

Report on Review of Interim Financial Information
Public Joint Stock Company "Rosseti North-West"
and its subsidiaries
for the three and six-month period ended 30 June 2022

August 2022

**Report on Review of Interim Financial Information
of Public Joint Stock Company "Rosseti North-West"
and its subsidiaries**

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Report on Review of Interim Financial Information

To the shareholders and Board of Directors of
Public Joint Stock Company
"Rosseti North-West"

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Public Joint Stock Company "Rosseti North-West" (the "Company") and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2022, the interim condensed consolidated statement of profit or loss and other comprehensive income for the three and six-month period then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management of Public Joint Stock Company "Rosseti North-West" is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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



**НОВЫЕ ВЫЗОВЫ
НОВЫЕ РЕШЕНИЯ**

Conclusion

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

A.B. Kalmykova
Partner
TSATR – Audit Services Limited Liability Company

24 August 2022

Details of the auditor

Name: TSATR – Audit Services Limited Liability Company
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.
TSATR – Audit Services Limited Liability Company is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". TSATR – Audit Services Limited Liability Company is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Details of the 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
*Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the three and six months ended 30 June 2022 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)*

	Notes	Three months ended 30 June (unaudited)		Six months ended 30 June (unaudited)	
		2022	2021	2022	2021
Revenue	6	11,740,690	11,313,234	25,788,655	25,413,883
Operating expenses	8	(11,303,541)	(10,912,228)	(23,959,835)	(23,525,299)
Expected credit losses		1,151	(72,237)	330	(47,841)
Other income	7	267,783	123,848	495,335	246,392
Other expenses		(4,408)	(46,016)	(6,217)	(40,023)
Results from operating activities		701,675	406,601	2,318,268	2,047,112
Finance income	9	73,508	12,159	127,751	49,526
Finance costs	9	(786,971)	(236,471)	(1,288,510)	(494,641)
Total finance costs		(713,463)	(224,312)	(1,160,759)	(445,115)
Profit/(loss) before tax		(11,788)	182,289	1,157,509	1,601,997
Income tax expense	10	(26,273)	(78,651)	(288,696)	(352,803)
Profit/(loss) for the period		(38,061)	103,638	868,813	1,249,194
Other comprehensive income					
<i>Items that will never be reclassified subsequently to profit or loss</i>					
Change in the fair value equity investments measured at fair value through other comprehensive income		1,718	893	(1,137)	1,346
Remeasurement of the defined benefit liability		(117,998)	4,529	(55,237)	55,003
Income tax	10	23,255	(1,084)	11,274	(11,270)
Other comprehensive income/(loss) for the period, net of income tax		(93,025)	4,338	(45,100)	45,079
Total comprehensive income/(loss) for the period		(131,086)	107,976	823,713	1,294,273
Profit/(loss) attributable to:					
Owners of the Company		(38,345)	103,642	868,543	1,249,204
Non-controlling interest		284	(4)	270	(10)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		(131,370)	107,980	823,443	1,294,283
Non-controlling interest		284	(4)	270	(10)
Earnings/(loss) per share					
Basic earnings/(loss) per ordinary share (in RUB)	19	(0.0004)	0.0011	0.0091	0.0130

These Interim Condensed Consolidated Financial Statements were approved by management on 24 August 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
Interim Condensed Consolidated Statement of Financial Position
as at 30 June 2022 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)

	Notes	30 June 2022 (unaudited)	31 December 2021 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	40,922,130	38,224,015
Intangible assets	12	482,895	496,093
Right-of-use assets	13	989,041	995,764
Trade and other receivables	15	81,967	81,750
Assets related to employee benefits plans		280,363	278,977
Other non-current financial assets	14	362,804	498,319
Deferred tax assets		1,523	2,688
Advances issued and other non-current assets	16	145,735	57,141
Total non-current assets		43,266,458	40,634,747
Current assets			
Inventories		1,721,654	1,136,354
Income tax prepayments		315,860	98,282
Trade and other receivables	15	5,061,936	5,839,195
Cash and cash equivalents	17	2,329,793	866,952
Advances issued and other current assets	16	1,496,305	1,286,540
Total current assets		10,925,548	9,227,323
Total assets		54,192,006	49,862,070
EQUITY AND LIABILITIES			
Equity			
Share capital	18	9,578,592	9,578,592
Reserve related to business combination	18	10,457,284	10,457,284
Other reserves		(97,222)	(52,122)
Accumulated loss		(1,408,049)	(2,276,592)
Total equity attributable to owners of the Company		18,530,605	17,707,162
Non-controlling interest		475	205
Total equity		18,531,080	17,707,367
Non-current liabilities			
Loans and borrowings	20	6,502,218	12,975,606
Trade and other payables	21	1,648,303	1,652,707
Advances received	23	925,905	368,928
Employee benefit liabilities		949,505	851,324
Deferred tax liabilities		296,873	144,308
Total non-current liabilities		10,322,804	15,992,873
Current liabilities			
Loans and borrowings and short-term portion of long-term loans and borrowings	20	10,776,469	2,831,627
Trade and other payables	21	8,218,837	7,296,618
Taxes, other than income tax	22	1,928,235	1,421,682
Advances received	23	2,928,194	2,806,900
Provisions		1,478,517	1,792,157
Current income tax liabilities		7,870	12,846
Total current liabilities		25,338,122	16,161,830
Total liabilities		35,660,926	32,154,703
Total equity and liabilities		54,192,006	49,862,070

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

PJSC Rosseti North-West
*Interim Condensed Consolidated Statement of Cash Flows
for the six months ended 30 June 2022 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)*

	Notes	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		868,813	1,249,194
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	8	2,404,500	2,310,016
Finance costs	9	1,288,510	494,641
Finance income	9	(127,751)	(49,526)
Loss on disposal of property, plant and equipment		(21,833)	4,273
Expected credit loss		(330)	47,841
Accounts receivable write-off		1,298	1,282
Accounts payable write-off		(27,365)	(14,308)
Change in provisions		(260,026)	(47,900)
Other non-cash transactions		(13,966)	29,981
Income tax expense	10	288,696	352,803
Total effect of adjustments		3,531,733	3,129,103
Change in financial assets related to employee benefits plans		7,122	17,665
Change in employee benefit liabilities		8,459	(37,455)
Change in long-term trade and other receivables		(217)	3,105
Change in long-term advances issued and other non-current assets		(88,594)	6,037
Change in long-term trade and other payables		(18,320)	11,318
Change in long-term advances received		556,977	(26,727)
Cash flows from operating activities before changes in working capital and provisions		4,865,973	4,352,240
<i>Changes in working capital</i>			
Change in trade and other receivables		795,242	374,481
Change in advances issued and other assets		(343,463)	(138,618)
Change in inventories		(573,455)	(372,959)
Change in trade and other payables		(429,103)	(474,883)
Change in advances received		121,294	131,964
Use of provision		(58,750)	(99,295)
Cash flows from operating activities before income tax and interest paid		4,377,738	3,772,930
Income tax paid		(346,225)	(615,471)
Interest paid under lease agreements		(39,802)	(30,300)
Interest paid		(1,092,500)	(417,796)
Net cash from operating activities		2,899,211	2,709,363
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(2,660,171)	(1,683,563)
Proceeds from the sale of property, plant and equipment and intangible assets		29,725	9,826
Interest received		114,849	21,277
Dividends received		168	–
Net cash used in investing activities		(2,515,429)	(1,652,460)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	20	10,478,695	9,437,202
Repayment of loans and borrowings	20	(9,280,036)	(10,687,573)
Dividends paid		(98)	(73)
Repayment of finance lease liabilities		(119,502)	(113,667)
Net cash (used in) / from financing activities		1,079,059	(1,364,111)
Net (decrease)/increase in cash and cash equivalents		1,462,841	(307,208)
Cash and cash equivalents at the year beginning		866,952	842,490
Cash and cash equivalents at the year end	17	2,329,793	535,282

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

PJSC Rosseti North-West
Interim Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2022 (unaudited)
(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 / (accumulated loss)	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
Profit/(loss) for the period	–	–	–	1,249,204	1,249,204	(10)	1,249,194
Other comprehensive income	–	–	56,349	–	56,349	–	56,349
Income tax related to other comprehensive income	–	–	(11,270)	–	(11,270)	–	(11,270)
Total comprehensive income/(loss) for the period	–	–	45,079	1,249,204	1,294,283	(10)	1,294,273
Balance at 30 June 2021 (unaudited)	9,578,592	10,457,284	(13,067)	(144,599)	19,878,210	207	19,878,417
Balance at 1 January 2022	9,578,592	10,457,284	(52,122)	(2,276,592)	17,707,162	205	17,707,367
Profit for the period	–	–	–	868,543	868,543	270	868,813
Other comprehensive loss	–	–	(56,374)	–	(56,374)	–	(56,374)
Income tax related to other comprehensive loss	–	–	11,274	–	11,274	–	11,274
Total comprehensive income/(loss) for the period	–	–	(45,100)	868,543	823,443	270	823,713
Balance at 30 June 2022 (unaudited)	9,578,592	10,457,284	(97,222)	(1,408,049)	18,530,605	475	18,531,080

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

1 Background

(a) The Group and its operations

The primary activities of Rosseti North-West and its subsidiaries (hereinafter jointly referred to as the “Group”) are provision of services for transmission and distribution of electricity for power grids, as well as the provision of services for technological connection of consumers to the network and sale of electricity to end customers in the territory of North-West Region of Russia.

The parent company is PJSC “Rossetti”.

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

(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 (hereinafter – the “main shareholder of the parent company”). The policy of the Russian Government in the economic, social and other spheres may have a significant impact on the Group’s activities.

As at 30 June 2022, 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 2021: 88.04%, including 88.89% of the voting ordinary shares and 7.01% of the preference shares).

The Russian Government influences the Group’s operations through representation on the Board of Directors of the parent company PJSC “ROSSETI”, regulation of tariffs in the electric power industry, approval and control over the implementation of the investment program. The Group’s counterparties (consumers of services, suppliers and contractors, etc.) include a significant number of companies associated with the main shareholder of the parent company.

(c) Russian business environment

The Group operates in the Russian Federation and is therefore exposed to risks related to the state of the economy and financial markets of the Russian Federation.

Economic reforms and the development of legal, tax and administrative infrastructure that would meet the requirements of a market economy are continuing in Russia.

In 2020, the World Health Organization declared the COVID-19 epidemic a global pandemic. The Russian authorities have taken a number of measures aimed at curbing the spread and mitigating the consequences of the epidemic. Some measures were canceled or relaxed in 2022. The consequences of the epidemic have significantly limited economic activity in Russia and have already had and may still have a negative impact on the Russian and global economy for an indefinite period of time.

In February 2022, geopolitical tensions escalated. The European Union, the United States and a number of other countries have imposed new sanctions on a number of Russian state and commercial organizations, individuals and certain sectors of the economy, as well as restrictions on certain types of operations. In March 2022, temporary restrictive economic measures were introduced in the Russian Federation. The stability of the Russian economy in the future will largely depend on the effectiveness of the measures taken by the government in the field of economics, financial and monetary policy in order to offset the effects of the above factors.

Management continues to monitor and evaluate the impact of these events on the Group’s operations. The future consequences of the current economic situation are difficult to predict, and management’s current expectations and estimates may differ from actual results.

2 Basis of preparation of consolidated financial statements

(a) Statement of compliance

These interim condensed consolidated financial statements for the three and six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

(b) Use of professional judgments and estimates

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

(c) New standards, clarifications and amendments to existing standards

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

New standards, amendments and clarifications that have been issued but have not yet entered into force at the date of issue of the Group’s consolidated financial statements are listed below:

- 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 IAS 1 *Presentation of Financial Statements*, which provides guidance and examples on the application of the concept of materiality to the disclosure of information on accounting policies – effective from 1 January 2023.
- Amendments to IAS 1 *Presentation of Financial Statements* – Classification of liabilities as short-term or long-term. The amendment becomes effective from 1 January 2024 (taking into account the draft additional amendments issued in November 2021).

Once effective, these amendments are not expected to have a material impact on the Group’s consolidated financial statements.

3 Significant accounting policies

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

4 Measurement of fair 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 at the end of the reporting period during which the change has occurred.

The Group considers the date of occurrence of the event or change in circumstances that caused the transfer to be the moment when transfers to certain levels are recognized and for transfers from certain levels.

5 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 the territory of North-West Region of the Russian Federation.

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

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 items are based on financial information reported in statutory accounts and can differ from those used in the consolidated financial statements prepared under IFRSs. The reconciliation of reportable segment measurements reported to the Management Board with similar items in these interim condensed 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

For the three months ended 30 June 2022:

	Electricity transmission						Energy retail		Unallocated items	Total	
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Pskov-energosbyt			Other
Revenue from external customers	1,531,409	1,501,866	2,020,772	1,735,684	1,625,516	1,068,665	162,233	2,119,686	4,120	–	11,769,951
Inter-segment revenue	–	–	–	–	–	–	980,107	123,886	729,863	–	1,833,856
Segment revenue	1,531,409	1,501,866	2,020,772	1,735,684	1,625,516	1,068,665	1,142,340	2,243,572	733,983	–	13,603,807
Including											
Electricity transmission	1,429,433	1,477,738	1,954,919	1,697,558	1,600,469	1,049,722	1,115,820	–	–	–	10,325,659
Connection services	8,703	8,992	15,117	685	7,421	9,538	10,727	–	–	–	61,183
Sales of electricity and capacity	–	–	–	–	–	–	–	2,240,905	–	–	2,240,905
Other revenue	86,150	8,827	12,006	32,436	12,080	6,646	7,081	2,667	733,841	–	901,734
Rental income	7,123	6,309	38,730	5,005	5,546	2,759	8,712	–	142	–	74,326
EBITDA	300,016	113,443	353,890	42,360	148,711	83,796	195,714	91,242	356,695	32,159	1,718,026

For the three months ended 30 June 2021:

	Electricity transmission						Energy retail		Unallocated items	Total	
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Pskov-energosbyt			Other
Revenue from external customers	1,399,017	1,460,814	1,890,986	1,623,286	1,638,715	1,047,467	177,795	2,089,192	6,261	–	11,333,533
Inter-segment revenue	–	–	–	–	–	–	938,376	81,366	288,817	–	1,308,559
Segment revenue	1,399,017	1,460,814	1,890,986	1,623,286	1,638,715	1,047,467	1,116,171	2,170,558	295,078	–	12,642,092
Including											
Electricity transmission	1,315,748	1,441,086	1,843,440	1,616,294	1,610,494	1,033,520	1,092,866	–	–	–	9,953,448
Connection services	5,230	4,494	6,881	412	9,172	5,279	9,975	–	–	–	41,443
Resale of electricity	–	–	–	–	–	–	–	2,169,820	–	–	2,169,820
Other revenue	71,686	8,662	1,932	2,036	14,026	5,512	5,287	738	294,943	–	404,822
Rental income	6,353	6,572	38,733	4,544	5,023	3,156	8,043	–	135	–	72,559
EBITDA	179,879	105,200	431,301	(9,429)	327,574	216,818	260,044	67,702	(4,776)	2,649	1,576,962

For the six months ended 30 June 2022:

	Electricity transmission						Energy retail		Unallocated items	Total	
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Pskov-energosbyt			Other
Revenue from external customers	3,424,405	3,292,044	4,347,354	3,819,639	3,575,275	2,336,669	335,573	4,711,083	5,611	–	25,847,653
Inter-segment revenue	–	–	–	–	–	–	2,176,877	387,580	1,069,484	–	3,633,941
Segment revenue	3,424,405	3,292,044	4,347,354	3,819,639	3,575,275	2,336,669	2,512,450	5,098,663	1,075,095	–	29,481,594
Including											
Electricity transmission	3,180,760	3,242,285	4,231,340	3,774,256	3,530,873	2,305,382	2,462,735	–	–	–	22,727,631
Connection services	17,141	16,307	18,827	1,514	12,912	12,384	23,655	–	–	–	102,740
Sales of electricity and capacity	–	–	–	–	–	–	–	5,095,884	–	–	5,095,884
Other revenue	213,165	20,268	19,809	34,822	21,041	12,993	9,795	2,779	1,074,813	–	1,409,485
Rental income	13,339	13,184	77,378	9,047	10,449	5,910	16,265	–	282	–	145,854
EBITDA	771,672	486,288	921,104	296,379	687,617	192,338	444,992	209,884	505,208	54,077	4,569,559

For the six months ended 30 June 2021:

	Electricity transmission						Energy retail		Unallocated items	Total	
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Pskov-energosbyt			Other
Revenue from external customers	3,327,898	3,358,141	4,144,000	3,728,752	3,655,772	2,227,626	389,903	4,620,369	13,716	–	25,466,177
Inter-segment revenue	–	–	16	–	–	–	2,099,073	332,888	493,618	–	2,925,595
Segment revenue	3,327,898	3,358,141	4,144,016	3,728,752	3,655,772	2,227,626	2,488,976	4,953,257	507,334	–	28,391,772
Including											
Electricity transmission	3,093,950	3,314,626	4,052,117	3,713,996	3,611,081	2,203,616	2,424,412	–	–	–	22,413,798
Connection services	8,831	9,625	8,960	1,928	12,948	7,333	36,875	–	–	–	86,500
Sales of electricity and capacity	–	–	–	–	–	–	–	4,952,440	–	–	4,952,440
Other revenue	212,548	20,443	5,558	4,242	21,817	10,370	11,766	817	507,060	–	794,621
Rental income	12,569	13,447	77,381	8,586	9,926	6,307	15,923	–	274	–	144,413
EBITDA	688,570	567,174	932,717	297,336	811,464	264,135	517,390	170,271	3,848	3,792	4,256,697

PJSC Rosseti North-West

Notes to the Interim Condensed Consolidated Financial Statements
for the three and six months ended 30 June 2022 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)

30 June 2022:

	Electricity transmission						Energy retail			Total	
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Pskov-energosbyt	Other		Unallocated items
Segment assets	5,990,908	8,133,078	5,525,143	6,274,344	9,679,454	6,082,180	5,892,861	1,633,233	6,461,088	6,172,703	61,844,992
<i>Including property, plant and equipment and construction in progress</i>	4,288,264	7,169,900	4,698,492	4,799,098	8,546,130	5,536,117	5,110,851	290,305	4,600,164	334,447	45,373,768

31 December 2021:

	Electricity transmission						Energy retail			Total	
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Pskov-energosbyt	Other		Unallocated items
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
<i>Including property, plant and equipment and construction in progress</i>	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

(b) Reconciliation of reportable segment EBITDA

Reconciliation of reportable segment EBITDA is presented below:

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
EBITDA of reportable segments	1,718,026	1,576,962	4,569,559	4,256,697
Discounting of financial instruments	(7,858)	(12,422)	(10,247)	(35,912)
Adjustment for expected credit loss	159,541	(25,445)	170,131	7,061
Adjustment for lease	–	78,197	–	154,218
Recognition of pension and other long-term employee benefit obligation	(52,439)	(5,900)	(42,944)	12,512
Adjustment for assets related to employee benefits	(4,648)	(143)	1,386	(5,152)
Remeasurement of financial assets measured at fair value through other comprehensive income (transfer of remeasurement to equity)	(1,718)	(892)	1,137	(1,347)
Adjustment for value of property, plant and equipment	130,397	2,330	(3,917)	5,619
Revenue for which the recognition criteria for IFRS 15 have not been met	(19,971)	(20,299)	(44,390)	(52,294)
Other adjustments	13,253	(52,548)	26,468	1,018
EBITDA	1,934,583	1,539,840	4,667,183	4,342,420
Depreciation and amortization	(1,244,085)	(1,146,960)	(2,404,500)	(2,310,016)
Interest expenses on financial liabilities at amortized cost	(685,026)	(197,180)	(1,065,687)	(399,472)
Interest expenses on lease liabilities	(17,260)	(13,411)	(39,487)	(30,935)
Income tax expense	(26,273)	(78,651)	(288,696)	(352,803)
Profit (loss) for the period per interim condensed consolidated statement of profit or loss and other comprehensive income	(38,061)	103,638	868,813	1,249,194

6 Revenue

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Electricity transmission	9,327,558	8,996,416	20,510,230	20,265,426
Sales of electricity and capacity	2,117,019	2,088,454	4,708,304	4,619,552
Connection services	61,183	41,442	102,740	86,483
Other revenue	163,086	115,628	324,033	300,540
Total revenue from contracts with customers	11,668,846	11,241,940	25,645,307	25,272,001
Rental income	71,844	71,294	143,348	141,882
	11,740,690	11,313,234	25,788,655	25,413,883

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

7 Other income

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Income from identified non-contracted electricity consumption	6,305	6,795	13,347	22,361
Income in the form of fines and penalties on commercial contracts	101,334	75,919	262,329	161,124
Income from disposal (sale) of fixed assets	19,052	–	21,833	–
Insurance reimbursement, net	9,053	17,191	16,863	30,519
Accounts payable write-off	26,562	13,569	27,365	14,308
Gain from property, plant and equipment and inventories received free of charge	83,870	–	89,188	–
Other income	21,607	10,374	64,410	18,080
	267,783	123,848	495,335	246,392

8 Operating expenses

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Personnel costs	3,398,931	3,258,661	6,949,452	6,658,491
Depreciation and amortization	1,244,085	1,146,960	2,404,500	2,310,016
<i>Material expenses, including:</i>				
Electricity for compensation of losses	815,246	762,445	2,276,166	2,492,614
Electricity for sale	1,083,184	1,087,260	2,510,007	2,532,445
Purchased electricity and heat power for own needs	63,810	47,461	187,821	186,139
Other material costs	626,623	550,771	1,142,561	1,047,262
<i>Production work and services, including:</i>				
Electricity transmission services	3,369,228	3,217,895	6,963,914	6,900,861
Repair and maintenance services	150,280	187,900	250,854	242,831
Other production works and services	95,744	76,246	140,146	124,447
Taxes and charges other than income tax	84,560	100,444	174,760	202,424
Short-term rent	3,419	18,893	12,360	34,848
Insurance	16,329	16,275	32,180	32,519
<i>Other third-party services, including:</i>				
Communication services	48,019	37,065	81,945	68,269
Security services	78,088	78,133	157,262	156,268
Consulting, legal and audit services	55,139	56,630	63,480	64,597
Software costs and servicing	17,625	8,780	29,703	20,803
Transportation services	32,854	34,310	60,648	66,253
Other services	187,880	182,324	379,712	309,712
Provisions	(256,604)	(55,096)	(260,026)	(52,446)
Other expenses	189,101	98,871	402,390	126,946
	11,303,541	10,912,228	23,959,835	23,525,299

9 Finance income and costs

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Finance income				
Interest income on loans, bank deposits, promissory notes and balances in bank accounts	71,449	9,722	114,849	21,277
Change in the fair value of financial assets measured at fair value through profit or loss	–	–	–	11,140
Dividends receivable	168	1,217	168	1,217
Interest income on assets related to employee benefits	–	–	8,508	12,512
Effect from initial discounting of financial liabilities	982	–	2,414	882
Amortization of discount on financial assets	909	1,220	1,812	2,498
	73,508	12,159	127,751	49,526

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Finance costs				
Interest expenses on financial liabilities measured at amortized cost	608,706	197,180	1,065,687	399,472
Interest expenses on lease liabilities	17,260	13,411	39,487	30,935
Impairment loss on financial assets measured at fair value	134,379	–	134,379	–
Interest expenses on long-term employee benefit obligation	16,877	12,239	34,484	24,942
Effect from initial discounting of financial assets	12	22	39	26
Amortization of discount of financial liabilities	9,737	13,619	14,434	39,266
	786,971	236,471	1,288,510	494,641

10 Income tax

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Current income tax				
Current tax	(61,167)	25,860	153,646	326,601
Adjustment for previous periods	(29,955)	(1,786)	(29,955)	(1,786)
Total	(91,122)	24,074	123,691	324,815
Deferred income tax	117,395	54,577	165,005	27,988
Total income tax expense	26,273	78,651	288,696	352,803

The income tax rate established by the Russian legislation is 20%.

Income tax expense is recognized based on management's best estimate at the reporting date of the weighted average expected income tax rate for the full financial year.

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

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Profit/(loss) before tax	(11,788)	182,289	1,157,509	1,601,997
The theoretical amount of income tax expense (benefit) at the rate of 20%	(2,358)	36,458	231,502	320,399
Tax effect of not taxable or non-deductible for tax purposes items	28,631	43,979	57,194	34,190
Adjustment for previous years	–	(1,786)	–	(1,786)
	26,273	78,651	288,696	352,803

Income tax recognized in other comprehensive income:

	Three months ended 30 June 2022			Six months ended 30 June 2022		
	Before tax	Income tax	Net of tax	Before tax	Income tax	Net of tax
Financial assets measured at fair value through other comprehensive income	1,718	(344)	1,374	(1,137)	227	(910)
Remeasurements of the defined benefit liability	(117,998)	23,599	(94,399)	(55,237)	11,047	(44,190)
	(116,280)	23,255	(93,025)	(56,374)	11,274	(45,100)

	Three months ended 30 June 2021			Six months ended 30 June 2021		
	Before tax	Income tax	Net of tax	Before tax	Income tax	Net of tax
Financial assets measured at fair value through other comprehensive income	893	(178)	715	1,346	(269)	1,077
Remeasurements of the defined benefit liability	4,529	(906)	3,623	55,003	(11,001)	44,002
	5,422	(1,084)	4,338	56,349	(11,270)	45,079

11 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 2021	8,999,396	41,786,048	22,926,226	11,900,891	3,090,363	88,702,924
Reclassification						
between groups	(1,833,208)	1,650,248	339,869	(156,909)	–	–
Additions	–	–	–	–	1,425,663	1,425,663
Transfer	2,599	550,065	142,918	176,928	(872,510)	–
Disposals	(16,336)	(1,287)	(79,069)	(19,300)	(12,686)	(128,678)
At 30 June 2021	7,152,451	43,985,074	23,329,944	11,901,610	3,630,830	89,999,909
<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	1,103,315	(845,869)	(303,637)	46,191	–	–
Entry into fixed assets (transfer of impairment losses)	–	(1,669)	(409)	(2,527)	4,605	–
Depreciation charge	(163,938)	(903,466)	(579,271)	(467,468)	–	(2,114,143)
Disposals	12,574	1,083	37,632	18,280	140	69,709
At 30 June 2021	(3,413,723)	(27,222,746)	(12,935,629)	(8,400,789)	(87,474)	(52,060,361)
<i>Net book value</i>						
At 1 January 2021	4,633,722	16,313,223	10,836,282	3,905,626	2,998,144	38,686,997
At 30 June 2021	3,738,728	16,762,328	10,394,315	3,500,821	3,543,356	37,939,548
<i>Cost / deemed cost</i>						
At 1 January 2022	7,186,493	45,446,806	25,748,703	12,794,031	3,925,181	95,101,214
Reclassification						
between groups	176	–	(176)	–	–	–
Additions	–	–	–	–	4,937,156	4,937,156
Transfer	10,527	568,098	3,144,195	377,021	(4,099,841)	–
Disposals	(28,696)	(1,271)	(821)	(56,484)	(15,816)	(103,088)
At 30 June 2022	7,168,500	46,013,633	28,891,901	13,114,568	4,746,680	99,935,282
<i>Accumulated depreciation and impairment</i>						
At 1 January 2022	(3,867,541)	(29,376,478)	(14,390,853)	(8,826,349)	(415,978)	(56,877,199)
Reclassification						
between groups	(176)	–	176	–	–	–
Entry into fixed assets (transfer of impairment losses)	–	(27,963)	(5,077)	(9,482)	42,522	–
Depreciation charge	(126,225)	(854,464)	(755,715)	(477,613)	–	(2,214,017)
Disposals	23,064	1,109	712	53,141	38	78,064
At 30 June 2022	(3,970,878)	(30,257,796)	(15,150,757)	(9,260,303)	(373,418)	(59,013,152)
<i>Net book value</i>						
At 1 January 2022	3,318,952	16,070,328	11,357,850	3,967,682	3,509,203	38,224,015
At 30 June 2022	3,197,622	15,755,837	13,741,144	3,854,265	4,373,262	40,922,130

As at 30 June 2022, construction in progress includes advance payments for property, plant and equipment of RUB 365,358 thousand (31 December 2021: RUB 23,654 thousand) and materials for the fixed assets construction of RUB 678,491 thousand (30 December 2021: RUB 868,331 thousand).

Capitalized interest for the six months ended 30 June 2022 amounted to RUB 75,623 thousand (for the six months ended 30 June 2021: RUB 21,985 thousand), with capitalization rate used to calculate borrowing costs to be capitalized during the period of 6.48-15.24% (for the six months ended 30 June 2021: 5.04-6.36%).

As at 30 June 2022, the initial cost of fully amortised property, plant and equipment was RUB 18,176,181 thousand (as at 31 December 2021: RUB 17,244,083 thousand).

As at 30 June 2022 and 31 December 2021 there are no property, plant and equipment pledged as collateral for loans and borrowings.

12 Intangible assets

	Software	Certificates, licenses and patents	Other intangible assets	Total
<i>Initial cost</i>				
At 1 January 2021	496,248	5,881	162,442	664,571
Reclassification between groups	19,819	172	(19,991)	–
Additions	–	–	86,044	86,044
Disposals	(21,175)	(1,368)	–	(22,543)
At 30 June 2021	494,892	4,685	228,495	728,072
<i>Accumulated amortization</i>				
At 1 January 2021	(253,060)	(2,583)	(8,709)	(264,352)
Amortization charge	(76,773)	(1,379)	(2,003)	(80,155)
Disposals	21,174	1,369	–	22,543
At 30 June 2021	(308,659)	(2,593)	(10,712)	(321,964)
<i>Net book value</i>				
At 1 January 2021	243,188	3,298	153,733	400,219
At 30 June 2021	186,233	2,092	217,783	406,108
<i>Initial cost</i>				
At 1 January 2022	525,279	4,897	274,367	804,543
Reclassification between groups	118,320	478	(118,798)	–
Additions	–	–	60,671	60,671
Disposals	(27,945)	(945)	–	(28,890)
At 30 June 2022	615,654	4,430	216,240	836,324
<i>Accumulated amortization</i>				
At 1 January 2022	(294,129)	(1,601)	(12,720)	(308,450)
Amortization charge	(69,372)	(1,288)	(2,913)	(73,573)
Disposals	27,946	648	–	28,594
At 30 June 2022	(335,555)	(2,241)	(15,633)	(353,429)
<i>Net book value</i>				
At 1 January 2022	231,150	3,296	261,647	496,093
At 30 June 2022	280,099	2,189	200,607	482,895

13 Right-of-use assets

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
Initial cost					
At 1 January 2021	616,368	551,498	15,156	130,958	1,313,980
Additions	405,331	879	184	1,206	407,600
Modification of lease terms	(33,324)	(292)	(203)	349	(33,470)
Disposal or termination of lease	(228,577)	(1,580)	(979)	–	(231,136)
At 30 June 2021	759,798	550,505	14,158	132,513	1,456,974
Accumulated amortization					
At 1 January 2021	(215,222)	(128,919)	(3,465)	(40,881)	(388,487)
Amortization charge	(48,183)	(52,803)	(1,373)	(13,457)	(115,816)
Modification of lease terms	3,149	167	134	–	3,450
Disposal or termination of lease	182,451	284	305	–	183,040
At 30 June 2021	(77,805)	(181,271)	(4,399)	(54,338)	(317,813)
Net book value					
At 1 January 2021	401,146	422,579	11,691	90,077	925,493
At 30 June 2021	681,993	369,234	9,759	78,175	1,139,161
Initial cost					
At 1 January 2022	743,788	548,855	14,574	132,537	1,439,754
Additions	64,634	31,630	68,592	–	164,856
Modification of lease terms	(7,688)	(18)	(7,365)	(8)	(15,079)
Disposal or termination of lease	(13,852)	(6,927)	(2,861)	(401)	(24,041)
At 30 June 2022	786,882	573,540	72,940	132,128	1,565,490
Accumulated amortization					
At 1 January 2022	(136,168)	(233,673)	(5,988)	(68,161)	(443,990)
Amortization charge	(57,216)	(57,495)	(14,374)	(13,158)	(142,243)
Disposal or termination of lease	4,107	4,054	1,314	309	9,784
At 30 June 2022	(189,277)	(287,114)	(19,048)	(81,010)	(576,449)
Net book value					
At 1 January 2022	607,620	315,182	8,586	64,376	995,764
At 30 June 2022	597,605	286,426	53,892	51,118	989,041

14 Other non-current financial assets

	30 June 2022	31 December 2021
Non-current		
Financial assets measured at fair value through other comprehensive income		
- investments in quoted equity instruments	10,135	11,271
- investments in unquoted equity instruments	1,057	1,057
Financial assets at fair value through profit or loss	351,612	485,991
	362,804	498,319

As at 30 June 2022, investments in quoted equity instruments include shares of Russian companies measured at fair value calculated on the basis of published market quotations amounted to RUB 10,135 thousand (as at 31 December 2021: RUB 11,271 thousand).

As at 30 June 2022 and 31 December 2021 financial assets measured at fair value through profit or loss represent a subordinated deposit to Bank Tavrichesky (PJSC) for a period of 20 years with quarterly payment of interest accrued at a rate of 0.51% per annum of the deposit amount. Nominal amount of the Group's deposit to Bank Tavrichesky (PJSC) is RUB 2,080,000 thousand.

The fair value of this financial instrument as of 30 June 2022 is determined by discounting cash flows at a rate of 16.6%, reflecting the presence of industry, market, financial and other risks, including the risk of the probability of non-repayment of financial investments, as of the reporting date (as of 31 December 2021 – 12.89%).

Currently, the Bank Tavrichesky (PJSC) carries out its activities as usual, providing a full range of services to its customers, including timely settlements and payments.

15 Trade and other receivables

	<u>30 June 2022</u>	<u>31 December 2021</u>
Non-current trade and other accounts receivable		
Trade receivables	506	659
Other receivables	81,461	81,091
	81,967	81,750
Current trade and other accounts receivable		
Trade receivables	9,098,388	10,152,243
Allowance for expected credit loss on trade receivables	(4,496,734)	(4,672,693)
Other receivables	1,228,022	1,225,691
Allowance for expected credit loss on other receivables	(767,740)	(866,046)
	5,061,936	5,839,195

16 Advances issued and other assets

	<u>30 June 2022</u>	<u>31 December 2021</u>
Non-current		
Advances given	1,823	2,682
VAT on advances received	143,912	54,459
	145,735	57,141
Current		
Advances given	140,734	471,087
Advances given impairment provision	(17,511)	(17,511)
VAT recoverable	809,908	348,931
VAT on advances from customers VAT on advances given for acquisition of fixed assets	555,446	471,142
Prepaid taxes, other than income tax	7,728	12,891
	1,496,305	1,286,540

17 Cash and cash equivalents

	<u>30 June 2022</u>	<u>31 December 2021</u>
Cash at bank and in hand	2,224,793	665,080
Cash equivalents	105,000	201,872
	2,329,793	866,952

As at 30 June 2022 and 31 December 2021, all cash and cash equivalents balances are denominated in roubles.

Cash equivalents as of 30 June 2022 and 31 December 2021 include short-term investments in bank deposits. Deposits are placed at interest rates from 6.21% to 17.77% per annum.

18 Share capital

	Ordinary shares	
	30 June 2022	31 December 2021
Par value (RUB)	0.1	0.1
On issue at 1 January	95,785,923,138	95,785,923,138
On issue at end of period, fully paid	95,785,923,138	95,785,923,138

Reserve related to business combination

The Group was formed in 2008 as a result of the combination of a number of businesses under common control. The carrying value of the net assets of the businesses contributed were determined based on as amounts recorded in the IFRS financial statements of the predecessor, rather than the fair values of those net assets. The difference between the value of the share capital issued and the IFRS carrying values of the contributed net assets and non-controlling interests was recorded as a common control combination reserve within equity.

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.

19 Earnings per share

The calculation of earnings per share for the three and six months ended 30 June 2022 and 30 June 2021, 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.

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Ordinary shares at 1 January	95,785,923,138	95,785,923,138	95,785,923,138	95,785,923,138
Weighted average number of shares for the period ended 30 June	95,785,923,138	95,785,923,138	95,785,923,138	95,785,923,138
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Weighted average number of ordinary shares outstanding, for the period ended 30 June (shares)	95,785,923,138	95,785,923,138	95,785,923,138	95,785,923,138
Earnings/(loss) for the period attributable to holders of ordinary shares	(38,345)	103,642	868,543	1,249,204
Basic earnings/(loss) per ordinary share (in RUB)	(0.0004)	0.0011	0.0091	0.0130

20 Loans and borrowings

	30 June 2022	31 December 2021
Non-current liabilities		
Unsecured loans and borrowings	16,062,573	12,162,573
Lease liabilities	1,136,268	1,099,480
Less: current portion of long-term lease liabilities	(364,050)	(286,447)
Less current portion of long-term loans and borrowings	(10,332,573)	–
	6,502,218	12,975,606

PJSC Rosseti North-West
*Notes to the Interim Condensed Consolidated Financial Statements
for the three and six months ended 30 June 2022 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)*

	30 June 2022	31 December 2021
Current liabilities		
Unsecured loans and borrowings	79,846	2,545,180
Current portion of long-term lease liabilities	364,050	286,447
Current portion of long-term loans and borrowings	10,332,573	–
	10,776,469	2,831,627
Including:		
Interests payable on loans and borrowings	46,218	27,048

As at 30 June 2022 and 31 December 2021 all balances of loans and borrowings are denominated in rubles.

The Group raised the following bank loans during the six months ended 30 June 2022:

	Year of maturity	Effective interest rate	Carrying value
Unsecured loans and borrowings			
Unsecured bank loans	2022-2024	9.73-20.23%	4,700,000
Unsecured bank loans	2022-2024	Key rate of the Central Bank of the Russian Federation + 1.28% – Key rate of the Central Bank of the Russian Federation + 1.5%	2,661,000
Unsecured bank loans	2022	10.1-23%	268,531
Unsecured bank loans	2023	Key rate of the Central Bank of the Russian Federation + 1.75%	3,350
Unsecured bank loans	2023-2024	10.69-11.3%	1,000,000
Unsecured bank loans	2022	9.5-19%	1,325,666
Unsecured bank loans	2022-2023	Key rate of the Central Bank of the Russian Federation + 1.28% – Key rate of the Central Bank of the Russian Federation + 2.14%	444,605
Unsecured bank loans	2022	0.51%	63,250
			10,466,402

The Group repaid the following significant bank facilities during the six months ended 30 June 2022:

	Amount
Loans and borrowings	9,050,906

21 Trade and other payables

	30 June 2022	31 December 2021
Non-current accounts payable		
Debt under the factoring agreement	902,034	920,353
Other payables	746,269	732,354
Total financial liabilities	1,648,303	1,652,707
Current accounts payable		
Trade payables	6,017,987	3,968,589
Debt under the factoring agreement	355,239	503,145
Other payables and accrued expenses	385,580	1,279,427
Dividends payable	9,524	9,622
Total financial liabilities	6,768,330	5,760,783
Payables to employees	1,450,507	1,535,835
	8,218,837	7,296,618

22 Taxes, other than income tax

	<u>30 June 2022</u>	<u>31 December 2021</u>
Value-added tax	950,986	864,626
Property tax	77,910	85,310
Social security contributions	805,972	349,926
Other taxes payable	93,367	121,820
	<u>1,928,235</u>	<u>1,421,682</u>

23 Advances received

	<u>30 June 2022</u>	<u>31 December 2021</u>
Non-current		
Advances for connection services	897,453	335,218
Other advances received	28,452	33,710
	<u>925,905</u>	<u>368,928</u>
Current		
Advances for connection services	2,419,707	2,375,793
Other advances received	508,487	431,107
	<u>2,928,194</u>	<u>2,806,900</u>

24 Provisions

	<u>2022</u>	<u>2021</u>
As at 1 January	1,792,157	1,938,914
Accrual (increase) for the period	39,755	28,781
Recovery (decrease) for the period	(294,644)	(74,919)
Use of provisions	(58,751)	(99,295)
As at 30 June	<u>1,478,517</u>	<u>1,793,481</u>

The provisions were accrued for pending legal cases brought against the Group for ordinary activities, including at 30 June 2022:

- In the amount of RUB 285,126 thousand according to LLC TNS energo Veliky Novgorod in respect of disagreements on unaccounted consumption of electric energy that arose during the period 2020-2021;
- In the amount of RUB 75,637 thousand according to TGK-2 Energosbyt in respect of disputed debt for the period 2018-2020, a claim for unjustified enrichment for services for the transmission of electricity through networks leased by power grid lease agreement;
- In the amount of RUB 39,239 thousand for LLC SSK in respect of disputed debt for the period 2019 to 2021;
- In the amount of RUB 998,283 thousand The Group has accrued an estimated property tax liability for 2019 to 2021.

25 Financial risk and capital management

In the course of its normal financial and business activities, the Group is exposed to a variety of financial risks, including, but not limited to, the following: market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's objectives and policies regarding financial risk and capital management, as well as the procedure for determining fair value, correspond to those disclosed in the consolidated financial statements for the year ended 31 December 2021.

The management of the Group takes operational measures to ensure a sufficient amount of cash (liquidity) received from operating activities to finance investment projects of investment programs, servicing short-term and long-term borrowings available at the reporting date. The Group's management implements measures aimed at ensuring the availability of available credit limits, liquidity reserves in the form of bank account balances and short-term financial investments, and the quality of accepted financial collateral (bank guarantees).

As of 30 June 2022 the amount of the Group's free credit and borrowing limit amounted to RUB 44,097,048 thousand, including RUB 40,297,048 thousand on the Group's open but unused credit lines (as of 31 December 2021: RUB 38,512,003 thousand). The Group has the opportunity to attract additional financing in within the relevant limits, including to ensure the fulfillment of their short-term obligations and in case of a risk of a working capital deficit, which as of 30 June 2022 amounted to RUB 14,412,574 thousand (as of 31 December 2021 – RUB 6,934,507 thousand).

The shift towards short-term lending is due to the current market conditions, in which the cost (rate) of short-term lending is significantly lower than long-term. At the same time, the predominance of short-term loans in the debt structure is not the reason for the deterioration of the Group's liquidity, but is a consequence of the optimization (reduction) of interest expenses. Since the Group has sufficient free limits for long-term lending purposes, if the market conditions for long-term borrowing improve, the Group will use free limits to refinance short-term debt on loans.

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

The movement of the expected credit losses on trade and other receivables is presented below:

	<u>2022</u>	<u>2021</u>
As at 1 January	(5,538,739)	(6,973,033)
Increase for the period	(135,714)	(408,138)
Recovery for the period	136,044	360,297
Amounts of trade and other receivables written off against previously accrued expected credit losses	273,935	215,460
As at 30 June	(5,264,474)	(6,805,414)

The fair value and carrying amount

The fair values and carrying amounts of financial assets and liabilities are as follows (with the exception of those financial instruments whose carrying amounts correspond to their fair values):

Financial instruments	Note	30 June 2022		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Financial assets at fair value through profit or loss						
Long-term bank deposits	14	351,612	351,612	–	–	351,612
Financial assets at amortized cost						
Long-term accounts receivable	15	81,967	75,339	–	–	75,339
Financial assets at fair value through other comprehensive income						
Investments in equity instruments	14	11,192	11,192	10,284	–	908
Financial liabilities measured at amortized cost						
Current and non-current loans and borrowings	20	(16,142,419)	(15,772,418)	–	–	(15,772,418)
Non-current accounts payable	21	(1,648,303)	(1,601,403)	–	–	(1,601,403)
		(17,345,951)	(16,935,678)	10,284	–	(16,945,962)
31 December 2021						
Financial instruments	Note	Carrying amount	Fair value	Level of fair value hierarchy		
				1	2	3
Financial assets at fair value through profit or loss						
Long-term bank deposits	14	485,991	485,991	–	–	485,991
Financial assets at amortized cost						
Long-term accounts receivable	15	81,750	73,278	–	–	73,278
Financial assets at fair value through other comprehensive income						
Investments in equity instruments	14	12,328	12,328	11,240	–	1,088
Financial liabilities measured at amortised cost						
Current and non-current loans and borrowings	20	(14,707,753)	(14,713,574)	–	–	(14,713,574)
Non-current accounts payable	21	(1,652,707)	(1,622,801)	–	–	(1,622,801)
		(15,780,391)	(15,764,778)	11,240	–	(15,776,018)

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 30 June 2022 was 16.6% (as at 31 December 2021: 12.89%).

The interest rate used to discount expected future cash flows on long-term accounts receivable for determining the disclosed fair value as at 30 June 2022 was 7.82-8.56% (as at 31 December 2021: 7.50-7.55%).

The interest rate used to discount expected future cash flows on long-term accounts payable for determining the disclosed fair value as at 30 June 2022 was 9.55-9.94% (as at 31 December 2021: 8.41-9.32%).

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 30 June 2022 was 11.18% (as at 31 December 2021: 9.17%).

During six months ended 30 June 2021 there were no transfers between the levels of the fair value hierarchy.

The reconciliation of financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income as at entry and end of period is presented below:

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
As at 1 January 2022	485,991	12,328
Change in fair value recognized in other comprehensive income	x	(1,137)
Change in fair value recognized in profit or loss	(134,379)	x
As at 30 June 2022	351,612	11,192

26 Capital commitments

As at 30 June 2022 the Group has outstanding commitments under contracts for the purchase and construction of property plant and equipment items for RUB 1,780,079 thousand including VAT (as at 31 December 2021: RUB 2,066,605 thousand including VAT).

27 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 the financial position of the Group in the case of damage caused to third parties and also as a result of damage or loss of assets insurance protection of which is non-existent or not fully implemented.

(b) Taxation contingencies

Russian tax 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 verify 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 the 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.

28 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 six months ended 30 June 2022 and 30 June 2021, as well as at 30 June 2022 and 31 December 2021, were the parent company, its subsidiaries, key management personnel, as well as companies related to the main shareholder of the parent company.

(b) Transactions with the parent and its subsidiaries

Transactions with the Parent, its subsidiaries include transactions with PJSC ROSSETI, its subsidiaries:

	Amount of transaction				Carrying amount	
	Three months ended 30 June		Six months ended 30 June		30 June	31 December
	2022	2021	2022	2021	2022	2021
Revenue, other income, Finance income						
The parent company						
Other revenue	307	307	615	615	58	–
Entities under common control of the parent company						
Connection services	–	–	–	82	–	–
Sales of electricity	69	91	205	173	–	58
Other revenue	451	256	488	488	144,761	152,560
Other operating income	(135)	–	393	4	69,930	41,145
Dividends receivable	–	–	–	41	–	–
	692	654	1,701	1,403	214,749	193,763

	Amount of transaction				Carrying amount	
	Three months ended 30 June		Six months ended 30 June		30 June	31 December
	2022	2021	2022	2021	2022	2021
Operating expenses, Finance costs						
The parent company						
Consulting legal and audit services	46,783	47,144	48,456	48,817	16,384	17,732
Other production works and services	7,104	7,103	14,207	14,207	–	–
Interest expenses on financial liabilities measured at amortized cost	–	47,991	–	94,229	–	–
Entities under common control of the parent company						
Electricity for sale	1,148	–	2,752	3,067	296	471
Electricity transmission services	1,816,777	1,816,991	3,677,241	3,690,588	538,275	587,130
Connection services	–	665	–	2,636	8,281	1,116
Repair and maintenance services	1,744	2,471	11,434	2,471	79	5,516
Lease	98	306	301	445	400	375
Communication services	8,603	5,596	14,538	15,565	–	7,146
Software and maintenance costs	1,216	1,158	2,967	2,581	2,879	24,915
Expected credit losses	–	–	–	–	184,733	184,733
IT services	8,056	–	18,135	–	11,218	–
Other expenses	6,507	676	13,710	2,748	4,799	212,835
	1,898,036	1,903,101	3,803,741	3,877,354	767,344	1,041,968

	Carrying amount	
	30 June 2022	31 December 2021
Entities under common control of the parent company		
Advances given	8,711	37,066
Advances received	(36,971)	(36,999)

As at 30 June 2022 and 31 December 2021 there is no dividends payable to the parent company.

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

As part of its current activities, the Group carries out transactions with other companies related to the main shareholder of the parent company. These operations are carried out at regulated tariffs, or at market prices.

Attraction and placement of funds in financial organizations associated with the main shareholder of the parent company is carried out at market interest rates. Taxes are calculated and paid in accordance with Russian tax legislation.

Revenue from companies related to the main shareholder of the parent company amounted to:

- 22.42% and 22.90% of the Group's total revenue for the three and six months ended 30 June 2022 (for the three and six months ended 30 June 2021: 16.98% and 17.95%);
- 27.11% and 25.08% of the Group's electricity transmission revenue for the three and six months ended 30 June 2022 (for the three and six months ended 30 June 2021: 17.40% and 18.42%).

Electricity transmission expenses and expenses for the purchase of electricity to compensate for technological losses, for companies related to the main shareholder of the parent company, amounted to 56.49% and 52.86% of the total costs for transmission and compensation of losses for the three and six months ended 30 June 2022 (for the three and six months ended 30 June 2021: 66.11% and 61.32%).

As at 30 June 2022, loans and borrowings from banks related to the main shareholder of the parent company amounted to RUB 12,832,952 thousand (31 December 2021: RUB 19,386,833 thousand).

For the six months ended 30 June 2022, the Group attracted loans and borrowings from banks associated with the main shareholder of the parent company in the amount of RUB 3,042,152 thousand, repaid – RUB 2,687,197 thousand.

Interest accrued on loans and borrowings from banks related to the main shareholder of the parent company for the three and six months ended 30 June 2022 amounted to 78.12% and 81.00% of the total amount of accrued interest (for the three and six months ended 30 June 2021: 55.05% and 54.40%).

As at 30 June 2022, the balance of cash and cash equivalents placed with banks associated with the main shareholder of the parent company amounted to RUB 647,880 thousand (31 December 2021: RUB 575,569 thousand).

As at 30 June 2022, lease obligations for companies related to the main shareholder of the parent company amounted to RUB 483,854 thousand (31 December 2021: RUB 529,804 thousand).

(d) Transactions with key management personnel

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

The Group has no transactions with key management personnel and close family members except their remuneration in the form of salary and bonuses.

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.

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Short-term remuneration for employees	35,081	33,744	77,511	77,064
Post employment benefits and other long-term benefits	47	19	93	37
	35,128	33,763	77,604	77,101

As at 30 June 2022, the present value of the defined benefit liabilities recorded in the consolidated statement of financial position includes liabilities to key management personnel in the amount of RUB 982 thousand (31 December 2021: RUB 817 thousand).