions that may require significant adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

At each reporting date, the Group's management determines whether there is any indication of impairment of property, plant and equipment and of right-of-use assets. Indications of impairment include changes in business plans, tariffs, and other factors that have an adverse effect on the Group's operations. In making value-in-use calculations, management estimates the expected cash flows from an asset or group of cash-generating assets and calculates an acceptable discount rate to calculate the present value of these cash flows. For more information, see Notes 14 and 16.

Determination of the lease term under contracts with an option to extend or an option to terminate the lease – the Group as a lessee

The Group defines a lease term as a non-cancellable lease period, together with periods for which an option to extend the lease is available if it is reasonably certain that it will be exercised, or periods for which an option to terminate the lease is available if it is reasonably certain that it will not be exercised.

In making a judgment to assess whether the Group has sufficient confidence in the exercise of an option to extend or terminate the lease in determining the lease term, the Group considers the following factors:

- Whether the leased asset is a specialized;
- The location of the asset;
- Whether the group and the lessor have the practical possibility of choosing an alternative counterparty (choosing an alternative asset);
- Costs associated with the termination of the lease and the conclusion of a new (replacement) contract;
- Availability of significant improvements to leased assets.

Impairment of accounts receivable

Provision for expected credit losses of accounts receivable is based on management assumptions of accounts receivable recovery made for each debtor individually. For the purposes of assessing credit losses, the Group consistently takes into account all reasonable and verifiable information on past events, current and projected events that is available without undue effort and is appropriate for the assessment of receivables. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Pension obligations

The costs of defined benefit pension plans and related costs of the pension program are determined using actuarial valuations. The actuarial estimates involve making demographic assumptions as well as financial assumptions. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Deferred tax assets recognition

At each reporting date management assesses the deferred tax assets to be reflected in the consolidated financial statement to the extent it is likely to be used as tax deductions. When determining future taxable profit and related tax allowances management uses estimates and assumptions based on prior periods' taxable profit and expectations related to the future profit that are reasonable under the circumstances.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Amendments to the current standards, which entered into force for annual reporting periods beginning on 1 January 2021, did not have a significant impact on these consolidated financial statements of the Group:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Reform of the base interest rate - Stage 2;
- Amendments to IFRS 16 Lease Assignments Related to the Covid-19 pandemic, effective after 30 June 2021.

(a) Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are attributed to non-controlling interests, even if results in the non-controlling interests having a deficit balance.

ii. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which the Group obtains control.

The Group measures goodwill at the acquisition date as:

- 1) The fair value of the consideration transferred; plus
- 2) The recognized amount of any non-controlling interests in the acquiree; plus
- 3) The fair value of previous interest held in the acquiree if the business combination is achieved in stages; less
- 4) The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss for the period.

Transaction costs that the Group incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration is recognized at fair value at the acquisition date. If conditional compensation is classified as part of equity, then its value is not subsequently revalued, and its payment is reflected in equity. Otherwise, changes in the fair value of the contingent consideration are recognized in profit or loss for the period.

iii. Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests not resulting in Group losing control are accounted for as transactions with owners, and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

iv. Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under control of the shareholder that controls the Group are accounted for by using the predecessor accounting method. The acquired assets and liabilities are recognized at the carrying amounts recognized previously in the financial statements of the acquired entities. Any cash or other contribution paid for the acquisition is recognized directly in equity.

v. Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment also includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and no further losses are recognised, except to the extent that the Group assumed obligations to reimburse losses or has made payments on behalf of the investee.

vi. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated while preparing the consolidated financial statements. Unrealized gains arising

from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that they are not evidence of impairment.

(b) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into rubles at the official exchange rates at the reporting date. Transactions in foreign currencies are recorded at exchange rates at the dates of the transactions. Foreign currency differences arising on settlement or translation of monetary items are recognised in profit or loss.

(c) Financial instruments

i. Financial assets

The Group classifies financial assets into the following measurement categories: those that are subsequently measured at amortised cost, those that are measured at fair value through other comprehensive income, and those that are measured at fair value through profit or loss. Classification depends on the business model for managing financial assets and the contractual cash flow characteristics.

Financial assets are classified as measured at amortised cost if the following conditions are met: the asset is held within a business model that aims to hold the assets to receive the contractual cash flows, and the terms of the contract condition that cash flows that are solely payments of principal and interest on the outstanding portion of the principal amount are received on specified dates.

The Group includes the following financial assets in the category of financial assets measured at amortised cost:

- Trade and other receivables that meet the definition of financial assets if the Group does not intend to sell them immediately or in the near future;
- Bank deposits that do not meet the definition of cash equivalents;
- Promissory notes and bonds not intended for trading;
- Loans issued;
- Cash and cash equivalents.

For financial assets classified as measured at amortised cost, a provision is made for expected credit losses.

When financial assets measured at amortised cost and fair value through profit or loss are derecognized, the Group recognizes in the statement of profit or loss and other comprehensive income (through profit or loss) the financial result of their disposal equal to the difference between the fair value of the consideration received and the carrying amount of the asset.

In the category of financial assets at fair value through other comprehensive income, the Group includes equity instruments of other companies that:

- Are not classified as measured at fair value with any change therein recognised in profit or loss; and
- Do not provide the Group with control, joint control or significant influence over the investee.

When equity instruments of other companies that are classified at the Group's discretion as measured at fair value through other comprehensive income are derecognized, the previously recognized components of other comprehensive income are transferred from the fair value reserve to retained earnings.

ii. Impairment of financial assets

Provisions for impairment are measured either on the basis of 12-month expected credit losses (ECL), which are the result of possible defaults within 12 months after the reporting date, or lifetime ECL, which are the result of all possible defaults during the expected life of the financial instrument.

For trade receivables or contract assets that arise from transactions that fall within the scope of IFRS 15 *Revenue from Contracts with Customers* (including those that contain a significant financing component) and lease receivables, the Group applies a simplified approach to estimate the allowance for expected credit losses – an estimate equal to the expected credit losses over the entire term.

Provisions for impairment of other financial assets classified as measured at amortised cost are measured based on 12-month ECL unless there has been a significant increase in credit risk since recognition. The estimated allowance for expected credit losses on a financial instrument is measured at each reporting date at an amount equal to the expected credit losses for the entire term if the credit risk on the financial instrument has increased significantly since initial recognition, taking into account all reasonable and verifiable information, including forward-looking information.

As indicators of a significant increase in credit risk, the Group considers the actual or expected difficulties of the issuer or the debtor of the asset, the actual or expected violation of the terms of the contract, the expected revision of the terms of the contract due to the financial difficulties of the debtor on terms that are unfavorable for the Group, to which it would not otherwise agree.

Based on the usual credit risk management practices, the Group defines default as the inability of the counterparty (issuer) to meet its obligations (including the repayment of funds under the contract) due to a significant deterioration in the financial situation.

An expected credit loss on a financial asset is recognized by recognizing an allowance for impairment. For a financial asset carried at amortised cost, the amount of the impairment loss is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate.

If, in subsequent periods, the credit risk of a financial asset decreases as a result of an event occurring after the loss was recognized, the previously recognized impairment loss is reversed by reducing the corresponding allowance. As a result of the reversal, the carrying amount of the asset should not exceed the amount at which it would have been recognized in the statement of financial position if no impairment loss had been recognized.

iii. Financial liability

The Group classifies financial liabilities into the following measurement categories: financial liabilities at fair value through profit or loss; and financial liabilities at amortised cost.

The Group includes the following financial liabilities in the category of financial liabilities measured at amortised cost:

- Loans and borrowings (borrowed funds);
- Trade and other payables.

Loans and borrowings are initially recognized at fair value, less transaction costs directly related to raising these funds. Fair value is determined by taking into account prevailing market interest rates for similar instruments if it differs significantly from the transaction price. In subsequent periods borrowings are carried at amortised cost using the effective interest method; all differences between the fair value of funds received (net of transaction costs) and the amount to be repaid are recorded in profit or loss as interest expense over the life of the loan repayment obligations.

Borrowing costs are expensed in the reporting period in which they are incurred if they were not related to the acquisition or construction of qualified assets. Borrowing costs related to the acquisition or construction of assets that take a significant amount of time to prepare for use (qualifying assets) are capitalized as part of the cost of the asset. Capitalization is performed when the Group:

- Bears the cost of qualifying assets;
- Bears borrowing costs; and
- Leads activities associated with the preparation of assets for use or sale.

Capitalisation of borrowing costs continues until the assets are ready for use or sale. The Group capitalizes those borrowing costs that could have been avoided if it had not incurred the costs of qualifying assets.

Borrowing costs are capitalized based on the average cost of financing the Group (weighted average interest expense related to expenditures incurred on qualifying assets), except for loans that were received directly for acquiring a qualifying asset. Actual borrowing costs reduced by the amount of investment income from temporary investment of loans are capitalized.

Accounts payable are accrued from the moment the counterparty fulfils its obligations under the agreement. Accounts payable are recognized at fair value and are subsequently carried at amortised cost using the effective interest method.

Upon derecognition of financial liabilities, its obligations under the relevant contract are terminated or cancelled or expire. The Group reflects in the statement of profit or loss and other comprehensive income (through profit or loss) the financial result of their disposal, equal to the difference between the carrying amount of the financial liability at the time of derecognition and the amount of remuneration paid by the Group on the repayment or transfer of this liability (including any non-monetary assets transferred or liabilities assumed).

(d) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost price less accumulated depreciation and impairment loss. The cost of property, plant and equipment as at 1 January 2007, the date of transition to IFRS, was determined based on their fair value at that date.

Cost price includes expenditures that are directly attributable to the acquisition of the asset. The cost price of self-constructed (built) assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized net in the item "Other income" or "Other expenses", within the profit or loss for the period.

ii. Subsequent costs

The cost of replacing part (major component) of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of profit or loss and other comprehensive income as incurred.

iii. Depreciation

Each component of an item of property, plant and equipment is amortised on a straight-line basis over its expected useful life, since this method most accurately reflects the nature of the expected consumption of future economic benefits embodied in the asset, and depreciation is included in profit or loss for the period. Leased assets are amortized over the shorter of the lease term and the useful life of the assets. Land plots are not amortized.

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

- Buildings 7-50 years;
- Transmission networks 7-40 years;
- Equipment for electricity transmission 5-40 years;
- Other assets 1-50 years.

iv. Impairment loss

At each reporting date, management determines whether there is any indication that property, plant and equipment is impaired.

An impairment loss is recognized when the carrying amount of an asset or its associated cash-generating unit exceeds its estimated (recoverable) amount. The recoverable amount of an asset or cash-generating unit is the higher of the asset's value in use and its fair value less costs to sell.

For the purposes of an impairment test, assets that cannot be individually tested are grouped into the smallest group that generates cash inflows from continuing use of the related assets, and these inflows are largely independent of cash inflows generated by other assets or groups of assets (the "cash-generating unit").

The Group's general (corporate) assets do not generate independent cash flows and are used by more than one cash-generating unit. The value of a corporate asset is allocated to the units on a reasonable and consistent basis, and its impairment test is performed as part of the testing of the unit to which the corporate asset was allocated.

Impairment losses are recognized in profit or loss. Impairment losses on cash – generating units are first attributed to a decrease in the carrying amount of goodwill allocated to these units, and then pro rata to a decrease in the carrying amount of other assets in the relevant unit (group of units).

Amounts written off for an impairment loss on goodwill are not reversed. For other assets, an impairment loss recognized in a prior period is reviewed at each reporting date to determine whether the amount of the loss should be reduced or whether it should no longer be recognized.

Amounts written off for impairment losses are reversed if the measurement factors used in calculating the corresponding recoverable amount change. An impairment loss is reversed only to the extent that it is possible to restore the value of the assets to the carrying amount at which they would have been carried (net of accumulated depreciation) if no impairment loss had been recognized.

(e) Intangible assets

i. Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the statement of profit or loss and other comprehensive income as incurred.

iii. Amortization

Amortization expense on intangible assets, other than goodwill is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives of intangible assets for the current and comparative periods are as follows:

- Licenses and certificates 1-5 years;
- Software 3-15 years.

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Lease

At the time of the conclusion of the contract, the Group assesses whether the contract as a whole or its individual components is a lease agreement. A contract as a whole, or its individual components, is a lease if the contract transfers the right to control the use of an identified asset for a specified period in exchange for a refund.

Right-of-use assets are initially measured at cost and amortised to the earlier of the following dates: the end of the useful life of the right-of-use asset or the end of the lease term. The initial cost of a right-of-use asset includes initial measurement of the lease liability, lease payments made before or at the lease commencement date, and initial direct costs. After recognition, right-of-use assets are carried at cost less accumulated depreciation and accumulated impairment losses. Right-of-use assets are presented as a separate item in the statement of financial position.

The lease liability is initially measured at the present value of lease payments that have not yet been made at the lease commencement date and is subsequently measured at amortised cost, with interest expense recognized as finance expense in the consolidated statement of profit or loss and other comprehensive income. Lease liabilities are presented in the Statement of Financial Position within long-term and short-term borrowings.

The Group recognises lease payments on short-term leases as an expense on a straight-line basis over the lease term.

For an individual lease, the Group may decide to qualify the contract as a lease in which the underlying asset is of low value and recognize the lease payments under such a contract as an expense on a straight-line basis over the lease term.

For lease agreements for land plots under power grid facilities with an indefinite term, or with a contract term of no more than 1 year with the possibility of annual renewal, the Group determines the term of the contract, using as a basic criterion the useful life of the fixed assets located on the leased land plots.

For contracts for the lease of power grid facilities with an indefinite term, or with a term under the contract of no more than 1 year with the possibility of annual renewal, the Group determines the term of the contract, using as a basic criterion the useful life of its own fixed assets with similar technical characteristics.

(g) Advances given

Advances given are classified as non-current if they are connected with the acquisition of an asset which will be classified as non-current upon initial recognition. Advances given for the acquisition of an asset are included in its carrying amount upon the acquisition of control over the asset, and when it is probable that the Group will obtain economic benefit from its usage.

(h) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost is determined on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

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

Inventories intended for the provision of work on the prevention and elimination of accidents (emergencies) at power grid facilities (industry emergency reserve) are reflected in "Inventories".

(i) Value-added tax

Output value-added tax (VAT) related to sales is payable to the tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. Amounts of VAT related to advances received and given as well as VAT prepayment are recognized on a net basis within Advances given and other assets. Amounts of VAT to be paid to the tax authorities are presented separately within short-term liabilities. Where a provision has been made for the expected credit losses of receivables, impairment loss is recorded for the gross amount of the accounts receivable, including VAT.

(j) Employee benefits**i. Defined contribution plans**

A defined contribution program is a program for the payment of remuneration to employees at the end of an employment relationship with them, under the terms of which the Company makes fixed contributions to a separate (independent) fund and at the same time it does not incur any additional obligations (neither legal nor constructive) to pay additional amounts. Obligations to make contributions to funds through which defined contribution pension programs are implemented, including the State Pension Fund of the Russian Federation, are recognized as employee benefit expenses in profit or loss for the periods in which employees provided the relevant services under employment contracts. Contributions paid in advance are recognized as an asset when the entity is entitled to recover the contributions it has paid or to reduce the amount of future contribution payments.

ii. Defined benefit plans

A defined benefit program is a program that provides benefits to employees at the end of their employment relationship, other than a defined contribution program. The liability recognized in the consolidated statement of financial position for defined benefit pension schemes is the discounted amount of the liability at the reporting date.

The discount rate is the rate of return at the end of the year on government bonds that have a maturity approximately equal to that of the Group's respective liabilities and are denominated in the same currency as the consideration expected to be paid. These calculations are made annually by a qualified actuary using the method of the projected conditional unit of accumulation of future payments.

Revaluations of the net defined benefit liability that include actuarial gains and losses and the effect of applying the asset limit (other than interest, if any) are recognized immediately in other comprehensive income. The Group determines the net interest expense on the net program liability for the period by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the net program liability at that date, taking into account any changes in the net program liability for the period as a result of contributions and disbursements. Net interest and other expenses related to defined benefit programs are recognized in profit or loss. Actuarial gains or losses resulting from changes in actuarial assumptions are recognized in other comprehensive income/expense.

In the event of a change in payments under the program or its sequestration, the resulting change in payments related to past services, or the gain or loss from the sequestration, is recognized immediately in profit or loss. The Group recognizes a gain or loss on the settlement of the program's obligations when this settlement occurs.

iii. Other non-current employee benefits

The Group's net obligation with respect to long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Remeasurements are recognized in profit or loss in the period in which they arise.

iv. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably and it is highly probable that there will be an outflow of economic benefits.

(k) Income tax expense

Income tax expense is comprised of current income tax and deferred tax. Current and deferred income tax is recognized in profit or loss for the period, except to the extent that it relates to a business combination, or transactions recognized in other comprehensive income or directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income tax payable with respect to previous years.

Deferred tax is recognized with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination, and that affects neither accounting nor taxable profit or loss;
- Temporary differences relating to investments in subsidiaries and associates to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group accrues tax liabilities based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such determination is made.

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Provisions

Provision is recognized if, as a result of a past event, the Group has a legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provision is determined by discounting the expected cash flows at a pre-tax rate that reflects current market estimates of the impact of changes in the value of money over time and the risks inherent in the liability. Amounts that reflect the "release of the discount" are recognized as finance costs.

(m) Share capital

Ordinary shares are classified as equity.

(n) Dividends

Dividends are recognized as a liability and excluded from equity at the reporting date only if they are declared (approved by shareholders) on or before the reporting date. Dividends are subject to disclosure if they are declared after the reporting date but before the consolidated financial statements are signed.

(o) Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is met by transferring a promised good or service (i.e. an asset) to a buyer. An asset is transferred when (or as) the buyer gains control of the asset.

When (or as) a performance obligation is fulfilled, the Group recognizes revenue in the amount that the Group expects to receive in exchange for transferring the promised assets to the buyer, excluding VAT.

Electricity transmission services

Revenue from electricity transmission is recognized during the period (billing month) and is measured using the results method (cost of electricity transmitted).

Tariffs for electricity transmission services are approved by the federal executive authority in the field of state tariff regulation (the Federal Antimonopoly Service) and the executive authorities of the constituent entities of the Russian Federation in the field of state tariff regulation.

Sale of electricity and capacity

Revenue from the sale of electricity is recognized during the period (billing month) and is estimated using the results method (cost of electricity transferred).

The sale of electricity in the retail markets of electricity and capacity to consumers is carried out at regulated prices (tariffs) established by the executive authorities of the subjects of the Russian Federation in the field of state regulation of tariffs.

Services for technological connection to the power grid

Revenue from the provision of services for technological connection to the power grid is a non-refundable fee for connecting consumers to the power grid. The Group transfers control over the service at a certain point in time (after the consumer is connected to the power grid or, for certain categories of consumers - when the Group provides the ability to connect to the power grid through the actions of the consumer), and therefore fulfils the obligation to perform at a certain point in time.

Payment for technological connection for an individual project, standardized tariff rates, payment rates per unit of maximum capacity, and payment formulas for technological connection are approved by the regional energy Commission (the Department of prices and tariffs of the corresponding region) and do not depend on revenue from the provision of electricity transmission services. The fee for technological connection to the unified national (all-Russian) electric network is approved by the Federal Antimonopoly service.

The Group has applied the judgment that technological connection is a separate performance obligation that is recognized when the related services are rendered. The technological connection agreement does not contain any further obligations after the connection service is provided. According to established practice and laws regulating the electricity market, technological connection and transmission of electricity are subject to separate negotiations with different consumers as different services with different commercial purposes, without any connection in pricing, intentions, recognition or types of services.

Other revenue

Revenue from the provision of other services (technical and maintenance services, consulting and organizational and technical services, communications and information technology services, and other services), as well as revenue from other sales, is recognized at the time when the buyer gains control of the asset.

Trade receivables

Accounts receivable represent the Group's right to compensation, which is unconditional (i.e. the time when such compensation becomes payable is determined only by the passage of time). The accounting policy for the recognition of trade and other receivables is set out in the section "Financial assets".

Contract liabilities

A contract liability is an obligation to transfer to the buyer goods or services for which the Group has received compensation (or for which compensation is payable) from the buyer. If the buyer pays compensation before the Group transfers the goods or services to the buyer, the obligation under the contract is recognized when the payment is made or when the payment becomes payable (whichever occurs earlier). Contractual obligations are recognized as revenue when the Group fulfils its contractual obligations. The Group recognizes contract liabilities within "Advances received", including value added tax (VAT).

Advances received mainly represent the deferred income under agreements of technological connection.

Advances received are analyzed by the Group for the presence of a financial component. If there is a time interval of more than 1 year between the receipt of advances from buyers and customers and the transfer of promised goods and services for reasons other than providing financing to the counterparty (under contracts for technological connection to the power grid), no interest expense is recognized on the received advances. Such advances are recorded at the fair value of assets received by the Group from buyers and customers in advance.

(p) Finance income and costs

Financial income includes interest income on invested funds, dividend income, gains on the disposal of financial assets measured at fair value and measured at amortised cost, and the effect of discounting financial instruments. Interest income is recognized in profit or loss when incurred and is calculated using the effective interest method. Dividend income is recognized in profit or loss when the Group is entitled to receive the corresponding payment.

Finance costs include interest expense on borrowings, finance leases, long-term employee benefit obligations, losses on disposal of financial assets measured at fair value and measured at amortised cost, and the effect of discounting financial instruments. Borrowing costs that are not directly related to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(q) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all the attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income, less the related expenses, in equal amounts over the expected useful life of the related asset.

Government grants that compensate the Group for low electricity tariffs (lost income) are recognized in the consolidated statement of profit or loss and other comprehensive income in the same periods in which the respective revenue is earned.

(r) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large without creating constructive obligations to provide such benefit in the future and are not restricted to the Group's employees, they are recognized in consolidated statement of profit or loss and other comprehensive income as incurred. Group costs related to the financing of social programs, without making a commitment with respect to such financing in the future date are recognized in the consolidated statement of profit or loss and other comprehensive income as they arise.

(s) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

4. Measurement of fair values

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

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

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

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

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

The moment at which transfers are recognized to certain levels or from certain levels, the Group considers the date of occurrence of the event or change in circumstances that caused the transfer.

5. Significant subsidiaries

	Country of incorporation	31 December 2021 Ownership/voting shares, %	31 December 2020 Ownership/voting shares, %
JSC Pskovenergosbyt	Russian Federation	100	100
JSC Pskovenergoagent	Russian Federation	100	100
JSC Energoservice North-West	Russian Federation	100	100
OJSC Lesnaya Skazka	Russian Federation	98	98

6. Information about segments

The Management Board of PJSC Rosseti North-West» has been determined as the chief operating decision maker.

The Group's primary activity is the provision of services for electricity transmission and distribution, technological connection to electricity grids and sale of electricity to end customers in the territory of North-West Region of the Russian Federation.

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

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

For the purpose of presenting a reconciliation of EBITDA to consolidated profit for the previous period, in comparative information, the net accrual of an impairment loss on property, plant and equipment and right-of-use assets has been moved from the adjustments section to the second section.

In accordance with the requirements of IFRS 8 the following reportable segments were identified based on segment revenue, EBITDA and the total assets reported to the Management Board:

- Electricity Transmission Segments – Arkhangelsk branch, Vologda branch, Karelian branch, Murmansk branch, Komi Republic branch, Novgorod branch, Pskov branch;
- Energy Retail Segment – Pskovenergosbyt;
- Other Segments – other Group companies.

Unallocated items comprise corporate balances of the Company's headquarters, which do not constitute an operating segment under IFRS 8 requirements.

Segment information is based on financial information reported in statutory accounts and can differ significantly from those used in the consolidated financial statements prepared under IFRSs. The reconciliation of reportable segment measurements reported to the Management Board with the similar items in these consolidated financial statements includes those reclassifications and adjustments that are necessary for the financial statements to be presented in accordance with IFRS.

(a) Information about reportable segments

As at 31 December 2021 and for the year ended 31 December 2021:

	Electricity transmission						Energy retail			Unallo- cated items	Total		
	Arkhani- gelsk branch	Vologda branch	Karelian branch	Mur- mansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Arkhani- gelsk branch	Vologda branch			Pskov- enere- sbyt	Other
Revenue from external customers	6,507,316	6,614,077	8,095,898	7,397,618	7,703,360	4,552,783	801,583	-	-	9,154,227	55,849	-	50,882,711
Inter-segment revenue	-	-	16	-	-	-	4,136,663	-	-	807,757	1,604,811	-	6,549,247
Segment revenue	6,507,316	6,614,077	8,095,914	7,397,618	7,703,360	4,552,783	4,938,246	-	-	9,961,984	1,660,660	-	57,431,958
Including													
Electricity transmission	5,961,407	6,522,120	7,852,762	7,240,011	6,918,783	4,460,387	4,770,839	-	-	-	-	-	43,726,329
Connection services	103,832	23,786	69,395	32,520	433,958	56,785	109,760	-	-	-	-	-	830,036
Rental income	26,128	26,574	154,635	17,376	20,916	12,641	31,962	-	-	9,958,560	480	-	290,712
Other revenue	415,949	41,597	19,122	107,711	329,703	22,970	25,665	-	-	3,424	1,660,180	-	2,626,321
Finance income	4,625	5,591	9,752	10,819	5,732	4,228	4,119	-	-	2,065	1,298	-	48,229
Finance costs	(281,173)	-	-	(206,622)	(197,040)	(163,255)	(65,636)	-	-	(11,686)	(5,582)	-	(930,994)
Depreciation and amortization	(465,722)	(1,100,201)	(426,044)	(361,656)	(1,110,299)	(613,632)	(535,004)	-	-	(2,574)	(53,634)	(9,104)	(4,677,870)
EBITDA	968,906	992,692	1,461,565	433,459	1,976,658	252,605	813,187	-	-	283,081	131,236	9,104	7,322,493
Segment assets	5,744,338	9,637,587	5,252,918	6,321,164	12,944,709	6,249,043	5,540,904	-	-	1,680,328	3,279,072	3,414,774	60,064,837
Including property, plant and equipment in progress	4,288,497	8,558,897	4,363,079	4,674,240	11,564,732	5,636,764	5,023,246	-	-	270,321	1,899,709	28,173	46,307,658
Capital expenditure	469,881	1,011,676	999,886	346,299	950,566	293,180	737,486	-	-	164,583	1,909,306	-	6,882,863
Segment liabilities	1,116,777	1,620,646	1,338,878	1,745,546	2,680,482	970,144	993,965	7,191	19,743	1,263,777	3,295,460	20,223,763	35,276,372

PJSC Rosseti North-West
Notes to the Consolidated Financial Statements for the year ended 31 December 2021
(in thousand of Russian rubles, unless otherwise stated)

As at 31 December 2020 and for the year ended 31 December 2020:

	Electricity transmission						Energy retail			Unallo- cated items	Total		
	Arkhau- gelsk branch	Vologda branch	Karelian branch	Mur- mansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Arkhau- gelsk branch	Vologda branch			Pskov- energo- sbyt	Other
Revenue from external customers	5,744,424	7,183,286	7,335,538	7,373,808	7,423,603	4,160,263	966,332	-	8,175,713	14,511	14,511	-	48,377,478
Inter-segment revenue	-	-	-	-	-	-	3,748,727	-	744,606	-	690,875	-	5,184,208
Segment revenue	5,744,424	7,183,286	7,335,538	7,373,808	7,423,603	4,160,263	4,715,059	-	8,920,319	705,386	-	-	53,561,686
Including													
Electricity transmission	5,286,906	6,671,365	7,033,836	7,268,005	6,997,547	4,042,278	4,449,964	-	-	-	-	-	41,749,901
Connection services	69,601	407,274	134,493	17,783	349,055	32,264	190,444	-	-	-	-	-	1,200,914
Rental income	14,528	20,726	152,995	7,801	19,631	9,624	23,520	-	8,918,854	-	36,779	-	8,918,854
Other revenue	373,389	83,921	14,214	80,219	57,370	76,097	51,131	-	1,465	668,607	-	-	283,604
Finance income	3,924	4,636	8,896	10,210	4,843	3,842	3,728	-	2,226	326	-	-	1,406,413
Finance costs	(401,070)	-	-	(166,390)	(178,104)	(133,263)	(61,903)	-	(11,612)	(5,405)	-	-	(957,747)
Depreciation and amortization	(478,659)	(1,111,717)	(479,514)	(373,445)	(1,132,448)	(615,437)	(511,474)	-	(2,429)	(4,259)	-	(9,207)	(4,718,589)
EBITDA	244,520	1,218,702	1,007,850	207,926	792,269	(163,267)	716,703	-	379,603	27,088	27,088	9,207	4,440,601
Segment assets	5,616,703	9,790,312	4,582,881	5,784,037	12,947,551	6,628,617	5,378,773	-	7,820	1,211,821	480,763	3,640,452	56,069,730
Including property, plant and equipment and construction in progress	4,307,782	8,709,440	3,717,347	4,413,583	11,869,128	6,029,881	4,870,049	-	108,837	44,358	44,358	16,109	44,086,514
Capital expenditure	453,617	919,034	503,166	299,383	747,182	428,185	753,761	-	103,973	30,566	30,566	-	4,238,867
Segment liabilities	883,461	1,175,769	1,010,874	1,549,113	3,172,698	987,793	785,521	23,455	22,292	857,234	549,716	21,452,722	32,470,648

(b) Reconciliation of key segment information reportable to the Management Board of the Group with similar items in these consolidated financial statements

The reconciliation of segment revenue:

	Year ended 31 December	
	2021	2020
Segment revenues	57,431,958	53,561,686
Intersegment revenue elimination	(6,549,247)	(5,184,208)
Revenue for which the recognition criteria for IFRS 15 have not been met	(92,740)	(124,615)
Reclassification to other income	(438,459)	-
Revenues per consolidated statement of profit or loss and other comprehensive income	50,351,512	48,252,863

Reconciliation of EBITDA for reporting segments:

	Year ended 31 December	
	2021	2020
EBITDA of reportable segments	7,322,493	4,440,601
Discounting of financial instruments	(38,226)	149,384
Adjustment for expected credit loss	(5,571)	159,778
Adjustment for leases	307,665	296,003
Recognition of post-employment and other long-term employee benefit obligation	151	78,828
Adjustment for assets related to employee benefits	(33,744)	(1,439)
Remeasurement of financial assets measured at fair value through other comprehensive income (transfer of remeasurement to equity)	3,213	2,796
Valuation adjustment for property, plant and equipment	10,149	12,600
Revenue for which the recognition criteria for IFRS 15 have not been met	(92,740)	(124,615)
Provisions	(66,171)	616,909
Other adjustments	(21,479)	(86,949)
EBITDA	7,385,740	5,543,896
Depreciation and amortization	(4,646,426)	(4,783,835)
Impairment of property, plant and equipment and right-of-use assets	(2,765,855)	(991,271)
Interest expenses on financial liabilities at amortized cost	(925,412)	(952,342)
Interest expenses on lease liabilities	(68,333)	(88,487)
Income tax expense	137,485	131,518
Loss for the year per consolidated statement of profit or loss and other comprehensive income	(882,801)	(1,140,521)

The reconciliation of reportable segment total assets:

	Year ended 31 December	
	2021	2020
Total segment assets	60,064,837	56,069,730
Intersegment balances	(1,295,831)	(725,180)
Intersegment financial assets	(19,026)	(20,755)
Valuation adjustment for property, plant and equipment	(2,664,777)	(2,741,054)
Impairment of property, plant and equipment	(5,037,733)	(2,598,523)
Recognition of right-of-use assets	995,764	925,493
Adjustment for inventories valuation	(319,027)	(312,648)
Recognition of assets related to employee benefits	278,977	312,721
Adjustment for expected credit loss	182,395	188,261
Deferred tax assets adjustment	(2,187,092)	(2,222,237)
Discounting of accounts receivable	(11,194)	(17,317)
Other adjustments	(125,223)	(165,472)
Total assets per consolidated statement of financial position	49,862,070	48,693,019

The reconciliation of reportable segment total liabilities:

	Year ended 31 December	
	2021	2020
Total segment liabilities	35,276,372	32,470,648
Intersegment balances	(1,295,831)	(725,180)
Deferred tax liabilities adjustment	(3,771,497)	(3,292,240)
Recognition of pension and other long-term employee benefit obligation	851,324	860,491
Other provisions and accruals	–	(66,171)
Recognition of lease liabilities	1,085,649	1,010,389
Discounting of accounts payable	(121,500)	(165,848)
Other adjustments	130,186	16,786
Total liabilities per consolidated statement of financial position	32,154,703	30,108,875

(c) Major customer

The Group operates in the North-West Region of Russian Federation. The Group does not receive revenue from foreign consumers and does not have non-current assets abroad.

For the years ended 31 December 2021 and 31 December 2020, the Group did not have customers contributing more than 10% of the Group's total revenue.

7. Revenue

	Year ended 31 December	
	2021	2020
Electricity transmission	39,503,777	37,882,928
Sales of electricity and capacity	9,150,803	8,174,248
Connection services	830,020	1,200,914
Other revenue	581,230	714,255
	50,065,830	47,972,345
Rental income	285,682	280,518
	50,351,512	48,252,863

Other revenues are mainly comprised of revenue from services for repair and maintenance of electricity network equipment.

8. Other income

	Year ended 31 December	
	2021	2020
Income from identified non-contracted electricity consumption	42,131	26,910
Income from fines and penalties on commercial contracts	363,142	418,860
Income from disposal (sale) of fixed assets	8,971	–
Insurance reimbursement	52,788	32,983
Accounts payable write-off	40,119	3,862
Income from compensation of losses due to disposal/liquidation of electric grid property	572,355	–
Other income	204,127	83,654
	1,283,633	566,269

9. Other expenses

	Year ended 31 December	
	2021	2021
Loss on disposal of property, plant and equipment	–	3,085
Write-off of construction in progress	183,977	141,128
Other expenses	54,273	4,843
	238,250	149,056

10. Operating expenses

	Year ended 31 December	
	2021	2020
Personnel costs	13,783,512	13,177,936
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	4,646,426	4,783,835
<i>Material expenses, including:</i>		
Electricity for compensation of losses	5,205,787	4,744,559
Electricity for sale	5,053,565	4,503,448
Purchased electricity and heat power for own needs	321,134	276,068
Other material costs	2,494,636	2,501,713
<i>Production work and services, including:</i>		
Electricity transmission services	13,455,020	12,860,871
Repair and maintenance services	606,194	457,831
Other production works and services	156,293	248,085
Taxes and charges other than income tax	404,546	413,736
Rent	72,961	55,915
Insurance	67,259	58,485
<i>Other third-party services, including:</i>		
Communication services	135,914	124,949
Security services	310,333	285,210
Consulting, legal and audit services	160,427	243,900
Software costs and servicing	52,771	54,568
Transportation services	134,985	138,667
Other services	684,858	714,338
Provisions	(10,487)	1,055,836
Other expenses	716,060	382,221
	48,452,194	47,082,171

11. Personnel costs

	Year ended 31 December	
	2021	2020
Wages and salaries	10,220,133	9,868,404
Social security contributions	3,509,790	3,282,689
Losses/(gain) related to defined benefit plan	53,589	26,843
	13,783,512	13,177,936

During the year ended 31 December 2021, there were no deductions for defined contribution programs (for the year ended 31 December 2020: RUB 13,891 thousand).

Remuneration of key management personnel is disclosed in Note 35.

12. Finance income and costs

	Year ended 31 December	
	2021	2020
Finance income		
Interest income on loans, bank deposits, promissory notes and balances in bank accounts	42,841	37,226
Gain on reversal of provision for expected credit losses on financial assets at amortized cost	22,368	–
Dividends receivable	1,217	1,185
Interest income on assets related to employee benefit obligations	12,512	24,118
Effect from initial discounting of financial liabilities	1,389	144,769
Amortization of discount on financial assets	6,192	7,721
	<u>86,519</u>	<u>215,019</u>
Finance costs		
Interest expenses on financial liabilities measured at amortized cost	925,412	952,342
Interest expenses on lease liabilities	68,333	88,487
Impairment loss on financial investments at fair value through profit or loss	–	72,134
Interest expenses on long-term employee benefit obligation	46,382	52,019
Effect from initial discounting of financial assets	70	120
Amortization of discount on financial liabilities	45,737	2,986
Other financial expenses	194	–
	<u>1,086,128</u>	<u>1,168,088</u>

13. Income tax

	Year ended 31 December	
	2021	2020
Current income tax		
Current tax	312,541	75,948
Adjustment of tax for previous periods	(64,253)	(13,182)
Total	<u>248,288</u>	<u>62,766</u>
Deferred income tax	(385,772)	(194,284)
Total income tax expense	<u>(137,484)</u>	<u>(131,518)</u>

Income tax recognized in other comprehensive income:

	Year ended 31 December 2021			Year ended 31 December 2020		
	Before tax	Income tax	Net of tax	Before tax	Income tax	Net of tax
Financial assets measured at fair value through other comprehensive income	(1,486)	297	(1,189)	(1,973)	395	(1,578)
Revaluation of defined benefit obligations	9,016	(1,803)	7,213	44,068	(8,814)	35,254
	<u>7,530</u>	<u>(1,506)</u>	<u>6,024</u>	<u>42,095</u>	<u>(8,419)</u>	<u>33,676</u>

As at 31 December 2021 and 31 December 2020, deferred income tax assets and liabilities are calculated at a rate of 20%, which is expected to be applicable when the respective assets and liabilities are realized.

Profit before tax is reconciled to income tax expenses as follows:

	Year ended 31 December 2021	%	Year ended 31 December 2020	%
Profit/(loss) before tax	(1,020,285)		(1,272,039)	
Income tax at the applicable tax rate 20%	(204,057)	20	(254,408)	(20)
Tax effect on not taxable or non- deductible for tax purposes items	66,573	7	122,890	10
	<u>(137,484)</u>	<u>13</u>	<u>(131,518)</u>	<u>(10)</u>

14. Property, plant and equipment

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other PPE	Construction in progress	Total
<i>Cost/deemed cost</i>						
At 1 January 2020	8,735,725	39,638,306	21,945,588	11,238,857	3,233,883	84,792,359
Reclassification between groups	2,966	1,947	1,399	(6,312)	-	-
Additions	-	-	-	-	4,197,365	4,197,365
Transfer	264,690	2,153,441	985,158	744,475	(4,147,764)	-
Disposals	(3,985)	(7,646)	(5,919)	(76,129)	(193,121)	(286,800)
At 31 December 2020	<u>8,999,396</u>	<u>41,786,048</u>	<u>22,926,226</u>	<u>11,900,891</u>	<u>3,090,363</u>	<u>88,702,924</u>
<i>Accumulated depreciation and impairment</i>						
At 1 January 2020	(3,932,729)	(23,005,072)	(10,614,603)	(7,124,147)	(78,491)	(44,755,042)
Reclassification between groups	(544)	635	(327)	236	-	-
Transfer of impairment losses upon commissioning assets into operation	(19)	(6,072)	(544)	(630)	7,265	-
Depreciation charge	(360,851)	(1,903,076)	(1,188,098)	(944,306)	-	(4,396,331)
Impairment	(74,109)	(565,893)	(290,641)	-	(39,936)	(970,579)
Disposals	2,578	6,653	4,269	73,582	18,943	106,025
At 31 December 2020	<u>(4,365,674)</u>	<u>(25,472,825)</u>	<u>(12,089,944)</u>	<u>(7,995,265)</u>	<u>(92,219)</u>	<u>(50,015,927)</u>
<i>Net book value</i>						
At 1 January 2020	<u>4,802,996</u>	<u>16,633,234</u>	<u>11,330,985</u>	<u>4,114,710</u>	<u>3,155,392</u>	<u>40,037,317</u>
At 31 December 2020	<u>4,633,722</u>	<u>16,313,223</u>	<u>10,836,282</u>	<u>3,905,626</u>	<u>2,998,144</u>	<u>38,686,997</u>
<i>Cost/deemed cost</i>						
At 1 January 2021	8,999,396	41,786,048	22,926,226	11,900,891	3,090,363	88,702,924
Reclassification between groups	(1,842,509)	1,650,248	361,107	(1,68,846)	-	-
Additions	-	-	-	-	6,806,246	6,806,246
Transfer	55,324	2,015,031	2,544,365	1,127,672	(5,742,392)	-
Disposals	(25,718)	(4,521)	(82,995)	(65,686)	(229,036)	(407,956)
At 31 December 2021	<u>7,186,493</u>	<u>45,446,806</u>	<u>25,748,703</u>	<u>12,794,031</u>	<u>3,925,181</u>	<u>95,101,214</u>
<i>Accumulated depreciation and impairment</i>						
At 1 January 2021	(4,365,674)	(25,472,825)	(12,089,944)	(7,995,265)	(92,219)	(50,015,927)
Reclassification between groups	1,112,619	(845,869)	(355,868)	89,118	-	-
Transfer of impairment losses upon commissioning assets into operation	(7)	(2,107)	(567)	(2,652)	5,333	-
Depreciation charge	(306,043)	(1,813,957)	(1,150,123)	(981,933)	-	(4,252,056)
Impairment	(322,911)	(1,245,888)	(834,474)	(50)	(352,587)	(2,755,910)
Disposals	14,475	4,168	40,123	64,433	23,495	146,694
At 31 December 2021	<u>(3,867,541)</u>	<u>(29,376,478)</u>	<u>(14,390,853)</u>	<u>(8,826,349)</u>	<u>(415,978)</u>	<u>(56,877,199)</u>
<i>Net book value</i>						
At 1 January 2021	<u>4,633,722</u>	<u>16,313,223</u>	<u>10,836,282</u>	<u>3,905,626</u>	<u>2,998,144</u>	<u>38,686,997</u>
At 31 December 2021	<u>3,318,952</u>	<u>16,070,328</u>	<u>11,357,850</u>	<u>3,967,682</u>	<u>3,509,203</u>	<u>38,224,015</u>

As at 31 December 2021, construction in progress includes advance payments for property, plant and equipment of RUB 23,654 thousand (31 December 2020: RUB 24,028 thousand) and materials for the fixed assets construction of RUB 868,331 thousand (31 December 2020: RUB 852,643 thousand).

Capitalized interest for the year ended 31 December 2021 amounted to RUB 78,164 thousand (for the year ended 31 December 2020: RUB 54,971 thousand), with capitalization rate during the period of 5.04 - 9.00 % (for 2020: 5.52-7.44 %).

As at 31 December 2021, the initial cost of fully amortized property, plant and equipment amounted to RUB 17,244,083 thousand (as at 31 December 2020: RUB 15,172,427 thousand).

As at 31 December 2021 and 31 December 2020 there are no property, plant and equipment pledged as collateral for loans and borrowings.

Impairment of property, plant and equipment

Changing market and economic conditions, including those related to the coronavirus pandemic (ongoing measures to contain the spread of infection affecting the pace of economic recovery), coupled with the volume of investment projects implemented by the Group, are indicators (signs) of possible depreciation of fixed assets. The Group tested fixed assets for impairment as at 31 December 2021.

Most of the Group's fixed assets are specialized objects that rarely become objects of purchase and sale on the open market, except when they are sold as part of existing enterprises. The market for such fixed assets is not active in the Russian Federation and does not provide enough examples of purchase and sale for a market approach to determine the fair value of these fixed assets to be used. Accordingly, the recoverable value of specialized purpose objects was determined as the value from their use using the method of projected cash flows. This method takes into account the future net cash flows that these fixed assets will generate in the course of operating activities, as well as on disposal, in order to determine the recoverable value of these assets.

Cash-generating units are determined by the Group based on the geographical location of its branches and subsidiaries and are the smallest identifiable groups of assets that generate cash inflows regardless of other assets of the Group.

The following basic assumptions were used to estimate the recoverable amount of assets of generating units:

- Forecast cash flows were determined for the period 2022-2026 based on management's best estimate of electricity transmission volumes, operating and capital costs, and tariffs approved by regulatory authorities for 2022.
- The source for the forecast of electricity transmission tariffs for the forecast period are the indicators of business plans, which are based on tariff models formed taking into account the average annual growth of the tariff for electricity transmission services for the planning period 2022-2026.
- Projected electricity transmission volumes for all generating units was determined based on annual business plans for 2022-2026.
- The interest rate of net cash flow growth in the post-forecast period was 4%.
- The nominal discount rate for the purposes of the test was determined on the basis of the weighted average cost of capital before income tax and amounted to 10.55 % as at 31 December 2021 (as at 31 December 2020 - 9.03 %).

The table below shows the values of management's assumptions on the growth rate of revenue from electricity transmission to the previous year:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Arkhangelsk branch	1.99%	7.15%	3.67%	3.14%	3.40%
Vologda branch	0.82%	6.33%	5.24%	3.29%	3.58%
Karelian branch	-1.44%	6.82%	4.41%	3.39%	3.88%
Murmanskbranch	3.47%	6.27%	3.80%	10.96%	4.49%
Komi Republic branch	1.37%	7.05%	3.39%	3.52%	3.93%
Novgorod branch	0.78%	7.55%	3.37%	3.06%	4.18%
Pskov branch	2.24%	8.15%	4.14%	3.97%	3.85%

According to the Decree of the Government of the Russian Federation No. 20 of 19 January 2022, amendments were made to the Decree of the Government of the Russian Federation No. 1178 of 29 December 2011 "On pricing in the field of regulated prices (tariffs) in the electric power industry". The changes relate to the introduction of the concept of entrepreneurial profit into regulated electricity transmission activities, which was taken into account for the purposes of the test in the forecast period starting from 2023. In the absence from 2023 of the expected business profit in the Vologda branch leads to an additional impairment loss in the amount of RUB 2,366,405 thousand; in the branch in the Komi Republic leads to an additional impairment loss in the amount of RUB 2,473,339 thousand; in the Pskov branch leads to an impairment loss in the amount of RUB 77,521 thousand.

According to the results of testing, as of 31 December 2021, an impairment loss of fixed assets was recognized in the branch in the Komi Republic in the amount of RUB 1,647,557 thousand and in the Vologda branch in the amount of RUB 1,118,298 thousand.

Sensitivity analysis on the material assumptions on the basis of which impairment models are built for the EGDS of PJSC ROSSETI Northwest (Arkhangelsk, Vologda, Karelian, Murmansk, Novgorod, Pskov branches, as well as a branch in the Komi Republic) as of 31 December 2021 is presented below:

- an increase in the discount rate to 11.55% leads to an additional impairment loss for the Vologda branch in the amount of RUB 964,505 thousand, to an additional impairment loss for the branch in the Komi Republic in the amount of RUB 1,098,245 thousand;
- reduction of the required gross revenue to the base value in each period in the Vologda branch by 1% leads to an additional impairment loss in the amount of RUB 867,855 thousand; in the branch in the Komi Republic by 1% leads to an additional impairment loss in the amount of RUB 869,572 thousand; in the Karelian branch by 9% leads to the occurrence of an impairment loss in the amount of RUB 518,960 thousand; in the Murmansk branch by 3% leads to an impairment loss in the amount of RUB 720,524 thousand; in the Pskov branch by 3% leads to an impairment loss in the amount of RUB 179,945 thousand;
- an increase in the level of operating expenses to the base value in each period in the Vologda branch by 1% leads to an additional impairment loss in the amount of RUB 834,888 thousand, in the branch in the Komi Republic by 1% leads to an additional impairment loss in the amount of RUB 832,190 thousand; in the Novgorod branch by 5% leads to the occurrence of an impairment loss in the amount of RUB 711,785 thousand;
- a decrease in the growth rate of net cash flow in the post-forecast period by 1% leads to an additional impairment loss for the Vologda branch in the amount of RUB 730,088 thousand; to an additional impairment loss for the branch in the Komi Republic in the amount of RUB 831,301 thousand.

15. Intangible assets

	Software	Certificates, licenses and patents	Other intangible assets	Total intangible assets
<i>Initial cost</i>				
At 1 January 2020	402,881	17,369	114,054	534,304
Reclassification between groups	276	228	(504)	-
Additions	223,038	3,768	55,288	282,094
Disposals	(129,947)	(15,484)	(6,396)	(151,827)
At 31 December 2020	496,248	5,881	162,442	664,571
<i>Accumulated amortization and impairment</i>				
At 1 January 2020	(246,097)	(14,747)	(6,514)	(267,358)
Reclassification between groups	(149)	-	149	-
Amortization charge	(135,063)	(3,302)	(9,583)	(147,948)
Disposals	128,249	15,466	7,239	150,954
At 31 December 2020	(253,060)	(2,583)	(8,709)	(264,352)
<i>Net book value</i>				
At 1 January 2020	156,784	2,622	107,540	266,946
At 31 December 2020	243,188	3,298	153,733	400,219
<i>Initial cost</i>				
At 1 January 2021	496,248	5,881	162,442	664,571
Transfer	138,091	2,591	(140,682)	-
Additions	-	-	252,607	252,607
Disposals	(109,060)	(3,575)	-	(112,635)
At 31 December 2021	525,279	4,897	274,367	804,543
<i>Accumulated amortization and impairment</i>				
At 1 January 2021	(253,060)	(2,583)	(8,709)	(264,352)
Amortization charge	(150,128)	(2,592)	(4,011)	(156,731)
Disposals	109,059	3,574	-	112,633
At 31 December 2021	(294,129)	(1,601)	(12,720)	(308,450)
<i>Net book value</i>				
At 1 January 2021	243,188	3,298	153,733	400,219
At 31 December 2021	231,150	3,296	261,647	496,093

The amount of amortization of intangible assets included in operating expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 is RUB 156,707 thousand (for the year ended 31 December 2020: RUB 147,941 thousand).

16. Right-of-use assets

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
<i>Initial cost</i>					
At 1 January 2020	620,282	85,491	13,340	33,550	752,663
Additions	71,663	465,470	7,784	98,733	643,650
Modification of lease terms	(43,148)	667	1,035	-	(41,446)
Disposal or termination of lease	(32,429)	(130)	(7,003)	(1,325)	(40,887)
At 31 December 2020	616,368	551,498	15,156	130,958	1,313,980
<i>Accumulated amortization and impairment</i>					
At 1 January 2020	(105,668)	7(15,775)	(2,235)	(15,280)	(138,958)
Amortization charge	(106,814)	(107,572)	(3,414)	(26,192)	(243,992)
Modification of lease terms	2,293	20	283	190	2,786
Impairment	(14,716)	(5,832)	(127)	(17)	(20,692)
Disposal or termination of lease	9,683	240	2,028	418	12,369
At 31 December 2020	(215,222)	(128,919)	(3,465)	(40,881)	(388,487)
<i>Net book value</i>					
At 1 January 2020	514,614	69,716	11,105	18,270	613,705
At 31 December 2020	401,146	422,579	11,691	90,077	925,493
<i>Initial cost</i>					
At 1 January 2021	616,368	551,498	15,156	130,958	1,313,980
Additions	415,580	875	1,605	1,342	419,402
Modification of lease terms	(48,520)	(12)	(913)	349	(49,096)
Disposal or termination of lease	(239,640)	(3,506)	(1,274)	(112)	(244,532)
At 31 December 2021	743,788	548,855	14,574	132,537	1,439,754
<i>Accumulated amortization and impairment</i>					
At 1 January 2021	(215,222)	(128,919)	(3,465)	(40,881)	(388,487)
Amortization charge	(104,440)	(106,097)	(2,819)	(27,041)	(240,397)
Modification of lease terms	5,957	275	297	-	6,529
Impairment	(8,941)	(96)	(592)	(316)	(9,945)
Disposal or termination of lease	186,478	1,164	591	77	188,310
At 31 December 2021	(136,168)	(233,673)	(5,988)	(68,161)	(443,990)
<i>Net book value</i>					
At 1 January 2021	401,146	422,579	11,691	90,077	925,493
At 31 December 2021	607,620	315,182	8,586	64,376	995,764

For the purpose of the impairment test specialized right-of-use assets (including leased land under own and leased specialized facilities) are classified as CGU assets in the same way as own non-current assets based on the geographical location of branches and subsidiaries.

The use value of the right-of-use assets is determined using the discounted cash flow method. Information on the impairment test conducted as at 31 December 2021 is disclosed in Note 14.

17. Financial investments

	31 December 2021	31 December 2020
Non-current		
Financial assets at fair value through other comprehensive income		
<i>investments in quoted equity instruments</i>	11,271	12,739
<i>investments in unquoted equity instruments</i>	1,057	1,075
Financial assets at fair value through profit or loss	485,991	463,623
	498,319	477,437

As at 31 December 2021, financial assets measured at fair value through other comprehensive income include shares of PJSC TGC-1 and PJSC FGC UES, as well as other securities with a fair value of RUB 12,328 thousand (as at 31 December 2020: RUB 13,814 thousand). At the end of each reporting period, the fair value of the shares of PJSC TGC-1 and PJSC FGC UES is estimated using market quotations (initial data of level 1), other securities - without the use of observable market data (unobservable initial data - level 3).

For the year ended 31 December 2021, a decrease in the fair value of financial assets measured at fair value through other comprehensive income in the total amount of RUB 1,486 thousand was recorded in other comprehensive income (for the year ended 31 December 2020: a decrease in the fair value of financial assets of RUB 1,973 thousand).

As at 31 December 2021, financial investments measured at fair value through profit or loss, include a subordinated deposit to Bank Tavrichesky (PJSC), which the Group placed with the Bank in 2015 as part of the Bank's rehabilitation project. As at 31 December 2021, the nominal amount of the Group's deposit with Bank Tavrichesky (PJSC) was RUB 2,080,000 thousand (as at 31 December 2020: RUB 2,080,000 thousand).

The fair value of this financial instrument as at 31 December 2021 is determined by discounting cash flows at a rate of 12.89 %, reflecting the presence of industry, market, financial and other risks, including the risk of the probability of non-repayment of financial investments, as at the reporting date (as at 31 December 2020: 12.44%).

The gain from the revaluation of fair value recorded as part of finance costs for the year ended 31 December 2021 amounted to RUB 22,368 thousand (for the year ended 31 December 2020, the revaluation loss amounted to RUB 72,134 thousand).

Currently, the Bank operates as usual, providing a full range of services to its customers, including timely settlement and payment.

As at 31 December 2021, the deposit carrying amount with an initial maturity of more than three months was RUB 485,991 thousand (as at 31 December 2020: RUB 463,623 thousand).

18. Deferred tax assets and liabilities

The differences between IFRS and Russian tax law result in temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for income tax purposes.

(a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Net	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Property, plant and equipment	–	–	(1,842,344)	(2,281,041)	(1,842,344)	(2,281,041)
Intangible assets	–	992	(6,922)	–	(6,922)	992
Right-of-use assets	–	–	(199,153)	(185,078)	(199,153)	(185,078)
Financial assets at amortized cost	–	–	–	–	–	–
Financial assets at fair value through profit or loss	318,802	323,275	–	–	318,802	323,275
Financial assets at fair value through other comprehensive income	–	–	(1,056)	(1,354)	(1,056)	(1,354)
Inventories	339	64	–	–	339	64
Trade and other receivables	795,621	814,074	(34,882)	–	760,739	814,074
Advances issued and other assets	–	1,510	–	–	–	1,510
Lease liabilities	221,531	203,998	–	–	221,531	203,998
Provisions	533,929	560,895	–	–	533,929	560,895
Employee benefit liabilities	–	–	(7,960)	(26,656)	(7,960)	(26,656)
Trade and other payables	–	1,587	(23,389)	–	(23,389)	1,587
Other	109,899	62,266	(6,034)	(419)	103,865	61,847
Tax assets/(liabilities)	1,980,121	1,968,661	(2,121,741)	(2,494,548)	(141,620)	(525,887)
Offset of tax	(1,977,433)	(1,961,120)	1,977,433	1,961,120	–	–
Net tax assets/ (liabilities)	2,688	7,541	(144,308)	(533,428)	(141,620)	(525,887)

(b) Unrecognized deferred tax liabilities

As at 31 December 2021 deferred tax liability in respect of temporary differences arising on investments in subsidiaries in the amount of RUB 334 859 thousand was not recognized (31 December 2020: RUB 49,210 thousand), due to the fact that the Group is able to control the timing of these temporary differences, the realization of which is not expected in the foreseeable future.

(c) **Movement in temporary differences during the year**

	1 January 2021	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2021
Property, plant and equipment	(2,281,041)	438,698	-	(1,842,343)
Intangible assets	992	(7,914)	-	(6,922)
Right-of-use assets	(185,078)	(14,075)	-	(199,153)
Financial assets at fair value through profit or loss	323,275	(4,474)	-	(318,801)
Financial assets at fair value through other comprehensive income	(1,354)	-	297	(1,057)
Inventories	64	275	-	339
Trade and other receivables	814,074	(53,335)	-	760,739
Advances issued and other assets	1,510	(1,510)	-	-
Lease liabilities	203,998	17,533	-	221,531
Provisions	560,895	(26,967)	-	533,928
Employee benefit liabilities	(26,656)	20,499	(1,803)	(7,960)
Trade and other payables	1,587	(24,976)	-	(23,389)
Other	61,847	42,019	-	103,866
	<u>(525,887)</u>	<u>385,773</u>	<u>(1,506)</u>	<u>(141,620)</u>

	1 January 2020	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2020
Property, plant and equipment	(2,344,010)	62,969	-	(2,281,041)
Intangible assets	713	279	-	992
Right-of-use assets	(119,719)	(65,359)	-	(185,078)
Financial assets at amortized cost	308,849	(308,849)	-	-
Financial assets at fair value through profit or loss	-	323,275	-	323,275
Financial assets at fair value through other comprehensive income	(1,748)	-	395	(1,354)
Inventories	192	(128)	-	64
Trade and other receivables	835,604	(21,530)	-	814,074
Advances issued and other assets	10,929	(9,419)	-	1,510
Lease liabilities	131,690	72,308	-	203,998
Provisions	422,467	138,428	-	560,895
Employee benefits assets and liabilities	(4,739)	(13,103)	(8,814)	(26,656)
Trade and other payables	(3,936)	5,523	-	1,587
Other	51,956	9,890	-	61,847
	<u>(711,752)</u>	<u>194,284</u>	<u>(8,419)</u>	<u>(525,887)</u>

19. Inventories

	31 December 2021	31 December 2020
Raw materials and supplies	500,215	451,962
Provision for impairment of raw materials and supplies	(359)	(7)
Other inventories	648,353	594,033
Provision for impairment of other inventories	(11,855)	(9,645)
	<u>1,136,354</u>	<u>1,036,343</u>

As of 31 December 2021, the industry emergency reserve is RUB 237,206 thousand (as of 31 December 2020: RUB 224,643 thousand).

As at 31 December 2021 and 31 December 2020 the Group did not pledge inventories as collateral under loan or other agreements.

During the year ended 31 December 2021 RUB 2,494,636 thousand were recognized as expenses (during the year ended 31 December 2020: RUB 2,501,713 thousand) within operating expenses as "Other material expenses".

20. Trade and other receivables

	31 December 2021	31 December 2020
Non-current trade and other accounts receivable		
Trade receivables	659	1,285
Other receivables	81,091	111,760
	<u>81,750</u>	<u>113,045</u>
Current trade and other accounts receivable		
Trade receivables	10,152,243	10,856,095
Allowance for expected credit loss on trade receivables	(4,672,693)	(6,158,985)
Other receivables	1,225,691	1,171,707
Allowance for expected credit loss on other receivables	(866,046)	(814,048)
	<u>5,839,195</u>	<u>5,054,769</u>

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 32.

Balances with related parties are disclosed in Note 35.

21. Advances issued and other current assets

	31 December 2021	31 December 2020
Non-current		
Advances given	2,682	2,752
VAT on advances received	54,459	33,816
	<u>57,141</u>	<u>36,568</u>
Current		
Advances given	471,087	211,040
Advances given impairment provision	(17,511)	(17,510)
VAT recoverable	348,931	38,819
VAT on advances from customers VAT on advances given for acquisition of fixed assets	471,142	515,915
Prepaid taxes, other than income tax	12,891	18,159
	<u>1,286,540</u>	<u>766,423</u>

Information about balances with related parties is disclosed in Note 35.

22. Cash and cash equivalents

	31 December 2021	31 December 2020
Cash at bank and in hand	665,080	842,490
Cash equivalents	201,872	-
	<u>866,952</u>	<u>842,490</u>

As at 31 December 2021 and as at 31 December 2020, all cash and cash equivalents balances are denominated in rubles.

Cash equivalents as at 31 December 2021 and 31 December 2020 include short-term investments in bank deposits. Deposits are placed at interest rates from 6.4 % to 7.78 % per annum.

23. Equity

(a) Share capital

	Ordinary shares	
	31 December 2021	31 December 2020
Par value (RUB)	0.1	0.1
On issue at 1 January (shares)	95,785,923,138	95,785,923,138
On issue at end of year, fully paid (shares)	<u>95,785,923,138</u>	<u>95,785,923,138</u>

(b) Ordinary shares

The holders of ordinary shares are entitled to vote on all issues on the agenda of the General meeting of shareholders, to receive dividends, in the order determined by the legislation of the Russian Federation and the company Charter, as well as other rights stipulated by the Charter and the legislation of the Russian Federation.

(c) Reserve related to business combination

The Group was formed in 2008 as part of a business combination under common control. Due to the use of the predecessor accounting method, the bulk of the Group's net assets were recognized at the historical value of the net assets of the merged business according to the carrying amount reflected in the predecessor's financial statements prepared in accordance with IFRS, and not at fair value. In accordance with the application of the predecessor accounting method, the difference between the value of issued shares and the book value in accordance with IFRS of contributed assets and non-controlling interests was accounted for as a reserve related to the merger of companies in equity.

(d) Dividends

The source of payment of dividends is the net profit of PJSC ROSSETI North-West, determined in accordance with the requirements established by the current legislation of the Russian Federation.

At the end of 2019, the amount of declared dividends amounted to RUB 313,451 thousand, of which the amount of interim dividends paid at the end of 9 months of 2019 amounted to RUB 191,570 thousand, the remaining amount of dividends paid at the end of 2019 amounted to RUB 121,881 thousand.

At the end of 2020, no dividends were paid.

As of 31 December 2021, there are no unclaimed dividends (as at 31 December 2020: RUB 1,518 thousand).

24. Earnings per share

The calculation of earnings per share for the year ended 31 December 2021 and 31 December 2020 is based on earnings attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding. The Company does not have dilutive financial instruments.

The Company has no dilutive financial instruments.

	<u>Year ended 31 December 2021</u>	<u>Year ended 31 December 2020</u>
Weighted average number of ordinary shares outstanding, for the year ended 31 December (shares)	95,785,923,138	95,785,923,138
loss for the year attributable to holders of ordinary shares	(882,789)	(1,140,502)
loss per ordinary share (in RUB) – basic	(0.0092)	(0.0119)

25. Loans and borrowings

	<u>31 December 2021</u>	<u>31 December 2020</u>
Non-current liabilities		
Unsecured loans and borrowings	12,162,573	11,752,573
Lease liabilities	1,099,480	1,031,123
Less: current portion of long-term lease liabilities	(286,447)	(262,634)
Less: current portion of long-term loans and borrowings	–	(4,000,000)
	<u>12,975,606</u>	<u>8,521,062</u>
Current liabilities		
Unsecured loans and borrowings	2,545,180	3,847,704
Current portion of long-term lease liabilities	286,447	262,634
Current portion of long-term loans and borrowings	–	4,000,000
	<u>2,831,627</u>	<u>8,110,338</u>
Including:		
Interests payable on loans and borrowings	27,048	25,072
	<u>27,048</u>	<u>25,072</u>

As at 31 December 2021 and 31 December 2020 all balances of loans and borrowings are denominated in rubles.

PJSC Rosseti North-West
Notes to the Consolidated Financial Statements for the year ended 31 December 2021
(in thousand of Russian rubles, unless otherwise stated)

	Year of maturity	Effective interest rate		Carrying value	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Unsecured loans and borrowings					
Unsecured bank loans	2023	8.73%	–	2,000,000	–
			Key rate of the Central Bank of the Russian Federation + 1.2% –		
Unsecured bank loans	2021-2022	–	Key rate of the Central Bank of the Russian Federation + 1.45%	–	5,308,866
Unsecured bank loans	2022		–	140,000	–
Unsecured bank loans	2021-2022		5.7-5.75%	–	1,276,393
Unsecured bank loans	2022-2023	8.7%-9%	–	3,056,749	–
Unsecured bank loans	2024	8.44%	–	1,760,000	–
Unsecured bank loans	2023	–	5.73%	–	3,200,000
			Key rate of the Central Bank of the Russian Federation + 0.87% –		
Unsecured bank loans	2022-2023		– Key rate of the Central Bank of the Russian Federation + 1.5%	7,688,295	–
			Key rate of the Central Bank of the Russian Federation + 0% –		
Unsecured bank loans	2021-2023		Key rate of the Central Bank of the Russian Federation + 1.28%	–	2,000,000
Unsecured bank loans	2022	0.51%	–	62,709	–
Unsecured bank loans	2021	–	MosPrime (3M) + 0.5%	–	3,815,018
				<u>14,707,753</u>	<u>15,600,277</u>
Lease liabilities					
Total liabilities		4.43%-10.14%	4.98-10.14%	1,099,480	1,031,123
				<u>15,807,233</u>	<u>16,631,400</u>

The Group does not use hedging instruments to manage interest rate risk.

The Group's exposure to interest rate risk is disclosed in Note 32.

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26. Changes in liabilities from financing activities

	Loans and borrowings	Obligations under	Interest payable,	Lease	Dividends
	Non-current	the factoring	other than % on	Liabilities	payable
	Current	agreement	lease agreements		
At 1 January 2021	7,752,573	-	25,072	1,031,123	9,819
Changes in cash flows from					
Financing activities					
Receiving borrowings	10,312,573	1,511,678	x	x	x
Repayment borrowings	(5,902,573)	(88,179)	x	x	x
Repayment of lease liability	x	x	x	(214,576)	x
Interest paid (operating activities, for reference)	x	x	(1,000,869)	(75,419)	x
Dividends paid	x	x	x	x	(197)
Total	4,410,000	1,423,499	(1,000,869)	(289,995)	(197)
Non-monetary changes					
Transfer	-	-	x	x	x
Interests capitalized	x	x	77,433	731	x
Interest expense	x	x	925,412	68,333	x
Additions of leases	x	x	x	419,402	x
Dividends accrued	x	x	x	x	-
Other changes, net	x	x	-	(130,114)	-
Total	-	-	1,002,845	358,35	-
At 31 December 2021	12,162,573	1,423,499	27,048	1,099,480	9,622

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	Loans and borrowings	Interest payable, other than % on lease agreements	Lease liabilities	Dividends payable
	Non-current	Current		
At 1 January 2020	12,360,000	2,254,116	23,801	198,556
Changes in cash flows from financing activities				
Receiving borrowings	22,000,000	13,683,180	x	x
Repayment borrowings	(22,607,427)	(12,114,664)	x	x
Repayment of lease liability	x	x	(190,257)	x
Interest paid (operating activities)	x	x	(86,861)	x
Dividends paid	x	x	x	(309,100)
Total	(607,427)	1,568,516	(277,118)	(309,100)
Non-monetary changes				
Transfer	(4,000,000)	4,000,000	x	x
Interests capitalized	x	x	2,160	x
Interest expense	x	x	88,487	x
Additions of leases	x	x	643,650	x
Dividends accrued	x	x	x	121,881
Other changes, net	x	x	(83,570)	(1,518)
Total	(4,000,000)	4,000,000	1,005,152	120,363
At 31 December 2020	7,752,573	7,822,632	1,031,123	9,819

27. Employee benefits

The Group has pension obligations and other long-term obligations under defined benefit programs that apply to most employees and retirees. Obligations under defined benefit programs consist of several unsecured plans that provide lump-sum payments at retirement, lifetime old-age pensions, financial support for pensioners, payments in case of death of employees, payments for anniversaries.

Amounts of defined benefit obligations recognized in the consolidated statement of financial position are presented below:

	31 December 2021	31 December 2020
Net post-employment benefits obligation	645,300	676,486
Net other long-term employee benefit obligation	206,024	184,005
Total net obligation	851,324	860,491

Change in assets related to employee benefit obligations:

	Year ended 31 December	
	2021	2020
Assets at 1 January	312,721	314,158
Employer contributions	—	85,574
Investment income	12,512	24,118
Other movements in the accounts	6,744	5,772
Payment of benefits	(53,000)	(116,901)
Assets at 31 December	278,977	312,721

Assets related to defined benefit pension programs are administered by the non-state pension Fund "OTKRITIE". These assets are not assets of defined benefit pension schemes, because under the terms of the existing funds, the Group has the opportunity to use contributions transferred under defined benefit pension schemes to finance its defined contribution pension schemes or transfer to another fund on its own initiative.

Movements in the present value of defined benefit liabilities:

	2021		2020	
	Post- employment benefits	Other long-term employee benefits	Post- employment benefits	Other long-term employee benefits
Defined benefit plan obligations				
as at 1 January	676,486	184,005	803,478	179,908
Current service cost	23,312	17,245	20,813	16,989
Interest expense on liabilities	36,278	10,104	41,471	10,548
Effect of revaluation:				
– loss/(gain) from change in demographic actuarial assumptions	—	—	—	—
– loss/(gain) from change in financial actuarial assumptions	(87,792)	(31,675)	10,910	2,901
– loss/(gain) from experience adjustment	78,776	44,707	(54,978)	(13,860)
Contributions to the plan	(81,760)	(18,363)	(145,208)	(12,481)
Defined benefit plan obligations as at 31 December	645,300	206,023	676,486	184,005

Expenses recognized in profit or loss for the period:

	Year ended 31 December	
	2021	2020
Employees service cost	40,557	37,802
Remeasurement of other long-term employee benefit obligation	13,032	(10,959)
Interest expenses	46,382	52,019
Total (gain)/expenses recognized in profit or loss	99,971	78,862

(Gains)/losses recognized in other comprehensive income for the period:

	Year ended 31 December	
	2021	2020
(Gain)/loss from change in financial actuarial assumptions	(87,792)	10,910
(Gain)/loss from experience adjustment	78,776	(54,978)
Total (gain)/loss recognized in other comprehensive income	(9,016)	(44,068)

Movements in reserve for remeasurement of liabilities in other comprehensive income during the year:

	Year ended 31 December	
	2021	2020
Remeasurements at 1 January	81,238	125,306
Change in remeasurements	(9,016)	(44,068)
Remeasurements at 31 December	72,222	81,238

The key actuarial assumptions are as follows:

	31 December 2021	31 December 2020
Financial assumptions		
Discount rate	8.4%	6.1%
Future salary increase	4.5%	4.5%
Inflation rate	5.0%	4.0%
Demographic assumptions		
Expected age of retirement:		
Men	65	65
Women	60	60

A sensitivity of total employee benefits obligations to changes in the key actuarial assumptions is as follows:

	Change in the assumption	Impact on obligation, %
Discount rate	Increase by 0.5 %	-4.1 %
Future salary growth	Increase by 0.5 %	1.8 %
Future growth of benefits (inflation)	Increase by 0.5 %	3.0 %
Level of staff movement	Increase by 10 %	-1.2 %
Mortality level	Increase by 10 %	-0.4 %

Expected payments under the long-term employee benefit plans in 2022 are RUB 250,294 thousand, including:

- RUB 234,813 thousand under the defined benefit plans, including non-state pension schemes;
- RUB 15,481 thousand under the other long-term employee benefit schemes.

28. Trade and other payables

	31 December 2021	31 December 2020
Non-current accounts payable		
Trade payables	–	5,758
Debt under the factoring agreement	920,353	–
Other payables	732,354	138,159
Total financial liabilities	1,652,707	143,917
Current accounts payable		
Trade payables	3,968,589	3,258,702
Debt under the factoring agreement	503,145	–
Other payables and accrued expenses	1,279,427	388,094
Dividends payable	9,622	9,819
Total financial liabilities	5,760,783	3,656,615
Payables to employees	1,535,835	1,480,710
	7,296,618	5,137,325

The Group's exposure to liquidity risk related to payables is disclosed in Note 32.

29. Taxes, other than income tax

	31 December 2021	31 December 2020
Value-added tax	864,626	941,344
Property tax	85,310	82,308
Social security contributions	349,926	286,499
Other taxes payable	121,820	114,244
	1,421,682	1,424,395

30. Advances received

	31 December 2021	31 December 2020
Non-current		
Advances for connection services	335,218	147,837
Other advances received	33,710	69,305
	368,928	217,142
Current		
Advances for connection services	2,375,793	2,556,625
Other advances received	431,107	620,377
	2,806,900	3,177,002

31. Provisions

	Year ended 31 December 2021	2020
Balance at 1 January	1,938,914	998,058
Increase for the year	677,612	1,130,701
Decrease due to reversal	(673,938)	(74,865)
Provisions used	(150,431)	(114,980)
Balance at 31 December	1,792,157	1,938,914

The provisions were accrued for pending legal cases brought against the Group for ordinary activities, including at 31 December 2021:

- In the amount of RUB 301,813 thousand according to LLC TNS energo Veliky Novgorod regarding disagreements on unaccounted consumption of electric energy that arose during the period 2020 – 2021;
- In the amount of RUB 108,687 thousand for TGC-2 Energosbyt in respect of the disputed debt for the period 2018 – 2020, a claim for unjustified enrichment for services for the transmission of electricity through networks leased under the lease agreement of the electric grid;
- In the amount of RUB 47,529 thousand for LLC SSK in relation to the disputed debt for the period 2019 – 2021;
- In the amount of RUB 1,217,030 thousand. The Group has accrued an estimated property tax liability for 2019 – 2021.

When conducting an on-site tax audit for 2013-2015, it was established that a number of fixed assets were excluded when calculating property tax, applying the provisions of subclause 8, clause 4 of Article 374 of the Tax Code of the Russian Federation (2013-2014), Clause 25 of Article 381 of the Tax Code of the Russian Federation (2015), namely, classifying these objects as movable property registered as fixed assets from 01 January 2013. The following groups of objects have been included in the register of objects reclassified by the Federal Tax Service (from movable to immovable property) overhead and cable power transmission lines of low and medium voltage, transformer substations, switchgears of low and medium voltage, objects of VOLS (Fiber-optic communication line) and AIISKUE (automated information and measurement system of commercial accounting of energy resources).

According to the Inspection, electric grid facilities – overhead, cable transmission lines, overhead transmission poles, transformer substations, switchgear, power grid equipment with a voltage of 0.4-20 kV (low and medium voltage), as well as fiber-optic communication lines, driveways, crossings and warm parking areas, fencing, buildings of a general substation control point are immovable property, and, accordingly, are taxed on the property of organizations.

Based on the decision of the court of appeal not in favor of PJSC ROSSETI North-West, we believe that the risk of additional property tax:

- for the period 2016-2018, the tax in the amount of RUB 192,851 thousand and penalties in the amount of RUB 71,453 thousand is estimated as low due to the expiration of the three-year statute of limitations;
- for 2019-2021, it is estimated as high, the maximum amount of risk: tax in the amount of RUB 1,104,128 thousand and penalties in the amount of RUB 112,902 thousand.

Arbitration practice on the issue of reclassification of movable property into immovable property is contradictory, including for the companies of the PJSC ROSSETI Group.

32. Financial risk and capital management

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

This note provides information on the Group's exposure to each of these risks, examines the goals, policies, procedures for assessing and managing risks and the information about the Group's capital management. More detailed quantitative information is disclosed in the relevant sections of these consolidated financial statements.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

(a) Credit risk

Credit risk is the risk that the Group will incur a financial loss if the buyer or counterparty to a financial instrument fails to meet its contractual obligations in full and on time. Credit risk is mainly related to the Group's accounts receivable, bank deposits, cash and cash equivalents.

Deposits with an initial maturity of more than three months, cash and cash equivalents are placed in financial institutions that have a minimal risk of default and are considered reliable counterparties with a stable financial position in the financial market of the Russian Federation.

Given the structure of the Group's debtors, the Group's exposure to credit risk mainly depends on the individual characteristics of each counterparty. The Group creates a provision for expected credit losses on trade and other receivables, the estimated amount of which is based on the expected credit loss model, weighted by the probability of default, and can be adjusted either upwards or downwards. To do this, the Group analyzes the creditworthiness of counterparties, the dynamics of debt repayment, changes in payment terms, the availability of third-party guarantees, Bank guarantees, and current economic conditions.

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

Where possible, the Group uses a prepayment system in its relationships with counterparties. As a rule, prepayment for technological connection of consumers to networks is stipulated in the contract. The Group does not require collateral for receivables.

In order to effectively manage accounts receivable, the Group monitors changes in the volume of accounts receivable and its structure, identifying current and overdue accounts. In order to minimize credit risk, the Group implements measures aimed at timely fulfilment of contractual obligations by counterparties, reducing and preventing the formation of overdue receivables. Such events include in particular: negotiating with customers, improving the efficiency of the process of formation of volume of services on electricity transmission, ensure the execution concerted with guaranteeing suppliers schedules a test of reading and technical checks of the accounting system of electricity, restriction of the consumption mode of electric power (exercisable in accordance with the legislation of the Russian Federation), claim work, requirements on provision of financial security in the form of independent (Bank) guarantees, guarantees and other forms of securing the performance of obligations.

i. Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure of the Group. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2021	31 December 2020
Financial assets at fair value through other comprehensive income	12,328	13,814
Trade and other receivables (less allowance for expected credit loss)	5,920,945	5,167,814
Cash and cash equivalents	866,952	842,490
Financial assets at fair value through profit or loss	485,991	463,623
	7,286,216	6,487,741

At the reporting date the maximum level of credit risk in respect of trade receivables by customer groups was as follows:

	31 December 2021		31 December 2020	
	Gross	Allowance for expected credit loss	Gross	Allowance for expected credit loss
Buyers of electricity sales services	2,630,951	(1,406,675)	2,657,290	(1,621,603)
Buyers of electricity transmission services	6,845,416	(3,045,651)	7,787,534	(4,309,026)
Buyers of services for sale of heat energy	5,381	(4,880)	5,767	(5,373)
Buyers of technological connection services	103,099	(20,267)	72,296	(29,730)
Other buyers	568,055	(195,220)	334,493	(193,253)
	10,152,902	(4,672,693)	10,857,380	(6,158,985)

The Group's ten most significant debtors account for RUB 2,557,141 thousand of the trade receivables carrying amount at 31 December 2021 (at 31 December 2020: RUB 2,146,814 thousand).

ii. Expected credit loss on trade and other receivables

The distribution of trade and other receivables by statute of limitations is presented below::

	31 December 2021		31 December 2020	
	Gross	Allowance for expected credit loss	Gross	Allowance for expected credit loss
Not past due	3,894,143	(112,393)	3,208,396	(12,105)
Past due less than 3 months	1,431,821	(194,253)	1,196,483	(243)
Past due more than 3 months and less than 6 months	389,911	(22,089)	379,540	(94)
Past due more than 6 months and less than 1 year	697,736	(208,780)	805,150	(482,555)
Past due more than 1 year	5,046,073	(5,001,224)	6,551,278	(6,478,036)
	11,459,684	(5,538,739)	12,140,847	(6,973,033)

The movement of the allowance for expected credit losses on trade and other receivables is as follows:

	2021	2020
At 1 January	(6,973,033)	(8,391,419)
Increase in provision for the period	(675,235)	(1,115,456)
Amounts of trade and other receivables written off against provision	1,633,816	2,333,990
Reversal of provision for the period	475,713	199,852
Balance at 31 December	(5,538,739)	(6,973,033)

As at 31 December 2021 and 31 December 2020, the Group has no contractual basis for the offsetting of financial assets and financial liabilities, and the Group's management does not envisage any future offsetting on the basis of additional agreements.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Management of liquidity risk involves maintaining sufficient cash and the availability of financial resources by securing credit lines. The Group adheres to a balanced model of financing working capital by using both short-term and long-term sources. Free funds are invested in the short-term financial instruments such as bank deposits.

The Group's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damaging the Group's reputation. This approach is used to analyse payment dates associated with financial assets, and also to forecast cash flows from operating activities.

As at 31 December 2021, the amount of the free limit on the Group's open but unused credit lines amounted to RUB 38,512,003 thousand (as at 31 December 2020: RUB 26,764,795 thousand). The Group has the opportunity to attract additional financing within the relevant limits, including to ensure the fulfillment of its short-term obligations and in the event of a risk of a working capital deficit, which as at 31 December 2021 amounted to RUB 6,894,925 thousand (as at 31 December 2020: RUB 12,099,837 thousand).

Information about the contractual maturities of financial liabilities, including estimated interest payments and without influence of netting, is provided below. With respect to the cash flows included in the maturity analysis, it is not expected that they can arise much earlier in time or in significantly different amounts:

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31 December 2021	Carrying amount	Contractual cash flows	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
Loans and borrowings	14,707,753	16,457,651	3,799,087	12,658,565	-	-	-	-
Lease liabilities	1,099,480	1,752,948	296,082	291,676	266,526	137,322	77,704	683,638
Trade and other payables	8,949,325	9,098,699	7,296,618	404,187	367,208	309,472	191,332	529,882
	24,756,558	27,309,298	11,391,787	13,354,428	633,734	446,794	269,036	1,213,520
31 December 2020								
Non-derivative financial liabilities								
Loans and borrowings	15,600,277	16,747,255	8,562,284	3,930,706	4,254,265	-	-	-
Lease liabilities	1,031,123	1,739,974	293,760	210,789	207,198	180,663	50,723	796,841
Trade and other payables	5,281,242	5,447,089	5,137,325	23,093	16,318	16,318	16,318	237,717
	21,912,642	23,934,318	13,993,369	4,164,588	4,477,781	196,981	67,041	1,034,558

(c) Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates, prices of goods and cost of capital that will affect the Group's financial results or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

i. Currency risk

Income and expenses, as well as monetary assets and liabilities of the Group are denominated in rubles. Changes in exchange rates do not have a direct impact on the Group's income and expenses.

ii. Interest rate risk

Changes in interest rates mainly have an impact on loans and borrowings, since they change either their fair value (for loans and borrowings with a fixed rate) or future cash flows (for loans and borrowings with a floating rate). The Group's management does not adhere to any established rules when determining the ratio between loans and borrowings at fixed and floating rates. At the same time, at the time of attraction of new loans and borrowings, a decision is made on the basis of judgment as to which rate – fixed or floating - will be most beneficial for the Group for the entire settlement period until the maturity of the debt.

As a rule, loan agreements entered into by the Group do not contain any charges for the early repayment of loans on the borrower's initiative, which facilitates additional flexibility in relation to optimizing interest rates in the current economic environment.

Fair value sensitivity analysis for financial instruments with fixed interest rate

The Group does not account for any financial assets and liabilities with fixed interest rate at fair value through profit or loss for the period. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

(d) Fair values and carrying amounts

Below is a comparison of the values of the fair and carrying amounts of the Group's financial instruments, with the exception of those financial instruments whose carrying amount corresponds to their fair value:

Financial instruments	Note	31 December 2021		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Financial assets measured at fair value through profit or loss						
Long-term bank deposits	17	485,991	485,991	-	-	485,991
Financial assets measured at amortised cost						
Long-term accounts receivable	20	81,750	73,278	-	-	73,278
Financial assets at fair value through other comprehensive income						
Investments in equity instruments	17	12,328	12,328	11,240	-	1,088
Financial liabilities measured at amortised cost						
Current and non-current loans and borrowings	25	(14,707,753)	(14,713,574)	-	-	(14,713,574)
Non-current accounts payable	28	(1,652,707)	(1,622,801)	-	-	(1,622,801)
		(15,780,391)	(15,764,778)	11,240	-	(15,776,018)

Financial instruments	Note	31 December 2020		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Financial assets measured at fair value through profit or loss						
Long-term bank deposits	17	463,623	463,623	–	–	463,623
Financial assets measured at amortised cost						
Long-term accounts receivable	20	113,045	106,468	–	–	106,468
Financial assets at fair value through other comprehensive income						
Investments in equity instruments	17	13,814	13,814	12,739	–	1,075
Financial liabilities measured at amortised cost						
Current and non-current loans and borrowings	25	(15,600,277)	(15,284,303)	–	–	(15,284,303)
Non-current accounts payable	28	(143,917)	(157,566)	–	–	(157,566)
		<u>(15,153,712)</u>	<u>(14,857,964)</u>	<u>12,739</u>	<u>–</u>	<u>(14,870,703)</u>

The interest rate used to discount expected future cash flows on long-term bank deposits for the purpose of determining the disclosed fair value as at 31 December 2021 was 12.89 % (as of 31 December 2020: 12.44%).

The interest rate used to discount expected future cash flows on long-term accounts receivable for determining the disclosed fair value as at 31 December 2021 was 7.50 - 7.55 % (as at 31 December 2020: 4.15 - 4.73%).

The interest rate used to discount expected future cash flows on long-term accounts payable for determining the disclosed fair value as at 31 December 2020 was 8.41 - 9.32 % (as at 31 December 2020: 6.48 - 7.12 %).

The interest rate used to discount the expected future cash flows for long-term and short-term loans and borrowings for the purpose of determining the fair value disclosed as at 31 December 2021 was 9.17 % (as at 31 December 2020: 6.79 %).

During 2021, there were no transfers between the levels of the fair value hierarchy.

The reconciliation of the carrying amounts of financial assets at fair value at the beginning and end of the reporting period is presented in the table below:

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
At 1 January 2021	463,623	13,814
Change in fair value recognized in other comprehensive income	x	(1,486)
Change in fair value recognized in profit or loss	22,368	x
Balance at 31 December 2021	<u>485,991</u>	<u>12,328</u>

(e) Capital management

The main goal of capital management for the Group is to maintain a consistently high level of capital that allows maintaining the confidence of investors, creditors and market participants and ensuring sustainable business development in the future.

The Group monitors the structure and return on equity using coefficients calculated on the basis of the consolidated financial statements in accordance with IFRS, management statements and statements

prepared in accordance with RAS. The Group analyzes the dynamics of the indicators of total debt and net debt, the structure of debt, as well as the ratio of equity and debt capital.

The Group manages its debt position by implementing a credit policy aimed at improving financial stability, optimizing its debt portfolio and building long-term relationships with debt capital market participants. To manage the debt position, the Group applies limits, including the categories of financial leverage, debt coverage, and debt service coverage. The initial data for calculating the limits are the RAS reporting indicators.

33. Capital commitments

As at 31 December 2021, the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment items for RUB 2,066,605 thousand, including VAT (as at 31 December 2020: RUB 3,645,511 thousand including VAT).

34. Contingencies

(a) Insurance

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

(b) Taxation contingencies

Russian tax legislation allows for different interpretations in relation to the Group's operations and activities. Accordingly, the management's interpretation of the tax legislation and its formal documentation can be successfully challenged by the relevant regional or federal authorities. Tax administration in Russia is gradually being strengthened. In particular, the risk of checking the tax aspect of transactions without obvious economic meaning or with counterparties that violate tax legislation increases. Tax audits may cover the three calendar years preceding the year of the decision on the tax audit. Under certain conditions, earlier periods may also be checked.

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

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

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

(c) Legal proceedings

The Group is party to a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business.

In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

(d) Environmental matters

The Group has been operating in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is being reconsidered. Potential liabilities arising as a result of a change in interpretation of existing regulations, civil litigation or changes in legislation cannot be estimated. Under existing legislation, management believes that there are no probable liabilities, which will have a material adverse effect on the Group's financial position, results of operations or cash flows.

35. Related party transactions

(a) Control relationships

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

The main related parties of the Group for the year ended 31 December 2021 and 31 December 2020, as well as at 31 December 2021 and 31 December 2020, were the parent company, its subsidiaries, key management personnel, as well as companies related to the main shareholder of the parent company.

(b) Transactions with the parent, its subsidiaries

	Amount of transaction		Carrying amount	
	for the year ended 31 December 2021	2020	31 December 2021	31 December 2020
Revenue, other income, finance income				
<i>The parent company</i>				
Other revenue	1,230	1,230	-	-
<i>Entities under common control of the parent company</i>				
Connection services	82	82	-	-
Electricity sales	358	-	58	-
Other revenue	1,450	54,563	152,560	152,014
Other income	1,680	1,181	41,145	33,738
Dividends receivable	41	-	-	-
	4,841	57,056	193,763	185,752
Operating expenses, finance costs				
<i>The parent company</i>				
Consulting, legal and audit services	101,983	126,353	17,732	23,226
Other production works and services	28,413	28,413	-	-
Interest expenses on financial liabilities measured at amortized cost	197,566	13,575	-	15,018
<i>Entities under common control of the parent company</i>				
Electricity for sale	5,893	-	471	-
Electricity transmission services	7,224,539	7,049,501	587,130	567,970
Connection services	4,002	8,451	1,116	92
Repair and maintenance services	18,036	2,060	5,516	2,038
Rent	531	562	375	335
Communication services	33,651	23,516	7,146	7,893
Software and maintenance costs	8,842	6,304	24,914	2,320
Expected credit losses	1,653	183,080	184,733	183,080
Provisions	-	(63,288)	-	-
Other expenses	52,575	44,077	212,835	102,139
	7,677,684	7,422,604	1,041,968	904,111

	Carrying amount	
	31 December 2021	31 December 2020
The parent company		
Loans and borrowings	–	(3,800,000)
Entities under common control of the parent company		
Advances issued, including advances issued as part of the Intangible assets	37,066	5,258
Advances received	(36,999)	(2,248)

As of December 31, 2021 and as of December 31, 2020, there is no debt to the parent company for the payment of dividends.

(c) Transactions with key management personnel

For the purposes of these consolidated financial statements, the key management personnel include members of the Board of Directors, General Director and his deputies.

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

The amounts of key management personnel remuneration disclosed in the table are recognized as an expense related to key management personnel during the reporting period and included in personnel costs.

	Year ended 31 December	
	2021	2020
Short-term remuneration for employees	262,528	301,087
Post-employment benefits and other long-term benefits (including pension programs)	187	6,691
	262,715	307,778

As at 31 December 2021, the present value of obligations under defined benefit and defined contribution programs and other end-of-employment benefits reflected in the consolidated statement of financial position includes liabilities for key management personnel in the amount of RUB 817 thousand (as of 31 December 2020: RUB 905 thousand).

(d) Transactions with government-related entities

As part of its day-to-day operations, the Group carries out transactions with other state-related companies. These operations are carried out at regulated tariffs or at market prices, market interest rates. Taxes are accrued and paid in accordance with Russian tax legislation.

Revenue from companies related to the main shareholder of the parent company is 18.03% of the Group's total revenue for the year ended 31 December 2021 (for the year ended 31 December 2020: 26.94%), including 17.8% of revenue from electricity transmission (for the year ended 31 December 2020: 18.73%).

Electricity transmission costs (including compensation for technological losses) for companies related to the main shareholder of the parent company amount to 51.50 % of total electricity transmission costs for the year ended 31 December 2021 (for the year ended 31 December 2020: 63.78 %).

Interest accrued on loans and borrowings from banks related to the main shareholder of the parent company for the year ended 31 December 2021 amounted to 64.57% of the total amount of accrued interest (for the year ended 31 December 2020: 68.14%).

As of 31 December 2021, loans and borrowings received from banks associated with the main shareholder of the parent company amounted to RUB 19,386,833 thousand (as of 31 December 2020, RUB 26,545,180 thousand).

As of 31 December 2021, the balance of cash and cash equivalents placed with banks associated with the main shareholder of the parent company amounted to RUB 575,569 thousand (as of 31 December 2020 RUB 839,689 thousand).

As of 31 December 2021, lease obligations for companies related to the main shareholder of the parent company amounted to RUB 529,804 thousand (as of 31 December 2020: RUB 696,662 thousand).

36. Events after the reporting date

There are no significant events that have or may have an impact on the financial condition, cash flows or results of operations of the Group that occurred between the reporting date and the date of signing of the consolidated financial statements of the Group for the year ended 31 December 2021, prepared in accordance with IFRS, except for the events disclosed in Note 1 in relation to the economic environment in which the Group operates.