

**Pre-Approved by**

Decision of the Board of Directors  
TGC-1

as of \_\_ \_\_, 2021

(Minutes No. \_\_ as of \_\_ \_\_, 2021)

**APPROVED BY**

Decision of the General Meeting of  
Shareholders of TGC-1

as of \_\_ \_\_, 2021

(Minutes No. \_\_ as of \_\_ \_\_, 2021)

**ANNUAL REPORT**  
**Public Joint Stock Company**  
**“Territorial Generating Company No.1”**  
on results of 2020

General Director of Gazprom Energoholding LLC

Managing organization of TGC-1

Denis Fedorov

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## **1. LETTER TO SHAREHOLDERS**

**Dear Shareholders,**

The key strategic goal of Gazprom in the electric power industry is a stable growth of financial and economic indicators while ensuring the reliability of energy supply to consumers. Its achievement is largely due to the implementation of modernization programmes and the construction of new power capacities.

For the period up to 2025, a large-scale programme of repairs of hydroelectric units, hydraulic structures and hydromechanical equipment TGC-1 has been adopted.

TGC-1 is rightfully considered one of the leaders of strategic development in the regions of activity. The company is renewing its power capacities for the development of the Arctic. At the Verkhne-Tulomskaya HPP, the largest in the North-West — 268 MW, a large-scale renovation of hydroelectric units is carried out with an increase in capacity. In 2020, updated hydroelectric unit No. 4 was commissioned, and work on hydroelectric unit No. 1 is being completed.

The company is actively developing the small hydropower sector. By the end of 2024, TGC-1 will build a small HPP on the Paz River in Murmansk Oblast. Each year, it will supply 66 mln kWh of electric power from a renewable source to the Unified Energy System of Russia.

The heat business continues to develop steadily. In 2020, key agreements were reached with local authorities in Murmansk Oblast and St. Petersburg, defining the rules of tariff regulation and the procedure for investing in the renewal of heating grids.

Systematic work is underway to update cogeneration facilities. In St. Petersburg, the modernization of the second stage of the Avtovskaya CHPP continues with an increase in the installed capacity of turbine units. In December 2020, a permit was obtained from the Government of St. Petersburg for the construction of a new hot water boiler on the territory of Power Plant No. 2 of the Centralnaya CHPP. As a result, the highest requirements for generation profitability will be met, and the reliability of energy supply to consumers in the northernmost metropolis of Europe will be increased.

Investments in the renewal of durable equipment are aimed at maintaining financial results after passing the peak of receipt of payments under the programme of capacity supply agreements. Moreover, particular attention is given to the need to respect nature and to methods to protect the environment.

Gazprom sets the company current tasks for the new time. Taking into account the need to control climate change, TGC-1 entered a promising market for the supply of "green" energy, concluded free purchase and sale agreements with large industrial consumers. This tendency will make a significant contribution to reducing the carbon footprint of industrial enterprises' products and increase the profit of the HPP generation segment.

The unique structure of TGC-1's generating assets — about 40% of the installed capacity is accounted for by hydropower generation sector - allows us to respond flexibly to market conditions, neutralize the impact of negative circumstances, and benefit from weather factors. In the high-water year of 2020, the Company's HPPs generated 13,248.8 mln kWh of electricity, which is 13.5% higher than in 2019. At the end of the year, the company demonstrated stable financial results and a high level of return on investment while maintaining a low debt burden.

The investment potential of TGC-1 is confirmed by all major rating agencies — Fitch Ratings, S&P Global Ratings maintained their ratings and "stable" outlook, ACRA raised its rating to AA+(RU).

I hope that the joint work of the Board of Directors and management, with the support of shareholders, will continue to contribute to the Company's success in implementing the Strategy of PJSC Gazprom in the electric power industry and contribute to increasing shareholder value.

**Chairman of Board of Directors of TGC-1**

**Vitaly Markelov**

## **Dear Shareholders,**

In 2020, TGC-1, like the whole country, faced unusual circumstances and challenges. In this situation, it was especially necessary to manifest professionalism and dedication. The main result of this work is that we have provided a stable generation of heat and electric energy, passed a difficult flood period, fully implemented the programme of preparation for the winter and consistently worked out the peak load season.

The volume of electric energy production of TGC-1, including JSC Murmanskaya CHPP, exceeded 27.9 bln kWh in 2020. In the context of reduced demand for electricity in the power system of the North-West, the Company has taken measures to optimize production activities and redistribute the load in favor of HPPs. The volume of heat energy output from the collectors of TGC-1, including JSC Murmanskaya CHPP, amounted to 23,046.9 thousand Gcal.

One of the priorities in 2020 was to increase the collection of consumer payments for heat energy. In the conditions of restrictions caused by the epidemiological situation, the Company has placed a bet on the development of information services, the popularization of online payments and the prevention of debt accumulation. As a result, the level of collection approached 100%, and earnings additional to the plan for revenue for heat energy exceeded RUB 1.2 bln.

In the segment of the electrical power business, the Company's management pays great attention to managing the modes of power plants to reduce non-marginal forced generation at CHPPs, and to excluding the purchase of power during rush hour for the generators allocated for export. In addition, the consolidated service of combined heat and power plant equipment in Gazprom Energoholding Group allows reducing significantly the cost of maintenance and repairs in the next few years.

In 2020, the system services sales sector expanded significantly. Power Unit No. 2 of the Pravoberezhnaya CHPP has passed a competitive selection and participates in ensuring the system reliability of the Unified Energy System of Russia in terms of rated primary frequency control. This will allow receiving additional revenue starting from 2021.

The personnel of TGC-1 in the conditions of coronavirus restrictions showed the highest responsibility, confirmed confidently its professionalism and readiness to ensure the operation of power facilities in conditions of any complexity. The personnel was provided with the necessary protective equipment, and measures were taken promptly to organize vaccination.

The existing infrastructure made it possible to establish remote work for the maximum number of employees in the shortest possible time, and gave a new impetus to the development and demand for digital innovations of TGC-1. Many information systems have been transferred from the pilot state to commercial operation. The successful experience of their implementation was appreciated by other energy companies of St. Petersburg, which began to replicate inventions of TGC- 1.

The most important area of work remains the preparation of personnel for work in the flood period. In the conditions of extremely high water content, the specialists of TGC-1, in particular, the Serebryanskiye HPPs Cascade in Murmansk Oblast, demonstrated high professionalism, clear coordination with related organizations and authorities, and ensured uninterrupted power supply to consumers.

The company implements a programme of repairs and upgrades systematically. Commissioning of the updated capacity in 2020 amounted to 75 MW. 20 overhauls and medium repairs of turbo and hydro generators, 12 repairs of power and hot water boilers were completed.

In strict accordance with the schedule, complex work on the restoration of the service lane began at the Verkhne-Svirskaya HPP. The first phase included underwater work to restore the load carrying capacity of its supporting structures. From Q2 2021, large-scale work to dismantle and replace the old spans of the service lane will begin. This is an extremely necessary work, for which the Company has been preparing for several years. The set of measures will restore the load carrying capacity of the structures of the key hydroelectric complex of the Ladoga water basin.

The past year 2020 has clearly demonstrated that neither the normal life of society, nor the stability of the energy system, nor the development of regions is possible without the experience and professionalism of power engineers and their responsibility. I am sure that the joint efforts of the personnel, management and shareholders, made to implement our priority tasks, will continue to maintain leadership in the energy sector of the North-West.

**Managing Director of TGC-1**

**Vadim Vederchik**

## 2. COMPANY OVERVIEW

### 2.1. Key Indicators of the Company

#### Key operating performance indicators of TGC-1\*

	2019	2020	Δ (%)
Installed electric capacity, MW	6,918	6,925	0.1
Installed heat capacity, Gcal/h	13,485	13,481	0.0
Electricity generation, mln kWh	28,275	27,912	-1.3
Electricity useful output, mln kWh	30,975	30,299	-2.2
Heat output, thousand Gcal	24,174	23,047	-4.7
Heat useful output, thousand Gcal	24,476	23,386	-4.5

\* The data are given taking into account the indicators of JSC Murmanskaya CHPP.

#### Key financial indicators of TGC-1, RAS \* (RUB mln)

	2019	2020	Δ (%)
Revenue	90,837	84,158	-7.4
Production cost	(78,988)	(74,190)	-6.1
Gross profit	11,849	9,968	-15.9
Profit before taxation	11,605	8,362	-27.9
EBITDA**	19,476	15,678	-19.5
Net profit	9,449	6,763	-28.4
Total assets	131,424	137,473	4.6
Earnings per share, RUB	0.00241	0.00176	-27.0

\* RAS statements of TGC-1 do not consolidate financial results of subsidiaries.

Due to the change as of 01.01.2020 of Accounting Standards 18/02 "Accounting for corporate income tax calculations", the results are given in comparable terms.

\*\* EBITDA = profit before tax – interest receivable + interest payable – revenue from participation in other companies + depreciation.

#### Key financial indicators of TGC-1 and its subsidiaries, IFRS (RUB mln)

	2019	2020	Δ (%)
Revenue	97,256	88,889	-8.6
Operating expenses	(85,599)	(76,913)	-10.1
Operating profit	12,149	10,824	-10.9
EBITDA*	22,500	21,935	-2.5
Profit before taxation	10,339	10,235	-1.0
Profit	7,990	8,253	3.3
Total assets	182,504	190,787	4.5

\* EBITDA = operating profit + depreciation.

## 2.2. Company Overview

Public Joint Stock Company “Territorial Generating Company No.1” (hereinafter referred to as TGC-1, the Company, the Issuer) is the leading producer of electric and heat energy in the Northwestern Federal District of Russia. TGC-1 was established on March 25, 2005 in the course of reforming the electric power industry of Russia. On August 1, 2016, in order to bring the company name in compliance with the regulations of the Civil Code of the Russian Federation, JSC TGC-1 was renamed as PJSC TGC-1. Today, the Company unites generating enterprises from the Baltic Sea to the Barents Sea. The Company’s generating assets comprise 52 power plants of various types in four constituent entities of the Russian Federation: St. Petersburg, the Republic of Karelia, Leningrad Oblast and Murmansk Oblast.

Generated electricity is delivered to the domestic wholesale electricity and capacity market as well as exported to Finland and Norway. TGC-1 is a strategic supplier of heat energy in St. Petersburg, Petrozavodsk, Murmansk, the cities of Apatity and Kirovsk in Murmansk Oblast.

TGC-1 includes the following subsidiaries: JSC Murmanskaya CHPP (till June 29, 2015 – OJSC Murmanskaya CHPP; till March 5, 2020 – PJSC Murmanskaya CHPP; power supply of Murmansk and surrounding areas, share in the authorized capital is 98.87%), JSC St. Petersburg Heating Grid (until July 29, 2016 – OJSC St. Petersburg Heating Grid; connection of heating grids in the area of operation of the Company's CHPPs, share in the authorized capital is 65.58%), as well as dependent companies of JSC HHC (until June 18, 2015 – OJSC HHC; transfer of heat energy from the Apatitskaya CHPP to consumers of Kirovsk, share in the authorized capital is 50%) and TGC – Service LLC (until June 3, 2013 - TGC-1–Service LLC; specialized repair provider, share in the authorized capital is 26%).

TGC-1 is a part of the Gazprom Group. Controlling stakes in Gazprom Group's generating companies are consolidated on the balance sheet of PJSC Gazprom's subsidiary - Gazprom Energoholding LLC, which ensures effective management in accordance with uniform corporate standards.

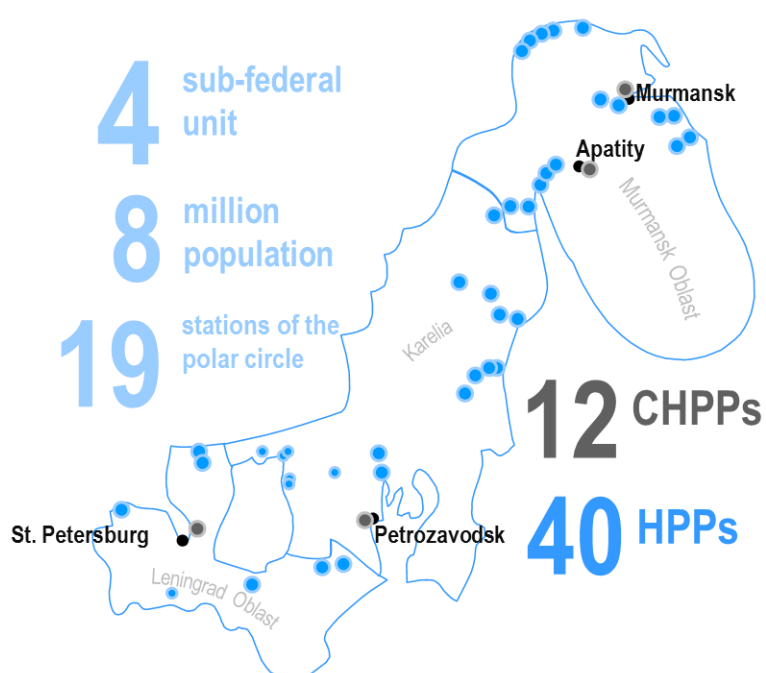
The key shareholders of TGC-1 are:

- Gazprom Energoholding LLC – 51.79% of shares,
- Fortum Power and Heat Oy – 29.45% of shares.

Shares of TGC-1 are traded on Moscow Exchange and included in Level 1 of the quotation list.

Fortum Power and Heat Oy, the second largest shareholder, is Scandinavian leading energy concern with the highest standards of business conduct. It makes a valuable contribution to the enhancement of the Company’s management efficiency.

Thus, focusing on international business standards, implementing environmentally responsible capacity management and implementing an innovative social policy, TGC-1 strives to take a leading position in the energy market, to be a reliable partner for investors, to take care of the interests of shareholders and to meet the highest requirements of customers.



## 2.3. Company events in 2020

### JANUARY

ACRA confirmed the credit rating of TGC-1 at the level of AA (RU), with a Stable outlook.  
The Nizhne-Svirskaya HPP of TGC-1 confirmed the status of a cultural heritage site.  
With the support of TGC-1, a skating rink was opened in Petrozavodsk.

### FEBRUARY

The new equipment arrived at the Verkhne-Tulomskaya HPP of TGC-1.  
The interactive annual report of TGC-1 became the winner of the Digital Communications Awards.

### MARCH

TGC-1 launched updated digital client services - online payment, a multifunctional personal account, online measurement transmission, including through a chatbot in social networks and an electronic document management system with clients.

### APRIL

The modernization of the hydroelectric unit of the Verkhne-Tulomskaya HPP of TGC-1 was completed.  
The power engineers of TGC-1 and JSC Murmanskaya CHPP became the winners of the international competition.

### MAY

TGC-1 launched an information project about the energy sector of the North-West during the Great Patriotic War.

### JUNE

The head of Gazprom Energoholding LLC, Denis Fedorov, and the Governor of Murmansk Oblast, Andrey Chibis, checked the operation of the Serebryanskiye HPPs during the flood.  
The annual General Meeting of Shareholders of TGC-1 was held.

### JULY

TGC-1 started the reconstruction of the Avtovskaya CHPP, the largest in the south-west of St. Petersburg.

### AUGUST

TGC-1 was first in the industry rating of social efficiency among energy companies.

### SEPTEMBER

The Government of Murmansk Oblast, TGC-1 and JSC Murmanskaya CHPP signed an agreement on improving the reliability of heat supply.  
Fitch Ratings rating agency confirmed the ratings of TGC-1 at the level of BBB, with a Stable outlook.  
Work on the restoration of the service lane began at the Verkhne-Svirskaya HPP of TGC-1.  
The PR projects of TGC-1 became the winners of KonTEKst.  
TGC-1 passed the certification of the energy management system.

### OCTOBER

S&P Global Ratings rating agency confirmed the rating of TGC-1 at the level of BBB-, with a Stable outlook.  
The interactive annual report of TGC-1 was awarded an international award.  
It is 15 years since the beginning of the operating activity of TGC-1.

### NOVEMBER

Information projects of TGC-1 received the highest awards at MediaTEK-2020, the All-Russian competition of the Ministry of Energy of the Russian Federation.  
Young specialists of TGC-1 and JSC Murmanskaya CHPP became the winners of the competition of innovators of Gazprom Energoholding Group.

### DECEMBER

The project of TGC-1 for the construction of a small HPP in Murmansk Oblast was selected at the competition for the conclusion of the RES CDA.  
A decree of the Government of St. Petersburg on the construction of a new hot water boiler by TGC-1 on the territory of Power Plant No. 2 of the Centralnaya CHPP was signed.  
Integrated digital solutions of TGC-1, which increase the reliability of equipment operation, were adopted for implementation in other energy companies of St. Petersburg.  
TGC-1 signed the first free contract for the supply of "green" energy generated at the HPP.  
ACRA upgraded the credit rating of TGC-1 to the level of AA+ (RU), with a Stable outlook.

### 3. TGC-1 IN THE INDUSTRY

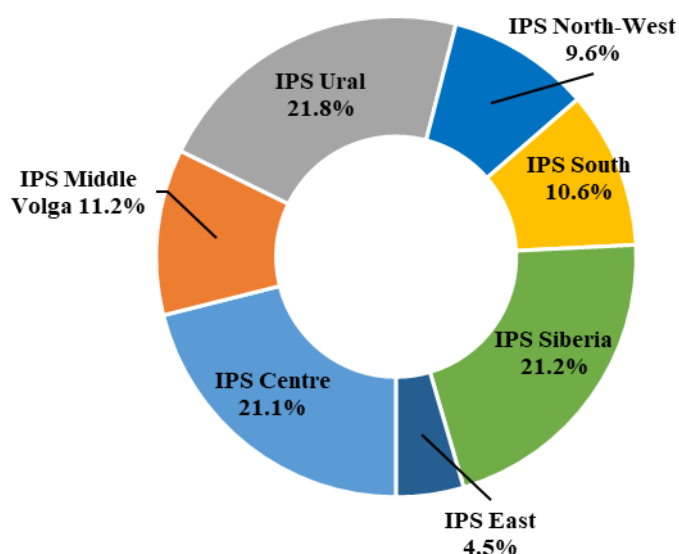
#### 3.1. Power industry situation<sup>1</sup>

The installed capacity of the power plants of the United Power System (UES) of Russia as of 01.01.2021 amounted to 245,313.25 MW, which is 0.4% more than as of 01.01.2020.

During the reporting year, the installed capacity of the power plants of the UES of Russia decreased by 1,023.3 MW. The change in the installed capacity of power plants is due to:

- commissioning of new equipment – 1,865.22 MW;
- increase in the installed capacity of existing generating equipment due to its re-marking – 202.52 MW;
- decommissioning of generating capacities – 3,247.47 MW;
- decrease in the installed capacity of existing equipment due to its re-marking – 12.64 MW;
- inclusion in the installed capacity of the UES of Russia of the generating capacities of existing power plants of consumers operating in the retail market - 169.14 MW.

Generating equipment of power plants of the UES of Russia with a total capacity of 3,253.47 MW was decommissioned.



**Fig. 1.** Installed capacity of the Interconnected Power System (IPS) in the UES of Russia as of 01.01.2021

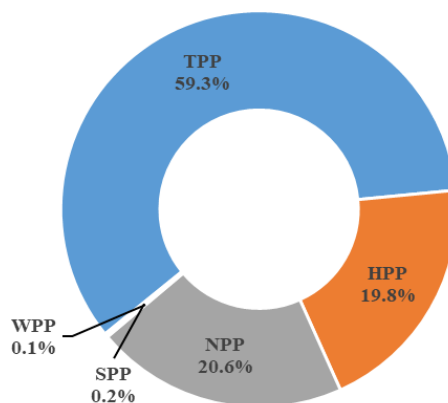
As of 01.01.2021, the installed capacity of the IPS North-West amounted to 23,604.33 MW showing a decrease of 3.5% vs. 2019. The share of the IPS North-West in the total installed capacity of the UES of Russia was 9.6%.

In 2020, electricity generation by power plants of the UES of Russia, including electricity generation from power plants of industrial enterprises, amounted to 1,047,029.9 mln kWh (the increase vs. the volume of electricity production in 2019 amounted to 3.1%), including the distribution of annual electricity production volume by type of power plants amounted to:

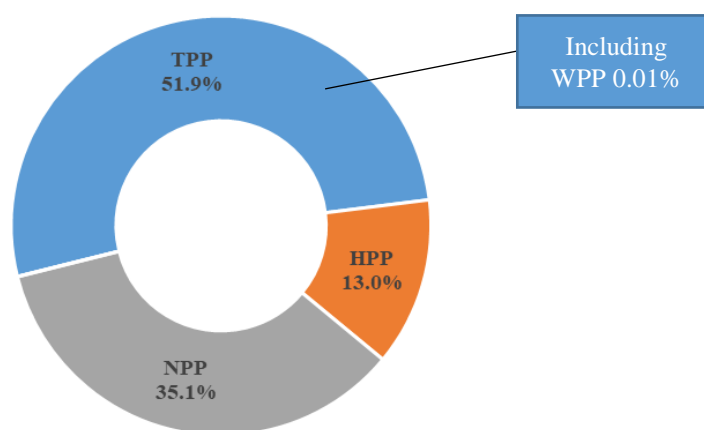
- TPPs – 620,565.1 mln kWh (production decrease by 8.7%);
- HPPs – 207,416.3 mln kWh (production increase by 9.0%);
- NPPs – 215,682.1 mln kWh (production increase by 3.3%);
- WPPs – 1,384.1 mln kWh (production increase by 4.3 times);
- SPPs – 1,982.3 mln kWh (production increase by 1.5 times).

The total electricity generation volume of the IPS North-West in 2020 decreased by 5.7% and amounted to 106,320.3 mln kWh. The generation of TPPs and NPPs increased by 11.1% and 3.3%, respectively, the generation of HPPs and WPPs increased by 14.3% and 0.7%, respectively. The share of electricity generation of the IPS North-West in the total generation of Russia's power system is 10.2%.

<sup>1</sup>According to the "Report on Functioning of the UES of Russia in 2020", published on the website of the "System Operator of the Unified Energy System"



**Fig. 2.** Structure of electricity generation of the UES of Russia in 2020



**Fig. 3.** Structure of electricity generation of the IPS North-West in 2020

**Actual electricity consumption in the UES of Russia in 2020** amounted to 1,033,718.4 mln kWh, which is lower by 25,643.2 mln kWh than the fact of 2019 (-2.4%).

**The annual maximum consumption of the UES of Russia** was detected on 25.12.2020 at 17:00 (Moscow time) at an average daily outdoor temperature of -13.1°C (1.4°C lower than the climatic norm and 2.2°C higher than the average daily temperature when passing the annual maximum of 2019), and amounted to 150.43 GW, which is 1.3 GW lower than the annual maximum of 2019.

**Table 1.** Dynamics of Electricity Consumption by Power Systems of Russia, mln kWh

Power system	2019	2020	Δ (%)
IPS Centre	241,945.9	239,905.8	-0.84
IPS Middle Volga	109,085.2	104,557.5	-4.15
IPS Ural	260,357.0	246,338.8	-5.38
<b>IPS North-West</b>	<b>94,959.1</b>	<b>92,166.2</b>	<b>-2.94</b>
IPS South	101,282.7	100,686.8	-0.59
IPS Siberia	211,423.3	209,368.7	-0.97
IPS East	40,308.4	40,694.5	0.96
<b>UES of Russia</b>	<b>1,059,361.6</b>	<b>1,033,718.4</b>	<b>-2.42</b>

**Table 2.** Dynamics of Electricity Consumption by the IPS North-West, mln kWh

Power System	2019	2020	Δ (%)
Arkhangelsk Oblast and Nenets Autonomous Okrug	7,317.8	7,279.6	-0.52
Kaliningrad Oblast	4,451.9	4,361.7	-2.03
Republic of Karelia	7,846.5	7,814.6	-0.41
Republic of Komi	9,029.8	8,571.0	-5.08
Murmansk Oblast	12,721.4	12,383.2	-2.66
Novgorod Oblast	4,462.7	4,327.2	-3.04
Pskov Oblast	2,211.4	2,176.6	-1.57
St. Petersburg and Leningrad Oblast	46,917.5	45,252.2	-3.55
<b>IPS North-West</b>	<b>94,959.1</b>	<b>92,166.2</b>	<b>-2.94</b>

## 3.2. History of the Company

TGC-1 was established in 2005 as part of the reform of the Russian electric power industry. However, the history of the Company began much earlier – the first kilowatts of the power plant, which is now part of TGC-1, gave back in 1897. Then in St. Petersburg, on Novgorodskaya Street, Helios, the Cologne company, launched the first stationary power plant in Russia.

In 1898, two more power plants started operating in the capital of the Russian Empire: of Electric Lighting Company of 1886 on the Obvodny Kanal and of Belgian Anonymous Company on the Fontanka River Embankment. Today, the first three power plants of our country, which have been repeatedly reconstructed over the past years, are united by the Centralnaya CHPP of TGC-1.

In the 20-es, the implementation of the legendary plan of state electrification (GOELRO plan) began in the country. Today, the first hydro power plant built in accordance with it, the Volkhovskaya HPP in the Leningrad Oblast, is operating as a part of TGC-1. And the first combined heat power plant of GOELRO in the North-West — Krasny Oktyabr CHPP, which was also part of the Company's structure, was decommissioned in 2010, having served for almost 88 years. It was replaced by a new plant — the Pravoberezhnaya CHPP, which gave the first kilowatts and gigacalories in 2006. The first plants of GOELRO in Karelia (Kondopozhskaya HPP) and in the Arctic Circle (Nizhne-Tulomskaya HPP and Niva HPP-2) also continue to work as part of the production complex of TGC-1.

During the World War II, Leningrad power engineers carried out a unique operation, which went down in history as a breakthrough of the energy blockade of Leningrad. Almost all the combined heat power plants of the besieged city in the first months of the war were stopped due to lack of fuel. In 1942, an underwater cable was laid across Lake Ladoga to provide electricity to the city, and the Volkhovskaya HPP became the main source of energy supply for the besieged Leningrad.

At the beginning of the war, enemy forces repeatedly attacked the strategically important facilities of the Arctic Circle: Murmanskaya CHPP, Nizhne-Tulomskaya HPP, Niva HPP-2.

In the postwar years, the energy sector of the North-West of the country continued to develop actively. New plants were built in Leningrad, Petrozavodsk, and Murmansk. At the end of the XXth century, they were organized into independent companies.

In 2005, TGC-1 was formed as part of the reform of the Russian energy sector on the basis of the generating assets of JSC Lenenergo, JSC Kolenergo, and JSC Karelenenergo. The company's generating assets comprise 52 power plants of various types in four constituent entities of the Russian Federation: St. Petersburg, the Republic of Karelia, Leningrad Oblast and Murmansk Oblast.

Generated electricity is delivered to the domestic wholesale electricity and capacity market as well as exported to Finland and Norway. TGC-1 is a strategic supplier of heat energy in St. Petersburg, Petrozavodsk, Murmansk, the cities of Apatity and Kirovsk in Murmansk Oblast.

## 3.3. Competitive environment

### 3.3.1. Electricity market

The main sector of competitive interaction of the wholesale electricity market for TGC-1 is the day-ahead market (DAM). To improve the competitiveness in the market, TGC-1 carries out activities aimed at solving the issues of pent-up capacities, optimizing the structure of electricity generation by CHPPs and HPPs, introducing new technologies, and production retrofitting.

The main competitive advantages of TGC-1 are:

- price advantage of CHPPs in terms of combined generation compared to GRES;
- price advantage of HPPs compared to combined heat power plants due to the absence of fuel costs;
- geographical locations of the Company's plants, enabling electricity exports;
- possibility of selling "green" electricity from HPPs in the wholesale and retail electricity markets at a premium to the price for a carbon-free footprint.

Apart from TGC-1, electricity and power generation in St. Petersburg, the Republic of Karelia, Leningrad Oblast and Murmansk Oblast is performed by JSC Rosenergoatom Concern (represented by the Leningradskaya and Kolskaya Nuclear Power Plants), PJSC OGC-2 (represented by the Kirishskaya GRES), JSC Yugo-Zapadnaya CHPP, JSC Inter RAO — Electric Power Plants (Branch of the Severo-Zapadnaya CHPP), which supplies electricity for export, and other producers.

## **Leningradskaya NPP**

The Leningradskaya NPP (LNPP) is a branch of JSC Rosenergoatom Concern, located 42 km from the administrative border of St. Petersburg on the southern shore of the Gulf of Finland of the Baltic Sea in the city of Sosnovy Bor. It is the largest producer of electric energy in the North-West of Russia. The plant provides more than 55% of energy consumption by St. Petersburg and Leningrad Oblast. Currently, the company is actively building replacement facilities – III+ VVER-1200 type pressurized water reactors at the site of LNPP-2.

As of the end of 2020, there are three power units (two units of RBMK-1000 LNPP-1 and one unit of VVER-1200 LNPP-2) and 5 condensing steam turbines. The installed electric capacity of the LNPP is 3,187.6 MW, and the heat capacity is 375 Gcal/h. In November 2020, VVER-1200 power unit No. 6 was launched (completion in 2021) and RBMK-1000 power unit No. 2 was decommissioned. Decommissioning of the last RBMK-1000 uranium-graphite channel type reactors No. 3 and No. 4 is planned for 2025, commissioning of VVER-1200 power unit No. 7 - for 2026. In total, in 2020, the LNPP generated 27.9 bln kWh of electricity and 805 thousand Gcal of heat energy.

Since the commissioning of electrical capacity at the LNPP is of replacement nature in place of the equipment being decommissioned, the installed capacity increases slightly, which should not significantly affect the competitive position of TGC-1.

## **Kolskaya NPP**

The Kolskaya NPP, a branch of JSC Rosenergoatom Concern, is located 170 km south of Murmansk and 11 km away from Polyarniye Zori settlement on the bank of Imandra Lake. The Kolskaya NPP is the main electricity supplier for Murmansk Oblast (about 60%) and the Republic of Karelia.

Currently, there are 4 power units in operation with VVER-440 type reactors and K-220 type steam turbines with a total electric capacity of 1,760 MW, which is about 50% of the installed capacity of the region, and a heat capacity of 125 Gcal/h. In 2018-2019, large-scale repair campaigns were carried out, as a result of which the service life of power unit No. 1 and power unit No. 2 was extended until 2033 and 2034, respectively.

The potential annual generation of the Kolskaya NPP is up to 14 bln kWh of electricity. Today the capacity of the Kolskaya NPP is not fully used, which is a prerequisite for development of the region's industry. Electricity generation for 2020 amounted to 9.5 bln kWh.

## **Kirishskaya GRES**

The Kirishskaya GRES of PJSC OGC-2, located in the city of Kirishi of Leningrad Oblast, on the river Volkhov, 150 km south-east of St. Petersburg, is the largest combined heat power plant of the IPS North-West and the closest, from the point of view of production and technological cycles, to the complex sources of TGC-1.

At the end of 2020, the total installed capacity of the GRES was: electric – 2,555 MW, heat - 1,070 Gcal/h, including the selection of steam turbines – 662 Gcal/h. In total, in 2020, the Kirishskaya GRES produced 4.25 bln kWh of electric energy and 2,903 thousand Gcal of heat energy.

## **Severo-Zapadnaya CHPP**

The Severo-Zapadnaya CHPP of JSC Inter RAO — Electric Power Plants, located in the Primorsky District of St. Petersburg on the coast of the Gulf of Finland, is the first power plant in the Russian Federation with the CCGT binary cycle.

The total electric capacity of the Severo-Zapadnaya CHPP is 900 MW and the heat capacity is 700 Gcal/h. The plant provides heat output to the Primorsky District of St. Petersburg and operates not only in the power system of Russia, but as well as TGC-1 also in the power system of Finland. In 2020, electricity generation amounted to 4.9 bln kWh, and heat generation – 1,663 thousand Gcal.

## **Yugo-Zapadnaya CHPP**

The Yugo-Zapadnaya CHPP is the base source of heat and electricity supplied to new districts of the South-Western part of the Primorsky District of St. Petersburg and a multifunctional housing complex Baltiyskaya Zhemchuzhina. The sole shareholder is: Constituent Entity of the Russian Federation – the federal city of St. Petersburg, represented by the Committee for City Property Management.

At the end of 2020, the installed electric capacity of the plant was 460 MW; the heat capacity was 470 Gcal/h. In 2020, the electricity generation was 2.86 bln kWh and heat generation was 972 thousand Gcal.

## New generation

According to the approved scheme and development programme of the UES of Russia, the next generation is expected to appear in the Issuer's regions of presence until 2026:

- Kolskaya WPP of Enel Rus Wind Kola LLC (2021), with a capacity of 200.97 MW;
- Beloporozhskaya HPP-1 and Beloporozhskaya HPP-2 of JSC Nord Hydro in the Republic of Karelia (commissioning in 2020-2021), with a total installed capacity of 49.8 MW;
- Segozerskaya HPP SHPP of JSC EuroSibEnerg-Hydrogeneration in the Republic of Karelia (2022), with an installed capacity of 8.1 MW;

Including the plans that are not currently taken into account in the calculation of the regime-balance situation of the IPS North-West:

- Svritsa WPP LLC, Leningrad Oblast, with a capacity of 69 MW (2023);
- WPP facilities of Vetroparki FRV LLC in Murmansk Oblast, with a total installed capacity of 150 MW (2022).

### 3.3.2.Heat market

TGC-1 supplies heat energy in the territory of St. Petersburg, Leningrad Oblast (Nevsky Branch), Murmansk Oblast (Kolsky Branch, JSC Murmanskaya CHPP), and the Republic of Karelia (Karelsky Branch).

## Saint Petersburg

Today, the main producers of heat energy in St. Petersburg are:

- TGC-1;
- SUE TEC of St. Petersburg;
- Peterburgteploenergo LLC;
- Severo-Zapadnaya CHPP Branch of JSC Inter RAO — Electric Power Plants.

**Table 3.** Structure of Heat Market of St. Petersburg as of 31.12.2020

LGO Name	Average Annual Installed Heat Capacity, Gcal/h	Connected Heat Load, Gcal/h	Volume of Heat Energy Output to Consumers, thousand Gcal	Market Share, %
TGC-1	11,093	10,253	15,757.8	42.1
SUE TEC of St. Petersburg	8,915	9,934	17,273.0	46.2
Peterburgteploenergo LLC	2,286	1,677	2,735.4	7.3
Severo-Zapadnaya CHPP Branch of JSC Inter RAO — Electric Power Plants	700	294	1,659.0	4.4

In addition, there is a number of heat energy producers in Saint Petersburg with a heat output of less than 1,000 thousand Gcal per year, the total share of which does not exceed 5% of useful output.

## Leningrad Oblast

In Leningrad Oblast, TGC-1 sales heat energy in the Vsevolozhsky and Lodeynopolsky Districts.

In the Lodeynopolsky District, all heat energy generated by the electric boiler of TGC-1 is sold to JSC Leningrad Regional Heat and Power Company, a wholesale purchaser-reseller, for heat supply to consumers of the Svirstroy settlement.

The Severnaya CHPP of the Nevsky Branch of TGC-1 is the main source of heat energy for heat supply to consumers of ID Murinskoye Rural Settlement and ID Novodevyatkinskoye Rural Settlement of the Vsevolozhsk municipal district of Leningrad Oblast.

The Pravoberezhnaya CHPP of the Nevsky Branch of TGC-1 is the main source of heat energy for heat supply to consumers of the Kudrovo settlement.

## Murmansk Oblast

The Apatitskaya CHPP of the Kolsky Branch of TGC-1 is the single source of heat energy for heat supply to Apatity and Kirovsk.

**Table 4.** Structure of Heat Market of Apatity and Kirovsk of Murmansk Oblast as of 31.12.2020

Heat supplier	Average Annual Installed Heat Capacity, Gcal/h	Connected Heat Load, Gcal/h	Heat output to consumers, thousand Gcal	Market share, %
TGC-1	535	517	1,299	100%

Apart from the Apatitskaya CHPP in Murmansk Oblast, heat is supplied by the subsidiary of TGC-1 – JSC Murmanskaya CHPP, which is a strategic supplier of heat energy in Murmansk; the share of heat sales is 72%. JSC Murmanenergosbyt is the only competitor of JSC Murmanskaya CHPP.

## Republic of Karelia

The Karelsky Branch sales heat energy, including heat produced by the Petrozavodskaya CHPP, to Petrozavodsk, the Prionezhsky and Pryazhinsky districts.

**Table 5.** Structure of Heat Energy Market of Petrozavodsk, the Prionezhsky and Pryazhinsky Districts of the Republic of Karelia as of 31.12.2020

Heat supplier	Average Annual Installed Heat Capacity, Gcal/h	Connected Heat Load*, Gcal/h	Heat output to consumers, thousand Gcal	Market share, %
TGC-1	730	783	1,949 (incl. WAN)	100%

\* taking into account the connection of consumers to third-party sources of heat energy

In order to increase the efficiency of activities in the heat supply market, the Company is constantly working to connect new consumers, maintain quality parameters of the services provided, and reduce accounts receivable.

### 3.4. Priority areas and development prospects of TGC-1

The key strategic goal of TGC-1 is to ensure stable profit growth while maintaining the level of reliability of energy supply to consumers.

The development strategy takes into account the challenges posed by all participants in the energy market and is aimed at ensuring stable financial and economic performance of the Company in the medium and long term.

As part of the implementation of the Development Strategy, measures in the following areas that meet the main goals of Gazprom Group in the electric power industry are envisaged:

- Implementation of modernization and new construction projects – updating and increasing production assets, optimization of transaction costs;
- Development of thermal business - a functional change in the business structure, aimed at building focus on customer, increasing the volume of sales and expanding the presence area, improving the payment discipline of consumers;
- Import substitution and the priority of using Russian equipment - eliminating the vulnerability of critical technological systems, reducing technological dependence;
- Achieving of sustainable profitability of JSC Murmanskaya CHPP – development of solutions to compensate for the cost of heating oil and avoiding oil dependence;
- Improving production efficiency – optimization of the use of resources, implementation of technical and technological potential;
- Innovation – continuous improvement of technological processes and minimization of operating costs through the introduction of innovative solutions;
- Diversification of activities – access to related segments that have synergies with the current business, in order to obtain new sources of income.

As part of the implementation of the Development Strategy of TGC-1 in 2020, the modernization of the Verkhne-Tulomskaya HPP and Avtovskaya CHPP continued, construction and installation work was carried out to modernize the hydraulic structures of the Vuoksa and Ladoga HPPs Cascade, a contract for the design and survey work on the project of technical retrofitting of the Severnaya CHPP was signed, and the information and diagnostic system of hydraulic structures of the Nevsky branch HPP was put into operation. In addition, the project of TGC-1 for the construction of a small HPP on the Paz River was selected as part of the competition of the RES CDA. The project is scheduled to start in 2021.

In the field of heat supply, attention was paid to improving the comfort of customers when interacting with the Company, which, due to the unfavorable epidemiological situation, was implemented with an emphasis

on convenient online interaction through a –personal account for individuals and legal entities, a call center and electronic document management. In 2020, a project on automation of settlements for heat energy with consumers of the Nevsky Branch was launched, the task of which is to obtain data from metering units remotely, to generate consolidated reports on heat consumption and to use them in calculations with minimizing the actions of subscribers.

In cooperation with the Government of St. Petersburg, the possibility of additional reconstruction of worn-out heating grids of JSC St. Petersburg Heating Grid at the expense of budget investments was provided, together with the Government of Murmansk Oblast, a cooperation agreement providing for the implementation of an investment programme also aimed at reducing the share of worn-out heating grids was concluded.

### **Development prospects of RES of TGC-1**

TGC-1 is considering the possibility of implementing investment projects for the construction of Renewable Energy Sources (RES) as part of the programme to support them in the wholesale electricity and capacity market through the mechanism of concluding RES Capacity Delivery Agreements (RES CDA). In 2020, based on the results of a competitive selection conducted within the first stage of the RES support programme (RES CDA 1.0 (2013-2024)), an application of TGC-1 for the construction of a small hydroelectric power plant (SHPP) in Murmansk Oblast with an installed capacity of 16.5 MW and the start date of power supply of 01.12.2024 was selected. A capacity supply agreement is concluded for the constructed plant, which provides a guaranteed return on investment for 15 years with a base rate of return of 12% per annum and an adjustment for the yield of federal loan bonds. The SHPP will make the most efficient use of the water resources of the Paz River and supply annually about 66 mln kWh of electric energy to the Unified Energy System of Russia.

The Government of the Russian Federation has decided to extend the RES support programme within the framework of RES CDA 2.0 (2025-2035). TGC-1 is interested in developing its portfolio of RES projects and diversifying its core business, and is considering the possibility of participating in future competitive selection of projects for the construction of wind power plants (WPPs) and SHPP within the framework of RES CDA 2.0. Within the framework of the WPP construction project, promising sites in the North-Western region with a high wind potential power are being considered. Currently, TGC-1 carries out wind measurements at these sites and other preparatory activities.

As part of the formation of mechanisms for voluntary demand for RES electric energy, as well as the preparation of a legislative framework regulating the turnover of "green" ("low-carbon") certificates, TGC-1 is working over the use of this market tool. The mechanism involves accounting (confirmation of the origin) of electricity by issuing an electronic document on the fact of electricity production at a RES and NPP. Certificates can be freely sold and transferred from one person to another until they are redeemed or expire. For TGC-1, the market of "green" ("low-carbon") certificates is a promising direction of development due to the presence of a natural competitive advantage subject to the unique structure of production assets, 40% of the installed capacity of which is accounted for by the RES, namely for hydroelectric power plants (with an installed capacity of 2,863 MW). For the purpose of its implementation, TGC-1 has already concluded free contracts for the purchase and sale of electricity generated by HPPs with the enterprises of PhosAgro Group and SIBUR Holding.

### **Capacity increase as a result of implementing major investment projects**

TGC-1 completed a large-scale programme to increase new capacities and fulfilled in full its investment obligations regarding the implementation of the projects provided for under CDA. During the programme, modern power units with a total capacity of 1.7 GW were commissioned, including 1.3 GW of highly efficient combined heat and power plants, as well as inefficient generation in the amount of 0.7 GW was decommissioned. In December 2016, the last facility – a gas turbine thermal power plant at PP-1 of the Centralnaya CHPP with an installed electric capacity of 100 MW - was commissioned.

At present, the turbine units of the second stage of the Avtovskaya CHPP are being modernized as part of the project of comprehensive restoration of the CHPP within the framework of competitive capacity outtake for modernization program (CCOMP), which also includes the restoration of the SWYD, the construction of a reusing water system, the restoration of general plant systems and other measures.

Restoration of PP-2 at the Centralnaya CHPP with the construction of a new hot water boiler and technical re-equipment of fuel oil facilities is underway. It is planned to decommission equipment of the old part.

In addition to heat generation, TGC-1 is working on restoration and retrofitting of main equipment at HPPs in the Republic of Karelia, Leningrad Oblast, and Murmansk Oblast, and commissioning of up-to-date process control systems, telemechanics and communication systems. Currently, a project to replace four hydroelectric units at the Verkhne-Tulomskaya HPP of the Tuloma and Serebryanskiye HPPs Cascade with an increase in their capacity is underway. In 2021, the project for the construction of a small HPP on the Paz River in Murmansk Oblast will start.

Thus, the main planned changes in capacity are:

- PP-2 of the Centralnaya CHPP: decommissioning of equipment of the old part (-23 MW, -756 Gcal/h); commissioning of a hot water boiler (+730 Gcal/h) in 2024.
- The Avtovskaya CHPP: decommissioning of equipment of the old part (-104 MW, -417 Gcal/h), modernization of turbines at plants No. 6, 7 with an increase in capacity (+39.4 MW, +32 Gcal/h), completion in 2024.
- The Verkhne-Tulomskaya HPP: modernization of four hydroelectric units with an increase in capacity (+32 MW), completion in 2024.
- The small HPP on the Paz River: new construction (+ 16.5 MW), completion in 2024.

### Operating efficiency improvement

In 2020, the Company implemented the following measures to improve the efficiency of operating activities:

- organizational and technical measures to advance the manufacturing system, aimed at increasing the efficiency of fuel and water utilization, and reducing costs of power plants own needs were carried out;
- the cost of supplying fuel, goods, performing work, and providing services was reduced through the use of competitive procurement methods;
- fuel costs were optimized due to the participation of Company in tenders held by the Saint-Petersburg International Mercantile Exchange (JSC SPIMEX);
- measures were taken to optimize storage facilities: unclaimed material production assets and decommissioned equipment were sold;
- non-core assets were sold;
- costs for the purchase of capacity were optimized, etc.

The overall effect of the implementation of the action plan to improve operational efficiency and optimize expenses of TGC-1 in 2020 amounted to RUB 1,492.1 mln.

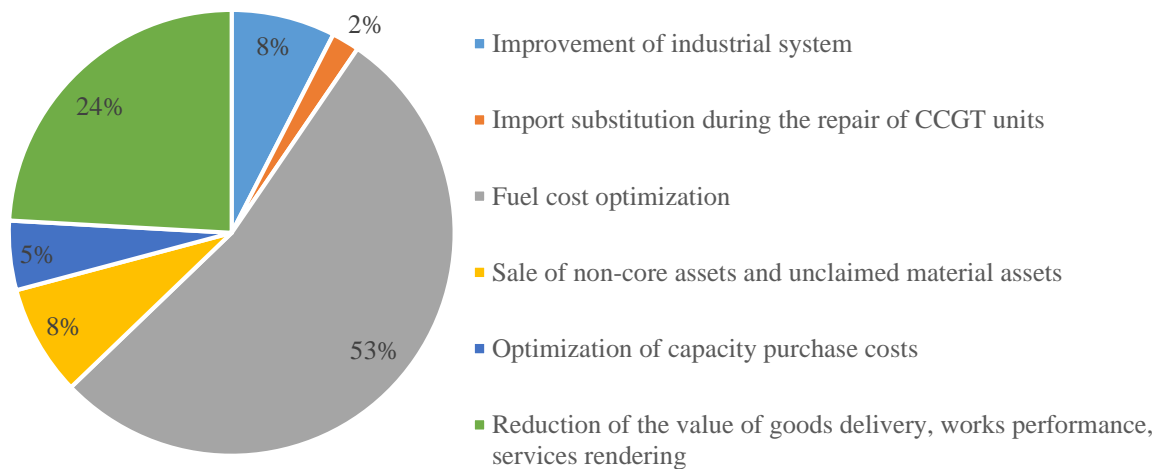


Fig. 4. Effect of Implementation of the Programme to Improve the Efficiency of the Operating Activities of TGC-1 in 2020

In 2021, further implementation of measures to increase operating efficiency and optimize costs of TGC-1 is planned.

### Corporate management systems

#### “Software for Heat Energy Sales Management in the Department and Branches of Nevsky, Kolsky, Karelsky TGC-1”

HESM Software is designed to make payments to subscribers for the consumed heat energy in hot water and heating and the HWS containing a component of the CWS and heat.

#### “Creation of IP based on Energobalance Software”

Providing the possibility of automated correction of the power characteristics of equipment, taking into account the features of the operating modes and the current actual condition of the power equipment at the facilities of the Nevsky Branch of TGC-1.

**“Electronic system for monitoring the level of operation of the main and auxiliary power equipment”**

The electronic system is a mobile and web application and is designed to manage the process of equipment maintenance and prevent accidents in the business units of TGC-1.

## 4. PRODUCTION OPERATIONS OVERVIEW

### 4.1. Production capacities

At the end of 2020, an installed capacity of the Company's power plants, including JSC Murmanskaya CHPP, was 6,924.5 MW and 13,480.53 Gcal/h of heat capacity.

The basis of the production capacities of TGC-1 comprises 52 power plants, including: 40 hydro power plants (HPP), and 12 combined heat and power plants (CHPP), including JSC Murmanskaya CHPP, a subsidiary. Most HPPs located consequently downstream of the water course and interconnected by the common water regime are unified into cascades.

A major part of the production facilities of TGC-1 belongs to the Nevsky Branch, which comprises 9 CHPPs with an installed electrical capacity of 3,539.5 MW and 11,079.0 Gcal/h – heat capacity, as well as 7 HPPs with a total installed electrical capacity of 707.8 MW. The Karelsky Branch is represented by the Petrozavodskaya CHPP and boiler houses with an installed capacity of 280.0 MW and 729.5 Gcal/h and 16 HPPs arranged in 3 cascades with a total installed capacity of 553.7 MW. The Apatitskaya CHPP with a capacity of 230.0 MW and 535.0 Gcal/h and 17 HPPs unified into 3 cascades with a total installed capacity of 1,601.5 MW operate in the Kolsky Branch. In addition to that, JSC Murmanskaya CHPP in Murmansk Oblast generates electricity and heat with an installed capacity of the CHPP amounting to 12 MW of electric capacity and 1,137.0 Gcal/h of heat capacity.

#### Reasons for change in the installed capacity of power plants during 2020

The installed electric capacity increased by 6.9 MW in 2020. The change in the installed electric capacity is due to:

- re-marking of hydroelectric units at Niva HPP-1;
- increase in the installed capacity of hydraulic unit No. 4 at the Verkhne-Tulomskaya HPP after modernization.

The installed heat capacity decreased by 4.3 Gcal/h in 2020. The change in the installed heat capacity is due to:

- decommissioning of the boiler of station No. 3 of PP-1 of the Centralnaya CHPP;
- re-marking of PVK-2 at the Severnaya CHPP;
- restoration of boiler houses of the Karelsky Branch.

#### Reasons for change in the available capacity of power plants during 2020

The main reason for the increase in the available capacity of the Company's power plants is the high water content at the Karelsky Branch HPP and the increase in the installed capacity of the Verkhne-Tulomskaya HPP after the modernization of hydraulic unit No. 4.

**Table 6.** Production Capacities of TGC-1 as of 31.12.2020

	Installed Electrical Capacity, MW	Δ, 2020/2019	Installed Heat Capacity, Gcal/h	Δ, 2020/2019	Available Capacity, MW	Δ, 2020/2019	ICUF (by electrical capacity) , %	Δ, 2020/2019	Fuel (main/ reserve)
<b>Nevsky Branch</b>									
Centralnaya CHPP	123.0		1,380.0	-30.0	123.0		41.5	-2.2	gas/fuel oil
Pravoberezhnaya CHPP	643.0		1,303.0		643.0	+5.0	49.5	-3.1	gas/fuel oil
Vasileostrovskaya CHPP	135.0		1,113.0		135.0		52.3	-8.8	gas/fuel oil
Pervomayskaya CHPP	360.0		928.0		360.0		58.2	+3.7	gas/fuel oil/ diesel**
Avtovskaya CHPP	321.0		1,738.0		321.0		33.7	-7.9	gas/fuel oil
Vyborgskaya CHPP	250.5		1,056.0		250.5		34.6	-15.3	gas/fuel oil
Severnaya CHPP	500.0		1,208.0	+20.0	500.0		41.5	-3.5	gas/fuel oil
Yuzhnaya CHPP	1,207.0		2,353.0		1,207.0		36.8	-7.7	gas/fuel oil
Ladoga HPPs Cascade	343.0		-		260.4		56.1	+9.5	-
Narvskaya HPP	124.8		-		124.8		54.7	+4.4	-
Vuoksa HPPs Cascade	240.0		-		240.0		64.3	+9.8	-
<b>Total for the Nevsky Branch</b>	<b>4,247.3</b>		<b>11,079.0</b>	<b>-10.0</b>	<b>4,164.7</b>	<b>+5.0</b>	<b>45.0</b>	<b>-3.1</b>	<b>-</b>
<b>Karelsky Branch</b>									
Petrozavodskaya CHPP	280.0		689.0		254.0		44.2	-6.8	gas/fuel oil
Boiler houses	-		40.53	-1.81					coal, firewood
Vyg HPPs Cascade	160.0		-		124.2	+6.0	71.7	+6.3	-
Kem HPPs Cascade	330.0		-		208.4	+45.2	54.8	+11.0	-
Suna HPPs Cascade	63.7		-		48.4	+9.2	67.9	+20.9	-
<b>Total for the Karelsky Branch</b>	<b>833.7</b>		<b>729.53</b>	<b>-1.81</b>	<b>635.0</b>	<b>+60.4</b>	<b>55.5</b>	<b>+4.9</b>	<b>-</b>
<b>Kolsky Branch</b>									
Apatitskaya CHPP	230.0		535.0		167.0		21.1	-1.8	coal/fuel oil***
Niva HPPs Cascade	568.4	-1.1	-		563.2	-1.1	63.5	+7.5	-
Paz HPPs Cascade	187.6		-		187.6		58.7	-1.8	-
Tuloma and Serebryanskiye HPPs Cascade	845.5	+8	-		845.5	+8	33.6	+1.8	-
<b>Total for the Kolsky Branch</b>	<b>1,831.5</b>	<b>+6.9</b>	<b>535.0</b>		<b>1,763.3</b>	<b>+6.9</b>	<b>43.9</b>	<b>+2.7</b>	<b>-</b>
<b>Total for TGC-1</b>	<b>6,912.5</b>	<b>+6.9</b>	<b>12,343.53</b>	<b>-11.81</b>	<b>6,563.0</b>	<b>+72.3</b>	<b>45.9</b>	<b>-0.7</b>	<b>-</b>
JSC Murmanskaya CHPP	12.0		1,137.0	+7.5	12.0		15.8	-0.5	fuel oil
<b>Total for TGC-1 including JSC Murmanskaya CHPP</b>	<b>6,924.5</b>	<b>+6.9</b>	<b>13,480.53</b>	<b>-4.31</b>	<b>6,575.0</b>	<b>+72.3</b>	<b>45.9</b>	<b>-0.7</b>	<b>-</b>

\* ICUF – installed capacity utilization factor.

\*\* Diesel fuel – emergency fuel at the Pervomayskaya CHPP.

\*\*\* Fuel oil - auxiliary fuel at the Apatitskaya CHPP.

## 4.2. Electricity generation

At the end of 2020, the volume of electricity generation by TGC-1, including JSC Murmanskaya CHPP, amounted to 27,911.8 mln kWh, demonstrating a slight decrease of 1.3% compared to the same indicator in 2019.

Comparable electricity generation at the heat power plants of TGC-1 decreased by 11.7%. The decrease in the CHPP generation volume compared to the previous year was influenced by a decrease in demand for electricity in the wholesale market, caused by restrictions in the work of enterprises and organizations and a reduction in export supplies to Finland and the Baltic States, as well as a significantly warmer heating period in the regions of presence of TGC-1. At the same time, the main principles of the company are to maximize high-efficiency generation and minimize non-marginal generation. A significant increase in electricity generation at HPPs by 13.5% compared to 2019 should be noted, which was facilitated by the increased water content of the rivers of the Karelsky and Kolsky Branches.

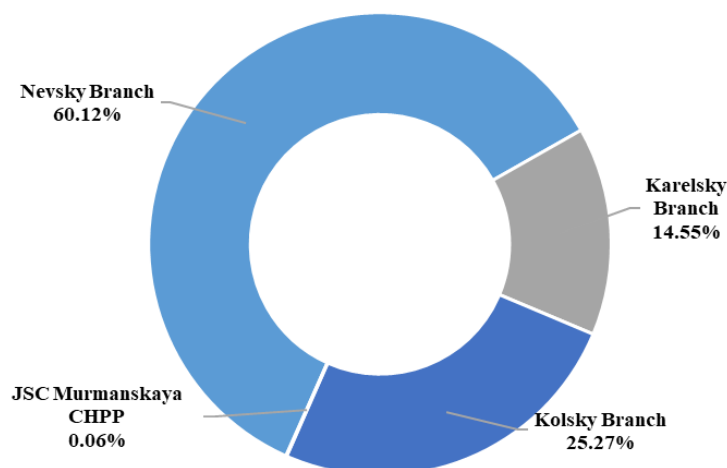


Fig. 5. Electricity Generation by the Branches of TGC-1 and JSC Murmanskaya CHPP in 2020

Table 7. Electricity Generation by Power Plants of TGC-1 for 2019-2020, million kWh

	2019	2020
<b>Nevsky Branch</b>		
Centralnaya CHPP	527.83	447.92
Pravoberezhnaya CHPP	2,963.52	2,797.92
Vasileostrovskaya CHPP	722.26	619.96
Pervomayskaya CHPP	1,717.94	1,838.94
Avtovskaya CHPP	1,170.40	949.86
Vyborgskaya CHPP	1,094.78	761.50
Severnaya CHPP	1,971.10	1,822.19
Yuzhnaya CHPP	4,703.38	3,896.67
Narvskaya HPP	549.96	599.61
Vuoksa HPPs Cascade	1,146.51	1,355.91
Ladoga HPPs Cascade	1,408.61	1,691.09
<b>Total for the Nevsky Branch</b>	<b>17,976.29</b>	<b>16,781.57</b>
<b>Karelsky Branch</b>		
Petrozavodskaya CHPP	1,251.37	1,086.04
Vyg HPPs Cascade	917.26	1,007.88
Kem HPPs Cascade	1,267.17	1,587.47
Suna HPPs Cascade	262.05	380.04
<b>Total for the Karelsky Branch</b>	<b>3,697.85</b>	<b>4,061.43</b>
<b>Kolsky Branch</b>		
Apatitskaya CHPP	461.71	425.34
Niva HPPs Cascade	2,791.43	3,168.89
Paz HPPs Cascade	994.08	967.84
Tuloma and Serebryanskiye HPPs Cascade	2,336.58	2,490.08
<b>Total for the Kolsky Branch</b>	<b>6,583.81</b>	<b>7,052.15</b>
JSC Murmanskaya CHPP	17.14	16.62
<b>Total for TGC-1 excluding JSC Murmanskaya CHPP</b>	<b>28,257.95</b>	<b>27,895.14</b>
<b>Total for TGC-1 including JSC Murmanskaya CHPP</b>	<b>28,275.09</b>	<b>27,911.77</b>
Total for CHPPs	16,601.43	14,662.97
Total for HPPs	11,673.66	13,248.80

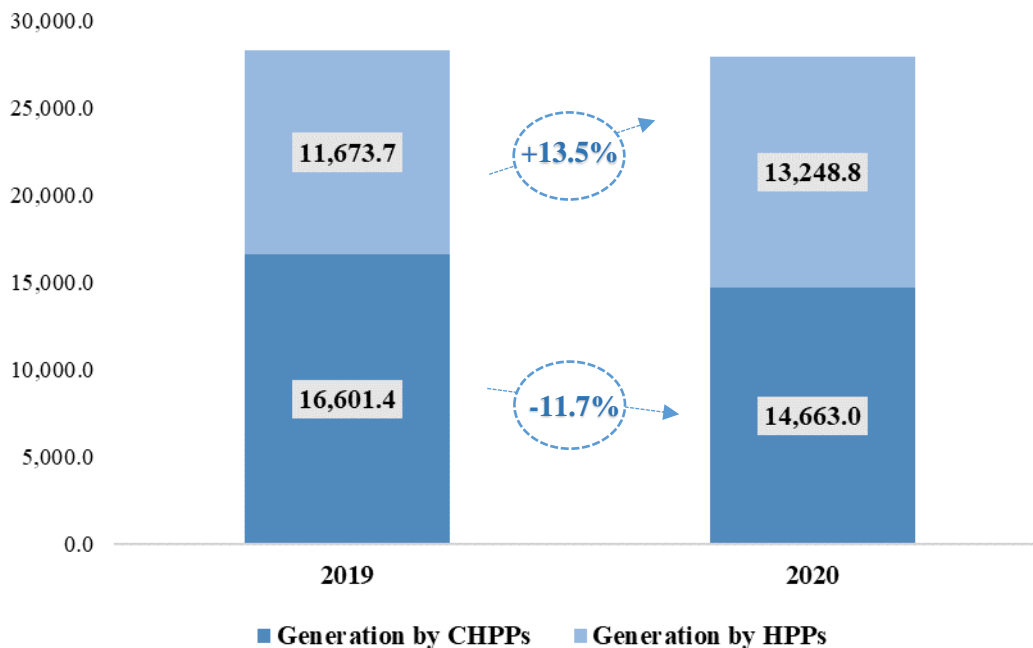


Fig. 6. Electricity Generation by CHPPs and HPPs of TGC-1 in 2019-2020, mln kWh

## Hydrological conditions in the regions of the Company's activity. Water content impact on electricity generation volume

### Nevsky Branch

The past year of 2020, throughout the entire territory of the Nevsky Branch, is generally characterized by water content slightly below the average value with a security of about 55%.

The stock of hydraulic resources in the reservoirs of the branch HPPs in Q1-Q2 2020 was significantly higher than the average long-term indicators. The high water content is due to a large amount of rain in the fall of 2019 and winter of 2020.

Since Q3, the water content has sharply decreased, due to the lack of precipitation; the inflow of water to the reservoirs has decreased to abnormally low values.

The generation of HPPs of the Nevsky Branch in 2020 amounted to 3,646.6 mln kWh, which is 2.5% lower than the planned value.

The decrease in generation relative to the plan is caused by the low water content of the summer-autumn period of 2020.

### Karelsky Branch

Water levels in the Karelian reservoirs at the beginning of 2020 were generally close to the average long-term values.

The spring flooding began at the usual time. In general, the volume of spring flooding was slightly higher than the average long-term indicators. In June, a decrease in water content began; water inflows into reservoirs were lower than the average long-term indicators.

In the summer, water content in Karelia was close to the average indicators.

The rain floods that began in mid-October and the absence of winter conditions in November and December on the water bodies of Karelia allowed increasing slightly electricity generation, as well as replenishing the reserves of water resources of reservoirs.

Thus, the water content of 2020 was characterized by irregularity. The total volume of electricity generation by the Karelsky Branch of TGC-1 in 2020 amounted to 2,975.4 mln kWh, which is 8.8% higher than the planned indicators.

### Kolsky Branch

The sufficiency of the volume of annual inflows in the system as a whole was quite low. Thus, in terms of water content, 2020 can be classified as a high-water year.

The stock of hydraulic resources in the reservoirs of the Kolsky Branch HPPs in Q1-Q2 2020 was higher than the average long-term indicators. This water content was due to rain in the fall of 2019 and the active accumulation of snow reserves in the winter of 2020.

Since Q3, the water content has slightly decreased, due to a decrease in the intensity of rain, and the inflow of water to reservoirs has decreased to lower indicators relative to the average long-term values.

The generation of the Kolsky Branch HPPs in 2020 amounted to 6,626.8 mln kWh, which is almost in line with the planned value (lower by only 0.6%).

### 4.3. Heat generation

The volume of heat energy output from the collectors of TGC-1, including JSC Murmanskaya CHPP, amounted to 23,046.9 thousand Gcal, demonstrating a decrease by 4.7% compared to the indicator of 2019 due to high outdoor temperatures in the heating season of 2020.

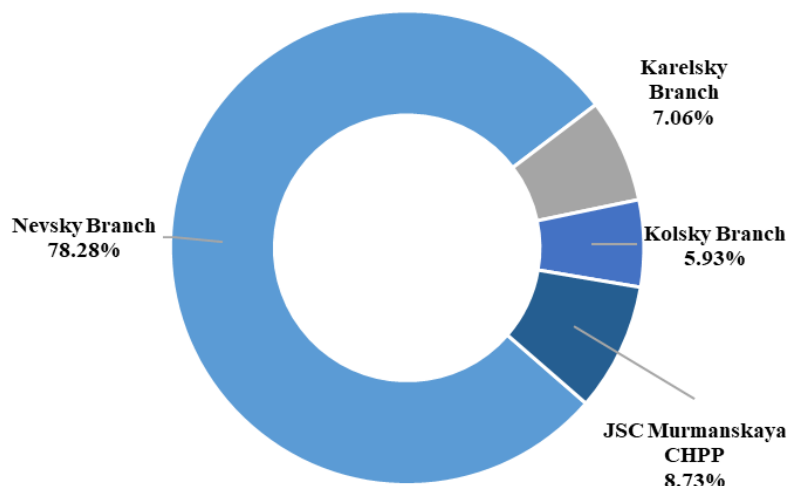


Fig. 7. Heat Output by the Branches of TGC-1 and JSC Murmanskaya CHPP in 2020

Table 8. Heat Output of the Power Plants of TGC-1 in 2019-2020, thousand Gcal

	2019	2020
<b>Nevsky Branch</b>		
Centralnaya CHPP	2,276.94	2,156.81
Pravoberezhnaya CHPP	2,296.86	2,233.61
Vasileostrovskaya CHPP	1,778.39	1,715.94
Pervomayskaya CHPP	1,605.30	1,548.09
Avtovskaya CHPP	3,029.28	2,832.69
Vyborgskaya CHPP	1,166.76	1,081.32
Severnaya CHPP	2,979.14	2,861.65
Yuzhnaya CHPP	3,737.73	3,606.95
Boiler facilities	3.09	3.11
<b>Total for the Nevsky Branch</b>	<b>18,873.50</b>	<b>18,040.17</b>
<b>Karelsky Branch</b>		
Petrozavodskaya CHPP	1,653.08	1,592.63
Boiler facilities	37.66	34.78
Electric boilers	0.62	0.59
<b>Total for the Karelsky Branch</b>	<b>1,691.35</b>	<b>1,628.00</b>
<b>Kolsky Branch</b>		
Apatitskaya CHPP	1,485.00	1,364.52
Electric boilers	3.25	3.12
<b>Total for the Kolsky Branch</b>	<b>1,488.25</b>	<b>1,367.64</b>
JSC Murmanskaya CHPP	2,120.50	2,011.07
<b>Total for TGC-1 excluding JSC Murmanskaya CHPP</b>	<b>22,053.11</b>	<b>21,035.80</b>
<b>Total for TGC-1 including JSC Murmanskaya CHPP</b>	<b>24,173.61</b>	<b>23,046.87</b>

Table 9. Outdoor Air Temperature, °C

	Outdoor Air Temperature, Average Annual		Change	Outdoor Air Temperature, Average for Heating Season		Change
	2019	2020		2019	2020	
St. Petersburg	+7.3	+8.3	+1.0	+2.3	+4.2	+1.9
Petrozavodsk	+5.4	+6.4	+1.0	+0.5	+2.2	+1.7
Apatity	+1.3	+3.2	+1.9	-3.9	-1.1	+2.8
Murmansk	+7.3	+2.6	-4.7	-2.4	-1.3	+1.1

#### 4.4. Fuel utilization analysis at CHPPs of TGC-1

The main evaluation indicator of the fuel utilization level by the Company's CHPPs is the specific reference fuel consumption.

**Table 10.** Specific Reference Fuel Consumption of CHPPs and Boiler Houses for Heat and Electricity Output of TGC-1 in 2019-2020\*-

	2019		2020	
	for electricity, g/kWh	for heat, kg/Gcal	for electricity, g/kWh	for heat, kg/Gcal
Average for the Nevsky Branch	218.7	168.0	206.3	167.9
Average for the Karelsky Branch	230.1	169.3	217.6	168.8
Average for the Kolsky Branch	187.6	178.5	187.7	179.2
<b>Average for TGC-1</b>	<b>218.8</b>	<b>168.8</b>	<b>206.7</b>	<b>168.7</b>
JSC Murmanskaya CHPP**	-	174.0	-	174.0

\* The specific reference fuel consumption is calculated using a "physical" method of heat and electricity cost distribution.

\*\* The total volume of electricity generated in 2019-2020 was used for own needs; the specific reference fuel consumption is calculated taking into account the Yuzhnaya and Vostochnaya boiler houses of JSC Murmanskaya CHPP.

Following the results of 2020, total specific reference fuel consumption by TGC-1 per unit of electricity sold amounted to 206.7 g/kWh, which was 12.1 g/kWh higher than in 2019. The specific reference fuel consumption per unit of heat sold decreased by 0.1 kg/Gcal compared to 2019, amounting to 168.7 kg/Gcal.

The factors that caused the change in specific fuel consumption per unit of electricity and heat sold are as follows:

- reduction of generation in the cogeneration mode by 5.75% compared to 2019;
- reduction of electricity consumption for electricity generation by 0.1% and by 12.4% in absolute terms;
- optimization of the core equipment composition to achieve maximum margin revenue for the Company, including a 2.8% increase in fuel efficiency;
- increase in the share of heat output from the PVK by 0.71%;
- reduction in the share of heat output by sampling by 0.77%.

#### 4.5. Energy saving and energy efficiency

When defining new directions and tasks for improving production efficiency, it is necessary to take into account that the basis of the production of TGC-1 is combined generation and centralized heat supply.

The energy saving and energy efficiency improvement programme of TGC-1 for 2019-2023, taking into account the requirements of Gazprom Energoholding LLC, was approved by the Management Board of TGC-1 (Minutes No. 261 as of June 11, 2019).

The energy saving and energy efficiency improvement programmes of TGC-1, JSC Murmanskaya CHPP and JSC St. Petersburg Heating Grid for 2020 (hereinafter referred to as the Programmes) include:

- measures to reduce leaked-in air in the gas-air path of boiler units, traction and blast costs and temperature head in turbine condensers and heat exchangers as part of the repair programme of the Companies;
- measures to replace lighting with LED;
- replacement of heating grids using power-efficient equipment, the use of effective technologies for thermal insulation of newly built heating grids when restoring damaged thermal insulation;
- implementation of FCSs on pumps;
- maintenance of FCSs at CHDS;
- other measures aimed at improving the efficiency of the use of fuel and energy resources.

As a result of the implementation of the Programme activities in 2020, the estimated value of the fuel and energy resources savings amounted to:

- 7,652 tons of reference fuel, 14,578 thousand kWh and 109 Gcal for TGC-1;
- 58 Gcal and 115 thousand kWh for JSC Murmanskaya CHPP;
- 1,913 thousand kWh and 73,257 Gcal for JSC St. Petersburg Heating Grid.

#### 4.6. Implementation of R&D programmes, patent and innovation activities

The policy of TGC-1 in the field of scientific and technical development is determined by the adopted Concept of Technical Policy and Development of generating companies of Gazprom Energoholding LLC. The main task of the technical policy is, in particular, the development of technical solutions that ensure the advanced development of generating capacities, reliable supply of electricity and heat to consumers, minimizing of specific fuel consumption through the introduction of advanced technologies, as well as ensuring of high environmental performance.

In 2020, the first stage of Phase B of R&D "Creation of a Production Asset Management System Using Technical Condition Indices" was completed, the purpose of which is aimed at the subsequent optimal allocation of costs for diagnostics, maintenance, repairs, equipment replacements, as well as improving the reliability of equipment operation; creation of a predictive analytics system for real-time diagnostics. Content of the first stage works:

- training of specialists;
- development of a Unified Classifier of Equipment Types;
- revision of the standard equipment structure;
- development of asset management system reference books;
- development of standard actions to eliminate defects.

The cost of the first stage was RUB 42.939 mln, excluding VAT.

The Issuer's policy in the field of scientific and technological development is aimed at obtaining new licenses and compliance with the licensing requirements for existing licenses.

**Table 11.** Information on Implementation of R&D, Patent and Innovation Programmes in 2019-2020

Indicator	Unit	2019	2020
Total costs of completed and accepted R&D	RUB mln, excluding VAT	32.95	42.94
among them those which gave a positive result	RUB mln, excluding VAT	32.95	–*
Number of active patents	pcs.	1	1
Number of innovation proposals	pcs.	154	36
Effect of innovation proposals	RUB mln, excluding VAT	0.54	0.00

\* carryover work for the period of 2021-2022.

#### 4.7. Repair and Maintenance Programme

The Repair and Maintenance Programme of TGC-1 for 2020 was developed for the maintenance of fixed production assets in working order at optimal costs on technical maintenance and repairs.

The Repair and Maintenance Programme of TGC-1 for 2020 was developed on the basis of:

- advance schedules of main equipment repairs at power plants;
- annual repair schedules of main and auxiliary equipment, as well as buildings and structures of power plants;
- the results of 2019 technical diagnostic and repair programmes;
- forecast values of consumer price and industrial product manufacturing price indices;
- expert assessment of repair costs with consideration of repair costs on the similar fixed assets in the previous periods.

**Table 12.** Implementation of the Main Equipment Overhaul and Medium Repair Plan in 2020

Equipment	Nevsky Branch	Karelsky Branch	Kolsky Branch	TGC-1
Power boilers (pcs/t/h)	7/1434	1/420	3/660	11/2514
Hot water boilers (pcs/Gcal)	1/100	-	-	1/100
Turbine units (pcs/MW)	4/472	-	1/28	5/500
Hydroelectric units (pcs/MW)	6/156.1	3/20.6	2/52.5	11/229.2
Turbine generators (pcs/MW)	4/543	-	-	4/543

Including CCGT:

Inspection	Nevsky Branch	Karelsky Branch	Kolsky Branch	TGC-1
Hot gas path inspections (pcs/MW)	-	-	-	-
Main inspections (pcs/MW)	2/312	-	-	2/312

**Table 13.** Number of Performed Current Repairs of Main Equipment in 2020

Number of Repairs	Nevsky Branch	Karelsky Branch	Kolsky Branch	TGC-1
Current repairs, pcs/days	354/3072	253/961	259/795	866/4828
among them small inspections of CCGT, pcs/days	6/87	-	-	6/87

#### Repair campaign targets for 2021:

- implementation of the repair programme according to the list of fixed assets and on time;
- restoration of technical and economic characteristics of equipment;

- increase of the reliability of power plant equipment;
- implementation of measures for the preparation of power facilities of TGC-1 for work during the autumn and winter period of 2021/2022;
- improvement of the quality of repairs and wider use of new materials and technologies.

In accordance with the annual repair schedule for the main equipment, 19 overhauls and 5 medium repairs of process units must be performed in 2021.

**Table 14.** Main Equipment Repairs Plan for 2021

Unit	Overhauls	Medium Repairs
Turbine units (pcs/MW)	3/270	2/160
Hydroelectric units (pcs/MW)	11/185	-
Boiler units (pcs/MW)	4/1168	1/220
Turbine generators (pcs/MW)	1/63	2/223
Peak hot water boilers (pcs/Gcal/h)	-	-

Including CCGT:

Inspection	Nevsky Branch	Karelsky Branch	Kolsky Branch	TGC-1
Hot gas path inspections (pcs/MW)	1/50	-	-	1/50
Minor inspections (pcs/MW)	8/880	-	-	8/880

## 5. SALES OVERVIEW

The target of the Company's sales function is to obtain maximum marginal proceeds from the operation of power plants on the electricity and capacity markets, and when selling heat energy.

The Company's sales policy principles:

- monitoring of technical and conceptual changes in the wholesale market, the Company's assessment of regulatory risks and activities to minimize them, control of execution by all of the Company's business units of the provisions of the Contract on accession to the trading system of the wholesale market, and regulations and Rules of the wholesale electricity and capacity market (approved by Decree of the Government of the Russian Federation No. 1172 as of 27.12.2010);
- payback of electricity and capacity, heat production in all market sectors;
- development of electricity export sales;
- elaborating of proposals for the increase of marginal proceeds from electricity, heat and capacity sales on the basis of the sales results analysis;
- measures aimed at the reduction of accounts receivable.

### 5.1. Electricity and capacity sales

#### 5.1.1. Analysis of the Company's operation in the wholesale electricity and capacity market

Hydroelectric generation of the Company is still in demand; equipment of CHPPs is loaded in accordance with the price parameters submitted in price quotes on the day-ahead market of the wholesale market.

Key events in the wholesale electricity and capacity market (WECM) in 2020:

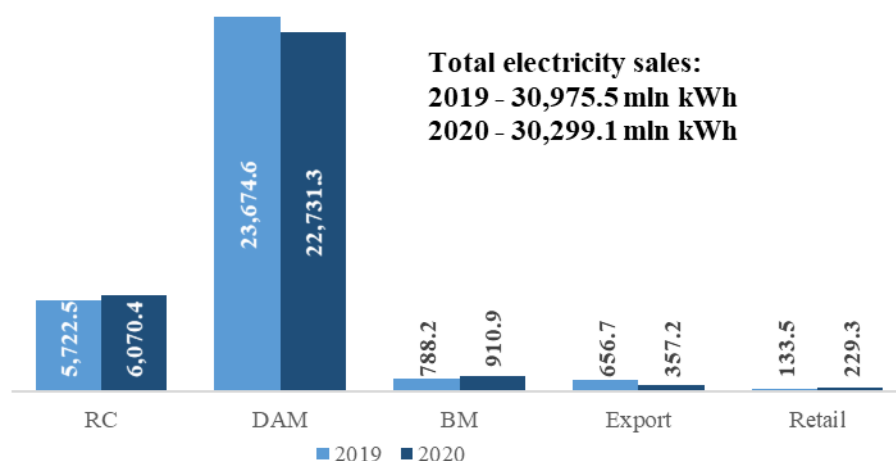
- participation in the CCO for 2025 – successful participation of power plants whose technical parameters meet the market requirements in the CCO for 2020.
- participation in the competitive selection of investment projects for the construction of generating facilities operating on the basis of renewable energy sources for 2021, 2022, 2023 and 2024 – the project of TGC-1 for the construction of a small hydroelectric power plant in Murmansk Oblast with an installed capacity of 16.5 MW was selected. Commissioning should take place in December 2024.

In 2020, the volume of electricity sales of TGC-1 amounted to 30,299.1 mln kWh. JSC Murmanskaya CHPP is not a participant in the wholesale electricity and capacity market, the entire volume of electricity generated in 2019-2020 was used for its own needs.

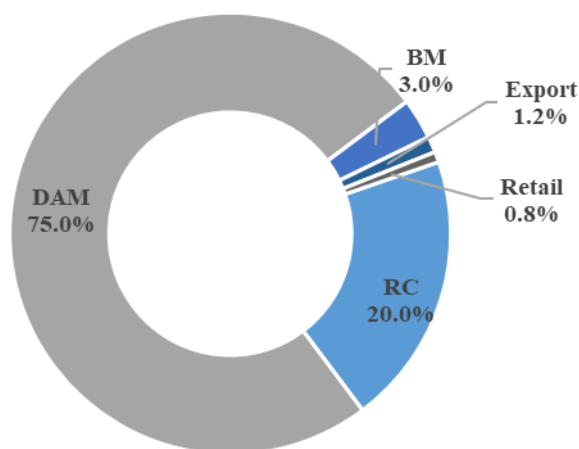
The largest volume of electricity of the Company is sold in the Day-Ahead Market (DAM). In 2020, the DAM accounted for 75.0% of total sales and 83.5% of total revenue from electricity sales. Under the regulated contracts (RC), the amount of sales was 20.0%, and the revenue of electricity was 10.2%. In 2020, export sales of electricity brought significant proceeds – the amount of sales and the revenue of electricity amounted to 1.2% and 2.5%, respectively.

**Table 15.** Electricity Sales by Branches in 2020, mln kWh

	TGC-1	Nevsky Branch	Karelsky Branch	Kolsky Branch
RC (Regulated Contracts)	6,070.4	3,830.0	724.8	1,515.7
DAM (Day-Ahead Market)	22,731.3	13,860.9	3,139.8	5,730.5
BM (Balancing Market)	910.9	511.7	80.9	318.3
Export sales	357.2	140.3	0.0	216.9
Retail sales	229.3	0.0	177.5	51.8
<b>TOTAL</b>	<b>30,299.1</b>	<b>18,342.9</b>	<b>4,123.0</b>	<b>7,833.2</b>



**Fig. 8.** Electricity Sales by Market Sectors, mln kWh



**Fig. 9.** Electricity Sales Structure by Market Sectors in 2020

The Company's capacity sales volume was registered at the level of 5,372.9 MW/month, which was 0.3% higher than in 2019. In 2020, the capacity sales after competitive capacity outtake (CCO) comprised 17.4% of the sales, the capacity sales under RC comprised 25.7%, the capacity sales under CDA comprised 23.5%, capacity sold in forced mode (FM) comprised 10.5%, the share of the non-regulated contracts (NRECC) comprised 22.9%. In this way, the major share of revenue from sales of capacity was formed by sales under CDA, amounting to 69.0%, the contribution into the revenue structure from CCO sales amounted to 7.2%, the share of RC amounted to 10.5%, sales in FM were 3.7%, the share of non-regulated contracts was 9.6%.

**Table 16.** Capacity Sales by Branches in 2020, MW/month

	TGC-1	Nevsky Branch	Karelsky Branch	Kolsky Branch
RC (Regulated Contracts)	1,382.2	722.0	167.9	492.2
NRECC (Non-Regulated Electricity and Capacity Sale and Purchase Contracts)	1,229.9	593.3	59.9	576.6
CCO (Competitive Capacity Outtake)	933.6	417.3	152.9	363.4
CDA (Capacity Delivery Agreement)	1,261.8	1,261.8	0.0	0.0
FM (Forced Mode)	565.4	361.0	138.1	66.4
<b>TOTAL</b>	<b>5,372.9</b>	<b>3,355.4</b>	<b>518.8</b>	<b>1,498.7</b>

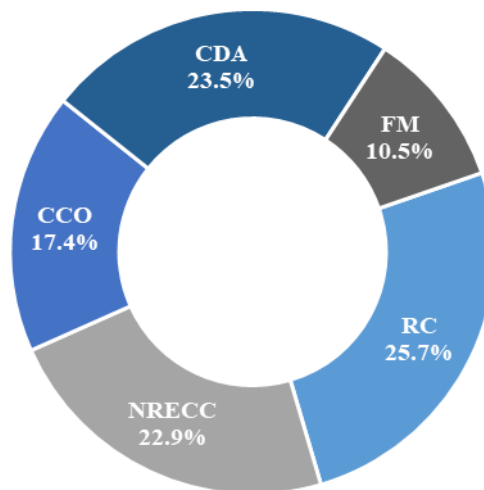


Fig. 10. Capacity Sales Structure by Market Sectors in 2020

**Total capacity sales:**  
**2019 - 5,386.6 MW/month**  
**2020 - 5,372.9 MW/month**

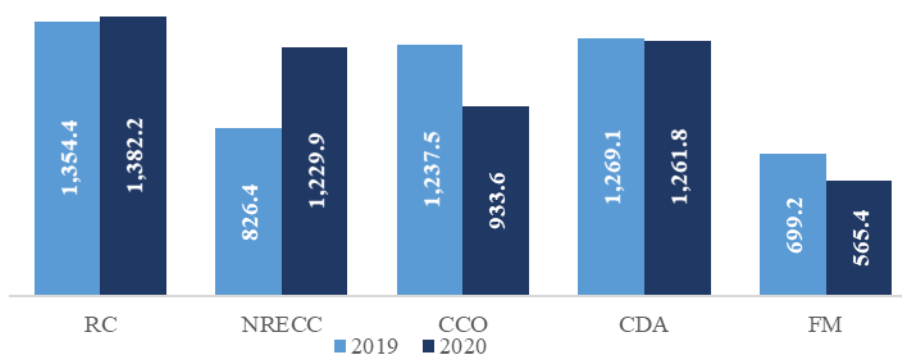


Fig. 11. Capacity Sales Structure by Market Sectors in 2019-2020, MW (monthly average)

### 5.1.2. Tariff regulation

Electricity and capacity tariffs for TGC-1 as a participant of the wholesale market are approved by the FAS of the Russian Federation. Pursuant to Clause 62 of the Wholesale Electricity and Capacity Market Rules approved by Decree of the Russian Government No. 1172 as of December 27, 2010, electricity and capacity supplies at regulated prices (tariffs) may be carried out only for delivery of electricity and capacity to the public and equivalent consumer categories. Pursuant to Clause 65 of the Wholesale Electricity and Capacity Market Rules, the total volume of electricity and the total volume of capacity to be supplied under regulated contracts in one calendar year may not exceed 35% of the generated electricity and capacity as defined in the forecast balance for regulatory period for a specified provider.

In 2020, settlements for electricity and capacity under regulated contracts were made as per electricity and capacity tariffs set by the FAS of the Russian Federation individually for each power plant of the Company. Settlements for electricity supplied to the day-ahead market and the balancing market were made at prices set on the basis of competitive bids.

Settlements for capacity supplied to the market under regulated contracts and by power plants operating in the “forced mode” were made as per tariffs approved by the FAS of the Russian Federation. Settlements for capacity supplied under CCO were based on the prices formed as a result of passing the competitive selection for 2020. Settlements under CDAs were based on the prices calculated by NP Market Council.

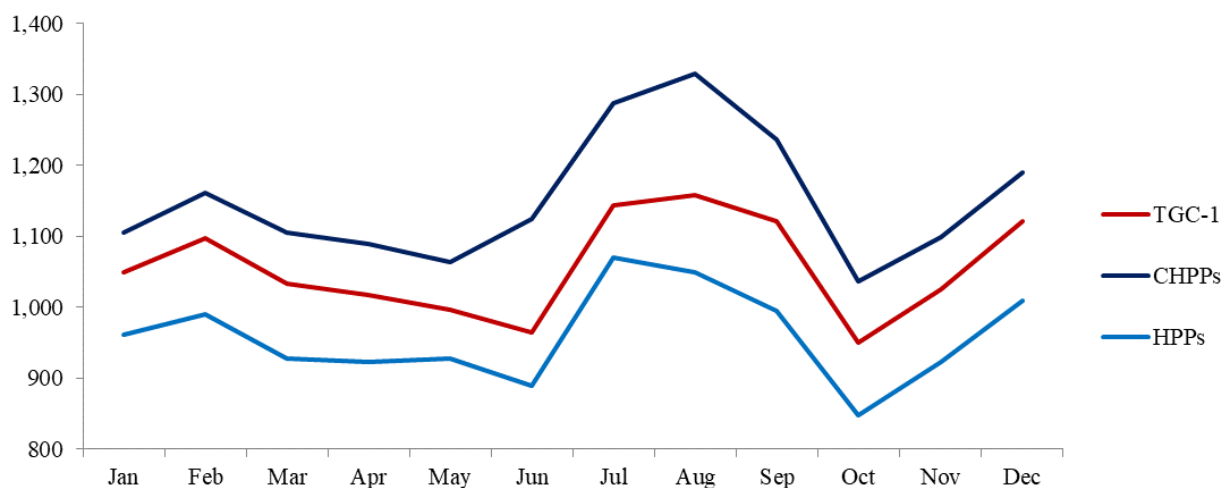


Fig. 12. Electricity Sale Price Dynamics on DAM in 2020, RUB/MWh

Table 17. Dynamics of Revenue from Electricity Sales in 2019-2020 by Market Sectors and Branches, RUB mln

	TGC-1	Nevsky Branch	Karelsky Branch	Kolsky Branch
<b>2019</b>				
RC	2,756.5	2,463.4	208.5	84.6
DAM	28,205.4	19,461.1	3,335.0	5,409.4
BM	775.1	589.7	75.6	109.8
Export	1,744.5	889.5	0.0	854.9
Retail	139.5	0.0	133.3	6.1
<b>TOTAL</b>	<b>33,621.0</b>	<b>23,403.7</b>	<b>3,752.4</b>	<b>6,464.8</b>
<b>2020</b>				
RC	2,930.6	2,608.0	217.7	104.9
DAM	23,946.9	15,865.6	3,132.1	4,949.2
BM	797.0	561.2	84.1	151.7
Export	727.5	327.5	0.0	400.0
Retail	266.7	0.0	159.9	106.8
<b>TOTAL</b>	<b>28,668.7</b>	<b>19,362.3</b>	<b>3,593.8</b>	<b>5,712.6</b>

Table 18. Dynamics of Revenue from Capacity Sales in 2019-2020 by Market Sectors and Branches of the Company, RUB mln

	TGC-1	Nevsky Branch	Karelsky Branch	Kolsky Branch
<b>2019</b>				
RC	1,934.5	1,019.0	308.8	606.5
NRECC	1,258.1	678.3	0.0	579.8
CCO	1,813.4	706.2	277.6	829.6
CDA	14,277.3	14,277.3	0.0	0.0
FM	903.8	611.1	201.2	91.4
<b>TOTAL</b>	<b>20,187.1</b>	<b>17,291.9</b>	<b>787.6</b>	<b>2,107.5</b>
<b>2020</b>				
RC	2,049.4	1,093.0	344.4	611.9
NRECC	1,875.3	902.4	94.4	878.4
CCO	1,404.5	629.8	225.6	549.0
CDA	13,503.1	13,503.1	0.0	0.00
FM	718.9	416.0	196.0	106.9
<b>TOTAL</b>	<b>19,551.0</b>	<b>16,544.3</b>	<b>860.4</b>	<b>2,146.3</b>

### 5.1.3. Electricity and capacity purchase

The main reasons of electricity purchase in 2020 were:

- purchase to ensure export sales;
- purchase for operational needs.

The main reasons of capacity purchase in 2020 were:

- purchase for operational needs at maximum consumption in excess of the standard (including, in order to ensure export sales);
- purchase to secure obligations under regulated contracts.

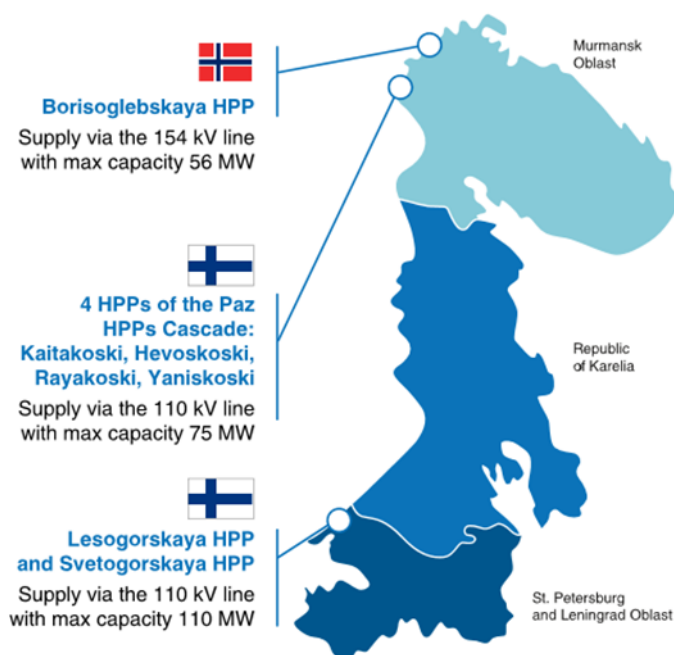
Electricity purchase in 2020 amounted to 4,291.4 mln kWh, which was 9.2% lower than in 2019. Capacity purchase amounted to 98.1 MW/month, which was 33.7% lower than in 2019.

**Table 19.** Electricity and Capacity Purchases in 2019-2020

	2019		2020	
<b>Electricity Purchase</b>				
	mln kWh	RUB mln	mln kWh	RUB mln
Nevsky Branch	3,544.0	4,303.0	3,032.0	3,429.1
Karelsky Branch	284.5	329.7	273.7	267.2
Kolsky Branch	897.2	839.4	985.7	682.4
<b>TOTAL</b>	<b>4,725.7</b>	<b>5,472.1</b>	<b>4,291.4</b>	<b>4,378.7</b>
<b>Capacity Purchase</b>				
	MW/month	RUB mln	MW/month	RUB mln
Nevsky Branch	85.7	438.3	58.9	255.8
Karelsky Branch	2.6	15.7	1.5	8.8
Kolsky Branch	59.7	368.9	37.7	249.2
<b>TOTAL</b>	<b>148.0</b>	<b>822.9</b>	<b>98.1</b>	<b>513.8</b>

#### 5.1.4. Electricity exports

Owing to the unique geographical location of some power plants, TGC-1 has the possibilities to export part of the generated electricity. Export sales are made to Finland and Norway.



Electricity is supplied to Finland:

- from the Svetogorskaya HPP of the Vuoksa HPPs Cascade in Leningrad Oblast via Imatra-1 line with a voltage of 110 kV. The maximum supply capacity amounts to 110 MW.
- from the Kaytakoski HPP of the Paz HPPs Cascade in Murmansk Oblast via L-82 line with a voltage of 110 kV. The maximum supply capacity amounts to 70-75 MW in the flooding season.

Electricity is supplied to Norway:

- from the Borisoglebskaya HPP of the Paz HPPs Cascade in Murmansk Oblast via L-225 line with a voltage of 154 kV. The maximum supply capacity can reach 56 MW, but in a standard operating mode, the capacity amounts to 28 MW.

Actual export sales of TGC-1 in 2020 amounted to 357.2 mln kWh, demonstrating a decrease of 45.7% compared to 2019.

Pricing in export contracts depends on electricity spot market prices at the NordPool Exchange. The prevailing NordPool market conditions served as the main reason for the decline in the Company's export supplies.

**Table 20.** List of Export Contracts

Contract	Contractor	Country	Effective Date
Valid	Fortum Power and Heat	Finland	as of 27.12.2016
Valid	RAO Nordic Oy *	Norway	as of 31.10.2012

\* contracts with RAO Nordic Oy were concluded with the involvement of an agent company - PJSC Inter RAO - acting on its own behalf, but at the expense of TGC-1 (the Principal).

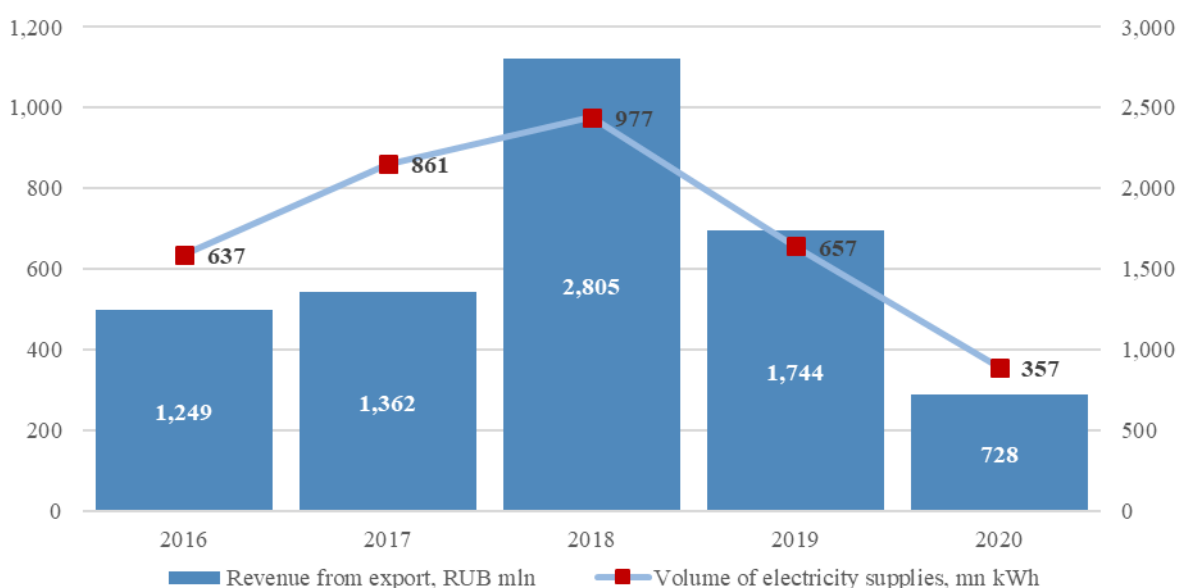


Fig. 13. Dynamics of Export Volumes for 2016-2020

In 2020, price levels formed in the Nordic electricity market NordPool was a determining factor in the dynamics of electricity export sales volumes.

The prospects of the export development depend on the prices in the Nordic electricity market NordPool and, accordingly, the degree of interest of foreign buyers in Russian electricity.

The effectiveness of export supplies depends, among other things, on the factors determining the potential of export trade. Today, these factors include:

- limited heating grid transmission capacity;
- plants loading modes determined by the System Operator of the Unified Energy System;
- increase in tariffs for services of network companies;
- purchase of capacity in the WECM to ensure export across all sectors of the capacity market;
- gaps in the legal regulation of export activities within the framework of the WECM.

## 5.2. Heat sales

### 5.2.1. Useful heat output

TGC-1 is a unified heat supply organization in St. Petersburg, some municipalities of Leningrad Oblast, Murmansk Oblast and the Republic of Karelia (Petrozavodsk, the territories of the settlements of the Prionezhsky and Pryazhinsky districts).

The useful heat output of TGC-1 for 12 months of 2020 amounted to 21,424 thousand Gcal, which is 4.6% lower than in 2019. The deviation of the actual indicators for useful output from the planned ones is due to the abnormally warm outdoor air temperature established in the territory of the municipalities of TGC-1 in 2020. So, the average actual value of the outdoor air temperature is higher than the planned one by about 1.5°C.

Table 21. Useful Heat Output of TGC-1 by Branches of the Company in Terms of Useful Output i.e. to Consumers and Heat Loss During Transmission i.e. for 2019-2020, thousand Gcal

	Indicator	2019	2020
Nevsky Branch	<b>Useful heat output</b>	<b>19,065</b>	<b>18,175</b>
	- to consumers	17,189	16,374
	- sale of losses to JSC St. Petersburg Heating Grid	1,876	1,801
Kolsky Branch	<b>Useful heat output</b>	<b>1,403</b>	<b>1,299</b>
	- to consumers	1,186	1,117
	- sale of losses to JSC Apatityenergo	136	115
	- sale of losses to JSC HHC	81	67
Karelsky Branch	<b>Useful heat output</b>	<b>1,997</b>	<b>1,949</b>
	- to consumers	1,791	1,751

	- sale of losses to JSC PKS - Heating Grids	206	198
TGC-1	<b>Useful heat output</b>	<b>22,465</b>	<b>21,424</b>
	- to consumers	<b>20,166</b>	<b>19,242</b>
	- sale of losses	<b>2,299</b>	<b>2,182</b>
JSC Murmanskaya CHPP	Useful heat output	2,011	1,962
	- to consumers	1,897	1,850
	- sale of losses	114	112
GC TGC-1	<b>Useful heat output</b>	<b>24,476</b>	<b>23,386</b>
	- to consumers	<b>22,063</b>	<b>21,092</b>
	- sale of losses	<b>2,413</b>	<b>2,294</b>

### 5.2.2. Current scheme of heat sales

#### Nevsky Branch

Heat Sales Department of the Nevsky Branch of TGC-1 performs sales of heat generated by CHPPs of TGC-1 in St. Petersburg and Leningrad Oblast.

Besides, JSC St. Petersburg Heating Grid provides heat energy transfer services to TGC-1 from CHPPs of TGC-1 to end consumers and buys heat from TGC-1 for loss compensation in heating grids.-

#### Kolsky Branch

Heat sold from the Apatitskaya CHPP by the Kolsky Branch of TGC-1 is supplied to consumers under the heat supply contracts through heating grids of JSC Apatityenergo and JSC HHC.

In order to ensure the implementation of heat supply contracts, TGC-1 signed heat energy transfer contracts with JSC Apatityenergo and JSC HHC, according to which TGC-1 pays for the transmission of heat energy, and JSC Apatityenergo and JSC HHC buy heat for loss compensation in heating grids.

#### Karelsky Branch

The Karelsky Branch sells heat generated by the Petrozavodskaya CHPP.

In order to meet its obligations to consumers, TGC-1 and JSC Petrozavodsk Utility Systems, as a tenant of the city's heating grids, have signed a contract for the transfer of heat energy and a contract for the purchase of heat losses.

The Karelsky Branch purchases a part of heat from JSC PKS - Heating Grids, BIOTOP LLC, KARTEK LLC, JSC SLAVMO, and SUE RK KarelKommunEnergo.

#### JSC Murmanskaya CHPP

In Murmansk Oblast, heat is supplied by JSC Murmanskaya CHPP, a subsidiary of TGC-1, which is a strategic supplier of heat energy in Murmansk; the share of heat sales is about 72%. Heat energy is sold to consumers in accordance with the concluded heat supply contracts through the Company's main heating grids and the quarterly heating grids of JSC Murmanenergoby.

### 5.2.3. Heat tariffs

Heat tariffs are approved by the regional regulating bodies of St. Petersburg, Leningrad Oblast, the Republic of Karelia and Murmansk Oblast according to consumer groups.

**Table 22.** Average Annual Heat Tariffs Set in 2017-2021, RUB/Gcal

	2017	2018	2019	2020	2021
Nevsky Branch	1,370.74	1,408.93	1,654.26	1,678.75	1,754.15
Saint Petersburg	1,373.38	1,415.21	1,665.84	1,691.23	1,770.00
Leningrad Oblast	1,244.63	1,272.40	1,292.02	1,308.84	1,321.75
Karelsky Branch	1,732.06	1,777.03	1,757.33	1,775.63	1,846.16
Kolsky Branch	1,129.98	1,155.86	1,195.00	1,210.00	1,290.45
<b>TGC-1</b>	<b>1,384.94</b>	<b>1,423.84</b>	<b>1,634.54</b>	<b>1,658.24</b>	<b>1,732.75</b>
JSC Murmanskaya CHPP*	2,717.96	2,807.51	2,924.12	2,816.32	2,869.89

\* Taking into account the heat transfer through the grids of JSC Murmanenergoby.

**Table 23.** Proceeds from Heat Sales and Provision of Services for Maintaining Reserve Heat Capacity, RUB thousand excluding VAT

	2019	2020	Δ (%)
Nevsky Branch (including services for maintaining reserve heat capacity and subsidies for compensation of lost earnings)*	29,915,642	29,093,021	-2.75
Kolsky Branch (including subsidies for compensation of lost earnings)	3,054,085	2,908,582	-4.76
Karelsky Branch	3,346,618	3,340,665	-0.18
<b>TGC-1</b>	<b>36,316,345</b>	<b>35,342,267</b>	-2.68
JSC Murmanskaya CHPP (including subsidies for compensation of lost earnings)	7,888,597	5,645,004	-28.44
<b>TGC-1 including JSC Murmanskaya CHPP</b>	<b>44,204,943</b>	<b>40,987,271</b>	-7.28

\* Contracts for reserve heat capacity maintenance services at the Nevsky Branch of TGC-1 were signed with the consumers who do not consume heat but have not disconnected their heat consumption facilities from the heat supply grid in order to preserve the possibility to restart heat consumption when needed. Revenue for capacity reservation services for the Nevsky Branch in 2019 amounted to RUB 24,585 thousand excluding VAT, for 2020 - RUB 25,578 thousand excluding VAT.

## 6. FUEL SUPPLY AND PROCUREMENT

### 6.1. Fuel supply

Main types of fuel used by the power plants of TGC-1 are:

- natural gas at CHPPs of the Nevsky Branch;
- natural gas at the Petrozavodskaya CHPP of the Karelsky Branch;
- Grade D power plant coal at the Apatitskaya CHPP of the Kolsky Branch.

Reserve types of fuel are:

- Grade M-100 furnace fuel oil at CHPPs of the Nevsky Branch;
- Grade M-100 furnace fuel oil at the Petrozavodskaya CHPP of the Karelsky Branch.

Emergency types of fuel are:

- diesel fuel at the Pervomayskaya CHPP of the Nevsky Branch;

Auxiliary (start-up) types of fuel are:

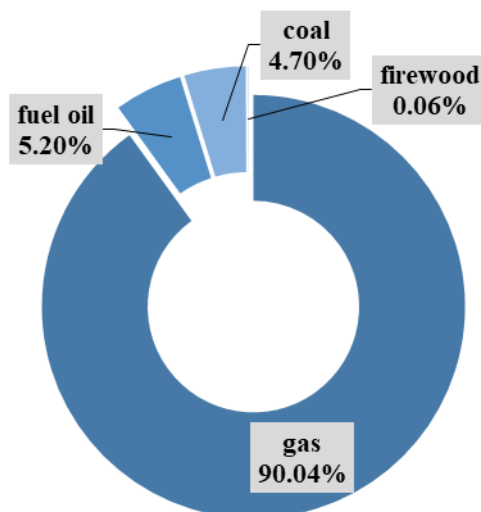
- Grade M-100 furnace fuel oil at the Apatitskaya CHPP of the Kolsky Branch.

Main fuel used by JSC Murmanskaya CHPP is Grade M-100 furnace fuel oil.

Uninterrupted supplies of gas, fuel oil and coal were carried out in 2020 to provide reliable fuel supply of the power plants of TGC-1. Objectives for creating standard fuel reserves for the check dates were completed. Payment for fuel supplies was made in time and without violation of the contractual conditions.

In 2020, power plants and leased boiler houses of TGC-1, including JSC Murmanskaya CHPP, consumed 5,139.6 mln m<sup>3</sup> of gas, 252.2 thousand tons of fuel oil, 444.2 thousand tons of coal, and 15.5 thousand sq. m<sup>3</sup> of firewood to output electricity and heat. Gas share in fuel balance amounted to 90.04%, fuel oil – 5.20%, coal – 4.70%, and fuel wood – 0.06%.

**Fuel balance structure (including JSC Murmanskaya CHPP)**



**Fig. 14.** Fuel Balance Structure (including JSC Murmanskaya CHPP)

**Table 24.** Fuel Balance Structure in 2020, %

	gas	fuel oil	coal	firewood
Nevsky Branch	99.98	0.02	-	-
Karelsky Branch	97.84	0.01	1.29	0.87
Kolsky Branch	-	0.28	99.72	-
<b>Total for TGC-1</b>	<b>94.94</b>	<b>0.03</b>	<b>4.96</b>	<b>0.07</b>
JSC Murmanskaya CHPP	-	100	-	-
<b>TGC-1, including MCHPP</b>	<b>90.04</b>	<b>5.20</b>	<b>4.70</b>	<b>0.06</b>

The main suppliers of fuel to the power plants of TGC-1 in 2020 were:

- gas – Gazprom Mezhrefiongaz St. Petersburg LLC, Gazprom Mezhrefiongaz LLC;
- fuel oil – JSC GC EKS;

- coal – JSC Russian Coal, Razrez Zadubrovsky Novy LLC.

The main supplier of fuel oil to JSC Murmanskaya CHPP was PJSC.Rosneft Oil Company.

In 2020 TGC-1 purchased the following on a competitive basis for the needs of CHPPs and leased boiler houses:

- coal in the amount of 294.0 thousand tons from JSC Russian Coal, 113.6 thousand tons from Razrez Zadubrovsky Novy LLC and 5.6 thousand tons from FC SibirEnergResurs LLC;
- fuel oil in the amount of 0.5 thousand tons from JSC GC EKS;
- fuel wood in the amount of 14.8 sq. m<sup>3</sup> from Stroyenergmontazh LLC.

In 2020, 768.0 mln m<sup>3</sup> of gas were purchased at the organized auctions of the Saint-Petersburg International Mercantile Exchange (JSC SPIMEX), among them 407.6 mln m<sup>3</sup> - from Gazprom Mezhrefiongaz LLC, 175.4 mln m<sup>3</sup> - from PJSC NOVATEK, 35 mln m<sup>3</sup> - from PJSC Rosneft Oil Company, and 150 mln m<sup>3</sup> - from Gazprom Mezhrefiongaz Saint Petersburg LLC, with an economic effect of RUB 73.4 mln.

**Table 25.** Fuel Reserves, Supply and Consumption in 2020

Type of Fuel	Initial Reserves	Supply in 2020	Consumption in 2020	Final Reserves
<b>Nevsky Branch</b>				
Fuel oil (thousand tnf)	166.40	-	1.56*	164.83
Diesel fuel (thousand tnf)	5.12	-	0.02	5.10
Gas (mln m <sup>3</sup> )	-	4,737.80	4,737.80	-
<b>Petrozavodskaya CHPP of the Karelsky Branch</b>				
Fuel oil (thousand tnf)	19.03	-	0.03	19.00
Gas (mln m <sup>3</sup> )	-	406.85	406.85	-
<b>Leased boiler houses of the Karelsky Branch</b>				
Coal (thousand tnf)	2.18	8.55	8.07	2.66
Firewood (solid. m <sup>3</sup> )	3.79	14.77	15.48	3.08
<b>Kolsky Branch</b>				
Coal (thousand tnf)	105.68	409.32	436.44	78.56
Fuel oil (thousand tnf)	1.97	0.45	0.72	1.70
<b>JSC Murmanskaya CHPP</b>				
Fuel oil (thousand tnf)	45.00	245.00	251.50**	38.50

\* - fuel oil consumption includes the burning of fuel oil at the CHPP in the amount of 0.8 thousand tons, the sale of fuel oil to a third-party organization in the amount of 0.7 thousand tons.

\*\* - fuel oil consumption of JSC Murmanskaya CHPP includes the sale of fuel oil to a third-party organization in the amount of 0.3 thousand tons.

**Table 26.** Actual Amounts of Fuel Procurement in 2020

Type of Fuel	Amount, mln m <sup>3</sup> /thousand tnf	Procurement Cost, RUB mln (including VAT)	Procurement Cost (average), RUB/1,000 m <sup>3</sup> , RUB/tnf (including VAT)
<b>Nevsky Branch</b>			
Gas	4,737.8	30,550.9	6,448.33
Furnace fuel oil	-	-	-
Diesel fuel	-	-	-
<b>Karelsky Branch</b>			
Gas	406.8	2,495.7	6,134.26
Coal	8.6	46.6	5,451.40
Firewood	14.8	41.5	2,806.09
<b>Kolsky Branch</b>			
Krasnoyarsk coal	53.4	313.8	5,876.58
Khakass coal	181.6	705.8	3,887.23
Kuznetsk coal	174.4	740.1	4,244.86
<b>Total coal</b>	<b>409.3</b>	<b>1,759.7</b>	<b>4,299.05</b>
Furnace fuel oil	0.45	10.4	23,089.86
<b>JSC Murmanskaya CHPP</b>			
Furnace fuel oil	245.0	3,004.3	12,264.83
<b>TOTAL:</b>		<b>37,909.1</b>	

**Table 27.** Information on Amount of Each Used Energy Resource Type of TGC-1, in Physical and Monetary Terms for 2020\*

Energy Resource Type	Consumed Amount in physical terms	Unit	Consumed Amount, RUB thousand excl. VAT
Car petrol	603.66	thousand liters	22,228.74
Diesel fuel	669.69	thousand liters	28,016.72

Furnace fuel oil, diesel fuel (process fuel)	1,586.22	tons	21,554.93
Natural gas	5,144,648.10	thousand m <sup>3</sup>	27,538,827.66
Coal	444,514.88	tons	1,716,818.72
Firewood	15,478.90	solid m <sup>3</sup>	34,646.90

\* Other types of energy resources in addition to those indicated in the Table were not consumed or used in the reporting year.

## 6.2. Procurement

In 2020, procurement of TGC-1 was regulated by the following documents:

- Federal Law No. 223-FZ as of July 18, 2011 “On Procurement of Goods, Works, and Services by Certain Types of Legal Entities”;
- Federal Law No. 135-FZ as of July 26, 2006 “On Protection of Competition”;
- Resolution of the Government No. 616 as of June 21, 2012 “On Approval of the List of Goods, Works and Services, Procurement of Which is Performed in Electronic Format”;
- Resolution of the Government No. 908 as of September 10, 2012 “On Approval of the Regulations on Placement of Procurement Information in the Unified Information System”;
- Resolution of the Government No. 1352 as of December 11, 2014 “On Special Conditions of Participation of Small and Medium-Sized Businesses in Procurement of Goods, Works, Services by Certain Types of Legal Entities”;
- Resolution of the Government No. 1169 as of December 29, 2015 “On the Procedure of Performing Monitoring of Compliance of the Procurement Plans for Goods, Works, Services, Procurement Plans for Innovative Products, High Technology Products, Pharmaceutical Products, Changes Introduced into Such Plans; Evaluation of Compliance of the Drafts of Such Plans, Drafts of Changes to Be Introduced into Such Plans with the Requirements of the Russian Federation Legislation, Stipulating Participation of Small and Medium-Sized Businesses in Procurement, Procedures and Terms of Suspension of the Indicated Plans Upon the Results of Such Monitoring and Evaluation”;
- Resolution of the Government No. 925 as of September 16, 2016 “On Priority of Russian Goods, Works, Services Performed and Provided by Russian Persons in Comparison with Foreign Goods, Works, and Services Performed and Provided by Foreign Persons”;
- Code of Administrative Offences of the Russian Federation No. 195-FZ as of December 30, 2001;
- Town-Planning Code of the Russian Federation No. 190-FZ as of December 29, 2004;
- Regulation on purchasing goods, work, and services of TGC-1, approved by the resolution of the Board of Directors of TGC-1 (as of December 16, 2019; March 11, 2020);
- Regulation for the formation of criteria and methods of evaluation of applications for the participation in competitive procurement of power generating companies of Gazprom Energoholding LLC, as well as JSC Gazprom Energoremont and its subsidiaries (affiliates), approved by Order of the Managing Director of TGC-1 No. 235 as of November 19, 2019;
- Regulation for determining the initial (maximum) price of a contract (procurement item), approved by Order of the General Director as of June 26, 2019 No. 125;
- Regulation “On the Procedure of Preparation and Conclusion of Contracts on Behalf of TGC-1 and Control Over Their Execution” approved by Order of the General Director No. 126 as of June 26, 2019, and Order of the Managing Director of TGC-1 as of August 17, 2020 No. 139;
- Regulation on the Procurement Committee of TGC-1, approved by the Company’s Board of Directors as of October 27, 2011 (Minutes No. 6);
- Regulation on development, endorsement, approval, adjustment, performance and control of execution of the Annual Comprehensive Procurement Programme of TGC-1, approved by the Procurement Committee (as amended as of March 23, 2018 and March 19, 2020);
- Annual Comprehensive Procurement Programme (ACPP) for 2020 (primary procurement and stage 2), approved by the resolutions of the Board of Directors of TGC-1 as of October 15, 2019 (Minutes No. 10 as of October 18, 2019) and March 10, 2020 (Minutes No. 16 as of March 11, 2020).

The main purpose of activities of TGC-1 in the area of procurement is timely and complete satisfying of the Company’s demand in goods, works, services, enhancement of the procedure and improvement of the efficiency of procurement activities.

Key principles of TGC-1 in terms of procurement policy in 2020 are:

- providing conditions for timely and complete satisfying of the Company’s demand in goods, works, services and identification of a supplier (contractor) that is able to meet timely and efficiently the needs of the Customer with the required indicators of price, quality and reliability;
- ensuring safe operation of hazardous production facilities of the electric power industry;
- ensuring information transparency of procurement;
- ensuring equal rights, equity, absence of discrimination and unjustified restrictions of competition towards bidding participants;
- ensuring targeted and economically efficient expenditure of the Company’s cash funds for the procurement of goods, works, services (taking into account the cost of the life cycle of purchased products, if necessary) and implementation of the measures aimed at reduction of the Customer’s costs, minimization of tax risks;
- ensuring the absence of restrictions on access to participation in the procurement by establishing immeasurable requirements for procurement participants;
- creating conditions for competition between business entities during the procurement process in order to obtain better conditions for meeting the needs in terms of price, quality and timing in the relevant product market;
- ensuring a balance of costs for the organization and conduct of competitive procurement procedures and the expected economic benefits from their results.

The total planned volume of procurement in the ACPP for 2020 in the areas of production and economic activity amounted to RUB 34,950,418.33 thousand excluding VAT (subject to adjustments).

**Table 28.** Volume of Procurement in the Main Areas

Area	Number of Procurement	12-month Plan for 2020, RUB thousand
<b>Fuel, incl.</b>	<b>11</b>	<b>16,627,537.76</b>
Inventory	11	16,627,537.76
Works, services	0	0
<b>Energy Repair Production, incl.</b>	<b>442</b>	<b>2,241,446.29</b>
Inventory	295	676,273.23
Works, services	147	1,565,173.06
<b>Capital Construction (New Construction and Expansion), incl.</b>	<b>4</b>	<b>2,526,828.38</b>
Inventory	0	0
Works, services	4	2,526,828.38
<b>Retrofitting and Upgrading, incl.</b>	<b>165</b>	<b>3,524,170.80</b>
Inventory	42	227,749.05
Works, services	123	3,296,421.75
<b>Other investments, incl.</b>	<b>77</b>	<b>2,152,773.69</b>
Inventory	27	32,022.73
Works, services	50	2,120,750.96
<b>Operating costs, incl.</b>	<b>1,024</b>	<b>1,366,809.47</b>
Inventory	183	387,456.29
Works, services	841	979,353.18
<b>Other costs, incl.</b>	<b>857</b>	<b>6,510,851.94</b>
Inventory	86	425,358.19
Works, services	771	6,085,493.74
<b>Total:</b>	<b>2,580</b>	<b>34,950,418.33</b>

The actual implementation of the ACPP of the Company for 12 months of 2020 amounted to 99.7% in relation to the planned volume of procurement.

1,034 regulated competitive procurements, of 1,039 planned ones for 2020, took place, which is 99.5%.

The initial value of lots amounted to RUB 10,017,692.66 thousand. However, the implementation of competitive procurement procedures allowed reducing significantly prices for the purchase of material and technical assets, works and services for the Company.

The economic effect of competitive procurement (*excluding procurement under the Fuel Section*) in 2020 amounted to RUB 401,335.25 thousand (4.01%).

**Table 29.** Comparative Indicators of Volume of Competitive Procedures in 2019-2020*Excluding procurement under the Fuel Section*

Year	Planned	Completed	% of planned ones	Initial Cost of Lots, RUB thousand, excluding VAT	Economic Effect from Conducting Competitive Procurement, RUB thousand, excluding VAT	% of Original Cost
2019	1,327	1,253	94.4%	13,221,408.95	487,515.40	3.69%
2020	1,039	1,034	99.5%	10,017,692.66	401,335.25	4.01%

In accordance with Resolution of the Government of the Russian Federation No. 1352 as of December 11, 2014 "On Special Conditions of Participation of Small and Medium –Sized Enterprises in Procurement of Goods, Works, and Services by Certain Types of Legal Entities", the annual volume of procurement from small and medium-sized businesses (hereinafter referred to as SMBs) in 2020 is set as at least 20% of the total annual value volume of contracts concluded based on results of procurement. At the same time, the consolidated annual value of the contracts signed with SMBs based on results of procurement, where only SMBs participated, shall comprise at least 18% of the consolidated annual value of the contracts signed based on results of procurement.

The share of procurement of TGC-1 from small and medium-sized businesses in 2020 amounted to 39.37% of the total value of the annual procurement of the Company.

Based on the results of procurement, where only SMBs participated, the annual procurement value of the Company amounted to 20.98% of the total annual procurement value in the reporting year.

In 2020, when conducting procurements, the Company complied with the requirements of the legislation on procurement, namely:

- all information on the planned procurements (Procurement Plan) was placed on the official website <http://zakupki.gov.ru> in the established form;
- all open competitive procurements were conducted on the official website <http://zakupki.gov.ru>.

In accordance with Resolution of the Government of the Russian Federation No. 616 as of June 21, 2012 "On Approval of the List of Goods, Works and Services, Procurement of Which is Performed in Electronic Format" and Annual Comprehensive Procurement Programme approved for 2020, 100% of open competitive procedures were conducted on the website of the Trade System Gazpromneftorg.ru <http://www.gazneftorg.ru>, JSC Sberbank-AST <http://www.sberbank-ast.ru> in electronic form.

Copies of all publications on performed procurements were placed on the official website of TGC-1 [www.tgc1.ru](http://www.tgc1.ru) in the Procurements Section.

## 7. INVESTMENT ACTIVITIES AND NEW TECHNOLOGIES OF TGC-1

### 7.1. Prospective Investment Plans

#### 7.1.1. Investment Priorities

The main areas of development of TGC-1 in the framework of investment activities are:

- implementation of priority investment projects;
- modernization of outdated generating capacities and the use of more advanced equipment with a high level of reliability, consistent with the accepted international standards;
- maintaining of the balance of the connected load and the installed capacity of CHPPs after decommissioning of equipment that has exhausted its resource;
- expanding of the areas of activity of TGC-1 through connecting new residential areas and switching consumers of other inefficient heat sources;
- implementation of the projects with minimal environmental impact, improving the environmental safety of energy facilities;
- implementation of the programme of energy saving and energy efficiency;
- building IT infrastructure and introducing new technologies;
- performance of the requirements of supervisory authorities.

#### 7.1.2. Progress and results of implementation of the key investment projects in 2020

Investment Programme of TGC-1 for 2020 was approved by the Company's Board of Directors on 31.01.2020 (Minutes of the Board of Directors No. 14 as of 31.01.2020 Issue No. 2).

In 2020, the volume of capital investments of the Company amounted to RUB 8,205 mln, excluding VAT, financing – RUB 9,349 mln, including VAT.

In 2020, works on the following priority and strategic projects were carried out:

- Renovation of PP-2 of the Centralnaya CHPP;
- Renovation of the Avtovskaya CHPP;
- Upgrade of the Verkhne-Tulomskaya HPP;
- Retrofitting of the Severnaya CHPP.

#### Renovation of PP-2 of the Centralnaya CHPP

The renovation of PP-2 of the Centralnaya CHPP was caused by the achievement of the ultimate technical condition by the main generating equipment and provides for the construction of a hot water boiler (six hot water boilers with a capacity of 120 Gcal/h). This solution will provide reliable and high-quality coverage of existing and prospective heat loads of the housing and utilities sector and industry in the existing heat supply zones of PP-2 of the Centralnaya CHPP, as well as increase the efficiency of heat production due to modern equipment technologies and schemes.

#### Renovation of the Avtovskaya CHPP

The aim of the project is to modernize the turbine units of Plants No. 7 and No. 6 with auxiliary equipment and common plant systems, renovate of 35 kV and 110 kV SWYD, build a reusing service water system, switch to a "closed" scheme of heat supply to consumers for reliable and high-quality provision of existing and future heat loads of the housing and utility sector and industry in the heat supply zones of the Avtovskaya CHPP, reduce water use fees and negative impact on water bodies, as well as reduce the limitations of the installed capacity of the plant.

According to Order of the Government of the Russian Federation No. 1713-r as of 02.08.2019, turbine generators of Plants No. 6 and 7 of the Avtovskaya CHPP are included in the list of generating facilities, the capacity of which is supplied under purchase and sale (supply) agreements for the capacity of upgraded generating facilities. Supply of capacity of the turbine generator of Plant No. 7 will start from January 1, 2022, the turbine generator of Plant No. 6 from January 1, 2024.

The planned completion date of the project is 2024.

## Upgrade of the Verkhne-Tulomskaya HPP

As part of the upgrade of the Verkhne-Tulomskaya HPP, a step-by-step replacement of hydroelectric units is provided. The maximum estimated cost of work on upgrading of the Verkhne-Tulomskaya HPP is determined by the decision of the Board of Directors of the Company on 27.11.2018 (Minutes No. 5 as of 27.11.2018 Issue No. 3.2) and amounts to RUB 6,842 mln excluding VAT. The hydroelectric unit of Plant No. 4 was commissioned in 2020. The planned date of commissioning of the hydroelectric units of Plant No. 1 is 2021, Plant No. 3 - 2022, and Plant No. 2 - 2023.

As a result of the upgrade, the capacity of each hydroelectric unit will be increased to 75 MW, which will lead to an increase in the installed capacity of the plant to 300 MW.

## Retrofitting of the Severnaya CHPP

According to Order of the Government of the Russian Federation No. 232-r as of 07.02.2020, Power Unit No. 4 of the Severnaya CHPP is included in the list of generating facilities, the capacity of which is supplied under purchase and sale (supply) agreements for the capacity of upgraded generating facilities with the beginning of capacity supply from January 1, 2025.

The project provides for the replacement of the main elements of the boiler unit of Plant No. 4 (drum, superheaters, furnace screens and bypass pipelines with fittings), as well as additional work including the replacement of instrumentation and control systems and CPCS retrofitting.

In 2020, the implementation of the projects aimed at the retrofitting and renovation of power plants continued in order to ensure a given level of reliability and increase the efficiency of equipment.

In addition, as part of the implementation of the Company's Investment Programme in 2020, work was carried out on the introduction of integrated complexes of engineering and technical security equipment and information security control systems, and the protection of facilities with anti-terrorist protection means at power plants of TGC-1.

### 7.1.3. Main planned changes in the investment plans of the Company

The development strategy of TGC-1 for 2018-2027 provides for two main development scenarios: conservative and optimistic. A conservative scenario involves the implementation of projects of an investment programme based on its own sources. The optimistic scenario is aimed at modernizing at a faster pace and reducing the share of worn-out equipment. It includes conservative scenario projects, additional CHPP modernization projects, profound modernization of hydrogen generating capacities.

The choice of any scenario depends on guarantees of return on investment from the market, and the flexibility of capital investments for new projects is determined by the limits of the investment programme, determined on the basis of the scenario development conditions and conditions of the economic stability of the Company.

Current Capacity Delivery Agreements (CDA) that have been in force since 2010 were replaced by a mechanism for supporting projects for the competitive capacity outtake for modernization program (CCOMP), defined by Decree of the Government of the Russian Federation No. 43 as of 25.01.2019. The introduced price mechanism of tariff payment for the upgraded capacities of the CHPP has opened a new window of investment opportunities for heat generation companies.

At the moment, three competitive selections of modernization projects have been conducted, the terms of capacity supply for which begin from 2022 to 2026. The final list of investment projects of TGC-1 within the framework of the CCOMP includes the project of modernization of two turbine units of the Avtovskaya CHPP with a total installed capacity of 236.4 MW and the project of modernization of boiler equipment of Power Unit No. 4 of the Severnaya CHPP with a capacity of 100 MW.

In November 2020, the last competitive selection of investment projects was held within the framework of the first programme to support the construction of generating facilities operating on the basis of renewable energy sources (RES CDA) until 2024. According to the results of the competition, a project of TGC-1 for the construction of a small hydroelectric power plant with a capacity of 16.5 MW in Murmansk Oblast was selected.

### 7.1.4. Long-term investment programme: goals, principles, main areas

The long-term investment programme of the Company provides for the modernization of generating capacities and the construction of new ones in the presence of economic incentives, as well as the decommissioning of facilities whose operation is not economically feasible. Priority is given to the use of domestic equipment, special attention is paid to technological development and business diversification. Participation in the selection of projects for the

modernization of generating facilities of heat power plants, selection of projects for the construction of sources operating on the basis of RES, modernization of hydrogen generating capacities is supposed.

Key aspects of the long-term investment program are recorded in the strategic planning documents, such as the heat supply scheme for St. Petersburg until 2033 (approved by Order of the Ministry of Energy of the Russian Federation No. 991 as of 12.11.2020), the scheme and program for the development of the UES of Russia until 2026 (approved by Order of the Ministry of Energy of the Russian Federation No. 508 as of 30.06.2020), schemes and programs for the development of the electric power industry in the regions of presence.

Since 2019, when setting tariffs for heat produced by TGC-1 in St. Petersburg, the physical method of distributing reference fuel consumption in the production of electricity and heat in the combined generation mode (hereinafter referred to as the “physical method”) is taken into account. The transition to the “physical method” allows for an additional inflow of funds for the implementation of the investment programme in the field of heat supply.

## **7.2. New systems and technologies**

### **IT infrastructure and technologies**

#### **"Creation of a digital radio communication system for the generation facility of the Nevsky Branch"**

As part of the project, a new generation of digital radio communication systems was created to replace outas of analog systems at the generation facilities of the Nevsky Branch of TGC-1.

#### **"Equipping the Nevsky Branch with a video surveillance system"**

Within the project, work on the introduction of 3D models and the coupling of models with the GEH situation centre was carried out, and video analytics and technological video surveillance systems were introduced at the facilities of the Nevsky Branch of TGC-1.

## **8. OVERVIEW OF FINANCIAL PERFORMANCE**

### **8.1. Main factors impacting the Company's business results**

The results of the Company's activities are subject to a number of factors: the presence of state influence on the regulation of tariffs for the production of heat and electricity, the cost of the main type of fuel (gas), the seasonal nature of the production of electricity and heat, and the tax system. The following factors provide significant impact on the Company's business results: reduction of demand for products, excess of available electricity in the electricity and capacity market, as well as the water content in the regions.

#### **Fuel costs**

The main type of fuel for the Company accounting for 94.0% of the fuel costs is gas. The main gas supplier for the Company is Gazprom Mezhregiongaz St. Petersburg LLC.

The Company uses both limit gas (gas within the preliminary determined limits set for the regions at regulated prices approved by the FAS of the Russian Federation) and additional gas (gas supplied in addition to the volumes registered in the basic gas supply contract). Besides, commercial gas is purchased at JSC SPIMEX. Average weighted gas prices increased by 2.2% as compared to 2019.

Following the results for 2020 fuel costs accounted for 39.5% of the Company's total operating costs. In general, fuel costs in 2020 decreased by RUB 2,922 mln (-9.1%) compared to 2019 and amounted to RUB 29,309 mln. The decrease in costs under this cost item is due to a decrease in the volume of electricity generation at the CHPP by 11.7% and the output of heat energy from the collectors by 4.6%.

#### **Seasonal fluctuation**

Electricity generation by the Company's power plants depends on demand for electricity which changes depending on the season, time of the day, weather conditions, outdoor temperature, daylight hours, day of the week (weekend or working week).

Demand for proposals of certain power plants depends both on demand for electricity and the structure of generation capacities in its coverage zone (including requirements for the system reliability).

#### **Water content**

This factor provides impact on electricity generation at HPPs located on the territory of the Republic of Karelia, Leningrad Oblast and Murmansk Oblast and determines the business results of the Kolsky Branch and the Karelsky Branch of the Company. Electricity generation by HPPs of the Company's branches was observed to decrease by 13.5% in 2020 as compared to 2019.

#### **Taxation**

TGC-1 is one of the largest taxpayers in four constituent entities of the Russian Federation: St. Petersburg, Leningrad Oblast, the Republic of Karelia, and Murmansk Oblast. The Company is classified as one of the largest by the amounts of taxes and duties subject for transfer to the budget and has been under tax administration by Interregional Inspectorate of the Russian Federal Tax Service for Major Taxpayers No. 6 (Moscow).

In 2020, TGC-1 received net profit in the amount of RUB 6,763 mln. Taxes and duties accrued by the Company for the same period amounted to RUB 8,094 mln, including RUB 5,914 mln to the Federal Budget and off-budget funds and RUB 2,179 mln to the regional and local budgets.

## 8.2. Accounting Policies

The accounting policy approved by TGC-1 as a set of principles, rules of organization and technology for implementing accounting methods is designed to form the most complete, objective and reliable, as well as operational financial and management information in accounting and financial statements, taking into account organizational and industry characteristics.

Accounting and tax reporting procedures selected by TGC-1 are approved by the order of the General Director and consistently applied since the Company's registration date.

The Company's accounting policy was approved by Order of TGC-1 No. 281 as of 31.12.2019. It was amended by Order of TGC-1 No. 102 as of 09.06.2020.

TGC-1 arranges and maintains accounting records in accordance with Federal Law No. 402-FZ as of December 06, 2011 'On Accounting', Order of the FTS of Russia No. 91 as of 12.04.2013, the Statute on Accounting and Reporting of the Russian Federation approved by Order of the Russian Ministry of Finance No. 34n as of July 29, 1998 and the operational Chart of Accounts developed on the basis of the Chart of Accounts for Purposes of Financial Accounting and Instructions for its implementation approved by Order of the Ministry of Finance of the Russian Federation No. 94n as of October 31, 2000 with consideration of industrial and organizational specifics.

The Company's documentation rules for accounting and tax reporting, as well as preparation of recording are regulated by the documentation schedule. The documentation schedule sets the terms, procedure and scope for submission of primary accounting and other documents to the Central Accounting Service by other departments and services of the Company, its branches, representative offices and business units. Terms and scope of the Company's accounting and tax reporting to be submitted to the respective state regulatory agencies are not set by the documentation schedule and are guided by the respective legislation.

The main accounting and documentation rules for business activities comply with the Statute on Accounting and Financial Statements in the Russian Federation with consideration of certain industrial specifics approved and recorded in the regulatory documents of the Company.

Annual financial statements of the Company are considered and approved by the General Meeting of Shareholders and submitted within the terms set by Article 13 of Federal Law No. 402-FZ "On Accounting" as of December 06, 2011.

Accounting of property, liabilities and business activities is maintained in rubles with kopecks, without rounding.

An inventory of property and liabilities is maintained in accordance with Article 11 of Federal Law No. 402-FZ as of 06.12.2011 "On Accounting" and the Guidelines for Inventories of Property and Financial Liabilities approved by Order of the Russian Ministry of Finance No. 49 as of 13.06.1995.

Property inventories including the property transferred under lease agreements are kept on-site by the branches, business units operating the respective facilities.

The procedure and terms of the annual property and liability inventories are established by the order of the Company's General Director.

### Fixed assets

Accounting of fixed assets in the Company is carried out in accordance with Statute on Accounting 6/01 approved by Order of the Ministry of Finance of the Russian Federation No. 26n as of 30.03.2001, and guidelines on accounting of fixed assets, approved by Order of the Ministry of Finance of the Russian Federation No. 91n as of 13.10.2003. Depreciation of fixed assets is carried out using a straight-line method on the basis of the period of use of these facilities.

### Intangible assets

Accounting of intangible assets is carried out in compliance with Statute on Accounting 14/2007, approved by Order of the Russian Finance Ministry No. 153n as of 27.12.2007.

Depreciation of intangible assets is carried out using a straight-line method on the basis of the period of use of intangible assets.

Intangible asset depreciation is recorded in the accounting statements by accumulation of the respective amounts on balance account 05 "Intangible Asset Depreciation".

## Financial investments

Financial investments accounting is maintained in accordance with Statute on Accounting 19/02 approved by Order of the Russian Ministry of Finance No. 126n as of 10.12.2002 (as amended and supplemented).

Financial investments are accepted for accounting at their original cost. The original cost of financial investments purchased for a fee is the amount of the actual costs of an organization for their acquisition, with the exception of value added tax and other recoverable taxes (except in cases provided for by the legislation of the Russian Federation on taxes and fees).

In case of retiring of financial investments, which market value is not defined, the original cost of each accounting unit of financial investments applies.

## Material and industrial inventories

Material inventories accounting is maintained in accordance with Statute on Accounting 5/01 approved by Order of the Russian Ministry of Finance No. 44n as of 09.06.01.

Analytical accounting of materials is maintained by the real-time accounting (balance) method. Contractual prices are taken as accounting prices.

## Future costs

Future costs related to the periods starting from the end of the year following the reporting year are shown in the balance sheet as long-term assets under the balance sheet item "Other Non-Current Assets". Future costs related to the current year are shown in the balance sheet under the item "Other Current Assets".

## Settlements, other assets and liabilities

Accounts receivable of buyers and customers and other debtors are recorded in the Company's accounting and financial statements in the amounts for which settlement documents are presented (in the amount for which invoices are issued, in the amount specified in the contract, etc.). Accounts receivable are considered to be repaid on the basis of the receipt of funds to the Company's settlement account or on the basis of signing another contract (agreement) on termination (modification) of obligations.

Accounts receivable are shown as short-term accounts receivable if their maturity does not exceed 12 months after the reporting date. The remaining accounts receivable are shown as non-current.

Accounts receivable are recorded in the financial statements less the bad debt reserve. The bad debt reserve is created once a year on the basis of a regulatory document after the annual inventory prior to the preparation of the company's annual financial statements. The size of the reserve is determined on the basis of each case based on objective information on the debtor's solvency.

Other assets of the Company, its branches and business units are evaluated by actual costs as of the moment of their acceptance for accounting purposes.

Accounts payable for received borrowings and loans are accounted and recorded in financial statements with consideration of the interest due as of the end of the reporting period.

Accounts payable to suppliers and contractors and other creditors are accounted for and recorded in accounting and financial statements in the amount of settlement documents (invoices, contracts, etc.) accepted for payment and the amount of accrued liabilities.

## Deferred taxes

The amounts of deferred tax assets and liabilities are recorded in the balance sheet in detail as part of non-current assets in the line "Deferred Tax Assets" and non-current liabilities in the line "Deferred Tax Liabilities" of the balance sheet, respectively.

## Financial results

Accounting of revenue from sales of products and goods, returns related to performance of works, provision of services are maintained by types of operations.

Proceeds from ordinary activities include the revenue from sales of electricity and heat, other kinds of activity. Other kinds of activity, which proceeds are accounted under item 90 "Sales" can be represented by the activities stipulated in the Articles of Association, the proceeds from which are received on a regular basis.

Accounting of costs of ordinary activities is maintained in accordance with Statute on Accounting 10/99 "Company Expenses" in consideration of the industrial specifics of accounting of costs for production and sales of

products (goods, works, services) in accordance with the main principles of accounting and cost distribution, preparation of statements on kinds of activity developed by the Company.

#### **Research, development, and engineering expenses**

Accounting of expenses for research, development, and engineering is maintained in accordance with Statute on Accounting 17/02 approved by Order of the Russian Ministry of Finance No. 115n as of 19.11.2002.

#### **Events after the reporting date**

Events after the reporting date which provided or can provide impact on the financial standing of the Company are recorded in the financial statements by disclosure of the respective information in the explanatory note.

#### **Tax accounting**

The Company calculates and pays taxes and duties in accordance with the legislation of the Russian Federation on taxes and duties, the legislation of the constituent entities of the Russian Federation on taxes and duties, the regulatory legal acts of the local self-governing bodies on taxes and duties.

#### **Amendments to accounting policy**

Amendments to the accounting policy can be made under the following conditions:

- changes in requirements set by the legislation of the Russian Federation on accounting, federal and (or) industrial standards;
- development or selection of a new accounting method, the use of which results in higher information quality on the accounting item;
- -material changes in the business conditions of the Company.

Amendments to the accounting policy must be reasonable and prepared in the form of the respective executive documentation (order) of the Company.

### 8.3. Financial performance analysis under RAS

**Table 30.** Financial Results Report for 2019-2020

Financial Results Report , RUB thousand	2019	2020
<b>Proceeds and expenses of ordinary activities</b>		
<b>Revenue (net) from the sale of goods, products, works, and services:</b>	<b>90,836,923</b>	<b>84,158,198</b>
electricity and power to domestic consumers	52,063,638	47,492,227
electricity and power exported	1,744,464	727,522
heat	36,316,345	35,342,267
other goods, products, works and services	712,476	596,182
<b>Production cost</b>	<b>(78,988,281)</b>	<b>(74,190,248)</b>
electricity and power to domestic consumers	(39,170,401)	(35,929,634)
electricity and power exported	(570,728)	(252,364)
heat	(39,015,231)	(37,775,334)
other goods, products, works and services	(231,921)	(232,916)
<b>Gross profit</b>	<b>11,848,642</b>	<b>9,967,950</b>
<b>Profit (loss) from sales</b>	<b>11,848,642</b>	<b>9,967,950</b>
<b>Other proceeds and expenses</b>		
Interest receivable	413,984	378,176
Interest payable	(530,307)	(322,100)
Income earned from equity participation in other companies	0	0
Other proceeds	2,836,390	1,974,520
Other costs	(2,963,812)	(3,636,470)
<b>Profit (loss) before taxation</b>	<b>11,604,897</b>	<b>8,362,076</b>
Income tax, incl.:	<b>(2,154,025)</b>	<b>(1,597,002)</b>
current income tax	(2,292,192)	(1,904,409)
deferred income tax	111,494	287,439
income tax of past years	26,673	19,968
Other	(1,631)	(1,769)
<b>Net profit</b>	<b>9,449,241</b>	<b>6,763,305</b>

#### Revenue

In 2020, the Company's revenue was formed due to sales of heat, electricity and capacity in the wholesale and retail markets, export supplies, as well as through the sale of other products, works and services, and amounted to RUB 84,158 mln, which exceeded the same indicator of 2019 by RUB 6,678 mln.

**Table 31.** Revenue Structure in 2019-2020

	2019		2020		Δ (%)
	RUB mln	share, %	RUB mln	share, %	
Electricity and capacity, incl.	53,808	59.2	48,220	57.3	89.6
electricity and capacity in the WECM regulated sector	4,691	5.2	4,980	5.9	106.2
electricity and capacity in the WECM competitive sector	47,233	52.0	42,246	50.2	89.4
electricity exported	1,745	1.9	727	0.9	41.7
Electricity and capacity in the retail market	139	0.2	267	0.3	192.1
Heat	36,316	40.0	35,342	42.0	97.3
Other products, works, services	713	0.8	596	0.7	83.6
Total revenue	90,837	100.0	84,158	100.0	92.6

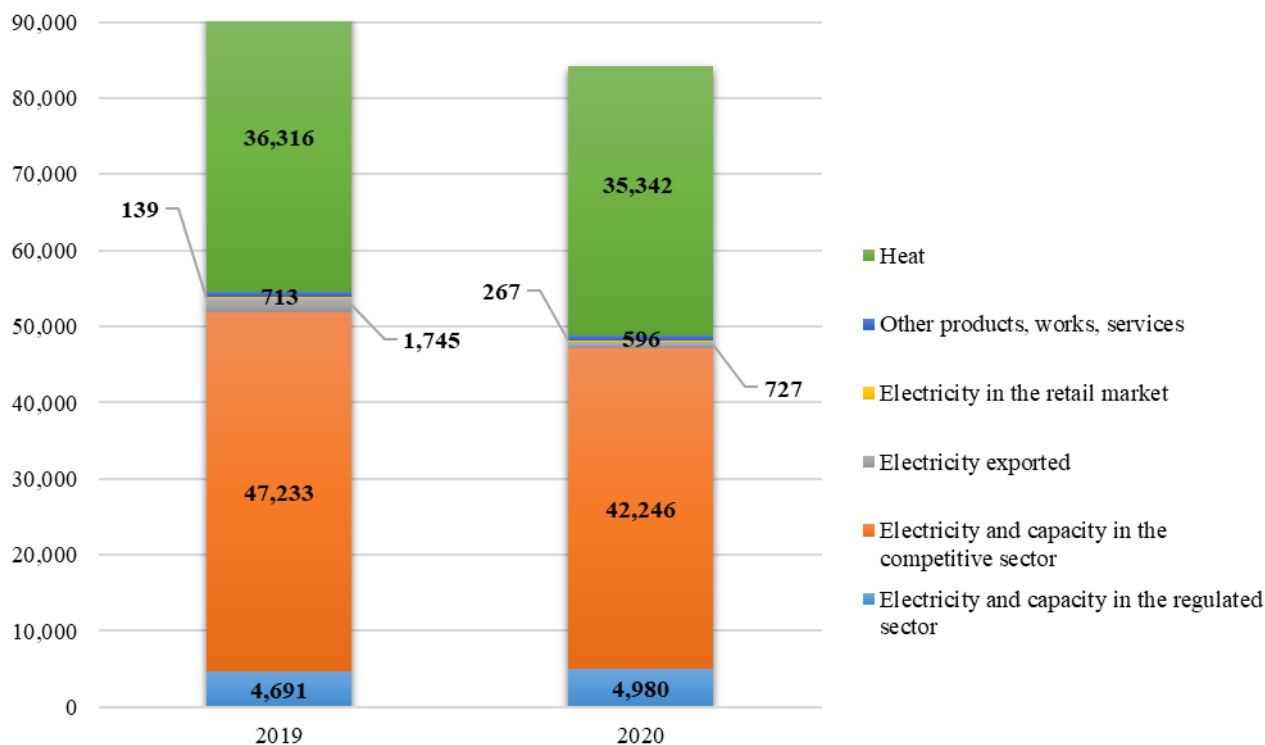


Fig. 15. Revenue Structure in 2019-2020, RUB mln

### Revenue from sales of electricity and capacity

Based on the results of 2020, revenue from sales of electricity and capacity decreased by 10.4% compared to 2019 and amounted to RUB 48,220 mln compared to RUB 53,808 mln in the previous year.

Share of revenue from sales of electricity and capacity in the regulated sector of the wholesale market in the total revenue of the Company increased by 0.7 pp compared to 2019 (5.2% to 5.9%). At the same time, increase in revenue from sales of electricity and capacity in the regulated sector of the wholesale market compared to 2019 amounted to RUB 289 mln (+6.2%) in absolute terms due to the increase in binding volumes under the regulated contracts approved by the FAS of Russia and growth of electricity and capacity tariffs approved by the FAS of Russia for 2020.

Share of revenue from sales in the competitive sector decreased by 1.8 pp, to 50.2% compared to 52.0% in the previous year. Revenue from sales in the competitive sector amounted to RUB 42,246 mln in absolute terms, which is 10.6% (RUB -4,987 mln) lower than the same indicator for the previous year. This decrease in revenue is mainly due to the decrease in revenue from the sale of electrical energy in DAM (-15.1%) and CDA capacity (-5.4%).

Revenue from export sales of electricity amounted to RUB 727 mln, accounting for 0.9% of the Company's overall revenues. The decrease in export by 45.6% compared to 2019 is due to the current unfavorable price environment in the Nordic electricity market NordPool.

Revenue from sales of electricity in the retail market amounted to RUB 267 mln, accounting for 0.3% of the Company's overall revenues.

### Revenue from heat sales

In 2020, revenue from the sale of heat decreased by 2.7% compared to 2019 and amounted to RUB 35,342 mln compared to RUB 36,316 mln in the previous year. The decrease in revenue from the sale of heat is due to a decrease in the volume of sales of heat by 4.6% compared to 2019 due to higher outdoor temperatures in the heating period.

### Revenue from sales of other products, works and services

The main source of revenue from sales of other products, works, services are services for connecting consumers to heat supply grids, railway and other transport services.

In 2020, revenue from sales of other products, work and services decreased by 83.6% compared to 2019 and amounted to RUB 596 mln compared to RUB 712 mln in the previous year. This decrease is mainly due to a decrease in revenue from services for connecting consumers of heat. Revenue from sales of other products, goods and services accounted for 0.7% of the Company's overall revenues in 2020 having decreased by 0.1 pp compared to 2019.

## Return on sales

According to the results of 2020, the Company's return on sales decreased to 11.84% compared to 13.04% in 2019 due to the outpacing decline rate of gross profit (15.9%) compared to the decline rate of revenue (7.4%).

## Production cost

Cost of production and sales of products, works and services in 2020 amounted to RUB 74,190 mln, including RUB 73,957 mln from core operations and RUB 233 mln from non-core operations.

The main share of the production cost is the cost of electricity (RUB 36,182 mln) and heat (RUB 37,775 mln) generation.

The main reasons of changes in the production cost are:

- reduction in fuel costs due to a decrease in the production of electricity (-11.7%) and heat (-4.6%);
- reduction in the cost of purchased energy due to lower prices for the purchase of electricity and a decrease in the volume of purchases of electricity.

## Profit

In 2020, profit from sales decreased by RUB 1,881 mln and totaled RUB 9,968 mln. Profit before taxation amounted to RUB 8,362 mln. The Company's net profit in 2020 decreased by RUB 2,686 mln compared to 2019 and amounted to RUB 6,763 mln.

**Table 32.** Dynamics of Profit of TGC-1 in 2019-2020, RUB mln

	2019	2020	Δ (%)
Revenue	90,837	84,158	92.6
Operating profit	11,849	9,968	84.1
Net profit	9,449	6,763	71.5

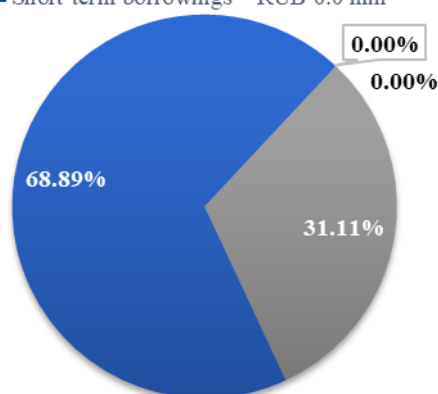
## EBITDA

EBITDA decreased by 19.5% and amounted to RUB 15,677.7 mln.

## Loan portfolio

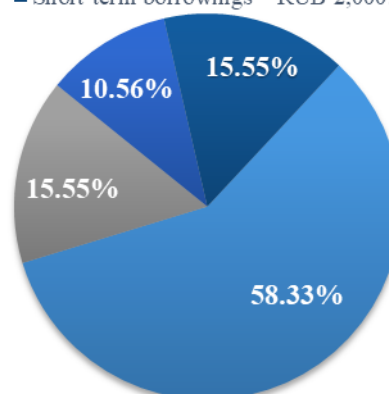
### Loan portfolio in 2019 RUB 12,857.9 mln

- Long-term loans = RUB 0.0 mln
- Long-term borrowings = RUB 4,000.0 mln
- Short-term loans = RUB 8,857.9 mln
- Short-term borrowings = RUB 0.0 mln



### Loan portfolio in 2020 RUB 12,857.9 mln

- Long-term loans = RUB 7,500.0 mln
- Long-term borrowings = RUB 2,000.0 mln
- Short-term loans = RUB 1,357.9 mln
- Short-term borrowings = RUB 2,000.0 mln



**Fig. 16.** Structure of Loan Portfolio of TGC-1

The volume of the loan portfolio as of 31.12.2020 remained unchanged from 31.12.2019 and amounted to RUB 12,857,900 thousand. In 2020, the Company repaid loans in accordance with the terms of the concluded contracts or ahead of schedule for a total amount of RUB 8,864,733 thousand. In the structure of borrowed capital at the reporting

date, the majority of the loan portfolio is accounted for long-term loans (58.33%). There are no overdue borrowings and loans. The Company fully meets the covenants under the loan agreements.

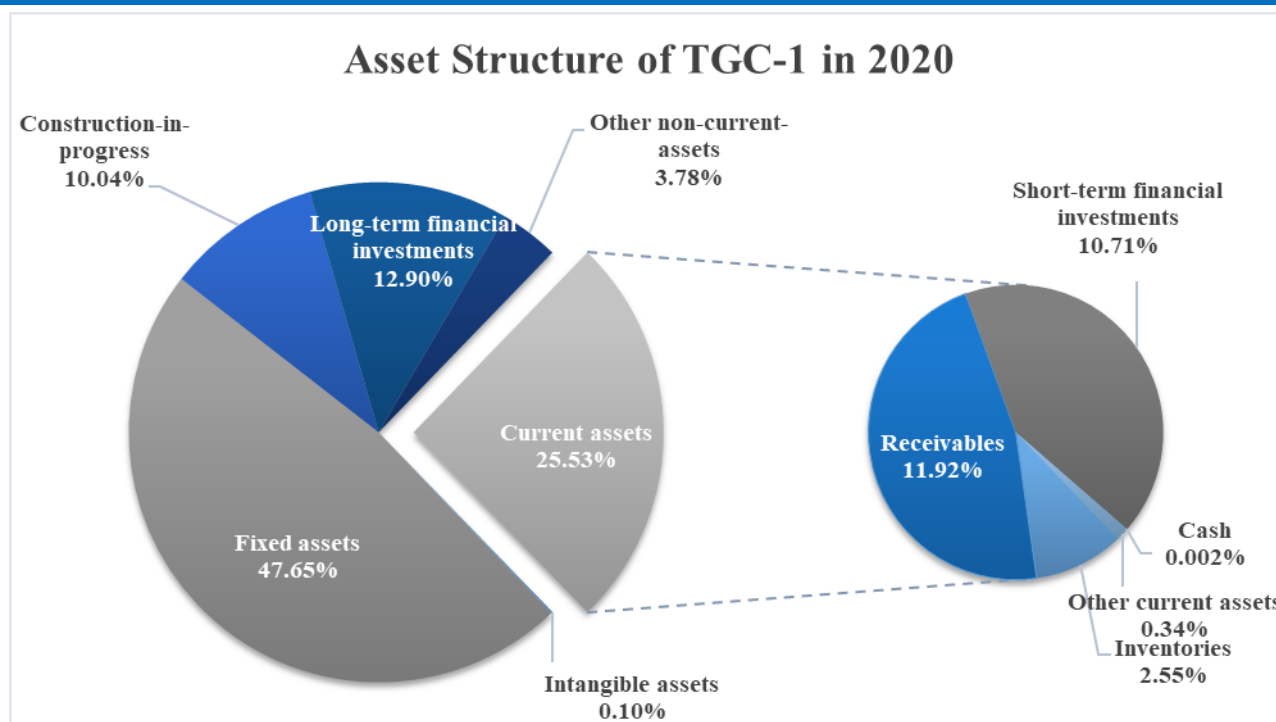
For 12 months of 2020, the weighted average rate for borrowings and loans was 5.33% and 12%; for 12 months of 2019, the weighted average rates for ruble and foreign currency borrowed resources were 6.68% and 3.00%, respectively.

**Table 33.** Analysis of the Company’s Financial and Economic Activities

Indicator		2019		2020		Δ (%)
		RUB thousand	Share in Balance Sheet, %	RUB thousand	Share in Balance Sheet, %	
Assets	Non-current assets	100,145,677	76.20	102,380,268	74.47%	2.23%
	Current assets	31,278,572	23.80%	35,092,686	25.53%	12.19%
	<b>Total</b>	<b>131,424,249</b>	<b>100.00%</b>	<b>137,472,954</b>	<b>100.00%</b>	<b>4.60%</b>
Liabilities	Equity and reserves	103,306,887	78.61%	106,075,079	77.16%	2.68%
	Non-current liabilities	8,651,770	6.58%	14,206,667	10.33%	64.21%
	Current liabilities	19,465,592	14.81%	17,191,208	12.51%	-11.68%
	<b>Total</b>	<b>131,424,249</b>	<b>100.00%</b>	<b>137,472,954</b>	<b>100.00%</b>	<b>4.60%</b>

\* Due to the change as of 01.01.2020 of Statute on Accounting 18/02 "Accounting for Corporate Income Tax Calculations", the results are given in comparable terms.

### Asset Structure



**Fig. 17.** Asset Structure of TGC-1 in 2020

As of 31.12.2020, non-current assets in monetary terms amounted to RUB 102,380,268 thousand, the major part of which in the amount of 47.65% of the balance sheet currency accounted for the fixed assets. As of 31.12.2020, fixed assets (including construction in progress) increased by 1.03% compared to the previous year.

Long-term financial investments account for 12.90% of the balance sheet currency, including shares of subsidiaries and affiliates of JSC St. Petersburg Heating Grid, JSC Murmanskaya CHPP, JSC HHC, and TGC-Service LLC.

The Company’s other non-current assets (including deferred tax assets) account for 3.78%, and intangible assets account for 0.10%.

Total share of current assets in the total assets amounted to 25.53% (RUB 35,092,686 thousand) at the reporting date. At the end of 2020, the Company’s current assets increased by 12.19% compared to 2019, which was mainly the result of growth of short-term financial investments.

At the end of 2020, accounts receivable decreased both due to a reduction in accounts receivable from buyers and customers, and a reduction in debt to other debtors. Advances paid to contractors will be set off in accordance with the terms of contracts. The Company performs continuous management of accounts receivable.

**Table 34.** Dynamics of Accounts Receivable of TGC-1, RUB thousand

Accounts Receivable		2019		2020		Δ (%)
		RUB thousand	share, %	RUB thousand	share, %	
of buyers and customers	long-term	1,362,414	80.50	1,301,677	78.52	-4.46
	short-term	11,972,236		11,562,191		-3.42
advances awarded	long-term	602,753	17.01	693,643	19.36	15.08
	short-term	2,215,116		2,478,121		11.87
other AR	long-term	28,545	2.49	28,545	2.13	0.00
	short-term	384,120		319,766		-16.75
<b>Total</b>		<b>16,565,184</b>	<b>100.00</b>	<b>16,383,943</b>	<b>100.00</b>	<b>-1.09</b>

Short-term financial investments as of 31.12.2020 amount to RUB 14,729,665 thousand. The main reason for the growth of this balance sheet item is the increase of funds in the cash pool of PJSC Gazprom.

The value of the Company's net assets as of 31.12.2020 is RUB 106,075,079 thousand. The value of net assets is the valuation of the property of an organization after formal or actual satisfaction of all requirements of third parties. The authorized capital of the Company as of 31.12.2020 is less than the net assets of the Company, which meets the requirements of Article 35 of the Federal Law "On Joint Stock Companies".

### Liabilities structure

As of 31.12.2020, the liabilities of TGC-1 amounted to RUB 137,472,954 thousand. The Company's equity in 2020 increased by 2.68%, mainly due to the growth of retained profit.

**Table 35.** Liabilities Structure of TGC-1

LIABILITIES		as of 31.12.2019		as of 31.12.2020		Δ (%)
		RUB thousand	Share in Balance Sheet, %	RUB thousand	Share in Balance Sheet, %	
Equity and reserves	Authorized capital	38,543,414	78.61	38,543,414	77.16	0.00
	Additional capital	32,873,144		32,847,483		-0.08
	Reserve capital	1,927,171		1,927,171		0.00
	Retained profit (uncovered loss)	29,963,158		32,757,011		9.32
Non-current liabilities	borrowings and loans	4,000,000	6.58	9,500,000	10.33	137.50
	deferred tax liabilities	4,448,579		4,255,932		-4.33
	other	203,191		450,735		121.83
Current liabilities	borrowings and loans	8,911,594	14.81	3,400,650	12.51	-61.84
	accounts payable	10,275,754		13,477,314		31.16
	estimated liabilities	278,244		313,244		12.58
	other	0		0		-
<b>Total liabilities</b>		<b>131,424,249</b>	<b>100.00</b>	<b>137,472,954</b>	<b>100.00</b>	<b>4.60</b>

\* Due to the change as of 01.01.2020 of Statute on Accounting 18/02 "Accounting for Corporate Income Tax Calculations", the results are given in comparable terms.

As of 31.12.2020, short-term accounts payable to suppliers and contractors amount to RUB 10,605,595 thousand. The largest creditors at the reporting date are JSC St. Petersburg Heating Grid, TER LLC, TEK Inform LLC, Gazprom Mezhhregiongaz St. Petersburg LLC, GEH Control Systems LLC, TGC-Service LLC, Gazprom Mezhhregiongaz LLC, which account for 67.14% of the debt of suppliers and contractors. All debts are current, based on the contract payment terms. The accounts payable also include payables of advances received (4.15%), payables of taxes and duties (13.22%), payables to staff (1.79%), payables to state and off-budget funds (1.05%) and debt of other creditors (1.10%).

**Table 36.** Dynamics of Accounts Payable of TGC-1, RUB thousand

	31.12.2019	31.12.2020	Δ (%)
<b>Accounts Payable</b>	<b>10,275,754</b>	<b>13,477,314</b>	<b>31.16</b>
including:			
<b>Suppliers and Contractors</b>	<b>8,862,637</b>	<b>10,605,595</b>	<b>19.67</b>
among them:			
Electricity and heat suppliers	496,480	513,004	3.33
Fuel suppliers	435,985	1,512,551	246.93
Building contractors	2,691,398	4,193,874	55.83
Repair companies	815,695	564,655	-30.78
Other suppliers and contractors	4,423,080	3,821,510	-13.60
<b>Bills payable</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>Payables to Staff</b>	<b>233,098</b>	<b>241,607</b>	<b>3.65</b>
<b>Payables to State and Off-Budget Funds</b>	<b>133,773</b>	<b>140,863</b>	<b>5.30</b>
<b>Payables of Taxes and Dues</b>	<b>388,618</b>	<b>1,781,312</b>	<b>358.37</b>

	31.12.2019	31.12.2020	Δ (%)
<b>Advances Received</b>	<b>552,667</b>	<b>559,127</b>	<b>1.17</b>
<b>Other Creditors</b>	<b>104,961</b>	<b>148,810</b>	<b>41.78</b>

## Liquidity analysis

**Table 37.** Liquidity Analysis of TGC-1

Liquidity Indicators	2019	2020
Absolute liquidity ratio	0.57	0.87
Quick liquidity ratio	1.35	1.75
Current liquidity ratio	1.53	1.96
Equity ratio*	0.79	0.77

\* Due to the change as of 01.01.2020 of Statute on Accounting 18/02 "Accounting for Corporate Income Tax Calculations", the results are given in comparable terms.

The liquidity indicators at the reporting date indicate the preservation of the level of financial stability of TGC-1 and reflect the sufficiency of financial resources of the Company for conducting business activities and for timely repayment of its liabilities. The actual values of liquidity indicators in 2020 were achieved due to the high level of the most liquid assets, and as a result of a decrease in the level of short-term liabilities. The level of total liabilities of TGC-1 amounts to 22.84%. The Company complies with all limits established in accordance with the internal regulatory documents.

## Profitability analysis

**Table 38.** Profitability Analysis of TGC-1

Profitability Indicators	2019	2020
Return on sales of products	13.04%	11.84%
Return on core activities	15.00%	13.44%
Return on total capital	8.83%	6.08%
Return on equity*	9.33%	6.43%
Profitability under EBITDA	21.44%	18.63%

\* Due to the change as of 01.01.2020 of Statute on Accounting 18/02 "Accounting for Corporate Income Tax Calculations", the results are given in comparable terms.

Profitability indicators based on the results of 2020 show positive dynamics. The main factor that affected the dynamics of profitability was the decrease in revenue due to a decrease in electricity and heat consumption as a result of abnormally high temperatures during the heating period, as well as the restrictive measures introduced in the work of enterprises and organizations.

## Analysis of business activity

**Table 39.** Analysis of business activity of TGC-1

Business Activity Indicators	2019	2020
Labour efficiency (RUB thousand/person)	14,032.99	12,760.91
Return on assets	1.37	1.28
Capital to labour ratio (RUB thousand)	10,211.29	9,933.59
Accounts receivable turnover (times)	6.34	5.95
Period of accounts receivable turnover (days)	56.74	60.45
Inventories turnover (times)	24.43	21.24
Inventories turnover period (days)	14.74	16.95
Accounts payable turnover (times)	10.70	8.74
Payables turnover period (days)	33.65	41.19
Duration of operating cycle (days)	71.48	77.41
Duration of financial cycle (days)	37.83	36.22

Business activity indicators for 2020 reveal a decrease in the level of labour efficiency, return on assets and an increase in the duration of the operating cycle (days), which is a consequence of a decrease in revenue. The positive dynamics in the duration of the financial cycle (days) reflects a decrease in the period of time when financial resources are taken out of circulation, which ensures stable financing of the Company's activities.

## 8.4. Analysis of financial performance under IFRS

**Table 40.** Key Performance Indicators of TGC-1 and its Subsidiaries, RUB mln

	2019	2020	Δ (%)
Revenue	97,256	88,889	-8.6
Operating expenses	(85,599)	(76,913)	-10.1
Operating profit	12,149	10,824	-10.9
EBITDA*	22,500	21,935	-2.5
Profit before taxation	10,339	10,235	-1.0
Profit	7,990	8,253	3.3
Total assets	182,504	190,787	4.5

\* EBITDA = operating profit + depreciation.

The Group consists of TGC-1 and its subsidiaries: JSC Murmanskaya CHPP and JSC St. Petersburg Heating Grid, as well as St. Petersburg Heating Grid LLC, which is a 100% subsidiary of JSC St. Petersburg Heating Grid (hereinafter referred to as the Group).

According to the results of 2020, the consolidated revenue of the companies included in TGC-1 Group decreased by 8.6% compared to the same indicator in 2019 and amounted to RUB 88,889 mln. The decrease in revenue from the sale of electricity and heat was influenced by abnormally high temperatures during the heating period of 2020, a decrease in electricity consumption due to the restrictive measures introduced in the work of enterprises and organizations.

**Table 41.** Revenue structure, RUB mln

	2019	2020	Δ (%)
Electricity and capacity	53,808	48,220	-10.4
Heat	41,864	39,001	-6.8
Other revenue	1,584	1,668	5.3
<b>Total revenue</b>	<b>97,256</b>	<b>88,889</b>	<b>-8.6</b>

The Group's comparable operating expenses decreased by 10.1% to RUB 76,913 mln, mainly due to a reduction in fuel and purchased electricity and capacity costs against the background of lower production volumes.

The Group's operating profit decreased to RUB 10,824 mln and EBITDA was RUB 21,935 mln. Profit for the period amounted to RUB 8,253 mln, having increased by 3.3%. The dynamics of this indicator was influenced, among other things, by a decrease in financial expenses.

## 9. SECURITIES AND CORPORATE GOVERNANCE

### 9.1. Equity structure

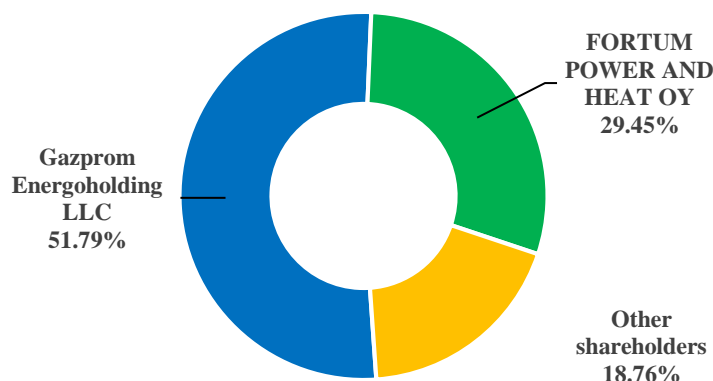
The authorized capital of TGC-1 totals RUB 38,543,414,165.71 and is divided into 3,854,341,416,571 +3/7 ordinary registered shares with the same nominal value of RUB 0.01. Preferred shares were not placed by the Company. The Company is entitled to place 674,494,100 ordinary registered shares (declared shares) in addition to previously placed ones.

The total number of persons registered in the register of shareholders of TGC-1 as of December 31, 2020 was 291,387; most of them were individuals.

**Table 42.** Structure of Shareholders of TGC-1 as of 31.12.2020

Shareholder*	Number of Shares, pcs	Share Fraction, %
Gazprom Energoholding LLC	1,996,046,978,490	51.79
FORTUM POWER AND HEAT OY	1,135,074,850,193	29.45
National Settlement Depository (nominal holder)	619,323,715,485	16.07
Individuals	96,056,468,686 + 3/7	2.49
Other legal entities	7,350,204,686	0.19
Other nominal holders	489,199,031	0.01
<b>Total:</b>	<b>3,854,341,416,571 +3/7</b>	<b>100</b>

\* for reference: as of 28.05.2020, the total share of Fortum Corporation (Fortum Oyj), including the stake owned by controlled organizations, amounts to 29.99%. The stake in the authorized capital of TGC-1 of Fortum Power & Heat Oy – 29.45%, PJSC Fortum - 0.54%.



**Fig. 18.** Structure of Shareholders of TGC-1 as of 31.12.2020

There were no changes in the composition of persons entitled to dispose directly or indirectly of at least five percent of the votes attributable to the voting shares of the Company. In 2020, TGC-1 did not place any additional shares.

TGC-1 and the legal entities controlled by it do not own and cannot dispose of any shares of the Company.

The Shareholders Register of TGC-1 is maintained by JSC DRAGA (License No. 10-000-1-00291). Information on the registrar is given in Appendix 1 to this Annual Report.

### 9.2. Transactions with securities

#### 9.2.1. Shares

State registration number of the issue of shares of TGC-1 is 1-01-03388-D; the date of state registration is May 17, 2005, international identification code (number) (ISIN) is RU000A0JNUD0.

Since March 26, 2007, shares of TGC-1 are traded on the Moscow Stock Exchange (exchange ticker - TGKA), the main trading floor of the Russian stock market and included on the First Level of the quotation list. Trading of securities is executed on the stock market of the Moscow Exchange in the main trading mode: T+shares and DR.

In 2020, trading volumes of shares of TGC-1 on the Moscow Exchange in the main trading mode totaled RUB 24.9 bln, which was 3 times more than in the respective period of 2019. The daily median volume of transactions for each calendar quarter of 2020 exceeds the required amount to be maintained on the First Level of the quotation list.

The year 2020 confirmed the high demand for investment products with maximum protection of the invested capital. Like all generating companies, TGC-1 is considered as a low-risk investment of recouped investment funds. Stable dividend payments are an absolute positive factor.

For 12 months of 2020, the ruble index of the Moscow Exchange increased by 8%, the dollar index of the RTS decreased by 10.4%, and the industry index of MICEX Elektroenergetika increased by 14.42%. The dynamics of the quotations of TGC-1 closely correlated with the dynamics of the Russian stock market as a whole. As of December 30, 2020, the Company's capitalization amounted to RUB 42.9 bln.

In accordance with the Russian and international law and the principles of informational openness and transparency, TGC-1 attaches priority to protecting the rights of shareholders and potential investors.



**Fig. 19.** Dynamics of Trading Shares of TGC-1 on the Moscow Exchange in 2020 (Main Trading Mode)

### 9.2.2. Depository Receipts Programme

Global depository receipts (GDRs) of TGC-1 are traded on foreign markets. In May 2008, TGC-1 received permission from the Federal Financial Markets Service (FFMS) of the Russian Federation for placement and trading of ordinary registered non-certificated shares outside the Russian Federation in an amount of up to 20% of the total number of shares.

The Depository Receipts Programme of TGC-1 was launched on June 9, 2008. It was aimed at ensuring the rights of holders of depository receipts of RAO UES of Russia, which, after its liquidation, received securities of the allocated companies in proportion to their share in the holding.

The Bank of New York Mellon, the world leader in this segment of the financial market and the holder of the depository receipt programmes of RAO UES of Russia, was selected as the depository bank based on the results of the open request for proposals.

Depository receipts were issued in accordance with Regulation S and Rule 144A. One GDR certifies the rights with respect to 5,000 ordinary registered shares of TGC-1. These securities are traded on the over-the-counter market (OTC).

As of December 31, 2020, the stake of GDRs in the authorized capital of TGC-1 was 0.0290%, while the number of GDRs in accordance with Rule 144A was 16,100, and the number of GDRs in accordance with Regulation S was 207,435. As of December 31, 2020, the value of one depository receipt amounted to USD 0.75.

**Table 43.** Description of GDR Programme of TGC-1

Type of GDR	Rule 144-A	Regulation S
Ratio	1:5,000 shares	1:5,000 shares
Brief description	Receipts are intended for private placement among a limited number of institutional investors, first of all, in the USA	Receipts are intended for a broader number (when compared to 144A) of private professional investors outside the USA

Issue date	2008	2008
CUSIP	88145T107	88145T206
ISIN	US88145T1079	US88145T2069
Depository bank	The Bank of New York Mellon	

### 9.2.3. Dividends and Dividend Policy

The main objective of the Dividend Policy of TGC-1 is the observance of shareholders' rights to receive dividends while maintaining the balance between both their and the Company's interests.

TGC-1 has a Regulation on the Company's Dividend Policy approved by the Company's Board of Directors on 14.12.2017 (Minutes No. 7 as of 18.12.2017).

According to the Regulation, the source of payment of dividends is the Company's profit after tax (the Company's net profit) formed in compliance with the Russian Accounting Standards (RAS).

The Company has the right to make a decision (declare) on payment of dividends on shares and make payments taking into account the restrictions established by Article 43 of the Federal Law "On Joint Stock Companies".

The following principles are observed when calculating the amount of dividends:

- transparency of the mechanism for calculating the amount of dividends;
- balance between short-term (income generation) and long-term (development of the Company) interests of shareholders;
- aspiration to increase the investment potential and capitalization of the Company.

The amount of dividends is calculated in the following sequence:

1. Part of the net profit is used to form the reserve fund in accordance with the Company's Articles of Association. According to Clause 10.1 of the Articles of Association of TGC-1, the amount of the Company's reserve fund is set at 5% of the authorized capital. As of the beginning of the reporting year, the reserve fund of TGC-1 is fully formed and amounts to RUB 1,927,171 thousand. No deductions are made to the reserve fund.
2. Part of the net profit in the amount recommended by a resolution of the Board of Directors is used for payment of dividends.
3. Part of the net profit preserved after deductions stipulated by Clauses 1-2 remains at the Company's disposal.

To make a decision on the payment of dividends, the Company's Board of Directors submits recommendations on the amount of dividends for consideration by the General Meeting of Shareholders. Dividends are paid in accordance with the decision taken by the General Meeting of Shareholders.

### Report on payment of declared (accrued) dividends on shares of TGC-1

According to the decision made by the Annual General Meeting of Shareholders of TGC-1 as of 22.06.2020, the amount of dividends to be paid per the Company's ordinary share following the results of 2019 amounted to RUB 0.001036523 in cash. 07.07.2020 is the date on which the persons entitled to receive dividends were determined.

According to the results of 2019, declared dividends of TGC-1 totaled RUB 3,995,113.61 thousand or 42.1% of the net profit under the RAS.

**Table 44.** Amount of Dividends Accrued and Paid by the Company in 2016-2020

Dividends	2016 (for 2015)	2017 (for 2016)	2018 (for 2017)	2019 (for 2018)	2020 (for 2019)
Total amount of dividends, RUB mln	936.6	1,331.0	1,887.9	2,484.5	3,995.1
Amount of a dividend per one share, RUB	0.000243004	0.000345336	0.000489802	0.000644605	0.001036523
Dividends, % of the net profit under the RAS	35	36.6	26	35	42.1
Dividends, % of the net profit under the IFRS	16.1	25	23.8	23.8	50
Declaration date	20.06.2016	19.06.2017	06.06.2018	10.06.2019	22.06.2020
Date of payment of declared dividends	11.08.2016	11.08.2017	30.07.2018	31.07.2019	11.08.2020
Total amount of dividends paid as of 31.12.2020, RUB mln	927.3	1,317.7	1,872.5	2,464.0	3,960.3
Share of dividends paid in the total amount of declared dividends, %	99.00	99.00	99.18	99.17	99.13
Form of payment for declared dividends	Cash	Cash	Cash	Cash	Cash

In 2020, the Company's management bodies made no decisions on payment of interim dividends.

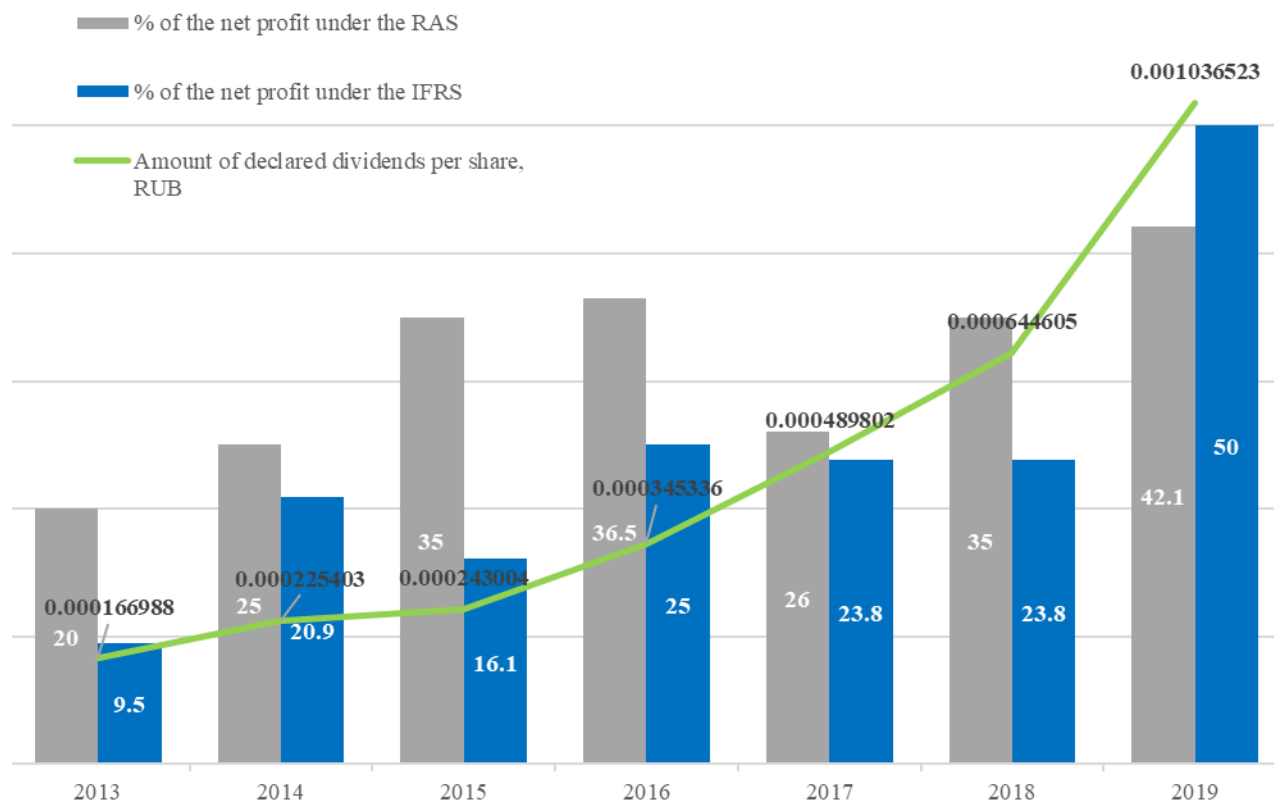


Fig. 20. Dividend payments of TGC-1

#### 9.2.4. Bonds

The bonds of TGC-1 in circulation are traded on the Moscow Exchange and are included in the Third Level of the quotation list. In the 2020 reporting year, the coupon payments on bonds of TGC-1 were made in full and exactly in accordance with the payment schedule.

Table 45. Information on Circulating Bond Issues of TGC-1

	Issue 3		Issue 4	
Type of securities	Series 03 corporate bonds		Series 04 corporate bonds	
Registration number	4-03-03388-D		4-04-03388-D	
Registration date	08.12.2011		08.12.2011	
ISIN Code	RU000A0JS1W0		RU000A0JS470	
Number of securities issued	2,000,000 pieces		2,000,000 pieces	
Face value, RUB	1,000		1,000	
Coupon rate, % p.a.	1 coupon	10.3%	1-2 coupons	7.6%
	2-3 coupons	7.6%	3-4 coupons	8.1%
	4-5 coupons	8.1%	5-6 coupons	8.0%
	6-7 coupons	8.0%	7-8 coupons	12.9%
	8-9 coupons	12.9%	9-10 coupons	14.4%
	10-11 coupons	14.4%	11-12 coupons	6.9%
	12-13 coupons	6.9%	13-14 coupons	4.0%
	14-15 coupons	4.0%	15-16 coupons	5.8%
	16-17 coupons	5.8%	17-18 coupons	4.5%
	18-19 coupons	4.5%		
	20 coupons	to be determined by the Issuer	19-20 coupons	to be determined by the Issuer
Periodicity of coupon payment	Twice a year		Twice a year	
Placement date	27.12.2011		27.02.2012	
Circulation term	10 years		10 years	
Redemption date	14.12.2021		14.02.2022	
Early redemption	N/A		N/A	
Placement organizer	CJSC Investment company Leader		CJSC Investment company Leader	
Trading site	Moscow Exchange		Moscow Exchange	
Quotation List	Third level		Third level	

#### 9.2.5. Credit ratings

An integral part of work to increase investment potential is interaction with rating agencies.

**Table 46. Credit Ratings of TGC-1**

Date	Type of Rating	Rating Score
<b>Credit Rating of S&amp;P Global Ratings</b>		
20.09.2018	Long-term rating in accordance with BBB- international scale,	with a “stable” outlook
20.09.2018	Short-term rating in accordance with A-3 international scale,	with a “stable” outlook
* On 20.09.2019 S&P Global Ratings confirmed the long-term and short-term BBB-/A-3 ratings.		
On 29.09.2020 S&P Global Ratings confirmed the long-term and short-term BBB-/A-3 ratings.		
<b>Credit rating of Fitch Ratings**</b>		
12.09.2019	Long-term IDR in foreign currency	BBB, with a “stable” outlook
12.09.2019	Long-term IDR in national currency	BBB, with a “stable” outlook
12.09.2019	Short-term IDR in foreign currency	F3
12.09.2019	Short-term IDR in national currency	F3
12.09.2019	Priority unsecured rating in national currency	BBB
** On 01.09.2020 Fitch Ratings confirmed ratings to the Issuer.		
<b>Credit rating of ACRA*</b>		
31.12.2020	Credit rating in accordance with AA+(RU) national scale,	with a “stable” outlook
*** On 18.01.2018, ACRA affirmed the rating of AA (RU), with a “stable” outlook on 31.12.2020, ACRA upgraded the rating up to AA+(RU) level, with a “stable” outlook		

## Standard & Poor’s Global Ratings

On September 29, 2020, Standard & Poor’s Global Ratings confirmed BBB- rating of TGC-1, with a “stable” outlook.

The confirmation of ratings reflects the high level of creditworthiness of TGC-1 against the background of stable operating performance and the relative stability of TGC-1 in the context of the spread of coronavirus infection and the economic downturn in Russia.

S&P Global Ratings did not add additional steps to the assessment of characteristics of TGC-1’s own creditworthiness (BBB-), since it is at the same level as the SACP rating of the ultimate parent company, PJSC Gazprom.

## Fitch Ratings

On September 1, 2020, Fitch Ratings international rating agency confirmed the long-term issuer default ratings (IDR) of TGC-1 in foreign and national currencies to BBB level, with a stable outlook.- Short-term issuer default ratings in foreign and national currencies were confirmed at F3 level.

The confirmation of ratings reflects the strong creditworthiness of TGC-1 on an independent basis, taking into account the Company's good financial profile and strong business profile.

The Agency noted the leading position of the company in the electricity and heat sales market in St. Petersburg and the regions in the North-West of Russia, the presence of a significant share of hydro generation in the Company's production assets, characterized by low-cost electricity production, as well as electricity exports to the Scandinavian countries with payment in euros.

Fitch predicts that TGC-1 will maintain its strong creditworthiness in 2020-2024.

## ACRA

On January 31, 2020, the Analytical Credit Rating Agency (ACRA) upgraded the credit rating of TGC-1 up to AA+(RU) level according to the national scale for the Russian Federation with a “stable” outlook.

The increase in the credit rating of TGC-1 is due to a change in the assessment of the Company's significance for PJSC Gazprom AAA (RU), with a “stable” outlook, the sole owner of Gazprom Energoholding LLC, which in turn is the largest shareholder of the Company. The change in the assessment is due to the entry of TGC-1 into a single cash-pooling system with Gazprom and the provision of a borrowing limit of RUB 20 bln to the Company under this system. This fact was assessed by the Agency as an increase in the level of support for TGC-1 from PJSC Gazprom.

The credit rating of the Company is due to its adequate market position, which in turn is due to the successful operation of TGC-1 in the markets of electricity generation and heat supply in the North-West of Russia (St. Petersburg, Leningrad Oblast and Murmansk Oblast, the Republic of Karelia), a good business profile and a high rating for geographical diversification (presence in regions with a high level of socio-economic development). The Company is characterized by a good level of corporate governance, and its financial profile is characterized by high business profitability, low debt burden and a good level of liquidity.

The average size of business, the quality of fixed assets, as well as regulatory risks have a restraining impact on rating. The positive impact is exerted by a high probability of support from the main shareholder, PJSC Gazprom.

A “stable” outlook assumes, with the highest probability, that the rating will remain constant over the horizon of 12-18 months.

### **9.2.6. Interaction with the investment community**

Interaction with the investment community is performed in TGC-1 by the Equity and Investor Relations Division forming part of the Corporate Governance Department.

The Company constantly increases the level of publicity and effectiveness of interaction with investors striving to comply with the world's best practices in the field of information disclosure. Currently, the Company provides data on the financial, operational and other aspects of its activities to the extent and in terms comparable to other public companies. While interacting with the investment community, TGC-1 always provides verifiable, reliable and consistent information about its activities, as well as observes current information disclosure standards and strives for maximum transparency. Essential information on the Company's activities is disclosed in a timely manner in the form of press releases, and relevant facts are disclosed through authorized information disclosure services in full compliance with the Russian legislation. The Company regularly discloses its financial statements under the RAS and IFRS, and publishes presentations for investors.

The following are mechanisms of interaction between TGC-1 and the investment community:

- conference calls involving investors and the Company's management team;
- periodical meetings with investors and shareholders;
- participation in major conferences for investment brokerages;
- field meetings at the Company's production facilities.

In 2020, interactive Annual Report of TGC-1 for 2019 developed in cooperation with 2PR Agency received a number of awards:

- Gold Award at MarCom Awards-2020, a prestigious international competition of design projects in marketing, corporate communications and PR;
- award for the third place in the nomination "Best Annual Report" of Silver Threads 2020, the Big National Contest of Corporate Media Resources.

In compiling the annual reports of TGC-1, in particular based on the results of 2020, the Company is guided by Regulation No. 454-P of the Central Bank of the Russian Federation on Information Disclosure by Issuers of Equity Securities of the Russian Federation as of 30.12.2014; Federal Laws No. 208-FZ as of 26.12.1995 "On Joint Stock Companies" and No. 39-FZ as of 22.04.1996 "On Securities Market".

### **9.3. Corporate Governance Principles and Practices**

The Board of Directors and the management team govern the Company in compliance with the recommendations and principles stated in the Corporate Governance Code approved by the Bank of Russia, which main principles include protection of the rights of shareholders and investors, as well as transparency and disclosure. Documents regulating the corporate governance system are posted on the Company's website.

In 2020, the Company's management kept performing activities aimed at protecting the rights of shareholders and investors, as before.

The following Committees of the Board of Directors proceeded with activities aimed at ensuring the effectiveness of resolutions made by the Board of Directors of TGC-1:

- Audit Committee;
- Committee for Budget Planning and Investments;
- HR and Remuneration Committee;
- Reliability and Efficiency Committee.

The role of the HR and Remuneration Committee and Audit Committee strengthened in 2020, the frequency of meetings increased, and the practice of reviewing the plans and reports of the committees' activities was introduced.

Following the resolution of the Board of Directors, in order to improve operational efficiency, the regulations of the Committees were approved, which are updated in accordance with any changes in legislation and recommendations of the Corporate Governance Code.

Committees of the Board of Directors are comprised of the members of the Board of Directors, representatives of major shareholders and the Committee on Energy and Engineering Support of the Government of St. Petersburg. In 2020, the Committees of the Board of Directors of TGC-1 discussed agenda items related to organizational, financial and economic activities of TGC-1, which were submitted for consideration of the Board of Directors and proposed for discussion by members of the Board of Directors' Committees.

TGC-1 continuously works on development, improvement and bringing of the corporate governance system in compliance with the requirements of Russian legislation, recommendations of the Corporate Governance Code

(recommended for use by the Board of Directors of the Bank of Russia and approved on 21.03.2014), Listing Rules of the Moscow Exchange, as well as the best Russian and international practices.

The most important of the activities performed as part of improving the Company's corporate governance practices is compliance with the recommendation of the Corporate Governance Code to ensure the presence of the non-executive directors in the Board of Directors and in the Committees of the Board of Directors starting from 2016. In 2020, the Board of Directors of TGC-1 conducted a regular analysis of the directors' compliance with the independence criteria established by the Moscow Exchange Listing Rules, including consideration of this issue by the Board of Directors of TGC-1.

The Company has a Regulation on the Dividend Policy of TGC-1 approved by the Company's Board of Directors on 14.12.2017.

On 11.11.2020, the Board of Directors of TGC-1 approved the Risk Management and Internal Control Policy, which defines the principles and approaches to the organization of the risk management system in the Company, in accordance with the recommendations of the Corporate Governance Code. The Risk Management and Internal Control Policy helps improve the financial results of the Company by reducing losses resulting from the implementation of risks (by types of risks that can be managed). In 2020, the Company took a number of measures aimed at improving the risk management system (Section 9.6 of this Annual Report).

#### **9.4. Memorandum of intent of PJSC Gazprom regarding the controlled companies TGC-1, PJSC Mosenergo, PJSC MIPC, PJSC OGK-2**

Electric power industry is the business area of strategic importance for Gazprom Group. Over the past 10 years, the largest vertically integrated electric power holding in Russia was established as part of PJSC Gazprom's structure, which unified assets in the fields of electricity and heat generation, transfer and sales, as well as assets in related segments.

Electric power generating assets have been consolidated in Gazprom Energoholding LLC, a wholly owned subsidiary, which holds controlling stakes in PJSC Mosenergo, TGC-1 and PJSC MIPC being the single heat supplier of Moscow. PJSC Centrenergoholding – a subsidiary of Gazprom Energoholding LLC – holds the controlling stake in PJSC OGK-2.

PJSC Mosenergo, TGC-1, PJSC OGK-2 and PJSC MIPC form an integral part of the Gazprom Group's business. Alienation of the indicated assets is not under consideration.

PJSC Gazprom considers progressive development of companies, securing stable growth of their financial indicators, while maintaining reliable power supply of consumers as the priority task of its electric power business.

PJSC Gazprom operates the companies based on unified corporate standards, understands the importance of improving corporate governance of controlled business entities and strives to ensure disclosure and transparency of their operations.

#### **9.5. Management and Control Bodies**

##### **9.5.1. General Meeting of Shareholders**

General Meeting of Shareholders is the Company's senior management body. The competence of the General Meeting of Shareholders is defined by Article 15 of the Articles of Association of TGC-1 and Article 48 of Federal Law No. 208-FZ as of 26.12.1995 "On Joint-Stock Companies".

The procedure for convening, preparing, holding, and summing up the results of the General Meeting of Shareholders is determined by the Regulation on the General Meeting of Shareholders of TGC-1, approved by the General Meeting of Shareholders as of 22.06.2020 (Minutes No. 1 as of 25.06.2020).

Extraordinary General Meeting of Shareholders is held according to the resolution of the Board of Directors of TGC-1 based on its own initiative, the request of the Company's auditor, as well as a shareholder(s) who owns at least 10% of the Company's voting shares as of the date of the request. The issues of agenda of an Extraordinary General Meeting of Shareholders are suggested by the initiating party.

On 22.06.2020, the Annual General Meeting of Shareholders of TGC-1 was held, at which the following documents were approved: annual report of the Company for 2019, annual accounting (financial) statements for 2019. Decisions were made on the distribution of profit for 2019, on the payment of dividends, members of the Board of Directors were elected and the Company's auditor was approved. A decision was made to approve the revised Articles of Association of the Company and internal documents regulating the activities of the Company's bodies. A decision was made to approve interested-party transactions.

In 2020, no extraordinary General Meetings of Shareholders were held.

## 9.5.2. Board of Directors

The competence of the Board of Directors is defined in Clause 20.1 of Article 20 of the Company's Articles of Association and Article 65 of Federal Law No. 208-FZ as of 26.12.1995 "On Joint-Stock Companies".

The procedure for the activities and meetings of the Board of Directors is governed by the Regulation on the Board of Directors of TGC-1 that was approved by the Annual General Meeting of Shareholders as of 22.06.2020 (Minutes No. 1 as of 25.06.2020).

According to the Regulation, the Board of Directors of TGC-1 is responsible for the overall management of the Company's activities, controls the implementation of decisions of the General Meeting of Shareholders, and observance of rights and legitimate interests of the Company's shareholders in accordance with the Russian legislation.

The Board of Directors consists of 11 people, 4 of them were nominated by the shareholder of Fortum Power and Heat Oy, 7 were nominated by Gazprom Energoholding LLC.

In 2020 the Board of Directors of TGC-1 held 15 meetings in absentia, but no meetings were held in person.

### Members of the Board of Directors of TGC-1 who exercised their powers in 2020

**The Board of Directors elected by the Annual General Meeting of Shareholders as of 22.06.2020** (7 meetings were held by this Board in 2020)

Full name	Position*
<b>Chairman of the Board of Directors</b>	
Vitaly Markelov	Deputy Chairman of the Management Board of PJSC Gazprom ( <i>Non-Executive Director</i> )
<b>Members of the Board of Directors</b>	
Parviz Abdushukurov	Vice President, Deputy General Director for Operations – Chief Engineer of PJSC Fortum ( <i>Non-Executive Director</i> )
Dmitry Borovikov	Vice President for Strategy, Production Portfolio Management and Trading, PJSC Fortum ( <i>Independent Director</i> )
Aleksander Ivannikov	Head of Department of PJSC Gazprom ( <i>Non-Executive Director</i> )
Pavel Shatsky	First Deputy General Director of Gazprom Energoholding LLC ( <i>Non-Executive Director</i> )
Andrey Khorev	Deputy General Director of Ruskhimalliance LLC ( <i>Independent Director</i> )
Vadim Vederchik	Managing Director of TGC-1 ( <i>Executive Director</i> )
Gennady Sukhov	Member of the Management Board, Head of Department of PJSC Gazprom ( <i>Non-Executive Director</i> )
Denis Fedorov	General Director of Gazprom Energoholding LLC, Head of Directorate of PJSC Gazprom ( <i>Executive Director</i> )
Mario Mazidowski	Vice-President for Finance of PJSC Fortum ( <i>Independent Director</i> )
Alexander Chuvaev	Executive Vice President, member of the Management Board of Fortum Corporation, General Director of PJSC Fortum ( <i>Non-Executive Director</i> )

\* Positions are specified as of the election date.

**The Board of Directors approved by the Annual General Meeting of Shareholders as of 19.09.2019** (8 meetings were held by this Board in 2020)

Full name	Position*
<b>Chairman of the Board of Directors</b>	
Vitaly Markelov	Deputy Chairman of the Management Board of PJSC Gazprom ( <i>Non-Executive Director</i> )
<b>Members of the Board of Directors</b>	
Parviz Abdushukurov	Vice President, Deputy General Director for Operations – Chief Engineer of PJSC Fortum ( <i>Non-Executive Director</i> )
Dmitry Borovikov	Vice President for Strategy, Production Portfolio Management and Trading, PJSC Fortum ( <i>Independent Director</i> )

Aleksander Ivannikov	Head of Department of PJSC Gazprom ( <i>Non-Executive Director</i> )
Pavel Shatsky	First Deputy General Director of Gazprom Energoholding LLC ( <i>Non-Executive Director</i> )
Andrey Khorev	Advisor to the Chairman of the Management Board of GPB (JSC) - ( <i>Non-Executive Director</i> )
Andrey Dmitriev	First Deputy Head of Department of PJSC Gazprom ( <i>Non-Executive Director</i> )
Gennady Sukhov	Member of the Management Board, Head of Department of PJSC Gazprom ( <i>Non-Executive Director</i> )
Denis Fedorov	Head of Directorate of PJSC Gazprom ( <i>Non-Executive Director</i> )
Mario MazidowskiMazidowski	Vice-President for Finance of PJSC Fortum ( <i>Independent Director</i> )
Alexander Chuvaev	Executive Vice President, member of the Management Board of Fortum Corporation, General Director of PJSC Fortum ( <i>Non-Executive Director</i> )

\* Positions are specified as of the election date.

In 2020, the HR and Remuneration Committee of the Board of Directors of TGC-1 analyzed the compliance of candidates to the Board of Directors of TGC-1 for election at the Annual General Meeting of Shareholders of TGC-1 with the requirements for professional qualifications, experience, business skills and independence criteria. Based on the results of the analysis, the Committee formed recommendations for shareholders of TGC-1 regarding voting on the issue of electing candidates to the Board of Directors of TGC-1. Information on this issue is provided to shareholders in the materials for the annual General Meeting of Shareholders.

### Report on the work of the Board of Directors

In 2020, 93 issues were considered at the meetings of the Board of Directors, including:

- on priority areas of activity of TGC-1 for 2020;
- on definition of priority investment projects of TGC-1 for 2020 and 2021;
- on approval of the Business Plan of TGC-1 for 2020 and 2021 and reports on the implementation of the Business Plan of TGC-1 at the end of 2019 and for 3, 6 and 9 months of 2020;
- on definition of the procurement policy in TGC-1 and the approval of the annual comprehensive procurement programme of TGC-1 for 2020 and 2021;
- on determining the position of representatives of TGC-1 on the agenda of meetings of the Boards of Directors of the organizations, in which TGC-1 participates, including the approval of Business plans and investment programmes of the organizations, in which TGC-1 participates;
- on change of the share of participation of TGC-1 in JSC St Petersburg Heating Grid;
- on consent to transactions and subsequent approval of related party transactions of TGC-1;
- on approval of the Articles of Association, the Regulation on the General Meeting of Shareholders, the Regulation on the Board of Directors, the Regulation on the General Director, the Risk Management and Internal Control Policy of TGC-1, as amended.

In 2020, the most important issues, the decisions on which fall within the competence of the Company's Board of Directors, are previously considered by the Committees of the Board of Directors: Audit Committee; Committee for Budget Planning and Investments; HR and Remuneration Committee and Reliability and Efficiency Committee.

### Participation in meetings of the Board of Directors and its Committees in 2020

Full name	Board of Directors*	Audit Committee	Committee for Budget Planning and Investments	HR and Remuneration Committee	Reliability and Efficiency Committee
<b>Persons who were members of the Board of Directors throughout 2020</b>					
Parviz Abdushukurov	15/15	100%			89%
Dmitry Borovikov	15/15	100%	100%	100%	
Alexander Ivannikov	15/15	100%	100%	100%	
Vitaly Markelov	15/15	100%			
Mario Mazidowski	15/15	100%	100%	100%	
Gennady Sukhov	15/15	100%			
Denis Fedorov	15/15	100%			
Andrey Khorev	15/15	100%	100%	100%	

Full name	Board of Directors*		Audit Committee	Committee for Budget Planning and Investments	HR and Remuneration Committee	Reliability and Efficiency Committee
Alexander Chuvaev	15/15	100%				
Pavel Shatsky	15/15	100%	100%		100%	
<b>Persons excluded from the Board of Directors on 22.06.2020</b>						
Andrey Dmitriev	8/8	100%				
<b>Persons who joined the Board of Directors on 22.06.2020</b>						
Vadim Vederchik	7/7	100%				

\*A/B - A is the number of meetings, in which the director participated; B is the number of meetings held for the period, during which the director was a member of the Board of Directors/Committee.

### Brief biographical information on the members of the Board of Directors as of 31.12.2020

#### Vitaly Markelov, Chairman of the Board of Directors

Year of birth: 1963

Education: Higher. Ph.D. in Technical Sciences

Kuibyshev Aviation Institute

Positions held for the last 5 years:

2015 - present Deputy Chairman of the Management Board of PJSC Gazprom

2015 - present President of the Pipe Manufacturers Association

2015 - present Vice-President - Deputy President - Chairman of the Board of the Association of Equipment Manufacturers New Technologies of Gas Industry

2015 - 2020 Chairman of the Supervisory Board Nongovernmental Environmental Foundation named after V. I. Vernadsky

2019 - present Non-Executive Director of Sakhalin Energy Investment Company Ltd.

2019 - present First Vice-President of the Union of Oil and Gas Industry Organizations Russian Gas Company

Holds no shares of TGC-1.

#### Denis Fedorov, member of the Board of Directors

Year of birth: 1978

Education: Higher. Ph.D. in Economics

2001 Bauman Moscow State Technical University, degree in Economics and Management

2003 Moscow Power Engineering Institute (Technical University), degree in Economics and Industrial Energy

Positions held for the last 5 years:

2015 - present Head of Directorate of PJSC Gazprom

2015 - present General Director of PJSC Centrenergoholding

2015 - present General Director of Gazprom Energoholding LLC

2017 - 2017 General Director of Adlerskaya CHPP LLC

Holds no shares of TGC-1.

#### Parviz Abdushukurov, member of the Board of Directors

Year of birth: 1964

Education: Higher.

1991 Tajik State University, degree in Physics

2003 Moscow Power Engineering Institute, degree in CHP Plants

Positions held for the last 5 years:

2015 - present Vice President, Deputy General Director for Operations – Chief Engineer of PJSC Fortum

2015 - present Deputy General Director for Operations – Chief Engineer of JSC UTSK

2015 - present Deputy General Director for Operations of JSC CHER

Holds no shares of TGC-1.

#### Dmitry Borovikov, independent member of the Board of Directors

Year of birth: 1988

Education: Higher.

2011 HSE — Higher School of Economics

Positions held for the last 5 years:

2015 - 2016 Head of Strategic Projects of the Center for Market and Strategic Opportunities Analysis, Business Analysis and Market Development Department of OJSC Fortum

2016 - 2018	Deputy Head of the Center for Development and Growth for Strategic Development of PJSC Fortum
2017 - present	General Director of Vetroenergetics LLC
2018 - 2018	Director of the Center for Development and Growth of PJSC Fortum
2018 - 2019	Vice President for Strategy, Mergers and Acquisitions, CRD of PJSC Fortum
2019 - present	Vice President for Strategy, Production Portfolio Management and Trading of PJSC Fortum
Holds no shares of TGC-1.	

#### **Vadim Vederchik, member of the Board of Directors**

Year of birth: 1979

Education: Higher.

2002	St. Petersburg State Polytechnical University
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Positions held for the last 5 years:

2015 - 2019	Deputy General Director for Capital Construction of TGC-1
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2019 – present	Managing Director of TGC-1
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Holds no shares of TGC-1.

#### **Alexander Ivannikov, member of the Board of Directors**

Year of birth: 1966

Education: Higher.

1988	Higher Naval College of Radio Electronics named after A.S. Popov
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1993	Saint Petersburg State University
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1999	St. Petersburg State Technical University
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Positions held for the last 5 years:

2015 – present	Head of Department of PJSC Gazprom
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Holds no shares of TGC-1.

#### **Mario Mazidowski, independent member of the Board of Directors**

Year of birth: 1963

Education: Higher.

1989	Moscow State Institute of International Relations
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Positions held for the last 5 years:

2015 - present	Vice President for Finance of PJSC Fortum
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2016 - 2017	Director of Economic Affairs of JSC UTSK
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2018 - 2020	Chief Risk Officer of Vetroenergetics LLC
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2020 - present	Deputy General Director for Financial and Corporate Affairs of Vetroenergetics LLC
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Holds no shares of TGC-1.

#### **Gennady Sukhov, member of the Board of Directors**

Year of birth: 1961

Education: Higher.

	Saratov Polytechnic Institute
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	Academy of National Economy under the Government of the Russian Federation
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Positions held for the last 5 years:

2015 - 2019	Deputy Head of Department of PJSC Gazprom
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2019 - present	Head of Department of PJSC Gazprom
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Holds no shares of TGC-1.

#### **Andrey Khorev, member of the Board of Directors**

Year of birth: 1972

Education: Higher. Ph.D. in Economics

1993	Kiev Higher Naval School
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1996	Russian-American University
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2002	Ph.D. in Economics
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Positions held for the last 5 years:

2018 - present	Advisor to the General Director of TPS Group LLC
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2019 - present	Advisor to the Chairman of the Management Board of Bank GPB (JSC)
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2019 - present	Deputy General Director of Ruskhimalliance LLC
Holds no shares of TGC-1.	

### Alexander Chuvaev, member of the Board of Directors

Year of birth: 1960

Education: Higher.

1983	Bauman Moscow State Technical University, degree in Welding Equipment and Technology
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Positions held for the last 5 years:

2015 - present	Executive Vice President of Fortum Corporation (Fortum Oyj)
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2015 - present	General Director of PJSC Fortum
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2015 - 2017	General Director of Fortum Energy LLC
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2015 - present	General Director of JSC CHER
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2015 - present	General Director of JSC UTSK
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2015 - present	Vice-President, Chairman of the RUIE Housing and Utilities Infrastructure
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2015 - present	Chairman of the Coordinating Council of the RSPP branches in the Ural Federal District
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2017 - present	General Director of Vetroenergetics LLC
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2017 - 2019	General Director of FNG LLC
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Holds no shares of TGC-1.

### Pavel Shatsky, member of the Board of Directors

Year of birth: 1972

Education: Higher.

1997	Russian State Agrarian Extramural University
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2002	State Educational Institution of Higher Professional Education State University of Management
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Positions held for the last 5 years:

2015 - present	First Deputy General Director of Gazprom Energoholding LLC
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Holds no shares of TGC-1.

There is no information on a conflict of interests among the members of the Board of Directors of TGC-1, including those related to the participation of the members of the Board of Directors of TGC-1 in competitive management bodies of TGC-1.

TGC-1 did not issue loans (credits) to the members of the Company's Board of Directors.

No transactions with shares of TGC-1 were made by the members of the Board of Directors in 2020.

No claims were filed against members of the Board of Directors related to their performance of the functions of a member of the Board of Directors in the reporting year.

In accordance with the Articles of Association of TGC-1, as well as in accordance with the Regulation "On the Procedure for Determining the Amount of Remuneration and Compensation to Members of the Board of Directors of TGC-1" approved by the Annual General Meeting of Shareholders as of 22.06.2020 (Minutes No. 1 as of 25.06.2020), the members of the Board of Directors may be paid remuneration and compensation for expenses related to the performance of their functions. Remuneration to the members of the Board of Directors consists of a fixed and an additional part.

A fixed part is paid to the members of the Company's Board of Directors for participation in meetings of the Board of Directors. For participation in a meeting of the Board of Directors, a member of the Company's Board of Directors is paid remuneration in the amount equivalent to 4 (four) minimum monthly base salaries for a first-class worker specified in the sectoral tariff agreement in the electric power complex of the Russian Federation on the day of the meeting of the Company's Board of Directors, taking into account indexation established by the Agreement. Payment is made quarterly based on the results of meetings of the Board of Directors held during the quarter, no later than 1 (One) month after its end.

The amount of remuneration paid in accordance with the Regulation to the Chairman of the Board of Directors (Deputy Chairman of the Board of Directors or other person presiding at a meeting of the Board of Directors) is increased by 50% for each meeting, at which he / she served as the Chairman of the Board of Directors.

An additional part is paid to the members of the Company's Board of Directors in the end of financial year if the Company's net profit is available. The resolution to pay additional part of remuneration to the members of the Board of Directors is made by the Company's General Meeting of Shareholders. The decision of the Company's General Meeting of Shareholders on payment of an additional part of remuneration to the members of the Board of Directors determines its total amount. The total amount of an additional part of remuneration based on results of the Company's activity may not exceed 5 (Five) percent of the Company's net profit received as a result of the financial year, in which this composition of the Company's Board of Directors was elected.

An additional part of remuneration is paid within a month after the date of the Company's General Meeting of Shareholders specified in the Regulation.

The total amount of an additional part of remuneration based on results of the Company's activities is distributed among the members of the Board of Directors in equal portions, with the exception of cases specified in the Regulation.

An additional part of remuneration based on results of the Company's activities is not paid to the members of the Board of Directors who have participated in less than half of the Board of Directors' meetings (from the moment of their election to termination of powers).

If the Company does not have a net profit, an additional part of remuneration paid to the members of the Company's Board of Directors is not determined.

The members of the Board of Directors are paid as compensation for expenses for exercising their powers. Compensation for expenses is paid to the members of the Board of Directors if they provide the documents confirming the expenses incurred. The documents confirming the expenses incurred shall be submitted to the Company's accounting department.

The members of the Company's Board of Directors are not entitled to receive other remunerations and (or) compensation for expenses for exercising their powers, with the exception of those specified in the Regulation.

Payment of remuneration and (or) compensation for expenses is made by the Company by transfer of cash funds to personal accounts of a member of the Board of Directors or through the Company's cash department.

Information on remuneration and (or) compensation for expenses paid to the members of the Board of Directors is disclosed by the Company in cases provided for by the legislation of the Russian Federation.

The members of the Board of Directors who are the persons in respect of whom the legislation of the Russian Federation prohibits receiving payments from commercial organizations are not paid remuneration.

**Table 47.** Information on Amount of Remuneration to Members of the Board of Directors, RUB thousand\*

Indicator	2020
Remuneration for involvement in activities of the management body	24,686.67
Wages	9,662.62
Bonuses	6,718.75
Commission fees	0
Other remunerations	0
<b>TOTAL</b>	<b>41,068.04</b>

\* Remuneration does not take into account the amount of insurance premiums.

TGC-1 elected a Corporate Secretary (Minutes No. 3 as of 03.10.2016) and the Regulation on the Corporate Secretary approved by the Board of Directors (Minutes No. 8 as of 30.12.2016) is in effect.

The functions of the Corporate Secretary are:

- ensuring the interaction of the Company with regulatory authorities, trade organizers, a registrar, and other professional participants of the securities market within the scope of the powers assigned to the Corporate Secretary;
- immediate notification of the Board of Directors of all detected violations of the legislation, as well as the provisions of the Company's internal documents, compliance with which is related to the functions of the Corporate Secretary;
- coordination of the Company's actions to protect the rights and interests of shareholders;
- organizational support of activities of the Company's General Meeting of Shareholders, the Company's Board of Directors and committees of the Company's Board of Directors (unless the relevant committee of the Company's Board of Directors has appointed another person as a secretary).

### **Brief biographical information of the Corporate Secretary as of 31.12.2020**

<b>Antonina Maksimova</b>	
Year of birth: 1973	
Education: Higher. Ph.D. in Technical Sciences	
1996	St. Petersburg Polytechnic University, degree in Mechanical Engineering
2000	St. Petersburg Polytechnic University, defense of a thesis
2002	St. Petersburg State University of Economics, degree in Financial Management
2013	St. Petersburg University of Management and Economics, Master's degree in Jurisprudence
Positions held for the last 5 years:	
2015 - present	Head of the Corporate Affairs Department of TGC-1
2016 - present	Corporate Secretary of TGC-1
Holds no shares of TGC-1.	

The Corporate Secretary has no conflict of interests (including that related to participation in the management bodies of the Company's competitors).

TGC-1 did not issue loans (credits) to the Company's Corporate Secretary during 2020.

No transactions with shares of TGC-1 were made by the members of the Board of Directors in 2020.

Claims to the Corporate Secretary related to the performance of functions of the Corporate Secretary were not filed in the reporting year.

### 9.5.3. Committees of the Board of Directors

The purpose of the Committees is to ensure the effective work of the Board of Directors in resolving issues within its competence. Currently, there are 4 Committees under the Board of Directors of TGC-1:

- Audit Committee;
- Committee for Budget Planning and Investments;
- HR and Remuneration Committee;
- Reliability and Efficiency Committee.

#### Audit Committee of the Board of Directors

The purpose of the Audit Committee of the Board of Directors of TGC-1 (hereinafter referred to as the Committee) is to ensure the effective work of the Board of Directors in resolving issues within its competence.

The objective of the Committee is to develop and submit recommendations (conclusions) to the Board of Directors in the field of audit, internal control and risk management of the Company.

The Committee acts in accordance with the Regulation on the Audit Committee of the Board of Directors of TGC-1 (approved by the Board of Directors of TGC-1, Minutes No. 3 as of 03.10.2016). In its activities, the Committee is also guided by federal laws, other regulatory legal acts of the Russian Federation, the Company's Articles of Association, the Regulation on the Company's Board of Directors, and decisions of the Company's Board of Directors.

#### Composition of the Audit Committee elected by the Board of Directors of the Company on 20.07.2020

Full Name	Position*
<b>Chairman of the Committee</b>	
Andrey Khorev	Deputy General Director of Ruskhimalliance LLC, <i>Independent Director</i>
<b>Members of the Committee</b>	
Dmitry Borovikov	Vice President for Strategy, Production Portfolio Management and Trading of PJSC Fortum, <i>Independent Director</i>
Alexander Ivannikov	Head of Department of PJSC Gazprom
Mario Mazidowski	Vice-President for Finance of PJSC Fortum, <i>Independent Director</i>
Pavel Shatsky	First Deputy General Director of Gazprom Energoholding LLC

\* Positions specified as of the election date to the Committee.

Until 20.07.2020, the Committee consisted of members elected by the Board of Directors of TGC-1 on 13.12.2019. The Committee, acting from 13.12.2019 to 20.07.2020, consisted of: the Chairman of the Committee – A.V. Khorev, the members of the Committee were: D.P. Borovikov, A.S. Ivannikov, M.D. Mazidowski, P.O. Shatsky

The majority of the members of the Committee of this composition, namely A.V. Khorev, D.P. Borovikov, M.D. Mazidowski were independent directors of the Company (recognized by the Board of Directors of the Company as independent directors, Minutes No. 1 as of 20.07.2020), which corresponds to the Listing Rules of the Moscow Exchange, approved by the decision of the Supervisory Board of the Moscow Exchange No. 18 as of 21.01.2020.

During 2020, 6 meetings of the Audit Committee of the Board of Directors of TGC-1 were held. All meetings were held in absentia.

The Committee contributed to the effective performance of functions of the Board of Directors in terms of control over the financial and economic activities of the Company.

The most important issues considered by the Committee during the reporting period were:

1. On recommendations to the Company's General Meeting of Shareholders on the approval of the annual accounting (financial) statements of the Company prepared at the end of the 2019 financial year.
2. On preliminary consideration of the issue within the competence of the Board of Directors of the Company "On Recommendations to the General Meeting of Shareholders on the Issue of Appointment of the Company's Auditor".
3. On assessment of the auditor's opinion on the accounting (financial) statements for 2019 prepared in accordance with Russian Accounting Standards, and the Company's consolidated financial statements for 2019 prepared in accordance with the Company's International Reporting Standards, and the quality of audit services

performed.

4. On assessment of the independence, objectivity and absence of any conflict of interests of the Company's auditor.
5. On approval of the Risk Management and Internal Control Policy of TGC-1.
6. On consideration of the external audit plan for the annual accounting (financial) statements for 2020, as well as the consolidated financial statements of the Group of TGC-1 for 2020, prepared in accordance with International Financial Reporting Standards.

**A total of 16 issues were considered during the reporting period.**

### **Committee for Budget Planning and Investments of the Board of Directors**

The objective of the Committee is to develop and submit recommendations (conclusions) to the Company's Board of Directors and executive body in the following areas of activity of the Board of Directors:

- 1) determination of priority areas, strategic goals, and main principles of the Company's strategic development, assessment of the Company's performance in the medium and long term, coordination of the Company's strategy;
- 2) consideration and approval of scenario conditions for creating medium and long-term perspective for the Company's business activities;
- 3) analysis of the implementation of adopted programmes and projects of the Company's strategic development;
- 4) adjustment of the Company's development strategy;
- 5) establishment of key performance indicators (KPI) for approval by the Board of Directors;
- 6) consideration of quarterly reports of the Company's General Director on implementation of the Company's strategy;
- 7) control over achievement of the Company's strategic goals and KPI approved by the Board of Directors;
- 8) determination and improvement of the policy in the field of business planning and budgeting of the Company;
- 9) financial planning, determination of the Credit and Dividend Policy of the Company;
- 10) consideration of the issues related to raising loan financing, including the issue of bonds and other securities;
- 11) monitoring the implementation of the approved business plan and budget of the Company;
- 12) assessment of the Company's performance;
- 13) increasing the investment potential of the Company, improving investment activities and making sound investment decisions;
- 14) assistance in the management of the Company, and assessment of proposals for attracting investors to the industry and developing recommendations on compliance with the balance of interests of the Company and investors when implementing investment processes in the Company and its branches;
- 15) organization of timely and qualitative examination of investment projects and programmes submitted for consideration by the Company's Board of Directors;
- 16) consideration of essential conditions for the implementation of investment projects;
- 17) development and submission of recommendations to the Board of Directors of the Company on the issues considered by it in accordance with the competence of the Committee.

**Composition of the Committee for Budget Planning and Investments, elected by the Company's Board of Directors on 20.07.2020**

Full Name	Position*
<b>Chairman of the Committee</b>	
Alexander Rogov	Deputy Head of Directorate – Head of Division of PJSC Gazprom
<b>Members of the Committee</b>	
Eduard Lisitsky	Deputy Managing Director for Development and Property Management of TGC-1
Mario Mazidowski	Vice-President for Finance of PJSC Fortum, <i>Independent Director</i>
Andrey Kalashnikov	Deputy Director for Production of Gazprom Energoholding LLC
Vladimir Predein	Deputy Head of Department of PJSC Gazprom
Evgeny Zemlyanoy	Deputy General Director for Economics and Finance of Gazprom Energoholding LLC
Yaroslav Rykov	Director for Business Analysis of PJSC Fortum
Valentin Gryaznov	Advisor to the Head of Department of PJSC Gazprom
Dmitry Borovikov	Vice President for Strategy, Production Portfolio Management and Trading of PJSC Fortum, <i>Independent Director</i>
Alexander Yuzifovich	Deputy Head of Treasury Directorate of Gazprom Energoholding LLC

\* Positions specified as of the election date to the Committee.

During 2020, 13 meetings of the Committee for Budget Planning and Investments of the Board of Directors of TGC-1 were held.

Until 20.07.2020, the composition of the Committee elected by the Board of Directors of TGC-1 on 13.12.2019 was active. The Committee, acting from 13.12.2019 to 20.07.2020, consisted of: the Chairman of the Committee – A.V. Rogov, the members of the Committee were: E.N. Lisitsky, M. D. Mazidowski, A.V. Kalashnikov, V. M. Predein, E.N. Zemlyanoy, Ya. A. Rykov, V. B. Gryaznov, D.P. Borovikov, A.M. Yuzifovich

**HR and Remuneration Committee of the Board of Directors**

The purpose of the HR and Remuneration Committee of TGC-1 (hereinafter referred to as the Committee) is to ensure the effective work of the Board of Directors in resolving issues within its competence.

The objective of the Committee is to develop and submit recommendations (conclusions) to the Board of Directors in the field of personnel, social and labour policy of the Company.

The Committee acts in accordance with the Regulation on the HR and Remuneration Committee of the Board of Directors of TGC-1 (approved by the Board of Directors of TGC-1, Minutes No. 3 as of 03.10.2016). In its activities, the Committee is also guided by federal laws, other regulatory legal acts of the Russian Federation, the Company's Articles of Association, the Regulation on the Company's Board of Directors, and decisions of the Company's Board of Directors.

**Composition of the HR and Remuneration Committee elected by the Board of Directors of the Company on 20.07.2020**

Full Name	Position*
<b>Chairman of the Committee</b>	
Pavel Shatsky	First Deputy General Director of Gazprom Energoholding LLC
<b>Members of the Committee</b>	
Dmitry Borovikov	Vice President for Strategy, Production Portfolio Management and Trading of PJSC Fortum, <i>Independent Director</i>
Alexander Ivannikov	Head of Department of PJSC Gazprom
Mario Mazidowski	Vice-President for Finance of PJSC Fortum, <i>Independent Director</i>
Andrey Khorev	Deputy General Director of Ruskhimalliance LLC, <i>Independent Director</i>

\* Positions specified as of the election date to the Committee.

Until 20.07.2020, the Committee consisted of members elected by the Board of Directors of TGC-1 on 13.12.2019. The Committee, acting from 13.12.2019 to 20.07.2020, consisted of: the Chairman of the Committee – P.O. Shatsky, the members of the Committee were: D.P. Borovikov, M.D. Mazidowski, A.V. Khorev, A.S. Ivannikov

The majority of the members of the Committee of this composition, namely A.V. Khorev, D.P. Borovikov, M.D. Mazidowski were independent directors of the Company (recognized by the Board of Directors of the Company as independent directors, Minutes No. 1 as of 20.07.2020), which corresponds to the Listing Rules of the Moscow Exchange, approved by the decision of the Supervisory Board of the Moscow Exchange No. 18 as of 21.01.2020.

During 2020, 7 meetings of the HR and Remuneration Committee of the Board of Directors of TGC-1 were held. The Committee's meetings were held at least once a quarter during the reporting period, which is in line with the Recommendations of the Bank of Russia. All meetings were held in absentia.

The Committee contributed to the effective performance of functions of the Board of Directors in terms of control over the personnel and social and labour policy of the Company.

The most important issues considered by the Committee during the reporting period were:

1. On determination of the positions of the Company's executive staff, the approval of candidates for which is carried out by the Board of Directors of the Company.
2. On the formation of recommendations for shareholders of TGC-1 in relation to voting on the election of candidates to the Board of Directors of TGC-1.
3. On preliminary consideration of the issue within the competence of the Board of Directors of the Company "On Amendments to the General Structure of the Executive Branch of the Company".
4. On preliminary consideration of the issue within the competence of the Board of Directors of the Company "On Approval of Candidates for Certain Positions of the Management (Executive Branch) of the Company".
5. On preliminary consideration of the issue within the competence of the Company's Board of Directors "On Approval of Report of Gazprom Energoholding LLC on Provision of Services under Agreement on Transfer of Powers of Sole Executive Body of TGC-1".

**A total of 10 issues were considered during the reporting period.**

### Reliability and Efficiency Committee of the Board of Directors

The objective of the Committee is to develop and submit recommendations (conclusions) to the Company's Board of Directors and executive body in the following areas of activity of the Board of Directors:

- consideration of objectives, priority areas and basic principles of the Company's strategic development (development strategy of the Company) in terms of improving technical reliability, safety and efficiency of production;
- consideration (expertise of) the programmes for refurbishment and renovation, maintenance and repair, energy saving and improvement of power efficiency, improvement of technical reliability and other production programmes in terms of observing the requirements of integrated technological reliability, safety and efficiency of production;
- assessment of the completeness and adequacy of measures developed as a result of investigating the causes of incidents (technological violations, including accidents, fires, technological emergencies, fuel supply disruptions), as well as monitoring their implementation;
- consideration of the Company's technical and environmental policy;
- assessment of the Company's management in terms of ensuring the requirements of integrated technological reliability, safety and efficiency of production;
- improvement of the system of key performance indicators of the production safety and reliability, developing of recommendations on approval of target values, reviewing of reports on their implementation;
- development of the Company's standards related to planning, implementation, reporting on production operations;
- consideration of proposals for reorganization of the Company's management system;
- other issues related to the above issues (except for those related to the competence of other Committees of the Company's Board of Directors).

### Composition of the Reliability and Efficiency Committee elected by the Board of Directors of the Company on 20.07.2020

Full Name	Position*
<b>Chairman of the Committee</b>	
Mikhail Fedorov	Director for Production of Gazprom Energoholding LLC
<b>Members of the Committee</b>	
Andrey Kalashnikov	Deputy Director for Production of Gazprom Energoholding LLC
Mikhail Sorokin	Head of Division of PJSC Gazprom
Alexey Vorobyev	Deputy Managing Director – Chief Engineer of TGC-1
Sergey Sverchkov	Deputy Chief Engineer of TGC-1
Parviz Abdushukurov	Vice President, Deputy General Director for Operations – Chief Engineer of PJSC Fortum

Vladimir Tsvetkov	Deputy Managing Director for Capital Construction of TGC-1
Sergey Mukhametov	Head of Technical Directorate of Gazprom Energoholding LLC

\* Positions specified as of the election date to the Committee.

During 2020, 9 meetings of the Reliability and Efficiency Committee of the Board of Directors of TGC-1 were held.

Until 20.07.2020, the Committee consisted of members elected by the Board of Directors of TGC-1 on 13.12.2019. The Committee, acting from 13.12.2019 to 20.07.2020, consisted of: the Chairman of the Committee – M.V. Fedorov, the members of the Committee were: A.V. Kalashnikov, M.V. Sorokin, A.I. Vorobyev, S.V. Sverchkov, P.F. Abdushukurov, V.A. Tsvetkov.

#### 9.5.4. Management Board, General Director, Managing Organization and Managing Director

The General Director is the Company's sole executive body entitled to resolve issues related to current operations in accordance with Article 26 of the Articles of Association of TGC-1. In accordance with Paragraph 19 of Clause 15.1 of Article 15 of the Articles of Association and Clause 1 of Article 69 of the Federal Law "On Joint-Stock Companies", the powers of the sole executive body can be transferred under a contract to a management company.

By the decision of the extraordinary General Meeting of Shareholders of TGC-1 as of 27.09.2019, the powers of the General Director of TGC-1 from 30.09.2019 were transferred to the managing organization - Gazprom Energoholding Limited Liability Company (OGRN 1037739465004, located at: 16 Dobrolyubova Prospect, building 2, lit. A, room 11, St. Petersburg, Russian Federation, 197198).

Gazprom Energoholding Limited Liability Company, 100% (one hundred percent) of the authorized capital of which is owned by PJSC Gazprom, is a company combining electric and heat energy assets of Gazprom Group.

Website of Gazprom Energoholding LLC: energoholding.gazprom.ru

**Table 48.** Information on Amount of Remuneration to Managing Company, RUB thousand including VAT

Indicator	2020
Remuneration for involvement in activities of the management body	93,600.00
Wages	-
Bonuses	-
Commission fees	-
Benefits	-
Other remunerations	-
<b>TOTAL</b>	<b>93,600.00</b>

#### Managing Director

##### Vadim Vederchik

Year of birth: 1979

Education: Higher.

2002	St. Petersburg State Polytechnical University
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Positions held for the last 5 years:

2015 - 2019	Deputy General Director for Capital Construction of TGC-1
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2019 - present	Managing Director of TGC-1
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Holds no shares of TGC-1.

#### Management Board of the Company

By the decision of the Board of Directors of TGC-1 as of 17.09.2019 (Minutes No. 9 as of 18.09.2019), the powers of the current members of the Management Board were terminated on 29.09.2019. The new composition of the Board is currently not formed.

In accordance with Clause 27.5 of the Articles of Association of TGC-1, if the Company's Management Board is not formed, the provisions of the Articles of Association on the Management Board do not apply. The Regulation on the Management Board of TGC-1 was terminated by the decision of the Annual General Meeting of Shareholders on 22.06.2020 (Minutes No. 1 as of 25.06.2020).

### 9.5.5. Audit Commission

In accordance with Paragraph 1 of Article 85 of Federal Law No. 208-FZ as of 26.12.1995 "On Joint-Stock Companies", the establishment of an audit commission in the Company is not mandatory, unless the Company's Articles of Association provides for the establishment of an audit commission. The presence of an audit commission is not provided for by the Articles of Association of TGC-1 (Minutes of the Annual General Shareholders Meeting No. 1 as of 25.06.2020).

In accordance with the decision of the Annual General Meeting of Shareholders as of 22.06.2020 (Minutes No. 1 as of 25.06.2020), the Regulations on the Audit Commission of TGC-1 and the Regulations on the Payment of Remuneration and Compensation to the members of the Audit Commission of TGC-1 were terminated, and the audit commission was not formed.

The procedure for the activities of the Audit Commission of TGC-1, which was in force until 22.06.2020, was governed by the Regulation on the Audit Commission approved by the Annual General Meeting of Shareholders as of 10.06.2019 (Minutes No. 1 as of 11.06.2019).

In accordance with the Regulation, the main objectives of the Audit Commission of the Company are:

- control over financial and economic activities of the Company;
- control over compliance with the legislation and internal regulatory acts of the accounting procedures and the formation of accounting (financial) statements and the Annual Report of the Company;
- assistance in increasing the efficiency of asset management and other financial and economic activities of the Company, reducing financial and operational risks, and improving the internal control system.

In accordance with Clause 29.2 of Article 29 of the Articles of Association, the competence of the Company's Audit Commission, except for the issues stipulated by the Federal Law "On Joint-Stock Companies", include:

- verification and analysis of the financial standing of the Company, its solvency, functioning of the internal control system and the financial and operational risk management system, liquidity of assets, the ratio of own and borrowed funds;
- verification of timeliness and correctness of conducting settlement transactions with counterparties, the budget, as well as on labour remuneration, social insurance, accrual and payment of dividends and other settlement operations;
- verification of compliance with the approved norms and standards, approved estimates and other documents regulating activities of the Company, as well as implementation of resolutions made by the Company's General Meeting of Shareholders when using physical, labour and financial resources in production and financial and economic activities;
- verification of legality of the Company's business activities performed under the contracts and transactions executed on behalf of the Company;
- verification of the cash register and property of the Company, the efficiency of using the Company's assets and other resources, identifying of causes of unproductive losses and expenses;
- verification of implementation of resolutions made by the General Meeting of Shareholders and the Board of Directors of the Company to eliminate violations and deficiencies previously identified by the Audit Commission;
- verification of compliance of resolutions made on financial and economic activities by the Company's Board of Directors with the Company's Articles of Association and resolutions made by the Company's General Meeting of Shareholders;
- confirmation of credibility of data contained in the report on related-party transactions made by the Company in the reporting year.

#### **Composition of the Audit Commission elected by the Annual General Meeting of Shareholders as of 10.06.2019 and valid until 22.06.2020**

<b>Full Name</b>	<b>Position*</b>
<b>Members of the Audit Commission</b>	
Marat Salekhov	Deputy Head of Department, Head of Directorate of PJSC Gazprom
Anatoly Kotlyar	Head of Directorate of PJSC Gazprom
Yuri Linovitsky	Head of Internal Audit Office of Gazprom Energoholding LLC, Internal Audit Project of Gazprom Personnel LLC
Igor Komarov	Head of Payment Management Department for Heat Supply Companies of GEH Finance LLC
Denis Korshnyakov	Head of Long-Term Financial Investments Division of Gazprom Energoholding LLC

\* Positions are specified as of the election date to the Commission.

The payment of compensation and remuneration to the members of the Audit Commission was carried out in accordance with the Regulation on Payment of Remuneration and Compensation to the Members of the Audit Commission of TGC-1, approved by the General Meeting of Shareholders as of 10.06.2019 (Minutes No. 1 as of 11.06.2019). In accordance with the Regulation, the following amounts and procedures for the payment of remuneration and compensation were established for the members of the Audit Commission:

- remuneration and compensation are paid by the Company in monetary form;
- members of the Audit Commission are entitled for compensation of expenses related to the Audit Commission’s meeting and audit inspections performance according to the Company’s procedure for reimbursement of travel expenses effective on the date of the meeting or inspection;
- a member of the Audit Commission is paid a one-time fee for participation in the audit (inspection) of financial and economic activities in the amount equivalent to three minimum monthly base salaries of the first-class worker established by the sectoral tariff agreement in the electric power complex of the Russian Federation (hereinafter referred to as the Agreement) for the period of audit (inspection), taking into account indexation established by the Agreement; Payment of the remuneration specified in this Clause is made within a week after the opinion is drawn up based on the results of the audit (inspection). The amount of remuneration paid to the Chairman of the Audit Commission of the Company in accordance with this clause is increased by 50%.
- payment of remuneration and compensation to specialists (experts) engaged by the Audit Commission who are not members of the Company's Audit Commission is made by the Company on the basis of the contracts concluded by them with the Company; The terms such contracts are approved by the Board of Directors of the Company.
- to certain categories of persons, including civil servants, who are members of the Company's Audit Commission. The regulations apply subject to the restrictions and requirements established by the current legislation for such categories of persons.

**Table 49.** Information on Amount of Remuneration to Members of Audit Commission, RUB thousand

Indicator	2020
Remuneration for participation in the work of the body supervising financial and economic activities of the issuer*	1,034
Wages	-
Bonuses	-
Commission fees	-
Other remunerations	-
<b>TOTAL</b>	<b>1,034</b>

\* Remuneration does not take into account the amount of insurance premiums.

### 9.5.6. Internal Audit System

An independent and objective assessment of the reliability and efficiency of the internal control system, risk management system and corporate governance in TGC-1 is carried out by the Internal Audit Service (hereinafter - the IAS), which reports to the Board of Directors of TGC-1 (through the Board of Directors' Audit Committee) and is administratively subordinated to the Company’s General Director.

As part of its activities, the IAS is guided by the Internal Audit Policy (approved by the resolution of the Board of Directors as of 30.09.2016, Minutes No. 3 as of 03.10.2016), the Regulations on the Internal Audit Service (approved by the resolution of the Board of Directors as of 30.09.2016, Minutes No. 3 as of 03.10.2016), as well as the requirements and recommendations of the current legislation of the Russian Federation.

Activities of the IAS are carried out in accordance with the annual Action Plan approved by the Board of Directors of TGC-1 after its preliminary consideration by the Audit Committee.

The Internal Audit Service performs the following main functions:

- conducting internal audits and other inspections aimed at improving the effectiveness of the internal control system;
- development of recommendations based on the results of audits;
- monitoring of the implementation of measures developed as a result of audits;
- assessment of the effectiveness of the internal control and risk management system and corporate governance;
- preparation of proposals for improving the efficiency of the internal control system.

## 9.6. Risk management and internal control

### 9.6.1. Risk Management and Internal Control System of the Company

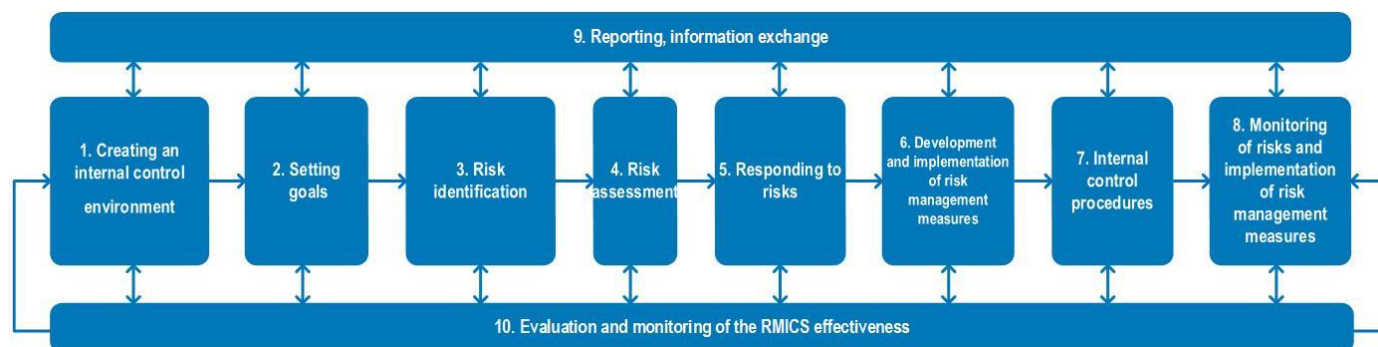
In accordance with Clause 1 of Article 87.1 of Federal Law No. 208-FZ “On Joint-Stock Companies” as of 26.12.1995, a Risk Management and Internal Control System (hereinafter referred to as the RMICS) was organized in the Company.

The Company's RMICS is based on the recommendations of international professional organizations, international and Russian standards, the Gazprom Group's methodological documents in the field of risk management and internal control (hereinafter referred to as the RM&IC), as well as the recommendations of the Bank of Russia on the organization of risk management, internal control, internal audit, the work of the Audit Committee of the Board of Directors in public joint stock companies, and the principles of the Corporate Governance Code.

The RMICS is an integral part of corporate governance covering all levels of management of the Company.

By the decision of the Board of Directors of the Company as of 11.11.2020 (Minutes No. 5 as of 12.11.2020), the Company's Risk Management and Internal Control Policy (hereinafter referred to as the RM&IC Policy) was approved in a new version, which defines the common basic principles and approaches to the organization of the RMICS, establishes the components of the RMICS, its goals and objectives, and also defines the main functions and distribution of powers of the RMICS members.

#### Components of the RMICS



The RM&IC Policy defines the goals and objectives of the RMICS:

The goals of the RMICS are:

- ensuring sufficient confidence in achieving the goals set by the Company;
- ensuring proper control of financial and economic activities of the Company.

The objectives of the RMICS are:

- supporting systematic and ongoing processes for identifying and assessing risks;
- effective risk management, improving decision-making processes for responding to risks;
- development of risk response methods, risk monitoring and implementation of risk management measures;
- setting maximum permissible and threshold risk levels;
- development of internal control procedures;
- timely identification of deficiencies, deviations and violations of internal control procedures in the activities of the Company;
- distribution of powers under RM&IC;
- formation of a methodological base for the RMICS operation;
- formation of regular and unified reporting of the Company;
- creating conditions for the timely preparation and submission of reports, as well as other information subject to disclosure in accordance with the law;
- creating a reliable information environment for planning activities and making management decisions;
- increasing stability and efficiency of the financial and economic activities of the Company, ensuring the safety of assets;
- raising the level of risk management in the Company;
- ensuring compliance with legislation and local regulatory acts of the Company.

The organization and functioning of the RMICS is carried out in compliance with the following principles: consistency (integrity), comprehensiveness, compliance to the set goals, reasonable assurance, adaptability and development, provision of required resources, continuity (of functioning), interaction and collegiality, responsibility,

evaluation of results, structuredness and efficiency, uniform regulatory environment, economic feasibility and the principle of three lines of defense.

The RM&IC Policy of the Company consists of an effective combination of measures to limit the risks that TGC-1 takes upon itself and measures to respond to key risks in such a way as to minimize negative impact of threats and maximize the opportunities available to achieve the goals set.

The RM&IC Policy is published on the corporate website at the following address on the Internet: <http://tgc1.ru/about/governance/bylaws/>

### 9.6.2. Members of the Company's RMICS

The key functions of the RMICS members of TGC-1 in accordance with the approved RM&IC Policy are:

<b>Board of Directors</b>	Approves the Company's internal documents defining the RM&IC Policy, sets maximum permissible and threshold levels of risks for the Company, reviews the organization, functioning and effectiveness of the RMICS, including the results of assessment and self-assessment of the RMICS, and, if necessary, makes recommendations for improving the RMICS.
<b>Audit Committee of the Board of Directors</b>	Monitors the reliability and efficiency of the RMICS operation, performs preliminary review and issues recommendations on issues within the competence of the Board of Directors of the Company in the field of RM&IC, reviews consolidated reports on risks and internal control procedures, and the results of internal control procedures and the assessment of the effectiveness of risk management.
<b>Sole Executive Body</b>	Ensures the functioning of the RMICS, reviews information on the Company's critical risks and risk management measures, if necessary, makes recommendations for improving management and monitoring of risks, internal control procedures, and approves limits and thresholds for the Company's financial risks.
<b>Managing Director</b>	Ensures the maintenance of functioning of an effective RMICS within its competence, implements the decisions of the Company's Board of Directors in the field of organization of the RMICS, approves the Company's local regulations in the field of RM&IC, approves the reporting on key risks and risk management measures, as well as internal control procedures, sets the direction of development of the Company's RMICS.
<b>Collegial Body</b>	Reviews and approves the documents of the RMICS, annual reports on the functioning of the RMICS, maximum permissible risk levels and risk thresholds, limits and stress testing scenarios for individual risks for the Company. The powers of the Collegial Body in terms of reviewing and approving issues related to the organization and improvement of the efficiency of the Company's RMICS operation are exercised by the Operations Committee.
<b>Responsibility Centre of Risk Management and Internal Control (RC RM&amp;IC)</b>	Implements the formation and methodological support for the implementation of the unified Company's RMICS Policy, coordinates the activities of business units under the RMICS, generates consolidated reports on risks and internal control, defines methodological approaches to risk management processes and internal control procedures, develops proposals for setting maximum permissible risk levels, risk thresholds, limits, and stress testing scenarios for individual risks of the Company. RC RM&IC is the Company's Risk Management and Internal Control Department.
<b>Business process owners</b>	Ensure the functioning of the RMICS within the business process, the integration of risk management processes and internal control procedures into the business processes implemented by them, and develop internal control procedures necessary to reduce identified risks.
<b>Risk owners (co-owners)</b>	Make decisions on issues in the field of risk management in the assigned functional areas of activity, monitor the reliability and efficiency of the RMICS operation within their competence, monitor risk management activities and implement the stages of the risk management cycle in the area of responsibility of the supervised areas of activity.
<b>Owners (co-owners) of internal control procedures</b>	Ensure the introduction, implementation and continuous monitoring of the effectiveness of internal control procedures.

In accordance with the decision of the Board of Directors of TGC-1 as of 18.11.2019 (Minutes No. 11 as of 21.11.2019) on the approval of the general structure of the Executive Office of TGC-1, the Risk Management and Internal Control Department of TGC-1 was established from 01.07.2020, which was responsible for ensuring the implementation of the Company's unified RM&IC Policy, the implementation of methodological support for its implementation.

In order to ensure independence and objectivity, the activities of the Risk Management and Internal Control Department are functionally separated from the activities related to the functions of internal audit, control and audit units and the unit that performs the functions of ensuring economic security.

### 9.6.3. Development of the Company's RMICS

The Company constantly carries out work aimed at developing and improving the regulatory and methodological sources in the field of the RMICS, developing the skills and knowledge of employees in the field of risk management, improving the organizational structure of the RMICS, implementing the stages of the risk management process in order

to ensure the effectiveness of the RMICS operation, which in turn will have a favorable impact on the Company's activities and the investment potential of its securities.

The Company uses risk assessment in the system of corporate governance and management decision-making, as well as performs actions aimed at ensuring that the necessary measures are taken to reduce risks that affect the achievement of the Company's goals.

Evaluation and monitoring of the RMICS effectiveness are aimed at the following objectives:

- identification of deficiencies in the RMICS operation, their causes, as well as actual and/or possible consequences;
- informing the Company's Management Bodies of deficiencies of the RMICS;
- arrangement of control over timeliness and completeness of elimination of revealed violations, deviations and deficiencies in the RMICS operation.

In 2020, as part of the development and improvement of the RMICS of TGC-1, the following activities were carried out:

- Company's RM&IC Policy was approved in a new version;
- Regulation on the Operational Risks Management System was updated;
- Company's Risk Classifier was approved;
- Guidelines on risk management using qualitative assessments were approved;
- Guidelines for determining key risk indicators were approved;
- Guidelines for assessing the expected credit losses of TGC-1 Group were developed;
- Guidelines for conducting a self-assessment of the RMICS effectiveness were developed;
- Action Plan for the development of a risk management system for 2021 was drawn up;
- self-evaluation of the effectiveness of the risk management system was conducted;

During the reporting period, the Company's representatives completed a professional development programme "Professional Risk Management in Oil and Gas Business - Effective Management Methods" at the Gazprom Corporate Institute branch.

#### 9.6.4. Risks related to the Company's activities in 2020

Effective operation of the RMICS is an essential condition for achieving strategic goals of TGC-1. The Company continues to improve its RMICS, which allows timely identification of external and internal risks, analysis and development of effective measures to minimize risks.

The Company, recognizing that the implementation of activities is subject to uncertainties in the form of risks, takes risk management measures in order to provide sufficient guarantees for achieving the goals set for the Company by its management bodies. The RMICS applies to all activities of the Company, includes all levels of management and types of activities, all risks of the Company.

#### List of key<sup>2</sup> risks that may affect the activities of TGC-1 and risk response measures

NAME OF RISK	DESCRIPTION OF RISK	RISK RESPONSE MEASURES
<b>1. INDUSTRIAL RISKS</b>		
<b>1.1. REGULATORY RISKS</b>		
The risk of deterioration in the performance of the Company as a result of the adoption/amendment of regulatory legal acts governing the activities of electric power industry entities, including the rules of the wholesale electricity and capacity market, and RLA in the field of heat supply.	<p>Changes in legislation in the field of electricity and heat supply and other related energy sectors have a significant impact on the Company's activities as:</p> <ul style="list-style-type: none"> <li>the Company as an economic entity on the territory of the Russian Federation must carry out its activities within the framework of the current legal boundaries and comply with federal, regional and municipal requirements;</li> <li>branches of the Company's activities are recognized as socially significant and therefore are under the control and regulation of the state, thereby the state influences the activities of economic entities within the framework of the current legislation.</li> </ul> <p>Thus, the role of monitoring and adequate timely response to changes in legislation to meet the interests of the Company or not to infringe the current situation is growing.</p>	<ul style="list-style-type: none"> <li>carrying out model calculations;</li> <li>preparing the Company's position on RLA projects and placement of the position on specialized Internet resources;</li> <li>participation in consultative events to discuss RLS draft projects, held by Federal Executive Authorities (FEA), Regional Executive Authorities (REA), the State Duma, and industry communities.</li> </ul>
<b>1.2. TECHNOLOGICAL RISKS</b>		
Risk of failure of the main production equipment	<p>The failure of the main production equipment is an emergency shutdown of the main production equipment, which entails an unscheduled termination of generation by any power plant. Damage from the termination of energy generation - lack of electricity and heat is estimated not only by the amount of products that may be underproduced as a result of insufficient energy supply, but also by a decrease in production capacity for electricity and capacity supply in the wholesale market as a result of shutdown of the generating equipment.</p> <p>A break in the supply of energy can cause irreparable losses, disorganizing the normal mode of operation of industrial and agricultural enterprises, the normal life of settlements for a long time.</p> <p>The main reason for failure of the main production equipment is its wear, less often - personnel errors.</p>	<ul style="list-style-type: none"> <li>timely repair and modernization, restoration and retrofitting;</li> <li>briefing, training and skill enhancement of staff (including special training using simulators);</li> <li>regular scheduled maintenance inspections of equipment, identification of equipment to be replaced (repaired) as a matter of priority;</li> <li>identification of equipment having design defects, elimination of defects or replacement of equipment;</li> <li>implementation of the investment programme with the replacement of obsolete facilities with new ones;</li> <li>training (practicing) in order to develop skills for action in abnormal situations;</li> <li>briefing for the specialists of contracting organizations when they are allowed to repair equipment.</li> </ul>
Risks of accidents due to erroneous or incorrect actions of personnel investigated by the commission of the	Dependence of any risk of a technological failure or accident on the actions of personnel - imperfection and insufficient level of detail of the emergency instructions and procedures, insufficient	<ul style="list-style-type: none"> <li>annual revision of production instructions and programmes for complex equipment switching;</li> </ul>

<sup>2</sup> Key risks are risks that combine critical and material risks.

NAME OF RISK	DESCRIPTION OF RISK	RISK RESPONSE MEASURES
Federal Environmental, Industrial and Nuclear Supervision Service of Russia (Rostekhnadzor)	knowledge of emergency processes with the equipment in use, not always optimal and efficient use of the technical capabilities of equipment, and management of emergency processes.	<ul style="list-style-type: none"> <li>briefing, training and skill enhancement of staff (including special training using simulators);</li> <li>training (practicing) in order to develop skills for action in abnormal situations.</li> </ul>
Risk of unscheduled equipment repairs	Repair of the main equipment and equipment that affects the reduction of power due to defects	<ul style="list-style-type: none"> <li>planning of repairs taking into account the index of the technical condition of equipment</li> </ul>
<b>2. FINANCIAL RISKS</b>		
Credit risk under wholesale electricity and capacity market contracts (risk of growth of poorly managed accounts receivable)	A sudden uncontrolled (several times over) increase in accounts receivable for the supplied electricity (capacity)	<ul style="list-style-type: none"> <li>Conducting claim work within the time limits established by the legislation of the Russian Federation</li> </ul>
Credit risk under contracts for the provision of heat supply services (risk of growth in accounts receivable)	Availability of accounts receivable leads to additional lending and expenses not provided for by the tariffs, as well as to an increase in the share of bad debts in the total amount of accounts receivable. The main reason for the growth of accounts receivable is the availability of intermediaries in the chain of payments for consumed resources.	<ul style="list-style-type: none"> <li>transition to direct payment from end consumers of energy resources, exclusion of intermediaries when making payments from consumers of heat energy to the accounts of TGC-1;</li> <li>improvement of work in the field of sales and interaction with debtors. Intensification of work on debt collection through courts, initiation of bankruptcy of debtor intermediaries</li> </ul>
<b>3. RISKS RELATED TO THE COMPANY'S ACTIVITIES</b>		
Risk of violation of the terms of delivery of Material Assets and equipment (in terms of quantity, quality, and deadlines)	Failure to supply MAs and equipment may result in failure to meet the deadlines for scheduled repairs or the inability to operate equipment	<ul style="list-style-type: none"> <li>improving the system of preliminary analysis of counterparty risks before deciding on the possibility of concluding agreements with them (before recognizing them as winners in procurement procedures);</li> <li>improvement of control over fulfillment of obligations</li> </ul>
The risk of not meeting the need for staff due to the spread of a new coronavirus infection	Due to the growing morbidity of staff, isolation of employees and transfer to remote work (as part of measures to counteract the spread of a new coronavirus infection), there is a risk of a shortage of employees to ensure the sustainable operation of the Company's activities	<ul style="list-style-type: none"> <li>PCR testing of workers for COVID-19;</li> <li>providing employees with PPE;</li> <li>installation of indoor air sanitizers;</li> <li>transfer of some employees to remote work, etc.</li> </ul>

The Company cannot guarantee that, as a result of the implementation of risk management measures, it will be able to eliminate completely the possibility of risks being realized, since some of the risks belong to the category of risks with a low level of manageability (weakly depends on the actions of management). The objective of TGC-1 is to keep the level of risks within the acceptable limits, to develop and implement measures aimed at reducing the possibility of risks being realized and at minimizing the negative consequences in the event of risks being realized.

In addition, the Company identified non-essential risks that had a lesser impact on its operations in the course of its production activities.

The Company's risk management is based on continuous monitoring of the external and internal environment, a comprehensive analysis of threats and opportunities that affect the achievement of the Company's goals.

### **9.6.5. Significant legal proceedings**

In 2020, there were no significant legal proceedings involving TGC-1, the result of which could affect the Company's operations or financial position.

### **9.7. Anticorruption Policy of TGC-1**

In accordance with the requirements of Article 13.3 of Federal Law No. 273-FZ as of 25.12.2008 "On Combating Corruption", the Company has developed and is implementing the following set of measures to prevent corruption (reduce the level of corruption risks):

- On 17.09.2019, the Board of Directors of TGC-1 approved the Code of Corporate Ethics (Minutes No. 9 as of 18.09.2019), monitors its compliance and implementation of measures to combat corruption and fraud, and resolve conflicts of interest.

- The management of TGC-1 took measures to implement the requirements of the Code of Corporate Ethics (a Commission on Corporate Ethics was established, a special e-mail address, kodeks-info@tgc1.ru, and hotline with telephone number (812) 688-33-68 were opened to obtain information about the actions of the Company's employees, in which there were signs of corruption and other violations of the principles of corporate ethics), training of the Company's employees was organized in order to familiarize them with the Code of Corporate Ethics.

- The Company's Corporate Security Unit carries out ongoing prevention of corruption and other offenses among the employees of the Company.

The Company requires legal entities participating in procurement procedures to disclose information on the chain of owners, including beneficiaries (such as final ones), as well as on the composition of their executive bodies. This allows identifying and resolving potential conflicts of interest, including the elimination of correlations related to corruption risk between the beneficiaries (heads) of a legal entity - potential counterparty and employees of the Company. Employees of the Company shall avoid a conflict of interest (a situation, in which a personal direct or indirect interest of an employee of the Company affects or may affect the proper (objective and impartial) performance of his/her duties and observance of the interests of the Company as a whole). The procedure for preparing and deciding on the possibility of concluding an employment contract with an individual also provides for verification of the absence of possible conflicts of interest.

- The Company's Internal Audit Service is entrusted with the objective of conducting verification of compliance by employees of the Company with the provisions of the legislation and internal policies of the Company related to anti-corruption.

- The current interaction of the Company with law enforcement agencies is carried out by divisions of the Corporate Security Unit created in the Company's Head Office, in the Karelsky and Kolsky Branches, as well as in the subsidiaries of TGC-1.

## 9.8. Subsidiaries and affiliates of TGC-1

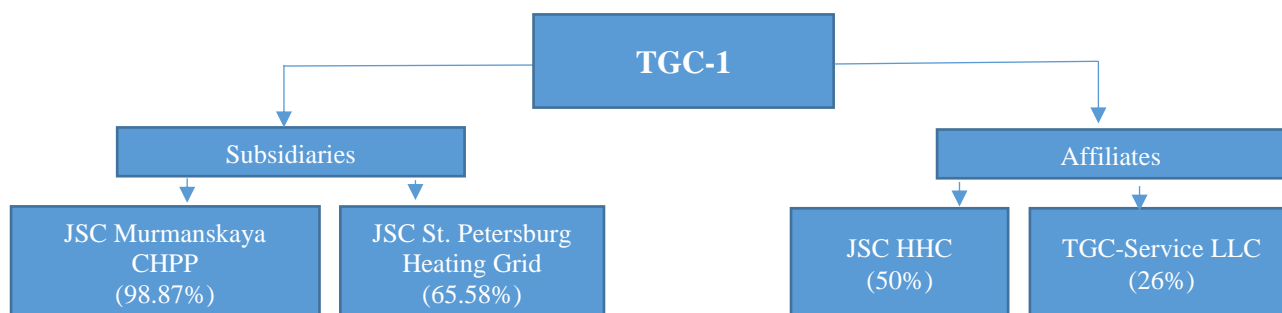


Fig. 21. Subsidiaries and affiliates of TGC-1

### 9.8.1. Principles of Management of Subsidiaries and Affiliates

The Company's corporate management of subsidiaries and affiliates (SAs) is carried out in accordance with the following principles:

- compliance with the requirements of current Russian legislation, provisions of the Articles of Association and internal documents of the Company and its SAs in the process of corporate management of such SAs;
- compliance of the corporate management of SAs with the development strategy of the Company and such SAs;
- corporate management of SAs according to the due, complete and reliable information;
- observation of resolutions of the Company's management bodies when performing corporate management of SAs;
- provision of participation of the Company's shareholders in determining the position on key issues within the competence of management and control bodies of SAs (determining the position by the Company's Board of Directors);
- publicity and transparency of corporate management of SAs.

### 9.8.2. Subsidiaries and affiliates

#### JSC Murmanskaya CHPP

**Registered:** 01.05.2005

**OGRN:** 1055100064524

In 2015, OJSC Murmanskaya CHPP was renamed to PJSC Murmanskaya CHPP.

Since 05.03.2020, PJSC Murmanskaya CHPP was renamed to JSC Murmanskaya CHPP and from that moment it is not a public joint stock company.

**Registration address:** 14 Shmidta St., Murmansk, 183038, Russia.

**Major shareholders:**

TGC-1 - 98.87% of the authorized capital, ordinary shares - 99.60%

**Purpose of corporation:** supply of consumers with heat energy of the city of Murmansk, as well as settlements of the Kolsky district of Murmansk Oblast.

**Principal activity** - production, transmission and distribution of steam and hot water. JSC Murmanskaya CHPP is a monopolist in the heat sales market in its area of operation and one of the main sources of heat supply (about 72% of the heat load) in Murmansk. About 90% of heat consumed by utility service providers (management companies, associations of homeowners, housing associations) under heat supply contracts with JSC Murmanskaya CHPP is paid according to direct settlements. The scheme with direct settlement is supported by the Government of Murmansk Oblast and the Administration of Murmansk.

**The installed heat and electrical capacity** of JSC Murmanskaya CHPP is 1,137 Gcal/h and 12 MW, respectively. The equipment includes 13 steam and 11 hot water boilers, 2 turbo generators, and 53.5 km of main heating grids in Murmansk.

#### JSC St. Petersburg Heating Grid

**Registered:** 01.02.2010

**OGRN:** 1107847010941

On July 29, 2016, OJSC St. Petersburg Heating Grid was renamed to JSC St. Petersburg Heating Grid.

**Registration address:** 73 Basseynaya St., bld. 2, lit. A, St. Petersburg, 196211, Russian Federation.

**Major shareholders:**

TGC-1 - 65.58%

SUE TEC of St. Petersburg - 21.86%

St. Petersburg - 12.55%

In 2019, the city of St. Petersburg provided JSC St. Petersburg Heating Grid with budget investments in the amount of RUB 1.5 bln for the reconstruction of the heating grid complex in 2019, subject to the emergence of state ownership rights to an equivalent part of the authorized capital. The Company conducted an additional issue of shares in the amount of 1.5 bln shares.

In 2020, the increase in the authorized capital of the Company with payment at the expense of the budget of St. Petersburg continued: an additional issue of shares in the amount of 3 bln pcs. for a total amount of RUB 3 bln was carried out, the city of St. Petersburg, represented by the Property Relations Committee, also became a buyer of the shares.

**Purpose of corporation:** To increase reliability and quality of providing residents of St. Petersburg with hot water through the unified management of heat networks in the heat supply zones of CHPPs of TGC-1.

**Principal activity** - the transmission of steam and hot water (heat) in the heat supply zones of CHPPs of TGC-1.

The Company's heating grid complex covers 11 administrative districts of St. Petersburg and Vsevolzhsky District of Leningrad Oblast, and provides for the transmission of more than 45% of heat consumed by the city. Over 2.5 million citizens live in the Company's area of responsibility.

## JSC HHC

**Registered:** 26.04.2007

**OGRN:** 1075101000215

On June 18, 2015, OJSC HHC was renamed to JSC HHC.

**Registration address:** 28a Khibinogorskaya St., Kirovsk, Murmansk Oblast, 184250

OJSC HHC was established as part of the implementation of the agreement on the main principles of implementation and the mechanism for cooperation in the reform of the heat supply system in the Apatitsk-Kirov region, concluded on 26 May 2006 between the government of Murmansk Oblast, JSC RAO UES of Russia, JSC TGC-1, the Apatitskaya CHPP, JSC PhosAgro, and JSC Apatit.

**Major shareholders:**

TGC-1 - 50%

JSC Apatit - 50%

**Purpose of corporation** - performing the functions of the customer in the implementation of the investment project "Restoration of the Apatitskaya CHPP and Construction of Heating Main to Kirovsk with Installation of central heating station", commissioning of the heating main and its operation.

**Principal activity** - production, transmission and distribution of steam and hot water (heat).

Prospective expansion of activities of JSC HHC for the heat transfer is the connection of new consumers located at the Kirov mine of JSC Apatit to the heat grid from the Apatitskaya CHPP to the central heating plant in Kirovsk.

## TGC-Service LLC

**Registered:** 10.08.2010

**PSRN:** 1107847259740

On June 3, 2013, TGC-1-Service LLC changed its company brand name to TGC-Service LLC.

**Registration address:** 16 Kosaya str., building 2, Lit. A, floor/prem/room 2/3-H/206, 196140, St. Petersburg.

**Core members:**

TGC-1 - 26%

JSC Gazprom Energoremont - 73%

**Purpose of corporation:** optimization and improvement of the quality of repair work at power plants

**Principal activity** - operating activities for the repair of the main and auxiliary equipment of CHPPs and HPPs of TGC-1 and other energy enterprises of the North-West region, as well as providing services for the adjustment and diagnostics of equipment, modernization and retrofitting of electric power facilities.

## **9.9. Company's transactions**

The Company complies with the requirements established by the legislation of the Russian Federation to the procedure for carrying out major and related-party transactions.

### **Information on major transactions**

Transactions recognized in accordance with the Federal Law "On Joint-Stock Companies" as major transactions, as well as other transactions for which the procedure for approval of major transactions is applied in accordance with the Articles of Association of TGC-1, were not performed by the Company in 2020.

## 10. SUSTAINABLE DEVELOPMENT

### 10.1. Main principles and goals of the HR Policy

The Human Resources Policy of TGC-1, which is under the management of Gazprom Energoholding LLC, contributes to the achievement of the strategic goal of PJSC Gazprom - to become a leader among global energy companies.

The business strategy of TGC-1 is aimed at developing key competitive advantages:

- social and environmental responsibility;
- financial stability and focus on long-term development;
- scope of the company and developed production infrastructure;
- effective management system and professionalism of employees.

The goal of the Human Resources Policy is to create an organizationally efficient company with a transparent corporate governance system that provides opportunities to maximize the potential of employees.

The main objective of the Human Resources Policy is to build a management system, in which the company has a stable status of "preferred employer" for people who are ready and able to bring it maximum benefit.

The implementation of the Human Resources Policy is the responsibility of managers at all levels of the Company's management.

All organizational and administrative documents used by the company in order to implement the Human Resources Policy are developed and implemented in strict accordance with applicable law.

### 10.2. Workforce and HR structure

Workforce of TGC-1 as of 31.12.2020 is 6,707 people. Over the past year, the overall number of the Company's employees grew by 118 people (1.8%). The increase in the number of employees is due to the recruitment of personnel to the created jobs for the organization of work on a shift basis at the Niva HPPs Cascade of the Kolsky Branch, as well as the recruitment of personnel to vacant positions in the business units of the Nevsky Branch. In connection with the staff loss, in order to prevent the development of a crisis situation and restore competitive advantages in the labour market, according to the results of the examination conducted by PJSC Gazprom, the wage rates (official salaries) of employees were increased in December 2019. This event allowed reducing staff turnover and increasing the staffing of the Nevsky Branch.

**Table 50.** Workforce Dynamics of TGC-1 in 2020

	Workforce, people		Movements	
	as of 31.12.2019	as of 31.12.2020	abs., people	rel., %
Administration of TGC-1	354	352	-2	-0.6
Nevsky Branch	3,787	3,891	+104	+2.7
Karelsky Branch	1,018	1,019	+1	+0.1
Kolsky Branch	1,430	1,445	+15	-1.0
<b>TGC-1</b>	<b>6,589</b>	<b>6,707</b>	<b>+118</b>	<b>+1.8</b>

### 10.2.1. HR age structure of TGC-1 as of 31.12.2020

The Company's staff consists of 13.7% of employees under 30, 48.2% - employees aged 30 to 50 and 38.1% are employees aged 50 and older. The average age of the Company's employees is 45 years old.

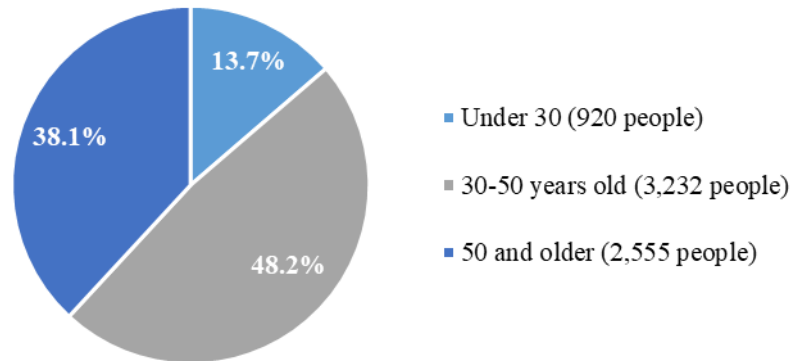


Fig. 22. HR Age Structure of TGC-1

### 10.2.2. HR educational level of TGC-1

55.9% of employees of TGC-1 have higher education (+0.4% by 2019), 21.8% - secondary vocational education (0% by 2019), and 22.3% - secondary and basic general education (-0.4% by 2019). The increase in proportion of higher professional education indicates an increase in the overall qualification level of the Company's employees.

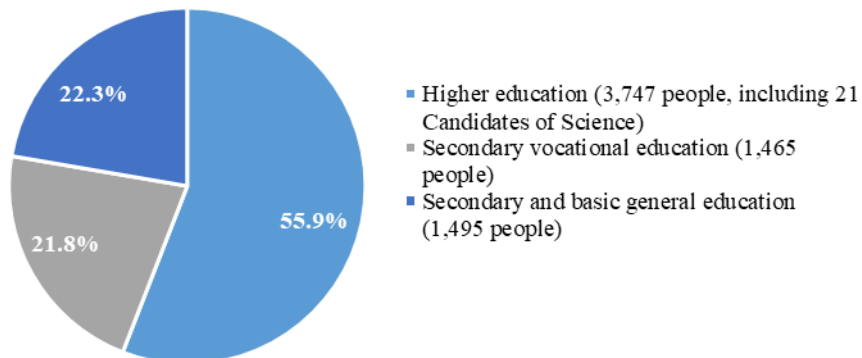


Fig. 23. HR Educational Level of TGC-1 as of 31.12.2020

## 10.3. HR development system

### 10.3.1. Dynamics of average wages of employees for 2019-2020

Average monthly wages of employees in 2020 amounted to RUB 74,483.

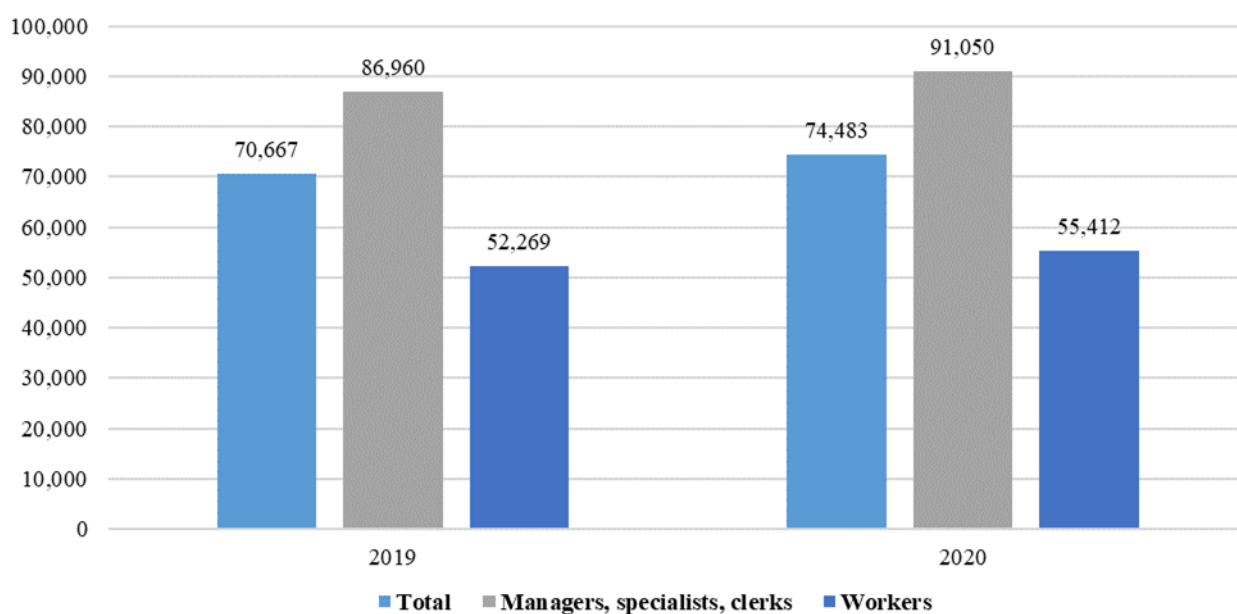


Fig. 24. Dynamics of Average Wages of Employees of TGC-1

Compared to 2019, the average wages of employees of TGC-1 for 2020 increased by 5.4%, including the average wages of workers - by 6%.

The increase in average wages is due to the following factors:

- increase in wage rates (official salaries) for the employees of TGC-1 from 01.12.2019, based on the results of the examination conducted by PJSC Gazprom, in order to bring it to a competitive level,
- indexation of wage rates (official salaries) for the employees of TGC-1 from 01.01.2020 under Clause 3.3. Collective agreement, in accordance with the Company's Business Plan,
- additional expenses aimed at preventing the spread of a new coronavirus infection - organizing the work of shift personnel in the Kolsky Branch, taking into account additional days of temporary isolation that fall during the period of inter-shift rest.

### 10.3.2. Information about remuneration of senior managers

To ensure the function of strategic business management, it is necessary to allocate a special category of administrative officers – senior managers.

Senior managers include:

- Managing Director;
- Deputy Managing Directors;
- Chief Accountant.

The system of remuneration of senior managers is developed based on the following principles:

- direct material remuneration should consist of an official salary reflecting the job weight and professional level of a manager, regular (quarterly and annual) bonus payments;

- it should be aimed at improving the efficiency of management of the Company's production, property and finances, and the interest of senior managers in achieving the Company's strategic goals.

Bonus payments based on the results of work for a year are formed in three parts:

1. Corporate (reflects the Company's overall achievement of its goals in the current year);
2. Individual (reflects the achievement of the goals set by the functional unit headed);
3. Project (reflects the decision of a senior manager of individual strategic objectives for the development of the Company's business).

Issues related to the organization of remuneration and material incentives for the Company's senior managers are reflected in the Regulation on Remuneration of Senior Managers of PJSC Territorial Generating Company No. 1, which is a local regulatory act of TGC-1, developed on the basis of the Labour Code of the Russian Federation and the Company's Articles of Association.

### **10.3.3. Information on remuneration, social benefits and guarantees**

In 2020, a new Collective Agreement was signed. The amount of welfare payments to the employees and retirees of TGC-1, expenses for cultural and sports events, deductions for trade union for social needs and bonus payments to retired chairmen of primary trade union organizations in 2020 totaled RUB 148,345.0 thousand.

A significant benefit to the employees and retirees is reimbursement of household electricity and heat expenses.

Apart from that, the employees of TGC-1 receive a non-recurring stimulating payment in addition to average salary in the amount of the official salary, established as of the day of vacation leave, but no more than RUB 35,000.

Employees of TGC-1 are entitled to receive support of TGC-1 in connection with a difficult financial situation (as a result of natural disasters, fire, theft, illness, etc.).

One of the most important tasks of the social policy of TGC-1 is the social protection of veteran retirees who are keenly aware of their "isolation" and financial insecurity when they retire. An employee who has worked at least twenty years in the power sector and at least ten years for TGC-1 or its predecessors and has retired from TGC-1 will enjoy support and aid from the Company. There are 2,666 retired veterans in the power system, and each of them, in accordance with the "Regulation on Procedure for Providing Financial Assistance", has payments timed to coincide with holidays and anniversaries. The amount of payments is defined by joint decision of the administration of TGC-1 and the Council of Representatives of Primary Trade Union Organizations.

Also, in 2020, TGC-1 concluded an Agreement on benefits and guarantees for members of primary trade union organizations of the Public Organization "All-Russian Electropromsoyuz" operating in the business unions of TGC-1 (hereinafter referred to as the Agreement).

In accordance with the Agreement, the administration of TGC-1 transfers funds to the accounts of primary trade union organizations of business units for providing financial assistance in excess of statutory amounts to employee members of the trade union: for the birth of a child, during the registration of a marriage, for the funeral of close relatives.

In addition, for workers who are members of the trade union, there are benefits for keeping children in a kindergarten for families with three or more minor children; financial assistance is paid to persons having 5 or more children or a disabled child, to employees caring for members of their families who live together (disabled people requiring constant care) in accordance with a medical report.

### **10.3.4. HR development and incentive system**

Creating an effective, customer-oriented and result-oriented team is impossible without the constant development of employees. TGC-1 supports and encourages their desire for professional development and self-improvement. Personnel training and development is an indispensable condition for the success of the Company and the key to achieving its goals.

The integrated system of employee development has two main areas: first of all, it ensures that the qualifications of personnel comply with the requirements for solving the current problems facing the Company; another key area is the training of personnel for the implementation of the strategic plans of the Company, which implies the development of skills and competencies that will be in demand in the future.

One of the long-term priority areas of the Human Resources Management Policy of TGC-1 is the continuous vocational education of personnel.

The training centre of TGC-1 is part of the System of Continuous Corporate Vocational Education of Personnel (hereinafter referred to as the SCCVE) and its goal is to increase the efficiency and quality of work of employees on the basis of guaranteed provision of level of professional competencies corresponding to a certain position (profession).

## Personnel training

In accordance with the SCCVE, TGC-1 provides training for employees in the following areas:

- mandatory training - training to fulfill the requirements of state and local regulatory acts governing the provision of access to work at hazardous production facilities of TGC-1;
- target (advanced) training - professional training, retraining of managers and specialists and advanced training of workers in accordance with increasing requirements of production, improving business processes, commissioning new production facilities, introducing new equipment and technologies, as well as in connection with the upcoming appointment to another position, a change in the profile of activities;
- periodic training - personnel training carried out in order to maintain the professional qualifications of employees, to obtain additional professional knowledge and skills.

The Training Centre of TGC-1 has an education license and provides advanced training courses, pre-certification courses, certification exams and competency assessment, in compliance with the rules and regulations applicable in the energy industry and the rules and regulations developed by the state supervisory authorities controlling the energy industry.

The Training Centre of TGC-1 provides:

- Certification of personnel in the field of industrial safety, on the safety of hydraulic structures, safety in the field of electric power industry using the information system “Unified Testing Portal”;
- Licensed training according to working professions;
- Training with a minimum separation from production;
- Training of operational personnel;
- Pre-examination testing, using modern software and hardware systems;
- Pre-certification training of managers and specialists in the areas of certification controlled by the Federal Service for Ecological, Technological and Nuclear Supervision;
- Training in Fire Safety Basics;
- Vocational training and advanced training of workers in basic professions;
- Continuing education of managers and specialists;
- Work with students of Gazprom Class;
- Work with young professionals;
- Thematic workshops and trainings;
- Intra-corporate training aimed at developing managerial competencies;
- Training of promising employees at higher and secondary professional educational institutions at the expense of the Company;
- Interaction with leading educational institutions of the Northwestern Federal District;
- Work with the personnel reserve of the Company.

In 2020, 16,798 employees were trained.

**Table 51.** Personnel of TGC-1 Trained in 2020

Employee category	Number of People Trained in 2020*	HR Training Costs	HR Consulting costs, RUB thousand **	Amount of Training Costs, RUB thousand
Managers	5,171	8,793	1,034	9,827
Specialists and employees	4,712	3,112	181	3,293
Workers	6,915	3,512	1,231	4,743
<b>TOTAL:</b>	<b>16,798</b>	<b>15,417</b>	<b>2,446</b>	<b>17,863</b>

\* The number of trainings was taken into account (one employee could be trained several times)

\*\* Including travel expenses

**Table 52.** Information on Employee Training of TGC-1 for 2020

Type of Training	Number of People Trained in 2020*	Amount of Training Costs, RUB thousand**
Mandatory training	9,546	7,919
Targeted (advanced) training	6,017	4,097
Periodic training	1,235	5,847
<b>Total</b>	<b>16,798</b>	<b>17,863</b>

\* The number of trainings was taken into account (one employee could be trained several times)

\*\* Including travel expenses

### Training at the Training Centre

In 2020, 9,092 people were trained at the Training Centre, including: 2,549 managers; 2,172 specialists; 4,371 workers.

### Development of the learning and teaching sources, forms and methods of training

In 2020, regulatory and procedural documents that regulate the SCCVE operation were developed:

- Regulation on the use of e-learning and distance learning technologies;
- Regulation on the electronic information and educational environment;
- Regulation on providing information resources to participants of the educational process;
- Regulation on training according to the individual curriculum;
- Instructions for a user to work with the educational portal of the Unified Personnel Training Centre;
- Regulation on the Commission for the settlement of disputes between participants in educational relations;
- Regulation on the procedure for filling in, issuing and recording documents on qualifications for vocational training and additional vocational education programmes;
- Regulation on the development and approval of professional training programmes and additional professional programmes.

In order to improve the educational process for 2020:

- 17 new training programmes, 20 lists of control questions for training programmes, 1 training programme for simulator training, 7 teaching materials, 1 study guide were developed.
- 18 current training programmes, 24 lists of control questions for training programmes were updated.
- regulatory sources in the knowledge testing programmes of the Automated Personnel Evaluation System (APES) were constantly updated.
- Work to update the material and technical resources of the Training Centre of TGC-1 was done in terms of acquiring computers to equip a computer class.

To improve the efficiency of training and personnel development during the year, the following training forms were introduced at TGC-1:

- independent pre-certification training of employees using an automated system of training, knowledge testing and briefing of employees of the organization in the field of occupational safety and health at OLIMPOKS plant to prepare for certification at the Central Certification Commission (CCC) of TGC-1;

- training of managers and specialists using e-courses of the educational portal aimed at developing the competencies of the staff;
- training in general corporate programmes, such as the "Code of Corporate Ethics", "Anti-Corruption in Gazprom Energoholding Group", training in in-depth knowledge of software used in the Company;
- distance learning using video conferencing systems.

### Simulation training

- In order to improve the quality of training of the personnel of the boiler-turbine shops of the CHPP of TGC-1, the simulator "TPP with cross-links" was upgraded. The updated simulator has new tasks, expanded functionality, and revised mathematical model added. These changes made it possible to improve the quality of staff training, as well as to use this simulator in professional skill competitions.
- For the organization of the simulation training within the framework of special training, the business units are provided with individual access with the possibility of training directly at the CHPP.

### Personnel reserve development

Training and development of the personnel reserve is one of the key targets of the Training Centre. In 2020, targeted training of the personnel reserve for the positions of a director and a chief engineer was carried out under a comprehensive modular programme in the form of online trainings on the development of managerial competencies in accordance with the Model of Corporate Managerial and Personal and Business Competencies of TGC-1.

The programme includes a series of trainings with the aim of developing managerial and personal and business competencies of reservists for appointment to senior positions.

The preparation of the personnel reserve is made in accordance with its level according to the results of the assessment. In 2020, 35 people from the personnel reserve for the positions of a "director" and a "chief engineer" passed the assessment of managerial competencies. For reserve officers, workshops were held on the development of personal effectiveness skills "Key Success Factors in Work of a Leader", trainings:

"Execution management. Planning and organization of activities", "System analysis of problems. Effective decision-making". In 2020, 94 people took part in trainings for the development of the personnel reserve of the Company.

Distance learning of the talent pool is organized with the study of e-courses aimed at developing competencies that contribute to improving the personal effectiveness of a manager: effective communication, focus on results, people management, and commercial approach.

### Scientific potential development

Every year, TGC-1 takes part in the Competition of Young Specialists and Innovators of Gazprom Energoholding LLC. The competition contributes not only to improving the efficiency of production, but also motivates young professionals to professional development, contributes to the formation of a personnel reserve of promising and successful employees.

In 2020, the Competition was held for the first time in a remote format.

The diploma for the first place in the section "Management and Automation" was awarded to the project "Automation and Visualization of the System for Monitoring the Operation of Combined Heat and Power Plants" by Vyacheslav Veldyukhov, Deputy Head of the boiler turbine shop of the Apatitskaya CHPP of the Kolsky Branch.

The project "Intelligent System for Diagnosing the State of Electric Motors" by Alexey Klyuchnikov, an electrician for the repair of secondary switching and communication of JSC Murmanskaya CHPP, was recognized as the best in the section "Management and Automation" in nomination "For the Development of Digitalization in Production".

In the nomination "For the Best Solution for the Protection of the Company's Equipment" in the technical section, the project "Introduction of Selective Protection Against Single-Phase Short Circuits in a 6 kV Network with an Isolated Neutral" by Artem Antipin, a Category 2 occupational safety specialist at the Suna HPPs Cascade of the Karelsky Branch of TGC-1, was awarded.

The project by Inna Tanicheva - Head of Repair Service Sector of JSC St. Petersburg Heating Grid: "Fencing of Objects During Emergency Works with Utility Lines" was recognized as the best in the technical section of the Competition in the nomination "For Taking Care of People's Lives and Health"

## Competitions of professional skills of operational personnel

In order to maintain a high level of professional skills of the operational personnel, to exchange best practices in organizing and conducting work on the operational management of the CHPP equipment, the teams of the Pravoberezhnaya CHPP and the Yuzhnaya CHPP of the Nevsky Branch of TGC-1 took part in the Competitions of the operational personnel of the block CHPPs of Gazprom Energoholding LLC.

The competition was held in September 21 – 25, 2020 in a remote format in 7 stages with the use of online surveillance and real-time video recording.

According to the results of the Competition, Sergey Latypov, a senior shift supervisor of the Pravoberezhnaya CHPP, became the best in his profession.

## Interaction with higher and secondary vocational educational institutions

Working for our Company means being in the vanguard of one of the most complex and interesting industries in the country. TGC-1 has always been a platform for the self-fulfillment of young specialists, their professional development and the presentation of scientific and technological achievements in the energy sector, youth innovative work. The Training Centre of TGC-1 pays special attention to the development of young specialists who are potential employees of the Company already since school days.

In 2020, at the initiative of the Training Centre, a number of career guidance measures were conducted for students of the Gazprom class, established at the premises of Gymnasium No. 426 of Lomonosov in the Petrodvorets District. The main objectives of Gazprom classes are to form schoolchildren's notions of the value of engineering work, early vocational orientation in engineering professions, familiarization with the history, corporate culture and development prospects of TGC-1.

The practice system developed by the Training Centre at TGC-1 allows students to test the acquired knowledge in reality, immerse themselves in the business processes of a large Company, receive expert advice on their development, and demonstrate their presentation and communication skills.

In 2020, 92 students completed an internship at the Company's business units, 53% of them completed an internship in the format of online consultations, video conferences with supervising teachers.

Every year, TGC-1 takes part in Youth Career Forums, Days of PJSC Gazprom in specialized universities, job fairs.

In 2020, TGC-1 for the first time took part in the All – Russian campaign "Career Time" - a large-scale online marathon that brought together leading manufacturing companies, students and teachers across Russia.

## Contest of TGC-1 for the best graduation project among graduates of higher educational institutions of the North-West Federal District

Every year, TGC-1 holds a contest for the best graduation project in higher education institutions of the North-West Federal District. It is possible to become the best in one of the nominations:

- heat power plants and heat grids,
- electrical systems and networks,
- economics and enterprise management in the energy sector,
- sales activities in the wholesale electricity and capacity market and the heat market,
- automation and information technology in the energy sector,
- reduction of the negative impact on the environment and ecology in the energy sector,
- construction, operation and management of renewable energy facilities.

In 2020, the XV Contest of TGC-1 for graduation projects among students of higher educational institutions of the North-West Federal District took place.

A record number of projects (56) was submitted to the Contest by students of the leading energy universities of the North-West District:

- St. Petersburg State Polytechnical University;
- Higher School of Technology and Energy, Saint Petersburg State University of Industrial Technologies and Design;
- Petrozavodsk State University;

- Saint Petersburg State University of Aerospace Instrumentation;
- Saint Petersburg Mineral Resources University;
- St. Petersburg State Electrotechnical University named after V.I. Ulyanov (LETI);
- Saint Petersburg State University.

#### 10.4. Social programme of TGC-1

A priority of the social programme is arrangement of summer vacations for employees and their families. In 2020, due to the difficult epidemiological situation, recreational activities were limited.

In 2020, as part of the health-improving recreation financing programme, 60 employees and their families had a rest in Leningrad Oblast (Priozersky District, Petrovskoe 2, Dacha Country Club) . The total cost was RUB 2,159,520 (Two million one hundred and fifty-nine thousand five hundred and twenty) 00 kopecks, excluding VAT:

	TGC-1	Nevsky Branch	Karelsky Branch	Kolsky Branch
Total cost of rest / number of rested employees	RUB 2,159,520.00 / 60 people	RUB 1,871,584.00 / 52 people	RUB 215,952.00 / 6 people	RUB 71,984.00 / 2 people

Vouchers are distributed between business units taking into account the observance of the principles of proportionality, the actual number of employees and the needs of workers in health-improving vacations. The Company's management takes care of family vacations for its employees. For this purpose, an employee is provided with two vouchers, including one for a member of his/her family with a partial payment of this voucher.

Another important area of the social programme is compensation for the recreation of children of the employees of TGC-1. In 2020, employees were reimbursed for 14 children's trips. The amount of compensation amounted to RUB 316,631.00.

TGC-1 has a programme on the Non-State Pension Scheme, comprising of two pension schemes: Corporate and Parity. In 2020, RUB 2,294,253.69 was allocated to finance the parity programme of the Non-State Pension Scheme; as of 31.12.2020, 231 employees were participating in the parity programme.

Also, much attention in the social policy of the company is paid to sports and sports events. In 2020, due to the unfavorable epidemiological situation, the events were postponed to 2021.

Taking care of physical health of employees is one of major objectives of the Company. This goal is implemented through compulsory and voluntary health insurance of employees. In 2020, as in 2019, the implementation of medical voluntary medical insurance programmes for the employees of TGC-1 was carried out by JSC SOGAZ, with which a single contract was concluded. Medical programmes of the VMI contracts allowed the Company's employees to receive highly qualified medical care in a timely manner.

	TGC-1	Nevsky Branch	Karelsky Branch	Kolsky Branch
Amount of expenses for VMI in 2020 (RUB)	112,804,546.63	71,976,288.95	16,954,117.38	23,874,140.30

In 2020, in order to provide insurance protection for the financial interests of employees associated with causing harm to life and health as a result of an accident, a unified accident insurance contract was in effect. In 2020, insurance payments were made in the amount of RUB 300,000.00 for the insured events that occurred in 2019. The insurance payment for an insured event that occurred in 2020 will be made in 2021.

	TGC-1	Nevsky Branch	Karelsky Branch	Kolsky Branch
Amount of expenses for accident insurance in 2020 (RUB)	2,011,334.60	1,261,958.45	309,836.47	439,539.68

In 2020, a new accident insurance contract of the non-professional emergency response team (NERT) was in effect, under which the Company's employees who are involved as rescuers in carrying out emergency response work on an individual basis or as part of non-standard or public emergency rescue teams were insured.

	TGC-1	Nevsky Branch	Karelsky Branch	Kolsky Branch
Amount of expenses for accident insurance (NERT) in 2020 (RUB)	35,475.00	17,325.00	8,250.00	9,900.00

## 10.5. Sponsorship and charity

TGC-1 is a leading producer and supplier of electricity and heat in the North-West District. Over 8 million citizens live in the area of responsibility of TGC-1. The scope of the Company's activities is such that it is of strategic importance for the socio-economic development of the entire North-West region of Russia. The Company understands fully its responsibility to society and future generations for contributing to the creation of favorable living conditions, minimizing the negative impact on the environment, as well as promoting energy efficiency, energy security and resource conservation. The charitable activity of TGC-1 is aimed at creating and maintaining a favorable socio-cultural environment and includes such areas as health protection, healthy lifestyle, support for education and culture, environmental care, and the development of corporate volunteerism.

In 2020, financial support totaling RUB 14.2 mln was provided in five main areas of charitable activities in all regions of presence of the Company:

- support of medical institutions, including payment for the manufacture and purchase of equipment, consumables (in total, assistance was provided to four medical institutions);
- assistance to children living in the regions of presence of TGC-1 - payment for medical rehabilitation, surgery, medical equipment and drugs (44 children received assistance);
- development of social infrastructure in the regions of presence of the Company - assistance to kindergartens, schools, boarding schools, cultural centres, etc. in purchasing necessary equipment (purchase of equipment for medical rooms, groups in kindergartens, for children's and sports grounds, music equipment, etc. was paid - in total, assistance was provided to seven organizations);
- programme of modernization of museum lighting systems, energy saving of the State Hermitage Museum;
- environmental projects (support provided to two nature reserves).

**Table 53.** Charity and Sponsorship Projects in 2020

Support area	Amount, RUB	%
Targeted medical assistance	3,352,690.00	23.61
Support of disabled children, orphans, and children from low-income families	1,670,613.00	11.76
Support of medical institutions	829,820.00	5.86
Support of non-governmental and religious organizations, ex-soldiers and veterans	201,600.00	1.42
Cultural projects	5,000,000.00	35.21
Support of children's and youth initiatives	281,527.00	1.98
Support of science and education	1,458,917.50	10.27
Support of public initiatives and local self-government bodies	622,586.00	4.38
Support of environmental projects	782,245.00	5.51
<b>Total</b>	<b>14,199,998.50</b>	<b>100.00</b>

In 2021, TGC-1 will continue its charitable activities. The Company plans to support actively social initiatives and infrastructure development projects in remote settlements in the regions of presence of the company. As before, the priority is to provide assistance to children and medical institutions. In addition, the Company plans to develop environmental projects and corporate volunteering.

## 10.6. Environmental protection

In 2020, the branches of TGC-1 implemented environmental activities, in particular design and survey work on the restoration and modernization of sewage networks and the construction of treatment plants at a number of facilities:

- Modernization of local treatment plants at the discharge to the city collector of the Pervomayskaya CHPP;
- Restoration of sewage networks with the separation of flows and the construction of treatment plants at the discharge into the reservoir and city collector of the Avtovskaya CHPP;
- Restoration of sewage networks with the construction of sewage treatment plants of the Vasileostrovskaya CHPP;
- Construction of a reusing water system of the Avtovskaya CHPP;
- Re-cultivation of the MSW landfill in the village of Rayakoski (Kolsky Branch);

- The final stage of work on the construction of LSPs of the Iovskaya HPP of the Niva HPPs Cascade of the Kolsky Branch.

### Costs of implementation, RUB mln

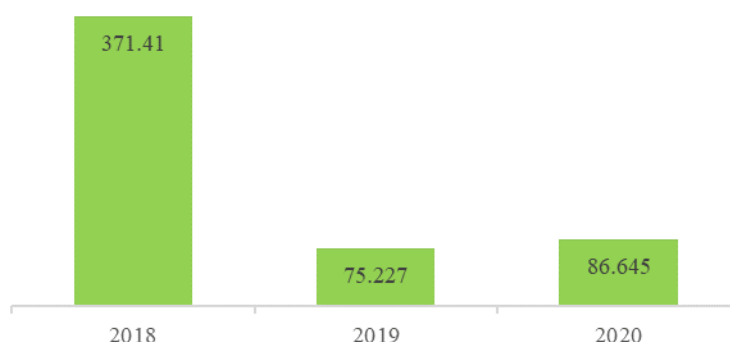


Fig. 25 Total Amount of Investments Aimed at Protecting Environment for 2018-2020

Investments in fixed assets directed to environmental protection in 2020 increased by 15% compared to 2019, including 27.52% more spent on wastewater treatment plants, which took into account the implementation of construction and installation works for the restoration of the sewerage system at the Vasileostrovskaya CHPP without the introduction of new capacities. In 2020, design and survey work was not taken into account in accordance with the instructions for filling in the statistical reporting form KS-18 "Information on Investments in Fixed Assets Aimed at Environmental Protection and Rational Use of Natural Resources". Also in 2019, work was completed on the construction of local treatment facilities for the service and household complex for the shift personnel of HPP-10 of the Niva HPPs Cascade of the Kolsky Branch.

#### 10.6.1. Emissions

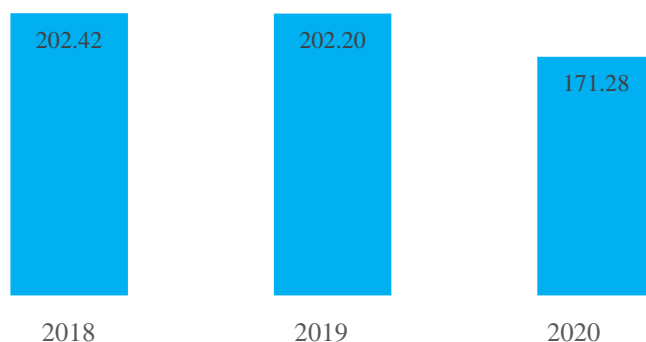
##### Wastewater discharge into surface water bodies in 2018-2020

The volume of water disposal to surface water bodies in 2020 decreased due to a decrease in electricity generation by the business units of the Nevsky Branch, which is associated with the generation mode set by the dispatch control (RDO). At the same time, in the total volume of discharges, the volume of normatively treated wastewater increased due to a number of reasons: in the Kolsky Branch, unscheduled repairs were carried out at the Paz and Niva HPPs Cascade, the deadlines for overhauls were extended, which led to the involvement of additional personnel and to an increase in the consumption of water received at the biological and mechanical treatment plants; biological treatment facilities at the Iovskaya HPP were commissioned at the Niva HPPs Cascade (new issue No. 5).

Table 54. Volumes of wastewater discharges to surface water bodies in 2018 - 2020

Item No.	Indicator	Unit	2018	2019	2020
1	Water disposal in surface water bodies in total, including:	thousand m <sup>3</sup>	202,421.97	202,196.130	171,281.43
1.1.	polluted (without treatment)	thousand m <sup>3</sup>	53,884.60	54,304.69	48,392.69
1.2.	polluted (insufficiently treated)	thousand m <sup>3</sup>	2,273.48	2,323.50	1,292.68
1.3.	regulatory clean (without treatment)	thousand m <sup>3</sup>	146,260.89	145,566.34	121,589.88
1.4.	regulatory treated	thousand m <sup>3</sup>	3.00	1.60	6.18

### Discharge volume, total, mln m<sup>3</sup>



**Fig. 26.** Wastewater Discharge into Surface Water Bodies in 2018-2020

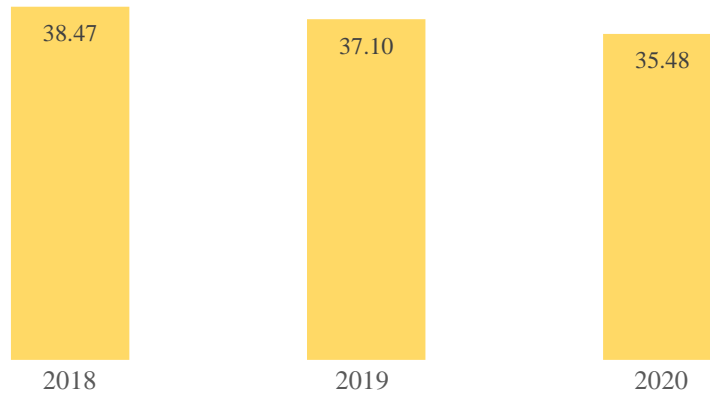
### Emissions of pollutants into the atmosphere: emissions of solid substances, emissions of gaseous and liquid substances for 2018-2020

**Table 55.** Emissions of pollutants into the atmosphere in 2018-2020

Item No.	Indicator	Unit	2018	2019	2020
<b>1</b>	Total gross emissions of harmful substances, including:	t	38,466.65	37,101.949	35,476.848
<b>1.1.</b>	within maximum permissible limits	t	36,427.80	36,880.391	35,363.673
<b>1.2.</b>	over-permitted	t	2,038.80	221.558	113.175
<b>2.</b>	Total solid waste emissions, including:	t	3,246.60	2,740.369	2,717.383
<b>2.1</b>	within maximum permissible limits	t	3,172.77	2,724.154	2,704.088
<b>2.2</b>	over-permitted	t	73.86	16.215	13.295
<b>3.</b>	Total gas and liquid emissions, including:	t	35,220.00	34,361.58	32,759.465
<b>3.1</b>	within maximum permissible limits	t	33,255.00	34,156.237	32,659.585
<b>3.2</b>	over-permitted	t	1,964.98	205.343	99.880

The gross emission of pollutants into the atmosphere by TGC-1 in 2020 decreased due to a decrease in production. Accordingly, the emissions of all types of pollutants decreased. At the same time, excess emissions of all substances were significantly reduced by half due to a decrease in the volume of burned fuel compared to 2019 at the Petrozavodskaya CHPP, the boiler houses of the Pryazhinsky and Prionezhsky districts of the Karelsky Branch. A relatively small amount of excess emissions still persists due to the high overall wear and tear of equipment at small coal-fired boilers in the Karelsky Branch, even after repairs carried out in previous years. Due to the reduction in emissions in general and the reduction in the amount of burned fuel at the Apatitskaya CHPP in particular, the amount of captured and neutralized harmful substances also decreased.

## Gross emissions into the atmosphere, thousand tons



**Fig. 27.** Amount of Emission of Pollutants into the Atmosphere in 2018-2020

The total cost of environmental protection measures in 2020 carried out in the business units of the Nevsky, Karelsky and Kolsky Branches of TGC-1 amounted to more than RUB 331,215 mln.

## APPENDIX 1. REFERENCE INFORMATION FOR SHAREHOLDERS AND INVESTORS

### Banking details of TGC-1

Tax reference number (INN)/KPP	7841312071 / 997650001
Settlement account:	4070 2810 3090 0000 0005 in JSC AB ROSSIYA, St. Petersburg
Correspondent account	3010 1810 8000 0000 0861
BIC	044030861
OGRN	1057810153400
OKPO	76201586

### Information on the Registrar of TGC-1

#### **Specialised Registrar – Holder of the Register of Gas Industry Shareholders Joint Stock Company (JSC DRAGA)**

Location / Mailing address	71/32 Novocheremushinskaya Street, 117420 Moscow
Tax reference number (INN)	7704011964
Telephone	+7 (495) 719-40-44
Fax:	+7 (495) 719-45-85
Website	<a href="http://draga.ru/">http://draga.ru/</a>
E-mail:	<a href="mailto:info@draga.ru">info@draga.ru</a>

#### **Branch of JSC DRAGA (St. Petersburg)**

Location in St. Petersburg	8/2 Bolshaya Zelenina St., 197110, St. Petersburg
Telephone	+7 (812) 775-00-81
Fax:	+7 (812) 775-00-82
E-mail:	<a href="mailto:spb@draga.ru">spb@draga.ru</a>

Date of appointment of this registrar for the maintenance of the register of the issuer's registered securities: 23 December 2010.

### Information on the Auditor of TGC-1

#### **BDO Unicon Joint Stock Company (BDO Unicon AO)**

Place of business	Section 11, 125 Bdlg. 1 Varshavskoye Shosse, 117587 Moscow
Mailing address	Business centre “Preo-8”, Preobrazhenskaya Sq. 8, 107061 Moscow
Tax reference number (INN)	7716021332
Telephone	+7 (495) 797-56-65
Fax:	+7 (495) 797-56-60
Website	<a href="http://www.bdo.ru/">http://www.bdo.ru/</a>
E-mail:	<a href="mailto:reception@bdo.ru">reception@bdo.ru</a>

#### **Branch of BDO Unicon AO (St. Petersburg)**

Location in St. Petersburg	18A Petrogradskaya Embankment, 197046 St. Petersburg, office 206, 211
Telephone	+7 (812) 332-0892
Fax:	+7 (812) 332-0892
E-mail:	<a href="mailto:spb@bdo.ru">spb@bdo.ru</a>

#### **Details of the Auditor's membership in self-regulatory organization of auditors**

Full name: Self-regulatory organization of auditors Association “Sodruzhestvo” (SRO AAS)

Location: 21/4 Michurinsky prospect, 119192 Moscow, Russia

Primary registration number of entry in the SRO Register: 12006020340.

## Procedure for the Auditor Selection by the Issuer

A tender procedure related to the selection of an auditor in 2020 was held in the form of an open bidding for the right to conclude agreements for organising a necessary annual audit of financial (accounting) statements of TGC-1 and its subsidiary in accordance with RAS and financial statements in accordance with IFRS for 2020.

Requirements for terms of services:

Audit of TGC-1's accounting statements prepared in accordance with RAS:

- An auditor's report shall be presented until 26 February 2021;
- Provision of services under the Agreement shall be completed until 30 April 2021.

Audit of TGC-1 Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS):

- An auditor's report shall be presented until 9 March 2021;
- An auditor's report on results of the review of interim condensed consolidated financial statements shall be presented until 3 August 2020;
- Provision of services under the agreement shall be completed until 30 April 2021.

Terms of reference for performance of services (provision of services):

- for organising a necessary annual audit of TGC-1's accounting statements and its subsidiary PJSC Murmanskaya CHPP, prepared in accordance with RAS;
- for organising a necessary annual audit of TGC-1 Group's consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS).

Assessment criteria for bids:

- Value criterion: agreement price.
- Non-value criteria:
  - Quality characteristics of purchased property.
  - Qualification of participants, including their experience in auditing accounting (financial) statements, summary accounting statements, and consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as well as availability of labour resources with necessary competency and skills to participants.

The importance of criteria is determined in percentage terms. For evaluation purposes, criteria were rated as follows:

Item No.	Request assessment criterion	Importance
<b>1.</b>	<b>Value criterion</b>	<b>40%</b>
1.1.	Agreement price:	40%
<b>2.</b>	<b>Non-value criteria, including:</b>	<b>60%</b>
2.1.	Company Goodwill	20%
2.2.	Financial standing	20
2.2.	Qualification of a participant	60%
	Sum of criteria importance	100%

The final rating of bids is calculated as the sum of ratings under the assessment criteria Contract Price, Company Goodwill, Financial standing, and Qualification of the Participant. Criterion rating is the score received on results of bid assessment under the respective criterion adjusted by the assessment criterion significance value. When calculating the fractional value of the rating, it is rounded up to the second decimal place in accordance with the mathematical rounding rules. A 100-point scale is used for assessment of bid by each criterion.

Indicators and indicator values, as well as score calculation formulas are provided for non-value criteria.

The Commission assigns a sequence number to each Bid based on evaluation results in the descending order of benefits of Contract conditions. The Bid with the best Contract conditions is rated

the first. If several Bids contain similar Contract conditions, a Bid received earlier will be assigned a lesser numerical than the other Bid with the same conditions.

The procedure for appointment of an auditor candidate for approval by the Shareholders Meeting (participants), including the management body making the respective resolution:

In accordance with sub-cl. 9, cl. 20.1., art. 20 of the Issuer's Articles of Association, the Board of Directors is authorised to "provide recommendations to the General Shareholders Meeting regarding agenda items involving the approval of the Company's auditor."

In accordance with sub-cl. 9, cl. 15.1., art. 15 of the Issuer's Articles of Association, the General Shareholders Meeting of the Issuer is authorised to: approve the Company's Auditor.

### **Factors that can influence the independence of the Company's Auditor**

There are no factors that can influence the independence of the Auditor (an auditing company) from the Issuer or material interests binding the Auditor (persons holding positions in the management and control bodies of the auditing company's financial and economic activities) with the Issuer (persons holding positions in the management and control bodies of the Issuer's financial and economic activities).

With regards to maintaining the Auditor's independent status, Auditors are guided by art. 8 of the Federal Law No. 307-FZ of 30 December 2008 On Auditing, as well as by Russian and international professional ethics codes of auditors.

### **Period of the last external auditor selection procedure**

Based on the resolution of the Audit Committee of TGC-1's Board of Directors, an open bidding in the electronic form for the right to submit a winner candidate for consideration and approval by the General Shareholders Meeting followed by signing of an agreement with TGC-1 for auditing of accounting financial statements for 2020.

Bids were opened witnessed by representatives of auditing companies. Submitted bidding materials were assessed according to the following criteria: service fee, participants' goodwill, financial standing, bidders' qualification, summary rating.

Following the decision of TGC-1 Tender Committee, the results of the open request for proposals were summed up. The Tender Committee decided to recommend BDO Unicon AO as the Auditor of TGC-1.

### **Material conditions of the agreement with the Company's external auditor**

The subject of the agreement is organising a necessary annual audit of consolidated financial (statutory financial) statements of TGC-1 and its subsidiary for compliance with the Russian Accounting Standards and consolidated financial results for compliance with IFRS for 2020.

Period of services:

- Audit of TGC-1's accounting statements prepared in accordance with RAS:
  - An auditor's report shall be presented until 26 February 2021;
  - Provision of services under the Agreement shall be completed until 30 April 2021.
- Audit of TGC-1 Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS):
  - An auditor's report shall be presented until 9 March 2021;
  - An auditor's report on results of the review of interim condensed consolidated financial statements shall be presented until 3 August 2021;
  - Provision of services under the agreement shall be completed until 30 April 2021.

Fee for services: In accordance with sub-cl. 10, cl. 20.1., art. 20 of the Issuer's Articles of Association, determination of the fee for the Auditor's services is in the competence of the Board of Directors.

On 22 May 2020, TGC-1's Board of Directors adopted the decision to take into account the results of the open electronic competitive selection for the right to include a winner to the procedure of consideration and approval by the General Shareholders Meeting and further conclusion of an audit services agreement with TGC-1 in accordance with RAS and IFRS for 2020. Recommend the Company's General Shareholders Meeting to approve BDO Unicon AO as the Auditor of the Company. In case the General Shareholders Meeting approves BDO Unicon AO as the Company's Auditor, determine a service fee in the amount of not exceeding RUB 5,400,000, including 20% VAT - RUB 900,000.

By the results of TGC-1's Annual General Shareholders Meeting held on 22 June 2020, it was decided to approve BDO Unicon AO as the Company's Auditor conducting audit of financial statements under RAS and consolidated financial statements under IFRS for 2020.

There are no deferred or overdue payments for the services rendered by the auditor.

With regards to maintaining the Auditor's independent status, Auditors are guided by art. 8 of the Federal Law No. 307-FZ of 30 December 2008 On Auditing, as well as by Russian and international professional ethics codes of auditors.

**Contact information:**

**TGC-1**

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IR contacts  
[ir@tgc1.ru](mailto:ir@tgc1.ru)

**The Bank of New York Mellon (GDR Depository Bank of TGC-1)**

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The Bank of New York Mellon, Depository Receipts  
ADR Division/EEMEA  
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Fax: +1 (732) 667 9098  
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[Yury.mandzhiev@bnymellon.com](mailto:Yury.mandzhiev@bnymellon.com)

**APPENDIX 2. ABRIDGED FINANCIAL STATEMENTS OF TGC-1 FOR 2020 UNDER THE RUSSIAN ACCOUNTING STANDARDS (RAS)**

**BALANCE SHEET as at 31 December 2020, RUB thous.**

	31 December 2019	31 December 2020
<b>I. FIXED ASSETS</b>		
Intangible assets	78,893	68,162
Results of research and development	83,922	64,429
Fixed assets	78,506,238	79,311,259
Long-term financial investments	17,739,739	17,739,739
Deferred tax assets	313,932	408,724
Other non-current assets	3,422,953	4,787,955
<b>Total Section I</b>	<b>100,145,677</b>	<b>102,380,268</b>
<b>II. CURRENT ASSETS</b>		
Inventories	3,348,427	3,502,930
Value added tax on goods purchased	91,837	110,644
Accounts receivable	16,565,184	16,383,943
Short-term financial investments (excluding cash equivalents)	10,918,972	14,729,665
Cash and cash equivalents	29,157	2,565
Other current assets	324,995	362,939
<b>Total Section II</b>	<b>31,278,572</b>	<b>35,092,686</b>
<b>TOTAL SECTION I AND II</b>	<b>131,424,249</b>	<b>137,472,954</b>
<b>III. EQUITY AND RESERVES</b>		
Authorized capital	38,543,414	38,543,414
Own shares buy-back	-	-
Revaluation of non-current assets	9,587,544	9,561,883
Additional capital (without revaluation)	23,285,600	23,285,600
Reserve capital	1,927,171	1,927,171
Retained earnings (loss)	29,963,158	32,757,011
<b>Total Section III</b>	<b>103,306,887</b>	<b>106,075,079</b>
<b>IV. NON-CURRENT LIABILITIES</b>		
Borrowings and bank loans	4,000,000	9,500,000
Deferred tax liabilities	4,448,579	4,255,932
Other non-current liabilities	203,191	450,735
<b>Total Section IV</b>	<b>8,651,770</b>	<b>14,206,667</b>
<b>V. CURRENT LIABILITIES</b>		
Borrowings and bank loans	8,911,594	3,400,650
Accounts payable	10,275,754	13,477,314
Estimated liabilities	278,244	313,244
<b>Total Section V</b>	<b>19,465,592</b>	<b>17,191,208</b>
<b>TOTAL SECTION III, IV, V</b>	<b>131,424,249</b>	<b>137,472,954</b>

**Statement of financial performance for 2020, RUB thous.**

<b>P&amp;L Statement, RUB thousand</b>	<b>2019</b>	<b>2020</b>
<b>Proceeds and expenses of ordinary activities</b>		
Revenue	90,836,923	84,158,198
Production cost	(78,988,281)	(74,190,248)
Gross profit	11,848,642	9,967,950
Profit (loss) from sales	11,848,642	9,967,950
<b>Other proceeds and expenses</b>		
Interest receivable	413,984	378,176
Interests Payable	(530,307)	(322,100)
Other proceeds	2,836,390	1,974,520
Other costs	(2,963,812)	(3,636,470)
<b>Profit (loss) before taxation</b>	<b>11,604,897</b>	<b>8,362,076</b>
Income tax, incl.	(2,154,025)	(1,597,002)
current income tax	(2,292,192)	(1,904,409)
deferred income tax	111,494	287,439
income tax of past years	26,673	19,968
Other	(1,631)	(1,769)
Net profit	<b>9,449,241</b>	<b>6,763,305</b>
<b>REFERENCE</b>		
Result of revaluation of non-current assets not included to the net profit (loss) for the reporting year	–	–
Results of other transactions not included to the net profit (loss) for the reporting year	–	–
Cumulative financial result for the year	9,449,241	6,763,305
Basic earnings (loss) per share, <i>RUB</i>	<i>0.00241</i>	<i>0.00176</i>
Diluted earnings (loss) per share	–	–

Complete accounting statements of TGC-1 for 2020 under the Russian accounting standards are presented on the corporate website of TGC-1 <http://www.tgc1.ru/ir/reports/> and in the Internet used by TGC-1 for information disclosure: <http://www.e-disclosure.ru/portal/files.aspx?id=7263&type=3>

**APPENDIX 3. ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS OF TGC-1 FOR 2020 UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

**Consolidated statement of financial position as at 31 December 2020, RUB million**

	31 December 2019	31 December 2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	148,607	151,135
Investment property	164	139
Intangible assets	3,108	3,859
Investments in associates	421	436
Other non-current assets	1,445	1,391
Deferred income tax assets	316	140
<b>Total non-current assets</b>	<b>154,061</b>	<b>157,100</b>
<b>Current assets</b>		
Inventories	3,613	3,728
Trade receivables and other prepayments	13,715	14,057
Current income tax prepayments	156	49
Cash and cash equivalents	881	1,036
Financial assets	10,010	14,817
	<b>28,375</b>	<b>33,687</b>
Non-current assets held for sale	68	–
<b>Total current assets</b>	<b>28,443</b>	<b>33,687</b>
<b>TOTAL ASSETS</b>	<b>182,504</b>	<b>190,787</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	38,543	38,543
Share premium	22,914	22,914
Accumulated earnings and other reserves	61,295	66,803
<b>Equity attributable to the Company's shareholders</b>	<b>122,752</b>	<b>128,260</b>
Non-controlling interest	8,921	10,698
<b>Total equity and reserves</b>	<b>131,673</b>	<b>138,958</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Long-term borrowings	4,000	9,500
Post-employment benefits obligations	1,159	1,166
Trade and other payables	290	444
Lease liabilities	7,264	5,245
Deferred tax liabilities	10,328	10,228
<b>Total non-current liabilities</b>	<b>23,041</b>	<b>26,583</b>
<b>Current liabilities</b>		
Short-term borrowings	13,258	7,747
Trade and other payables	11,248	12,897
Current income tax payable	32	747
Other taxes payable	986	1,557
Rent liabilities	2,266	2,298
<b>Total current liabilities</b>	<b>27,790</b>	<b>25,246</b>
<b>Total liabilities</b>	<b>50,831</b>	<b>51,829</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>182,504</b>	<b>190,787</b>

**Consolidated statement of profit or loss and other comprehensive income for 2020, RUB thousand**

	Year ended 31 December 2019	Year ended 31 December 2020
Revenue	97,256	88,889
Operating expenses	(85,599)	(76,913)
Impairment (loss) / gain on financial assets	492	(1,152)
<b>Operating profit</b>	<b>12,149</b>	<b>10,824</b>
Finance income	539	570
Finance costs	(2,360)	(1,174)
Share of profits of associates	11	15
<b>Profit before income tax</b>	<b>10,339</b>	<b>10,235</b>
Income tax expense	(2,349)	(1,982)
<b>Profit for the period</b>	<b>7,990</b>	<b>8,253</b>
<b>Other comprehensive income / (expense):</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Remeasurements of post-employment benefits obligations	(175)	27
<b>Other comprehensive income / (expense) for the period</b>	<b>(175)</b>	<b>27</b>
<b>Total comprehensive income for the period</b>	<b>7,815</b>	<b>8,280</b>
<b>Profit / (loss) for the period is attributable to:</b>	<b>7,990</b>	<b>8,253</b>
Owners of the TGC-1	8,928	8,062
Non-controlling interests	(938)	191
<b>Total comprehensive income / (expense) is attributable to:</b>	<b>7,815</b>	<b>8,280</b>
Owners of the TGC-1	8,759	8,086
Non-controlling interests	(944)	194
<b>Earnings per ordinary share for profit attributable to owners of the TGC-1, basic (in Russian Roubles)</b>	<b>0.0023</b>	<b>0.0021</b>

The full consolidated financial statements of TGC-1 under the International Financial Reporting Standards for 2020 are presented on the corporate website of TGC-1 <http://www.tgc1.ru/en/ir/reports/> and in the Internet used by TGC-1 for information disclosure: <http://www.e-disclosure.ru/portal/files.aspx?id=7263&type=4>