

PJSC Territorial Generating Company No.1

**International Financial Reporting
Standards (IFRS)**

**Interim Condensed Consolidated
Financial Statements (unaudited)**

31 March 2022
St. Petersburg | 2022

Contents

Interim Condensed Consolidated Statement of Financial Position	3
Interim Condensed Consolidated Statement of Comprehensive Income	4
Interim Condensed Consolidated Statement of Cash Flows.....	5
Interim Condensed Consolidated Statement of Changes in Equity	6

Notes to the Interim Condensed Consolidated Financial Statements

Note 1. General information	7
Note 2. Basis of preparation.....	8
Note 3. Summary of Significant Accounting Policies and Accounting Estimates.....	8
Note 4. Segment information	9
Note 5. Related Parties.....	11
Note 6. Property, Plant and Equipment.....	16
Note 7. Trade and other receivables.....	17
Note 8. Income tax	17
Note 9. Financial assets.....	18
Note 10. Inventories	19
Note 11. Cash and Cash Equivalents	19
Note 12. Share capital	19
Note 13. Borrowings	19
Note 14. Trade and other payables.....	20
Note 15. Other taxes payable	20
Note 16. Revenue	21
Note 17. Operating Expenses	21
Note 18. Finance Income and Finance Costs	21
Note 19. Basic earnings per share, attributable to the owners of PJSC «TGC-1».....	22
Note 20. Commitments	22
Note 21. Fair value of financial instruments	22
Note 22. Events after the Reporting Period.....	23

PJSC TERRITORIAL GENERATING COMPANY №1
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

	Notes	31 March 2022	31 December 2021 (changed)	31 December 2020 (changed)
ASSETS				
Non-current assets				
Property, plant and equipment	6	148 531	147 198	142 965
Right-of-use-assets		7 620	7 439	8 170
Investment property		106	113	139
Intangible assets		3 989	4 063	3 859
Investments in associates		477	460	436
Accounts receivable and prepayments	7	1 422	1 267	1 391
Deferred income tax assets	8	874	841	140
Total non-current assets		163 019	161 381	157 100
Current assets				
Inventories	10	4 945	3 980	3 728
Accounts receivable and prepayments	7	17 813	15 832	14 057
Current income tax prepayments		38	115	49
Cash and cash equivalents	11	3 866	2 653	1 036
Financial assets	9	7 955	10 852	14 817
Total current assets		34 617	33 432	33 687
Total assets		197 636	194 813	190 787
EQUITY AND LIABILITIES				
Equity				
Share capital	12	38 543	38 543	38 543
Share premium	12	22 914	22 914	22 914
Retained earnings and other reserves		76 870	70 576	66 803
Equity attributable to the shareholders of PJSC TGC-1		138 327	132 033	128 260
Non-controlling interest		13 122	13 150	10 698
Total equity and reserves		151 449	145 183	138 958
Non-current liabilities				
Borrowings	13	12 347	12 347	9 500
Post-employment benefits obligations		928	930	1 166
Accounts payable and other liabilities	14	491	432	444
Lease liabilities		4 510	4 655	5 245
Provisions		300	300	-
Deferred tax liabilities	8	10 451	10 472	10 228
Total non-current liabilities		29 027	29 136	26 583
Current liabilities				
Borrowings	13	3 485	4 906	7 747
Accounts payable and other liabilities	14	9 236	13 228	12 897
Current income tax payable		958	55	747
Other taxes payable	15	2 045	1 089	1 557
Lease liabilities		1 436	1 216	2 298
Total current liabilities		17 160	20 494	25 246
Total liabilities		46 187	49 630	51 829
Total equity and liabilities		197 636	194 813	190 787


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R. V. Stanishevskaya
Chief Accountant

«13» May 2022

PJSC TERRITORIAL GENERATING COMPANY №1
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THREE MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

	Notes	Three months ended 31 March 2022	Three months ended 31 March 2021
Revenue	16	36 379	32 503
Operating expenses	17	(28 753)	(26 815)
Impairment gain / (loss) on financial assets		51	(259)
Operating profit		7 677	5 429
Finance income	18	255	146
Finance costs	18	(713)	(299)
Share of profit of associates		17	20
Profit before income tax		7 236	5 296
Income tax expense	8	(970)	(900)
Profit for the period		6 266	4 396
Total comprehensive income for the period		6 266	4 396
Profit / (loss) for the period is attributable to:			
Shareholders of PJSC TGC-1		6 294	4 269
Non-controlling interests		(28)	127
Total comprehensive income / (expense) for the period is attributable to:			
Shareholders of PJSC TGC-1		6 294	4 269
Non-controlling interests		(28)	127
Earnings per ordinary share for profit attributable to shareholders of PJSC TGC-1, basic (in Russian Roubles)	19	0.0016	0.0011


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PJSC TERRITORIAL GENERATING COMPANY №1
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THREE MONTHS
ENDED 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

	Notes	Three months ended 31 March 2022	Three months ended 31 March 2021
Cash flows from operating activities			
Profit before income tax		7 236	5 296
<i>Adjustments for:</i>			
Depreciation and amortisation	17	3 205	2 879
Impairment (gain) / loss on financial assets		(51)	259
Impairment loss on non-financial assets		-	(1)
Share of profit of associates		(17)	(20)
(Gain) / loss on disposals of property, plant and equipment and other assets	17	(3)	28
Non-state pension provision		7	-
Finance income	18	(255)	(146)
Finance expense	18	713	299
Other non-cash items		(65)	(4)
Operating cash flows before working capital changes		10 770	8 590
Changes in working capital:			
Change in trade receivables and prepayments	7	(2 040)	(131)
Change in inventories	10	(965)	(78)
Change in trade and other payables	14	(1 387)	(1 426)
Change in other taxes payable	15	956	477
Change in employee benefit liabilities		(9)	-
Changes in working capital		(3 445)	(1 158)
Income taxes paid		(44)	(767)
Interest paid		(699)	(295)
Net cash from operating activities		6 582	6 370
Cash flows used in investing activities			
Purchase of property, plant and equipment, intangible assets and other non-current assets		(6 660)	(6 346)
Proceeds from sale of property, plant and equipment and other assets		6	10
Repayment of borrowings		3 015	7 829
Interest paid and capitalised		(2)	(16)
Interest received		135	89
Net cash used in investing activities		(3 506)	1 566
Cash flows used in financing activities			
Proceeds from borrowings		1 722	619
Repayments of borrowings		(3 113)	(8 204)
Repayments of lease liabilities		(458)	(441)
Net cash used in financing activities		(1 849)	(8 026)
Effect of exchange rate changes on cash and cash equivalents		(14)	7
Net increase in cash and cash equivalents		1 213	(83)
Cash and cash equivalents at the beginning of the year	11	2 653	1 036
Cash and cash equivalents at the end of the year	11	3 866	953


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«13» May 2022

The accompanying notes on the pages 7-23 are an integral part of these interim condensed consolidated financial statements.

PJSC TERRITORIAL GENERATING COMPANY №1
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THREE MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

Equity attributable to the shareholders of PJSC TGC-1					
	Share capital	Share premium	Retained earnings and other reserves	Total	Non-controlling interest
<u>Balance at 1 January 2021</u>	<u>38 543</u>	<u>22 914</u>	<u>66 803</u>	<u>128 260</u>	<u>10 693</u>
Profit for the period	-	-	4 269	4 269	127
Comprehensive income for the period	-	-	4 269	4 269	4 396
<u>Balance at 31 March 2021</u>	<u>38 543</u>	<u>22 914</u>	<u>71 072</u>	<u>132 529</u>	<u>10 825</u>
<u>Balance at 1 January 2022</u>	<u>38 543</u>	<u>22 914</u>	<u>70 576</u>	<u>132 033</u>	<u>13 150</u>
Profit for the period	-	-	6 294	6 294	(28)
Comprehensive income for the period	-	-	6 294	6 294	6 266
<u>Balance at 31 March 2022</u>	<u>38 543</u>	<u>22 914</u>	<u>76 870</u>	<u>138 327</u>	<u>13 122</u>
					<u>151 449</u>

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«13» May 2022

PJSC TERRITORIAL GENERATING COMPANY №1
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE
MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

Note 1. General information

1.1 Organisation and operations

Public Joint-Stock Company (PJSC) Territorial Generating Company № 1 (here in after “TGC-1”) was incorporated and is domiciled in the Russian Federation.

The Company’s principal business activity is production and sale of electric energy, heat energy and capacity, transmission and distribution of heat energy. The Group includes 52 power plants located in four regions of Russia: St. Petersburg, Karelia region, the Leningrad region and the Murmansk region.

The Company is registered in the Russian State Tax Inspection of Saint-Petersburg № 15. The Company’s registered office is located at 16 Dobrolyubova prospect, 2A building, St. Petersburg, Russian Federation, 197198.

PJSC “TGC-1” and its subsidiaries, presented below, are the Group TGC-1 (here in after the “Group”):

Subsidiary	Type of business activity	% of ownership	
		31 March 2022	31 December 2021
JSC Murmanskaya TPP	production of electric energy and capacity, heat energy, heat capacity	98.87	98.87
JSC St Petersburg Heating Grid	transfer and distribution of heat	60.52	60.52
LLC TSTP SEVERO-ZAPAD	transfer and distribution of heat	60.52	60.52

1.2 Government relations and influence on the Group’s activities

At the date of interim condensed consolidated financial statements PJSC Gazprom owns 100% of LLC Gazprom energoholding (immediate parent company). LLC Gazprom energoholding holds 51,79% of PJSC “TGC-1” as at 31 March 2022 (as at 31 December 2021: 51.79%). Thus PJSC Gazprom is the ultimate controlling party of the Group.

The Group’s customer base includes a large number of entities controlled by or related to the Government. The Group’s supply chain includes subsidiaries of PJSC Gazprom. The Government also controls the number of Group’s suppliers.

The government of the Russian Federation directly affects the Group’s operations through regulations of wholesale and retail sales of electricity and heat exercised by the Federal Antimonopoly Service (the “FAS”) and the executive authorities in tariff regulation. JSC SO UPS, which is controlled by the Russian Federation as Federal Agency of State Property Management regulates operations of generating assets of the Group.

The Government’s economic, social and other policies could materially affect operations of the Group.

1.3 Business environment in the Russian Federation

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

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

In the first quarter of 2022 the United States of America, the European Union and some other countries imposed additional sanctions against Russia. These circumstances led to the devaluation of the Russian ruble, increased volatility in financial markets, and also significantly increased the level of economic uncertainty in the conditions of business in Russia.

PJSC TERRITORIAL GENERATING COMPANY №1
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE
MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
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The scale and duration of that events remain uncertain and have effect on the Group's financial standing and results. The Group's management considers that takes all necessary measures to support constancy and development of business in current circumstances.

Future economic situation in Russian Federation depends on external factors and measures, adopting by Russian government. The effect may differ from the management's current expectations.

1.4 Seasonality

Demand for electricity and heat is influenced by both the season of the year and the relative severity of the weather. Revenues from heating are concentrated within the months of October to March. Similar, though less severe, concentration of electricity sales occurs within the same period. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel and purchases of electricity. This seasonality does not impact on the revenue or cost recognition policies of the Group.

Note 2. Basis of preparation

These Interim Condensed Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". These Interim Condensed Financial Statements should be read in conjunction with the annual Consolidated Financial Statements as at and for the year ended 31 December 2021, which were prepared in accordance with International Financial Reporting Standards (IFRS).

Note 3. Summary of Significant Accounting Policies and Accounting Estimates

The significant accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2021.

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

A number of amendments to the standards are effective for the annual periods beginning on or after 1 January 2023. In particular, the Group has not early apply the following changes to the standards:

- Amendments to *IAS 1 Presentation of Financial Statements* (issued in January 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments specify the requirements for classifying liabilities as current or non-current.
- Amendments to IAS 8 «Accounting Policies, Changes in Accounting Estimates and Errors» (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023). Amendments clarify differences between accounting policies and accounting estimates.
- IAS 12 «Income Taxes» (issued in May 2021 and effective for annual reporting periods beginning on or after 1 January 2023). Amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The Group is currently assessing how these changes will affect its financial position and results of operations.

3.2 Changes in presentation

Consolidated statement of financial position

In order to be in accordance with the accounting policy of the ultimate parent company PJSC Gazprom the amounts in the columns «31 December 2021» and «31 December 2020» of the consolidated statement of financial position were adjusted by separating right-of-use assets into a separate item «right-of-use assets» in the amount of RUB 7 439 million as at 31 December 2021 and 8 170 million as at 31 December 2020.

PJSC TERRITORIAL GENERATING COMPANY №1
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE
MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
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The effect was as follows on the amounts in consolidated statement of financial position at 31 December 2021:

	31 December 2021		
	As originally presented	Other adjustments	As adjusted
Assets			
Non-current assets			
Property, plant and equipment	154 637	(7 439)	147 198
Right-of-use-assets	-	7 439	7 439
Total non-current assets	161 381	-	161 381
Total assets	194 813	-	194 813

The effect was as follows on the amounts in consolidated statement of financial position at 31 December 2020:

	31 December 2020		
	As originally presented	Other adjustments	As adjusted
Assets			
Non-current assets			
Property, plant and equipment	151 135	(8 170)	142 965
Right-of-use-assets	-	8 170	8 170
Total non-current assets	157 100	-	157 100
Total assets	190 787	-	190 787

Note 4. Segment information

The Board of Directors and Managing Director is the Chief operating decision-maker. The decision-maker receives and reviews the Group's internal management report in order to assess performance of the Group and allocate resources.

The technology of electricity and heat production does not allow segregation of electricity and heat segments. The Company's branches and subsidiaries are managed separately due to significant decentralization and separate location, as a result the Group discloses six primary reportable segments: TPP of Nevsky branch, HPS of Nevsky branch, St. Petersburg Heating Grid, Kolsky branch, Karelsky branch, Murmanskaya TPP.

All reportable segments are located within the Russian Federation.

In the process of evaluation of segments, results and allocation of economic resources of the Group the Management uses financial information provided below prepared in accordance with RAR. The differences between the above-mentioned financial indicators analysed by the Management and IFRS financial information are caused by different approaches applied in IFRS and RAR.

Considering that the management responsible for decision-making does not review assets and liabilities by each reportable segment not least because of the lack of technical capabilities to present such information, the Group does not disclose assets and liabilities by segments.

PJSC TERRITORIAL GENERATING COMPANY №1
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED 31 MARCH 2022
 (UNAUDITED)
 (in millions of Russian Roubles)

4.1 Financial results of segments

The segment information for three months ended 31 March 2022 and 31 March 2021 is as follows:

Three months ended 31 March 2022		St					St				
	TPP of Nevsky branch	HPS of Nevsky branch	Petersburg Heating Grid	Kolsky branch	Karelsky branch	Murman- skaya TPP	Unallocated segments	Total segments	Eliminati- ons	Adjust- ments	Total
Revenue:	24 313	2 370	2 496	4 478	2 736	2 902	29	39 324	(3 074)	129	36 379
<i>including export</i>	-	1 095	-	732	-	-	-	1 827	-	-	1 827
Depreciation of property, plant, equipment	1 234	176	579	267	216	27	31	2 530	(6)	542	3 066
Reportable segment profit / (loss)	4 673	1 347	189	1 600	279	(224)	2	7 866	-	(189)	7 677
Three months ended 31 March 2021		St					St				
	TPP of Nevsky branch	HPS of Nevsky branch	Petersburg Heating Grid	Kolsky branch	Karelsky branch	Murman- skaya TPP	Unallocated segments	Total segments	Eliminati- ons	Adjust- ments	Total
Revenue:	23 090	1 787	2 381	3 883	2 720	1 642	12	35 515	(2 933)	(79)	32 503
<i>including export</i>	-	535	-	484	-	-	-	1 019	-	-	1 019
Depreciation of property, plant, equipment	1 348	157	692	206	140	30	5	2 578	-	181	2 759
Reportable segment profit / (loss)	3 610	987	(49)	1 142	290	(599)	-	5 381	-	48	5 429

PJSC TERRITORIAL GENERATING COMPANY №1
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE
MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
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Reconciliation of the segment result to operating profit in the interim condensed consolidated statement of comprehensive income for three months ended 31 March 2022 and 31 March 2021 is provided as follows:

	Three months ended 31 March 2022	Three months ended 31 March 2021
<i>Revenue reclassification adjustments</i>	129	(79)
Depreciation adjustment	(542)	(181)
Impairment gain / (loss) on financial assets	51	(259)
Discounting effect	379	665
Other adjustments	(206)	(98)
	(318)	127
Total adjustments to operating profit	(189)	48

4.2 Key customers

The revenue presented in segment revenue includes revenue, received from two customers with the revenue exceeding 10% of the Group's revenue for three months ended 31 March 2022 and amounting to RUB 4 740 million (for three months ended 31 March 2021 the revenue of two customers exceeded 10% of the Group's revenue and amounted to RUB 4 448 million).

Note 5. Related Parties

In the interim condensed consolidated financial statements, a related party is a person or entity that has control or significant influence over the other party in financial and operational decisions as determined in IAS 24 "Related parties".

Transactions with related parties have been made mostly on the same terms and conditions as similar operations with the parties external to the Group. Prices for natural gas and capacity are based on tariffs set by FAS and also based on competitive take-off on the wholesale electricity (capacity) market rates. Loans and borrowings are received at market rates.

(a) Gazprom Group and its associates

As at and for three months, ended 31 March 2022 and 31 March 2021 the Group's significant transactions and outstanding balances with Gazprom Group and its associates are detailed below:

Revenue

	Three months ended 31 March 2022	Three months ended 31 March 2021
Electricity and capacity	311	125
Heating	200	201
Other sales	18	8
Total revenue	529	334

Operating expenses

	Three months ended 31 March 2022	Three months ended 31 March 2021
Fuel	12 347	12 133
Repairs, maintenance and service	354	115
Electricity and capacity purchases	50	38
Security and fire safety	7	-
Other operating expenses	355	273
Total operating expenses	13 113	12 559

PJSC TERRITORIAL GENERATING COMPANY №1
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE
MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

Finance Income and Finance Costs

	Three months ended 31 March 2022	Three months ended 31 March 2021
Finance income		
Interest income on loans issued	250	123
Other financial income	2	-
Total finance income	252	123
Finance costs		
Interest expense on lease	(80)	(91)
Interest expense on loans and borrowings	(48)	(17)
Total finance costs	(128)	(108)

Balances

	31 March 2022	31 December 2021
Short-term financial assets	7 953	10 851
Short-term accounts receivable and prepayments	1 360	1 026
Long-term accounts receivable and prepayments	1 172	944
Cash and cash equivalents	254	120
Total assets	10 739	12 941
Short-term accounts payable and other liabilities	2 932	6 620
Long-term lease liabilities	3 150	3 350
Short-term borrowings and loans	1 861	1 248
Short-term lease liabilities	1 252	1 151
Long-term accounts payable and other liabilities	429	364
Total liabilities	9 624	12 733

Purchase of non-current and current assets

	Three months ended 31 March 2022	Three months ended 31 March 2021
Purchases of property, plant and equipment	1 578	4 511
Purchases of inventories and other assets	10	67
Total purchases of non-current and current assets	1 588	4 578

The advances given to contractors of Gazprom group net of VAT, recognised within the construction in progress balance, amounted to RUB 1 682 million as at 31 March 2022 (as at 31 December 2021: RUB 654 million).

(b) Transactions with other State-controlled entities

Information below excludes transactions and outstanding balances with Gazprom Group and its associates as disclosed in Note 5 (a).

The Group had the following significant transactions with state-controlled entities as at 31 March 2022 and 31 March 2021:

Revenue

	Three months ended 31 March 2022	Three months ended 31 March 2021
Heating	9 790	8 019
Electricity and capacity	4 539	3 655
Other sales	44	31
Total revenue	14 373	11 705

PJSC TERRITORIAL GENERATING COMPANY №1
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE
MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

Operating expenses

	Three months ended 31 March 2022	Three months ended 31 March 2021
Water usage	822	820
Purchased electricity and capacity	432	445
Heat transfer	370	338
Fees of electricity market operators	273	245
Security and fire safety	239	202
Purchased heat energy	23	45
Repairs, maintenance and service	7	-
Other operating expenses	162	267
Total operating expenses	2 328	2 362

Finance Income and Finance Costs

	Three months ended 31 March 2022	Three months ended 31 March 2021
Finance costs		
Interest expense on loans and borrowings	(339)	(95)
Interest expense on lease	(28)	(35)
Total finance costs	(367)	(130)

Balances

	31 March 2022	31 December 2021
Short-term accounts receivable and prepayments	10 879	10 334
Cash and cash equivalents	2 207	2 514
Long-term accounts receivable and prepayments	179	288
Provision for expected credit losses on long-term receivables and prepayments	-	(163)
Provision for expected credit losses on short-term receivables and prepayments	(4 602)	(4 627)
Total assets	8 663	8 346
Long-term borrowings	8 389	8 389
Short-term accounts payable and other liabilities	2 380	1 780
Short-term borrowings	1 623	1 611
Long-term lease liabilities	1 212	1 124
Long-term accounts payable and other liabilities	62	68
Short-term lease liabilities	35	28
Total liabilities	13 701	13 000

Purchase of non-current and current assets

	Three months ended 31 March 2022	Three months ended 31 March 2021
Purchases of inventories and other assets	3 006	1 748
Purchases of property, plant and equipment	76	26
<i>including capitalized borrowing costs from related parties</i>	-	16
Total purchases of non-current and current assets	3 082	1 774

PJSC TERRITORIAL GENERATING COMPANY №1
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE
MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

Some of the transactions on the wholesale electricity and capacity market are conducted through commission agreements with JSC Centre of Financial Settlements (CFS). CFS's current financial settlement system of CFS does not provide the final counterparty with automated information about transactions and settlement balances with end consumers. Government-related entities, Gazprom Group and its subsidiaries may also act as counterparties.

The Group had the following significant transactions with CFS, presented below:

Revenue and operating expenses

	Three months ended 31 March 2022	Three months ended 31 March 2021
Sales of electricity and capacity	10 451	9 592
Purchases of electricity and capacity	(1 846)	(1 847)
Total	8 605	7 745

Balances

	31 March 2022	31 December 2021
Short-term accounts receivable and prepayments	1 361	1 421
Provision for expected credit losses on receivables	8	23
Total assets	1 369	1 444
Short-term accounts payable and other liabilities	327	308
Total liabilities	327	308

(c) Transactions with other related parties

Other related parties are mainly represented by the Company's shareholder with a significant influence (Fortum Power and Heat OY) and associate (JSC Hibinskaya Heating Company).

Revenue

	Three months ended 31 March 2022	Three months ended 31 March 2021
Electricity and capacity	1 095	535
Heating	30	28
Total revenue	1 125	563

Operating expenses

	Three months ended 31 March 2022	Three months ended 31 March 2021
Repairs, maintenance and service	-	150
Heat transfer	174	187
Other operating expenses	-	3
Total operating expenses	174	340

Balances

	31 March 2022	31 December 2021
Short-term accounts receivable and prepayments	647	40
Total assets	647	40
Short-term accounts payable and other liabilities	67	70
Total liabilities	67	70

PJSC TERRITORIAL GENERATING COMPANY №1
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE
MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

Purchase of non-current and current assets

	Three months ended 31 March 2022	Three months ended 31 March 2021
Purchases of property, plant and equipment	-	117
Total purchases of non-current and current assets	-	117

(d) Transactions with the key management personnel

Short-term compensation for services of key management personnel includes compensation to the members of the Board of Directors for their services at the management positions and participation in the meetings of the Board of Directors and comprised of a monthly salary, bonuses, taxes charge and other obligatory payments to relevant budgets, medical insurance costs and amounted to RUB 10 million for three months ended 31 March 2022 (for three months ended 31 March 2021: RUB 7 million).

As at 31 March 2022 and 31 December 2021 the payables to key management amounted to RUB 1 million.

Remuneration to managing organisation LLC Gazprom energoholding for three months ended 31 March 2022 and 31 March 2021 was in the amount of RUB 0 million and RUB 24 million respectively.

(e) Amount of outstanding contractual commitments for the construction of property, plant and equipment

	31 March 2022	31 December 2021
Gazprom group and its associates	15 945	18 017
Other state-controlled entities	153	172
Total	16 098	18 189

Note 6. Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

	Heating networks	Buildings and constructions	Machinery and equipment	Vehicles and other assets	Construction in progress	Total
<i>Initial cost</i>						
Balance as at 1 January 2021 (changed)	59 250	47 640	77 993	51 920	24 018	260 821
Additions	41	-	-	31	4 161	4 233
Disposals	-	(106)	(2)	(63)	(29)	(200)
Transfers	315	17	178	432	(942)	-
Transfer from other accounts	-	(1)	-	(23)	-	(24)
Balance as at 31 March 2021 (changed)	59 606	47 550	78 169	52 297	27 208	264 830
Balance as at 1 January 2022 (changed)	63 634	48 119	80 395	55 773	27 356	275 277
Additions	20	-	24	16	4 040	4 100
Disposals	(4)	-	(44)	(310)	(1)	(359)
Reclassifications	(64)	134	44	(114)	-	-
Transfers	1 015	673	2 327	1 712	(5 727)	-
Transfer from other accounts	-	14	(1)	(35)	-	(22)
Balance as at 31 March 2022	64 601	48 940	82 745	57 042	25 668	278 996
<i>Accumulated depreciation and impairment</i>						
Balance as at 1 January 2021 (changed)	(32 422)	(20 917)	(36 476)	(27 444)	(597)	(117 856)
Charge for the period	(401)	(215)	(775)	(1 040)	-	(2 431)
Disposals	-	101	2	58	-	161
Impairment loss transferred	(28)	-	(1)	-	29	-
Balance as at 31 March 2021 (changed)	(32 851)	(21 031)	(37 250)	(28 426)	(568)	(120 126)
Balance as at 1 January 2022 (changed)	(34 176)	(21 536)	(39 940)	(31 379)	(1 048)	(128 079)
Charge for the period	(526)	(243)	(876)	(1 068)	-	(2 713)
Disposals	4	-	44	252	-	300
Reclassifications	3	(97)	115	(21)	-	-
Transfer from other accounts	-	(4)	-	31	-	27
Impairment loss transferred	(25)	-	(3)	(2)	30	-
Balance as at 31 March 2022	(34 720)	(21 880)	(40 660)	(32 187)	(1 018)	(130 465)
<i>Net book value</i>						
Balance as at 1 January 2021 (changed)	26 828	26 723	41 517	24 476	23 421	142 965
Balance as at 31 March 2021 (changed)	26 755	26 519	40 919	23 871	26 640	144 704
Balance as at 1 January 2022 (changed)	29 458	26 583	40 455	24 394	26 308	147 198
Balance as at 31 March 2022	29 881	27 060	42 085	24 855	24 650	148 531

PJSC TERRITORIAL GENERATING COMPANY №1
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THREE MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

The “Vehicles and other” group includes land plots, motor vehicles, computer equipment, office fixtures and other equipment.

There were no property, plant and equipment pledged as collateral according to loan agreements.

Note 7 Trade and other receivables

	31 March 2022	31 December 2021
Long-term receivables		
Trade receivables	519	583
Promissory notes	221	-
Other receivables	21	24
Total financial receivables	761	607
Advances to suppliers and prepaid expenses	661	660
Total non-financial receivables	661	660
Total long-term receivables and prepayments	1 422	1 267
Short-term receivables		
Trade receivables	15 189	14 034
Other receivables	137	140
Promissory notes	75	-
Total financial receivables	15 401	14 174
Advances to suppliers and prepaid expenses	1 423	889
VAT recoverable	880	662
Tax prepayments other than income tax	109	107
Total non-financial receivables	2 412	1 658
Total short-term receivables and prepayments	17 813	15 832

Trade receivables is presented net of allowance for expected credit losses in the amount of RUB 8 478 million and 8 534 million as at 31 March 2022 and 31 December 2021 respectively.

Other receivables is presented net of allowance for expected credit losses in the amount of RUB 124 million and 126 million as at 31 March 2022 and 31 December 2021 respectively.

These allowances are primarily related to short-term receivables and prepayments except the allowance for trade receivables in the amount of RUB 2 million that was recognised for long-term receivables as at 31 March 2022 (as at 31 December 2021: RUB 174 million).

Note 8 Income tax

Income tax expense comprises the following:

	Three months ended	Three months ended
	31 March 2022	31 March 2021
Current income tax charge	(1 024)	(1 123)
Deferred income tax charge	54	223
Total expense tax charge	(970)	(900)

PJSC TERRITORIAL GENERATING COMPANY №1
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THREE MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

Tax effects of taxable and deductible temporary differences for three months ended 31 March 2022 and for three months ended 31 March 2021 are as follows:

	1 January	Recognised in profit or losses	31 March
Three months ended 31 March 2022			
Property, plant and equipment	(11 797)	(11)	(11 808)
Intangible assets	8	-	8
Accounts receivable and prepayments	515	(97)	418
Accounts payable and other liabilities	56	33	89
Employee benefit liabilities	163	-	163
Lease liabilities	991	46	1 037
Provisions	52	-	52
Tax losses carried forward	375	91	466
Other	6	(8)	(2)
Total	(9 631)	54	(9 577)
Three months ended 31 March 2021			
Property, plant and equipment	(12 283)	67	(12 216)
Intangible assets	14	-	14
Accounts receivable and prepayments	636	42	678
Accounts payable and other liabilities	53	24	77
Employee benefit liabilities	203	-	203
Lease liabilities	1 292	(85)	1 207
Tax losses carried forward	-	174	174
Other	(3)	1	(2)
Total	(10 088)	223	(9 865)

Deferred income tax assets and liabilities were measured at the following tax rates as at 31 March 2022: PJSC «TGC-1» - 17.47%, JSC «Murmanskaya TPP» - 20%, JSC «St Petersburg Heating Grid» - 15.67% (as at 31 December 2021: PJSC «TGC-1» - 17.47%, JSC «Murmanskaya TPP» - 20%, JSC «St Petersburg Heating Grid» - 15.68%). Management considers the rates to be applied to the period when the assets are realised and liabilities are settled.

Some deferred tax assets and liabilities have been set off in accordance with the Group accounting policies. Amounts of deferred tax (after offsetting) reflected in the interim condensed consolidated statement of financial position are as follows:

	31 March 2022	31 December 2021
Deferred income tax assets	874	841
Deferred income tax liabilities	(10 451)	(10 472)
Deferred income tax liabilities, net	(9 577)	(9 631)

Note 9 Financial assets

	31 March 2022	31 December 2021
Loans issued	7 955	10 852
Total short-term financial assets	7 955	10 852

PJSC TERRITORIAL GENERATING COMPANY №1
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THREE MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

Note 10 Inventories

	31 March 2022	31 December 2021
Fuel	3 432	2 727
Raw materials and other supplies	1 041	907
Spare parts	472	346
Total	4 945	3 980

As at 31 March 2022 the write down of the inventory to net realisable value was RUB 16 million (as at 31 December 2021: RUB 16 million).

The Group does not have pledged inventories as at 31 March 2022 and 31 December 2021.

Note 11 Cash and Cash Equivalents

	31 March 2022	31 December 2021
Cash in bank and in hand	3 866	2 653
Total	3 866	2 653

As at 31 March 2022 cash and cash equivalents comprise restricted cash in the amount of RUB 2 207 million, provided for JSC St Petersburg Heating Grid as a budget funding of investment program (as at 31 December 2021: RUB 2 508 million).

Note 12 Share capital

Share capital and share premium

As at 31 March 2022 and as at 31 December 2021 the declared share capital comprised 3 854 341 416 571 ordinary shares with a par value of RUB 0.01. All shares authorised are issued and fully paid.

Share premium amounted to RUB 22 914 million includes excess of the cash proceeds from the issue of share capital over its par value.

Note 13 Borrowings

	31 March 2022	31 December 2021
Long-term borrowings		
Bank borrowings	12 347	12 347
Total long-term borrowings	12 347	12 347
Short-term borrowings and current portion of long-term borrowings		
Bank borrowings	3 485	2 858
Current portion of long-term bonds	-	2 048
Total short-term borrowings and current portion of long-term borrowings	3 485	4 906

PJSC TERRITORIAL GENERATING COMPANY №1
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THREE MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

The terms and conditions of outstanding liabilities at the reporting date are as follows:

	Currency	Contractual interest rate	Maturity	31 March 2022	31 December 2021
Bank borrowings					
PJSC Sberbank RF	RUB	CR CB RF+1.15%	2023	8 389	8 389
Bank Rossiya	RUB	CR CB RF+1.20%	2023	3 098	3 098
PJSC Sberbank RF	RUB	CR CB RF+1.22%	2022	1 623	1 610
Gazprombank JSC	RUB	CR CB RF+2.50%	2022	1 130	327
Bank Rossiya	RUB	CR CB RF+1.20%	2023	860	860
Gazprombank JSC	RUB	22.25-22.50%	2022	732	724
Gazprombank JSC	RUB	CR CB RF+2.25%	2022	-	197
Bonds					
Bonds (04)	RUB	CPI+1.5%	2022	-	2 048
Total				15 832	17 253

The Group is required to comply with certain covenants related to borrowings. The Group complied with these covenants as at 31 March 2022 and as at 31 December 2021.

Note 14 Trade and other payables

	31 March 2022	31 December 2021
Long-term payables		
Trade payables	491	432
Total financial payables	491	432
Total long-term payables and other liabilities	491	432
Short-term payables		
Trade payables	4 519	5 783
Short-term payables for purchase of property, plant and equipment	1 866	4 757
Other payables	222	236
Total financial payables	6 607	10 776
Contractual liabilities	1 853	1 773
Other payables	776	679
Total non-financial payables	2 629	2 452
Total short-term payables and other liabilities	9 236	13 228

Note 15 Other taxes payable

	31 March 2022	31 December 2021
VAT payable	1267	391
Property tax	347	301
Employee taxes	345	309
Other taxes	86	88
Total	2 045	1 089

PJSC TERRITORIAL GENERATING COMPANY №1
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THREE MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

Note 16 Revenue

	Three months ended 31 March 2022	Three months ended 31 March 2021
Heating	18 542	16 042
Electricity and capacity	17 582	16 218
Other sales	255	243
Total	36 379	32 503

For three months ended 31 March 2022 revenue from heating sale includes the grants from St. Petersburg and Murmansk regional budgets for a total amount of RUB 2 690 million (for three months ended 31 March 2021 the Group didn't receive the grants, included in revenue from heating sale).

Note 17 Operating Expenses

	Three months ended 31 March 2022	Three months ended 31 March 2021
Fuel	15 491	14 428
Depreciation and amortization	3 205	2 879
Employee benefits	2 781	2 592
Purchased electricity and capacity	2 512	2 409
Heat transfer	824	793
Water usage	823	814
Repairs, maintenance and service	710	731
Taxes other than income tax	499	460
Purchased heat energy	487	486
Security and fire safety	328	277
Fees of electricity market operators	274	246
Other materials	104	115
(Gain)/loss on disposal of property, plant and equipment and other assets	(3)	28
Other operating expenses	718	557
Total	28 753	26 815

Note 18 Finance Income and Finance Costs

	Three months ended 31 March 2022	Three months ended 31 March 2021
Finance income		
Interest income on loans issued	250	123
Interest income on bank deposits and current bank accounts balances	3	1
Effect of discounting of financial instruments	2	14
Exchange differences income	-	8
Total finance income	255	146
Finance costs		
Interest expense on borrowings	(538)	(176)
Interest expense on lease	(113)	(136)
Effect of discounting of financial instruments	(31)	(2)
Interest expense on employee benefit liabilities	(19)	-
Exchange differences expenses	(14)	(1)
Total finance costs	(715)	(315)
Net of capitalized borrowing costs related to qualified assets	2	16
Total finance costs net of capitalised borrowing costs	(713)	(299)

PJSC TERRITORIAL GENERATING COMPANY №1
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THREE MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

Note 19 Basic earnings per share, attributable to the owners of PJSC «TGC-1»

Earnings per share attributable to owners of PJSC TGC-1 have been calculated by dividing the profit for the period, attributable to the owners of PJSC TGC-1 by the weighted average number of shares placed (Note 11). The calculation of earnings per share is presented in the table below.

	Three months ended 31 March 2022	Three months ended 31 March 2021
Issued shares (thousand of pieces)	3 854 341	3 854 341
Weighted average number of ordinary shares (thousand of pieces)	3 854 341	3 854 341
Profit for the period attributable to the shareholders of PJSC "TGC-1" (in RUB mln)	6 294	4 269
Earnings per ordinary share attributable to the shareholders of PJSC "TGC-1" – basic – in Russian Roubles	0.0016	0.0011

There are no dilutive financial instruments outstanding in the Group as at 31 March 2022 and 31 December 2021.

Note 20 Commitments

As at 31 March 2022, the Group had outstanding contractual commitments relating to the construction and purchase of property, plant and equipment in the amount of RUB 24 415 million including VAT (31 December 2021: RUB 25 053 million).

Note 21 Fair value of financial instruments

Fair values

The fair value of financial assets and liabilities is determined as follows:

Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market closing prices at the reporting date.

Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using various valuation techniques, primarily based on market or income approach, such as discounted cash flows valuation method. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Financial instruments in Level 3

If one or more of the significant inputs in the valuation model used to fair value an instrument is not based on observable market data, the instrument is included in Level 3. The fair value of financial instruments, such as short-term trade and other receivables and trade and other payables are classified as Level 3.

There was no change in the fair value measurement methods attributed to Level 2 and Level 3 for three months ended 31 March 2022 (31 December 2021: there was no change). There were no transfers between levels for three months ended 31 March 2022 (31 December 2021: there were no transfers).

As at 31 March 2022 and 31 December 2021 the estimated fair value of financial assets and liabilities, that are not recognised at fair value in consolidated statement of financial position, is slightly different from their present value.

PJSC TERRITORIAL GENERATING COMPANY №1
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THREE MONTHS ENDED 31 MARCH 2022 (UNAUDITED)
(in millions of Russian Roubles)

Note 22 Events after the Reporting Period

Borrowings

During the period between reporting date and signing date, the Group received short-term borrowings of RUB 532 million.

During the period between reporting date and signing date, the Group repaid borrowings for a total amount of RUB 1 714 million.

Government grants

During the period between reporting date and signing date the Group received grants from Saint-Petersburg and Murmansk regional budgets for a total amount of RUB 404 million.